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**Microfinance: a strategy for poverty reduction. A case study of opportunity
international savings and loans operations at Nkawie, Toase and Mpastia.**

BY

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A dissertation submitted to the Department of Marketing and Corporate Strategy in

partial fulfillment of the requirement for the award of

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DECLARATION

I **OKYERE WIREDU** declare that, with the exception of the reference to other people's work, which has been duly acknowledged, this work is the result of my original research supervised by a lecturer, and that this work has neither in whole, nor in part, been presented for a degree elsewhere.

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I hereby declare that I have supervised the student in undertaking the study submitted herein and I confirm that the student has my permission to present it for assessment.

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DEDICATION

I dedicate this work to my parents Mr. and Mrs. Okyere Yeboah who has made countless sacrifices to see me through my education up until now, all my siblings particularly Akwasi Asante Okyere as well as my Dear Wife , Iris Owusu Sekyere and all who has in diverse ways supported me throughout my education.

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ABSTRACT

The continent of Africa and Sub - Saharan Africa and Ghana in particular is richly endowed with abundant God given natural resources. It is however saddled with high levels of poverty, as Sub-Saharan Africa which Ghana finds itself ranking lowest in terms of human development. Microfinance is in the service industry where the financial services as well as financial advisory assistance is given to the economically active poor to help change the poor circumstances so we can see socio-economic growth and transformation. This study uses descriptive method to collect data on a sample size of 149 customers within Nkawie, Toase and Mpasatia area and fifteen credit relationship officers of Opportunity International Savings and Loans (OISL) using both questionnaire and interview to investigate Microfinance: As a strategy for poverty reduction, a case study of OISL operation in the Nkawie , Toase and Mpasatia communities. The result of the study shows that the employees of OISL saw a transformation in the socio-economic life of their customers in spite of the delays in the repayment of loan granted and the prospects of extending their services to many in the communities. Customers are also aware of the presence of OISL at the community to do business with them. With respect to access, customers realized that it is only required of them to either have an accounts with OISL or to join a group, have a business operating for at least six months.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study.

The continent of Africa and Sub - Saharan Africa and Ghana in particular is richly endowed with abundant God given natural resources. It is however saddled with high levels of poverty, as Sub-Saharan Africa which Ghana finds itself ranking lowest in terms of human development. A greater percentage of Ghanaians livelihood is on less than a dollar (\$1.00) a day. Upon the large acreage of varied arable lands available for food crops cultivation, Ghana continue to import very basic foodstuffs that could easily be produced with its large arable lands. (Sowa, 2000).

Poverty is that circumstances where an individual finds it economically difficult to meet basic necessities in life such as food, shelter and clothing because of low level of income. This situation leads to many fold difficulties like decreased health facilities, high illiteracy rate, decreased quality of life among others. These difficulties motivate human beings to commit heinous crimes and sometimes suicide.

Poverty has been defined by several authors as the situation of having no enough money to meet the basic needs of human beings while measuring in terms of arable lands available to an individual to be productive for himself and his household. Zaman (2000).

According to Chambers (1983), the poor in our society found themselves considered and tagged as poor because they are poor and cannot meet very fundamental necessities of life that make human survive. He further advanced his point that their poor livelihood traps them to the extent of preventing from enjoying the very basics necessities of life. Poverty is a strong determinant of the others. Poverty cannot be associated with one peculiar reason or thing and therefore any attempt to tackle the issue of poverty must be fought from all fronts. Poverty contributes to how healthy and unhealthy or weakness through

lack of not just food, but the absence of food that has the basic nutritive ingredient the nutritive which most often leads to malnutrition leading to a weak immune system that is incapable to response to and fight minor infections coupled with their inability to pay for health services. Chambers (1983) recorded other forms of circumstances the poor go through in their daily struggle for survival and other inhumane experiences that are not considered by income-poverty measures.

Microfinance is in the service industry where the financial services as well as financial advisory assistance are given to the economically active poor to help change the circumstances of the poor and the low income. The most important aspect of the whole idea of microfinance is to be able to meet the demands for one form assistance in the form of loan particularly to support small business, start up as they begin to witness growth (Khandker, 2005). Microfinance as a new tool of financing small businesses to move them hitherto from small to medium scale enterprises has systematically assisted businesses and plans to see it develop to sustainable enterprises since its came into operation in the 1970s. Over the years, microfinance innovations have carefully been studied, then model created out of it to suit the particular situation and this has been practised from one jurisdiction to another or from one country to other countries, any time the practise of microfinance has been imported from one place to another , the practitioners through their quest to see poverty has brought in new ideas to get it customize and acceptable to the people (Lapie, 2001), cited in Kiweu (2009). The present results and outcomes achieved over the period with the practise of microfinance have caused a considerable interest in many people.

Microfinance refers to the MFI's rendering services in the area of loans of a relatively smaller amounts and other services that are tailored to meet the needs of its customers and other services as may be deemed needed by the poor low-income households and these microenterprises that happens to fall within the market. Microcredit which happens to be

associated with MFI's also refers to most cases small loans to their customers that are advanced to them to assist expand the business of these microfinance companies and savings and loans or other institutions like deposit mobilization company licensed by BOG to undertake such business activities.

Microfinance has over the years shown that it can be reliable, effective, efficient and powerful means to reduce the poverty situation in a country. Like many other development tools used in the poverty reduction strategy, however, their operational methodologies has made them able to successfully reach to the poor and rural communities where traditional mainstream bank do not send their services to. The poorest form the vast majority of those without access to primary health care and basic education; similarly, they are the majority of those without access to microfinance.

Bank of Ghana (2012) reveals that the business and activities of microfinance is not a 21st Century revelation and has been an old practice in Ghana as people were doing some kind of daily savings in the form of what is commonly referred to as 'SUSU' which means smaller amount of money saved on a daily basis with the company or individual money lenders with to qualify them to take small loans from individuals and groups to be invested in their small business venture or even farming enterprises. Information available is evident that when the Canadian Catholic Missionaries got to Ghana, they were involved in what is referred to credit union in the Northern Ghana whose methodologies is the same way the present Micro finance operates.

1.2 Problem Statement.

Micro Finance Institutions (MFIs), government's agencies, and donors do not seem to agree on the long-term impact of microfinance. This presumption seems to have retarded the anticipated impact of microfinance as support from donors in the sector has not been

forthcoming at the time they are mostly needed. The MFIs missions that are indirectly and directly forced on them by policies instituted by governments and other regulated government agencies, especially in regard to interest rate setting. This trend was especially seen in the Island of Dominica, as highlighted in a study by Lashley and Lord (2002).

International Monetary Fund (2011) World Economic Outlook on Ghana saw a turnaround in its economic and infrastructure which was negative before the changes to positive at an average of five percentage points (5%) per cent between the year 1984 and 1993, the growth though positive, was not enough to bring about a significant poverty reduction. The period saw a population growth that was three percentage(3.0%) and this in effect implied that per capita output registered a growth of 1.8 per cent at the most. Given the extent of the poverty in the country before these reforms, a growth rate such as that is not adequate enough to take a lot of people out of poverty.

The income of households with access to credit is significantly higher than for comparable households without access to credit. A study at Indonesia saw a 12.9 per cent annual average rise in income from borrowers was observed while only 3 per cent rise was reported from households that did not have access to credit facility. Remenyi work in Indonesia saw a change in income of (29.3%) as annual average rise in income relative to the 22% annual average rise in income from people who had done their business without any injection of borrowed funds into their business. In Sri-Lanka, he indicated a 15.6% rise in income from customers who had borrowed and 9 per cent rise from non-borrowers. In the case of India, 46 per cent annual average rise in income was seen as per measurement of their socioeconomic improvement with 24 per cent increase recorded from non-borrowers. The effects were higher for those just below the poverty line while income improvement was lowest among the very poor.

Others are also of the opinion that microfinance has also worsened people's business finances and their profitability because of the higher interest usually charged on the loans they advance to the patrons of their product and services. In an interview with The General Telegraph newspaper (October 23, 2013), reported that the President of the Ghana Union of Traders Association (GUTA) is not favour of the claim of microfinance has helped businesses in the country as his opinion is underpinned by the interest charged on loans by the microfinance companies thereby accusing them of killing businesses in Ghana. He was of the opinion that the loans granted to businesses and small start-up were priced high and this was in a way causing the collapse of many business. The GUTA president was alarmed at the high interest charges citing that there was an average of between sixty to seventy two per cent charge on loans by the MFI's relative to the commercial banks which charge about 30% in a year although that was also higher for businesses.

Objectives of the Study

The main objective of the study is to assess the role of microfinance as an effective strategy for poverty eradication. The specific objectives of the research are therefore aiming to:

1. To assess the awareness of people on the role microfinance companies play in their community
2. To investigate the accessibility of the microfinance companies to the local people in the community.
3. To explore the socio economic effects of lending on the customers of the microfinance companies.
4. To find the prospects and challenges of Microfinance operating in these communities.

1.4 Research Questions.

1. What role does microfinance play in the reduction or eradication of poverty at Mpasatia, Nkawie and Toase communities?
2. What economic effect does lending have on loan clients at Mpasatia, Nkawie and Toase communities?
3. What is the level of awareness of the availability of a micro finance company and its operations at Mpasatia , Nkawie and Toase?
4. How does credit facility accessed by customers affect their businesses at Mpasatia, Nkawie and Toase communities?
5. What are the operational prospects and challenges with conducting micro lending in the communities?

1.5 Significance of the Study.

The study will help inform researchers and individuals who might lay hands on it about the role of microfinance in the livelihood of people within the Mpasatia, Nkawie and Toase communities.

Policy makers can use the findings of the study as a guide in designing and implementing policy framework for savings and loan and microfinance operations in other communities in Ghana.

It can also help academia and researchers in conducting further studies on the topic on the possibility of using the savings and loans and microfinance modus operandi as a means of tackling the nagging issues of poverty issues of rural households.

Businesses and other institutions found in the operation in these communities that may not be improving on their bottom line could also use this study to develop strategies on how best they can employ the research outcome to boost the business performance.

The study can also help microfinance owners and savings and loans companies on how to operate their business in rural settings that may have characteristic like the communities in discussion.

1.6 Scope of the Study.

This research would look at three communities (Mpastia, Nkawie and Toase) in the Ashanti Region that has seen the operations of Opportunity International Savings & Loans for over the last fifteen years. The customers of the company in these communities would be administered with questionnaires to solicit their views with the research questionnaire. We will talked to both potential and existing customers who have dropped off from doing business with company

The study would look at these customers from both their workplaces and household, also take into consideration the nuclear family of the customers of Opportunity International Savings & Loans Ltd on the benefits that they might have directly and indirectly gotten through their parent or spousal association with the company by means of their relations accessing the product and services of the company.

1.7 Limitation of the Study

Work such as this normally has their limitations because of the fact that, people on whom our questionnaires are normally administered are sometimes uneducated or illiterate and interpretation of the questionnaires may be different for them reading it and understanding it themselves. There are times people sometimes want to say things we want to hear and may not be willing to tell exactly what actually the case is. Also are respondent who may not even be willing to answer the questionnaires at all. All these among others which I may not have mentioned may also impact on the outcome on the study.

1.8 Organization of the Study.

This study conducted has been discussed under five (5) chapters. Each chapter although looks at a particular area on the study, the successive chapters is a continuation of the previous chapter.

Chapter One looked at the background of the entire study among other relevant areas such as the study objectives, research questions, justification of the study, scope of the study, limitations of the study and how the entire work has been organized in each chapter. Chapter Two looked at various literatures on the subject matter. The microfinance concept and a cursory look at the various definitions of poverty and perspectives. Also looked at the challenges in Micro financing as well as socio-economic impact. Chapter Three states the methodology that is used. This includes the research design, population, sample and sampling procedures, data analysis and the profile of the study area. Chapter Four analyzed the data collected from field.

Finally, Chapter Five looked at the summary of findings from the data analyzed in the previous chapter whiles making, suggested recommendations and then bring work to conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The influx of Microfinance Institutions (MFIs) in recent years has generated a lot of concerns for many industry players and the economy as a whole. Micro financing has therefore caught the attention of several writers lately and has considerably been dealt with by many researchers and authorities in the finance industry. It is in the light of this that it has become necessary if not important for this research to be carried out to mainly assess the role(s) played by these sprung up MFIs as effective strategy for poverty eradication. Hence, this chapter seeks to provide readers with existing studies on micro financing, particularly in the context of poverty eradication to enable the researcher to build on the existing literature. In addition, it discusses the economic effects of lending on loan clients (households) as well as the effects of credit facility accessed by customers on their businesses.

2.1 Concepts and Definitions

2.1.1 Microfinance.

Microfinance, according to Otero (1999, p.8) is the provision of banking services to people whose income from their income generating activities are usually low. What these financial services according to Ledgerwood (1999) mostly provides services in the form of savings and credit, occasionally extending the services they render to them in the form of insurance and payment for other services such. Schreiner and Colombet (2001) define microfinance as an opportunity to use financial services to improve access to small deposits and small loans for poor households who are unable to access the services rendered by the mainstream bank because of their service and product features. The approach by the microfinance companies was then to target the economically active poor

who has been neglected by the banks by providing financial services such as savings, loans and insurance to economically active poor people living in both urban and peri-urban centres who were unable to access such services from the formal financial sector.

