

UNIVERSITY OF GHANA

DEPARTMENT OF GEOGRAPHY AND RESOURCE DEVELOPEMENT



**MICRO- FINANCE AND POVERTY ALLEVIATION OF RURAL
AGRICULTURAL HOUSEHOLDS IN THE HOHOE MUNICIPALITY**

BY

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DECLARATION

With the exception of references to other works which I have duly acknowledged, I hereby declare that this thesis is the result of my own research and that neither in whole nor in part, has this work been presented for the award of another degree elsewhere.

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DEDICATION

This work is dedicated to God Almighty for enabling me to complete the course and to my wife, Alice Gawu Kafu for her wonderful and invaluable support.



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In accordance with convention, I wish to gratefully acknowledge certain debts I incurred in the execution of this research especially to my supervisors (Prof P. W. K. Yankson and Dr Isaac K. Arthur) for their unquantifiable input and mature guidance demonstrated in making this project a success. In fact, but for their invaluable suggestions, this study could not have been brought to its completion.

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ABSTRACT

Even though great progress has been made towards achieving the Millennium Development Goals by reducing poverty, people continue to live in extreme poverty and more than two thirds of the world poor reside in rural areas. As a result, spatial inequality in development still exists between rural and urban areas due to lack of economic growth and effective policies for rural development. In order to examine microfinance and poverty alleviation in the Hohoe Municipality, the study employed economic and social variables as benchmarks for measuring the impact of microfinance. A total of 150 respondents were sampled. The study revealed that microfinance has not brought any significant difference in the economic well being of beneficiaries because the monthly income of both beneficiaries and non- beneficiaries has a very close mean rating. Also, the health and nutritional level of both beneficiaries and non-beneficiaries fall in the same range indicating that the social goal of microfinance in reducing poverty has been largely unmet.

On the material possession of the respondents, it was clearly observed that both beneficiaries and non-beneficiaries of microfinance are not able to acquire expensive commodities but only the basic necessities of life. However, the study discovers that microfinance can help agricultural households to invest in their own businesses, educate their children, and promote their overall well-being. This study recommends among other things that MFIs should design appropriate products that are flexible enough to meet the different needs of rural agricultural households for both production and consumption purposes. It is hoped that the study will serve as a ‘spring board’ for further studies and thus provide the necessary information needed for financing rural agriculture in the Hohoe Municipality.

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ACRONYMS AND ABBREVIATIONS

ADB	Agricultural Development Bank
ADB	Agricultural Development Bank
BDS	Business Development Services
CRAN	Christian Rural Aid Network
GDP	Gross Domestic Product
GHAMFIN	Ghana Microfinance Institution Network
GSS	Ghana Statistical Service
H M	Hohoe Municipality
IFAD	International Fund For
JHS	Junior High School
LDCs	Less Developed Countries
MASLOC	Microfinance and Small Loans
MDAs	Municipal District Assemblies
MDGs	Millennium Development Goals
MFI	Microfinance Institutions
MMDAs	Metropolitan, Municipal and District Assemblies

MOFA	Ministry of Food and Agriculture
NGOs	Non- Governmental Organizations
SD	Standard Deviation
SHS	Senior High School
SPSS	Statistical Package for Social Sciences
TO	Technical Office



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

There is a consensus in literature that poverty is a rural phenomenon as most rural dwellers still have no access to food, shelter, infrastructure, good healthcare and education (Fields 2000, World Bank 1996 and Yankson et al., 2007). While the rural population, still harbour a large proportion of the world's population, specifically, 3.1 billion or 55% of the world's population, the rural development policy focus on rural development are still minimal compared to that of urban development (Rural Poverty Report, 2011). Spatial inequality still exists between rural and urban populations, because economic growth and policies for rural development remains a challenge for the international community (Botchie, &Ahadzie, 2004, WHO 2008 and World Bank, 1996).

Even though other continents continue to register sustainable economic growth and development, Africa is still trapped in a vicious circle of loans and donor dependency syndrome, which some critics as one of the main reasons for the underdevelopment of the continent (Lufumpa 2006 & UNDP 2007). Statistics by the Human Development Index (2009) showed that extreme poverty in Sub - Saharan Africa has doubled from 205 million in 1981 to 414 million in 2010. Undoubtedly majority of these people live in rural areas as a result of limited economic opportunities for rural households (Singh, 2009). According to Yaro (2013), rural Africa is still confronted with latent economic and structural challenges such as poor use of technology, low infrastructural development and low level of productivity due to the subsistent nature of agricultural livelihoods.

Evidence of Africa's economic challenges and poverty are reflected in several studies that have sought to examine various economic indicators. For example HDI Index (2009) indicates that African nations typically fall toward the bottom of any list measuring small size economic activity such as income per capita or GDP per capita, despite a wealth of natural resources. Moreover, while there seem to be some homogeneity in the endemicity of poverty across the continent, significant variations exists among countries. For instance, in the analytical report of UNICEF regarding Uganda, the country ranks 158 out of 174 poorest countries in the world. Using international poverty measures, 82.2 percent of the population lives below US\$1 a day, while 96.4 percent lives below US\$ 2 a day UNICEF (2010).

The situation in Ghana is no different as research has proved that poverty is still pervasive, and that 24.3% of Ghana's population lives below the poverty line (Bank of Ghana 2015, GSS 2007 & 2000, Owusu, 2007). Regrettably, majority of these people live in the rural areas where about 80% of food crops are produced, yet their incomes are insufficient for adequate diet due to subsistence agriculture (Alderman and Paxson 2010; Besley 1994 and Wodon 2008).

For this reason, poverty reduction has become paramount in the development discourse and it is based on this that it is the number one of the eight Millennium Development Goals (MDG). In this regard, successive governments in Ghana have undertaken a number of development interventions to reduce poverty among its citizenry. For example, Free Compulsory Basic Education (FCUBE), School Feeding Programmes, Economic Recovery Programme (ERP), Structural Adjustment Programmes (SAP) and Women in Development Fund (WDF). Notwithstanding these policy interventions, the Ghana Poverty Reduction Strategy (GPRS) I & II (2003, 2006) noted that there is uneven decline in poverty reduction and incidents of growing

poverty in some geographical areas. The evidence suggests that the vulnerability and exclusion among some geographical groups, socio-economic groups, gender and age groups may have worsened. Thus, a lot more still needs to be done to achieve the goal of poverty reduction.

To achieve equitable poverty reduction, access to income is vital for the development of private and informal sectors of the national economy. According to Sundaresan (2008) access to basic financial services (such as credit, saving and insurance), can develop the entrepreneurial skills of the poor who are currently outside the perimeters of the mainstream financial services.

The emergence of microfinance scheme is considered as one of the most effective and flexible strategies in the fight against global poverty. Scholars such as (Barrett et al., 2006 and Berg 2010) argued that the scheme provides participatory and bottom-up approach to poverty reduction that can address the economic, social and political needs of the poor who are engaged in entrepreneurial activities in the informal economy. This assumption of the benefits of microfinance has led to significant public and private sectors investment into microfinance schemes which are made available to the poor. For the purpose of this research, microfinance is regarded as financial services such as loans and savings to low-income groups for immediate family expenditure like food, clothing and shelter to reduce the impact of economic of economic shocks and increase their assets.

A survey by the Ghana Statistical Service in 2008 revealed that Hohoe Municipality in the Volta Region has a large rural population of 80% who depend mainly on agriculture. The incidence of poverty is largely felt in the rural areas and within the Agricultural Sector and for this reason, the Municipality faces huge problem in alleviating poverty (GHAMFIN, 2003). Since microfinance has achieved some

accomplishments over the last 10 years among petty traders and even government workers in the Hohoe Municipality, this research strongly advocates for microfinance as a means of alleviating poverty among rural agricultural households in the Municipality. The study therefore takes a critical look at the Geography of the rural poor because these are people who die nameless without the public knowing or state burial given to them and sadly such stories which ought to command a clarion call for concerted effort to be made to combat extreme poverty scarcely get attention from policy makers.

1.2 Statement of Problem

There is a burgeoning literature about the nexus between microfinance and poverty reduction in rural communities. While others like Sowa (2008) considers microfinance as a potent tool for poverty reduction, critics on the other hand contend that microfinance could even make the poor worse off. Proponents of microfinance argue that small loans to poor people could serve as a powerful tool for alleviating poverty (Adjei, 2010; Coleman, 2002; Aryeetey, & Nissanke, 2000; Richard, 2007).

This is consistent with the UNCDF (2009) claim that microcredit for small farmers provides a means for expanding economic opportunities and reducing the vulnerability of the rural poor. Gender activists also argue in favour of microfinance as a means of empowerment by supporting women's economic participation (Muscoda, 2006 & Littlefield, 2005). This is also supported by a study conducted by Kharlan and Zinman (2006) in South Africa where recipients of microcredit were shown to be better off than non-beneficiaries.

However, other studies contend that, the impact of microfinance has been over advertised or hyped (Ditcher, 2006 & Karikari, 2009). For example Buckley (1997)

and Rogaly (1996) argue that, microfinance may not always be the best tool to help the poorest of the poor. This was confirmed by Ditcher (2006) that the best way to alleviate poverty is to create jobs and increase worker productivity but not through microcredit.

Even though much work has been done on microfinance and poverty alleviation, focus on agricultural lending has been less. Moreover, for further understanding of the social impact of micro-finance on rural farmers, critical questions need to be asked, especially those regarding process of approval and loan disbursement, contribution to various facets of farmers' lives and whether the current arrangement is viable and for which could be a basis for its sustenance. The current study seeks to interrogate these issues using Hohoe as a case study. The use of this municipality is hardly fortuitous, this is because it has a huge rural population who are directly engaged in agriculture and also requires capital to expand their business. In this regard, the current study seeks to make a valuable contribution to literature. In addition, it hopes to inform policy that can improve farmers' productivity through a better understanding of how micro-finance can effectively provide the needed funding to empower farmers.

To determine how far microfinance has assisted the poor in reducing poverty, an impact assessment of the programme is needed. Impact assessment has become common among MFIs but this is lacking in the Hohoe Municipality. It is in this vain that the researcher would want to assess the effects of some MFIs in the Hohoe Municipality. Microfinance has been said to be a major source of improving the livelihood and welfare of the poor especially in the rural areas. This study aims at shedding light on the extent to which the policy change is successful in attaining its objective. Good assessment determines the potential harmful side effects and attitudes that shed light on the reasons for success and failure. In so doing, this work will not

only justify the existence of institutions which will be studied but also for a larger purpose of improving the stewardship of poverty reduction resources.

1.3 Research Questions

- I. What is the level of poverty among beneficiaries and non-beneficiaries of micro credit?
- II. Has loan accessibility arrangements of Microfinance Institutions (MFIs) been tailored to the needs of rural agricultural households?
- III. Has Microfinance Institutions (MFIs) been successful in assisting rural agricultural households to improve their standard of living?
- IV. What are the constraints associated with the delivery of micro credit by Microfinance Institutions (MFIs)?

1.4 Objectives of the Study

The main objective of this study is to assess the contributions of microfinance and poverty alleviation in rural agricultural households in the Hohoe Municipality.

The specific objectives include the following:

- i. To evaluate the incidence of poverty among beneficiaries and non-beneficiaries of microcredit.
- ii. To examine loan accessibility arrangements of Microfinance Institutions (MFIs) and how they are tailored to the needs of rural agricultural households.
- iii. To evaluate the extent to which Microfinance Institutions (MFIs) have assisted rural agricultural households to improve their standard of living.
- iv. To identify constraints associated with the delivery of micro credit by Microfinance Institutions (MFIs).

1.5 The Research Hypotheses

- I. There is a significant difference in the incidence of poverty between beneficiaries and non-beneficiaries of microfinance.
- II. There is a positive relationship between income obtained by rural agricultural households and the amount of loan received.

1.6 Significance of the Study

The study has shown the efforts Microfinance Institutions (MFIs) are making to complement poverty reduction plans of the government and other financial institutions to lift the rural poor from the state of extreme poverty to a state of relative well-being. The study has also revealed the constraints associated with implementing poverty alleviation schemes delivery by Microfinance Institutions (MFIs). The disclosure will help policy makers and stakeholders to improve upon the supply and mode of implementing poverty reduction policies for rural agricultural households. Finally, the contribution of Microfinance Institutions (MFIs) towards poverty alleviation in Ghana cannot be over-emphasized. On that basis, the results of the study can be adopted and used as a guide for pragmatic decisions that will contribute to the strengthening of microcredit competitiveness while ensuring its profitability and long-term sustainability.

1.7 Scope of the Study

In an attempt to investigate microfinance and poverty reduction in the rural agricultural households in the Hohoe Municipality, the study focused on Microfinance Institutions (MFIs) and the rural agricultural households in the Municipality. The

study was conducted in three microfinance institutions which normally give credit to local farmers.

1.8 Limitations of the Study

The study was limited to MFIs and Rural Agricultural Households in the Hohoe Municipality due to time and financial constraints. The use of Hohoe Municipality as a case study because of the limited time and financial resources available, the results of this study cannot be used to draw general conclusions. Finally, the unwillingness of officials of Microfinance Institutions and members of Farmer Groups to disclose strategic information in the name of confidentiality was a major limitation of this study.

1.9 Definition of Terms and Key Concepts

1.9.1 Microfinance

Microfinance is an economic development approach that involves the provision of financial services through institutions to low-income customers, where the market fails to provide appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit saving and insurance services. Many microfinance institutions also offer social mediation services such as training and education, organizational support, health and skills in line with their development objectives.

1.9.2 Micro-Credit

It is a component of microfinance and the extension of small loans to entrepreneurs who are too poor to qualify for credit from formal traditional financial institutions. Especially in developing countries, micro-credit enables the very poor people to participate in self –development projects that generate income thus allowing them to

improve the standard of living for themselves and their families. Micro-credit therefore emphasizes the provision of financial services to low-income customers without collateral for income generating activities and consumption purposes (Singh 2009, Mutalima, 2004).

Giving this clarification, these two words (microcredit and micro) were used interchangeably for a better understanding of this study.

1.9.3 Micro Finance Institutions (MFIs)

Microfinance institution is an organization engaged in extending microcredit loans and other financial services to poor borrowers for income generating and self-employment activities. A MFI is usually not a part of the formal banking industries or the government. It is usually referred to as an NGO (Non Governmental Organization).

1.9.4 Poverty

According to Aryetey (2008) poverty is a condition in which a person of community is deprived of the basic essentials and necessities of life for enjoyment of minimum standard of living. Since poverty is understood in many ways, the basic essentials may be material resources such as food, safe drinking water and shelter, or they may be social resources such as access to information, education, health care, social status, political power, or the chance of meaningful relationships with other people in society (Yaro, 2013).

1.9.5 Income Poverty and the Poverty Line.

Income poverty is an understanding of poverty that is based solely on the level of monetary possession. It is a term commonly used by both the World Bank and the United Nations. According to the World Bank (1996), people living on less than US \$ 1 a day are living in extreme poverty and people who earn less than US \$ 2 per day are in moderate poverty. Globally, it is estimated that one billion people live on less than US \$ 1 per day and about 2.6 billion people depend on less than US \$ 2 per day. This amount to 40% of the world's population. Income poverty is also used to determine poverty line or poverty threshold. This is the limit between poverty and non-poverty as determined by governments. It is based on the cost of living in a given nation hence US \$ 1 per day is the international poverty line (GSS 2010).

But a Ghanaian adult is considered to be extremely poor if he spends less than ₵ 2100 (GH ₵ 0.21) a day compared to the internationally accepted standard of US \$ 1 (GH ₵ 0.94) for extreme poverty. While an adult Ghanaian is classified as poor if he spends less than ₵ 2500 (GH ₵ 0.25) as against the internationally accepted poverty line of less than US \$ 2 (GH ₵ 1.88).

1.9.6 Human Poverty

Whereas income poverty is based on only one indicator, human poverty encompasses the multiplicity of dimensions associated with poverty. It includes deprivation on a material level such as lack of proper nutrition, clothing, shelter and work. It also includes social deprivation, like unemployment, participation in social institutions and education. United Nations Economic and Social Council described human poverty as: *“a denial of choices and opportunities, violation of human right and dignity. It means lack of basic capacity to effectively participate in the society. It also means not having*

enough to food and clothing, lack of education and proper health care, not having land on which to grow food or earn a job for a living. It involves insecurity, powerlessness and exclusion of individuals, households and communities. Finally it means susceptibility to violence, fragile environments without access to clean water and sanitation” (Rural Poverty Report, 2011).

1.9.7 Extreme Poverty / Absolute Poverty

Extreme poverty is the most severe conditions of poverty, where people cannot meet their basic needs for survival, such as food, water, clothing, shelter, sanitation, education and health. Eradication of extreme poverty and hunger by 2015 is a Millennium Development Goal set by the UN. To determine the number of extremely poor people in the world, the World Bank (1996) considers extreme poverty as living on US \$ 1 or less as the daily income. It is estimated that about 1.1 billion people currently live under these conditions (Rural Poverty Report 2011).

1.9.8 Household

According to the 2010 population and housing census, a household is define as a person or a group of persons who live together in the same house or compound and shared the same house-keeping arrangements. In general, a household consist of a man, his wife, children and some other relatives or a house help who may be living with them. However, this research discovered that members of a household are not necessarily related (by blood or marriage) because non-relatives such as house helps can form part of a household.

1.9.9 Agricultural Households

Agricultural household is defined as a situation where at least one member of a household engage in farming activity namely; crop farming, tree planting, livestock rearing and fish farming (GSS 2010). According to the 2014 District Analytical Report of the Hohoe Municipality, Crop farming is the main activity engaged in (91.1 percent), followed by livestock rearing (47.6%), then tree planting (0.3%) and finally fish farming (0.1%).

1.9.10 Organization of the Study

The study is divided into five parts. Chapter one provides the background to the study, the statement of the research problem, research questions, objectives of the study, hypotheses that were tested and the significance of the study, the scope and limitations. Definition of key terms and concepts and finally the organization of the study.

Chapter two reviews the existing literature on microfinance, poverty and the strategy to alleviate poverty in developed and developing countries. It also looked at the historical background of microfinance, poverty among beneficiaries and non-beneficiaries of microfinance and the processes of microfinance. The chapter also reviewed literature on access to credit, the challenges confronting microfinance institutions, theories of microfinance and the conceptual framework.

Chapter three examines the study area and methodology adopted for the study in terms of the study design, study population, sampling procedure and sample size, data collection and instrumentation and data analysis. Chapter four presents the data analysis and interpretation of results. The descriptive analysis and regression results are presented in qualitative form alongside the quantitative results so that meaningful

conclusion could be drawn. In this chapter, hypotheses were tested to establish the relationship that exists among the variables. Chapter four went further to analyze the socio-economic impact of access to credit for households, microfinance and expansion of business and limitations associated with the delivery of micro credit by MFIs. The methodology and theories behind the research were also discussed in chapter four.

Chapter five which is the last segment deals with the summary of the study, conclusion, recommendations and suggestions for further research.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is devoted to both theoretical and empirical literature related to two main areas. The first has to do with poverty related issues which include poverty trends, approaches to poverty reduction, rural poverty in Ghana, and asset-based approach to understanding poverty. The issues about microfinance include the historical background of microfinance, the impact of microfinance on poverty, access to credit by farmers, beneficiaries and non- beneficiaries of microfinance, processes of microfinance, challenges facing the microfinance institutions (MFIs). Others include the theories of microfinance and the conceptual framework of microfinance as a tool for poverty reduction strategy.

2.2 The Concept of Poverty

Poverty is described in development studies in relative terms as a condition of deprivation when a community or industry is compared to each other (Osmani 2003) . It is also regarded as a condition of insufficient funds, income or resources and basic human needs (Mosley 2001). Yaro (2013) describes poverty as a disadvantage in areas like hunger, lack of shelter, clothing, health, education and political processes. Poverty is the lack of access to resources that are needed to achieve an adequate standard of living. It shows a lack of access to food, income, shelter and clothing among other physical resources. Yaro (2013) considers poverty as an obstacle to socio - economic development. Therefore, poverty reduction is a prerequisite for investment and wealth creation (Chambers and Conway , 1992) .

Poverty was and will probably continue to be one of the major challenges for global civilization. Unless one pretends, poverty can be seen everywhere, although the shape and nature of it varies from region to region and from nation to nation (Moser , 1998) While solid poverty is the dominant theme in community development (Bradshaw , 2006) there are up to 420 million chronically poor people in the world (World Bank 1996). Poor people and their families will add to increase world's estimated 900 million poor people in 2015 (IFAD, 2009). Despite the significant improvements in the last century, extreme poverty remains widespread in third world countries (Todaro and Smith 2006).

2.3 Poverty Trends and Approaches to Poverty Reduction

According to the Multilateral Development Banks (2000) not income measures of poverty show significant differences but overall infant mortality, life expectancy and school enrollment in Africa are some of the worst in the world. The main causes of poverty in Africa are low level of productivity and the use of obsolete production technology, especially in the agricultural sector which employs majority of the youths and promotes the Gross Domestic Product (ILO, 2008). Other reasons stated by the same paper include high illiteracy rate and population growth, frequent natural disasters and inadequate infrastructure. Poverty is complex and multi - dimensional (political, economic, cultural and environmental (UNDP 2006). As a result its solutions are versatile and interconnected. This situation has overtime led to the development of different approaches to dealing with poverty which consist of the orthodox view, sustainable livelihoods approach and rights-based approach (Chambers and Conway, 1992).

Chambers and Conway (1992) added that the orthodox view of poverty reduction considers the poor as being in need of the basic necessities of life. As such, the task of combating poverty is to meet these basic needs. In response to the prevailing orthodox approach of external support livelihood saw the poor as passive recipient of the sustainable livelihood approach. The premise of the livelihood approach is that the poor do not only have needs, but they also have assets and their livelihoods tested in a variety of ways, through the use of these assets (Moser, 1998). According to the proponents of the livelihood approach, the aim of poverty reduction strategy is to empower the poor to pursue their own livelihood in a sustainable manner and become agents of change in their communities (World Bank 1996).

Bebbington (1999) refuted the general perception that the poor have no assets. According to him, the poor have a portfolio of assets. These assets, both tangible and intangible may be small, but they are important for the survival of the poor. An input that can be considered insufficient in development research like this because there are very poor people who live below the poverty line and have little or no asset. Osmani (2003) classified the assets of the poor in the categories of labour (the main asset of the poor), human capital of the poor (the quality of health status, skills and education), which determines the return to work.

The rights-based approach to poverty eradication focuses on the importance of human rights to poverty reduction (Moser 1998). It assumes that people avoid inalienable rights to certain fundamental freedoms of hunger, disease and illiteracy (Multilateral Development Bank, 2000). This type of approach stressed that poverty is a denial of human rights. (Adams, 2007) reaffirms the foregoing discussion that the reduction of poverty is varied and that the concept of poverty and microfinance is just one of the approaches that have been introduced over the years.

