

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOG**

**INSTITUTE OF DISTANCE LEARNING**

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**POVERTY ALLEVIATION AMONG POOR HOUSEHOLDS IN AKUAPEM NORTH  
MUNICIPALITY, THE ROLE OF MICROFINANCE: A CASE STUDY OF AKUAPEM  
RURAL BANK LIMITED.**

**BY**

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AWARD OF MASTER OF SCIENCE DEGREE IN ECONOMICS**

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## DECLARATION

I hereby declare that this dissertation is my work towards the Masters of Science in Economics and that, to the best of my knowledge; it does not contain any material previously published by another person nor material which has been accepted for the award of any other degree of the University or elsewhere, except where due acknowledgement has been given.

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## ABSTRACT

The purpose of the research was to find out how the microfinance activities of Akuapem Rural Bank have help to reduce the poverty levels among poor households in its catchment areas. The study was also to ascertain whether or not the activities of the microfinance of the Bank has any positive impact on the living conditions of the beneficiaries and the extent to which it has reached the unbanked population in the rural areas.

In the research process, ten (10) groups were selected of which seventy (70) respondents were chosen, seven (7) from each group. All the selected groups and respondents were done through simple random sampling. The Bank also provided information needed on the beneficiaries who patronized the microfinance activities from 2010-2015. All these information were put together and analyzed using Statistical Product and Services Solution (SPSS) version 16. The SPSS was used to generate frequency tables for the analysis. The data analyzed revealed that businesses of beneficiaries and their livelihoods have improved as a result of the microfinance scheme. Also, out of the seventy (70) respondents sampled, 37.1 per cent were new members who never had any banking experience before. This means that the microfinance had been able to reach out to some unbanked population in the rural areas.

It is therefore recommended that men must be included in the various groups to help alleviate the level of poverty faster in the rural areas. Also, the bank must expand the activities of the microfinance to cover more qualified people in the rural areas.

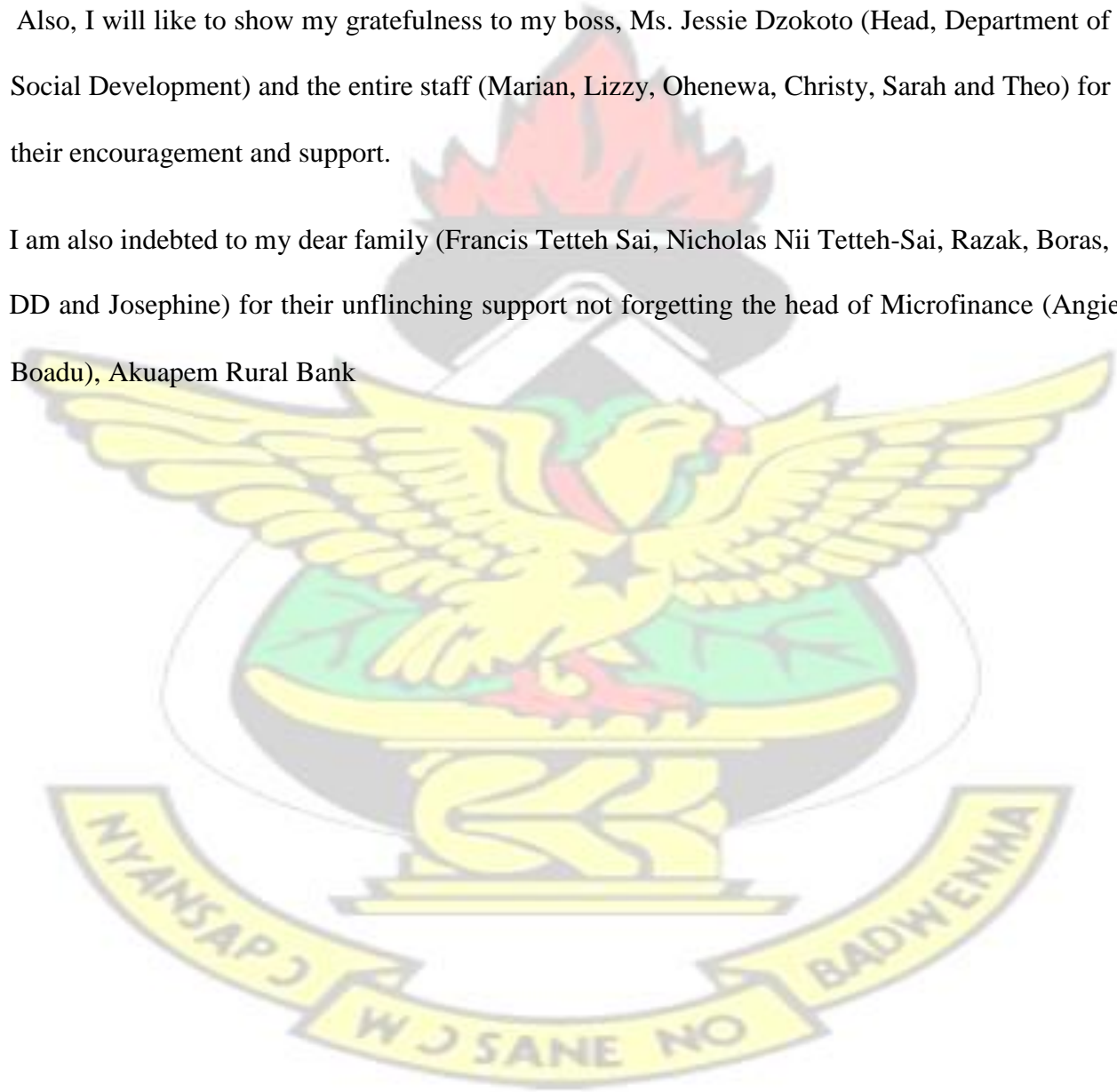
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## DEDICATION

This thesis is dedicated to two cherished uncles of mine (Mr. Torgbor Obodai and Mr. Moses Lawer Ekuhoho) who made it possible for me to be where I am today. God richly bless them.





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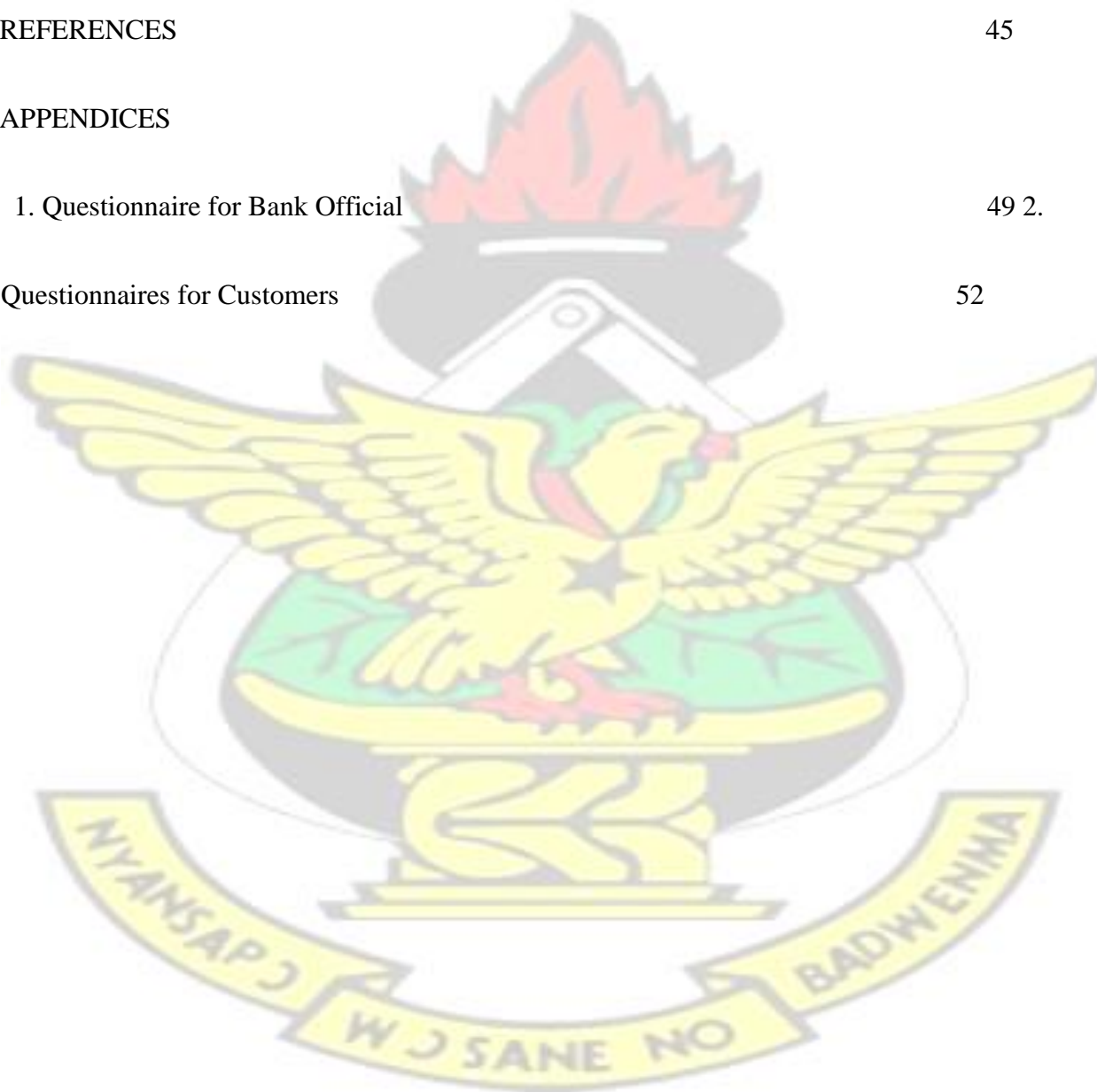
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## LIST OF ACRONYMS



NGO	Non-Governmental Organization
MiDA	Millennium Development Authority
SPEED	Support Programme for Enterprise Empowerment
SIF	Social Investment Fund
LEAP	Livelihood Empowerment against Poverty
MASLOC	Microfinance and Small Loans Scheme
GPRS	Growth and Poverty Reduction Strategy
PSME	Promotion of Small and Micro Enterprise
AFDB	Africa Development Bank
UNDP	United Nations Development Programme
OVC	Orphans and Vulnerable Child
PWD	Person with Disability
SME	Small and Medium Scale Enterprise
MF	Microfinance
TV	Television

NYEP National Youth Employment Program

NHIS National Health Insurance Scheme

SPSS Statistical Package for Social Sciences

MFI Microfinance Institutions



## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the Study

Poverty is unrelenting and implacable enemy with a collection of weapon of child death, starvation, disease, illiteracy, violence, child trafficking just to mention a few. It furthermore can be seen as a circumstances where some group with similar characteristics continuously undergo deprivation with respect to fundamental necessities such as shelter, food, healthcare, education, access to communication tools, clothing among others. Moreover, others describe poverty as people or families with earnings under a certain threshold level regardless of their standards of living. This definition comprises low level of earnings, inaccessible healthcare facility, poor hygienic condition, lack of portable drinking water, high level of illiteracy rate, poor security and protection from preventable crime among others. (Nii K. 2002).