According to Rutherford (1999) it is the means by which poor people are able to manage and convert small sums of money into large lump sums to

- (i) Eradicate extreme poverty & hunger,
- (ii) Achieve universal education,
- (iii) Promote gender equality & women's empowerment
- (iv) Reduce child mortality,
- (v) Combat diseases and develop entrepreneurial spirit.

2.1.2 Poverty

One poor man in Kenya encountered a researcher researching on the topic relating to poverty and he remarked, do not ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes, cracks and dirt around it. Look at my cooking utensils and the clothes that I am wearing. Look at everything and write what you see. What you see is poverty!—A poor man, Kenya 1997.

The concept of poverty is translated into policy through a more precise set of definitions and measures. Historically, poverty has been measured in relation to the person income, which remains at the core of the concept even today (Townsend, 2006). However, the measurement of one's income is just an issue just as the measurement of a person's level of poverty and it has to be carefully and precisely explained. In the consideration of one's income, attention should not be only on person activities that are geared cash flow but other ventures but also other resources and must also be considered such as governmental support and subsidies, and employment should be among the items or determinants to

arrive at a more better and realistic means of accurately measuring an individual's income. People can be categorized as poor people when they are deprived of income and other resources needed to obtain the basic things that is needed for a decent conditions of life. In this case, the diets, material goods, amenities, standards and services that enable them to play the roles, meet the obligations and take an active role in the relationships and customs of their community or society the live in. (Townsend, 2006).

According to the World Bank, any income level that is unable to meet very basic human needs is considered as being living the poverty level. This minimum level is usually called the *poverty line*. Satisfaction of basic human needs is not fixed and changes over time and from one society to another may also vary. This therefore means that, poverty lines differ from time and place, and each country and society uses tools which are appropriate to its level of development, societal norms and values. It can also be seen that, contents of the needs are more or less the same everywhere. Poverty is hunger (Bradshaw, 2006). Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to formal education and not knowing how to read. Poverty is not having a job, is uncertainty of the future, living one day at a time. Poverty is losing a child to poor health that easily with basic medic, could have survive the illness and this health conditions are normally brought about by unclean water. Poverty is living empty and frightfulness, not able to do things that you ought to do yourself and being limited with options (Bradshaw, 2006).

2.2 Historical Overview of Microfinance: Trends and Perspectives

Microfinance has been the main source of financial services to the rural communities until recently when the practice has been adopted in the towns and cities as a means to get the unbanked population to roll onto some form of financial services. In times past, the

economic and active poor had the only option of accessing financial services were from individuals who were known at the community as moneylenders, and in some cases from close associates as family or from friends who at the time in need had surplus for them to lean on. The loans that were advanced to the patrons of aforementioned sources came to the borrowers at high unimaginable interest rates, and sometimes at the very time they needed this financial assistance as timely interventions to meet a need in their business, they were disappointed and so they could not be relied on could not be relied on. Then came in the present institutional microfinance to make themselves available to the borrowers who were hitherto been disappointed by the former people who stood in to provide the needed assistance to small business owners at the very time they were needed. This has caused a decline in the demands of their services. Making microfinance becoming an enterprise and bringing it to the point of business started in the Asia and Americas where it was developed with test trials and running of the experiment, the prominent experiment at the time was led by Muhammad Yunus of Grameen Bank in Bangladesh as a means of addressing the overwhelming poverty and social unrest in the years of 1970s (De Aghion and Morduch 2004) also Sundaresan 2008, Bateman 2010). Today, the business of microfinance goes beyond just the disbursement of loans, the provision of financial advice and business handling of customer and making them releasing that customer has moved from service to relationship among other are keen on their agenda because it impacts on the business bottom-line and help in the overall agenda to get poor out of poverty (Bateman 2010).

The implementation of the microfinance programme over the years has chalked various successes around the globe with particular reference to the works that was done in the Grameen Banks in Bangladesh. Various works implemented had their outcomes showing a net positive effect on poverty levels reduction and also saw that the people were to some

extent empowered especially in the low self-esteemed people, microfinance then continuously saw an acceptance and became recognized as a means of fighting poverty among the academia, practitioners and development agencies in various communities. De Aghion and Murdoch (2004) in their work makes a revelation that, microfinance besides the impact communities that are developing like Latin America, Africa, Asia and Eastern Europe, Africa, in the developed communities such as Norway, the United States of America, and England also saw it impacting on the lives of its people when it was applied.

The announcement and further promulgation of the Millennium Development Goals (MGD's) by the United Nations 2000 UN summit and the declaration of 2006 as the year of microfinance thereafter gave credence to the impact it has been making at various operational areas or jurisdictions where the where the concept had been implemented. It became recognized that the fight of poverty can be done through the usage of microfinance to reach out to the poor people whiles meeting the United Nations target of achieving the United Nations Millennium Development Goals (MDGs), with particular and specific effect on the majority of people living below the poverty line, whiles indirectly promoting gender issues such as equality and empowering women as their economic circumstances begin to see changes (Bliss 2005). There was then an upsurge in terms of global investment from international donors and organizations such that the sector receives funding all over which caused an exponential, phenomenal growth never anticipated. However, studies have now begun showing the complication in the discipline.

2.2.1 Emerging Trends in the Microfinance Sub-Sector

The implementation of the project years back till now has seen the programme going through various phases and its phenomenal changes has brought about two perspectives on the programme. The welfare and financial view held by people. Those of the welfare

perspective is very much concerned with how to be able to provide financial services such as loans and advise to particularly trading women at much lower interest rates or sometimes subsidized in relation to what is charged to businesses that are relatively bigger and better than that of those petty trading. The financial perspective argues that businesses as entity are in existence for their survival and not charity organization that is there to just fund peoples businesses and trading enterprises without necessarily improving on their bottom-line as well as return on equity and shareholders' funds invested in these micro finance enterprises. Review of many literature shows that the latter perspective is becoming more and more acceptable to many and has also become bait attracting investment and capital into the sector. The gradual and the movement away from the original ideals of the way the concept was to run to the point of making profit as the main motivation to a lot of players in the industry and financial viability argument is gradually taking away the away the important reason of wanting to fight poverty and driving away the poor from assessing the facilities they offer because of sometimes the unimaginable high interest they charged on their loans especially. The client base of microfinance schemes has also seen a practice where more and more bigger loans are advanced as a mean of reaching out to wealthier clients whom they consider that the risk of default is less in comparison to the poor whom right from the word go, looks like they might not be able to repay the loan (Armendariz and Szafarz 2009). In spite of the gradual deviation of the core concept of the programme, various studies have shown the impact of the microfinance on the on the poor. These studies have further sharply divided into contrasting views on the debate on the impact of microfinance on poverty reduction and empowerment.

Three schools of thoughts have come up with respect to Microfinance according to (Kotir and Obeng-Odoom 2009). The groups are classed based on their way of thing and outlook

of issues as to whether it has positive, negative or neutral. Those of the positive school of thought put their consideration on the fact that they have seen the positive effect it has had on people such as getting them empowered and becoming socially active in their communities. The negative school of thought also on the other hand argues from the point that, there are times and occasions where credit are advanced to people because of no proper assessment, poor business advise among other things has not just caused default but has rather killed a very good business idea or initiative which with proper due diligence done could have helped the borrower instead becoming a defaulter. The neutral takes no side of the point and are at the middle whereby they are realistic at appreciating the positive impact of microfinance on poverty reduction and empowerment but they are not oblivious of the fact that, there are challenges within the sector and this must be lost on us in spite of the positivity (Kotir and Obeng-Odoom 2009, and Adjei 2010).

2.2.2 The Microfinance Concept in Ghana

Poverty definition cannot easily be tied to one single item or cause and this make a single definition difficult because they are multifaceted in nature and it is also dependent on the location one finds himself. In order to measure the poverty level at a particular point, some indicators are used to measure the level of poverty at the place. When the United Nations had its summit in the 2006 for social development , a number of consideration was put forth to show a person's extent of poverty condition some of which included how easy one is able to feed and the well balance a meal one finds, access to quality and affordable healthcare, limited or lack of access to education and other basic necessities that enhances a person livelihood. Some other predispose conditions are homelessness or inadequate housing, unclean or non-drinkable water, unsafe environments, social discrimination and among other considerations (UN Report 2009).

This therefore means for an individual to be considered to be poor from the UN summit then, he must be confronted in his daily living with the above mentioned consideration. Report available highlighted the high rate of poverty especially among Sub-Saharan African which Ghana is considered to be part.

Before the celebration of the year of Jubilee in the 2008, the political stability of the nation has gone through numerous unnecessary military coups and resulting in the so many approaches and programmes of fighting the poverty in the country. A popular of such programmes were the Economic Recovery Programmes and the much talked at the time Structural Adjustment Programme in the 80's that brought about economic liberalization at the time. The effect of these programmes was witnessed in the collapse of many local industries because they could not compete favourably with their foreign counterparts with the withdrawal of governmental intervention at the times that were helping the companies in the production to a greater extent. This is what caused the mass retrenchment in the formal sector at the time (Ghana Statistical Service 2008).

This greatly affected and made the poverty situation and its occurrence of poverty amongst many Ghanaians deepened because the cumulative effects of these poverty driven policy and programmes made a lot more people vulnerable in Ghana until the late 1990s when some improvement in the economy saw a reflection in the poverty levels of the poor. The impact of this was much felt in the regions where they were relatively under-developed in Ghana of which the three northern regions is heavily represented in terms of poverty row call. The introduction of the Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) could not do much. There was an increased in the rural urban migration and inter-city especially from the northern regions to southern Ghana in search of jobs and better life then became prominent. This happened as a result of the changes in

the economic conditions and brought hardship to families and change in the traditional social security. Women and children therefore became the victims in terms of education, health and employment. In the midst of these economic challenges and conditions getting tougher by each passing day, access to financial services became to the very privileged few and the poor were cut off. Banking therefore became an option of the privileged and the well to do in the society (Alabi et al 2007)

2.3 Typologies and theoretical concepts of poverty

Wisdom et al (2012) gave types of poverty in relation to the circumstances that the person finds himself. He gave a poverty situation in relation to a person's capabilities create income from whatever business one does to generate the income and says there are no such available opportunities for the individual to make a decent income. There was where the poverty that one is not able to address his or her very basic necessities such as the things that are required for man's daily survival. Here people live in under in humane circumstances such that they are starved of food and do not have a place to lay their head. Also is the poverty where an individual living conditions is far below the general acceptable living condition in a society. Lastly is the poverty is a type of poverty that is the combination of income poverty and deprivation.

The following review focuses on the theoretical concepts of poverty

2.3.1 Poverty Caused by Individual Deficiencies

This concept of poverty is a large and multifaceted set of issues and discipline which focuses on the individual as the person who owns his circumstances and his poverty level is as a result of his actions or inactions (Bradshaw, 2006). As it is expected with some politicians and political commentators, they blame individual of their conditions as either not working hard enough or not taking advantage of opportunities created, these political

conservative theoreticians argue the individual is solely responsible to be able to avoid their poverty circumstance by their attitude towards work and their bad habit in their poor choices, the poor could have avoided or better put, they can remedy their problems. Also is the group who also put a person's economic circumstances on the family and lineage one comes from. Making the point that, a poor man cannot give birth to a child who will eventually become rich as they link their poverty and depravity to their genetic inheritance one receives from his parent. Making the point and linking the poverty to their genes and saying that the trait one receives has a direct impact on the person chances to well for his life.

The idea and thinking that poverty stems from individual deficiencies is old (Bradshaw, 2006). There is also a religious teaching that made people come to the realization that wealth comes from God by just favouring a people who serve him diligently with the favour of God been central to the Protestant reformation and teachings (Weber 2001) and poverty as a form of punishment and curse by God on a people or a community. This caused people not to work themselves gradually out of their conditions and situation even on physical deformities in general were believed to be punishment from God for either their or their parents' sins. The believe and linking of poverty to ones inheritance of intelligence from parents. This perception and thinking to some extent make them rationalize poverty and even stereotyping those who appeared to have limited abilities.

2.3.2 Poverty Caused by Cultural Belief Systems that Support Sub-Cultures of Poverty

The second theory of poverty roots its cause in the Culture of Poverty (Bradshaw, 2006). This theory is sometimes linked with the individual theory of poverty or other theories, but it recently has become so widely discussed that its special features are not be minimized.

This theory of poverty is said to be associated with a set of belief system that is passed on from one generation to through their sets of beliefs, values, and skills that are socially generated but individually held. However, individual within a family and from a lineage cannot necessarily be held responsible for the situations they find themselves in as a results of them been a victims of their deep seated belief system that works against them. American Sociologists and researchers have long been surprised and fascinated by subcultures of immigrants and ghetto residents as well as the wealthy and powerful (Bradshaw, 2006). Culture is the way a people within a common boundary with share beliefs as way of living, which is transferred from one generation to another continuously unabated, as mirroring the people living in the community. Poverty association of an individual because of his cultural beliefs and some long held belief and living patterns is entirely differently from the poverty of an individual who has to lean on his internal abilities and drive to his advantage to better his livelihood. Poverty has therefore been considered as a livelihood that is innate in the people living in some peculiar environment that create an automatic thinking to believe that their condition is acceptable.