2.4 Poverty in Ghana

Poverty in Ghana, as in all developing countries is mainly a rural phenomenon (Owusu and Yankson, 2007). The Human Development Index UNDP (1990) ranked Ghana among the poorest nations of the world. According to IFAD (2009) poverty level is highest in the three northern regions of Ghana; Northern, Upper East and Upper West, where the poverty rate ranges between 69-88 percent. In 2008, the rural population in Ghana was more than 50% of the total population of 23.4 million, of which more than 40% of the rural population are poor. Agriculture is the main economic activity in rural Ghana with the exception of areas in the coastal region where fishing is the mainstay of the local economy (Owusu 2007). Poverty is more experienced among food crop farmers who are mainly subsistence farmers than by cash crop farmers. According to the Ghana Statistical Service (2008) poverty among food crop farmers, many of whom are women is around 19 percent above the national average of 40 percent. This is due to high instability of prices of perishable crops produced. Abaluk (2012) reported that abject poverty is deepest among food crop farmers. Bad food crop farmers are mainly from traditional small-scale producers. Approximately six out of ten small farmers are poor and many of them are women (GSS, 2007). Despite the government's efforts with development partners such as the International Fund for Agricultural Development (IFAD) poverty in the country especially among small farmers, herders and other farmers still remain high in rural Ghana.

Poverty in Ghana also has gender dimension as several reports by IFAD show that about 60 percent of subsistence farmers who remain in poverty, are women. Rural poverty is more acutely felt in the female population than in the male population. Women make up about 51 percent of the population of Ghana (GSS 2010). Gender

differences exists in terms of access to and control of assets such as land, human capital assets, including education, health and social capital assets, such as active participation at various levels of policy and the protection of personal and physical safety (Bradshaw, 2006 and GSS 2000).

It is argued that poverty in Ghana is not only limited to the rural areas, but can also be found in urban areas. In cities like Accra, Tema , Kumasi and Sekondi - Takoradi large areas have developed into slums where people sleep in barracks , kiosks and many unsecured places (IFAD 2009 , Owusu and Yankson, 2007). According to the World Bank (1996), one of the causes of poverty in rural areas is the low productivity and poor market for agricultural products, the lack of technology and inputs such as fertilizers and improved seeds, which would increase the yield. This study focused on the rural component of a local government unit that is Hohoe Municipality. So it is the poverty of the rural component that was examined in this study.

2.5 An Asset Based Approach to Understanding Poverty

In general, an asset is identified as a "stock of financial, human, natural and social resources acquired over generations, developed, can be improved and transferred. It generates flow or consumption and additional inventory" (Hulme and Mosley, 1996). This definition lacks the full potential of the asset-based approach to poverty reduction. Moser (2006) argued that the assets or capital resources both tangible and intangible includes the assets of the poor generally regarded as natural, physical, social, financial and human capital. However, this study argues that information on assets and income shares underlie and consumption flows can provide a richer feature of the poor which is missing in Caroline Moser's Asset Accumulation Policy.

Therefore this study attempts to analyze poverty by comparing the physical assets of the respondents and their consumption level.

Carter (2007) argued that a critical analysis of the assets of the poor is important in understanding the upward mobility and transitions out of poverty because assets are closely associated with capability, endowment vulnerability. Moreover, Moser (2006) noted that findings from the asset-based approach with panel data on the living standards of families can provide solution for chronic poverty.

Ferguson (2008) argues that not only a relationship between assets and rights is important but once established, rights are actually assets. If the rights are seen in this context and mapping how their accumulation leads to poverty reduction, to bridge the gap between principle and practice. It proposes that, rights are seen as a political power in a manner similar to the understanding of rights by Amartya Sen. Like other assets (Woolley 2010) noted that they are resources that can be collected and used to come out of poverty that people struggling in their own political systems to improve their conditions. Once set at the political level, mutually reinforcing rights at the local and even household level can occur.

2.6 Historical Background of Microfinance

A better understanding of the concept of microfinance requires delving into the historical background. According to Katherine (2014), the idea of giving small loans to the poor can be traced to a Bangladeshi Economist by name Muhammad Yunus in 1974. He was the head of Department of Economics at the University of Chittagong, Bangladesh and when a devastating famine hit his country in 1974, Yunus became frustrated with the abstract economic theories that he taught his students daily. He wanted a practical solution to hunger and poverty using a more scientific approach of

"trickle - down" to find effects but that which comes from the people themselves. Yunus began to study economics from what he called the "worm's eye view." in the streets of the city using " the people as his professors ". It was through this research on poverty and the resources used that he came out with the idea that the provision of credit for poor entrepreneurs could make a difference in their survival (Katherine, 2014).

Adams (2007) observed that in Ghana, there has been the tradition of the people saving and taking small loans from individuals and groups in the context of self-help to start businesses involved in agricultural ventures. For instance, available data revealed that the first credit union in Africa was established in the northern region of Ghana in 1955 by Canadian Catholic Missionaries (Johnson, 2007). However, susu, which is one of the products of microfinance in Ghana, is believed to have originated from Nigeria and spread to Ghana in the early twentieth century (Karikari 2011). Over the years the microfinance sector thrived and evolved into its current state by different financial policies and programs by various governments among which include:

- i Providing subsidized loans in the 1950s.
- ii. Establishment of the Agricultural Development Bank in 1965 specifically to address the financial needs of the fishing and agricultural sector.
- iii. Construction of Rural and Community Banks (RCBs) and the introduction of regulations such as commercial banks demanded to set aside 20% of their total benefit to promote credit to agriculture and small industries in the 1970s and early 1980s.
- iv. Changing from a restrictive regulation of the financial sector to a more liberalized regime in 1986.

Promulgation of PNDC Law 328 in 1991 to permit the institution of different categories of non-banking financial institutions such as savings and loan companies and credit institutions. This policy has led to the emergence of three main categories of microfinance institutions; First, the formal providers such as savings and loan companies, rural and community banks and a series of development and commercial banks. Secondly, semi - formal providers such as banks, Financial Non - Governmental Organizations (FNGOs) and cooperatives.

Finally, informal providers such as susu collectors and clubs, Running and Savings and Credit Associations (ROSCAs), dealers, money lenders and other businessmen. Regarding the legal framework, rural and community banks are regulated under the Banking Act of 2004 (Act 673) while the savings and loans companies are currently regulated under the Non- Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328). On the other hand, the legal framework for credit institutions is prepared and this would include their dual nature as cooperatives and financial institutions (Adams 2007).

Johnson (2007) also found that current programmes that are controlling the microfinance sub-sector in Ghana are the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programme (UNDP) Microfinance projects, the Social Investment Fund (SIF), the Community Based Rural Development Programme (CBRDP) Rural Enterprise Project (REP) and Agricultural Services Investment Project (ASSIP).

2.7 Microfinance

The word microfinance is widely used in the development vocabulary today. Although the term is literally two words: micro and finance which literally mean little credit. The concept of microfinance goes beyond provision of small loans to the poor. Christian (1997) defines microfinance as a means of granting a number of financial services to the poor on the basis of market-based and commercial approaches. This definition includes the provision of financial services such as savings, money transfers, repayments, remittances and insurance. But many microfinance practices today still focus on micro – credit which grants little credit with the hope of improving labour productivity and thus lead to an increase in household income. Moreover, Khandker (2005) notes that microfinance programs offers skills-based training to increase productivity and organizational support and awareness, to liberate the poor. In light of the above definitions, microfinance includes pro - poor financial services and in addition to training programs to promote the economic and socio - political life of the poor especially women, who constitute a vast majority of beneficiaries (UN Report, 2009). Bardhan and Udry (1999) consider microfinance as the provision of financial services to the poor and low-income families without consulting the traditional banks. Microfinance programmes offer loans, savings and other financial services to low-income and poor people for use in small businesses (Central Bank of Kenya, 2008). These institutions are rural banks, community banks, credit unions, thrift and loans and microcredit NGOs. According to Otero (1999) the purpose of the microcredit is not only the provision of capital to the poor but to fight poverty at the individual level and by so doing affecting the institutional and national economy. It is intended to act as financial institution that provides financial services

to the poor who are constantly rejected by the formal financial institutions (Taiwo 2012).

The role of microfinance institutions in developing local economy cannot be overemphasized especially in Ghana and other African nations. This role is played mainly by creating rural and community banks as major microfinance institutions. In Ghana, for example, the sum of loans granted to customers of all community and rural banks amounted to GH ₵71630000 in 2005 and this increased to GH ₵ 115.1 million in 2006 indicating 35.4 percent increase (Bank of Ghana, 2007).

Obeng (2011) noted that loans given by rural bank are typically used in rural areas for purposes such as housing, small businesses and as a " start - up " loans for farmers. There are other cases in which loans to groups consist of a number of borrowers for collective enterprises, such as purchasing of irrigation pumps or leasing land for cooperative farming. In 2016, a total of GH ₵ 160.47 million was given to customers which represents 48.8 per cent higher than the total claims of the previous year (GSS 2010). The upward – trend of Non - Financial Institutions (NBFIs) to individuals , small businesses , groups and others provide significant improvements in the level of microfinance in the country (Aryeetey et al., 1994) .

Generally the management of microfinance by MFIs comprises of the provision of loans and the management of small amounts of money through a variety of products and a system of intermediary functions that aimed at low-income earners (United Nations, 2005). It includes savings, insurance, transfer and other financial products and services (Adjei 2010). Littlefield et. al., (2003) argued that the poor in general are neglected from the formal financial services sector of the economy so the MFIs (including rural banks) were established to address this market failure.

Simanowitz and Brody (2004) indicated that “microcredit is a key strategy in achieving the MDGs and creating a global financial system that meet the needs of the rural households”. From the above discussions, it is clear that microfinance has appeared in business domain globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of the poor people who are mainly located in the rural areas. It is argued that microfinance can facilitate the achievement of the Millennium Development Goals (MDGs) and national policies of reducing poverty, women empowerment, supporting vulnerable groups and the improvement of living standards.

2.8 The Impact of Microfinance on Poverty

Wright (1999) points out the shortcomings of depending solely on income provision as the only factor of combating poverty. He argued that there is a great difference between increasing revenue and reducing poverty. Wright (1999) further indicates that to increase the income of the poor, MFIs are not necessarily alleviating poverty but rather what the poor do with their money. He states that “sometimes it is misuse or spent on alcohol, so that relying on increased revenue is not enough in addressing poverty”. Emphasis should be placed on helping the poor to meet their needs by improving their well-being through the provision of different financial services (Wrenn 2005).

Hulme and Mosley (1996) opined that well-designed programmes can improve the income of the poor and help them move out of poverty. They show that when loans are associated with an increase in assets, when borrowers are motivated to invest in low-risk income generating activities and when the poorest people are also encouraged to save, then their vulnerability is reduced and their poverty situation

improves. Adjei (2010) confirms this by indicating that credit facilities are more beneficial to the "middle and upper poor" than the poorest of the poor. Hulme and Mosley (1996) again argued that there is a clear evidence that the impact of a loan on a borrower's income is related to the level of income as those with higher incomes have a greater range of investment opportunities and the credit programs are more likely to benefit the "middle and upper poor". This is in line with the debate of Robinson (2001) that when MFIs like Grameen Bank gives loans to the poor, the poor and their households are able to increase their income and assets hence emerging out of poverty.

Schuler et al., (1997) noted that micro-program participation has a tremendous impact on profit accumulation of the self-employed. But Pitt and Khandker (1998) are of the view that microfinance products can have a greater effect on the well-being of the poor households and that the impact will be greater if the loan is rather given to women. (Goetz and Gupta 1996, Steel and Andah 2004) on women empowerment discovered that the participation of microfinance programmes exerts a statistically significant effect on one or more aspects of women such as the use of contraceptives or intra - household decision-making.

In analyzing four microfinance programmes in Bolivia, Mosley (2001) shows that assets and income can reduce the poverty level of beneficiaries, but can also increase their vulnerability if not properly managed. Bolnick and Nelson (1990) also reveal that MFIs' participation had a positive impact on rural agricultural households that were typically small, labour intensive and growing, although the effect was far from uniform in all sectors and target variables. Copestake et al. (2005) find that the borrowers who obtain two loans experienced high growth in profits and household income compared to a controlled sample, but customers who never qualified for the

second loan were worse off as a result of the MFIs' loan collection mechanisms and conditionality. Wydick (1999) notes that upward class mobility structure can significantly increase with access to loan from MFIs. Using the same Guatemala data set in a different study, Wydick (2002) also indicates that rapid gains in the creation of jobs after the first loan were accompanied by long periods of stagnant job creation. Stiglitz (1990) later discovered that microfinance customer enterprises performed better than non-client businesses in terms of profits, assets and employment.

Kondo (2007) reports that, in Philippines, microfinance has positive impacts on household income, production and employment especially in the rural non-agricultural sector, and that the growth in self-employment was achieved at the expense of wage employment, which means an increase in rural wages. To Guerin (2006), microfinance has a positive and significant impact on poverty alleviation and empowerment of women. Khandker (2005) and Derbile (2003) throw light on some successes of microfinance in reducing household poverty. They argue that microloans assist women to go into gainful self employment. Income from these non-farm businesses will be used for domestic provision and other essential basic needs which finally results to the improvement in the family livelihood.

In other studies, Mayoux (1997) asserts that microfinance programmes are currently being promoted as a key strategy for both poverty alleviation and women empowerment on the basis that these programmes have the impact of increasing women's income level and control over income which results in greater economic independence. Akyeampong (2002) acknowledges that the establishment of microfinance programmes enhances the perception and ability of women' to contribute to household income and family welfare and this increases women's

participation in household decisions-making about expenditure and indirectly creates a greater expenditure on women's welfare.

2.9 Access to Credit by Farmers.

Access to financial services can help promote equity and can be linked in this regard, to a better economic stability and to promote economic growth (Adjei 2010). Research has also focus on the effect of access to credit on micro-economic development and the standard of living of beneficiaries, suggesting that improving the access of financial services to micro-enterprises could have a positive effect on a country's income distribution (Wydick, 2002). Surveys of the literature on financial intermediation and poverty reduction conclude that the development of the financial sector contributes to economic growth and thus lead to poverty reduction (Holden and Prokopenk, 2001). A World Bank study looking at cross-cutting evidence confirms the hypothesis that countries with well developed financial intermediaries experience faster declines in measures of both poverty and income inequality (Beck et al, 2004). A number of recent studies have looked at the positive results of microfinance starting from access to a broad based financial services and payment system services (Christian, 1997 and Campos et al, 1998). Reports from the Development Banking Community (DBC) and the studies of International NGOs (Putnam, 1995), proposed that lower income families need a wide range of complementary financial services both for everyday use and for asset building purposes (Robinson, 2001; and Rutherford, 1999).

In many developing countries such as Ghana, poor rural households face serious problems when looking for credit from the formal traditional banks. Financial services, such as those offered by banks are often not available to those below the

poverty line because of the demand for collateral security (Yankson, 2008). Neither do the banks accept the small amounts the poor want to save. As a result, the poor usually go for informal sources such as friends, relatives or moneylenders to borrow small amounts of money for a short period, or to informal indigenous institutions like the savings clubs and credit networks borrow enough money to their customers basic necessities of life. These informal institutions are often successful in tiding the poor over difficult moments like bad harvest and they enable poor households to build up savings for investments that could help lift them out of poverty (Adjei, 2010).

2.10 Beneficiaries and Non-Beneficiaries of Microfinance

Proponents of microfinance like (Khan and Rahaman, 2007) contend that microloans to the rural poor could serve as a powerful tool for raising the standards of living and reducing poverty to the barest minimum. Asiama (2007) advocate that this is possible because microfinance helps the poor to meet their basic needs and thus improve the income level of the family. Similarly, Khan et al., (2007), Robinson (2001), Otero (1999) and Wehrell et al., (2002) arguing from a sociological perspective intimated that “access to credit provides the poor with productive capital which helps build their sense of dignity, autonomy and self-confidence” hence the beneficiaries are motivated to partake in the national economy. Pronyk et al., (2006) also argue that microcredit presents the poor with income, food, shelter, education and proper healthcare delivery and can therefore have immediate and long-term consequences on product beneficiaries.

Boyle (2009) in supporting microcredit claims that supporting women to participate in economic development can be of great benefit for improving the well-being of the family. Littlefield (2005) reports that the opportunities provided by microfinance to its

beneficiaries are the ability to invest in their own businesses, educate their children, improve their health care and encourage them to invest in their own welfare. This is supported by a study conducted by Taiwo (2011) in Nigeria where beneficiaries of microfinance proved to be better than non-recipients. In another study by Yunus (2003) in the Chittagong District of Bangladesh, recipients of microcredit facilities were reported to have improved their living conditions and come out of poverty. More importantly, Karnani (2007) also discovered that the microfinance receivers had empowered themselves and become very active participants in the economy and the communities that they found themselves. Furthermore, using a regression model to examine the effect of microfinance, Ayertey (2008) showed that there were significant positive relationships between credit beneficiaries and income level. The results indicate that the participation of the programme has led to a 20% increase in income. However, the UNCDF (2009) report suggests that while micro-credit may be very useful in poverty reduction, it is never a panacea and that it is only one of such instruments to reducing poverty or vulnerability of the poor. Buckley (1997) and Rogaly (1996) have also found that microfinance may not always be the best tool to help the poorest of the poor. A similar discovery was made by Hashemi et al., (2006) stating that “ microcredit does not reach the poorest in the society”. Roodman (2009) claims that microcredit actually leave people worse off, just as credit cards and mortgages have made people poorer in developed countries.

With respect to the over-advertised benefits of microfinance, Ditcher (1999) opines that, while the promise of microloan is irresistible, the expected effect of microcredit for poverty reduction remains elusive. Karnani (2007) made a similar observation in his criticism of microfinance programmes, arguing that although microcredit offers a

range of non-economic benefits, it does not necessarily reduce poverty hence the promise of microfinance is less attractive than the reality.

Karmani (2007) further stated that the best way to alleviate poverty is to create jobs and to increase employee productivity but not through microcredit. This is because the rural poor tend to take out conservative loans that protect their livelihoods and rarely invest in new technology, fixed capital or the hiring of labour. In addition, Sachs (2009) argues that microfinance may not be a sufficient tool for reducing poverty in every situation and therefore advocate for more strategies for rural development. He intimates that poor infrastructure and scattered population in rural areas can limit the potential benefits of microfinance in Ghana and Africa at large. In these cases, grants, infrastructural improvements or education and training programmes are more effective in poverty reduction and rural development than microfinance.

Empirically, Buckley (1997) studied micro-companies in three African countries (Kenya, Malawi and Ghana) and wonders whether the wide donor interest in microfinance is really the problem of micro-entrepreneurship or just to provide a temporal solution to the problem. The results of the study suggest that the fundamental problem is inadequate infrastructure instead of the capital injection. On the other hand, Chemin (2008), using a matching strategy to assess the effects of microfinance in Bangladesh reports a positive but lower than previously thought of impact on expenditure per capita and school enrollment for pupils. In another study to evaluate the impact of microfinance on rural farmers in Malawi, Duursma (2004) reported that farmers who took loans from microfinance institutions were not better than those who do not take. Like Duursma (2004), Aruwa (2006) argues that there is the need for a additional work (training in financial management, marketing and

leadership skills and market development) in order to be successful in microfinance activities.

2.11 Loan Accessibility Arrangements of MFIs.

Murray and Boros (2002) argues that the characteristics of microfinance products include small amount of credit and customers who pay on time become entitled for a higher amount from MFIs. Microfinance procedures are simple and the processing periods are short. In their literature on " The Properties of Microfinance" they stated that microfinance offers short-term loans (usually over a period of twelve months) and payment plans are frequent installments. Yaron (2004) reports on the significant factors that contributed to the success stories of the Grameen Bank in Bangladesh, BAAC in Thailand and BKK in Indonesia. It was observed that the period for the submission of application forms and the disbursement of loans ranged between one and two weeks for the first time borrowers and in the case of regular customers, the time frame was just one day (Yaron 2004).

Rutherford (1999) argues that "best practices" for microcredit organizations are based on the concepts of outreach and sustainability. Outreach and sustainability are expressed in terms of the theory of social security. Yaron (2004) further explains that outreach is the social value of the output of micro-credit organization in the area of depth, worth to users, the costs for users, width, length and scope. Outreach is normally proxied by gender or needs of the borrower, the size or the terms of the loan agreement, the price and the transaction costs borne by the user, the number of users, the financial and organizational strength of the lender and the number of products offered including deposits (Mayoux 2002). The main purpose of sustainability is to "maximize sustainable organizations intended to improve the well-being of beneficiaries" (Agbelie2001). Most non-sustainable microfinance organizations incur

costs on the poor borrower in excess of the low profits. (Akyeampong 2002) refuted Agbelie's assertion by indicating that sustainability is not an end in itself but rather a means to the goal of better social security. In line with sustainability, the Oudomxay Community Initiatives Support Project (OCISP) shows that savings - led projects results in better performance and resources grow faster, making it easier to reach sustainability goals. Adams (2007) argues that sustainability should be widely discussed and understood by employees and customers including market interest rates, the cost and the fee for the growth of the funds. Full cost recovery calculations must be carefully explained to the customers so as to maximize investment.

The OCISP warns that community-based arrangements, delegation of powers and responsibilities of the project team members to the local manager should be gradual. Credit products must correspond to the financial needs of customers and the requirements of their business (Adjei 2010). Controls and systems should be designed to ensure a successful operation (Otero 1999). These are transparent financial and accounting procedures, reporting and technical support for weak Community-Based Organizations (CBOs) (Adams 2007). Other important results of loan arrangement by the OCISP emphasizes personal capacity development, specialization of the microfinance sector component, clear understanding of the process of the support mechanisms for the provision of financial services and the creation of awareness in rural communities usually through CBOs (Ray , 1998) .

Aryeetey et al., (1994) stated that most financial institutions do not have qualified personnel and staff needed for developing innovative financial products that is good for the advancement of SMEs. Andrew's (2006) work on porous institutional capacity of MFIs with regards to bad administration, control systems and low staff knowledge and management confirmed the earlier assertion. Asiama (2007) pointed out that in

order to promote the microfinance subsector, in-service training and workshops for stakeholders with the aim of improving human capital should be organized by the companies. Even though the personnel and technical ability to achieve these programs are woefully inadequate, the human capacity of a number of institutions, including Microfinance and Small Loans (MASLOC), Ghana Microfinance Institutions Network (GHAMFIN) and Relevant Ministries should be improved for better operations of microfinance institutions.

Poudyal (2008) adds that even though it is possible to achieve the lowest level of poverty through financial services, special services such as training, technical support and insurance are necessary to avoid the risk of the customers. Datar et al. (2008) observed that the customers who receive business training are able to increase their profits, plough back profits into their business and maintain better records than beneficiaries who receive no training. According to Owusu (2007), MFIs should provide far better services than the traditional banks for them to meet their goal of social equality. They should not provide only financial products and services, but also financial education, management training and value chain support (Singh 2009). Poudyal (2008) also supports Owusu by revealing that for MFIs to be of more benefit for rural dwellers, they should monitor their customers on how they use their loans or distribute their profits. "Monitoring is important in poverty reduction among both rural and urban dwellers" (Poudyal 2008).

Sievers and Tomlinson (2006) studied BRAC in Bangladesh providing microfinance with a wide range of social services and Business Development Services (BDS). According to their findings, customers could easily pay 100 percent because of high profits generated as a result of the support from BRAC. Wrenn (2005) on the other hand recognized the Peer Group Pressure Model as the most profitable method of

granting credit to customers especially farmers. With the Peer Group Pressure Model loans are given to people in groups of five or maximum of ten. Group members collectively guarantee loan repayment and access to subsequent loans are dependent on the successful repayment by all group members (Wrenn 2005). Sievers et al.,(2006) argues that the solidarity group method is very effective in preventing high incidence of default an act that helps the provision of credit to rural agricultural households in the Hohoe Municipality of the Volta Region.