Poverty is a world phenomenon even though is more endemic in developing countries than the developed world. Records have it that seventy-five per cent of the world's poorest countries are located in Africa. In the last 30 years, extreme poverty incidence globally has decreased (from 40% to below 20%) but has little effect in African countries. Currently, in sub-Saharan Africa, more than 40% of people live in extreme poverty (our-africa.org)

In the case of Ghana, even though successive governments' implementation of policies had led to general decline in the poverty incidence in the country, poverty is still a force to reckon with in the deprived rural communities. It is unarguable that more than half of the nation's population lives in rural areas. Currently, poverty in the rural areas has become a great concern in the country making the poor people and their various deprived regions to live in absolute low standard of living environments. Records have it that, the poorest areas in the country are the three northern regions where individuals encounter chronic food insecurity and high level of



illiteracy among the host of others. However, there are pockets of poor and extremely poor people in every region in Ghana.

The poverty situation in Ghana is cyclical one that the Government and other development partners have developed various policy interventions to help reduce it. Some of the intervention strategies adopted by government include; the National Youth Employment Program (NYEP), Livelihood Empowerment Against Poverty (LEAP), National Health Insurance Scheme (NHIS) and Microfinance and Small Loans Scheme (MASLOC) among others.

The NYEP was created in 2006 to help reduce the increasing level of youth unemployment with the desire to empowering Ghanaian youth so they could add positively to the socioeconomic and sustainable development of the nation. This initiative had spread to rural areas where they employed the youth in the rural communities into one of the modules in the programme called youth in agriculture. This generated a source of livelihood for the rural folk's hence reduced extreme poverty among them.

LEAP is a government social cash grant programme which provides cash and health protection to extremely disadvantaged individuals or households across Ghana with at least one of three demographic categories; households with orphan or vulnerable child (OVC), elderly disadvantaged and person with extreme disability who are weak to involve themselves in any economic activities. The main objective behind this programme is to help eliminate extreme poverty among poor households in the country more especially in the rural communities. It is believed that the beneficiaries of this intervention are poorer than the country's rural average with a daily per capita expenditure grossly 85 US cent.

The MASLOC is a microfinance apex body responsible for implementing the government of Ghana microfinance programmes targeted at reducing poverty, creating jobs and wealth.

MASLOC does not only disburse micro and small loans to its clients but further provides business advisory services, preparation and capacity building for small and medium scale enterprises (SMEs).

The above policy interventions are premised on the ideology that poverty is extreme in rural communities in Ghana and the fact that the poor lack the ability to escape from extreme poverty themselves. The objective of these interventions is to eliminate extreme poverty and not to eradicate poverty in its entirety. It is therefore clear from global perspective that poverty reduction needed direct financial interventions in the rural communities.

Microfinance has been accepted by all stakeholders including governments, foundations, community development groups, non-governmental organizations and even for profit private firms because of its efficacy to helping reduce the level of extreme poverty among the poor in the rural communities.

The idea of microfinance has been in the system for several centuries. During those periods, a lot of savings and credit groups that have operated for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "cheetu" just to mention few as well as numerous savings clubs and burial societies found all over the world (>The New Vision of Microfinance,2004) . According to the New Vision of Microfinance 2004, available proof points to the fact that, one of the first microcredits in Africa was established in Northern Ghana in 1955 by some Canadian Catholic Missionaries. Susu, which is we commonly associate with microfinance is believed to have come from Nigeria and now a household name in our society spread (The New Vision of Microfinance 2004).

Schreiner and Colombet (2001), microfinance is the attempt to help the poor and the vulnerable gain access to small credit as well as get the opportunity to make deposit or save which they

were denied by the traditional banks. Therefore, microfinance involves not only the provision of financial services such as savings, loans but also insurance to poor people living in both urban and rural communities who are denied financial services from the formal financial sector. The providers of microfinance services include Rural Banks, Savings and Loans Companies, Credit Unions, Susu Companies among others.

It also involves lending to clients who do not have required collateral, recognized business accounts or a reputable credit history. Individual collateral is substituted for by group collateral. This makes it possible for people in the catchment areas of Akuapem Rural Bank to access microfinance services provided by the bank.

### **1.2 Poverty and Vulnerability incidence in Akuapem North Municipality**

Vulnerability in this scope is explained as the diminished capacity of an individual or group to forestall, handle, fight and recover from the impact of a natural or man-made hazard in relation to physical, economic, social, political, religious and health issues. The 2010 population and housing census disclosed some level of vulnerability in Akuapem North Municipality.

The fact remains that people react differently to risk as a result of the kind of association or group, gender, ethnic background, age, socialization process among others but almost all the people in the municipality are Ghanaian by birth (91.5%) with total migrant population representing 8.5% of the total population which is 136,483. Measures and structures to reduce the impact of vulnerability such as mitigation, preparedness, prediction, guiding capacities, local government and traditional structures exist in the municipality to tackle the root cause of vulnerability. Most vulnerable groups include persons with disability, the aged, children, pregnant and nursing mothers among others.

Poverty like other phenomenon has varying perception and understanding from different people due to its diverse nature and background. Some indicators used in measuring poverty in the



municipality include but not limited to epidemics in communities, high rate of social vices, poor sanitation, poor housing conditions or dilapidated houses, unemployment, lack of social amenities among others. Some of the common causes of poverty in the municipality are; poor management of scarce resources, large family size, lack of skills training, low level of education (Akuapem N, 2015). The predominant occupation in the municipality is farming. 50.7 per cent of the population in the municipality is below the poverty line. This means that five (5) out of ten (10) people in the municipality are poor which is slightly higher than the regional figure where three (3) out of ten (10) people are poor, Ghana Population Census (2010).

### **1.3 Statement of problem**

The emergence of microfinance institutions has helped to reach out to the unbanked population in the country especially the poor both in rural and urban areas. The main aim of this institution is to complement government and other Non-governmental organizations effort to help alleviate the level of extreme poverty among the unbanked poor in the rural communities (Chirwa, 2002). Various microfinance institutions and other stakeholders like government appear to take the impact of the microfinance interventions for granted. The problem with government providing microfinance services for the rural poor is that, the rural folks see the funds as free with no intention to pay back. This has affected other institutions that provide the same services negatively (Ashun, 2010).

This condition is compelling many microfinance institutions to move away from providing funds to the rural folks to the urban areas because these institutions must make profit to be in business and for their investors. This situation makes it difficult for these service providers to meet the rationale behind their establishment. It is on this premise that this thesis want to find the loan portfolio that the bank Akuapem Rural Bank disbursed to microfinance clients, the

default rate, repayment rate, responses towards the fund and financial progress before and after the receipt of the loan over a particular period of time.

#### **1.4 Research objectives**

The broad objective of the study is to analyze the role of Akuapem Rural Bank in helping to alleviate poverty among the poor in its catchment area.

The specific objectives of this study were to ascertain whether or not;

- i. Microfinance services rendered by the bank help improve the businesses of the poor household in its catchment area.
- ii. Provision of microfinance services by the bank helps the poor households in its catchment area to improve their livelihood.
- iii. A microfinance service is really able to reach out to the unbanked population among the poor household in Akuapem.

#### **1.5 Research questions**

1. Has the microfinance services rendered by the bank helped improve the businesses of poor households in its catchment areas?
2. Has the provision of microfinance services by the bank helped the poor households in its catchment area to improve their livelihood?
3. Has the bank really able to reach out to the unbanked population among the poor households in its catchment area?



## **1.6 Rationale behind the Study**

The study brings to light the extent to which microfinance activities of rural banks is helping to reach out to the unbanked poor in rural communities. This therefore helps policy makers to identify the vulnerable communities and mount tailor-made services for them. The study as well outlines the challenges faced by the various institutions providing microfinance services to the poor and see how best they could improve on it to meet the set target.

The study also highlights the contribution made by these rural banks to help government and other development partners' effort to help lift the rural poor out of chronic poverty to an acceptable standard of living.

Finally the study unveils the extent to which the poverty alleviation/micro credit program has succeeded. It would also show if the rural poor have been able to move themselves from endemic poverty through the acquisition of household assets, pay their children's school fees and are able to feed themselves. **1.7 Organization of the Study**

This thesis comprises five main chapters. The first chapter talks about the introduction which involves the background, the objectives of the research and provides the rationale behind the study. The second chapter deals with necessary literature review on issues like microfinance, concept of poverty, Government policy interventions to alleviate poverty etc. Chapter three will look at methodology that would be used. It briefly looks at the population, the size of the sample and sampling procedures, data collecting instruments, data administration as well as analysis of data. Chapter four will be devoted for the discussion of the results from data collected from the field and from the books of Akuapem Rural Bank. The final chapter then looks at summary, conclusions and recommendations.

## **CHAPTER TWO**

## LITERATURE REVIEW

### 2.0 INTRODUCTION

Traditionally, the concept of poverty has been associated with income which is the main subject matter discussed every day. Currently, individuals or people are classified as poor when they are deprived of resources including income needed to obtain certain basic necessities of life. Examples of such basic necessities may include but not limited to material goods, meal, medical care among others that help them to be responsible in society (International Poverty Centre, United Nations Development Programme).