2.3.3 Poverty Underpinned by Socio-Political Economic, Distortions or Discrimination.

There are different approaches to how poverty is seen here. There is this group of conservative who think of poverty as individualistic while the second group of people makes it in a more culturally liberal approach. Interestingly, the third now referred to as progressive social theory (Bradshaw, 2006). The traditionalist approach or theories connects a person's poverty situation to how the socio economic environment is structured to either positively or negatively influence ones abilities to generate income. They further make the point those social systems which cause people to have limited access and opportunities and resources with which to achieve good income and socially do well in

their communities. This is how it is believed that the poor can be salvaged by Yoon and Hirschl (2003). Most often, researchers who research into poverty are more attentive to those who lose out primarily on how the economy affect their ability to do well on how the economy is structured rather than how the economic system could be structured to address the poverty issue confronting the people in the first place rather.

The earlier researchers' in the 19th century social intellectuals strongly criticized the individual theory of poverty by being inquisitive on how social and economic systems work against an individual effort to either getting trapped in to poverty or avoid the situation entirely. The capitalism brought up unemployment because of the desire of business owners at the time was to make sure they make wages remains low to optimize their business income and this created some level of unemployed army causing poverty level rising.

Later, Durkheim showed that a lot of very intimate issues relating to an individual are sometimes as a result of how the social systems are fashioned even to the extent that the most personal of actions are easily activated and assisted social systems. Discrimination was separated from skill in one after another area, defining opportunity as socially mediated. When the discussion on poverty has been thoroughly been discussed, those who were radical in their opinion was of the opinion that the whole framework needed a second look to help make the some level of fairness seen.

Presently, most literature on poverty shows that a lot of people are poor because of the way the economic systems in which they operate is structured and the policies that governs the economies such that no matter what, the poor people fall behind regardless of their abilities, skills and core competences and how hard they work. Partly the problem is

the fact that minimum wages do not allow single mothers or their families to be economically self-sufficient (Jencks and Mayer 1990).

2.3.4 Poverty Caused by Geographical Disparities.

Poverty definition is usually characterized by the specific condition with which the poverty condition can be associated or be found. This is why some has categorized poverty as ghetto poverty, urban disinvestment, southern poverty, third-world poverty, and other definitions of the poverty discussion represent a characterization of poverty that exists separate from other theories. The place or location an individual lives together with the available natural resources at their disposal has to some extent an impact on the person. Where there is the lack of resources that will bring out the potential of an individual through the application of whatever resource at his or her disposal to his advantage has direct impact on them. The resources available could be processed and trade in to generate some form of income to support himself and others to make their livelihood better. As Shaw (1996) points out, the geographical location in one way have something to do with how the whole capitalist system is structured. That is to say that the case of an individual or community poverty is most intense in certain areas is not a new thing and has been observed in times past till now.

Recent explanations put forth in the explanation of poverty situation include disinvestment, proximity to natural resources, density, diffusion of innovation, and other factors by Morrill and Wohlenberg, 1971. In a thorough review of the literature on rural poverty, Weber and Jensen (2004) note that most the rural cases of poverty was much more to do with the location of the community of the availability of the natural resources that could bring out the skills and the talents in the people. The resources seem to have direct relationship to the general economic welfare of the people. Goldsmith and Blakely (1992) offer a much deeper comprehensive perspective on the link between development

and poverty in urban contexts. In their book, *Separate Societies*, they said that, the distance between a person workstation to and his residence has some effect on their income which affect he overall wellbeing. There was difference in their economic condition and general wellbeing between those who work at communities and lives at the same communities relative to those who have to travel far and wide from one community to other community to take up a job.

2.3.5 Poverty Caused by Cumulative and Cyclical Interdependencies

The previous four theories have revealed the complexities with which poverty comes about and the means with which the poverty of an individual of a community could be addressed. This the most complicated of all and to some degree builds on components of each of the other theories in that the theory looks at the individual and their community as the source of their challenges. Treatment to poverty cases cannot be done alone as they are somehow and in most cases are connected to one issue or either from the persons owns actions and inactions as well as the community and others, sometimes taken for granted or unrelated. This situation interlocks and that make the effort to attack it and resolve an arduous task (Bradshaw, 2000).

Myrdal (2003) came up with the interlocking theory, saying the poverty cannot be looked at from one perspective but from all angles since the situation seems to have this interdependence and locking up. Myrdal notes that personal and community development are closely linked and say that the closure of an opportunity at one end can have an impact on a person if critically not looked and thought through will not appreciate that the effect can transmit to the other aspect of man's livelihood.

According to Sowa (1999), poverty entails living in a state of deprivation involving living under the acceptable the basic necessities either material deprivation - lack of income,

resources and assets, physical weakness, malnutrition, sickness, disability, lack of strength and sometimes isolation, illiteracy, lack of access to education and resources, peripheral locations, marginalization and discrimination, vulnerability to contingencies which increase poverty (e.g. war, climatic changes, seasonal fluctuations, disability) and powerlessness, the inability to avoid poverty or change the situation.

2.4 Poverty in Ghana

The poverty situation in Ghana is generally described as a rural phenomenon (Yankson, 2007). While this statement is usually quoted in any deliberations on poverty, not much effort has been put into the methodology used in the measurement of poverty which leads to this conclusion.

The times of between the 1987 and 1992 saw larger amounts of destitution amongst numerous Ghanaians (Yankson, 2007). The country over the period was enormously dependent on the price of a couple of natural crude materials, for example, cocoa, gold, timber and others made the economy endure immensely due to its defenselessness to value shocks and this had a negative effect on the income that were created then, the outcome was unfathomable low levels of income for the nation. The circumstance affected fundamentally on the financial development and the subsequent effect on destitution lessening at that period. However in the previous two decades, neediness rates have declined generously from 51.7% in 1991-92 to 28.5% in 2005-2006. This is because of critical changes in monetary development, joined by sound social and financial approach interventions on neediness under Ghana's Growth and Poverty Reduction Strategy. Ghana is well on track to turn into the first nation in Africa to accomplish the Millennium Development Goal (MDG) of halving destitution and poverty from 1990 levels by 2015.

2.4.1 Poverty Alleviation

Mboho, and Ibok (2009) pointed out that neediness easing mediations must be outlined in such a way, to the point that these systems are methodologies are gone for addressing the needs of the destitution whom the approach is equipped towards. The strategy should accordingly be in such a way, to the point that, it has the poor completely at the top of the priority list. These techniques embraced must not be separated from the individuals included and who are to advantage. For instance, the engineer, people, gatherings and foundations should all be included in the venture.

Ogwumike (2002) puts the destitution intercessions programs under four key procedures.

The systems are:

Economic Growth Strategy: This is a method which especially keen on guaranteeing development through human asset through preparing in the formal or casual means like apprenticeship which will in the end influence the individual capacity to produce wage or expand pay levels.

Basic Needs Strategy: That the individual essential requirements for surviving and been considered as living prefer person must be met. Subsequently the meeting of each human crucial needs, for example, nourishment, haven, water, sanitation, social insurance access, essential training and so on must consistently be accommodated

Rural Development Strategy: This procedure considers neediness as a rustic marvel and that customary measures of destitution decrease may not work in the country zones in view of its eccentricities. This is drawn closer through mediations that are formed from the group dynamic association in the project configuration and usage at every stage by Mboho, and Ibok (2009).

Targeting Strategy: This system distinguishes and particular gathering and recognize their particular needs in the diminishment of neediness in the general public.

2.5 Empirical Relationship between Microfinance and Poverty Reduction

Microfinance is considered by a lot of people as an effective strategy to fighting poverty among the economic poor and more especially our women trading folks in our communities.

This is the case for various reasons. Microfinance offers destitute individuals some life saver as it help make some open door for them to make and enhance organizations they may be included which by enhancing their business gainfulness help them to offer some level of security and expand their wellsprings of wage. Microfinance has now turned into a vehicle with which monetary dynamic individuals in social orders have the capacity to meet their money related commitments and attempt some interest in a their business to family and family or in enhanced cultivating practices and they find themselves able to apply advanced thought innovation into their cultivating ventures and inputs, which will in the long run lead to an expanded earnings or rural creation (Okurut, Banga & Mukungu, 2004).

Besides, credit helps the needy individuals to smooth out their utilization examples amid the incline times of the year (Binswanger & Khandker, 1995). This is accepted to be the most encouraging way out of destitution and craving.

Besides, credit helps the destitute individuals to smooth out their utilization examples amid the incline times of the year (Binswanger & Khandker, 1995). This is accepted to be the most encouraging way out of destitution and appetite.

There are on-going discussions concerning the idea of microfinance alone or microfinance together with other interventions being capable of reducing poverty (Wisdom et al, 012). Other people are of the opinion that the alleviation or reduction of poverty in a community cannot be fought adequately by microfinance alone and makes the point of other interventions that should also be looked at. The need for other services is also important in this respect. Despite how some of the critics put their views across, they do not straightaway condemn the role of microfinance in the fight against poverty, it tend to either fail or pit a blind eye to appreciate the role of microfinance on its own advantage.

Latifee (2003) says that microfinance cannot be the means to solving all the issues that is associated with poverty. Many people in the microfinance industry and practitioners agrees that microfinance plays a good role as an medium through which an intervention for a poor person is made to discover their potential and to stride for better living. Muhammed Yunus advocates that an individual access to finance to do well in any endeavour is not a privilege but however a human right. Ones this privilege of an individual has the accessibility to have admittance to quality to fund for himself or herself the extremely fundamental things, then qualification to different rights for carrying on with an existence that is honorable gets to be less demanding. It serves to break the deplorable legacy of this cycle of destitution by the likelihood of making worth through independent work and producing wage. At the point when in a definitive examination nothing can be said to be the panacea, by overemphasizing that microfinance is not a panacea is one might say blowing up and thinking little of the part of fund as an instrument to battle neediness.

Microfinance has proved to be an effective tool in the quest of if not poverty alleviation, reduce the poverty levels among the poor in our society and communities as it offers the opportunity for the low income to be able to build up their assets, increase incomes and

significantly reduce their vulnerability to economic hardship. It must however be emphasized that, the effect of microfinance with other tool in the fight against poverty is even more powerful and yield fantastic results.

Studies from different specialists have likewise demonstrated that microfinance has been compelling and changed the monetary circumstances of individuals as well as has influenced all other part of living. As per Little, Murdudh and Hashemi (2003), different works led on microfinance and neediness demonstrate a positive effect on the size of destitution by recorded increments in salary and resources, and abatements in powerlessness of microfinance customers. A great deal of the time , scientists make and reference to studies and results of intercessions made in India, Indonesia, Zimbabwe, Bangladesh, Ethiopia and Uganda which all shows exceptionally positive effects of microfinance in lessening neediness. Mayoux (2001) also show that the provision of Micro loan to people saw a change in their status socially, economically and even spiritually, that the effect is seen in one area of a person's life can be transferred to other areas of their being, the main effects on poverty have been credit the credit accessed making impact on the incomes the poor is able to generate in their incomes generating ventures and more especially the women fold.

Microfinance helps the poor in the moment when the finances dilly-dally and their expenditure becomes overwhelmed because of maybe not able to generate more income to finance whatever economic challenges there may be going through, their incomes begin to move in peaks and troughs in income and expenditure which therefore helps them to absorb and able to accommodate the shocks that comes with the unpredictable up and downs in the business and emergencies by falling on their savings or access credit to mitigate the socio-economic impact of their circumstances. Khandker (2003) is of the opinion that , one should not just conclude that the mere presence of a micro finance does

not necessarily change a poor person circumstances but rather on how he (the poor) is able to utilize whatever services being rendered by the microfinance companies to his advantage. He continues further that microfinance offers an opportunity for the economically active poor to have access not to just loans but also opportunity to save and invest their monies and has some returns on it over a relatively short period of time. Other than the procurement of budgetary administrations to individuals, other Micro fund likewise gives hierarchical help, preparing, wellbeing nets, strengthening, and other help amid emergencies.

Microfinance associations can allay income limitations, balance out utilization, and improve both pay and utilization for poor people, in this manner supporting, as it were, the poor's welfare. Kurmanalieva, Montgomery and Weiss (2003) discoveries on microfinance and neediness lessening is extremely intriguing. They contend that if access to microfinance can be enhanced, the poor can embrace some business wander that will permit wage development, gave there are no other tying imperatives. This as they would see it is a course out of neediness for the non-down and out incessant poor. For the transient poor, they are influenced by the powerlessness to vacillations in salary that brings them near or beneath the destitution line. This circumstance can be maintained a strategic distance from by the vicinity of microfinance giving or making access to credit at such seasons of need and in a few plans, the chance of customary funds by a family unit itself that can be drawn on.

In a study in Bangladesh, Imai & Azam (2010) utilized family unit board information covering rounds from 1997 to 2005. The study utilized the treatment impacts model and affinity score coordinating (PSM) for the members and non-members of microfinance projects. With the treatment impact demonstrate the examination uncovered that families and families that had only an entrance to credit and different types of advances from MFI's

did not see any huge change in their occupation but rather family access to advances for profitable purposes from MFIs altogether expanded per capita family pay. The study thusly demonstrated that, simply conveying credit to an individual and not directing powerful post payment checking to guarantee that credit dispensed to by these people are utilized particularly for the proposed reason for which they were sanction and dispensed. The study further found that, with the use of treatment impacts and PSM to every cross-sectional part of the board information, the neediness decreasing impact of MFI on destitution was essentially lessened throughout the years.