Ledgerwood (1999) supports Wrenn by indicating that the Peer Pressure Model has a great social benefit as a result of the mutual trust from the group members. (Wrenn, 2005) stated that the peer group method is a Grameen model which recognizes the creation of a favorable political climate for a successful microfinance activities. The policy depends on good legislation that seeks to protect both lenders and borrowers. Well-designed legislative instrument can secure transaction and the supply of credit at lower interest rates which can directly affect the gross domestic product of a particular nation (Wrenn 2005).

In the classification of best practices of MFIs, Werlin and Hastings (2006) identified products, based on market research as one of the cardinal practices of any successful microfinance institution. “Market research is used to develop the bottlenecks in the local economy and strategies for long-term support for the customer” (Coleman 2002). This mean offering new products like home improvement loans and micro-leasing or more frequent review of key financial products. Given the review of the above works, it is reasonable to argue that even though microfinance is not a panacea for poverty reduction as shown by some authors, when the scheme is well organized it can bring lasting contributions by financial investment thus leading to the improvement of the living standards of the poor. In addition the peer group method is

very useful for this study because it answers the research question on loan accessibility arrangement by MFIs.

2.12 Challenges Facing the Microfinance Institutions (MFIs)

Steel and Andah (2004) points out that since the beginning of government involvement in the activities of microfinance in 1950, the subsector has worked without specific guidelines and policy objectives. This partly explains the slow growth of the subsector and the apparent lack of direction, fragmentation and lack of coordination (Sowa 2009). There is no uniform approach to dealing with the constraints facing the microfinance subsector (2001 Agbelie). Such limitations include inappropriate institutional arrangements, poor regulation, lack of coordination and cooperation, poor institutional links, inadequate skills and professionalism and insufficient capital (Aruwa 2006).

Reports from the Bank of Ghana (2007) shows that a better coordination and cooperation among key stakeholders including development partners, the government and other authorities could contribute to better integrate microcredit with the development of the entire financial sector. Second, the commercial bank's approaches to microcredit delivery often do not succeed in reducing poverty because it does not target the rural poor (Bank of Ghana 2007). The traditional banking principles require documentary proof, long-term relationship between the bank and its customers and collateral security which are lacking among rural households (Oti - Boateng and Dawoe, 2005).

According to Asiama (2007), microfinance institutions are confronted with the problem of capacity building and funding. This is because the various stakeholders in the sub-sector hardly organize programs and activities in order to upgrade

microfinance officials and customers. Due to this the staff and capability levels are still below average (Sowa 2008). For example, the competency of a number of important stakeholders and institutions like MASLOC, GHAMFIN, Ministries and technical service providers lack accounting knowledge that can lead to expansion and proper satisfaction of customers (Bank of Ghana 2007). Asiama (2007) further argued that the current microfinance apex bodies lack sufficient cadre of internal trainers and facilitators such as house to house monitors and supervisors that can continuously measure the progress of their activities over time. Bank of Ghana 2007 noted that funding for the microfinance subsector can come from three sources which are the government, development partners and the microfinance institutions themselves. Even though these institutions are available for providing funds for MFIs, “insufficient credit is a major challenge hindering the full operation of the sub-sector” (Oti-Boateng and Dawoe, 2005).

Another constraint associated with the delivery of micro credit by MFIs is the problem of delivery and management. Sachs (2009) stated that the “current strategies for credit delivery are not sufficiently diversified or efficient and therefore not able to meet the varied needs of beneficiaries”. Taiwo (2012) attributed this problem to lack of framework for categorizing and upgrading the emerging microfinance institutions in the sub-sector to be updated in accordance to the operations of MFIs. The goal of microfinance is to provide resources for the poor Parker (1996). Yet there is no improved MFI and acceptable methods which can lead to the achievement of the desired goal hence poverty still exist (Osmani 2003).

In the views of Oti-Boateng and Dawoe (2005) lack of information on microfinance activities and products is a major problem confronting MFIs across the nation. Approaches and methods for data collection and implementation at the national level

are not the same, which makes it difficult to centrally monitor the progress of the sub-sector. Adams (2007) observes that “there is lack of well-defined reporting system by both the government and development partners in terms of their interventions and thus there are no adequate data base for decision-making and planning”. At the institutional level, collection of data and information dissemination are weak among institutions (World Bank 2011). Also, the lack of common benchmark, methods for measuring and information sharing hinders the performance of the sector (IFAD 2009). Thus lack of sufficient and reliable information on scope in terms of the depth and the width is one of the biggest challenges facing the activities of microfinance (Katherine 2010). This lack of information has affected customers’ ability to access loans and the ultimate reduction of poverty (IFAD 2009).

(Aruwa 2006) argues that the problem of inadequate regulation and supervision of microfinance institutions for credit delivery mechanisms is a “great challenge hindering the sector from achieving its social goal of poverty reduction”. There is the need to ensure the formulation, implementation and evaluation of regulatory and supervisory policies and procedures to ensure consistent and efficient approach to the regulation of different types of microfinance institutions (Bradshaw 2006). It is necessary for MFIs to ensure adequate information and protection for consumers and the coordination for expansion. Microfinance institutions are often confronted with rigid regulation and supervision in many countries, which hinder their innovation, outreach and ultimately the performance of the institutions (Asiama, 2007). Finally, there is a lack of well-established guidelines for operations among apex bodies namely: CUA, GCSCA, ASSFIN and the Cooperative Council. This leads to uncoordinated activities which hinder the performance and outreach of their affiliated institutions (Opere-Djan, 2002).

SRID (2012) contends that the greatest challenge confronting rural agricultural households is the issue of access to credit. To this end, Aryetey (2008) emphasizes that access to credit for rural agricultural households as a seed money is a major obstacle, because majority of interventions to facilitate, direct credit in the field of microfinance do not focus on farming but geared towards immediate economic gain. However, GSS (2010) noted that “lack of access to medium and long-term credit is more of a problem for rural agricultural households who want to expand their agricultural activities than microcredit”.

Obeng (2012) reveals that bad financial records and the lack of other accounting books make it difficult for microfinance institutions to evaluate the creditworthiness of potential rural agricultural household borrowers.

McGregor (1994) argues that the relatively high cost of processing small loans means that lending to rural agricultural households is generally not from the traditional banks. Many expect that financial liberalization will solve the problem of rural agricultural households by stimulating the substitution of more expensive forms of credit aimed at reducing transaction costs among rural agricultural households (Peters 1995). However, these desired effects often do not materialize in the manner provided by policy makers.

According to Malielegaoi (1998) unfavorable macroeconomic conditions and the risks associated with lending to peasant farmers produce a preference among the formal sector banks for short-term loans and credit to public or corporate entities. Attempts by governments to tackle this problem had been unsuccessful for the past decades (UNCDF 1999). Despite the provisions of subsidized loans by the commercial banks and the establishment of various credits guarantee schemes, small businesses remain stagnant. One of the reasons for the failure of such interventions in Nigeria was the

notion that loans provided by the government to rural agricultural households need not be pay back Taiwo (2012). In Samoa, the issue of collateral is particularly difficult because most of the land is under communal title (Ravallion 2010). Despite the need to liberalize the system, the financial sector in developing countries have remained small and risk-averse with little incentive to develop products specially adapted to the needs of rural agricultural households (Malielegaoi1998).

Adongo (2009) observed that the challenges faced by financial institutions in Africa and other LDCs are quite different from those of East Asia. Asian credit programs generally yielded much better results (Malielegaoi 1998). High failure rates and serious collection problems were avoided by the introduction of review and monitoring systems including the establishment of appropriate systems of incentives and disincentives for local financial institutions. According to (Poudyal 2008), Loans to rural agricultural households in Asia were subject to a continuous and pragmatic review and preferential credit quickly withdrawn from the non-performing rural agricultural institutions. Their success was also due to the fact that they targeted farmers who grow and export on commercial basis (Malielegaoi 1998). These strategies promoted the success story of microfinance in Asia even though technology was not mention in the literature.

2.13 Measures to Improve the Delivery of Microfinance

Shylendra (2007) also supported the debate that microfinance has emerged as a possible tool for reducing poverty and empowerment. Microfinance simply involves the granting of small loans, savings and insurance using methods different from the traditional banks. A wide range of institutions such as NGOs, rural banks and credit unions promote the delivery of microcredit to their customers. The challenges of

running a successful microfinance programmes are numerous. The problems differ according to the type and operations of micro-interventions engaged in. Infant institutions are confronted with the challenge of a clear understanding of microfinance and their role in poverty reduction. To solve this problem, MFIs must develop appropriate strategies that target the poor. In addition services delivered must be more reliable and cost effective to enable even the poorest of the poor to access credit from the financial institutions.

Kenya (2008) observes that designing appropriate products and services, proper management of delinquency and an appropriate institutional linkage and outreach are important measures of improving the delivery of microfinance. Microfinance institutions established for long must set a clear goal and strategies for expansion and effective scaling-up. Karikari (2011) argues that to be free from the interference from the central banks, MFIs must possess the appropriate legal documents and careful strategies for fund mobilization and other necessary resources. “An important factor necessary for improving the performance of microfinance in any nation is the implementation of sound systems for the development of human resources and management of information” (Johnson 2007). Finally, MFIs must try to strike a balance between their stated objectives of outreach and sustainability (Shylendra, 2007)

Sachs (2009) argues that microfinance is an important tool in achieving the NMG and not the formal banking sector. Aryetey (2008) is also of the view that empirical study on the processes and impact of microfinance institutions to mobilize savings and provide microloans for rural agricultural households in Ghana is capable of reducing poverty in rural communities. This assertion supports the views of (Taiwo 2012) that credit from microfinance institutions is necessary if farmer groups in Africa are to

perform well. He also noted that apart from the provision of microcredit, MFIs must also provide micro insurance with the aim of reducing the vulnerability of beneficiaries.

Adongo (2009) found that an important factor hindering credit / loans accessibility is insufficient collateral, lack of technical, financial and management skills, complicated accessibility procedures, stringent credit conditions and cultural prejudice particularly of women. Others include low levels of education and inadequate training on loan, poor environmental factors, inflation, political uncertainty and instability in the market. (Adams 2007, Adjei 2010 and Adongo 2009) all recommended that the targeting of microcredit must be gender-specific that MFIs should give lenders more freedom in selecting the projects for which they desire to invest their resources.

Aryetey (2008) noted that to effectively make publicity about their microcredit, microfinance institutions can make use of the media to spread the information as much as possible. Credit institutions should thoroughly explore local scenario so that they can set achievable goals to meet the needs of the poor. Financial institutions should not only monitor the repayment of recipients but be prepared to assess the schedules by which customers pay off their loans.

Another measure, which can assist the growth of microfinance is the coordination of the activities of the MFI. “At present no formal body for the coordination of all activities is responsible for microfinance, yet there is a forum for dialogue between stakeholders on policy and program issues” (Asiama 2007). As a result, there is fragmentation, duplication and lack of cooperation between and among the MDA, MMDAs, development partners, service providers, professionals and end users. In this context, the role of GHAMFIN as an umbrella organization for micro tip institutions

and their affiliated institutions must be strengthened to ensure the transfer of best practices and the creation of high standards for the industry (Goetz et al.,1996). The existing institutional structure does not cover all general practitioners and service providers and need to be addressed.

The potential economic benefits of sustainable microfinance in Ghana are compelling and the potential impact on the development process should not be underestimated. This requires a holistic approach, as discussed the development of the microfinance sector, subsector and thus unleash the potential for accelerated growth and development to facilitate (Asiama 2007).

2.14 Theories of Microfinance Approach to Development

Martinussen (1997) indicated that it is important to distinguish between theories that deal with economic conditions from those that focus on the socio political conditions of development. This chapter therefore deals with the different schools of thoughts associated with Microfinance's 'bottom – up' approach to development. The capability theory by Amartya Sen and empowerment theory have been purposely selected as the theories that underpin this research because these two approaches have vital socio-economic, cultural and political aspects to the understanding of microfinance as a tool for poverty alleviation and development in Sub Saharan Africa.

2.14.1 Capability Theory

“The exercise of freedom is mediated by values, but the values in turn are influenced by public discussions and social interactions which are themselves influenced by

participatory freedoms” (Sen, 1999). Nobel Laureate, Dr Amartya Sen presents a very different approach to development. In his book titled “Development as Freedom” development was portrayed as the enhancement of human capabilities and individual freedoms geared towards achievable valued outcomes. Sen viewed freedom as a “human right prerequisite necessary for development and poverty alleviation”. He distinguished poverty as a man-made phenomenon purposefully created in order to differentiate class and social stratification between the rich and the poor and that until these societal barriers are removed, development in the Third World countries will always remain a mystery.

He condemns politicians and administrators alike for allowing their people to languish in poverty as a result of what he calls “man - made deprivation gap”. According to Sen, poverty is the “deprivation of basic capabilities, rather than merely of low income” (Sen, 2004). He moves further to explain that human deprivations often results in untold sufferings leading to premature mortality, significant undernourishment (especially of children), persistent morbidity, widespread illiteracy, untold hardships and unemployment. Sen condemns the parochial nature of human society which is often guided by self-interest, greed and selfishness. He recommends a revolutionary movement of grassroots participation of the underprivileged to stand up for their rights thereby recommending a classic bottom up approach to development.

On a more contemporary and central issue of development, Sen argues that the overall purpose of development is the enhancing of individual capabilities and safeguarding their freedom to live the kind of life they cherished with attachable valued ends. The key to development according to Sen is to make all fundamental

basic freedoms accessible to all, with a target to the underprivileged so that they should be able to maximize their capabilities and pursue growth opportunities that would presumably lead them out of poverty, condemning that development cannot be centred only around those in authority as it does not necessarily reflect the needs of the poor due to its bureaucratic trickle down effects. An increase in participation by the poor masses meant the removal of all forms of restrictions. This gives the poor the abilities to take control over their livelihoods and communities leading to a progressive and sustainable increase in their quality of life and rise in their standards of living.

Sen (2001) contends that freedom is the primary end and principal means of development, outlining five distinct elements of freedoms which include; 'political freedom, economic facilities, social opportunities, transparency guarantees and protective security. Each of these set of freedoms guarantees individual rights and creates opportunities that helps to advance the general capability of a person' (Sen, 2001). All these freedoms, act as complimentary to each other and self-reinforcement. These forms of freedom tend to boost the overall capabilities of individuals making them to live more freely. Sen argues that their connectivity and linkages to each other does not only relate to the primary ends but also to the principal objective of development thereby strengthening their joint importance and influencing the individual substantive freedom to live better lives and by so doing enhancing their wider choices.

Unlike Hernando De Soto, Sen also recognizes the significance of market as an important factor of development as long as there exists what he calls "unrestricted freedom and individual rights". According to him, "markets typically work to

expand income and wealth and economic opportunities that people have. Arbitrary restrictions of the market mechanism can lead to a reduction of freedoms because of the consequential effects of the absence of markets. Deprivations can occur when people are denied the economic opportunities and favourable consequences that market offer and support” (Sen, 1999). Sen commends that it is hard to think about development without the existence of the market. He views entrepreneurs, small and medium size enterprises as powerful development paradigms provided that there are unrestricted conditions to allow them to flourish. However, he clearly points out that market forces alone are not enough to determine development. They must work side by side with individual freedoms in order to enhance their capabilities to pursue a higher quality of life within a just society. In his book titled ‘Inequality Re-examined’ he recommends that impartiality and equality should be allowed to determine market forces and ethical thinking (Sen, 1992).

Sen also recognizes and portrays the value or the importance of women as pivotal to the overall development process thereby agreeing with the commonly held ideology that “behind every successful man, there is a woman” since it is the woman that takes keen interest in the functioning of the households. He stresses on the enhancement of variables such as female literacy as they do not only relate directly to women empowerment but also plays an important role in the functioning of general households rather than those variables that relates only on general levels of household wealth (Sen, 1999). His argument is that an encouragement in communities and households through the enhancements of their capabilities lead to an increase in the quality of lives and improvements in their standards of living.

His approach brings to light a new challenge in development economics on the commonly held ideology that an increased in the rate of economic growth means

development, arguing that development is to bring freedom to the marginalized poor people so that they should be able to choose and participate in all domains of the socio-cultural, political and economic decision making processes. Sen's capability approach on development is to enhance and expand individual capabilities by giving them what he calls 'real freedom' referring to unrestricted freedom with the following indicators; 'life expectancy, literacy, education, educational achievements, level of nutrition, access to healthcare, job opportunities/self-reliance, socio-cultural affiliations and political participation. All these, he continued, are central in determining development paradigm in civil societies' (Fabanwo, 2000).

In his book titled 'The Idea of Justice', he attacked John Rawls (1992), Theory of Justice on grounds that Rawls' only concentrates his arguments on 'just institutions' in a social contract geared towards safeguarding individual freedoms in a transcendental vision of an ideal society but failing to address human behavioural patterns which are actual determinant of real achievable outcomes. Sen believes that human view of the World is parochial stressing on the need for positivisms and objectivity in a just society recommending the need for societies to follow Adam Smith's position of the impartial spectator.

Criticisms on Sen's Capability approach is based on grounds that he lays more emphasis on the importance of freedom to development and ignoring important concept like power relations that causes and reproduces underdevelopment which is pivotal to the understanding of poverty. Sen is further criticized for concentrating his discussion of the Capability theory on freedom thereby ignoring the actual purpose of freedom which is 'happiness'. The sole purpose of freedom is to attain happiness and a better standard of living. 'Freedom is less valuable to happiness because freedom is a means to happiness.

On the whole, Sen's contribution to development and individual wellbeing is very important to the understanding of this project as his capability approach presents a classic and more robust bottom-up approach to development. Those at the bottom, he recommends, "are the key players in making changes happen in order to attain sustainable development through the removal of various obstacles and hence economic growth opportunities". His revolutionary approach on development calls for massive grassroots participation through the enhancement of their capabilities and abilities to take control of lives in making their own free willed decisions geared towards a better quality of life thereby moving themselves out of poverty.

2.14.2 Empowerment Theory

Empowerment is a transformative process within human existence from the state of powerlessness to the state of relative control over one's overall existence by taking control over his destiny and making use of his immediate environment for a sustainable improvement in their livelihoods and better standards of living. Microfinance emerging as a tool of community empowerment and poverty alleviation surrounds the discussion of empowerment theory. Empowerment theory is an alternative development approach as a result of the failures of mainstream development theories in addressing the poverty situation in Third World countries due to their emphasis on growth, pursuit of industrialization and urban bias on holding unfulfilled small promises of a better life for the excluded and downtrodden majority. This situation pushed the poor people in a downward spiral of resource deficit trapped in a vicious life cycle of poverty. Robert Chamber describes this situation as 'the deprivation trap' and Gunnar Myrdal agrees with him and calls it the 'vicious cycle' which need to be addressed

The core of empowerment theory is grassroots participation in the decision making process on a wider scale as against centralized development policies designed and carried out by politicians and international organizations alike (Friedmann, 1992). It aimed at restoring the abilities of those at the bottom (underprivileged) on the basis that unless the poor take active part in the development process, sustainable development and poverty alleviation, will only remain a distant dream. It is in direct opposition to top-bottom approach of development.

The theory is people-centred geared towards addressing the needs of the poor and how to use their initiatives, potentials and capabilities to move out of the malignant deprivation of poverty as a result of being empowered. Proponents of empowerment theory include Rapp port, Friedmann, Zimmerman, Chambers, and Myrdal. However, 'Empowerment: The Politics of Alternative Development' which is a scholarly presentation of Friedmann will be discussed for better understanding of this thesis.

Friedmann (1992) call for universal human awareness and rights of people within a given social setting. His focus is on the voiceless, marginalized, underprivileged, the households and all classes of disempowered people especially women who constitute a majority in their political communities (ibid). Thus empowerment is seen in terms of power relations. Another importance of the theory is the advocate for creativity and mobilization of women for personal and community development. 'The powerlessness of one woman, which changes by means of her activism in collaboration with others in her situation, is a process that empowers the entire community of women'. This is very crucial in tackling poverty in the study area because of the perception of men as controllers of loan. Women are underpaid for equal work done with men while they are locked in low paid jobs. There are also

stereotypes of appropriate roles for women and unequal access in control of land, labour and inputs.

Despite the relevance of the empowerment theory in this research, the researcher identifies a void of effective evaluation in the application of the theory. Hence this research which intends to fill this gap by evaluating poverty condition of rural agricultural households in the Hohoe Municipality by comparing beneficiaries and non-beneficiaries of microfinance. In addition, empowerment theory argued that one way that employers can empower their employees is by sharing important information with them. This free exchange of ideas and information makes the employees feel appreciated and important, which ends up empowering them. However, when information is freely exchanged with people throughout the company, there is an increased risk of confidential and security-related data being leaked to parties that should not have access to that type of information. For competitive businesses, these potential leaks could prove devastating to their operations.

Despite the above criticisms, empowerment theory remain paramount to this study because the powerless (women) are the majority in the study area (52.1%) yet financial institutions discriminate against them in terms of granting of agricultural loans(GSS, 2008). But the argument here is that it is the combination of these theories that enhances effective changes on development and poverty alleviation in developing countries. Therefore, all the above theories are very important to the understanding of this thesis as they suggest that it is not empowering the overall communities of the disenfranchised but a combination of legalized property rights to access capital in a free and fair society.

2.15 Conceptual Framework of Microfinance as Poverty Reduction Strategy

The literature reviewed produced a pathway along which this thesis has followed. The summary of this story line is based on the ideas of Okibo (2014). In the original, Bichanga Walter Okibo tried to link the dependent variables such as income improvement and economic sustainability to independent variable which is credit facilities from MFIs. Microfinance was considered as the intervening variable. The framework clearly revealed that microfinance had a positive impact on the businesses of recipients in the Kimbu District at Kenya.

Based on the ideas pointed out, a framework for this study was deduced. In this new model, it is assumed that right from the beginning a client is in poverty as a result of many structural problems including low prices, poor roads, difficulty in accessing market and low capital investment. For this reason access to credit is seen to be important and this is why MFIs have come in to provide credit for the rural poor. Secondly, MFIs have come with products to make life comfortable for rural households. Some of these products include micro loans, employment opportunities and educating rural farmers on loan accessibility and investment. Despite these products there are various arrangements in accessing these loans and this will invariably influence the level of investment of beneficiaries. Also, the model revealed that credit from MFIs has yielded positive results in the life of beneficiaries. These benefits include the ability to meet basic needs, improving the standard of living of beneficiaries and the ability to pay their ward's school fees. Notwithstanding there are challenges facing MFIs in granting loans to rural agricultural households. For easy comparism, the original framework of Bichanga Walter Okibo is captured in Figure 2.1 while the current argument is conceptualized in Figure 2.