According to Ted K. Bradshaw (2006), poverty in general terms is lack of basic necessities in life. These necessities include food, shelter, medical care and safety which are basic with regards to human dignity. The writer continued to say needs are not uniform across cultures and traditions. Therefore, a need of a particular geographical location might not be a need for another area. Even though stakeholders and policy makers are aware of the arsenal poverty possess, it is more difficult and complicated to really understand its concept (Carney P 1992).

The main goal behind this study is to access the books for conceptual knowledge of poverty that is associated with the practices that are fundamental to poverty alleviation which in the long run leads to community development. There are five theories of poverty that would be accessed and for each theory, there are set of variables that play major roles linked with causing poverty. All the theories that would be accessed have different view and as such results in unique way in community development intervention strategy.

## **2.1 Theories of Poverty**

### **2.1.1 Poverty caused by individual Deficiencies**

This theory solely looks at individual as the originator of his/her own poverty situation. It argued that if individual work harder and involves himself in multiple task, he would have avoided this situation. This theory also looks at individual's lack or low level of intelligence which is not reversible as a contributing factor to poverty.

Individual poverty deficiencies theory stems from the belief that God is the ultimate giver of wealth and no individual can be wealthy without God's blessing. This therefore created the impression among the people that if one is not wealthy, it might be as result of his sins or the sins of his forefathers. This had made a lot of people to ascribe their poor conditions to the supernatural being. They blame their misfortune not on themselves but as a sole responsibility of God, Schiller (1989)

The neo-classical encourages individualistic sources of poverty. They argue on the premise that individuals seek to maximize their own interest by making their choices with regards to consumption and investment. According to this theory, when people choose short term and low-payoff returns, economic theory holds the individual entirely responsible for the decision. For example when an individual who rather to invest his hard earn income for profit decides to spend such resources on consumption.

The economic theory that blames poverty on the inability of the poor to access incentives to improve their poor conditions rather bleeds poverty. Gwartney and McCaleb (1985), argue that the more years that is used in combating poverty, the more the concept of poverty become stronger and the more poverty is increased among the working poor in spite of unprecedented increases in welfare expenditures basically because of the welfare schemes, Ted K. Bradshaw



(2005). The paper continued that they decided that simple application of basic economic theory indicates, the problems lie in the structural strategies of poverty programmes. Currently, the social intervention programmes is counter-productive with selfimprovement and protects individuals against the repercussions of their own bad decisions. The fact that poverty is still with us does not mean that we are losing the fight against poverty or we are not doing enough but rather too much is been done that is counterproductive (Gwartney and McCaleb, 1985). They suggested in order to solving poverty, the punishment for poverty must be huge enough that nobody will choose it and welfare programmes must be limited to people with disability and those unable to work.

The problem with this theory is that, it alludes to the fact that anybody who is poor does not work hard and by inference lazy. This is hard to believe because in the developing world, unemployment is high; salaries are very low with very high cost of living. This makes it difficult for young graduates to get jobs and even the few that get some cannot save because of low wages and the financial pressure from the extended family.

### **2.1.2 Poverty caused by Cultural and Traditional Belief Systems that Support Sub-Cultures of Poverty**

According to the theory, poverty is embedded in the society inherited customs and traditions which are being abided by individuals in the society. These individuals in the society unconsciously are made poor by this dysfunctioning culture and tradition and are not entirely to be blamed for their conditions. This theory is associated with poor people. Oscar Lewis (1997) defines culture of poverty as a set of traditions, beliefs, customs and values carried out from generation to the next generation.

These beliefs and values are internalized by the younger generation and it's become very difficult for them to position themselves to changes that will lead to an improvement in life.

Migrants and immigrants are more vulnerable to this culture of poverty. For example, in Ghana, the uneducated migrants from the Northern part of the country popularly called <kayayoe= come to Accra for greener pastures. They end up sleeping in kiosks, containers and ghettos and begin to procreate. As their number increases, they create their own community with their set of beliefs and values that become generational. Once officials sit back for communities of this sort to be established, it becomes more difficult to fight poverty because the children will be socialized with these values and they will see it as a way of life. Any attempt to make things right is an attempt on their way of life and they will resist it (Ryan, 1976).

So far as people will agree with this theory, it might also happen that, people living the culture of poverty have no opportunities to alleviate their poverty and not necessarily they internalize such cultures that are counter-productive.

### **2.1.3 Poverty caused by Economic, Political and Social Discrimination**

The earlier theory talks about poverty as a result of individual initiative and the second theory alludes to the fact that culture and tradition are responsible for individual being poor. This third theory overrides all because, once the system has not created opportunities for people to make living, no matter how much they work hard or how good the beliefs and values of their society is, they will continue to wallow in poverty. This theory does not blame the individual as the originator or source of poverty but rather blame the economic, political and social system which refuses to create the enabling environment for the citizens especially the less privileged to earn income and good standard of living (Yoon and Hirschl, 2003).

More poverty literature agreed that the current economic system is discriminatory against the poor regardless of their skills and competent level. Also, one problem of the working poor is the fact that the wage is very meager which is blamed on structural barriers preventing poor households from getting lucrative jobs as well as the underdevelopment of sectors that employ



lower skilled job seekers. These structural barriers favour the rich and powerful who make economic policies for the poor. The elimination of these barriers can only be facilitated through education and training programmes for the minority to get access to better jobs which can help lift them from the realm of poverty (Jencks, 1996).

#### **2.1.4 Poverty caused by Environmental Disparities**

It is undeniable fact that poverty among rural folks, ghetto youth, urban disinvestment, thirdworld poverty etc. are all examples of poverty caused by geographical disparities. According to Morrill and Wohlenberg (1973) poverty is more prevalence in certain areas of the world and some development literature has provided answers to why some regions are economically non-competitive. Some responses given include but not limited to proximity to natural resources, lack of technological advancement, disinvestment, and population growth among others.

According to Morrill and Wohlenberg (1973), geographical theory of poverty means that the poverty intervention must be directed to community developers to target places and processes by which they can become self-sustaining rather than focusing on individuals, businesses, governments, welfare systems or cultural processes. There are evidence around the world that some disadvantaged communities are able to untangle themselves from the web of poverty which serve as example for others to follow. Microfinance happens to be one of the recommended programmes to fight against rural poverty.

Microfinance has widely and arguably been recognized as one of the best tools to combat poverty in the rural communities more specifically in developing countries where majority of the population resides in rural areas. Microfinance comprises of variety of financial services

with the primary target of low income clients. These services include small loans, savings, insurance, remittance, business advisory among a host of others.

According to Atlantic International Studies Organization, microfinance can be loosely explained as the provision of small loans to those who would not typically be able to borrow due to a lack of collateral required in the main stream banks. This can be provided by a number of sources including family members, pawnshops, non-governmental organization and commercial banks. The formalization of microfinance in recent years has been embraced by two theories of development; neo-liberalism and participatory development.

Neo-liberalism became relevant theory of development in the 1980s and continues to be one of the theoretical motivations for influential organizations such as the World Bank and the International Monetary Fund. According to this theory, individuals are trusted to make rational decisions that reflect their best interest. This means that once these decisions lead to the betterment of their lives, society becomes better off. The theory indicates that the responsibility of the state is to regulate the system rather than initiator of economic activity. This implies that when state takes Centre stage of economic activity, it places more weight on economic growth than individual welfare, local culture and tradition and the environment in development proposal (Weber and Jensen, 2004).

Microfinance <bottom-up= approach of poverty alleviation contradicts with the <top-down= methodology of neo-liberalism. However, micro financing for small scale businesses became a neo-liberalism construct when one views it as the formalizing an informal economy.

According to a report on poverty published by World Bank, (International Finance Corporation, 1956) <Private businesses? operating through the market is the main engine of sustained economic growth=. The neo-liberalism believe that if the system expose preexisting informal

economic networks as well as provide the opportunity for the creation of additional formal businesses, the macroeconomic situation of the state will improve.

With regards to Participatory Development theory, the primary focus is on power and community. The theory looks at power holistically which includes structures of knowledge, social situations and political influence. It always advocates for the use of local inputs such as local knowledge, local capital and local labour in implementing communal projects. The theory believes that the community is the agent that needs development rather than individual or the state. Since development is community based, Participatory Development is largely delivered by NGOs and community organizations rather than national or international bodies. Any developmental goal is made possible through recognized institutions though some malfunction. Microfinance therefore becomes the means of developing deprived communities in remote areas.

## **2.2 Brief History of Microfinance**

According to microfinance historians, microfinance can be dated back to the early to middle 1800s when one of the microcredit historians (Lysander Spooner) wrote on the benefits that small companies derive from accessing microfinance services (Lysander Spooner, 1846).

Currently, the use of micro financing is believed to have gained its recognition in the early 1970s when organizations such as Grameen Bank of Bangladesh with pioneer Mohammad Yunus who subsequently won the Nobel Peace Prize for his leadership in micro financing the rural poor who were neglected for very long period of time. Other pioneers include Akhtar Hameed Khad who is the founder of Bangladesh Academy for Rural Development (Nasim Yousaf, 2009).

Once the microfinance floodgate had opened, a lot of companies began lending to the underserved poor in the villages across the world. It was during this period of extending



microfinance activities to the poor that the authorities realized that the underserved minority could really pay back the microcredit. It was then realized that it is equally beneficial to provide financial services to the poor people through market based enterprises without subsidy. Currently, it is argued that, Shore bank was the first recognized microfinance and community development bank founded 1974 in Chicago (Nasim Yousaf, 2009).

The evolution of microfinance in Ghana dated back to 1955 when Canadian catholic missionaries established a credit union in Northern Ghana. This credit union was believed to be the first credit union to be established in Africa. Even before its establishment, traditionally, people in various communities saved and took small loans from individuals, friends, family members and groups for projects like farming, businesses, trading, animal rearing etc. Records also have it that the term <susu= which currently happens to be microfinance methodology originated from Nigeria for several decades ago.