In a related study by Imai, Arun & Annim (2010) in India found that credit advanced to people for productive purposes were more important for poverty reduction in rural communities than in urban areas. That of the urban areas were however different, that a simple access by an individual to MFIs had larger average poverty-reducing effects than the access to loans from MFIs for productive purposes. Again using Propensity Score Matching to control for sample selection bias in a study in Pakistan, Ghalib, Malki & Imai (2011) confirmed that microfinance programmes had positive effect on not just the business bottom-line but also on their welfare of beneficiary household in terms of expenditure on healthcare or clothing, monthly household income, and certain dwelling characteristics such as water supply and quality of roofing and walls.

In as much as a lot of studies have shown positive relationship between poverty and microfinance, other studies have however pointed out some to contradictions (Morduch, 1999; Kiiru, 2008). Kiiru has noted that microfinance cannot be expected as a ‘magic bullet’ against poverty (Kiiru, 2008). These controversies have therefore led to the criticism of microfinance as a catalyst of poverty reduction.

Again, Kiiru & Mburu (2006) have argued that microfinance cannot just improve welfare of the poor until such that whatever business venture they are involved in sees patronage

from buyers, that there is effective demand for goods and services, which ensures that the products of micro-entrepreneurs are reached the final consumer. The most-noted studies on the impact of microcredit on households according to Roodman & Morduch (2009) are based on a survey fielded in Bangladesh in the 1990s. They noted that the contradictions among them have produced lasting controversy and confusion.

In a study in Ghana by Owusu, Akanbasiam and Anyesepar to research into microfinance plans and neediness decrease among ladies in the Northern Region of Ghana, it found that the MFIs worked there with the principle center of making benefits and this made them charged over the top rates as enthusiasm on the office they allowed to their clients primarily ladies. The estimating of the office was such that they were either charging business sector rates or much higher. The missions, strategies and projects of the MFIs were similar to the point that the scientists needed to forsake a before aim to do a relative investigation of the operations of the NGO and Commercial MFIs. The study found that the two MFIs mostly centered around monetary dynamic and profitable poor ladies, and not the individuals who were just in organizations. A further survey of the approaches and projects of the MFIs uncovered that they concentrated more on the monetary parts of microfinance with restricted instruction on microfinance payment methodology which relates with the money related supportability worldview. They contended that the operations of the MFIs in such manner were additionally educated by the neediness lightening worldview particularly its position on ladies' strengthening recognized by Mayoux.

Another empirical relationship between microfinance loan disbursement and poverty alleviation was tested by Jegede Kehinde & Babatunde in Nigeria. The findings revealed that there is a significant difference between those people who used microfinance institutions and those who do not use them. There was a significant effect of microfinance

institutions in alleviating poverty by increasing income and changing economic status of those who patronize them.

2.6 The Socio-Economic Impact of Microfinance on the Poor.

There is by all accounts a contention in respect to whether surveying the financial impact of Microfinance on an individual or his or her business is significant or not (Simanowitz, 2001). This contention is advanced in light of the fact that reporters trust that if the business can give sufficient intermediaries to effect, demonstrating that benefactors of MFI's are cheerful to pay for an administration, evaluations are a misuse of assets. Be that as it may, to utilize the business sector intermediaries as intends to quantify is excessively shortsighted a method of reasoning as business sector intermediaries tries to interface the scope of customer reactions and advantages to the MFI. This in this way implies that, the effect evaluation of microfinance intercessions is key and not simply to show to global contributors that their mediations and gifts are having a positive effect, however to just for learning and offer of information and data inside MFIs with the goal that they can enhance their administrations and the effect of their activities (Simanowitz, 2001).

Poverty goes beyond a person living with low income level. Wright (1999) throws more light on the challenges of using a person's income alone as an effective means of focusing or measuring of the impact of microfinance on poverty. He states that there is significant difference between increasing income and reducing poverty. He puts forth this argument that by increasing the income of the poor, MFIs are not necessarily reducing poverty. The reduction of poverty depends on what the poor do with this income that is generated from the loans that they took from the MFI's and invested in their business. There has been an occurrence of poor oftentimes gambling away or spent frivolously whatever they earned on sometimes alcohol and other irrelevant things (Wright, 1999). So focusing solely on increasing incomes is not enough. The MFI's attention should be focused on helping the

poor to gradually sustain and improve of their level of well-being by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.

It is generally attested that MFIs are not coming to the poorest in the public eye. Then again, regardless of a few observers questions on the effect of microfinance on destitution, research into the territory have demonstrated that microfinance has been fruitful much of the time. As indicated by Littlefield, Murdugh & Hashemi (2003) demonstrated different studies that saw builds levels in pay and resources, and reductions in weakness of microfinance customers. Research in spots like India, Indonesia, Zimbabwe, Bangladesh and Uganda which all demonstrates a positive relationship in the middle of microfinance and neediness diminishment. Case in point, a report on an offer venture in India demonstrated that seventy five percent of customers saw noteworthy changes in their monetary prosperity and that a large portion of the customers graduated out of destitution (Murdugh & Hashemi, 2003).

Dichter (1999) sees microfinance as a device for neediness lessening keeping in mind contending that the accessible proof demonstrates that MFIs has for the most part not drew out the eagerly awaited results, he does on the other hand, yields that some positive effects has occurred in a few zones that has appear MFI's truly actualized. He further clarified that from an investigation of various MFIs, it developed that utilization smoothing impacts, redistribution of riches and impact inside of the family unit are the most widely recognized effect of MFI projects.

Hulme & Mosley (1996) in an extremely point by point study on the utilization of microfinance to battle destitution, contend that very much outlined projects can enhance the earnings of the poor and can move them out of neediness. They express that

unmistakable confirmation the effect of an advance on a borrower's pay is identified with the level of pay as those with higher salaries have a more prominent scope of speculation opportunities thus credit plans are more prone to advantage the center and upper poor (Hulme & Mosley, 1996). On the other hand, they likewise demonstrate that when MFIs, for example, the Grameen Bank and BRAC gave credit to extremely poor family units, those families had the capacity raise their wages and their advantages (Hulme & Mosley, 1996).

Mayoux (2001) states that while microfinance can possibly such a degree, to the point that the primary consequences for destitution have been credit making a huge commitment to expanding salaries of the poor through the reasonable utilization of advances to their business to enhance the business main concern, including ladies and microfinance administrations adding to the smoothing out of crests and troughs in salary and use in this way empowering the poor to adapt to unusual stuns and crises.

Hulme and Mosley (1996) showed that when through loans, one is able to apply the funds efficiently to his business to bring about an increase in assets, when borrowers gradually encouraged to invest in low-risk income generating activities with their profit gradually invested wisely in their business and also encourage to save, the vulnerability of the very poor is reduced and their poverty situation improves. Johnson and Rogaly (1997) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They have witnessed that researchers who are keen on microfinance specialists are beginning change their view point to view the improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries overall vulnerability.

Therefore, while much debate remains about the impact of microfinance projects on poverty, we have seen that when MFIs are able to identify the specific needs of the poor and try to meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society.

2.6.1 The impact of Microfinance on Some Poor People in Ghana.

Most Ghanaian communities' have access to some form of funds and credits microfinance venture in residential communities and groups in Ghana is managing people access to finances to contribute and extend their organizations and a large portion of them have seen change in their own , family and business lives. In Likpe Abrani, a little group whose real control of it individuals is basically cultivating with around 2,000 individuals, including 762 kids, in Volta, Plan Ghana actualizes its Village Savings and Loans activities to give people access to little credits to have the capacity to put resources into their business to change their business and expectations for everyday comforts changed so folks can give quality medicinal services and instruction to their kids, put resources into their business or just put something aside for what's to come.

Akuli, a 32-year old who has bar, what is usually known amongst the individuals in the territory as a drinking spot and distils liquor by regional standards, said and I cite "I utilized my credit of GHS100 which in today conversion scale speaks the truth around 42US to purchase a tank to begin a fermenting business. Prior to this I was simply offering palm wine at my bar, yet now that I have extended, I mix the neighborhood liquor. Presently I am a brewer and wholesaler and not only a retailer of palm wine. I additionally have 2 individuals who help me for a charge."

Akuli included that the best picks up he has gotten from his relationship with the microfinance venture or system at his group has realized a great deal of changes in his

family and that he could unhesitatingly say that, the effect has not been felt just by only him but rather by kids in their training, wellbeing and general consideration. What is more is that the individuals are finding that the gatherings are an incredible approach to share their experience of sparing, intention misconceptions and look for guidance on business difficulties, preparing for more ventures. As more families are presently ready to pay wellbeing protection premiums, kids and folks discover they have unparalleled access to medicinal services.

In another study in Ghana by Frimpong and Kalbersonn (2014) to ascertain the contribution of Christian Rural Aid Network (CRAN) on poverty reduction of people in the rural areas through its microfinance programmes in the Hohoe municipality, there was a positive relationship between microfinance and the benchmark variables and showed that access and efficient contribution of microfinance enables the poor to smooth their consumption, manage their risks better, gradually build their assets, develop their micro enterprises, enhance income earning capacity, and enjoy an improved quality of life. The study employed economic and social variables as benchmarks for measuring the impact.

A study by Akanbasiam (2011) to primarily pay more attention to microfinance plans and how the presence impacted on destitution among ladies in the Northern district of Ghana found that the MFIs give credits with conditions that are not great to the needs of ladies. It was likewise found that the reliance loads on ladies combined with the low credit that the ladies access from the MFIs for their beneficial exercises drives the ladies to convey the credits to meet the requests of both their organizations and family units. Therefore, the ladies are put under anxiety as they endeavour to meet their essential needs and to maintain a strategic distance from defaults. The study likewise found that independent of the ladies' entrance to credits and salaries their bartering power and fall back positions in

family unit choice making procedures are to a great extent characterized by the gendered administrations inside of the family economy.

2.7 Challenges of Microfinance Operations.

In the Australian Journal for Business and Management Research July 2012, the report uncovered that the credit been finished by numerous microfinance establishments that has been giving credit to the poor has not tending to the needs of the poor and along these lines has not been effective. The reasons that were utilized to bolster the cases of the disappointment saw had been restricted learning of the poor and the apparently remove relationship that existed the formal organizations and the casual foundations. It thusly needed of a system for connecting casual investment funds authorities to the formal organizations is an invited advancement. The banks has now make themselves prepared to secure more data about the casual part and endeavouring genuine endeavour's at reinforcing gathering plans supported the effective turnaround of microcredit projects in Nigeria. An illustration is the merger of the Nigerian Agricultural and Cooperative Bank (NACB), Peoples Bank of Nigeria and Family Economic Advancement Program (FEAP), to shape Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) in 2001

Albeit every one of the projects were coordinated at enhancing the gainful base for economic development, the vast majority of the endeavor's at providing small scale credit to mitigate neediness were generally unessential, urban organized from the stance of the substances of (who is poor people?) understanding poor people (Akanji, 2006).

There are fundamentally 4 formal and 5 casual models of giving microcredit to the objective gathering. The best had been the casual model on the grounds that in Nigeria and a few creating economies, for example, Ghana, where neediness is high, a few people,

family units and districts stay detached from business sectors and from instruments for getting and giving or safeguarding against danger (Aryeetey, 2005). This has brought about casual focusing on the poor and all the more especially the ladies, albeit not generally effective, endeavour's by better financed imaginative plans to focus on the same needy individuals have not been more fruitful (Akanji, 2006). The issue has now gone past the purpose of simply focusing on or not focusing on an individual poor or a gathering of denied or needy individuals, yet regarding how to prepare establishments that can achieve the poor at any rate expense to augment their compass.

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION.

This section focuses on the research techniques adopted for this study with the aim of achieving the research objectives. It elaborates the research design and approach and provides details in respect of the population, sample and sampling technique, and the data collection procedure for the study. It also discusses the data analysis and gives the profile of the study area.

3.1 RESEARCH DESIGN.

The research design must be done in such a manner that one can easily connect what the design is and the data to be used such that, there is the relationship between the design and the data Kyereme (2013) cited Dwomoh (2011) whatever the design with which a researcher intends to conduct his work, setting underlining conditions and circumstances must prevail for the work to be conducted. Some of these conditions may incorporate the control the analyst has on the marvel being mulled over, the center of the study in respect to whether contemporary or verifiable in addition to other things, the motivation behind the study, the time accessible for the study, and the kind of information included.

The unmistakable exploration configuration is picked on the grounds that the data to be gathered for the work occurs through the utilization of organized and standard survey which is quantitative for this situation. It should likewise be said here that the outline thus has its confinement such that the scientist is not able to have all the vital data about all the variable that are happening in the meantime and also the way that the analyst might not have control or information with respect to what variables were controlled and this makes causal explanations extremely hard to make.

A descriptive research design study is one in which information is collected without changing the environment as the environment within which the research takes place is not influenced and manipulated to suit a particular expected outcome. This means nothing is manipulated. This research design is usually referred to as observational or correlational studies because often times it seeks to look at relationship and interdependence or simply put an effect of one item on the other and vice versa. The descriptive research is a purely a non- experimental study and also conducted to make a revelation of associations or relationships between things around us.

Descriptive research is also applicable and suitable in a one-time interaction with groups of people termed commonly referred to as cross-sectional study or a study that a research item is followed over a considerable period called longitudinal study because of the period involved. Descriptive studies where the researcher interacts with the participant may primarily seek to collect the necessary information. An example in this case may be in a medical record review.