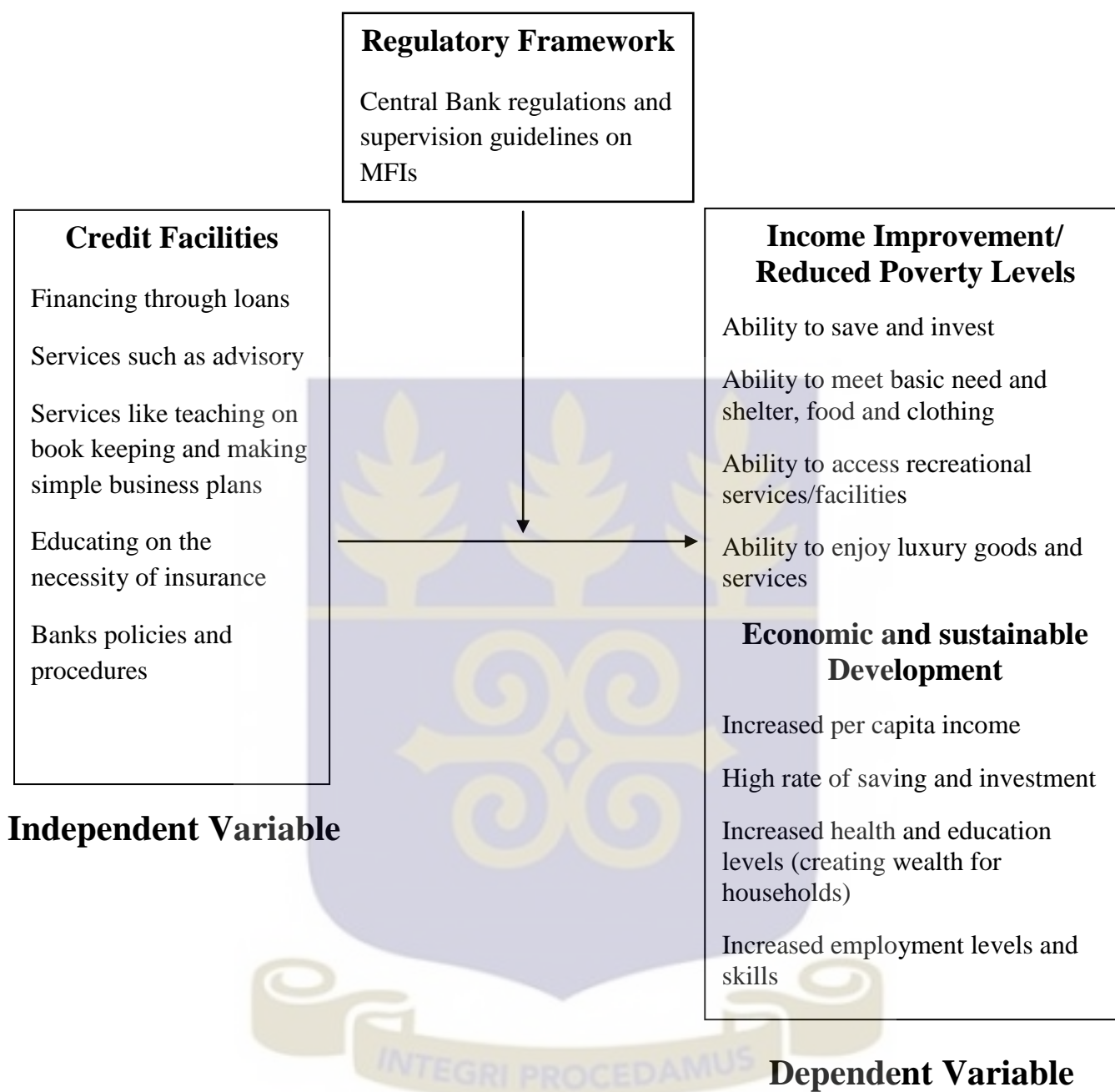


Figure 2.1: Conceptual Framework on the Effects of Microfinance Institutions on Poverty Reduction.

Source; Okibo, 2014

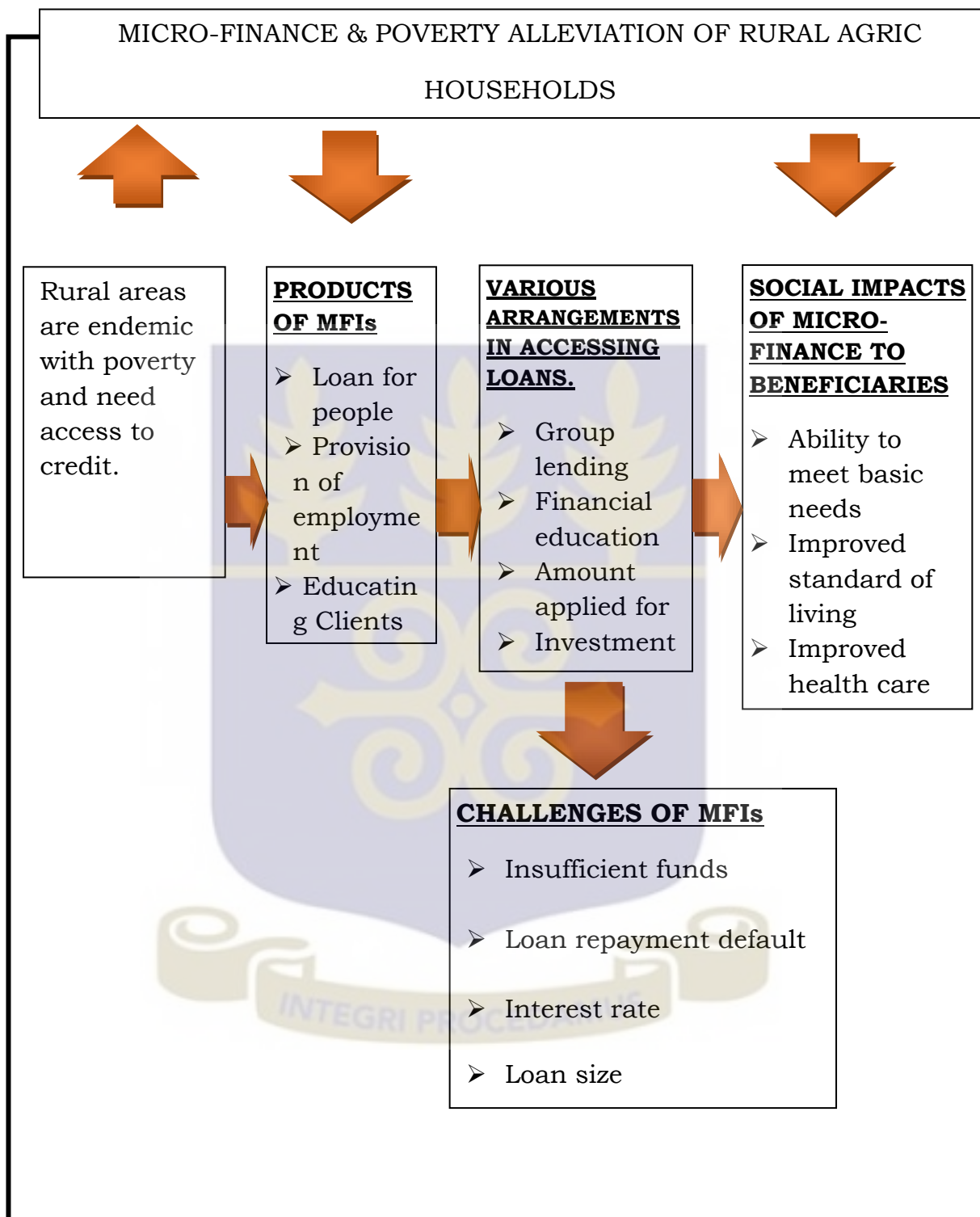


Figure 2.1: Conceptual Framework of Microfinance as Poverty Reduction Strategy

Source: Author's Construct, 2015 based on the ideas of Bichanga Walter Okibo.

CHAPTER THREE

RESEARCH SETTING AND METHODOLOGY

3.1 Introduction

This chapter discusses the study area and the methodology of the thesis. About the study area, the geography is discussed with key emphasis on areas that touches on the main theme of the research. In this regard, the physical geography, socio-demographics, the economy and operations of financial institutions are discussed. This was also complemented with maps of the study area. The second part deals with the logic of justification of the materials and methods used. In view of this, reasons and appropriateness regarding procedures and methods have been provided, from the choice of research designs, data sources, sample design and then the analytic strategy adopted.

3.2 Background of the Study Area

3.2.1 Location, Size and Agricultural Productivity.

The location and size of a geographical area helps to determine many developmental projects and its ability to deal with poverty. Considering the profile of Hohoe Municipality in this study is cardinal since agricultural provides more than half of the employment in the area (Hohoe Municipal Assembly, 2012). Being a semi- deciduous forest, crops such as maize, cassava, rice and plantain are produced. Generally, large-scale farming activities are limited in the area. Agriculture in the Municipality especially the rural areas are on subsistence level, and very few farmers engage in plantation farming. Due to this poverty is common in the rural component of the Municipality.

Quoting from the analytical report of the 2010 population census by the Ghana Statistical Service, “Hohoe Municipality has a total land area of 1,172 km², which is 5.6 percent of the land area of the Volta region. It is located on longitude 0° 15'E and 0° 45'E and latitude 6° 45'N and 7° 15'N and lies almost in the heart of the region. It shares borders with the Republic of Togo on the east, forming part of Ghana's international border; on the southeast by the Afadzato district and southwest by Kpando Municipality; on the north with Jasikan district; and on the northwest with the Biakoye districts. Its capital, Hohoe, is about 78 km from Ho, the regional capital and 220 km from Accra, the national capital”.

3.2.2 Relief and Drainage

The Municipality has part of the Akwapim-Togo ranges extending beyond the country's eastern boundary all the way to Western Nigeria. These ranges are the eastern part of the Voltaian basin, aligning on the southwest and northeast axis(GSS 2010). Within these ranges is the Afadzato (Mountain Afadza) the highest elevation in Ghana, 885 meters above sea level. The terrain in the Municipality is generally undulating. The low-lying areas, some of which are swampy average 456.4 meters above sea level, and are used for rice cultivation. They include Akpafu Odomi, Mempeasem, Santrokofi, Fodome and Godenu plains. The flat nature of the area also encourages the rearing of animals such as sheep and goats.

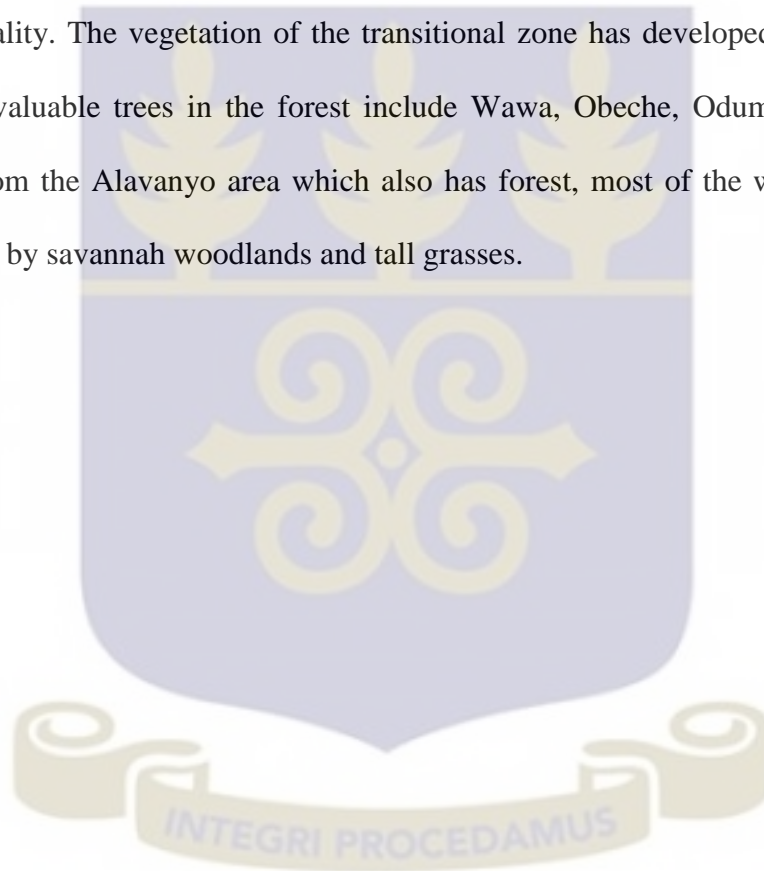
3.2.3 Climate

The Municipality lies in the wet semi-equatorial climatic zone. Annual rainfall is between 1,016 mm-1,210mm. There is 4-5months dry season between November and April. The rains start in late April and ends in October. Temperatures are high

throughout the year and range from 26°C in the coolest months to about 32°C in the hottest months. The effect of this climatic belt on agriculture is that it encourages double cropping and the cultivation of cash crops like cocoa.

3.2.4 Vegetation

The Municipality falls within the forest-savannah transitional ecological zone. The forest area is at the southern and eastern sides and tapers into the middle of the Municipality. The vegetation of the transitional zone has developed from the forest. Several valuable trees in the forest include Wawa, Obeche, Odum and Mahogany. Apart from the Alavanyo area which also has forest, most of the western plains are occupied by savannah woodlands and tall grasses.



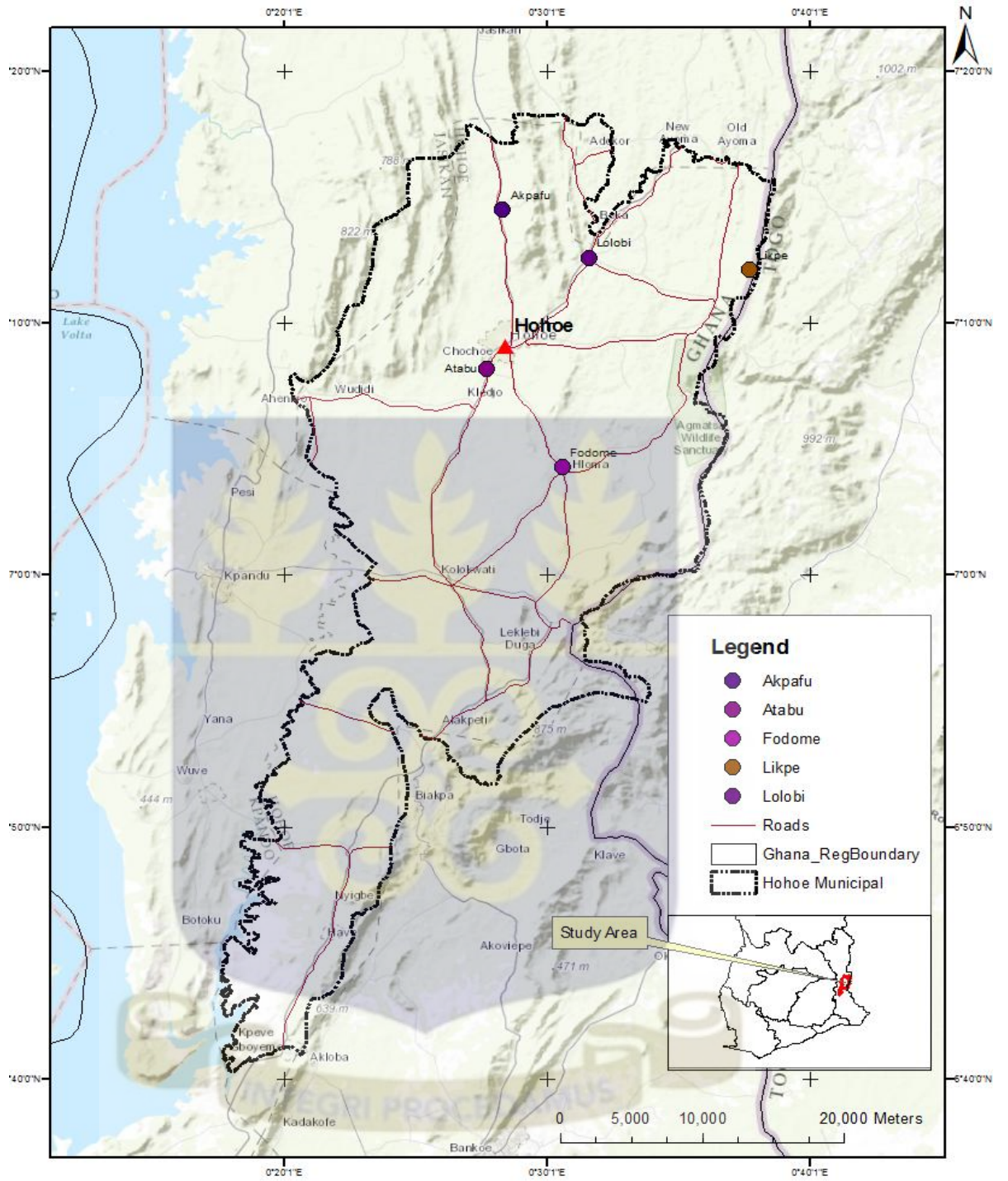


Figure 3.1: Map of the Study Area.

Source: Author's Construct, 2015.

3.2.5 Population Size, Structure and Composition

The population of Hohoe Municipality, according to the 2010 Population and Housing Census, is 167,016 representing 7.9 percent of the total population of the Volta Region. About fifty three (52.6%) percent of the population is rural which is the main reason for selecting the area for this study. Hohoe town is the only urban community in the municipal area. There are a lot of rural areas including the Guans which have become the focus of this research. The population of the municipality has changed over time. It increased from 14,775 in 1970, 35,277 in 1984 through to 144,511 in 2000 to 167,016 in 2010 (GSS, 2010). It can be said that in the last 14 years (1970 to 1984) Hohoe Municipality has recorded a population increase of about 20,502 and within 40 years (from 1970 to 2010) the municipality recorded about 152,241 population increase. The development of tourism in the 90s which led to an increase in both locals and foreigners into the municipality accounted for the significant change in population especially between 1984 and 2000. Hence the municipality has been growing in terms of its population size. Another factor responsible for the increase is the strategic location in terms of commercial activities at an annual growth rate of 2.5% (HMA, 2012). The Municipality has a relatively young population with a significant number of the people falling within 5 -9 years age group. This is followed closely by people within 10-14 years, 0-4 years and 15- 19 years age groups. Apparently people within the ages 0 to 20 years constitute 47.79 percent of the population. Age – Sex population diagram below buttress on this point. The population of the Municipality is youthful with the population under age 15 constituting 35.9 percent. The total age dependency ratio for the Municipality is 73.4%. The age dependency ratio for males (76.2%) is higher than that of females (70.9%).

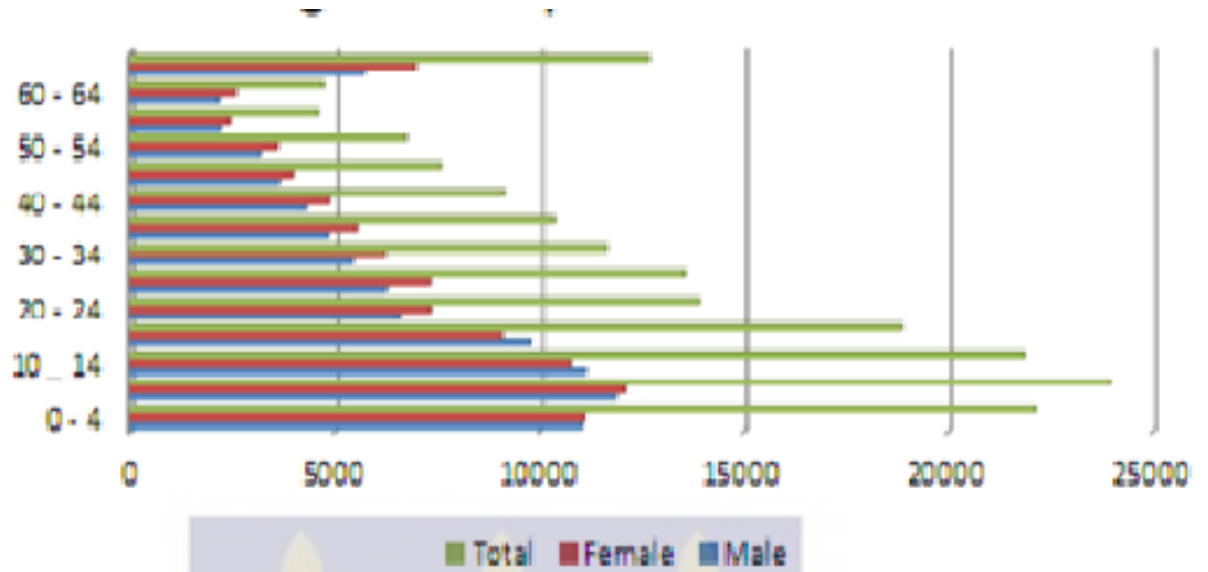


Figure 3.2: Age-Sex Population Distribution of Hohoe Municipality

Source: Ghana Population Census, 2010.

Table 3.1: The Population Growth Trend of HMA, 1984, 2000 and 2010

Year	Population	Annual	Percentage(%) Change
1984	35,277	1970-1984	58.1
2000	144,511	1984-2000	76
2010	167,016	2000-2010	13.5

Source: Ghana Population Census , 2010

3.2.6 Household Size, Composition and Structure

According to the 2010 population census, the Hohoe Municipality has 43,329 households. The average household size in the Municipality is 3.9 persons per household which is 5.6% of the regional size and represents 0.5% of the national household size. Children (37.4%) constitute the largest proportion of the household composition. The extended family constitutes 56.1 percent of the total number of household structure in the Municipality

3.2.7 Agricultural Households

Agricultural household is defined as where at least one member of a household is engaged in a farming activity, namely, crop farming, tree planting, livestock rearing and fish farming. Table 3.2 presents the distribution of agricultural households in the Municipality by farming activity and type of locality. While Table 3.3 indicates that cassava is the dominant food produced in the municipality followed by shallow rooted crops. There are 24,863 agricultural households, 57.4 percent of all households in the Municipality. In urban locality, agricultural households are 37.6 percent compared with 79.7 percent in rural locality (GSS, 2010). In the rural areas, six out of ten households (65.3%) are agricultural households while in the urban localities, 34.7 percent of households are into agriculture.

Crop farming is the predominant activity engaged in by 91.1 percent of agricultural households, followed by livestock rearing (47.6%), tree planting (0.3%) and fish farming (0.1%). In urban locality, 83.8 percent of the agricultural households are engaged in crop farming compared to 95.0 percent of agricultural households in rural locality, 43.2 percent of urban agricultural households are engaged in livestock rearing compared to 49.8 percent of rural agricultural households, 0.2 percent of urban agricultural households are into planting trees compared with 0.4 percent of

rural households. In fish farming only four (4) urban and nine (9) rural agricultural households are engaged in it. In both cases, the proportion is less than 0.1 percent.

Table 3.2: Agricultural Households and Farming Activity by type of Locality in the Hohoe Municipality

Household/Activity	Total		Rural		Urban	
	No.	Percentage	No.	Percentage.	No.	Percentage
Total Household	43,329	100.0	20,382	47.0	22,947	53.0
Households engaged	24,863	100.0	16,245	65.3	8,618	34.7
In agriculture						
Crop farming	22,653	100.0	15,429	68.1	7,224	31.9
Tree planting	86	100.0	68	79.1	18	20.9
Livestock farming	11,823	100.0	8,097	68.5	3,726	31.5
Fish farming	13	100.0	9	69.2	4	30.8

Source: Ghana Statistical Service, (2010) Population and Housing Census.

Table 3.3: Major Crops Produced in the Hohoe Municipality

Crops	Cropped Area (Ha)	Average Yield (Ton/Ha)	Total Production (M. Tons)
1.Maize	7,225	2.175	15,714
2.Rice	6,520	3.0	19,560
3.Cassava	8,650	8.6	74,390
4.Yam	1,455	8.3	12,076
5.Cocoyam	205	3.2	656
6.Plantain	645	5.8	37.410

Source: SRID (2012).

Table 3.4: Some Commercial Farms in the Hohoe Municipality.