According to some historians of microfinance, microfinance has gone through four (4) different phases since its inception across the globe of which Ghana cannot be excluded (Ministry of Finance-Ghana, 2010). These phases include;

1. Phase one which basically refers to the period where government provide subsidized credit to people with the perception that lack of cheap credit or money was the hindrance in eliminating poverty among the poor in the remote areas in the early 1950s.
2. Phase two involved the provision of small loans to poor people through the activities of NGOs between 1960s and 1970s.
3. Phase three saw the formalization of the microfinance activities in the system in the early 1990s.
4. Phase four is the period where microfinance became commercialized and

subsequently gained recognition with the mainstreaming activities into the financial sector.

The microfinance in Ghana is grouped into four (4) categories namely

- i. Formal providers comprising savings and loans companies, rural and community banks and some development banks.
- ii. Semi-formal providers involving credit unions, financial non-governmental organizations and cooperatives
- iii. Informal suppliers which is made up of >susu? collectors and clubs, rotating and cumulating savings and credit associations, traders, money lenders and other individuals.
- iv. Public sector programmes that have developed financial and non-financial services for their clients.

There is a worldwide perception that microfinance is financially sustainable tool designed to reach out to a lot of poor people in deprived communities who are unable to access financial services from the main stream banks due to the lack of collateral required. In Ghana, significant number of microfinance clients is predominantly women in both rural and urban areas. These clients are mostly into farming, food processing, petty trading etc.

### **2.3 Microfinance as an Instrument to Reduce Poverty in Ghana**

Ghana and other development partners have introduced a lot of policy measures to fight against poverty and income inequality in the country of which Ghana's Growth and Poverty



Reduction Strategy, Millennium Development Authority (MiDA), Support Programme for Enterprise Empowerment and Development (SPEED), Social Investment Fund (SIF), Livelihood Empowerment Against Poverty (LEAP), Microfinance and Small Loans Scheme (MASLOC) are included.

The primary objective of introducing Ghana's Growth and Poverty Reduction Strategy (GPRS II) is to provide <sustainable equitable growth, accelerated poverty reduction and protection of the vulnerable and excluded within a decentralized democratic environment= (Johnson and Victor, 2007). The rational is to eradicate widespread poverty and growing income inequality especially among the productive poor who constitute majority of the working force according to the 2010 population and housing census. It aimed at providing microcredit for poor and underserved communities to be able to engage themselves in any economic activities for better standard of living.

The Millennium Development Authority (MiDA) was established in 2006 to spearhead the smooth implementation of the programme under the Millennium Challenge Account with the ultimate aim of sustainable reduction of poverty through growth. The growth comes as result of empowering the poor to live a sustainable life. This goal is contained in the agreement between Ghana and the Millennium Challenge Corporation acting for and on behalf of the Government of the United States of American (Ministry of Finance-Ghana, 2010).

Support Programme for Enterprise Empowerment and Development (SPEED) is the continuation of the programme for the Promotion of Small and Micro Enterprise (PSME) that started way back in 1990 with the aim of reducing increasing level of poverty in the Ghanaian society. It is also to support the credit reference service, set up of a rating service and contribute to quality standards for service providers. This will offer opportunity to small scale enterprises

to access credit facility to start and expand their businesses which will lead to reduction of unemployment and poverty (Ministry of Finance-Ghana, 2010).

Social Investment Fund (SIF) was introduced in 1998 by Government of Ghana, the African Development Bank (AFDB) and United Nations Development Programme (UNDP). The main aim is to help reduce poverty in Ghana through institutional and capacity building, human development and targeted pro-poor socio-economic investment through the use of microfinance as a poverty alleviation tool to achieve accelerated growth in the rural areas. SIF also has the responsibility to help increase access to basic social services such as education, health care and to bring governance to the doorsteps of Ghanaians especially the poor. The objective of SIF has helped to build the capacity of microfinance institutions to enable them reach out to the rural poor (Ministry of Finance-Ghana, 2010).

LEAP is a state social cash transfer programme which provides cash and health protection to extremely poor family or households across Ghana with at least one of three demographic categories; households or family with orphan or vulnerable child (OVC), elderly poor and person with extreme disability who are unable to work (PWD). LEAP households are poorer than Ghana's national rural average with a median per capita daily expenditure of approximately 85 US cents. The main objective behind this programme is to help eliminate extreme poverty among poor households in the country more especially in the rural communities.

The MASLOC is a microfinance apex body responsible for implementing the Government of Ghana microfinance programmes targeted at reducing poverty, creating jobs and wealth.

Since its establishment, MASLOC has modestly established itself not only as a microfinance institution that provide micro and small credits to the identified poor in the various sectors of

the Ghanaian economy but also provides business advisory services, training and capacity building for small and medium scale enterprises (SMEs) as well as collaborating institutions, to provide them with the required skills and knowledge in managing their businesses efficiently and effectively.

## **2.4 Empirical Evidence of Positive Impact of Microfinance on Poverty**

According to research conducted by Murdoch and Haley (2002:5), microfinance has been proven to be an effective method of alleviating poverty. The outcome of the findings shown that clients who participated in microfinance programs have enjoyed increased household income, increased asset acquisition, better nutrition and health, the privilege to achieve higher education, a decrease in vulnerability to economic shock, greater empowerment among others.

One of the early and most widely cited of the poverty impact studies is Hulme and Mosley (1996). The studies made use of control group approach looking at the changes in income for households in villages with microfinance programs and for similar households in nonprogram areas. As far as possible, the control groups were drawn from households eligible for loans who have been approved for loans by the institutions concerned, but who have yet to receive a loan. Programs in a number of countries are considered including the Grameen Bank in Bangladesh and the Bank Rakyat Indonesian.

Again, Murdoch and Haley (2002:111-112) conducted an extensive investigation of the effects of microfinance on the realization of the United Nations Millennium Goals, the first of which is to eradicate extreme poverty and hunger. Their findings were as follows:

- ❖ Children's Diet; Researchers from the Noguchi Memorial Institute in Ghana (Dr.

Margaret Armah-Klemesu, University of Ghana) conducted a dietary intake study of children of credit with education members and also nonparticipants. The study found



that the dietary quality of the foods given to participants' children was relatively higher and estimated calories intake was very significant as compared to nonparticipants' children.

- ❖ Children's Nutritional Status; Measurements of the same children in Ghana showed the nutritional status of participants' one-year-olds-both weight-for-age and height-for-age also significantly improved relative to the children of residents in control communities. For example, the percentage of participants' children categorized as malnourished based on height-for-age decreased by eight percentage points between the baseline and follow-up periods while the percentage of malnourished actually increased in control communities.

In Bolivia, a microfinance named The SHARE microfinance conducted a study on the economic situation of clients before and after borrowing. Upon joining the microcredit program, 64 per cent of clients were classified as >very poor? and 36 per cent as >moderately poor.? In March 2001, research demonstrated that 7.2 per cent of clients were still classified as >very poor,? 56.8 per cent as >moderately poor? and 36 per cent were no longer poor. The SHARE program was able to lift one third of their clients above the poverty line (Simanowitz and Walter 2002).

## **2.5 Criticisms Against Impact of Microfinance on Poverty**

There are others who criticize the microfinance approach to poverty alleviation and even doubt whether microfinance really alleviate extreme poverty. According to study conducted by Stanford Social Innovation (Non-Profit Management Institute, 2007), microloans are more beneficial to borrowers living above the poverty line than to borrowers below the poverty line. The institute explained that this is because clients with more income are willing to take the risks such as investing in new technologies that will most likely increase



income flows. Poor borrowers on the other hand, tend to take out conservative loans that protect their subsistence and rarely invest in new technology, fixed capital or the hiring of labour.

Another problem with microloans according to the institute is the businesses it is intended to fund. It stated that a client is an entrepreneur in a literal sense. She raises the capital, manages the business and takes home the earnings. But the >entrepreneurs? who have become heroes in the developed world are usually visionaries who convert new ideas into successful business models. Although some microcredit clients have created visionary businesses, the vast majority are caught in subsistence activities. It continued that they usually have no specialized skills and so must compete with all other self-employed poor people in entry-level trades. Most have no paid staff, own few assets and operate at too small a scale to achieve efficiencies and as such make meager earnings (Easton, Nov. 3, 2005).

In general, the evidence is awesomely in favour of microfinance as a tool to increase household income, smooth consumption, and enable the poor to sustain gains over time. It enables many impoverished families to earn enough income to rise above the poverty line and is therefore an effective method of poverty alleviation.

### **CHAPTER THREE**

### **METHODOLOGY**

### **3.0 Introduction**

The focuses of this chapter are to; (i) examine the research methodology of the study, (b) state in clear terms how the sample is selected, (c) explain the process used in designing the instrument and collecting the data, (d) explain the statistical procedures used to analyze the data.

### **3.1 Research Design**

A descriptive survey was used for the purpose of this study. Descriptive survey as described by Nageswara R. P (2002) is one in which information is solicited with the same environment. The writer continued that, it is used to obtain information concerning phenomena with respect to variables or conditions in a situation.

In descriptive survey, data are normally collected using questionnaires, interviews or observation

### **3.2 Population/Sample**

For the purpose of this study, the population target is taken from microfinance groups of Akuapem Rural Bank Limited. Microfinance groups were chosen as against individuals clients because, for an individual who is not a salary worker to qualify for a loan, the person must save with the bank for a minimum period of three (3) months and should be able to produce two guarantors who are salary workers. For these reasons, any rural dweller who is considered to be poor will find it difficult if not impossible to meet these criteria in order to obtain a microfinance credit from the bank.

It is against this background that the bank encouraged the rural people to form groups for it to be easy for them to access the loan facility. With regards to the group, individuals come together to form their own group without any influence from the bank. The members in the group serve

as guarantors for each other. Before a group qualifies for a loan facility, each member must be able to deposit 30% of the amount he/she wants to access. For this reason, the groups meet once every week in their various communities to contribute towards the 30 percent initial amount required by the bank. The groups guarantee system of loan is friendlier, community based and serves the best interest of the rural poor than the individual loan where they must go to the bank themselves. As at December, 2015, there were eighty one (81) loan groups with regards to Akuapem North Municipality in the books of Akuapem Rural Bank Limited.