Descriptive research is neither a strict approach to either quantitative or qualitative research methodologies, but in a case where both situations exist, it can be used have the same element within the same study or even both. The term descriptive research comes in consideration of the type of research question to pose to participants, the design of the entire research work, how the data collected is to be analyzed on a particular topic. Descriptive statistics makes revelations while inferential statistics brings about that relationship between the cause and effect.

The type of question asked by the researcher will ultimately determine the type of approach necessary to complete an accurate assessment of the topic at hand. A descriptive study primarily seeks to find out what is.

Descriptive research design is either quantitative or qualitative as it involves the collections of quantitative information that can be tabulated, put in categories to show patterns.

Descriptive research design brings out information in the forms such as data that describes events and then organizes, tabulates, depicts, and describes the data collection (Glass & Hopkins, 1984). It is very conversant with the usage of graphs and charts among others to better explain the data distribution. The human mind better appreciates diagrams in explanations relative to having to capture of raw data and the voluminous nature, it makes the usage description as a tool to organize data into patterns that emerge during analysis aid the mind in comprehending a qualitative study and its implications.

It is therefore right from the above discussed points raised on the descriptive research design that is convenient to use the descriptive research design approach in assessing the role of MFI's as an effective strategy for poverty reduction.

3.2 THE POPULATION

A research population comprises of all individuals of interest to the researcher. The chosen population for the study comprised of 595 customers/clients of Opportunity International Savings and Loans Ltd at Mpasatia and Nkawie/Toase Communities.

3.3 SAMPLE AND SAMPLING TECHNIQUE

Looking at the nature of the population, a non-probability sampling technique was used to give a fair representation for the respondents. Therefore, for the purpose of this study, a sample of 149 making 25% of the target population was selected through convenience sampling comprising 40% of customers/clients from Nkawie, 35% from Toase, and 25% from Mpasatia. Convenience Sampling was used to identify customers / clients who were

readily available to respond to the interview. Convenience sampling is a non-probability sampling which implies the selection of the most readily available subjects in the study. This sampling technique was employed because the population to be included in the study is small and can be accommodated in the study within the set period without introducing any bias. A study sample refers to a subset of the population that the researcher is interested in. A sample should consist of subsets of units that compose the population under study. Nevertheless, the principal focus of the research was on the role of MFI's as an effective strategy for poverty reduction. The sample size and technique used in the selection could be considered representative enough to enable the researcher to generalize the results of this study. The entire sample selection procedure is displayed in the table 3.1 below:

Table 3.1:

Clients	Population	% Selected	Sample Size
Nkawie	230	40	60
Toase	185	35	52
Mpasaatia	180	25	37
Total	595	100	149

Note: Sample size is 25% of the entire population.

3.4 DATA COLLECTION PROCEDURE

The study employed the use of questionnaire and interview guide. The Primary data were collected with the help of closed-ended and open-ended questionnaires, interviews, and observations from customers/clients and the case study Microfinance institution. The interview guide was also used to gather information from the credit staff of the case study MFI where additional data was needed. The use of questionnaire allows the researcher to collect large amount of data in a relatively short time. The presence of a good number of respondents within a location makes it possible an economy of time and provides a high

proportion of usable responses. The researcher used a person-administered survey method. Further, some necessary guides and explanations were given to ensure successful completion of questionnaires by respondents at an agreed time interval.

3.5 DATA ANALYSIS

The data collected from the field through the questionnaire were summarized and are presented in the form of tables and charts to ease the analysis and readers' better understanding. Both qualitative and quantitative methods were used in the analysis of the primary data that was collected. The qualitative aspect involves the descriptions, interpretations and implications of results using charts where appropriate for pictorial presentations. Both techniques were aided by the use of the Statistical Package for Social Sciences (SPSS) software, RQCDA and cross tabulations to make understanding of findings easy to readers, frequency tables, charts, etc., were often used.

3.6 THE PROFILE OF THE STUDY AREA

3.6.1 The Profile of Atwima Nwabiagya District

Overview

The Atwima Nwabiagya District, a district in the Ashanti Region is an offshoot of then Atwima District in 2004 by the Legislative Instrument (L.I) 1738. The District creation was to improve the quality of life of every inhabitant that stays in its area of jurisdiction and bring development closer to the people through the formulation and implementation of realistic policies, while using locally available and outside human and material resources to jointly work with local people to ensure sustainable development.

3.6.2 Location and Size of the District

The Atwima Nwabiagya District lies approximately on latitude 6o 75'N and between longitude 1o 45' and 2o 00' West. It is sits the western part of the region and shares

common boundaries with seven districts on various borders like Ahafo Ano South and Atwima Mponua Districts (to the West), Offinso District (to the North), Amansie–West and Bosomtwe- Atwima Kwanwoma Districts (to the South), Kumasi Metropolis and Kwabre Districts (to the East). It covers an estimated land area of 294.84 sq km. The district capital is Nkawie

3.6.3 Demographic Characteristics

The total population of the District, according to projected population estimates for 2009, was 166,449 with an annual growth rate of 3%. The estimate is sourced from the Administrative document from Atwima Nwabiagya District Assembly.

The District had a male to female proportion of 11:10 which implies there are a larger number of men than ladies .It has a populace thickness of 439 persons for each sq. km. The locale is third in the area, after Kumasi Metropolis and Kwabre District, which have 5,319 and 659 persons for each sq. km separately. There are six region committees in the locale including Abuakwa, Akropong, Nkawie-Toase, Barekese, Afari and Adankwame.

3.6.4 Ethnic Groups

The Asante's and akans are the transcendent ethnic gathering in the region constituting (77.4%), Mole Dagbon (9.1%) is the second real ethnic gathering in the region, trailed by Ewe (2.9%) and others (Gurma, Busanga, Guan and so on) constitute 10.6%.

3.6.5 Socio - Economic Activities

The Asante culture is the predominant culture. The main language spoken in the District is Asante Twi, and the most preferred food eaten by the people in the district is the local dish popularly called fufuo. It is prepared with boiled cassava and plantain or cocoyam pounded together and served with soup.

Socially, naming ceremony, initiation rites, marriage and funeral ceremonies among others are the event that brings people together in the community.

The cloth is the main traditional attire to all functions worn by males and females to social gatherings like funerals, church, festivals, wedding and naming ceremonies. The popular Adowa and kete are the main dance with instruments mostly used by the people of Nwabiagya are drums such as the atumpan, dondo, and fretwua, dehuro, tenten-mmen among others. There are also traditional musical groups called Nwomkro.

3.6.6 Economic Activities.

Notwithstanding the peri-urban nature of the District, farming is the predominant part, and it utilizes around 50.76% of the work power. This is trailed by the modern area, which utilizes around 17.41% of the work power. Exchanging, that is purchasing and offering utilizes 14.43% of the work power. The administration part contains transportation, hairdressing, accommodation and different exercises utilizes around 17.40% of the work power. Harvest cultivating is the essential farming action in the area. The primary yields developed in the region are maize, cassava, yam, cocoyam, ginger, oil palm, rice, citrus and plantain. An extensive variety of vegetables like tomatoes, greenhouse eggs, pepper and okro are additionally developed. A large portion of these products are developed on little scale bases.

Real huge scale poultry ranches can be found there including Darko Farms at Sepaase, Akropong Farms at Akropong and Mfum Farms at Afari. Other little scale domesticated animals like goats, sheep, pigs, dairy cattle, grasscutter, and so forth are additionally raised.

3.7 The Profile of OIS

Opportunity International Savings Limited is a non-bank money related establishment authorized by the Central Bank of Ghana to work in reserve funds and credits. We serve smaller scale and little business visionaries with little advances, stores, and other budgetary administrations in the Greater Accra, Ashanti, Eastern, Western, Central Brong Ahafo and Northern areas of Ghana.

They are an accomplice individual from Opportunity International Network an ecumenical Christian monetary improvement association with 42 accomplices working in Africa, Asia, Europe, Latin America and North America.

At year-end 2005, their expressed capital remained at GHS 2.8 million (US\$3.1 million) making it the most elevated promoted reserve funds and credits organization in Ghana.

The Shareholders are focused on coming to the best number of individuals with a specific end goal to change their live and have an enduring effect on their families, their groups, and society on the loose.

3.7.1 Profile of Key Shareholders.

Opportunity Transformation Investment (OTI) is a US organization enlisted in Illinois. OTI is 100% claimed by Opportunity International, a noteworthy US based philanthropy committed to making wage producing open doors for poor families in creating nations through microenterprise advancement.

OTI was made in 2001 to claim and oversee interests in business microfinance associations and banks that are a piece of the Opportunity International Network. As toward the end of 2005, OTI has put more than \$26 million in the value of directed microfinance associations. This incorporates larger part possession positions in the

accompanying five foundations: Opportunity Bank of Montenegro (75% proprietorship); Opportunity Savings Bank-Serbia (74% proprietorship); PShM. Ltd, an Albanian account organization (99% possession); Opportunity Mexico Ltd, a fund organization (100% proprietorship); Banco Oportunidad de Mazambique (52% proprietorship).

OTI likewise claims minority positions in the accompanying foundations: Opportunity International Savings and Loans Limited, Ghana (51.5% proprietorship); Opportunity International Bank of Malawi (41% possession); Opportunity Microfinance Bank-Philippines (30% possession); OMRO, Ltd., Romania, (27% proprietorship); Zambuko, Ltd., Zimbabwe (20% possession). The leading body of OTI is named by Opportunity International and comprises of 4 intentional individuals, and three senior directors of Opportunity International. The executive of the OTI board is Brad Bell, CFO of Nalco International, a \$10 billion organization recorded on the NYSE. Connection to Opportunity International

Sinapi Aba Trust (SAT), a non-legislative association, was set up in 1994 with the backing of Opportunity International and properly enlisted under the laws of Ghana as an organization constrained by insurance to bolster the poorest of the financially dynamic poor to upgrade their lives through microfinance and fundamental business preparing. SAT's main goal is to serve as a "Mustard Seed" through which open doors for big business improvement and wage era are given to the monetarily hindered to change their lives. Since its foundation by Opportunity International, SAT has gathered huge experience and has separated itself as one of the best microfinance establishments in the nation. The operations of SAT now cover 12 branches in 9 areas with more than 34,000 customers' served.

OIKOCREDIT A worldwide advancement financing foundation, Oikocredit is presently one of the biggest private lenders of the microfinance division around the world. It has an Ethibel mark and it is one of only a handful couple of moral venture reserves, which funds improvement ventures in the South profiting impeded and minimized individuals. Oikocredit is an one of a kind helpful society, which urges speculators to put their stores in a socially capable way. Credits are directed through a system of Regional Offices overseen by neighborhood experts in Latin America, Asia, Africa and Central and Eastern Europe. More than half of its extraordinary capital is with money related mediators, or microfinance organizations. Furthermore, Oikocredit accounts cooperatives and little and medium-sized ventures included in farming and agro handling, administrations and assembling. As at 31 December 2005, Oikocredit had bolstered more than 467 task accomplices with a remarkable capital of 158 million euros. Connection to Oikocredit

ICCO is an interchurch association for improvement co-operation. In ICCO's work there are three key arrangement topics: access to essential social administrations, democratization and peace building and reasonable monetary advancement. With its adage; 'overall responsibility', ICCO, with financing from the Dutch government and other European Union associations, quarrels together with over 969 nearby accomplice associations in 50 nations worldwide against destitution and foul play. ICCO's yearly turnover is in overabundance of 123 million euros.

The organization renders administrations through a large group of items and their particular elements focused to poor people.

- ✓ Savings Account
- ✓ Agro Saver Account
- ✓ Current Account
- ✓ Susu Deposit
- ✓ Fixed Term Deposit

CHAPTER FOUR

DATA ANALYSIS

4.0 Introduction

This chapter presents analyses of the data collected from the survey field. The data analysis is done in line with the research objectives. This study looked at the effect of microfinance as an effective strategy for poverty alleviation. Data was collected from the staff and customers of OISL.

4.1 Profile of respondents and OISL

This section gives details of the respondents as well as the profile of OISL.

Years working with OISL

From the survey results, a majority of the customers have been working with between 6 months and 3 years.

Table 4.1: How many years / months have you been a customer for OISL

	Frequency/ Number	Percentage (%)
6M-12M	70	46.97
IYR -3YRS	70	46.97
Above 6 YRS	9	6.04

Source: Field Survey, 2015

4.2. Products purchased from OISL

Customers were also asked on the types of products that they buy from OISL. From the results, majority of 62.5% of the customers operate savings account holders' while a minority of 37.5% purchase loans from the institution.

Table 4.2: Products purchased from OISL

	Frequency	Percent	Valid Percent	Cumulative Percent
Savings Account	93	62.5	62.5	62.5
Loan	56	37.5	37.5	100.0
Total	149	100.0	100.0	

Source: Field Survey, 2015

4.3 Businesses of customers

Field results show that 37.5 majority of the customers interviewed said they are into the production of goods while 18.8% minority of them offer services to their clients.

Table 4.3: Businesses of customers

	Frequency	Percent
Production	56	37.5
Trading	67	43.8
Services	28	18.8
Total	149	100.0

Source: Field Survey, 2015

4.4 Gender

Generally, 15 females (9 customers and 6 credit officers) and 17 (7 customers and 10 credit officers) were interviewed. As a result, a majority of the respondents were male.