No	Name of Farm	Location	Commodity	Size of Holding (ha)
1	Volta Fruits Estate	Ve Wudome	Mango/Pineapple	100/2
2	Kingdom Fruits	Tafi Abuife	Mango/Pineapple	320/16
3	Marfco Farms/Pinex Farms	Gbi Avega	Mango/Pineapple	22/14
4	Bomarts Farms	Tafi Abuife	Mango	160
5	Mawuli Farms	Liati Teikrom	Mango	16.8
6	Agro-Hope	Tafi Abuife	Mango	48
7	Peter Dakpui	Liati Agbonyra	Mango/Pineapple	28
8	Kelvic Farms	Hohoe	Orange	5
9	Rita Dzube	Teikrom	Mango	14
10	William Farms	Tafi Atome	Mango/pineapple	8/2
11	Wortsomenenyo	Ve- Golokuati	Mango	5.2
12	Elvidy Farms	Ve- Golokuati	Mango	6.4
13	Anoma Lambert	Ve- Golokuati	Mango	4.4
14	Japo	Tafi- Atome	Mango	3.2

Source: Hohoe Municipal Assembly (2010)

3.2.8 Economy

The majority of the population in the Municipality is engaged in petty trade, crop farming and livestock keeping. The Municipality is one of the four main cocoa growing areas in Volta region. It was the cocoa industry that made Hohoe a very important commercial town and the capital of the Trans-Volta Togoland before Ho

became the capital of the region after independence in 1957. The 2010 Census shows that among the employed population 15 years and older, 31.0 percent are in the trading sector. This is becoming the mainstay of the population in Hohoe, the capital of the district. All the industries, which are small scale, are owned and managed mainly by sole proprietors. The industrial activities in the Municipality have been grouped under seven categories to facilitate identification of future prospects and promotional strategies. The categories are found in Table 3.6.

Table 3.5: Categories of Industries in Hohoe Municipality

No.	Categories of Industry	Total No. of People Engaged
1	Agro-based: Fish processing, cassava processing and distilling, and coconut-oil extraction	26,702
2	Mining: Salt mining and sand winning;	68
3	Wood-based: Carpentry, Plywood Processing factory and Toilet Roll Processing factory;	6,857
4	Textile: Kente Weaving, Tailoring/Dressmaking;	1,200
5	Raffia Weaving: Raffia basket weaving	15
6	Service: Hairdressing, Vehicle repair/fitting mechanics, Radio/TV mechanics.	12,452

Source: Hohoe Municipal Assembly (2010)

Table 3.6: Categories of Financial Institutions Operating in Hohoe Town.

1	Bank of Ghana
2	Ghana Commercial Bank;
3	Barclays Bank;
4	Agricultural Development Bank;
5	First National Savings and Loans;
6	First Ghana Building Society;
7	Weto Rural Bank;
8	Asubonten Rural Bank; and
9	Gbi Rural Bank.
10	ARB Apex Bank at Hohoe.

Source: Hohoe Municipal Assembly (2010)

3.2.9 Incidence of Poverty in the Rural Communities of the Hohoe Municipality

Extreme poverty in the rural areas of Hohoe Municipality continues to deepen despite strides made in the urban area to reduce the phenomenon. There is a deep poverty in the rural areas of the municipality and a considerable proportion of the poor are far away from escaping poverty (Hohoe Municipal Assembly, 2012). A survey to the Fodome community for example revealed that none of the 8 villages has a potable water. As a result they all depend on a stream called Nubui. In addition to the water problem, none of the rural communities is having a market even though they are farming communities. Agricultural produce have to be transported to the Hohoe market but due to the bad nature of the roads post harvest lost is very rampant. Bush fire has also caused a lot of havoc in the last decades by destroying several acres of cocoa and this has compelled most farmers to convert to cereal cultivation.

The rural components of Hohoe has as high as 85.9 percent rate of poverty and this is the highest in the Volta Region (GSS 2015).



Figure 3.3: Poverty Incidence in the Rural Components of Hohoe Municipality.

Source: HMA (2012).

3.2.10 Social Interventions for Reducing Poverty/Employment in the Hohoe

Municipality

The municipality has engaged a number of its youths in the modules of the National Youth Employment Programme (NYEP) with the sole aim of reducing poverty (Table 3.8).

Table 3.7: Modules of NYE and their Status in the Hohoe Municipality

Module	No. Engaged	Male	Female
Community Teaching Assistants	164	83	81
Health Extension	158	104	54
Zoom Lion (Waste Management)	130	76	54
Fire Service	6	2	4
Prison	6	1	5
Community Police	7	2	5
Afforestation Development	334	35	299
Youth in Dressmaking	43	43	-
Youth in hairdressing	59	59	-
Total	907	405	502

Source: Hohoe Municipal Assembly, 2012.

3.2.11 Microfinance Activities in the Hohoe Municipality

In the Hohoe Municipality, microfinance has proven to be an effective tool for poverty reduction because it creates jobs, allows children to go to school, enables families to obtain quality health care, and empower people to make the choices that best serve their needs. MFIS can be grouped into two major categories: Those who are licensed and those who do their businesses without official authority. The latter group tends to dominate the business and operates primarily among farming communities in the municipality. Three of the licensed institutions were sampled for this study. These are Christian Rural Aid Network (CRAN), Microfinance and Small Loans Centre (MASLOC) and Universe Credit Union. The main reason is that these are three main institutions that grant agricultural loans to customers. Other MFIs are concern with market women.

3.2.12 Christian Rural Aid Network (CRAN)

CRAN is a rural development organization established in 1993 with its headquarters in Cape Coast in the Central Region of Ghana. It is registered as an NGO (under the Companies Code 1963, Act 179) with the Registrar General's Department (Registration No: 56925), and also with the Department of Social Welfare (Registration No: DSW/671). CRAN is also an active member of the Ghana Association of Private Voluntary Organizations in Development (GAPVOD) as well as the Ghana Micro-Finance Institutions Network (GHAMFIN). CRAN has as its broad aim of promoting the socio-economic development of the rural poor and by that working and contributing in a most professional and qualitative manner towards ensuring an improved quality of life for the distressed rural poor. CRAN's work is

based on the values of Christian motivation and obligation towards the development of the individual as a whole. In this regard it employs and promotes ‘demand-led’ or self-help strategies towards rural community development and rural poverty reduction.

3.2.13 Microfinance and Small Loans Centre (MASLOC)

MASLOC was set up in 2006 by the Government of Ghana as a microfinance apex body responsible for implementing microfinance programmes aimed at reducing poverty, creating jobs and wealth across the country. The principle underpinning MASLOC is that micro credit serves as a key strategy to achieving the Millennium Development Goals (MDGs) and in building global financial systems that meet the needs of the poor (Littlefield et al., 2003).

MASLOC is a scheme which holistically addresses the challenges bedeviling the Small and Micro Enterprises (SME) subsector by not only providing micro credits but also business advisory services, training and capacity building for MSEs to manage their businesses profitably. Facilities from MASLOC are principally targeted at the marginalized productive poor who fall mostly within the MSE sub-sector.

The micro-credit/group loan scheme under MASLOC targets mainly, groups or cooperative societies, each consisting of a minimum of five members and a maximum of 25 members. An individual within a group can access a minimum of GH¢100.00 (US\$ 31.25)¹ to a maximum of GH¢ 500.00 (US\$ 156.25). Nonetheless, the group solidarity mechanism applies. Thus, the whole group is held liable for the repayment of the loan; until every member within the group has finished paying.

3.2.14 Universe Cooperative Society

Cooperative Societies also known as credit unions are non-profit making institutions established for pooling, savings and offering member-contributors with credit with low interests. They are owned and controlled by members who use their services. Also, a volunteer board of directors is elected by members to manage the union. Profits made by credit unions are returned back to members in the form of reduced fees, higher savings rates and lower loan rates.

Even though Universe Credit Union was established by teachers in the Hohoe Municipality, it provides financial education and outreach to rural farmers. The union also provides loans to farmers who save regularly with them. This has prompted its selection for this study.

3.3 Research Methodology

3.3.1 Research Design

The research design provides the guideline with regards to the overall planning and organization of the research. In view of this, the appropriateness and choice of the research design was based on the fact that it afforded insight on the type of data to be collected, how to collect the data and how it would be analysed. The study adopted a mixed method approach. According to Creswell (2009), the mixed method approach combines both quantitative and qualitative forms. The choice of this design was also based on the understanding of the inherent weaknesses associated with the use of either a quantitative or a qualitative approach. In this regard, whilst the study made use of statistical analytic techniques such as inferential statistics to make inferences

from the sampled data; interviews that gave insights on individual experiences were also used to give further detail on the issues been discussed. More importantly, the choice of method triangulation was also to cross-validate and complement both the quantitative and qualitative data (Teye, 2012).

The study also adopted a sequential mixed method approach. According to Creswell (2009) this approach of mixed methods involves starting with either of the approaches (quantitative or qualitative) and then following through with the other. In this study, the survey was first conducted (i.e. quantitative). Further, this study was a cross-sectional survey aimed at assessing the experiences of micro-finance activities on beneficiaries, including arrangement of loan accessibility, impact and challenges faced in accessing loans. The advantage here was that, the researcher was able to conduct the research at a point in time, and also save resources.

3.3.2 Sources of Data

According to Saunders *et al.*, (2007) there are two main approaches to data collection namely, primary and secondary data. Burns (2000) argued that, primary data are first-hand information gotten from a research. This could be in the form of an interview, records written and kept by people involved in, or who bear witness to an event. Secondary data on the other hand are data that have already been collected for purposes other than the problem at hand. They are existing information made up of publications such as books, jumbles, articles, internet sources and many other already established facts.

For the purpose of this study, data was obtained from both primary and secondary sources. The secondary data was gathered from review reports by the Microfinance Institutions (MFIs), publications of the Central Bank and the Ghana Statistical Service

Department. The primary data was obtained from questionnaires administered to 150 respondents selected from 20 farmer groups and structured interview for both officials and beneficiaries of microfinance.

With regards to the qualitative results a face to face interview was conducted for 6 officials of microfinance. This comprises of two officials each from MASLOC, CRAN and Universe Co-operative Society. The officials include the accountants and field supervisors because these people have direct link with the people and their accounts. In addition, an officer each from the Hohoe Municipal Assembly and the Ministry of Food and Agriculture were interviewed. Finally to elicit views and opinions from the participants, qualitative audio in the form of tape recording and mobile phone interview was conducted for 15 beneficiaries and 5 non beneficiaries. This makes a total of 28 interviewees.

3.3.3 Sampling Technique and Sample Size.

In terms of sampling, a stratified sampling procedure was used in sampling the respondents for the study because of the heterogeneous nature of the population. The main reason is that two groups were involved that is beneficiaries and non beneficiaries of microfinance. According to Bryman (2008) “stratified sampling is a probability sampling procedure in which the target population is first separated into mutually exclusive, homogeneous segments (strata), and then a simple random sample is selected from each segment (stratum)”. In this regard the main distinctive units for the strata were beneficiaries of micro-finance credit and non-beneficiaries. Simple random sampling was then used to sample the respondents from the two main strata. However, it must be stressed that the kind of stratified sampling used for this study

was the disproportionate stratified sample type. This is because no attempt was made to sample according to the percentage of subjects within these two specified groups. Since much of the focus of the study was on beneficiaries, it was deemed expedient that they are apportioned a larger sample size to facilitate a better assessment and understanding of the analysis. In addition, non-beneficiaries were only used as a control group to answer research question one which is the poverty level between beneficiaries and non-beneficiaries of microfinance.

According to Teye (2012) it is practically impossible to interview or question the entire population due to budgetary constraint and spread of the population. In this study, 150 respondents out of the total population (N= 750) customers were randomly selected for the study. The target population were rural agricultural households who benefitted from microfinance. According to data from the three MFIs, the number of rural agricultural households who benefitted from the scheme each year is approximately 250 farmers. Considering this for three years will give a total of 750 beneficiaries.

The sample size of 150 therefore gives a fair representation of the population. The choice of the sample size was based on $\pm 5\%$ precision level and confidence interval of 95% (Yamane, 1967). In terms of specific sample of the two strata, a total of 110 constituted the sample for the beneficiaries, while 40 constituted the sample for the non-beneficiaries to serve as a control group. It must be emphasized that the respondents were mainly farmers hence a homogeneous group and stratification was disproportionate as indicated earlier. The choice of the sample size, especially in the case of the beneficiaries was because they are the main focus for this study. Analysis based on impact and challenges of micro-finance can be accessed from the beneficiaries of microfinance and not from the non-beneficiary group. Also, the 40

non- beneficiary size is adequate for a meaningful comparison with the 110 beneficiary respondents because of the descriptive statistics used in this study. Mean and standard deviation deals with average and not the sample size. In addition the 40 is adequate because a parametric statistical test (t test) was used to analyze the data. According to Opoku (2012) a parametric test like the t test and the F test takes care of small sample sizes even if there are variances in the population.

3.3.4 Data Analysis

Statistical Package for Social Sciences (SPSS) for windows version 20.0 software was used to conduct the analysis. First it was used to compute the descriptive summaries of the socio-demographic characteristics of respondents which include percentage, frequency, mean and standard deviation as well as other variables instrumental in answering the objectives of the study. In addition to this parametric and non-parametric statistical analysis was also performed to address the hypotheses of the study. In this regard an independent sample T-test (non-parametric) was conducted to examine whether there were statistically significant differences in poverty level between beneficiaries and non-beneficiaries. Regarding the parametric test, a multiple linear regression was used to assess the impact of various arrangements for granting loan to farmers.

The qualitative data was analysed manually without using any software. The evidences were presented in narrative to complement findings from the quantitative data in the form of direct quotes through the use of an integrated mixed method analysis (Joanna, 2014).

In detail, the data after the field work was first of all re-organized and prepared for analysis. This was done by transcribing, typing field notes, sorting and arranging the data into different topics. After this the data was coded manually by segmenting sentences into categories. Four broad themes were generated based on the objectives of this study. These themes were used as major findings for the qualitative data. Finally, qualitative narrative was used to convey the findings of the analysis by either supporting or disapproving quantitative results and the literature reviewed.



CHAPTER FOUR

RESULTS AND DISCUSSION

Results and Findings

4.0 Introduction

This chapter presents results and discussion of the study. The chapter is divided into two. First, the results and findings generated are presented followed by the discussion of the results. Both divisions discuss the demographic characteristics of the respondents in terms of sex, age, occupation, social class, marital status, household size and religion. In addition, the results are presented in sections with each section addressing a research question. Both the quantitative and qualitative results are integrated to offer a better understanding of the issues.

4.1 Socio- Demographic Characteristics of Respondents

With regards to age distribution, most of the respondents (59.3%) indicated that they were within the ages of 31- 40. 31.3% indicated that they were below 30 years, and 9.3% were above 50 years.

In the case of gender distribution of respondents, the larger group (51.3%) were males while 48.3 % were females. From Table 4.1, Farming (88%) is the main occupation of the people in the study area followed by Teaching (4.7%). With regards to marital status of beneficiaries, 58% of the respondents indicated that they were married as against 13.3% who were single. 18 % of the respondents stated that they were cohabiting.

To determine the main ethnic groups that are engaged in food production in the Hohoe Municipality, the results as captured in Table 4.1. indicated that Ewes (60%) were the dominant group followed by the Guans (29.3%) and the Akans (7.3%). The results also indicated that majority of the respondents were Christians (72%), followed by Muslims (12%) while Traditionalist were 9.3%.

Table 4.1: **Socio-Demographic Characteristic of Respondents.**

Socio-demographic variables	Category	Frequency/Mean	Percentage/SD
Age	0-30 years	47	31.3
	31-40 years	89	59.3
	51 and above	14	9.3
	Total	150	100.0
Sex	Male	77	51.3
	Female	73	48.7
	Total	150	100.0
Occupation	Farming	132	88.0
	Teaching	7	4.7
	Driving	1	.7
	Others	10	6.7
	Total	150	100.0
Marital status	Single	20	13.3
	Divorced	19	12.7
	Married	87	58.0
	Consensual/cohabiting	18	12.0
	Widowed	5	3.3
	Missing	1	.7
	Total	150	100.0
Household size	(interval)	4.05	1.78
Ethnicity	Akan	11	7.3
	Ewe	90	60
	Ga- Adangbe	1	.7
	Mole- Dagbon	1	.7
	Guan	44	29.3
	Others	2	1.3
	Missing	1	.7

	Total	150	100.0
Religion	Christian	108	72.0
	Moslem	18	12.0
	Traditional	14	9.3
	Others	10	6.7
	Total	150	100.0

Source: Field Survey, 2015.

In order to assess the influence of education on poverty, respondents were asked to state their highest educational attainment among other socio-demographic variables. The result as shown in Figure 4.1 indicates that close to half of the population (65%) of respondents (43.3 %) attained JHS/SHS/Middle School. The survey further revealed that those who had completed SHS/Vocational/Technical School were 22% while 15.4% had primary school as their highest level of education. Those that had never gone to school but were customers with MFIs were about 10% and only 9.3 % of the respondents were interested in taking loans from MFIs.



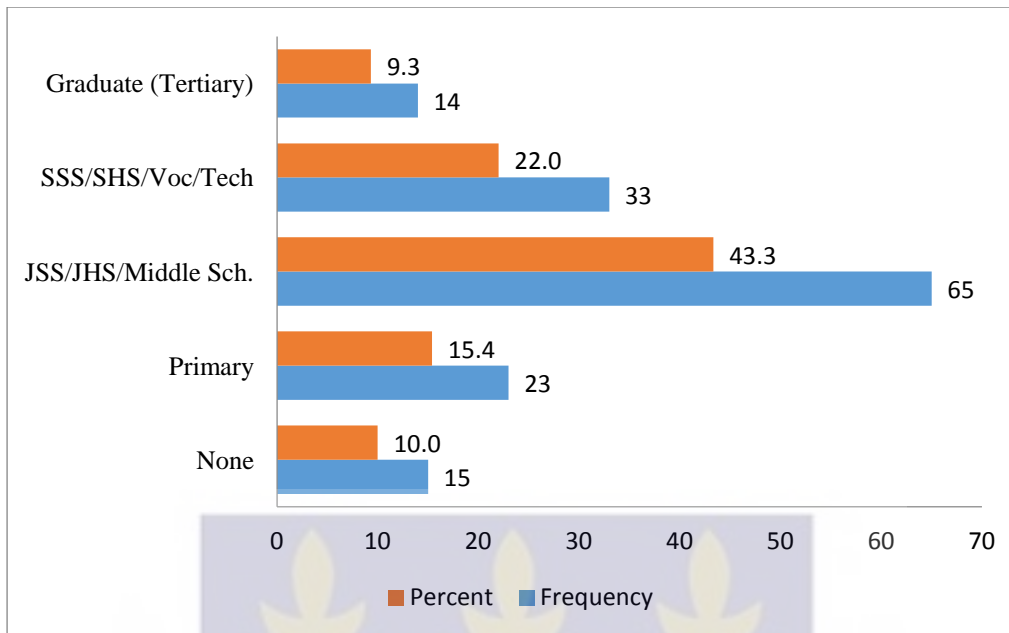


Figure 4.1: Educational Levels of Respondents.

Source: Field Survey, 2015.

Since income is normally used to determine the poverty line of a country, income level of respondents was assessed among rural agricultural households in the Hohoe Municipality. The results from the survey in Figure 4.2 indicated that majority of the respondents earned only the minimum wage (GH¢210.00 Monthly) or just a little above the minimum wage in Ghana. That is 111(76%) of the respondents earned from 0-300 cedis monthly. However, 11.3% indicated that their monthly income ranges from 301-600. Also, 10 of the respondents (6.7%) earned between 601-900 cedis and 7 of the respondents (4.7%) stated that their monthly income was above 900.

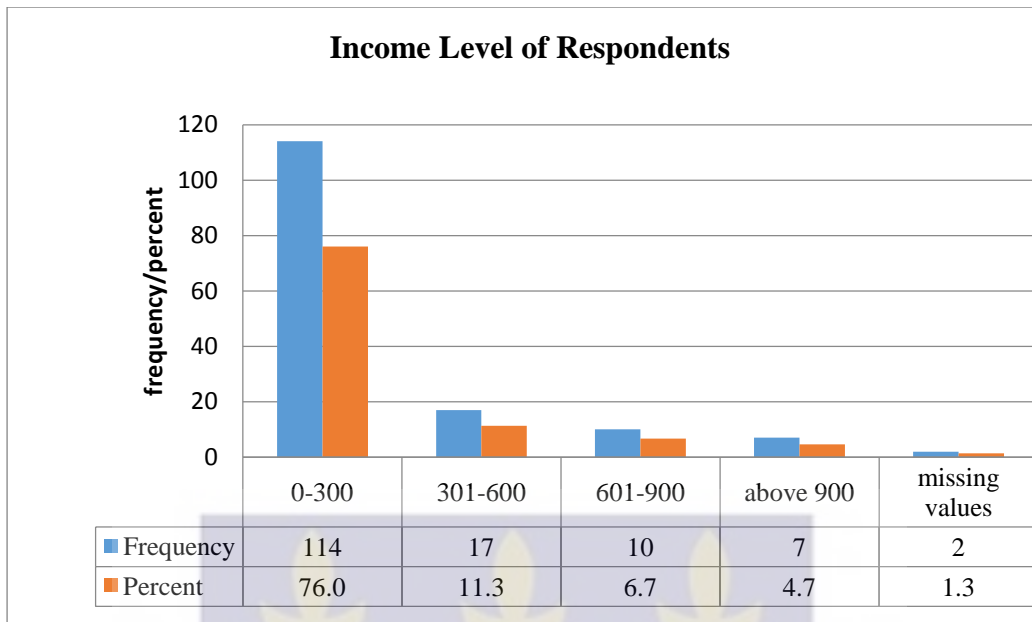


Figure 4.2: Income Levels of Respondents

Source: Field Survey, 2015

4.2 Assessment of Poverty Level among Beneficiaries and Non-Beneficiaries of Microfinance.

On Table 4. 2, the item related to the amount spent a day has a very close mean ratings for both beneficiaries (10.80) and non- beneficiaries (9.13). The results of the study also affirmed that both beneficiaries and non–beneficiaries spent larger proportion of their income on food (Beneficiaries =64.3%, Non- Beneficiaries= 59.27%).

Concerning education, it was observed that majority of the beneficiaries (85%), were able to send their wards to private schools. A further discovery was that a large proportion (79.3%) of the wards of microfinance clients were able to go to school compared to non-beneficiaries

Findings on health revealed that majority of respondents about 87% of beneficiaries and 66.7% of non-beneficiaries used government healthcare facilities. The study further discovered that 97.3% of beneficiaries and 92.5% of non-beneficiaries accessed healthcare through health insurance. From Table 4.2 one finds that only 5 (4.4%) beneficiaries and 8(20.0%) of non-beneficiaries practiced self-medication while 1.5 % use private clinics

From Table 4.3, 60% of beneficiaries compared to 46.7% of non-beneficiaries indicated that they had alternative work apart from farming. However, a large proportion of 72% and 80% of non-beneficiaries indicated that their current work was unreliable.

Table 4.2: Assessment of differences of Poverty between Beneficiaries and Non-Beneficiaries.