### **3.3 Sample and Sampling Technique**

For this study, the sample was made up of seventy (70) members who were drawn out of ten (10) microfinance groups with seven (7) members from each group in the Akuapem Rural Bank Limited within Akuapem North Municipality.

Out of the total of eighty one (81) groups in the books of the bank, it was eighty (80) groups that qualified to participate for the random selection. This was because one (1) group was not active for the past six (6) months.

Simple random sampling was used to select these ten (10) groups and the seventy (70) respondents. According to Gay (1987), >random sampling is the best single way to obtain a representative sample, no technique, not even random sampling guarantees a representative sample but the probability is higher for this procedure than for any other?.

The head of the microfinance section of the bank provided the names of all the active groups that qualified to be part of the selection process on pieces of paper and the papers were mixed in a bowl. The researcher with the help of some of the staffs of the bank picked the names one after the other. To give all the groups fair probability of being selected, once a group is picked and the name recorded, it was placed back into the bowl. If the same group had been picked again, it was not counted but placed into the bowl again to be mixed up. This process continued

until all the ten (10) groups were picked. With regards to the sample size selection, the same procedure was replicated to get seven (7) members in each group till the seventy (70) members were achieved.

**Table 3.1 Sample size procedure of the microfinance respondents used in the survey**

No	Group Name	Population	Sample size
1	Yesu Mo	38	7
2	Nkabom	20	7
3	Adom Arakwa	20	7
4	Biakoye(Tinkon)	15	7
5	Yesu Di Yenkan	22	7
6	Biakoye(Kwamoso)	24	7
7	Adom	31	7
8	Yesu Mo(Mampong Nkwanta)	20	7
9	Biakoye (Apirede)	16	7
10	Maranatha	28	7
<b>Total</b>		<b>234</b>	<b>70</b>

**Source: Akuapem Rural Bank Limited, December, 2015.**

### **3.4 Research instrument**

For the purpose of this study, questionnaires were used to solicit for information on the field. According to Leary (1995) the advantage of using questionnaires over interviews and observation is that, questionnaires are less costly, very easy to administer and allow for confidentiality than the rest. The above are the reasons why the researcher decided to choose a



descriptive research methodology using designed questionnaires survey as a tool to examine the impact of microfinance on poverty reduction among the poor in Akuapem North Municipality using Akuapem Rural Bank Limited as a case study.

The researcher used two different sets of questionnaires, one for the customers and the other for the head of microfinance of the bank. Both sets of questionnaires contained closed-ended and opened-ended questions which were very easy to be answered.

### **3.5 Pre-testing of the research instruments**

Before administering the questionnaires to the selected sampled respondents, ten (10) microfinance clients of the bank who were not part of the sample size in Larteh community were used to test the research instrument. This process became necessary to enable the researcher identify and correct questions full of ambiguity, poor clarity among the host of others before the main data collection to make the final data more valid and acceptable to all.

### **3.6 Data Collection Technique**

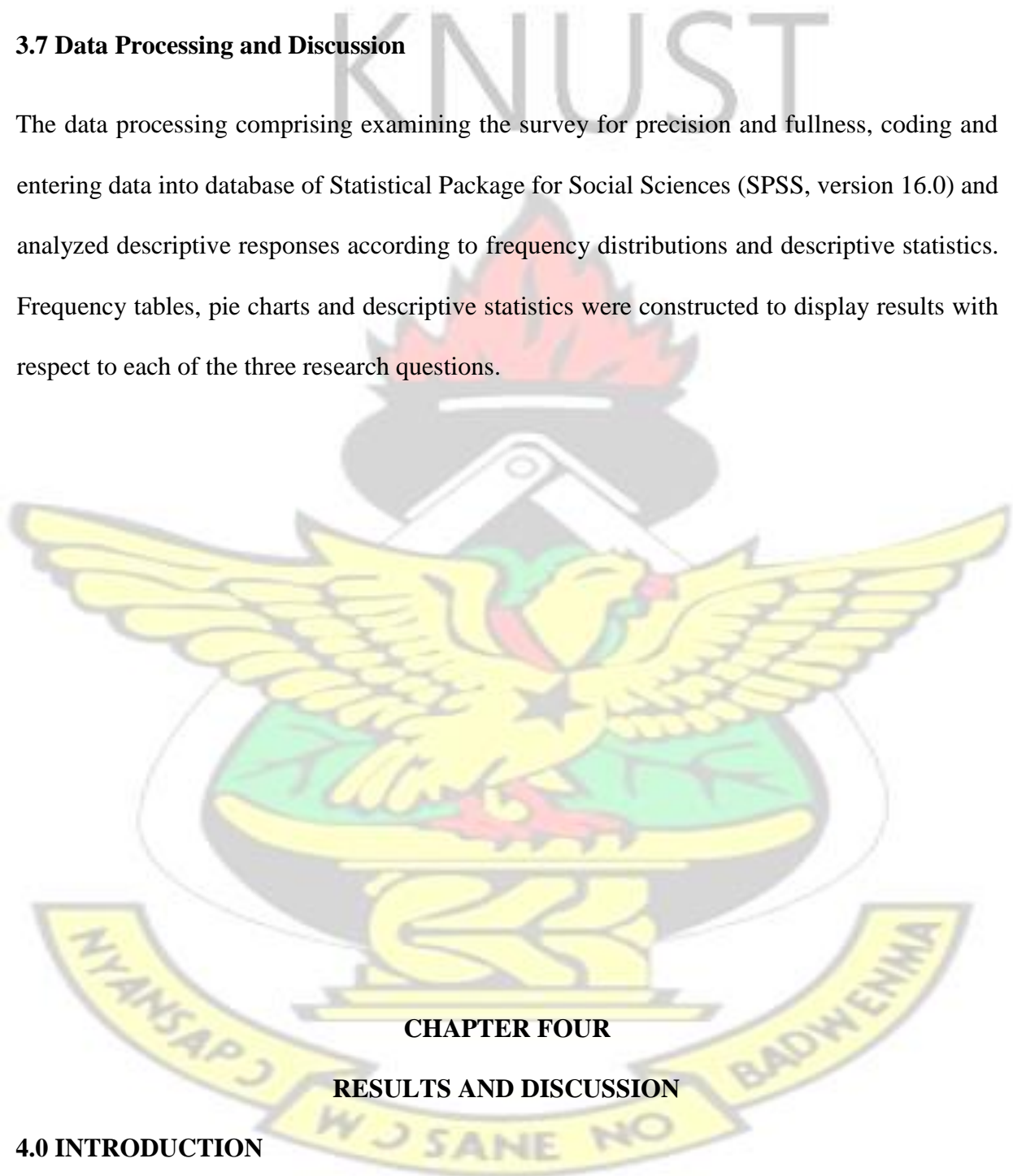
Questionnaire was used to collect the primary information/data. Secondary data included information from text books, journals, publications, websites, International Monetary Fund, Ministry of Finance, Akuapem Rural Bank among others.

The primary data was collected on the field. The researcher with the help of the head of the microfinance of the bank contacted the selected groups through their leadership. After getting to the communities, the bank official who was familiar to the groups introduced the researcher to the leadership of the various groups and stated the purpose of the meeting. The researcher then took turn to guide the members how to answer the questionnaires. The respondents were as well guaranteed of confidentiality of any information that they may provide.

The guarantee was necessary to allay the fears of the participants to encourage them provide accurate and correct information. The researcher administered the questionnaires personally to both customers and the bank official.

### **3.7 Data Processing and Discussion**

The data processing comprising examining the survey for precision and fullness, coding and entering data into database of Statistical Package for Social Sciences (SPSS, version 16.0) and analyzed descriptive responses according to frequency distributions and descriptive statistics. Frequency tables, pie charts and descriptive statistics were constructed to display results with respect to each of the three research questions.



## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.0 INTRODUCTION**

This chapter looks at the three sections of the study. The first section focuses on the demographic data of the respondents of the study. Secondly this section analyze the impact of

microfinance on the businesses and the living conditions of poor households as well as the rate of penetration of microfinance services to reach out to the poor in the catchment areas.

The third section of this chapter discusses the role played by the microfinance section of Akuapem Rural Bank to help alleviate poverty level in its operational areas.

#### **4.1 Demographic features of respondents**

The entire respondents were females. According to the microfinance head, the bank took the decision to use all females for the groups because it's easier for the females to pay for their loan than their male counterpart.

#### **4.2 Age Distribution of Respondents**

The age distribution of respondents gives information about the group of people who patronize the services of the bank. If majority fall within the labour force, the likelihood that they can help to alleviate extreme poverty is very high. From Table 4.1, majority of respondents are within the age of 41-60, followed by age range of 26-40 and their frequencies are thirty seven (37) and twenty five (25) respectively. This gives clear indication that majority of people who engage in microfinance services are in the labour force, active, able and willing to work. This means that with little capital, the rural poor can be economically active and provide basic necessities of life for the dependents which will go a long way to combat against extreme poverty.

Out of the seventy (70) respondents, seven (7) respondents were sixty one (61) years and above whereas only one (1) respondent was below the age of 25. This throws more light on the fact that, in the formation of the various groups, people were very mindful of the maturity levels of the members. This is because the older members have reputation to protect and in case of

default, their children are more likely to pay than the young ones who are now starting life and are likely to use the credit for consumption rather than its intended purpose.

**Table 4.1 Age Distribution of Respondents**

Age	Frequency	Percentage
18-25	1	1.4
26-40	25	35.7
41-60	37	52.9
61+	7	10.0
Total	70	100

**Source: Field Survey, December 2015**

### **4.3 Educational levels of respondents**

The educational background of respondents is necessary in order for the bank officials to develop tailor-made services to the clients and the extent to which they will be taught on best practices. Table 4.2 was purposely to find the literacy levels of respondents who patronize the activities of the microfinance in the Akuapem North Municipality. As indicated, out of seventy (70) respondents, 60 per cent are basic school certificate holders who form majority of the respondents. It is clear from the table that 20 per cent of the respondents had completed second cycle institutions whereas 17.1 per cent never had any formal education at all. Only 2.9 per cent attended tertiary institution. This sends clear signal that majority of people in the rural areas who patronize microfinance services are people with low level of education. This may mean that people with low level of education are more likely to access financial support from microfinance companies than the mainstream banks simply because of factors including lack of collateral.