Table 4.4: Gender of respondents

	Frequency	Percent
Female	84	56.3
Male	65	43.8
Total	149	100.0

Source: Field Survey, 2015

4.5 Years of work in OISL

Majority of the staff interviewed have worked for more than 48 months while 25% each of the staff have worked between 1-24 months and 25-48 months respectively. Two staff did not indicate their months of work with OISL.

Table 4.5: Years of work in OISL

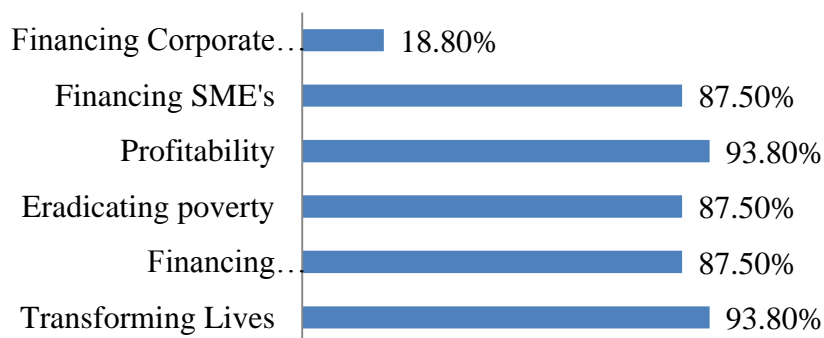
	Frequency	Percent
1-24 Months	4	25.0
25-48 Months	4	25.0
Above 48 Months	6	37.5

Source: Field Survey, 2015

Objectives of OISL

From the perspective of the staff of OISL, majority of 93.8% (15) each believe that the purpose of OISL is transforming lives and making profits. Another 87.5% (14) each of the staff also believe that OISL exist to finance poor entrepreneurs, eradicate poverty and finance SME's. Notwithstanding, a minority of 18% (3) staffs believe that the objective of OISL is to finance corporate institutions.

Figure 4.1: Objectives of OISL



Source: Field Survey, 2015

4.6.0 Target Customers

Five main target customers of OISL were explored by the study as SMEs, Corporate institutions, General traders, petty traders and start-ups. Out of the five identified target customers, majority of the staff identified general traders and petty traders as the most targeted customers.

Table 4.6: Target Customers

	Responses		Percent of Cases
	N	Percent	
SME	29	19.6%	66.7%
Corporate	5	2.0%	6.7%
General Trading	40	27.5%	93.3%
Petty Trading	40	27.5%	93.3%
Start ups	35	23.5%	80.0%
Total	149	100.0%	340.0%

Source: Field Survey, 2015

4.6.1 Major customers

Out of the targeted customers of OISL, majority of 56.2% of the staff believe that the major customers of OISL are General Trading. Thus, OISL serves more trading businesses all other customer categories.

Table 4. 7: Major customers of OISL

	Responses	
	N	Percent
General Trading	8	56.2%
Start up's	6	43.8%
Total	14	100%

Source: Field Survey, 2015

4.7 Awareness

Results from the customers indicate that a majority of 68.8% (11) of the customers are aware of microfinance companies in their community while 4 (25%) are not aware of the presence of microfinance in their community.

Table 4.8: Awareness of the presence of microfinance companies in the communities

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	103	68.8	73.3	73.3
No	37	25.0	26.7	100.0
Total	140	93.8	100.0	
Total	149	100.0		

Source: Field Survey, 2015

4.7.1 Role of microfinance

With respect to the roles microfinance institutions play in their communities, the study revealed that a majority of 86.7% of the customers of OISL believe the role microfinance companies' play is making profit. Moving forward, 80% believe that microfinance companies exist to help businesses grow to ensure sustainability. Moreover, only 25% of the customers interviewed believe microfinance companies exist to transform lives.

Moreover, respondents who are service providers believe the role microfinance companies play in the communities are mainly helping businesses grow, transforming lives and making profit. Moving forward, respondents who are engaged in trading view the role of microfinance institutions as helping businesses grow as well as making profit. Interestingly, none of the respondents who produce goods responded that microfinance institutions transform lives.

Table 4.9: The role of microfinance

	Production	Trading	Services	Total
Helping Business Grow	33.30%	26.70%	20.00%	80.00%
Socio- Economic Empowerment	20.00%	13.30%	13.30%	46.70%
Transforming Businesses	6.70%	20.00%	20.00%	46.70%
Transforming Lives	0.00%	13.30%	6.70%	20.00%
Making Profit	40.00%	26.70%	20.00%	86.70%

Source: Field Survey, 2015

4.8 Accessibility

This section of the analysis discusses the accessibility to microfinance services. It covers the qualifications to become a loan client, the processes customers go through in accessing financial resources as well as the requirements for loan accessibility.

4.9 Qualifications for Loans

This section discusses the requirement for loan accessibility at OISL. The section looks at both the staff and the customer perspectives.

4.9.1 Staff perspective

From the perspective of the staff of OISL, the major qualifications that one needs to qualify for a loan is their level of savings and the businesses they are engaged in. these two factors were represented by 14 each of the staff of OISL. Followed by the type of business and the level of savings was the age of the potential borrow which was represented by 14 staff of OISL. However, with respect to the age, the study could not explore the actual age which qualifies one to borrow from OISL.

Table 4.10: Staff perspective on Qualifications for Loans

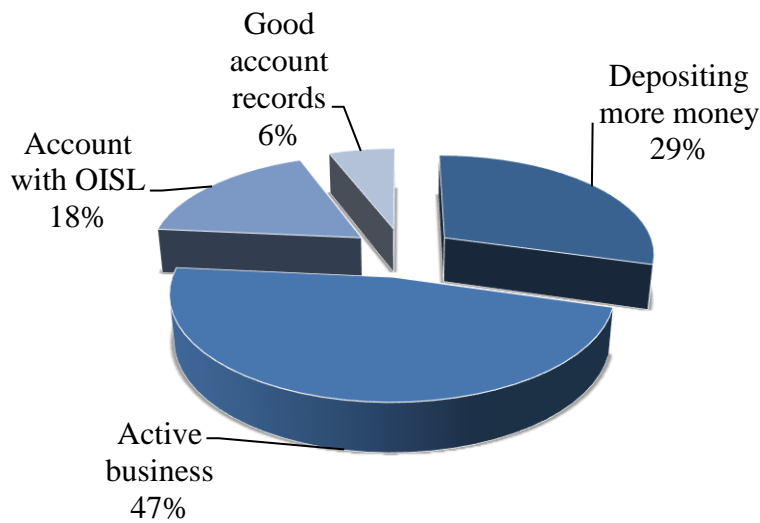
	Responses	
	N	Percent
Age	14	30.4%
Business	15	32.6%
Savings	15	32.6%
Educational Level	1	2.2%
Status	1	2.2%
Total	46	100

Source: Field Survey, 2015

4.9.2 Customer perspective

From the perspective of the customers, the major requirement for loan is active business with OISL. This factor was represented by 8 (47 %) customers of OISL. Followed by doing active business with OISL is depositing more money. The implication is that 29% of the customers believe that before they can access loan at OISL, they should be actively engaged with the institution. It was further explored that the least identified requirement for loan qualification that was identified by the customers of OISL is having good account records.

Figure 4.2: Customer perspective on Qualifications for Loans



Source: Field Survey, 2015.

Time of first loan

Regarding the period of first loan request of the customers, a majority of 43.8% of the respondents took their first loans 2-4 years ago while a minority of them took their first loans more than 5 years ago.

Table 4.11: Time of first loan

	Frequency	Percent
Less than 6 months ago	47	31.3
2-4 years ago	65	43.8
more than 5 years ago	37	25.0
Total	149	100.0

Source: Field Survey, 2015

4.10 Collateral requirements

Before customers can access their loans from OISL, the kinds of collaterals that are required were explored. Five (5) types of collaterals were identified as; landed properties, cash security, guarantor, vehicle and business stock. The study revealed that the most requested collateral from the customers of OISL is a guarantor. Thus, 81.2% of the respondents identified that before a person can access a loan product from OISL there should be somebody to guarantee for the loan that is being contracted. Followed by guarantors was landed properties which was represented by 50% of the respondents. The least identified collaterals were cash security and vehicles.

4.12: Collateral requirements

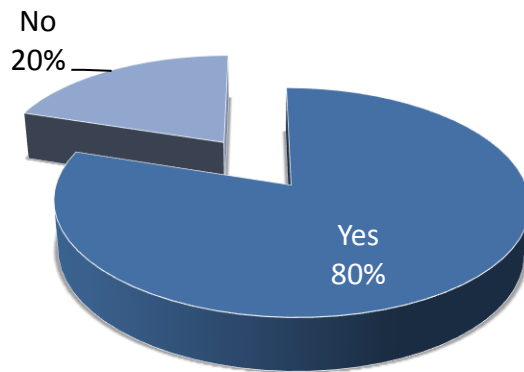
	Responses	
	N	Percent
Landed Property	32	21.6%
Cash Security	20	13.5%
Guarantor	52	35.1%
Vehicle	20	13.5%
Business Stock	24	16.2%
Total	148	100

Source: Field Survey, 2015

Do you always require collateral securities before you are granted loan request?

From figure 4.1, inference can be made that a majority of them agreed to the assertion that collaterals are always required before loan requests are granted.

Figure 4.3: Do you always require collateral securities before you are granted loan request?



4.11 Socio economic effect of lending

The following section discusses the socio-economic effects of lending on the customers of OISL.

Prior to assessing the effects of lending on the customers, respondents were asked on the value of their business capital before accessing loans at OISL. From the results, a majority of the respondents whose business capital was between 500-1500 said they had medium and low profits. Only two people whose business capital is between 1600-2500 said their level of profit was medium. Further, only a customer whose capital is between 2600 – 3500 also had medium profits.

Table 4.13: Business capital before loan and the level of profitability

How much was your business capital before the loan	What was the level of profitability?			Total
	High	Medium	Low	
GHS500-1500	1	6	6	13
GHS1, 600-2,500	0	2	0	2
GHS2, 600-3500	0	1	0	1
Total	1	9	6	16

Source: Field Survey, 2015

First loan and standard of living

In responding to the effects of microfinance on the customers, inference can be made from Table 4.000 that a majority of 18.8% of the customers who took their first loans between Gh 500 – 2000 had their standard of living improved. However, 6.2% of the respondents said their standard of living declined while 2 (12.50) within that loan category had their standard of living being the same.

Further, a majority of 25% of the customers who took loans between 2,100 and 3,500 also said that their standard of living improved from their first loan from OISL. Also 3 (18.8%) also found neither improvement nor decline in their standards of living after their first loan. Finally on the standard of living, only 2 (12.5%) customers whose first loans were between 3600 – 5000 said there were no changes.

Table 4.14: First loan and standard of living

	Improved	Declined	Remained Same
5-20M	3	1	2
	18.80%	6.20%	12.50%
21-35M	4	1	3
	25.00%	6.20%	18.80%
36- 50M	0	0	2
	0.00%	0.00%	12.50%

4.10.2 First loan and children’s education

From Table 4.000, inference can be made that a majority of 18.8% of the customers who took their first loans between Gh 500 – 2000 had their children’s education unchanged. However, 6.2% (1) of the respondents said their standard of living declined while 2 (12.50) within that loan category had their children education improved.

Further, a majority of 25% of the customers who took loans between 2,100 and 3,500 also said that their children education improved from their first loan from OISL. Also 3 (18.8%) also found neither improvement nor decline in their children education after their

first loan. Finally on the children education, only 2 (12.5%) customers whose first loans were between 3600 – 5000 said there were no changes.

Table 4.15: First loan and children’s education

	Improved	Declined	Remained Same
5-20M	2 12.50%	1 6.20%	3 18.80%
21-35M	4 25.00%	1 6.20%	3 18.80%
36- 50M	1 6.20%	0 0.00%	1 6.20%

First loan and family health

With regards to first loan and family health, inference can be made from Table 4.000 that a majority of 25 % of the customers who took their first loans between Gh 500 – 2000 had their family health unchanged. However, none of the respondents within that loan category said their family health declined whiles 2 (12.50) within that loan category had their family health being improved.

Further, a majority of 31.2% (5) of the customers who took loans between 2,100 and 3,500 also said that their family health remained the same from their first loan from OISL. Also 1 (6.2%) also found a decline in their family health after their first loan. Finally, 6.2% each of the customers whose first loans were between 3600 – 5000 said there were no changes as well as a decline in their family health.