Indicators of Poverty	Beneficiaries n=110		Non Beneficiaries n=40	
	Freq/Mean	%/SD	Freq/Mean	%/SD
How much do you spend a day	10.80	7.30	9.13	3.8
Percentage income that goes into food	64.3	12.47	59.27	16.10
Do you save with any MFI				
Yes	83	75.0	19	46.7
No	27	25.0	21	53.3
Do your Children attend school				

Yes	87	79.3	24	60.0
No	22	20.0	16	40.0
Type of School attended				
Private	93	85.0	20	50
Public	17	15.0	20	50
Amount spent on a ward's education per Term				
	146	20.01	340	45.12
Type of Healthcare accessed				
Government	96	87.4	27	66.7
Self-medication	5	4.4	8	20.0
Private healthcare (excluding traditional)	2	1.5	-	-
Others	7	6.7	5	13.3
Means of accessing government healthcare				
Health insurance	107	97.3	37	92.5
Money	2	1.5	3	7.5
Other	1	.7	-	-

Source: fieldwork, 2015

Table 4.3: Assessment of Poverty between Beneficiaries and Non-Beneficiaries.

Indicators of Poverty	Beneficiaries n=110		Non Beneficiaries n=40	
	Freq/Mean	%/SD	Freq/Mean	%/SD
Do have any other work apart from this work				
Yes	66	60	19	46.7
No	44	40.0	21	53.3
Do you get support when in need				
Yes	66	60.0	16	40.0
No	44	40.0	24	60.0
Where do you get support from				
Children	5	4.4	7	17.5
Relatives	60	54.5	15	37.5
Friends	11	10.4	-	-
Loan	6	5.2	-	-
Spouse	23	20.9	15	37.5
Others	5	4.4	3	7.5
Is your current work reliable				
Yes	31	28.1	8	20.0
No	80	71.9	32	80.0

Source: Field Survey, 2015

4.2.1 Testing Hypothesis One (T-test Analysis of Differences in Poverty Levels among Beneficiaries and Non- Beneficiaries of Microfinance)

From Table 4.4 one finds that there is a statistically significant difference in average income earned between beneficiaries who earned GH¢293.76 and non-beneficiaries who earned GH¢407.33. But the difference for daily expenditure was not so great because the result discovered that as beneficiaries spent GH¢ 10.80 non- beneficiaries on the other hand spent GH¢9.13 daily. The results on fraction of income spent on food showed that GH¢64.27 was spent by beneficiaries of microfinance while GH¢ 59.27 was spent by non- beneficiaries. Finally, the results discovered that as beneficiaries spent GH¢ 146.53 on their wards non- beneficiaries spent almost double that is GH¢ 340.00.

Table 4.4: Differences in Poverty between Beneficiaries and Non-Beneficiaries (Independent Sample T-test).

DV	IV	N	Mean	SD	Df	Sig.
Average income	Yes	110	293.76	286.76	148	.029
	No	40	407.33	606.35	14	
Daily expenditure	Yes	110	10.80	7.30	147	.386
	No	40	9.13	3.82	27.34	
Fraction of income into food	Yes	110	64.27	12.47	145	.145
	No	40	59.27	16.10	15.98	
Expense on children's education	Yes	98	146.53	202.17	106	.014
	No	30	340.00	451.214	9.37	

Source: Field Survey, 2015.

Using assets to measure the level of poverty, the data from Table 4.5 revealed that 32.6 % of programme beneficiaries bought room furniture, 28.9% bought stove, 21.5% acquired refrigerator and about 70% also purchased new sets of radio. Mobile phone, cooking utensils and cloth got 90.4 %, 93.3% and 94.8 % respectively. The lowest commodity possessed was car (6.7 %) followed by motorbike (13.3 %). About 44 % of microfinance beneficiaries were able to built a house.

With the non- beneficiaries, 20 % acquired room furniture, 26.7 bought stove, refrigerator, land and house. As high as 80 % bought new mobile phones and iron while about 87 % possessed cooking utensils and cloth.

Table 4.5: Assessment of Poverty through Assets.

Assets	Beneficiaries n=110		Non Beneficiaries n=40	
	Yes	No	Yes	No
Room furniture	32.6	66.7	20.0	80.0
Stove	28.9	71.1	26.7	73.3
Refrigerator	21.5	78.5	26.7	66.7
Fan	54.1	44.4	46.7	53.3
Radio	70.4	29.6	26.7	73.3
Video player	48.1	50.4	33.3	66.7
Mobile phone	90.4	9.6	80.0	20.0
Television	61.5	37.8	46.7	53.3
Car/truck/bus	6.7	91.1	6.7	93.3
Cooking utensils	93.3	6.7	86.7	13.3
Land	40.7	59.3	26.7	73.3
Iron	62.2	37.8	80.0	20.0
House	43.7	56.3	26.7	73.3
Motorbike	13.3	85.2	20.0	80.0
Cloths	94.8	2.2	86.7	6.7

Source: Field Survey, 2015.

4.3 Arrangements Involved in the Delivery of Micro Credit to Rural Agricultural Households.

Table 4.6 illustrates some arrangements of microfinance delivery. On the purpose for which loans were acquired, majority of the respondents 61 (55.6%) agreed that they use their loans to expand their business or farmland. 18.5 % said they took the loans to start business while 19.3% said they use their loans to acquire farm inputs. About 6% use their loans to pay school fees and other expenses.

The results also revealed 81.5% of beneficiaries used the loans acquired for the intended purpose while about 18 % could not use their loans for the intended purpose. The study further indicate that majority (80.7 %) were customers before accessing micro loans.

The results indicate that the highest amount received by beneficiaries was 501-1000 that is 41.5 % followed by 0- 500 and 1001 - 1500 since they all scored 20.7 %. Beneficiaries who got above 2001 were 5.2 %.

With regards to the provision of collateral, 68.1 % of beneficiaries said they provided collateral before the loans were given to them while about 32% said they took the loans without collateral. 85 % percent of those who did not provide collateral said they did group lending. 4% of the respondents use personal information as an alternative to collateral.

In terms of the repayment period, 50.9 % use between 1- 2 years to pay their loans back to the institutions. 30.4 % of beneficiaries spent between 7 months – 1 year to repay their loans while 13.3 % of the respondents took more than two years to settle their loans.

Table 4.6: Arrangement (Processes) for Acquiring Loans

Arrangement for acquiring loan	Category	Freq	%
Purpose for which loan was acquired	Expand my business/farmland	61	55.6
	Start business/farming	20	18.5
	Acquire farm inputs	21	19.3
	Pay fees and other expenses	7	5.9
	Others	1	.7
	Use of loan for intended purpose	Yes	90
	No	20	17.8
Customer with the bank	Yes	89	80.7
	No	21	19.3
Average amount received	0-500	23	20.7
	501-1000	45	41.5
	1001-1500	23	20.7
	1501-2000	13	11.9
	2001 and above	6	5.2
Provision of collateral	Yes	75	68.1
	No	35	31.9
If no, what was the alternative	Guarantor (Group lending)	94	85
	Personal information	4	4
	Others	12	11
Repayment period	0-6 months	4	3.7
	7 months -1 year	33	30.4
	1 year- 2 years	56	50.9
	2 years and above	15	13.3
	Others	2	1.5

Source: Field Survey, 2015

4.3.1 Financial Services Tailored to the Needs of Rural Agricultural Households

Respondents were asked to state whether credit was able to meet the needs and demand patterns of farmers in the rural areas. The results captured in Table 4. 7 revealed 46 percent of the respondents said YES while 81(54%) responded NO. A number of reasons were given by the respondents in respect of their NO answers and this was discussed later.

Table 4.7: Loan Accessibility Arrangements Tailored To The Needs Of Rural Farmers.

Response	Frequency	Percentage
Yes	49	54
No	81	46

Source: Data from Field Work, 2015.

4.3.2 Testing Hypothesis Two (Relationship between Loan Arrangements and Revenue Received after Investment)

With all the variables used in Table 4.8, number of times gone for loan was .641 which is regarded as significant because it is less than 0.5. The same variable got a β value of .047. The second indicator was the use of loans for the intended purpose which had β value of -.101 and is also considered statistically significant because its Sig. value was .216. Findings for average amount received was insignificant because the value obtained was .001 however, its β value was .334. Finally, β result for repayment period was .175 with a significant value of .054.

Table 4.8: Relationship between Loan Accessibility Arrangement and Revenue after Investment.

Model summary	ANOVA			
$R^2 = .221$ Adj. $R^2 = .197$	df = 129 F = 8.888 Sig. = .000			
IV	B	β	T	Sig.
Number of time gone for loan	27.10	.047	.468	.641
Use for intended purpose	-614.58	-.101	-1.243	.216
Average amount received	.248	.334	3.29	.001
Repayment period	13.57	.175	1.91	.054
Constant	138.48		.992	.00

Source: Data from Field Survey, 2015

The equation used for the table is represented below.

Revenue After Investment = B_0 (constant) + B_1 (Number of times gone for loan) + B_2 (Use for intended purpose) + B_3 (Average amount received) + B_4 (Repayment period).

Where revenue after investment is the independent variable and B_0 , B_1 , B_2 , B_3 and B_4 are the dependent variables. This generated the statistical equation as

Revenue after Investment = $138.48 + 27.10 + (-614.58) + .248 + 13.57 + 138.48$.

Table 4.9: Relationship between Loan Accessibility Arrangement and Revenue after Investment. (Male Beneficiaries)

Model summary	ANOVA			
$R^2 = .175$ Adj. $R^2 = .117$	df = 44 F = 1.288 Sig. = .000			
IV	B	β	T	Sig.
Number of time gone for loan	2.832	.014	.088	.930
Use for intended purpose	-92.302	-.139	-1.144	.257
Average amount received	-.038	-.142	-.897	.373
Repayment period	72.169	.335	1.788	.048
Constant	266.70		3.430	.00

Source: Data from Field Survey, 2015

Holding the model that Revenue After Investment = B_0 (constant) + B_1 (Number of times gone for loan) + B_2 (Use for intended purpose) + B_3 (Average amount received) + B_4 (Repayment period), the regression equation for male beneficiaries can be represented as Revenue After Investment = $266.70 + 2.832x_1 - 92.302x_2 - 0.038x_3 + 72.169x_4 + 266.70$.

Table 4.10: Relationship between Loan Accessibility Arrangement and Revenue after Investment. (Female Beneficiaries)

Model summary		ANOVA		
$R^2 = .185$	Adj. $R^2 = .177$	df = 44	F = 1.518 Sig. = .000	
IV	B	β	T	Sig.
Number of time gone for loan	6.187	.036	.217	.829
Use for intended purpose	-25.688	-.068	-.467	.642
Average amount received	-.112	-.222	-.369	.053
Repayment period	31.791	.364	1.081	.039
Constant	246.23		3.980	.000

Source: Data from Field Survey, 2015.

Finally, considering the model that Revenue After Investment = B_0 (constant) + B_1 (Number of times gone for loan) + B_2 (Use for intended purpose) + B_3 (Average amount received) + B_4 (Repayment period). The regression equation for female beneficiaries is given as

Revenue after Investment = $246.23 + 6.187x_1 - 25.688x_2 - 0.112x_3 + 31.791x_4$

4.4 Socio-Economic Impact of Credit on Agricultural Households

From Table 4. 8, 82 out of 110 respondents representing (74.8%) responded that they could pay their children's school fees with microcredit while 28 (25.2%) could not provide or send their children to school after accessing the credit facilities from MFIs. The responses on health related issues are not very different from that of education.

While 71.1% could pay their hospital bills, 28.1% reported that they could not pay their bills after receiving the credit. In terms of feeding, 88% agreed that microcredit helped them to feed their families but about 12 % could feed their families even after accessing the loans.

On the issue of utility, 71 % of beneficiaries are able to pay their electricity bills while 28.9 % of the respondents indicated that they could not pay their bills. About payment of funeral expenses, 56 respondents representing 51.1 percent answered Yes whilst 48.8 percent said No. Finally concerning the ability to rehabilitate old buildings, 40.7 % of the respondents answered in the affirmative while the majority 59.3 % answered No.

Table 4.11: Socio-Economic Impact of Credit Access on Households

Social impact of MF on households	Category	Freq	%
Payment of children's school fees	Yes	82	74.8
	No	28	25.2
Payment of hospital bills	Yes	79	71.9
	No	31	28.1
Able to feed family	Yes	97	88.1
	No	13	11.9
Payment of electricity bills	Yes	78	71.1
	No	32	28.9
Payment of funeral expense	Yes	56	51.1
	No	54	48.9
Ability to rehabilitate old building	Yes	45	40.7
	No	65	59.3

Source: Field Survey, 2015.

To evaluate the impact of microfinance on business level of beneficiaries, results indicated that micro credit had a positive impact on the farming enterprises of

beneficiaries because the maximum income obtained before the loan was GH¢ 1600.00 but after the loan, income increased to GH¢ 5000.00. Table 4.12 also analyzed employment level of beneficiaries first, before access to micro- credit and second, after about three years into having access to microfinance opportunities. The data shown in Table 4.12 revealed that microfinance has not helped in the expansion of their businesses. The results indicated that before the loan they could only employ 10 workers but after the loan only 12 workers were employed.

Table 4.12: Micro-Finance and Expansion of Business

Business Expansion Variables	N	Min	Max	Mean	SD
Revenue obtained before the loans	134	0	1600	317.24	21.72
Revenue obtained(5 years) after the loan	133	80	5000	687.67	61.95
Number of people employed before the loan	129	0	10	1.95	1.54
Number of people employed as wage employees after the loan	133	0	12	3.36	2.25

Source: Field survey, 2015.

4.5 Constraints Associated with the Delivery of Micro Credit by Microfinance

Institutions (MFIs).

Table 4.13 shows a rating of the constraints most farmers faced with when accessing loans from the financial institutions. The results revealed that about 52% of respondents rated interest rate as a very major constraints influencing access to micro loans. This was followed by lack of collateral (34.1%), then loan size (23%), Bureaucracy in the processing of credit (20. 7%), availability of guarantor (19.3 %),

group lending required (14.8), untimely delivery of credit (14.1 %) and finally 10.4 % of rating for credit being tied to certain ration of savings.

Table 4.13: Constraints Associated with Access to Credit.

Constraints of microcredit access	Rating of constraints faced in accessing credit					Total (135)
	1	2	3	4	5	
Lack of sufficient collateral	34.1	37.0	5.9	4.4	-	81.5
Availability of guarantor	19.3	40.0	19.3	2.2	.7	81.5
Interest rate	51.9	21.5	3.7	4.4	-	81.5
Loan size	23.0	34.1	17.8	5.9	.7	81.5
Credit is tied to certain ration of savings	10.4	34.8	31.1	5.2	-	81.5
Group lending required	14.8	28.9	24.4	9.6	3.7	81.5
Bureaucracy in the processing of credit	20.7	25.2	23.0	11.9	.7	81.5
Untimely delivery of credit	14.1	38.5	18.5	6.7	3.0	80.7

Source: Field Survey, 2015

1= very major constraint 2= major constraints 3=somehow a constraints 4=minor constraints 5= very minor constraint.

4.5.1 Constraints of Accessing Microfinance by Beneficiaries

Moreover, as a way of assessing constraints face by beneficiaries, a likert scale measure of how easy or difficult it was accessing loan was used. From Figure 4.3, about 21.5% of the respondents responded it was not easy assessing loans from MFI. 32.6% people responded that it was less easy assessing loans, while 3% responded that it was very easy assessing loans.

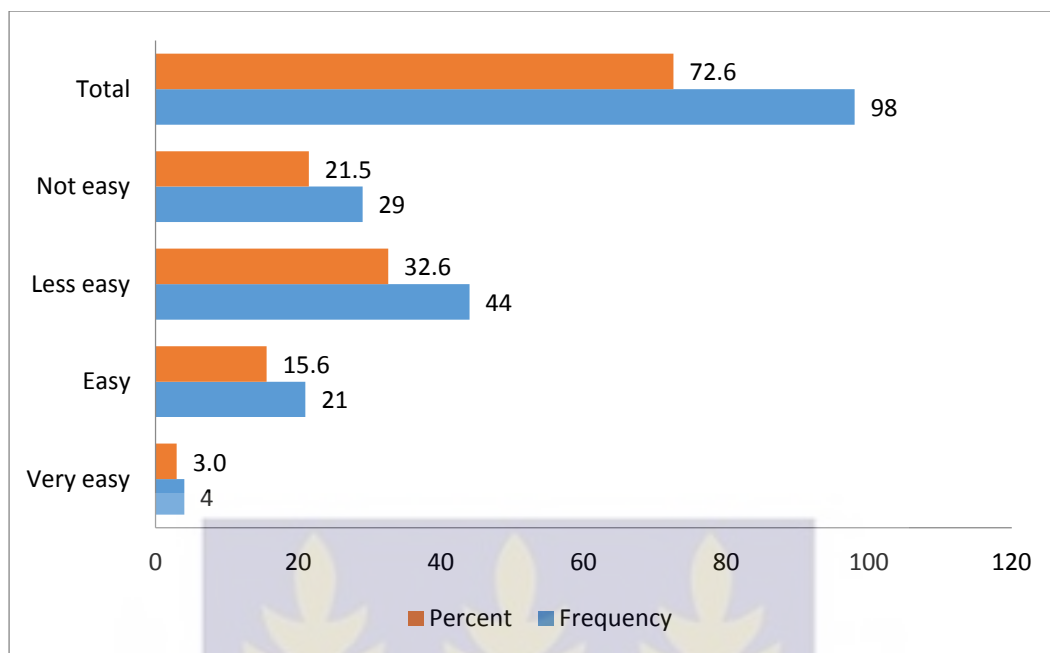


Figure 4.3: Constraints of Accessing Microfinance by Beneficiaries.

Source: Field Survey, 2015.

4.6 Discussion of Results and Findings

4.6.1 Demographic Characteristics

The results obtained on the age of respondents supports the argument of Morse (2006) that farming is not attractive to the youth especially the educated. The age distribution of this work is rather wide as compared to that of the Ghana Statistical Service because the study targeted households so the heads were interviewed instead of individuals.

The results of gender distribution contradicts the results of a similar study conducted by Obeng (2011) in the Jaman North District of the Brong Ahafo Region where the highest percentage of the respondents (63.1%) were females. Also the results

challenge the veracity of the widely propagated assumption of some researchers like Sundareson (2008) that women are the main customers for microfinance institutions.

Structured interview with most respondents (who invariably were farmers) also revealed that some of the women sought permission from their husbands before they could access credit from MFIs. The respondents indicated that in some cases the husbands refuse or may go for the loan on behalf of their wives especially if the loan is for agricultural purpose. Woolley (2010) in answering the question “who gets what in marriage?” also argued in a similar manner that it is mostly the men of the household and not women who actually control borrowing.

The results on marital status is in consonance with the analytical report of the GSS (2008) that the unmarried of the population is insignificant compared to the married. Considering the percentage of the respondents that stated that they were cohabiting could be attributed to the fact that marriage is universal in the municipality.

The interview conducted with MOFA on food crop cultivation by tribe indicated that the Guans (mainly from Akpafu, Lolobi and Likpe) are the main producers of rice in the municipality. This is consistent with the 2010 report of the HMA on the major food growing communities in the Hohoe Municipality.

Religion refers to the individual’s religious affiliation as reported by the respondent irrespective of the religion of the household head or the head’s spouse. No attempt was made to find out if respondents actually practiced the faith they professed.

In order to assess the influence of education on poverty, respondents were asked to state their highest educational attainment among other socio-demographic variables.

The results in this study has a tolling effect on the size of loan beneficiaries can assess. In other words, the higher the level of education attained, the higher the disposition to take higher amount of loan. This is in line with the practice of Grameen Bank of Bangladesh (Yunus, 2003). Since income is normally used to determine the poverty line of a country, income level of respondents was assessed among rural agricultural households in the Hohoe Municipality. Structured interview with farmers in the sampled communities affirmed that the income level of small scale farmers is just too low even though this group contributes 80% of the total food produced in the municipality. A 49 year old woman from Likpe Mate asserted;

“High loans are reserved for government workers and the educated while small loans are given to poor uneducated farmers. When we queried them, they told us that their income is regular so they are able to retrieve their loans from them easily.”

However, both officials and respondents interviewed blamed the low price of farm produce on the market and high cost of living as key factors for low income of rural agricultural households in the municipality. This research therefore posits that the goals of microfinance in increasing income and consumption among beneficiaries as reported in the 1998 Microcredit Summit by Pitt and Khanda (2003) have been largely unmet.

4.6.2 What is the Level of Poverty among Beneficiaries and Non-Beneficiaries of Microfinance?

In order to assess poverty between beneficiaries and non- beneficiaries of microfinance, the study employed economic and social variables as well as the possession of assets as benchmarks for examining this difference. The results of the

study shows clearly that both beneficiaries and non-beneficiaries spent larger proportion of their income on food. But comparatively, beneficiaries spent much more on food than non-beneficiaries and this raises concern as to whether micro-finance is indeed impacting the lives of beneficiaries.

If indeed small loans to poor people could serve as a tool for escaping poverty as propagated by proponents like Kondo (2007), Obeng (2011) and Karikari (2011) then beneficiaries are expected to move to higher levels of need like self-esteem need as revealed in Abraham Maslow's theory of needs. Results from the survey also contradicts that of Taiwo (2012) who noted that microfinance could bring a gap between income and daily expenditure of beneficiaries and non-beneficiaries of microfinance. But it agrees with Adams (2007) that the effect of microfinance is context specific. The interview conducted with both beneficiaries and non-beneficiaries also confirmed that since huge amount of money is spent on food, they are not able to save much in order to take more loans for profitable investments.

Some of the interviewees even confirmed that they saved as low as GH¢ 2.00 weekly.

“Generally, the amount we save is insignificant due to low returns and high expenditure on large family size. Personally my savings is not above two cedis a week. Actually we are not used to savings because of high dependency rate. I am not able to save because I have more mouths to feed” A forty two (42) year old woman from Lolobi reported.

To evaluate the differences in levels of poverty between beneficiaries and non-beneficiaries, the study sought to identify the type of school respondents sent their wards to, and the amount they spend on them per term. It was observed that majority of the beneficiaries were able to send their wards to private schools. This indicates

that microfinance interventions had a positive impact on the education of clients' children. Another observation was that a large proportion of the wards of microfinance clients were able to go to school compared to non-beneficiaries. This corroborates with the views expressed by Littlefield, Murdugh and Hashemi (2003) that one of the first things that poor people do with new income from microenterprise activities is to invest in their children's education.

It must be emphasized that access to health care services and health protection is a key component of the fight against poverty because good health is a major driver of economic development and a necessity for the rural poor to climb out of poverty. As a result, one of the key variables employed in this study was accessibility to healthcare service. In view of this, two main variables were used to measure healthcare accessibility and these included type of healthcare accessed and means of accessing this type of healthcare. The study revealed that affordability of health services continues to be a problem to rural agricultural households since majority of respondents used government healthcare facilities because it is less expensive. Moreover, the study further revealed that both beneficiaries and non-beneficiaries accessed healthcare through health insurance. This agrees with the view that affordability is a major factor in determining healthcare.

A critical observation of the result regarding health access is that the absence of microfinance model to facilitate linkages to healthcare products is the result of huge dependence on government health care. From the findings presented on Table 4.2 one finds that self-medication is not common among respondents. The qualitative result also confirmed that even though respondents in the study area are rural dwellers and mostly farmers, their perception about traditional medicine and self-medication remains skeptical though they use orthodox medicines.

“Even though we do not have a hospital in our area, we are careful of self-medication because of the sad history we have on that. Even in case of emergency we rush to Hohoe Government Hospital. This has been our practice before a clinic was brought to us recently”. (A queen mother reported).