**Table 4.2 Education Background of Respondents**

Education level	Frequency	Percentage
Tertiary	2	2.9
Second cycle	14	20
Basic	42	60
No Education	12	17.1
Total	70	100

**Source: Field Survey, December 2015**

#### **4.4 Occupations of Respondents**

Information on the primary occupations of respondents is to know the risky nature of businesses of the clients and find a best way to cushion them when the need arises. Table 4.3 looks at the occupation of respondents and their various frequencies. The table suggest that the occupation of majority of respondents are petty traders that accounted for 60 per cent, followed by food vending which is made up of 25.7 per cent of respondents. Respondents in the farming sector accounted for 7.1 per cent whereas agro-processing and fashion contributed to 2.9 per cent and 3 per cent respectively. Its gives suggestion that, petty trading and food vending which constitute 85.7% are probably low risk occupations that is why they could easily have access to microfinance credit where as farming, agro-processing and fashion might be seen as high risk ventures and as such find it difficult to access the funds.

**Table 4.3 Occupations of the Respondents**

<b>Occupation</b>	<b>Frequency</b>	<b>Percentage</b>
Petty Trade	42	60
Farming	5	7.1
Agro-Processing	2	2.9
Fashion	3	4.3
Food Vending	18	25.7
<b>Total</b>	<b>70</b>	<b>100</b>

**Source: Field Survey, December 2015**

#### **4.5 Impact of microfinance on the businesses of beneficiaries**

From Table 4.4, when respondents were asked the positive impact of microfinance on their businesses, six (6) respondents said they were able to increase the goods that they bought (raw materials for their businesses) as a result of the loan whereas two (2) and seven (7) respondents were able to pay for goods that they bought in cash, able to increase initial capital respectively. Five (5) respondents were able to increase the goods that they bought (raw materials for their businesses) and pay for goods that they bought in cash whereas twenty five (25) respondents were able to increase goods bought and increase initial capitals as well as twenty five (25) respondents who said they were able to pay cash for goods that they bought and increase initial capital. This indicates that the respondents were more interested in increase goods that they bought (raw materials for their businesses) and initial capital as well as to pay cash for goods bought and increase initial capital.

**Table 4.4 Impact the Scheme made on Respondent's Business**

<b>Impact of the MF Scheme</b>	<b>Frequency</b>	<b>Percentage</b>
Increase Stock (raw materials for their businesses)	6	8.6

Able to pay stock in cash	2	2.9
Increase stock and pay stock in cash	5	7.1
Able to increase stock and initial capital	25	35.7
Able to pay cash and increase initial capital	25	35.7
<b>Total</b>	<b>70</b>	<b>100</b>

**Source: Field Survey, December 2015**

#### **4.6 Source of respondents finance before joining the microfinance**

Table 4.5 was a question about the sources of finance of the businesses of respondents before joining the microfinance scheme. It revealed that thirty five (35) of respondents purchased their goods on credit followed by funds provided by family members and that of personal savings. The deduction that was made out of this information suggests that, most of the respondents were probably buying their raw materials at a higher cost on credit as compared to when they pay for their raw materials in cash. Buying on credit reduced the level of profit of respondents. The credit facility from the microfinance enabled the respondents to purchase goods in cash enhance increased their profit.

**Table 4.5 Source of respondents finance before joining the microfinance**

<b>Source of finance before joining MF</b>	<b>Frequency</b>	<b>Percentage</b>
Purchase items on credit	35	50
Money lender	8	11.4
Friends	1	1.4
Family members	17	24.3
Personal Savings	9	12.9
<b>Total</b>	<b>70</b>	<b>100</b>

**Source: Field Survey, December 2015**

#### 4.7 Impact of microfinance on living conditions of beneficiaries households

Apart from the impact of the microfinance on the businesses of the beneficiaries, respondents were also asked questions concerning their living conditions before and after they joined the bank. With reference to Table 4.6, 35.7 per cent of respondents were able to provide basic needs of their dependents which include clothing and school fees for their dependents. The credit provided by bank helped to improve incomes earned by respondents therefore respondents were able to meet the basic necessities of life for their dependents. 22.9 per cent of respondents were able to pay for basic amenities in their various homes which include utility bills and rent. This was made possible because respondents can now access credit from the microfinance without stress which helped them to improve their income generating activities. 18.6 per cent of respondents can now save for future expenditure and 20 per cent of them provided basic needs and save at the same time.

**Table 4.6 Has joining the microfinance improved your living condition**

<b>Living condition</b>	<b>Frequency</b>	<b>Percentage</b>
Provide needs of dependents	25	35.7
Pay for basic amenities	16	22.9
Savings	13	18.6
Provide basic needs and saving	14	20
Others	2	2.8
<b>Total</b>	<b>70</b>	<b>100</b>

**Source: Field Survey, December 2015**

#### 4.8 Household consumption

Respondents were asked what impact has microfinance had on their daily meal after accessing microfinance credit. According to Table 4.7, 51.4 per cent of respondents made it known that, since they joined the microfinance groups, their food consumption has been improved



significantly. This means that if respondent consumption level was one meal per day before joining the microfinance group, after joining the group, such respondent consumes two meals per day. Such respondents become better-off than before. 24.3 per cent of respondents during the interview indicated that their consumption level has not improved much. This means that those respondents consumption has improved but not enough to make a meaningful conclusion out of it. The rest of respondents who constitutes 24.3 per cent admitted that before and after the introduction of microfinance credits, their consumption remains the same.

**Table 4.7 Change in meal since the respondent joined the microfinance**

Nature of meal intake	Frequency	Percentage
Improved significantly	36	51.4
Not improve much	17	24.3
Remain the same	17	24.3
Total	70	100

**Source: Field Survey, December 2015**

#### **4.9 Home ownership before joining microfinance group**

Respondents were asked the question to know the number that owns their own house before joining the microfinance scheme. This will help to make meaningful assessment on how the microfinance scheme has helped clients in terms of home ownership. From Diagram 4.8, majority of respondents who constitute 57.1 per cent said they have no house before joining the microfinance scheme.

This means that those respondents were living in rented apartment before joining the microfinance. 42.9 per cent of the respondents on the other hand were living in their own home or family house before joining the microfinance. This response will help to make comparative analysis on whether or not microfinance services of the bank have positive impact on the ownership of homes on respondents.

**Diagram 4.8 Ownership of place of abode before joining the scheme**



**Source: Field Survey, December 2015**

#### **4.10 Does the respondent own a house after the joining the microfinance**

Table 4.9 analyses the ownership of house of respondents after joining the microfinance scheme. According to the Table 4.9, 88.6 per cent of respondent do not own a house after joining the microfinance. This gives clear indication that even though the credit that the respondents received from the bank helped improved their living conditions and their businesses, it had minimal positive impact on the ownership of homes.

**Table 4.9 Does the respondent own a house after the joining the microfinance**

House ownership after joining MF	Frequency	Percentage
Yes	8	11.4
No	62	88.6
<b>Total</b>	<b>70</b>	<b>100</b>

**Source: Field Survey, December 2015**

#### **4.11 Ownership of household assets by respondents**

The ownership of household assets question was asked to ascertain whether respondent were able to acquire or increase the number of household assets after accessing credit from the bank. An analysis of Table 4.10 indicated that majority of respondents who constitute fifty nine (59) owns TV sets before joining the microfinance whereas four (4) respondents acquired TV sets after joining the scheme. This means that the access of microfinance credit by respondents did not have much impact on TV acquisition because more than half of the respondents own TV before joining the bank.

According to the same Table, the number of respondents who owned gas stove after joining the microfinance stands at twenty five (25) whereas twenty two (22) respondents owned it before joining the microfinance. This means that microfinance credit access enable twenty five (25) respondents to acquire gas stove. The microfinance did not have much influence on room furniture acquisition because only six (6) respondents were able to acquire the item after joining the group whereas thirty four (34) respondents owned it before joining the scheme.

Fourteen (14) respondents were using refrigerators before joining the scheme whereas thirty six (36) respondents were able to purchase the item after joining the scheme. This means that the microfinance credit had really helped more than half of the respondents to improve their earnings, and as a result were able increase the number of household assets used in their various

homes. Forty eight (48) respondents acquired radio sets before joining the scheme whereas five (5) respondents acquired the item after joining the scheme.

On ownership of bicycle/motor cycles, five (5) respondents owned bicycles/motor cycles before joining the scheme whereas only one (1) acquired the item after joining the scheme. The acquisition of bicycle/motor cycles before or after joining the scheme is very low probably because all the respondents were female and scarcely use this item.

Respondent's acquisition of mobile phone before joining the scheme is more than triple as compare to after joining the scheme. This may probably be because of increasingly importance of the use of mobile phone. According to Table 4.10, no respondent acquired vehicle before joining the scheme and only one (1) respondent acquired the item after joining the scheme. The price of the vehicle as against the purchasing power of the respondents might be the reason behind the low patronage of the asset even though acquisition before joining the scheme is zero.

**Table 4.10 Ownership of household assets by respondents**

Assets	Before joining MF	After joining MF
TV Sets	59	4
Gas Stove	22	25
Room Furniture	34	6
Refrigerator	14	36
Radio Sets	48	5
Bicycle/Motor Cycles	5	1
Mobile Phone	46	13
Vehicle(s)	-	1

**Source: Field Survey, December 2015**



#### 4.12 Presence of Bank Official in the Respondent's Community

When the question about as to whether respondents encounter any bank officials in their areas to ascertain the level of penetration of the microfinance services in the rural areas, out of the seventy (70) respondents from Table 4.11, forty four (44) said they worked with bank before but even that majority confirmed that they were once saving with Akuapem Rural bank whereas twenty six (26) said they never worked with any bank before. This shows that the bank was able to reach out twenty six (26) respondents who never have an encounter with a bank before.