Table 4.16: First loan and family health

	Improved	Declined	Remained Same
5-20M	2 12.50%	0 0.00%	4 25.00%
21-35M	2 12.50%	1 6.20%	5 31.20%
36- 50M	0 0.00%	1 6.20%	1 6.20%

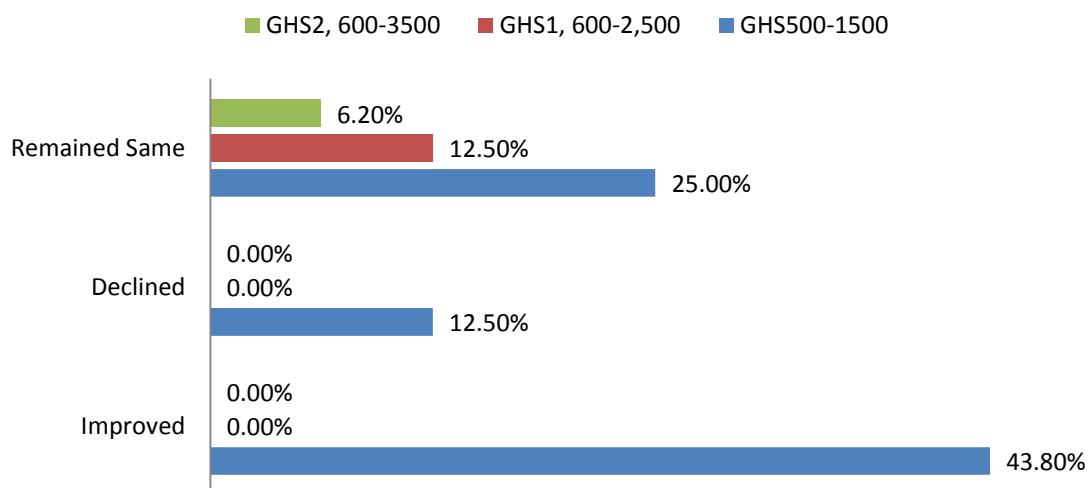
4.12 Business capital before the loan and standard of living, children education and family health

The following section of the analysis discusses the business capital of the customers before the loan and how loans have influenced their standard of living, children education and family health.

Business capital before the loan and standard of living

From figure 4.2, inference can be made that a majority of 43.8% of the customers whose business capital was 500 to 1500 before the loan from OISL had their standard of living improved after receiving loans from OISL. It is also clear from the figure that 12.5% of the customers whose business capital were 1600 to 2500 standard of living remained the same. Generally, it can be concluded that there has been improvement in the standard of living on the customers of OISL.

Figure 4.4: Business capital before the loan and standard of living

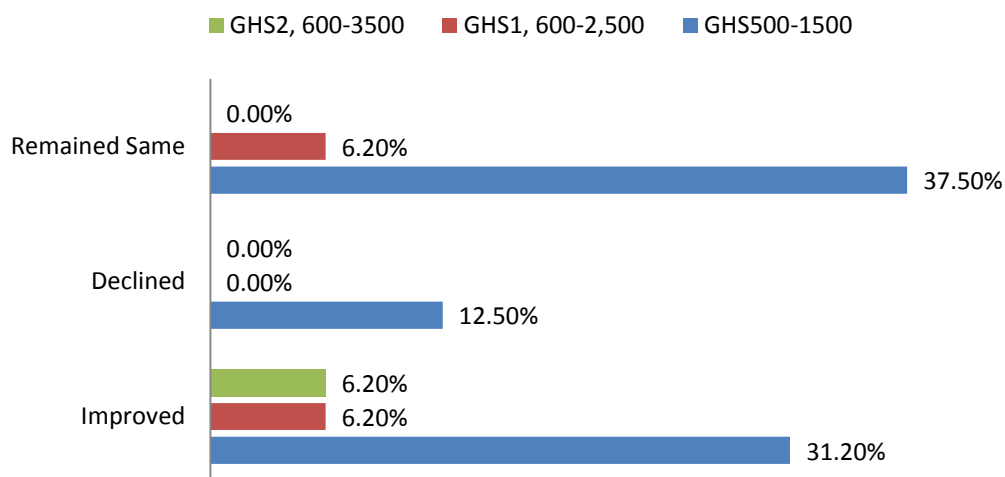


Source: Field Survey, 2015

Business capital before the loan Children’s education

Results on the influence of loan on children education by the business capital before the loan shows that a majority of the respondents whose children education improved were those who business capital was 500 – 1500. The implication is that those who had the lowest business capital before receiving loans from OISL had the greater influence in terms of their children education. It was further revealed that 6.2% each of the customers who had their business capital before receiving loans at OISL to be 2600-3500 and 1600-2500 had their children education improved.

Figure 4.5: Business capital before the loan Children’s education



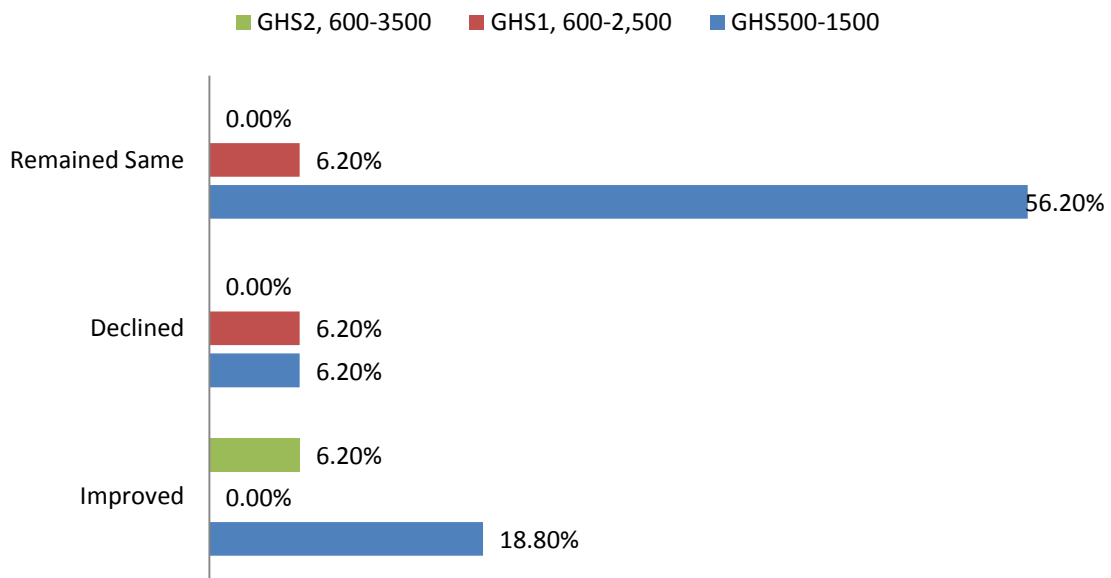
Source: Field Survey, 2015

Business capital before the loan Family health

Finally, results on the influence of loan on children education by the business capital before receiving loan from OISL shows that a majority of the respondents whose family health improved were those who business capital was 500 – 1500. Also, it was revealed that 56.2% majority of the respondents within the same business capital category said their family health remained the same even after taking loans from OISL. This further implies that those who had the lowest business capital before receiving loans from OISL had the

greater influence in terms of their family health. It was further revealed that 6.2% each of the customers who had their business capital before receiving loans at OISL to be 2600-3500 and 1600-2500 had their family health declined.

Figure 4.6: Business capital before the loan Family health



Source: Field Survey, 2015

4.12 Challenges

The following section of the analysis discusses the challenges that are confronted by both OISL and their customers in doing business.

4.12.1 Challenges confronted by OISL in doing business with clients

The study explored four (4) main challenges that are confronted by OISL as a microfinance institution as (i) inadequate collateral, (ii) poor record keeping, (iii) delays in payment of loans and (iv) difficulty in recovering loans.

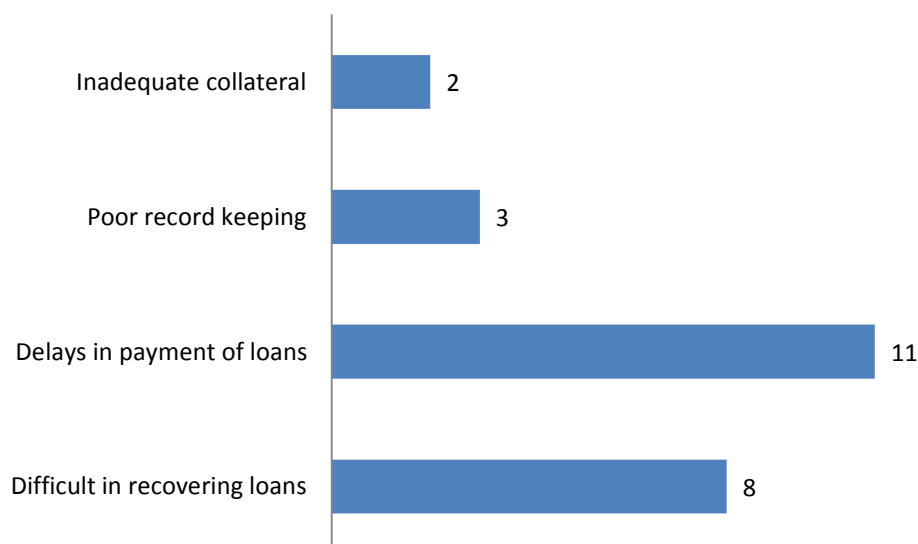
From the results presented in Figure 4.7, inference can be made that inadequate collateral was identified by 12.5 (2) credit officers of OISL. The reason may be that customers do not have collaterals that match up to the amount of loans they take in case of default.

It was explored that the major challenge that OISL is confronted regarding the loans they give their customers was delays in the payments of the loans. Delayed payments were represented by a majority of 68.7% of the staff of OISL. This may be sometimes by due to some weaknesses in the loans recovery system or some circumstances that are beyond the control of both the customers and OISL.

Poor record keeping by OISL was also identified by 3 (18.7%) of the staff as another challenge that confronts the institution in giving loans to their clients.

Another phenomenal challenge that is confronted by OISL is difficulty in recovering loans. 50% of the staff of OISL identified the difficulties in recovering the loans that have been given to customers as the second major challenge confronting the institution in giving loans out. As a matter of fact, the major challenge; delays in payment of loans that is confronted by OISL may have a relationship with the difficulties in recovery. As a result, the factors that may be responsible for delay in payments of loans may also be impacting on difficulty in recovery.

Figure 4.7: Challenges confronted by OISL in doing business with clients



4.12.2 Challenges confronted by the customers of OISL

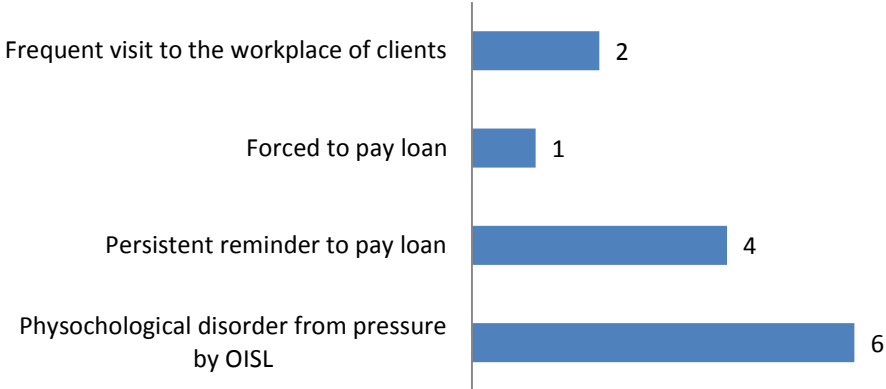
This section discusses the challenges that the customers of OISL go through from taking loans from OISL.

From the field results, majority of the customers identified the psychological disorders that they go through that result from the pressure that OISL give them to pay back their loans as the major challenge that confronts them. This factor was identified by a majority of 6 (37.5%) of the customers.

Followed by the pressure given by OISL was persistent and numerous calls that they receive from OISL to pay back the loans that have been contracted. The customers admitted that even though they call them as a means to foster good customer relationship, the main purpose of the call is to remind them and request them to pay back the loans contracted. Persistent reminder by OISL was identified by 4 (25%).

Moving forward, another challenge that the customers of OISL identified was the frequent visit of OISL to their workplaces. Some of the customers confessed that sometimes they are unable to stay at their workplaces to work due to the frequent visits that the officers of OISL pay them without notice. This challenge was identified by 2 (12.5%) of the customers.

Figure 4.8: Challenges confronted by the customers of OISL



Lastly, another challenge that was identified was the force that OISL us in taking back their loans which was identified by 1 customer.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATION AND CONCLUSION

5.1 Introduction

The chapter presents the general findings of the research in the context of the central ideas underpinning the objectives of this research. The perspective of this chapter does not only recommend solutions but presents the findings in relation to the effect of microfinance as an effective strategy for poverty alleviation. The key components of the chapter include the summary of findings, recommendations and conclusion.

5.2: Summary of major findings.

Findings from the reveal that from the perspective of the staff of OISL, majority of 93.8% believe that the purpose of OISL is transforming lives as well as making profits. Another 87.5% of the staffs also believe that OISL exist to finance poor entrepreneurs as well as eradicating poverty and financing SME's. Also 18% of the staffs believe that the objective of OISL is to finance corporate institutions.

It was also found out by the study that a majority of 68.8% of the customers are aware of microfinance companies in their community whiles a minimum of 4 (25%) are not aware of the presence of microfinance in their community.

With respect to the roles microfinance institutions play in their communities, findings from the study revealed that a majority of 86.7% of the customers of OISL believe the role microfinance companies' play is making profit. Another 80% also believe that microfinance companies exist to help businesses grow to ensure sustainability whiles 25% of the customers interviewed believe microfinance companies exist to transform lives.

Regarding the accessibility of loans, the study found out that the major qualifications that one needs to qualify for a loan is their level of savings and the businesses they are engaged

in. also the age of the potential borrower was also found out to be a qualification that must be met.