It is important to explain that the apparent low percentage beneficiaries using private clinics can be accounted for among other things, by the fact that most of these rural dwellers have low income and even spend greater percentage of their income on food hence their inability to access private health care. This confirms the results of Oteng–Ababio (2000) that the private hospitals are reserved for the rich and highly privileged in the society because they can afford their fees. This study therefore posits that integrating healthcare financing into a well-established microfinance enterprise is a unique way of bringing healthcare financing to rural agricultural households and to mitigate the financial risks associated with poor health.

4.6.3 T-test Analysis of Differences in Poverty Levels among Beneficiaries and Non- Beneficiaries of Microfinance

Table 4.4 is an independent sample T-test result. The dependent variables (DV) included average income, daily expenditure, fraction of income into food and expenditure on wards education. The independent variable was whether one has gone for a bank loan before with response Yes or No. To satisfy the condition for this test, a levene Test for equality of variance was performed. None of the dependent variables had a significant score of 0.5, the lowest was 0.14, (Test not presented) i.e.

expenditure on wards education. That is to say the variance of going for a loan or not going for a loan is approximately equal.

Findings on the expenditure on children education shows that non-beneficiaries spent much higher compared to the beneficiaries. Again, the SD was very high, meaning there is a much spread of earning for the two categories. Can we therefore conclude that Microfinance is not bringing any improvement in the well-being of beneficiaries? An answer to this must consider other factors such as size of loan, cost of employing other productive inputs and other loan arrangements. Discussion on some of these issues will aid understanding of these issues.

4.6.4 Using Assets to Measure Poverty Level among Beneficiaries and Non-Beneficiaries.

The data captured on Table 4.5 give details regarding differences in poverty between beneficiaries and non-beneficiaries using assets owned as a benchmark. It should be indicated that the study went no further to unravel the actual number of assets owned. The data revealed that programme beneficiaries added to their assets on yearly basis. For instance basic needs like cooking utensils, cloth and mobile phones were acquired by both beneficiaries and non- beneficiaries of microfinance. This supports Mosley (2001) that these assets are so basic that everybody regardless of age, sex, race, culture or affordability will sacrifice all to possess them. Also, the acquisition of these material things by the rural poor refutes the common perception that the poor have no assets. The interview with both beneficiaries and non-beneficiaries indicate that, the poor possess a portfolio of assets. These assets, both tangible and intangible, may be small but they are important for the survival of the poor (Carter 2006).

However, a very significant observation of this study is that a high proportion of both beneficiaries and non-beneficiaries of microfinance are not able to purchase luxurious goods like cars, motorbike and refrigerators. This analysis and the one on the income level of respondents have cast doubt on some of the previous studies that found that microcredit increases household income and consumption. The foregoing discourse confirms that approaches to poverty reduction are varied just as the concept of poverty and microfinance is just one of the approaches that have been adopted over the years.

A critical observation made was the low acquisition of motorbikes. The interview conducted with beneficiaries, non-beneficiaries and officials indicate that fear of motor accidents and the general prohibition of “Okada” in Ghana are the two main reasons resulting from low possession of motorbikes. It is clear from Table 4.5 on the assessment of poverty through assets that, a very high percentage of both beneficiaries and non-beneficiaries could not purchase motorbike even though it was considered useful in rural agriculture. Further information received through the interview conducted and personal observation shows that the motorbikes acquired by respondents are rather used for commercial purpose and not for agricultural reasons. This supports a statement by a Technical Officer (T.O.) under MOFA:

“Okada business has become a means of survival for most unemployed youths whose livelihood depend heavily on the proceeds of the business.”

With regards to land acquisition, majority of farm lands are acquired through inheritance. The rest who have various forms of shared tenancy arrangements are mostly settler farmers. This validates Hulme and Mosley (1996)’s assertion that when microloans are associated with an increase in assets, their vulnerability is reduced. The results as depicted on the table show that a fairly higher proportion of

respondents of beneficiaries as against non-beneficiaries acquired land. Even though land acquisition in the municipality is not difficult, the results show that more than half of the respondents do not have access to land. The gap between beneficiaries and non-beneficiaries agrees with Mutalima (2004) that access to financial services through microfinance enables clients to build and change their mix of assets.

On the acquisition of a house, the study proves that beneficiary respondents who owned houses are more than non-beneficiaries. This agrees with Obeng (2011) that the rural poor with access to credit can acquire assets and this will go a long way to reduce poverty. The results produced so far have given a positive answer to the question of whether micro credits can reduce rural poverty even though some of the results contradict some earlier studies.

4.6.5 What are the Arrangements Involved in Granting Loans to Rural Agricultural Households?

It is argued in literature that microfinance procedures are simple and the processing periods are short (Musonda, 2006). To ascertain whether microfinance employ the best practices in granting loans to their clients a data was collected on some arrangements of microfinance delivery and the findings were captured on Table 4.6

With regards to the purpose for which loan was acquired, majority of the respondents agreed that they use their loans to expand their business or farmland. This confirms the stand of Murray and Boros (2002) that many people living below the bread line can start a small business or expand an existing one when financial resources are available from MFIs.

A critical observation in this study is that microfinance can help the rural poor start a new business. A face to face interview with some officials of MASLOC and CRAN also affirmed that loan terms are designed to help those who only need a small amount of capital to facilitate their enterprises. The study therefore agrees with Yaron (2004), that microfinance provides a start-up loan or seed money for the establishment of small or marginal enterprises which the traditional banks particularly commercial banks are not willing to provide.

‘The lender provides the customer with an unsecured loan because it is specifically designed to improve access to capital and help enter small or micro businesses’. The Field supervisor of CRAN stated

Even though literature proves that, most rural people consider non-farm activities as good opportunities of escaping poverty, the respondents in the study area consider agriculture as a key factor in stimulating the growth of the non-farm economy as result they can invest their loans to acquire farm inputs. This is inconsistent with IFAD (2009) which claims that rural agricultural households will not invest their capital in agriculture because it does not provide a route out of poverty. The qualitative interviews also revealed that there are other new drivers of rural economic growth emerging which agricultural households can tap to improve their standard of living.

“Techno Serve is an organization that is ready to help farmers in marginalized areas in Ghana to produce and market crops for the nation’s growing urban market with the aim of increasing their income status. In addition, Africare also gives financial assistance to farmers during farming seasons with the sole

aim of preventing food induced inflation in the Hohoe Municipality”.(A Technical Officer of MOFA).

A major finding on the processes of microfinance is that before beneficiaries have access to loan, they should be regular contributors to the scheme. The main reason for this is to help the officers monitor the financial reliability of their clients. However, it was observed through the face to face interview with both beneficiaries and officials of microfinance that proper financial education is lacking in the administration and credit delivery system of microfinance institutions. This study therefore contend that most microfinance institutions have not followed due process in granting of loans hence rural agricultural households have not properly benefited from their products due to lack of knowledge.

To confirm a publication by Murray and Boros (2002) that the characteristics of microfinance products include small amount of loans, the study revealed that most of the clients received below GHC1000. The findings also indicated that clients who pay on time become eligible for higher amount. This confirms a statement by a first time beneficiary that *the longer you stay with MFI the greater the opportunity to receive bigger loans*. It also agrees with Appiah and Adetunde (2011) that longer and broader relationships increase the amount and flow of information to lenders, enabling borrowers including rural agricultural households to obtain better access to finance over time.

To answer the research question on the processes involved in the delivery of micro credit to rural agricultural households, a major issue captured in the questionnaire was whether beneficiaries were asked to provide collateral. Even though the quantitative result as shown in Table 4.6 revealed that respondents provided collateral, interviews

with the officials of microfinance indicated that microloans do not require collateral in the form of land, cars or real estate. MFIs rather depend on group or personal guarantee of customers.

“Unlike commercial banks, MFIs do not require borrowers to provide collateral for their loans. Some apply a creditworthiness standard based on the performance of a group or individuals by granting a loan to an individual and then lending to more people in the group if that individual within the group prove to be a reliable borrower to repay his loan”(The Board Chairman of the Universe Co-operative Society, During The Union’s 13th Annual Report at Hohoe).

This point is in consonance with the argument of Taiwo (2012) that collateral is not a credit requirement of MFI. Generally, it was discovered that MFIs provide credit using social mechanisms as insurance to avert default.

The final data collected on the processes and practices of MFIs is the period of repayment. Generally, MFIs in the study area who give credit to market women require repayment on weekly basis. But since the focus of this study is on agricultural households, the repayment period is longer than the normal short term payment. The main reason for differences in the repayment period is the choice of the customers. This contradicts Karikari (2011) that microfinance offer short term loans (usually up to the term of one year).

In assessing the financial model employed by MFIs in granting loan, the study revealed that the three institutions (MASLOC, CRAN and Universe) used the Group Solidarity Model to advance loan to their customers. With this model, the group members served as collateral for the loan (Karikari2011). Beneficiaries were put in

groups of a minimum of five and a maximum of fifteen members. Each group had leaders who were responsible for ensuring that the groups functioned effectively. The leaders comprised of the chairperson, secretary, financial secretary and treasurer. The leaders were responsible for collection and repayment of loans. However, individual payments were accepted.

The stand of this study is that, MFIs in the Hohoe Municipality have not adopted proper financial and accounting procedures in granting loans to their customers. As a result, most of the beneficiaries do not have adequate knowledge on the terms and conditions of MFIs.

4.6.6 Are Financial Services Tailored to the Demands of Rural Agricultural Households?

The results captured on Table 4.7 saw majority of the respondents indicating that micro credits are not tailored to the financial needs of beneficiaries particularly rural agricultural households. The main reasons given have to do with the loan size being too small and the untimely delivery of loans. This result agrees with Ayertey (2008) that despite the enthusiasm among MFIs and the donor community for microfinance programmes, there is little to jubilate of because they have not met the needs of their customers.

There is the need for more careful and unbiased programmes tailored to the needs of customers especially farmers.

4.6.7 Multiple Regression on Loan Arrangements and Income Received after Investment.

It has been indicated from the discussion above that most beneficiaries need to be placed in good stead before they can access loans for their farming activities. However, it is also important to examine the relationship of these arrangements on the viability of loans received. This point resonates with the idea of outreach which refers to the social value of the output of microfinance funding and is determined by the worth, cost and returns of the loan. A number of variables were used and these have consistently been used as proxies in determining outreach (Yaron, 2004). These include number of times gone for loan, average amount received and repayment period.

In this study, proxies used include number of times gone for loan, use loan for intended purpose, average amount received and repayment period. In terms of justification for the use of these measures, the repayment period definitely has impact on the borrower's ability to recuperate fully from investment and service of loan. Regarding amount received, larger amount facilitates large investment and expectedly heavy returns all things being equal. Regarding the use of loans for intended purpose, clear aim regarding where exactly investment should be channelled makes the investment a more targeted one and therefore better returns. Therefore these variables in my opinion at least can be used to determine whether loans for MFI can have the desired impact on returns and on investment. These measures are by no means exhaustive, but as already indicated, it can be used to gauge social value of loans.

Therefore the hypothesis in this study sought to establish the relationship between revenue obtained after investment of loans and these outreach measures or loan accessibility arrangements. In this regard a multiple regression analysis was performed to unravel this relationship. Two of the independent variables were interval, one was a dummy and the other had ordered categories. On the other hand, the dependent variable was an interval variable, and therefore satisfy the condition for a regression analysis. From Table 4. 8, it is found that the overall model is significant (ANOVA test p-value =.000).

This is supported by the model. **Revenue after investment =138.48 + 27.10+ - 614.58+.248+ 13.57 +138.48**

From Table 4.8 only average amounts received and repayment period had a positive and significant relationship with revenue received after investment. In the case of average amount received ($\beta = .334$ p-value= .001<.05), the result shows that the higher amount received, the more one is likely to receive in terms of revenue from investment into farming. This supports the views of Taiwo (2012). Moreover, the lengthier the repayment period, the more one is likely to receive in terms of revenue ($\beta = .175$ p-value=.054=.05). However, the number of times gone for loan and use of loan were found to be insignificant predictors.

The study further sought to examine whether gender had any role to play in these arrangements on revenue received. In view of this, separate models were generated and split along gender. The model for the males indicated that lengthier repayment period increases significantly the returns on investment ($\beta = .335$ p-value=.048<.05). And this was the only variable that showed significant relationship with returns on loan (Table 4.9). On the other hand, for women, amount of loan received and repayment period were the significant factors that influence returns on loan. Also,

based on the direction of the coefficients, lengthier repayment period increases revenue or returns from investment, while larger amounts of loan received also increases returns from investment. Analysis such as location (Geography) could have provided much insight. However, sample sizes for the locations could not permit regression analysis ($n < 30$), and more so the sampling was not based on clusters but rather the two main groupings or strata (i.e. beneficiaries and non-beneficiaries)

4.6.8 Social Impact of Microfinance on Agricultural Households

This aspect sought to address how microfinance, the provision of credit in particular, has an influence on the well-being of rural agricultural households. The section therefore takes into account the education of beneficiaries' children, health care of the respondents, housing, payment for utility, provision of food, funeral expenses and the general perception of the microfinance facilities available for them.

With respect to education, Table 4. 8 indicated that majority of programme beneficiaries are able to provide educational materials for their children and could pay their school fees. The responses on health related issues are not very different from that of education since 2/3 of the respondents indicated that they could pay their hospital bills. However, it is important to state that National Health Insurance Scheme (NHIS) helped customers to improve their access to health care services.

On feeding, a greater percentage reported that access to credit from microfinance has help them put food on the table for their families. On the question of whether receiving credit has helped to improve the ability to pay their electricity bills or not, the results agree with the findings of Adjei (2011) where respondents indicated that they could pay their bills and that they had no arrears to settle. But those who still had arrears had their houses disconnected as at the time of the field work of this research.

Also, respondents were asked whether the microfinance programme had any impact on their social life in terms of community participation. The result is quiet marginal as about half of the respondents agreed that they were able to settle their funeral expenses. A key issue in rural communities is the payment of community levies, which helped to establish their sense of belonging (Adams, 2007). But some of the respondents were not able to fulfil this social obligation. An important observation through the face to face interview was that, during bereavement, some of the farmers invested so much into funerals, hoping to get donations from sympathizers during the funeral ceremony. However, when this expectation is not met, the farmers become more impoverished. The quote below from one assemblyman illustrates this point.

“We regard funerals as appropriate occasions to raise funds for suitable ventures. But if this goal is thwarted, we come back to square one. Unfortunately this has been the experience of some of our community members over the years especially the peasant farmers.”

Finally, with regards to building and rehabilitation of houses, majority of respondents indicated that proceeds from microfinance could not help them to improve their houses like painting them.

Overall, when asked whether receiving credit has improved their standard of living, majority of the respondents confirmed that micro credits had a positive impact on their lives. Based on the results, this study argues that microfinance can assist the poor by improving their standards of living. As pointed out during the launch of the International Year of Micro Credit (2003);

“Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health

care, and empowering people to make the choices that best serve their needs." (Kofi Annan, December 2003).

4.6.9 Economic Impact of Microfinance on Beneficiaries.

To evaluate the extent to which MFIs have assisted the poor to improve their standard of living, impact was measured at two levels. First, household level and business level. On business level, respondents were asked to indicate their income before and after the loan from MFIs. The results indicated that micro credit had a positive impact on the farming enterprises of beneficiaries. A corroborative evidence concerning impact of loan on business after three was found in a study by Taiwo's (2012) in South Eastern Nigeria. He found that 91% of the respondents agreed that micro financing has helped in the expansion of business through the availability of microfinance facilities (saving, loans, overdraft, etc at affordable rates).

Table 4.12 also analyzed employment level of beneficiaries first, before access to micro- credit and second, after about three years into having access to microfinance opportunities. The results shown revealed that microfinance has not helped in the expansion of their businesses. However, structured interview with rural farmers revealed that most farmers depend on family labour.

4.6.10 What are the Problems Associated with the Delivery of Micro Credit by Microfinance Institutions (MFIs)?.

To identify constraints in the delivery of micro credit, there was a rating of the constraints most farmers faced when accessing loans from the financial institutions. The results revealed that a large proportion of the respondents, identified interest rate

as a very major constraints influencing access to micro loans. This finding supports the view about the increasing cost of accessing loans from micro-finance institutions (Taiwo 2012). Accordingly, these interest charges deter most people from going for the loans. An interview with a 42 year old cassava farmer gives some detail to this point;

“I consider microfinance as a killer because of their interest rates. My senior brother received just a token for garden egg production but he nearly end up in jail. He collected only five hundred cedis but after one year he paid about two thousand cedis. The interest rate of the traditional banks is lesser than that of these microfinance institutions.”

Again most respondents indicated that the loan size was an issue. It is instructive to note that, most micro-finance institutions in Ghana are relatively small especially with regards to their capacity to give very high amount of credit. In this regard farmers find it difficult to fully expand their business, although some headway has been made in terms of the impact on their business. This support claims by Oti-Boateng and Dawie (2010) that available funds for micro-finance have been wholly inadequate and so as the conditions attached to assessing loans. Moreover, the regression analysis indicated that higher amount of credit increases revenue (Taiwo 2012). Thus small loan size seriously affects overall impact and therefore can be considered as a challenge. The two results, confirm Peters (1995) that, most micro-finance institutions offer relatively small loans and even with this, they are still expensive. All these feeds into the management practices of micro-finance institutions, which in most cases have been described as unorganized, unprofessional, inefficient and ineffective (Adjei 2011).

4.6.11 Challenges of Accessing Micro- Credit by Customers.

As a way of assessing constraints faced by beneficiaries, a likert scale measure of how easy or difficult it was accessing loan was used. The likert scale measure ranged from “not easy” to “very easy”. The findings show clearly that it is not easy for beneficiaries to access loans. This is due to a multiplicity of factors, particularly loan sizes and interest charges. The result therefore corroborates Parker (1996) that lending to rural agricultural households presents a high risk to lenders, and thus account for the cost involved in assessing the loans, which in most cases, most rural agricultural households find it difficult to access.

4.7 Other Factors that Explain the Results Obtained

According to Giehler (1999), Loans for agriculture can be financed by different sources of funds such as farmer household savings, capital markets, equity, budget allocations of the government, central bank refinance facilities and international borrowing. But the supply of capital for agricultural development has been inadequate due to lack of collateral and unclear land property rights or titling. Despite the fact that microfinance was the main variable in this study, the following factors are also important in the results obtained.

First, it was discovered that time or the duration one stays with an institution is an important determinant in deciding the amount of credit a household can obtain from financial institutions. In basic microeconomics analysis of demand, time is an important factor. Qualitative results on demand for loan does not deviate from the

existing knowledge and that of Ayertey (2008) that people who stay longer are able to get more credit for expansion.

Profitability of the small scale firms is also an important determining factor. Higher profits serve as security for credit acquisition (Ayertey 2008). For example cocoa farmers are able to get financial support from financial institutions faster than food crop farmers.

Another factor that helps in poverty reduction in the study area is personal characteristics of the loanee (age and education). Financial institutions find it more convenient in granting loans to the youth than the aged. In addition, the study discovered that an important factor in poverty studies like this is education because it has a great influence on poverty reduction.

Even though these factors played a key role in the results obtained, quantitative data was not collected on them because they are key factors of microfinance operations.

4.8 Assessing the Methodology used in this Study.

To assess microfinance and poverty reduction in the Hohoe Municipality, mixed method was used in this study. The method had its strengths and weaknesses. Positively, by using questionnaire and interview guide to solicit responses from rural farmers, a great insight and understanding was received on the poverty levels of both beneficiaries and non-beneficiaries of micro credit. Also by interviewing officials of CRAN and MASLOC to cross-validate quantitative results on the arrangement for acquiring loans, the method provided a strong evidence for the researcher to conclude that MFIs do not tailor their arrangements to the needs of rural agricultural households.

An important benefit of the mixed method in answering the research question on the constraints associated with the delivery of credit by MFIs saw a corroboration and convergence of findings. That is both the quantitative and qualitative results revealed that small loan size is a challenge to credit delivery and this affect the overall impact of MFIs on beneficiaries.

However, triangulating quantitative and qualitative results in this research was time consuming and more expensive because more data was collected. Also, it became difficult interpreting conflicting results such as issues pertaining to collateral security as a process of granting loans by MFIs. As a result, a cross-sectional survey was conducted instead of a longitudinal or trend in analysis. This the researcher acknowledge as a great limitation to this study. Despite this, the mixed method was considered more appropriate for addressing the research question and testing the hypotheses because it helps in cross-validating both qualitative and quantitative data.

4.9 Verifying the Theories and Conceptual Framework for the Study.

This study also used theory triangulation because both capability and empowerment theories were used. The study critically examined the arrangements of MFIs and how they are tailored to the demand patterns of rural agricultural households. Hypothesis on the relationship between revenue obtained by rural agricultural households and loan accessibility arrangements of MFIs was also tested using a multiple linear regression. The results produced a positive relationship between loan accessibility arrangements and revenue received after investment. This agrees with Amartya Sen's Capability theory which states that for the poor to come out of poverty due processes geared towards their needs and demand patterns should be followed.

Secondly, the study confirmed that micro credit can empower beneficiaries to take part in community development and acquire new assets. On assets acquisition, the study discovered that micro credit can help beneficiaries acquire new assets which confirmed the empowerment theory selected for this study. The study argued that a critical observation of the two theories can help rural farmers come out of poverty because of their call for grassroots participation in decision making and bottom up approach to poverty reduction. The results therefore revealed that MIFs have effect on the key variable in this study which is rural agricultural households. The areas of impact include children's education, better health care, provision of food, payment of utility bills and acquisition of new assets. Nonetheless, "impact" is a very complex abstract and therefore cannot be measured with perfect accuracy in a single research.

As shown in the conceptual framework in Figure 2.1 it is assumed that right from the beginning a client is in poverty. An intervention programmes is designed for the poverty clients. This microfinance intervention may either be employment programme, education programme, or microcredit (loans) for the poor. Clients are taken through one or a multiple of these interventions. The intervention may either have positive or negative impact. When clients experience poverty impact which means poverty has considerably reduced then it means that the microfinance programme or intervention is successful. On the contrary, if the result of the programme shows positive impact but poverty could not reduce considerably or there is a negative impact, then there is the need to go back to the stage where the intervention was implemented. A consideration of the results indicated that microfinance has empowered beneficiaries to send their wards to school expand their farming businesses and acquire new assets even though there were challenges in credit delivery.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter is divided into three parts. The first part looks at the summary of the study followed by conclusions and finally suggestions to the issues raised in the study in the form of recommendations.

5.1 Summary of Major Findings

The study sought to understand the activities of microfinance in the Hohoe Municipality. In order to do this, the study tried to understand a number of issues. These include a general assessment of poverty incidence between beneficiaries and non beneficiaries, the processes involved in microfinance delivery, impact of microfinance on the beneficiaries and challenges faced when accessing loans. To do this a mixed approach method was used. The main instruments used were interview guide and questionnaires which were employed to gather information from the selected microfinance institutions, programme beneficiaries and non-beneficiaries. The inclusion of non- beneficiaries controls the responses derived from both beneficiaries and the MFIs. This method made the researcher achieve a favourable response rate of 95.4%. The major findings of the study are summarized in the following headings: poverty incidence among beneficiaries and non-beneficiaries of microcredit, processes involved in the delivery of micro credit for rural agricultural households, the impact of Microfinance Institutions (MFIs) on rural agricultural households, challenges related to microcredit.