**Table 4.11 Presence of Bank Official in the Respondent's Community**

Bank official	Frequency	Per cent
Yes	44	62.9
No	26	37.1
Total	70	100

**Source: Field Survey, December 2015**

#### 4.13 How Akuapem Rural Bank help alleviate poverty in its catchment areas

Akuapem rural bank gives microfinance credit to individuals as well as groups in its catchment areas of operation. According to the head of microfinance of Akuapem Rural Bank, the microfinance was established to help alleviate poverty in the rural areas of their operation. The group loan was introduced because the bank realized that the poor in the rural communities were not able to provide guarantors to access the credit. It was therefore, the bank's initiative to extend credit facility to the rural people through the group loans.

The groups are formed by the rural people with guidance from the bank officials. The membership of each group must not exceed forty (40) and not less than fifteen (15) and the age must be 18 years and above who are ready and willing to work.

The bank requires the group to save for not less than six weeks before they are eligible for credit and the guarantee is by group solidarity. The activities of these microfinance clients include petty trading, food vending, farming and fashion. The maximum amount that a microfinance client can access at a time as at December 2015 was Ghc5, 000.00 and the most important thing is the client's ability to generate enough income to repay the loan.

Table 4.12 gives information on the loan disbursement of microfinance clients and other forms of clients of Akuapem Rural Bank from 2010 to 2015. According to Table 4.12, the bank disbursed a total amount of Ghc63, 141,002.94 of which microfinance clients numbered 15,818 accessed Ghc23, 943,010.00. Almost all the microfinance clients have accessed the loans more than twice since there were three cycles of loan assessment in a year. From the table again, it had been established that the average default rate of the period under review is 0.041%. This means that over the period under review, the bank was able to recover more than 99% of the loan repayments from the microfinance clients and this gives clear indication that the customers were able to make enough income to repay their loans.

Technically, one can say the default rate is zero because all the microfinance groups have initial savings (group accounts) with the bank and such savings can be used to defray which ever group that defaults. In percentage wise, the bank used 37 per cent of its loan portfolio on customers of the microfinance. This shows that the microfinance department plays major role in the performance of the bank. Once the default rate of the microfinance clients of the bank is very low, it means that the businesses of respondents were making more than enough profit. This helped improved the living conditions of their families; hence reduce extreme poverty in their households.

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**Table 4.12 Loan disbursement of Akuapem Rural Bank from 2010-2015**

Year	Total loans disbursed	Loan allocation to MF	MF loan of cent loans	Per total	Number of MF clients	Default rate of MF loans
2010	GHC 6,177,000.21	GHC 1,972,000.00	32		2246	0.010
2011	GHC 8,591,000.59	GHC 2,788,000.00	32		2434	0.039
2012	GHC 10,504,000.75	GHC 3,846,000.00	37		2543	0.062
2013	GHC 12,613,000.66	GHC 4,721,000.00	37		2710	0.038
2014	GHC 11,842,000.48	GHC 4,207,010.00	36		2870	0.051
2015	GHC 13,414,000.25	GHC 6,409,000.00	48		3015	0.046
<b>Total</b>	<b>63,141,002.94</b>	<b>23,943,010.00</b>	<b>37</b>		<b>15,818</b>	<b>0.041</b>

Source: Akuapem Rural Bank Limited, 2015.

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## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary of Findings

More respondents when asked the positive impact of accessing microfinance credit, they gave multiple answers. Majority of the respondents said they were able to increase goods bought (raw materials for their businesses) and at the same time increase initial capital as well as paying for goods in cash.

When respondents were asked the sources of their finance before joining the microfinance, more than half of the respondents said they purchase goods on credit followed by finance from family members. It's only few respondents who said they got their finance from money lenders, friends and personal savings.

The second research question was about how the provision of microfinance by the bank helped improve the living conditions of poor households in its catchment areas. When respondents were asked how the services of the microfinance helped them improve their living standard, majority of them stated that they are now able to provide basic needs of their dependents which include clothing and school fees followed by provision of basic needs and saving at the same



time. This means that more parents can now buy their wards adequate school materials to facilitate their education.

The question on how respondent's meal or food intake has changed after joining the scheme, more than half of the respondents affirmed that their meal have significantly improved. This means that if before joining the scheme, respondents use to have one meal a day, now they can enjoy more than one meal per day whereas only few respondents said their diet have not improve much.

On the ownership of homes before joining the scheme, more of respondents have never live in their own home before joining and even after joining the scheme. According to majority of respondents, their concentrations are more on providing the basic necessities of their dependents and investing in their businesses in other to end the vicious cycle of poverty and when they are stable financially, they will build.

On the acquisition of household assets, more of respondents owned TV, radio sets, mobile phones and bicycle/motors before joining the microfinance scheme but with respect to gas stove and refrigerator, more respondents acquired the items before joining the scheme. On the ownership of vehicle, it was only one respondent who said she acquired the item after joining the scheme.

## **5.2 Conclusions**

The study of the field data discovered that, majority of the respondents are petty traders followed by food vendors. Farming, agro-processing and fashion are in the minority. The credit allocated to the microfinance sector is 38 per cent of the total loan portfolio of the bank. Apart from the dominant economic activities, other individuals access the microfinance credit for household consumption which becomes increasingly difficult for them to repay the loan and since its group guarantee, the group members have no option than to contribute and pay.

### 5.3 Recommendations

The following recommendations are given as a result of the finding from the field work;

The finding of the research revealed that out of 70 respondents, only 5 farmers benefited from the microfinance credit. This is because more men are involved in farming than women yet men have been disqualified from joining these groups or forming one in order to benefit from the credit provided by the bank. Therefore, to improve farming in order to help alleviate the level of poverty in rural areas, men must be included in the formation of the groups and monitored strictly to ensure that they repay the loan. This in the long run will help diversify agriculture and improve the living conditions of the rural poor.

The bank must also expand its microfinance activities to cover more people who are qualified for the credit. This will help the rural people who sit idle because of lack of initial capital to start their businesses to be more proactive to enable them contribute meaningfully to living standard of their families. This will help increase the economic activities of the rural communities, hence reduce extreme poverty.

The capacity of the microfinance of the bank must be enhanced so it can cover more communities in the rural areas. This means that the bank alone cannot do this work because the bank has competing needs which are equally important. Government and other development partners must provide enough funds to the rural banks to embark on mass microfinance activities in the rural communities since they know the terrace more and are able to recover the loan with low level of default rate.

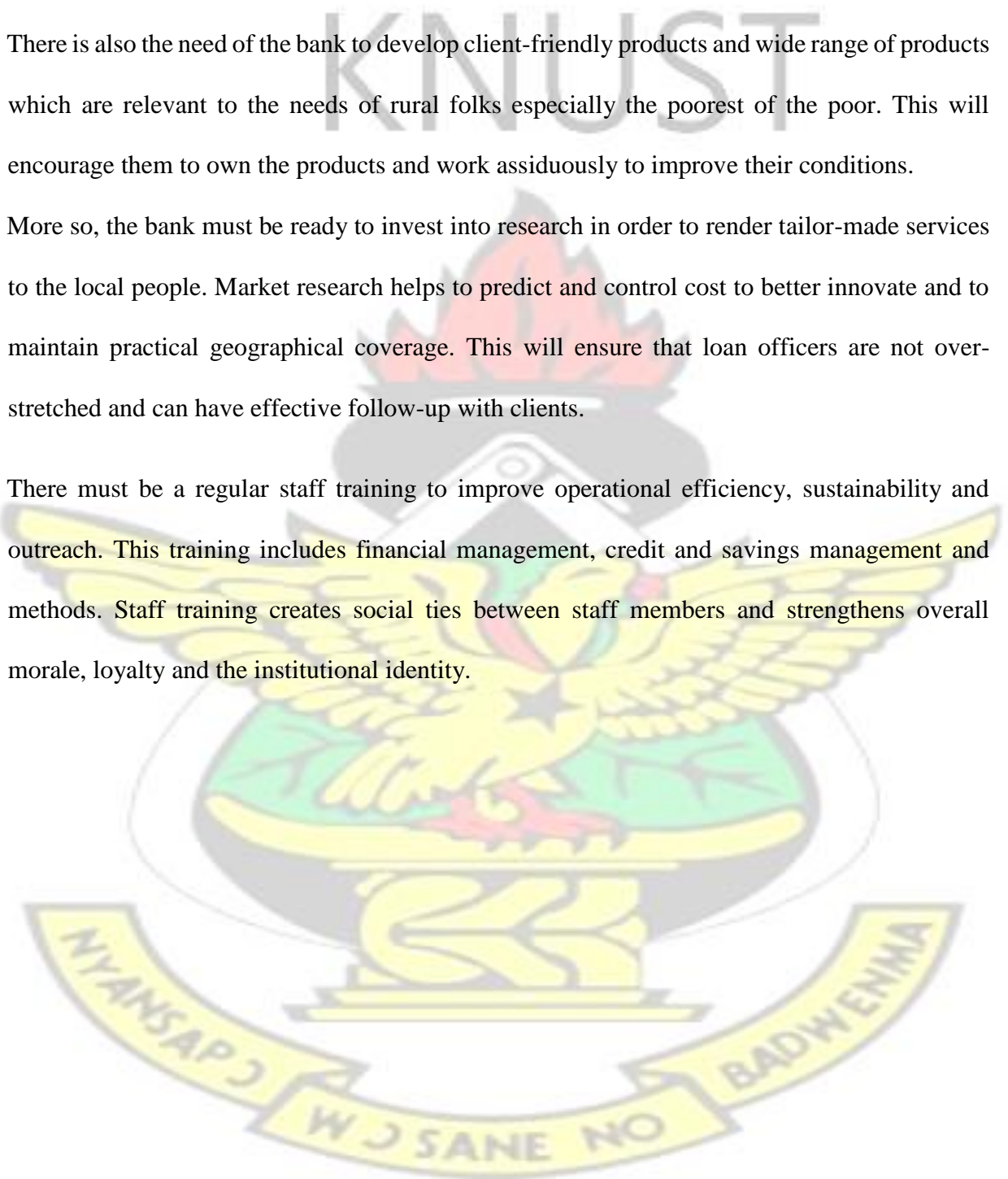
The bank officials should make it a point to visit their microfinance customers at their business places in order to encourage them and advise them on best practices to enhance the growth of

their businesses. This will help boost the morales in their customers and as a result will enable them to open up on the problems that they are facing in their businesses to the officials.