Before customers can access their loans from OISL, the study found out that five (5) types of collaterals were identified as; landed properties, cash security, guarantor, vehicle and business stock. It was further revealed that the most requested collateral from the customers of OISL is a guarantor which was followed by landed properties. The least identified collaterals were cash security and vehicles.

The study further revealed that the customers who took their first loans between Gh 500 – 2000 had their standard of living being improved. Further, it was found out that 25% of the customers who took loans between 2,100 and 3,500 also said that their standard of living improved from their first loan from OISL. Two (2) customers whose first loans were between 3600 – 5000 did not experience any change in their standard of living.

The study found out that a majority of 18.8% of the customers who took their first loans between Gh 500 – 2000 had their children's education unchanged. However, 6.2% (1) of the respondents said their standard of living declined while 2 (12.50%) within that loan category had their children education improved. Further, a majority of 25% of the customers who took loans between 2,100 and 3,500 also said that their children education improved from their first loan from OISL. Also 3 (18.8%) also found neither improvement nor decline in their children education after their first loan. Finally on the children education, only 2 (12.5%) customers whose first loans were between 3600 – 5000 said there were no changes.

With regards to first loan and the effects on family health, a majority of 25 % of the customers who took their first loans between Gh 500 – 2000 had their family health unchanged while 2 (12.50%) within that loan category had their family health being improved. Further, a majority of 31.2% of the customers who took loans between 2,100

and 3,500 also said that their family health remained the same from their first loan from OISL.

The study explored four (4) main challenges that are confronted by OISL as a microfinance institution as inadequate collateral, poor record keeping, delays in payment of loans and difficulty in recovering loans. The major challenge that OISL is confronted regarding the loans they give their customers was delays in the payments of the loans. Delayed payments were represented by a majority of 68.7% of the staff of OISL. Findings from the results revealed that inadequate collateral was identified by 12.5 (2) credit officers of OISL as a challenge. Poor record keeping by OISL was also found out to be another challenge that confronts the institution in giving loans to their clients.

Another phenomenal challenge that was found confronting OISL was the difficulty in recovering loans which was represented by 50% of the staff of OISL.

From the perspective of the customers it was found that the psychological disorders that they go through that result from the pressure that OISL give them to pay back their loans is their major challenge that confronts them. Another challenge that was found out by the study was the force that OISL use in taking back their loans. Persistent and numerous calls that the customers receive from OISL to pay back the loans that have been contracted was also found out to be a challenge confronting the customers. Finally, another challenge that was found out by the study was the frequent visit of OISL to their workplaces without notice.

5.3 Recommendations.

Any intervention at addressing poverty issues head on in a continuous and sustainable way require actions, policies, programme and specific product designs that seeks to will improve not just productive sector of the poor but also the human capital of the poor.

Policy and product design and its associated interventions and implementation must be well targeted if managers of these microfinance and savings and loans companies want their business impact to reach the poor and also improve their business bottom-line. To make this realization come through especially in a small town and rural communities such as the area where the study is conducted, loans that are advanced through the use of group lending methodology rather than individual lending which minimizes the challenges of loan repayment must be the approach and be operationalized by both formal and informal lending institutions.

Secondly, the requirement of collateral that is demanded before the advancement of loan facilities must be critically looked at to enable the services meet a greater percentage of the poor whom find it difficult to provide the demanded collaterals for their loans requested. In as much as the poor must show commitment on their part to demonstrate their willingness to repay loans advanced to them, MFI's should look at the fact that the poor themselves do not have assets yet and doing business with them goes beyond making profit but also seeking to transform their livelihood.

Thirdly, Government and its agencies must also see the presence of MFI's not just as business organisations only, that is there for profitability and therefore a source of tax for them but however, they must be seen as a developmental tool that is aiding government and its agencies in reducing poverty in the communities they operate. Small loans sometimes referred to as Micro-credits to the rural people promote rural development and therefore, there is the need for the government to support the activities of Microfinance institutions through cheap loans and grants where necessary for on-lending to the poor who are cut off to financial services by traditional mainstream banks. In this direction the Bank of Ghana should have a secondary look at the stated capital requirement for these

institutions to enable them channel those fund to the rural poor to reduce the incidence of poverty.

5.4 Conclusion.

Various presentations on Micro Finance impact on destitution everywhere throughout the world demonstrate a positive connection between the two. This study likewise affirms that a critical or proportionate increment in needy individuals who has little business having admittance to smaller scale credits by Opportunity International Savings and Loans seeing a change in their organizations and the financial prosperity as an individuals. The greater part of the little groups and towns occupants see these money related organizations as a first purpose of contact at whatever point there is a need to search for budgetary mediation in any part of human life, right frame social and social get-togethers also country financial viewpoint.

Luckily, most MFI's and Savings and Loans Companies have their projects for the most part custom-made towards the needs of the financially dynamic poor frequently. They ordinarily embrace gathering based loaning system which puts less weight on both bank and the collector and has a high reimbursement rate. Likewise, giving credit to a little gathering with solid union among individuals encourage high reimbursement rates and part inside of gatherings have the capacity to share their business example of overcoming adversity to help individuals inside of the gathering to additionally develop their business.

Access to miniaturized scale credit by the monetary dynamic poor, been it through direct loaning or financing business stock or ranch inputs, serves to enhance and build their agrarian efficiency other than their little 'table top' business in rustic zones which upgrades their nourishment security, as well as an extra wage to their little business. It additionally

encourages access to wellbeing offices, created group initiative, and advances positive view of recipients as far as their social remaining in their groups.

In spite of the difficulties that were seen as for brief reimbursement from client and the security demand which now and again makes the cost of the office extravagant, other than the interest charged, the examination regarding Microfinance establishments go for decreasing destitution just like the case in other purview was same in the groups that the exploration was done.

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APPENDICES

QUESTIONNAIRE

INTERVIEW FOR CREDIT OFFICERS / RELATIONSHIP OFFICERS.

TOPIC: Microfinance: An Effective Strategy for Poverty Reduction: A Case Study of Opportunity International Savings and Loan Ltd Operations at Mpasatia and Nkawie/Toase Communities.

I am an MBA student of the KNUST School of Business (KSB), researching on the above topic. I am collecting data on the customers/clients and relationship/credit officers of Opportunity International Savings and Loans Ltd Operations at Mpasatia and Nkawie/Toase to do an assessment of Microfinance as an effective strategy for poverty reduction. It will take between 15-30 minutes to complete. All information provided shall be treated confidential and used solely for academic purpose. I am asking for your help to ensure that the information collected is accurate. If there are sections where someone else is the most appropriate person to provide information, I would appreciate you introduce me to that person. Your identity will be kept anonymous.

1. What is your role profile in OISL
.....
2. Educational Background
HND () Bachelors' () Post Graduate ()
3. Marital Status
Married () Single () Divorced ()
4. Gender
Female () Male ()
5. How many years have you been at your role?
1 – 24months () 25- 48months () Above 48 months ()
6. What is/are the main objective(s) of OISL?
 - A. Transforming lives YES () NO ()
 - B. Financing entrepreneurial poor YES () NO ()
 - C. Eradicating poverty YES () NO ()

- D. Profitability YES () NO ()
- E. Financing SME'S YES () NO ()
- F. Financing Corporate Institutions YES () NO ()

7. Which of these products/services does OISL provide?

- A. Savings YES () NO ()
- B. Loans YES () NO ()
- C. Susu YES () NO ()
- D. Insurance YES () NO ()

8. Which category of customers/clients serves as OISL target market?

- SME () CORPORATE () GENERAL TRADING () PETTY TRADING ()
 START UPS ()

9. What constitutes your major customers/clients in percentage?

	0-19%	20-40%	41-80%	81-100%
A. Corporate	()	()	()	()
B. SME's	()	()	()	()
C. GENERAL TRADING	()	()	()	()
D. PETTY TRADING	()	()	()	()
E. START UP's	()	()	()	()

10. What makes someone qualify to borrow ?

- A. Age YES () NO ()
- B. Business YES () NO ()
- C. Savings YES () NO ()
- D. Educational level YES () NO ()
- E. Status YES () NO ()

11. What does one require to qualify for a loan from OISL?

.....

12. How often are you able to disburse to client within a year?

- Once a Year () Twice a Year () Thrice a Year ()

13. How long does it take to process and disburse credits?

1-5 DAYS () 1-3WKS () OVER A MONTH ()

14. What makes one qualifies for a credit?

.....
.....
.....
.....

15. Do you always require collateral securities before granting loans to customer/clients?

YES () No ()

16. What kind of collateral do you request?

A. Landed property	YES ()	No ()
B. Cash Security	YES ()	No ()
C. Guarantor	YES ()	NO ()
D. Vehicle	YES ()	No ()
E. Business Stock	YES ()	No ()

17. Do customers/clients always get the collateral requested?

YES () NO ()

18. Do you think that credit accessed by customers/clients economically affect their lives?

YES () NO ()

19. How much was the business worth before loan disbursement

GHS250- GHS900 () GHS1, 000 -GHS2, 000 () Above GHS2, 000 ()

20. What was the business worth after the fifth cycle loan?

GHS500 - GHS1, 500 () GHS2, 000.00 –GHS2, 500 () Above GHS3, 000.00 ()

21. Do you think that credit accessed by customers/clients has led to growth in their businesses?

YES () NO ()

22. In your own view, do clients always use all credit accessed only for the intended purpose?

YES ()

NO ()

23. If No to above question 20, what activities do you know clients use the accessed credit for?

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.....

24. How do think this situation can be avoided.

.....
.....
.....
.....

25. What challenges do you face in doing business with your customers/clients?

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.....
.....

Thank you.

QUESTIONNAIRE

INTERVIEW GUIDE FOR OISL CUSTOMERS.

TOPIC: Microfinance: An Effective Strategy for Poverty Reduction: A Case Study of Opportunity International Savings and Loan Ltd Operations at Mpasatia and Nkawie/Toase Communities.

I am an MBA student of the KNUST School of Business (KSB), researching on the above topic. I am collecting data on the customers/clients of Opportunity International Savings and Loans Ltd Operations at Mpasatia and Nkawie/Toase to do an assessment of Microfinance as an effective strategy for poverty reduction. It will take between 15-30 minutes to complete. All information provided shall be treated confidential and used solely for academic purpose. I am asking for your help to ensure that the information collected is accurate. If there are sections where someone else is the most appropriate person to provide information, I would appreciate you introduce me to that person. Your identity will be kept anonymous.

1. How old are you?
18-30 () 31-40 () 41-50 () 51-60 () Above 60 ()
2. Gender F () M ()
3. What is your marital status?
Single () Married () Divorced ()
4. What is your educational background?
JHS () SHS () COLLEGE () UNIVERSITY ()
5. How many years / months have you been a customer for OISL
6M-12M () 1YR -3YRS () 4YRS- 6YRS Above 6 YRS ()
6. What product or services do you buy from OISL?
Savings Account () Loan ()
7. What business are you into
i. Production () Trading () Services ()
8. How long have you done your business?
 - a) Six months – Two years ago ()
 - b) Three – Five years ago ()
 - c) More than Five years ()

9. What do you have to do to qualify to become a loan client of OISL ?
.....
.....

10. Are you aware of Microfinance companies presence in your community?
Yes () No ()

11. What role do you think microfinance companies are playing in your community
a) Helping business grow ()
b) Socio- Economic empowerment ()
c) Transforming businesses ()
d) Transforming Lives ()
e) Making profit ()

12. When was your first loan request?
a) Less than 6 months ago ()
b) 2-4 years ago ()
c) more than 5 years ago ()

13. What has been the influence of the loan on standard of living?
Improved () Declined () Remained Same ()

14. What has been influence of the loan on your children's education?
Improved () Declined () Remained Same ()

15. What has been the influence of the loan on your family health?
Improved () Declined () Remained Same ()

16. How much was your first loan amount?
5-20M () 21-35M () 36- 50M () Above 50M

17. Do you always require collateral securities before you are granted loan request?
YES () NO ()

18. What kind of collateral does OISL request from you?

A.	Landed property	YES ()	No ()
B.	Cash Security	YES ()	No ()
C.	Guarantor	YES ()	NO ()
D.	Vehicle	YES ()	No ()
E.	Business Stock	YES ()	No ()

19. Are you always able to get the collateral that is requested?

YES ()

NO ()

20. If No to 19 , what accounted for that ?

.....
.....
.....
.....
.....

21. What was the source of funds for your business before you became OISL customer?

- | | | |
|----------------------------|---------|--------|
| A. Personal Savings | YES () | NO () |
| B. Family | YES () | NO () |
| C. Friends | YES () | NO () |
| D. Faring Harvest/produce | YES () | NO () |
| E. Other financial Service | YES () | NO () |

22. What made you decided to go for a loan from OISL

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.....
.....

23. How much was your business capital before the loan

GHS500-1500 () GHS1, 600-2,500 () GHS2, 600-3500 () Above GHS3, 500 ()

24. What was the level of profitability?

High ()

Medium ()

Low ()

25. What was the business worth after the loan granted paid?

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.....

26. What were the challenges you were faced with in your business before taken loan from OISL?

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27. What were the challenges you faced when you took the loan from OISL

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28. What were the challenges after you finished repaying the loan

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.....
.....

29. Do you always invest loan granted to you for the purpose for which you were granted?

YES () NO ()

Thank you.