5.1.1 Poverty Incidence among Recipients and Non-Recipients of Microcredit.

The study established that differences between beneficiaries and non-beneficiaries of micro-credit in the Hohoe Municipality in terms of poverty rate are mixed. For instance the study found that beneficiaries of microfinance could not move to higher levels of need such as self-esteem need but still spent greater proportion of their income on food. The study again found that affordability of health services remains a problem for rural agricultural households. That is both beneficiaries and non-beneficiaries of microfinance depended to a large extent on NHI for healthcare delivery. Contrary to other studies that microfinance raises the financial status of beneficiaries, this study discovered that both beneficiaries and non-beneficiaries of microfinance could not even earn the national minimum wage of GH¢7.00 per day. Using assets variable for measuring poverty, the study revealed that both beneficiaries non-beneficiaries are not able to build or even renovate their houses. They could only afford basic needs like cooking utensils. On the other hand, the hypothesis also showed some mixed results with regards to poverty differences. For example there was a statistically significant difference in average income earned between beneficiaries and non-beneficiaries. On the other hand, no statistically significant relationship was found in measures such as the daily expenses and fraction of income on food.

5.1.2 Arrangements Involved in the Delivery of Micro Credit to Rural

Agricultural Households

The study revealed that microcredit is for those who only need a small amount of capital to facilitate their businesses. It was discovered that majority of the institutions operate like the savings and loan scheme because customers are mostly required to

deposit some amount or open account with the institutions before they are eligible for accessing loans. A critical observation in this study is that MFIs rely on group or personal guarantee by customers as collateral rather than place emphasis on physical collateral requirements like land, cars or real estate. In addition, the study showed that MFIs does not followed proper accounting procedures yet many Ghanaians seek financial assistance from them.

5.1. 3 Social Impact of Microfinance on Rural Agricultural Households

In spite of the various challenges facing the delivery of micro credit, the study revealed that microfinance had a fairly significant impact on rural agricultural households in the Hohoe Municipality. Meanwhile, it was observed that micro credits could not bring any positive effect on the social life of beneficiaries. For example it was discovered that a good number of beneficiaries were not able to pay their community levies, which helps to establish their sense of belonging. On feeding, the study revealed that access to credit from microfinance has enable customers to provide three square meals for their families. On business level, the results indicate that micro credit had a positive impact on the farming enterprises of beneficiaries. The study revealed that majority of farmers who benefited from microfinance were able to expand their farming businesses through increase in productivity and employment of more labourers. Finally, the study revealed that programme beneficiaries added to their assets on yearly basis. But the most acquired assets are basic necessities of life like cooking utensils, mobile phones and cloths.

5.1.4 Challenges Associated with Micro Credit

The study identified the following as the challenges associated with microfinance; high interest rate, bureaucracy in processing micro credits, untimely delivery and the

need to form groups in order to be granted a micro credits. These problems sometimes discourage rural agricultural households from accessing loans from MFIs.

5.2 Implications of the Key Findings for Policy

The goal of Ghana Microfinance Policy (GHAMP) is to promote the delivery of efficient and sustainable microfinance services to achieve wealth creation and poverty reduction, within the context of the objectives of Ghana's poverty reduction, growth and financial sector development strategies (Aryetey 2008).

The results of this research can help policy makers to create a favorable environment at macro, meso and micro levels that support the activities of the microfinance sub-sector. Since Ghana has a fairly broad and legal framework for formal financial institutions licensed by Bank of Ghana, there was the need for appropriate legislation for other institutions operating in the microfinance sub-sector in order to improve their outreach, sustainability and efficiency savings, credit supply and institutional arrangements.

In terms of human capital, findings of this study agrees with national policy to develop a comprehensive, consistent and coherent training programmes targeting various stakeholders in accordance with their roles, needs, and category. Special competency-based programmes can be designed for practitioners of microfinance in order to meet the needs of the poor.

A diverse, sustainable and efficient financial service delivery system is essential for the success of the microfinance sub-sector. Addressing issues related to the processes of the supply of credit (access to loans, the interest and repayment), the classification of institutions, as well as classification of potential beneficiaries are important to the operations of the microfinance subsector. Findings of the study can also assist MFIs to

develop and provide diversified and efficient credit delivery systems that can meet the different demands of the market in this modern time.

5.3 Conclusions

It is clear that access to financial services is imperative for the development of the informal sector and also helps to mop up the excess liquidity through savings that can be made available as capital investment for the development of rural areas.

The study indicates that the microfinance is unable to reduce poverty to the barest minimum because it adopts just a single approach for the eradication of poverty which is by granting loans. But based on the fact that micro-credit has helped rural agricultural households in the Hohoe Municipality to expand their agricultural enterprises, it is reasonable to conclude that microfinance is a good means of assisting rural poor to small and marginal enterprises. It is therefore regarded as a powerful tool to raise the living standards of the poor when managed properly.

On the process of granting loans, microfinance has not followed the right processes in lending to their beneficiaries. Due to inappropriate publicity, a lot of rural agricultural households are not so familiar with the products of microfinance hence their inability to access credit from MFIs. Microfinance institutions are not able to fulfill their social mission of combating poverty due to their high interest rates.

Base on the findings, it is concluded that microfinance has a positive impact on the socio - economic life of beneficiaries. There should be a reasonably diversified and supervised regulatory framework licensed by the Bank of Ghana.

On the whole, this study discovered that microfinance can help agricultural households to invest in their own businesses and promote their general welfare.

5.4 Recommendations.

The advocating of micro financing was triggered by the insensitivity of the conventional formal financial institutions. The essence was to reach the overwhelming population of the poor and to assist in the drive to alleviate poverty. The microfinance movement should therefore capture the imagination of both policymakers and practitioners. Even though microfinance has made some progress since its introduction in Ghana, much work has to be done to develop the system. Based on this the following recommendations were given for improving microfinance.

5.4.1 For Microfinance Institutions.

(i) Microfinance institutions need to build their staff technical and skill capacity in microfinance through systematic training. In this regard, training programmes, workshops and in-service training should be organized regularly so that it would enhance staff capacity in designing, implementing, monitoring and evaluating microfinance projects. This will allow MFIs to tailor microcredit to meet the needs and demand patterns of applicants and ensure satisfaction of beneficiaries especially agriculture households. Microfinance needs more professionals in their delivery of service to the rural poor. Collateral requirement from applicants should be reduce to enable beneficiaries have access to credit on time for production. This can be done through lending to groups and individuals as well.

(ii) Microfinance Institutions (MFIs) need to educate their customers about the proper use of microcredit by encouraging beneficiaries to use the credit for the intended purpose. For instance, investing in profit-generating business to ensure sufficient cash flow. A typical lesson is drawn from Jamaii Bora Microfinance in Kenya. As

reported in Units Innovative Solutions to Global Poverty Publication in 2005. Susan, aged 30, single with two children lived in Nairobi, Kenya. She grew up in a poor district of Kenya and married but the husband left her when he heard that Susan contacted HIV. She ended up in prostitution because she was unable to find work and had to support the two children and herself. Later she learned about Jamii Bora, a Nairobi based microfinance institution from her neighbours in the slum. The institution provided Susan with some form of business training skills and gave her loan to a clothes mending and sales business. The loan helped Jamaii Bora to quit prostitution and moved her family away from the slum into a better accommodation (Taiwo 2012). Here is evidence of education and business training by a microfinance institution. Since the educational level of rural farmers is very low as shown in the socio - demographic characteristics of this study, it is recommended that education and training should be provided for beneficiaries to enable them make better choice on the products of MFIs.

(iii) Although most of the microfinance institutions are giving out credit, it seems the credit is not large enough to lift those living below the poverty line. It is therefore recommended that microfinance institutions increase their loan size. This will have a greater multiplier effect on households' income through profits from income generating activities.

(iv) MFIs should design appropriate products that are flexible enough to meet the different needs of rural agricultural households for both production and consumption purposes. A good example of such products for consideration is the individual-based lending that is drawn on traditional banking practices. Loans should also be granted promptly based on bilateral agreement between MFIs and beneficiaries. In addition, Microfinance should not only focus on microcredit. It seems that other aspects such as

micro-savings and micro-insurance are lacking. The schemes are only interested in giving out credits with high interest. It is important to note that savings and investments play a key role in poverty reduction. Savings can even serve as insurance for households in times of uncertainty. Savings can also help improve future consumption for rural agricultural households. It is therefore recommended that MFIs should rather invest greater percentage of their resources into savings mobilization instead of granting loans. From basic knowledge in economics, capital accumulation has a greater power to reduce poverty. Savings provide the asset for the economy's investment in future production. Without them, the economy cannot grow unless there are alternative sources of investment.

(v) Micro insurance is very important to the poor more than the rich. Most poor people do not have any form of insurance to protect them against uncertainties. From the study it was revealed that micro insurance is missing in the microfinance sub-sector in Ghana. For example in 2015 at the time of this research, there was an outbreak of Avian Flu and MoFA destroyed 62,144 birds in Greater Accra, Ashanti and Volta regions and poultry farmers lost a lot of their capital (Daily Graphic, 2015). Poor people live and work in risky environments prone to illness, accidental death and disability, loss of property through theft or fire, agricultural losses, and natural and man-made disasters. Not only can exposure to these risks lead to significant financial losses, but vulnerable households suffer from the ongoing uncertainty about whether and when a loss might occur. The poor are less likely to take advantage of income-generating opportunities that might reduce poverty because of these constant apprehensions. Although there is little evidence based on knowledge of the impact of insurance on poverty reduction, micro insurance can help reduce the vulnerability that

poor households face and as a result, enable the rural poor to improve their lives. As a result, it is recommended that MFIs should provide insurance to their beneficiaries.

(vi) Finally, if indeed MFIs have a social mission of reducing poverty, then this research argues that in addition to accepting savings as a process of granting loans they should also track how their clients use their loans and how they allocate their profits.

5.4.2 For Government

(i) The government should institute some form of tax incentives for MFIs involved in rural agricultural lending. This will encourage others to consider the option of lending to rural agricultural households hence boosting the agricultural sector.

(ii) It is also recommended that the Bank of Ghana (BoG) in collaboration with the ARB to Apex Bank Limited to ensure proper supervision in order to streamline the activities of MFIs. A set of monitoring requirements would contribute to more professional microfinance programmes which may be converted into professional microfinance institutions for the eradication of poverty.

(iii) The government should involve the private sector in formulating poverty reduction strategies and explicitly recognize its leading role in the development of the financial sector including microfinance. The active participation of the private sector should help to embed in the microfinance firmly within the financial systems. This will give the poor the opportunity to take control of their livelihoods and communities leading to a progressive and sustainable increase in their quality of life and rise in their standards of living. Policy formulation for rural development should be a joint effort between the rural poor and the rich.

5.5 Suggestions for Further Research

This research has revealed many research opportunities in the field of microfinance. Other areas that could be researchers' interest include, but not limited to the followings:

- (a) An appraisal of microfinance institutions in Ghana: 2008-2015;
- (b) The impact of group lending on MFI performance in Ghana;
- (c) Micro equity and microfinance: An empirical analysis;
- (d) As an agenda for future research, one needs to identify all other key target values of the Microfinance Policy. In addition, most studies of microfinance have concentrated on the demand side of microfinance and there is the need to look at the supply side of microfinance. That is there should be research into what factors MFIs considers before they give out credit to ensure sustainability of their activities. A further research into the role of interest rate in microfinance will help the sub-sector package their products very well.
- (e) Finally, a critical limitation of this study is the use of only MFIs to explain the results obtained. Other factors such as climate, availability of market and infrastructural development should have been tested. It is therefore recommended that further studies be carried out to analyse the impact of these factors on the standards of living of rural farmers.

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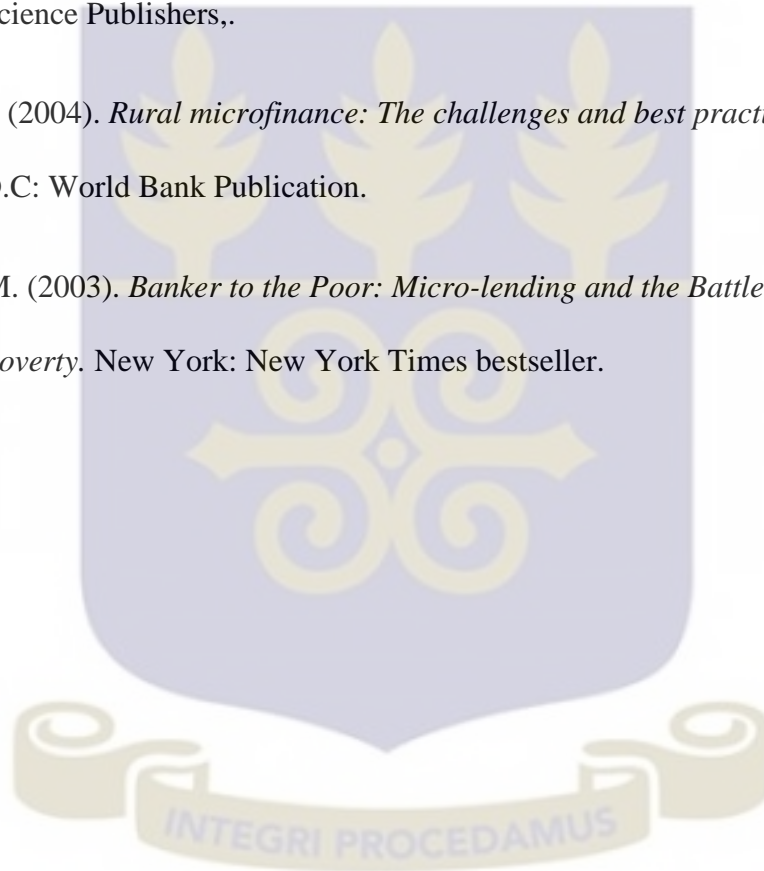
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APPENDIX A

UNIVERSITY OF GHANA

Department of Geography and Resource Development.

Microfinance and poverty alleviation in rural agricultural households.

This questionnaire has been designed to solicit information from beneficiaries for purely academic purposes in pursuance of M. Phil Geography and Resource Development.

NB: All information given would be treated with utmost confidentiality.

SECTION A: SOCIO-DEMOGRAPHIC CHARACTERISTICS

1	Age
2	Sex Male <input type="checkbox"/> female <input type="checkbox"/>
3	Household size
4(a)	Occupation
4(b)	If farming is your occupation what type of farming? A) Rice Farming [<input type="checkbox"/>](B)Cassava[<input type="checkbox"/>] (C)Plantation [<input type="checkbox"/>]D) Maize [<input type="checkbox"/>] E) Poultry [<input type="checkbox"/>] F) Others [<input type="checkbox"/>]

5	<p>Marital status</p> <p><input type="checkbox"/> Single <input type="checkbox"/> divorced</p> <p><input type="checkbox"/> Consensual/cohabiting <input type="checkbox"/> widowed</p> <p><input type="checkbox"/> Married</p>
6	<p>Ethnicity</p> <p><input type="checkbox"/> Akan <input type="checkbox"/> other</p> <p><input type="checkbox"/> Ga -adangbe <input type="checkbox"/> Ewe</p> <p><input type="checkbox"/> Mole-Dagbon <input type="checkbox"/> Guan</p>
7	<p>Religion</p> <p><input type="checkbox"/> Christian <input type="checkbox"/> Tradition</p> <p><input type="checkbox"/> Moslem <input type="checkbox"/> Other</p>
8	<p>Average monthly household income</p> <p>.....</p>
9	<p>What is your highest level of education completed</p> <p><input type="checkbox"/> None <input type="checkbox"/> SSS/SHS/Voc/Technical</p> <p><input type="checkbox"/> Primary <input type="checkbox"/> Graduate (Tertiary)</p> <p><input type="checkbox"/> JSS/JHS/Middle Sch.</p>

SECTION B: ASSESSMENT OF POVERTY

10	How much do you spend in a day (on all items)
11	What fraction of your monthly income or earning go into food (in percentage terms)
12	Do you save with microfinance or any financial institution? <input type="checkbox"/> Yes <input type="checkbox"/> No
13	If yes for Q.12 how many times do you save with your bank within a year?
14	If yes for Q.12 can you state the proportion of your earnings you save with your bank
15	Do your children attend school <input type="checkbox"/> Yes <input type="checkbox"/> No
16	If yes how much do you spend on their education per term
17	Which health care do you and your family access <input type="checkbox"/> Government health care <input type="checkbox"/> Self medication <input type="checkbox"/> Private health cares (excluding traditional means) <input type="checkbox"/> other

18	<p>In the case of government health care which of the following means do you use to access health care</p> <p><input type="checkbox"/> Health insurance <input type="checkbox"/> money <input type="checkbox"/> other</p>
19	<p>In the case of private health care which of the following means do you use to access health care</p> <p><input type="checkbox"/> Health insurance <input type="checkbox"/> money <input type="checkbox"/> other</p>
20	<p>If you chose money for Q.18 and Q.19, indicate specific amount you expend</p> <p><input type="checkbox"/> Government health care</p> <p><input type="checkbox"/> Private health care</p>
21	<p>Do you have any other work apart from farming?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
22	<p>If yes, state the specific work</p> <p>.....</p>
23	<p>Do you get any support in times of difficulty or needs?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
24	<p>If yes from whom?</p> <p>.....</p>
25	<p>Is your current work reliable to support your family?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

26	Please give reasons for your answer for Q.25																																													
	<p>.....</p> <p>.....</p> <p>.....</p>																																													
27	Please indicate by ticking if you have any of these assets																																													
	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 15%;">Yes</th> <th style="width: 15%;">No</th> </tr> </thead> <tbody> <tr><td>Room furniture</td><td></td><td></td></tr> <tr><td>Stove</td><td></td><td></td></tr> <tr><td>Refrigerator</td><td></td><td></td></tr> <tr><td>Fan</td><td></td><td></td></tr> <tr><td>Radio</td><td></td><td></td></tr> <tr><td>Video player</td><td></td><td></td></tr> <tr><td>Mobile phone</td><td></td><td></td></tr> <tr><td>Television</td><td></td><td></td></tr> <tr><td>Car/truck/bus</td><td></td><td></td></tr> <tr><td>Cooking utensils</td><td></td><td></td></tr> <tr><td>Land</td><td></td><td></td></tr> <tr><td>Iron</td><td></td><td></td></tr> <tr><td>House</td><td></td><td></td></tr> <tr><td>Motorbike</td><td></td><td></td></tr> </tbody> </table>		Yes	No	Room furniture			Stove			Refrigerator			Fan			Radio			Video player			Mobile phone			Television			Car/truck/bus			Cooking utensils			Land			Iron			House			Motorbike		
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Land																																														
Iron																																														
House																																														
Motorbike																																														

SECTION C: ARRANGEMENT FOR ACCESSING LOAN FROM MFIS

28	<p>Have you ever gone for a bank loan before?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
29	<p>Please indicate the number of times you have ever gone for a loan</p> <p>..... (e.g. 1,2,3,4)</p>
30	<p>For which purpose was the loan acquired?</p> <p>.....</p> <p>.....</p>
31	<p>Did you use the loan for the intended purpose?</p> <p>.....</p>
32	<p>Were you already saving with the bank?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
33	<p>Please can you indicate the average amount you received or have ever received as a loan from your/a bank?</p> <p>..... (GHC)</p>
34	<p>Were you required to provide collateral before you were provided with the loan?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
35	<p>If no to Q.33 what was the alternative arrangement?</p>

	<p>.....</p> <p>.....</p>
36	<p>Please indicate the repayment period for your loan</p> <p> <input type="checkbox"/> 0 - 6month <input type="checkbox"/> 1-2 yrs <input type="checkbox"/> other </p> <p> <input type="checkbox"/> 7months –1 year <input type="checkbox"/> 2yrs and above </p>

SECTION D: EFFECTS OF MICROCREDIT ON THE SOCIAL ACTIVITIES OF THE RURAL POOR

AREA OF SOCIAL EFFECT	YES	NO
A. I have been able to pay my children`s school fees because of credit from microfinance		
B. I have been able to pay my hospital bills as a result of the credit I received from MFIs.		
C. I have been able to feed my family as a result of the credit I received from microfinance.		
D. I have been able to pay my electricity bill as a result of the credit received from microfinance		
E. I used part of my profit to pay funeral expenses		
F. I used part of my profit to rehabilitate my house.		
Others		

SECTION E: MICROFINANCE AND GROWTH OF AGRICULTURAL ENTERPRISE

1. How much revenue did you obtain from the sale of your farm product before the loan (GH¢)?
2. How much revenue did you obtain from the sale of your farm products after the loan (GH¢)?
3. How many people did you employ before the loan?
4. How many people did you employ after the loan?
5. How many years have you been in this farming business?
6. Has there been a progress in your farming business after the loan?
 - a. Yes [] b. No []
7. If your answer in 6 above is YES, how has the micro credit impacted your farming business?
 - a).....
 - b).....etc.
8. If NO explain.....
9. Would you like to continue with this MFI? Yes { } No { }
10. If yes,
State reason.....
11. If no, state reason

SECTION F: CONSTRAINTS ASSOCIATED WITH MICROCREDIT

ACCESS

Please indicate the easiness in dealing with your source of credit

Very easy [] Easy [] Less easy [] Not easy []

Kindly fill the table below

Constraints	Response
Lack of sufficient collateral	
Availability of guarantor	
Interest rate	
Loan size	
Credit is tied to certain ration of savings	
Group lending required	
Bureaucracy in the processing of credit	
Untimely delivery of credit	
Others (specify)	

Scale: 1= very major constraint; 2= major constraint; 3= somehow a constraint;

4= minor constraint; 5= very minor constraint

APPENDIX B

UNIVERSITY OF GHANA

Department of Geography and Resource Development

**Microfinance and poverty alleviation of rural agricultural households
in the Hohoe Municipality.**

This interview guide has been designed to solicit information from beneficiaries for purely academic purposes in pursuance of M. Phil Geography and Resource Development.

NB: All information given would be treated with utmost confidentiality

1. Name of Institution.....

2. Type of institution

Rural Bank []

Local NGO []

Financial Company []

Saving & Loans []

Credit Union []

3. Does your institution give credit to the productive poor?

Yes [] No []

5. Who are the main beneficiaries?

Market Women []

Farmers []

Government workers []

Self employed []

6. Does the clients repay their loans time?

Yes [] No []

7. If **NO** in item (6) why?

(i) High interest rate on the loans []

(ii) Clients do not use the loan on its intended purpose []

(iii) Natural disaster or accident []

PRACTICES AND PROCESSES OF MICROFINANCE

8. Did you give training to your beneficiaries?

Yes []

No []

9. If your answer is **YES** in 8, tick the appropriate column in the table below the kind of training given.

Areas Trained by MFI (Bank)	Yes
A. Group dynamics	
B Record keeping	
C Banking culture	
D Credit management	
E Savings mobilization	
F Role/Responsibility of group in loan processing and repayment etc.	

G Conflict resolution	
H Savings mobilization	
Loan application and disbursement procedures	
J Legal and regulatory frame work of the loan	
Others	

10. What particular model do you follow in granting loans to agricultural

households?

.....

11. Do you have suitable incentive structure for farmers who are faithful in

loan repayment?

Yes [] No []

12. Please if your answer in 17 is **YES**, what type of incentive do you give?

.....

HINDRANCES TO CREDIT DELIVERY BY MICROFINANCE INSTITUTIONS

To what extent do the following parameters affect loan delivery of your institution?

Variable	Very low	Low	Medium	High	Very High
Isolated markets					

Seasonality of products					
Crop failure					
Commodity price fluctuation					
Default in repayment					