There is also the need of the bank to develop client-friendly products and wide range of products which are relevant to the needs of rural folks especially the poorest of the poor. This will encourage them to own the products and work assiduously to improve their conditions.

More so, the bank must be ready to invest into research in order to render tailor-made services to the local people. Market research helps to predict and control cost to better innovate and to maintain practical geographical coverage. This will ensure that loan officers are not over-stretched and can have effective follow-up with clients.

There must be a regular staff training to improve operational efficiency, sustainability and outreach. This training includes financial management, credit and savings management and methods. Staff training creates social ties between staff members and strengthens overall morale, loyalty and the institutional identity.



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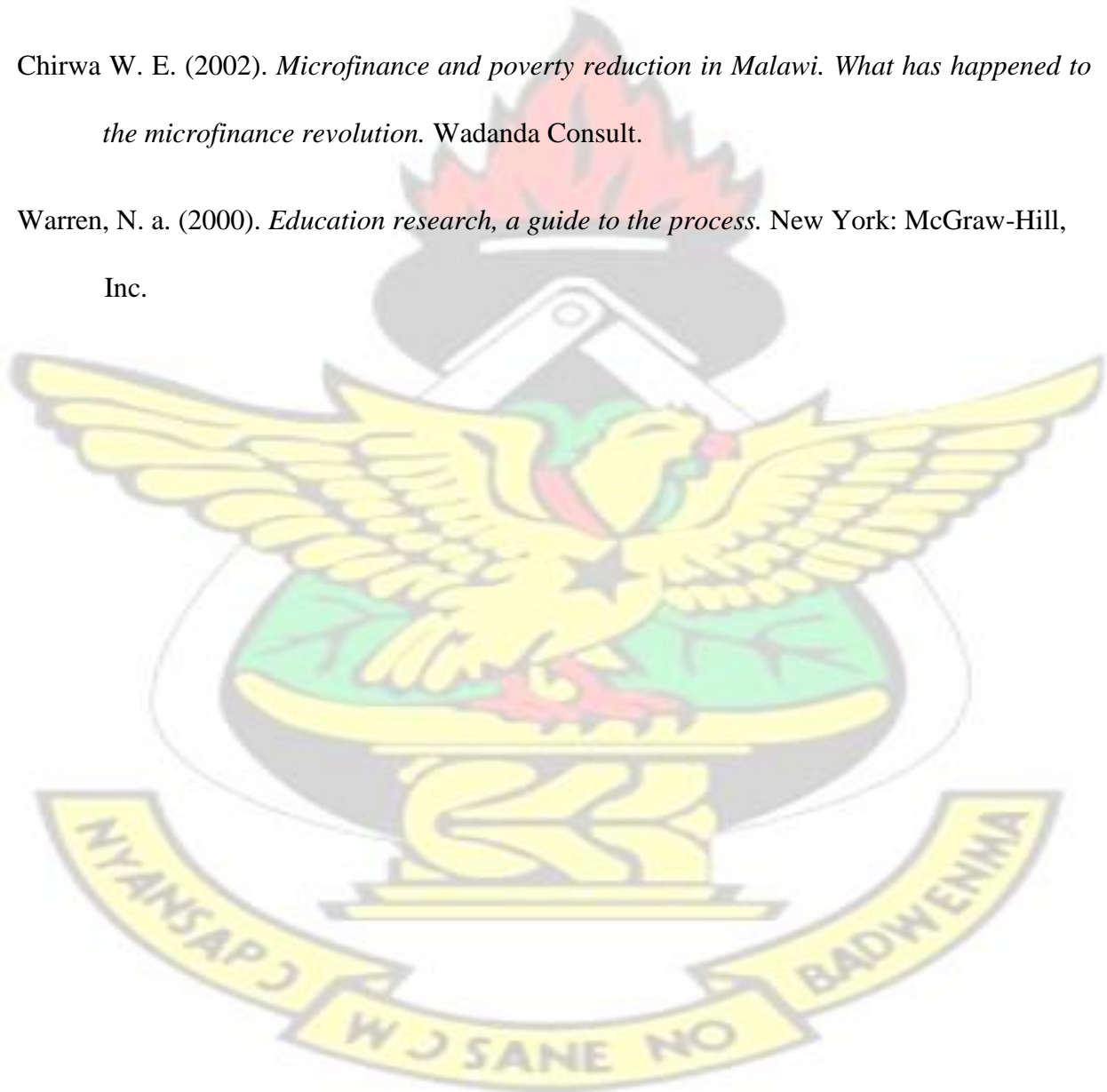
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## APPENDICES

### QUESTIONNAIRE FOR HEAD OF MICROFINANCE

This questionnaire is to solicit for information on the effects of Akuapem Rural Bank Microfinance Scheme in reducing the level of poverty among rural communities in the Akuapem North Municipality. Any information provided will be kept confidential and will be used for the intended purpose.

Title and position of official .....

1. Why was the microfinance scheme established?

.....  
.....

2. Who can access microfinance? Cycle as many as appropriate.

I. By individual

II. By organized group

III. Both

3. If by a group, what does the bank require of them?

I. Certificate of registration

II. Regulations governing the group

III. Group solidarity

4. Are there any commitments on the part of clients in terms of savings with the bank before they can access the credit?

Yes [ ] No

[ ]



5. If yes, how long must the clients save with the bank before they can access the credit?

6. What are the economic activities of your microfinance clients? Cycle as many as appropriate.

I. Petty Trade [ ]

II. Farming [ ]

III. Animal rearing (poultry, piggery, sheep and goat, cattle [ ]

IV. Agro-processing [ ]

V. Fashion (hair dressing, dress making) [ ]

VI. Food Vending [ ]

VII. Other (specify) [ ] .....

7. Does the bank have different criteria for individuals and group?

Yes [ ]

No [ ]

8. If yes, how are the loans secured by a group? Cycle as many as appropriate.

I. Collateral (specify)

II. Guarantee by any worker(s)

III. Group solidarity

9. In your view, what are some of the indications that show your microfinance services is improving lives and changing destinies?

.....

.....

.....

.....

10. Please complete the attached

**PORTFOLIO OF LOANS DISBURSED AND THE NUMBER OF BENEFICIARIES**

Year	Total loan disbursed by the bank	Total number of loan clients in that period	Allocation to MF	Disbursed to MF clients	No of MF clients	Default rate for MF clients
2010						
2011						
2012						
2013						
2014						
2015						
Total						

## **CUSTOMER'S QUESTIONNAIRE**

This questionnaire is to solicit for information from customers of Akuapem Rural Limited Bank on the effects of Akuapem Rural Bank Microfinance Scheme in reducing the level of poverty among rural communities in the Akuapem North Municipality. Any information provided will be kept confidential and use it for the intended purpose.

### **Customer's Personal Details**

Please give honest respond by ticking (✓) where appropriate.

1. Sex                                      Male    ☐                                      Female                                      ☐

2. Age                      18-25yrs. ☐                      26-40yrs. ☐                      41-60yrs. ☐                      61yrs. and above ☐

3. Educational Background

Tertiary                      ☐

Second Cycle                      ☐

Basic School                      ☐

Non Formal                      ☐

No Education                      ☐

4. How long have you been on the microfinance scheme?

Under one year

1-3 years                      ☐

3-5 years [ ]

5-7 years [ ]

7-9 years [ ]

10 years and above [ ]

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5. Respondent's occupation

I. Petty Trade [ ]

II. Farming [ ]

III. Animal rearing (poultry, piggery, sheep and goat, cattle [ ]

IV. Agro-processing [ ]

V. Fashion (hair dressing, dress making) [ ]

VI. Food Vending [ ]

VII. Other (specify) [ ] .....

**Impact of microfinance on living conditions of beneficiaries household**

6. Has joining the microfinance scheme improved the living conditions of your household? (Tick as many as appropriate)

Can now buy clothing for children [ ]

Can now pay school fees for dependants [ ]

Can now pay utility bills [ ]

Can now pay for rent [ ]

Can now save [ ]

Any other (specify) .....



7. How has your meal or food intake changed since you joined the scheme?

Improved significantly [ ]

Not improved much [ ]

Remained the same [ ]

8. Did you live in your own house before joining the microfinance scheme?

Yes [ ]

No [ ]

9. Do you now own your house after joining the microfinance scheme?

Yes [ ]

No [ ]

10. What are some of the under listed items do your household own?

Item	Before	After
(1) TV sets		
(2) Gas stove		
(3) Furniture		
(4) Refrigerator		
(5) Radio sets		
(6) Bicycles/Motor Cycles		
(7) Mobile Phone		
(8) Car(s)		

### Effects of microfinance on the businesses of beneficiaries

11. What was/were the sources of finance for your business before joining the microfinance scheme? (Tick as many as appropriate)

Purchase stock on credit [ ]

Money lenders [ ]

Friends [ ]

Family members [ ]

12. Since you joined the microfinance scheme, how much have you accessed?

.....

13. What are some of the positive impact of the microfinance to your business?

Able to increase stock intake [ ]

Able to pay cash [ ]

Able to increase the initial capital [ ]

Put up my own shop [ ]

14. Have you ever noticed the presence of any bank officials in your community before?

Yes [ ]

No [ ]

15. Before joining the microfinance, did you access any credit from a bank before?

Yes [ ]

No [ ]

16. What are some of the challenges you face with the Akuapem Rural Bank Microfinance Credit? Tick as many as applicable.

- I. Delay in approving loan facility [ ]
- II. High interest rate [ ]
- III. Unfriendly way of loan recovery [ ]
- IV. High penalty when one default [ ]
- V. Other (specify) .....

