The Impact of Microfinance on Poverty Reduction amongst Farmers in Ghana

Fatawu Adesina Bakare

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ABSTRACT

The microfinance programme is largely deemed to be a mechanism aimed at reducing poverty particularly in developing countries. The prevalence of poverty is considered to have a negative effect on the health of an economy as well as the wellbeing of its people. Thus, this thesis investigates microfinance provision and its poverty reducing impact. In particular this study sought to investigate the relationships between microfinance provision and the wellbeing of the family including the agricultural activities of the borrowers. In this thesis, poverty is conceptualised from the perspective of “capability deficit”. Thus, the wellbeing of the family is considered to have been improved as a consequence of an increase in its capability. This thesis begins with a review of the state of knowledge within the domain of extant microfinance literature that focuses mainly on the effect of microfinance on poverty reduction. The empirical study of this thesis is based on 320 structured questionnaire responses from microfinance farmer borrowers. 10 semi-structured interviews were carried out with the microfinance loan officers and 40 semi-structured interviews were conducted with the service users. The study findings suggest that there is a significant relationship between microfinance provision and positive effect on the wellbeing of the microfinance clients and their families as well as their agricultural activities. The research finds that, microfinance clients’ perception of poverty focus significantly on maintaining a reliable source of income and the ability to meet essential family needs. The findings also show that, the selection of members into groups based on personal relation and trust as an embedded feature of group formation to hedge against moral hazard problems, suggests the likelihood of exclusion from benefiting from microfinance loans. The outcomes of this empirical study contribute significantly to the wider microfinance literature that shows microfinance leads to a positive effect on the holistic livelihood of poor service users (Hulme and Mosley, 1996; Armendariz de Aghion and Morduch, 2005; Adjei, et al., 2008). Moreover, the thesis provides significant methodological and theoretical contribution to the research in microfinance in both developed as well as developing economies.

DEDICATION

This thesis is dedicated to my father, Jimah Bakare (Late), mother, Abisatu Salami Ama. Their selfless and exceptional parental guidance to me and unceasing prayers no doubt contributed immensely to this achievement.

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List of Abbreviation

SPSS - Statistical Package for the Social Sciences

GSS – Ghana Statistical Services

MFT – Ministry of Foreign Trades

GPRS – Ghana Poverty Reduction Strategy

GPRS – Growth and Poverty Reduction Strategy

GSGDA – Ghana Shared Growth and Development Agenda

MDG – Millennium Development Goal

NGOs – Non-governmental Organisations

GDP – Gross Domestic Products

BoG – Bank of Ghana

ROSCA – Rotating Savings and Credit Associations

ASIP – Agricultural Services Investment Project

REP – Rural Enterprise Project

RFSP – Rural Financial Services Project

UNDP – United Nations Development Programme

CBRDP – Community Based Rural Development Programme

NBFI – Non-Banking Financial Institutions

ASCAs – Accumulating Savings and Credit Associations

ARB – Association of Rural Banks

MASLOC – Microfinance and Small Scale Loans Centre

SMEs – Small and Medium Size Enterprises

YES – Youth Enterprise Support

GHAMP – Ghana Microfinance Policy

GHAMFIN – Ghana Microfinance Institutions Network

MDA – Municipal and District Assemblies

MMDA – Metropolitan, Municipal and districts Assemblies

CUA – Credit Union Association

ASSFIN – Association of Financial NGOs

GCSCA – Ghana Cooperative Susu Collectors Association

MOFEP – Ministry of Financial and Economic Planning

PSDS – Private Sector Development Strategy

GCSE – General Certificate of Secondary Education

MFT – Ministry of Foreign Trade

ILO – International Labour Organisation

WHO – World Health organisation

UNCEF – United Nations Children's Fund

UN – United Nations

HDR – Human Development Reports

HPI – Human Poverty Index

OECD – Organisation for Economic Cooperation Development

PRSP – Poverty Reduction Strategy Paper

IMF – International Monetary Funds

CPRC – Chronic Poverty Research Centre

DFID – Department for International Development

FOCASS – Foundation for Credit and Community Assistance

SAT – Sinapi Aba Trust

MFI – Microfinance Institution

USAID – United States Agency for International Development

SLA – Sustainable Livelihood Approach

HND – Higher National Development

1.0 CHAPTER ONE

1.1 INTRODUCTION

Microfinance is a tailored programme for the deprived and its recent proliferation in developing countries is largely due to its success in countries such as Bangladesh, Pakistan, Ghana and Nigeria (Brau and Woller, 2004; Helms, 2006). Moreover, empirical evidence shows that, access to microfinance for poor people helped in improving the wellbeing of the family (Hulme and More, 2006; Armendariz and Morduch, 2005). Microfinance is the provision of financial services to people who are financially excluded from the mainstream financial market (Otero, 1999). Thus, at the heart of microfinance finance is the provision of credit to the marginalised who are unable to access finance due to their inability to provide physical collateral. Microfinance is a broader concept, unlike microcredit (provision of loan); it encompasses the provision of financial products such as, savings, insurance, training (Armendariz and Morduch, 2010). The existence of finance barriers in the credit market have impacted on the ability of the poor to access credit from conventional financial institutions (D'Espallier, 2009; Kamunge, 2014). Thus, the role of microfinance is to facilitate access to credit for productive purposes thereby, improving the wellbeing of the family.

Poverty is a socio-economic problem due to the negative effect it has on the health of an economy (Agbaeze and Onwuka, 2014). Poverty, is considered to be: the inability of the poor to access basic necessities (Townsend, 2006). Microfinance is deemed to be an effective development-oriented programmed for reducing poverty (Okibo, 2014). Thus, access to finance helps the beneficiaries as well as their families to experience an improved quality in the wellbeing of their families. In view of the importance of microfinance in relation to poverty reduction, the World Bank declared 2005 as a year of microfinance (World Bank, 2005). Since this declaration, various empirical studies focusing on the effect of microfinance have been conducted and the results relating to its efficacy in reducing poverty, are diverse. Moreover, the majority of the studies focused on women as they are perceived to be better clients than men because of their repayment records and their use of the loan for the benefit of the family (Rahman and Nie, 2011). It is against this background that, there have been recent calls to go beyond the evaluation of the effect of microfinance, by incorporating the characteristics and factors of microfinance that have acted positively on the wellbeing of the clients and their families from the service user's perspective (Owolabi, 2015). In Ghana, microfinance has been recognised as an effective tool because of its poverty reducing effect (Dzisi and Obeng, 2013). However, there is a paucity of studies in relation to the effect of microfinance on the wellbeing of farmers and their families in Ghana (Afrane and Adusei, 2014). Furthermore, where there are such extant studies, they either focus on women or men in the impact evaluation studies (Dzisi and Obeng, 2013). Empirical evidence regarding access to finance by farmers showed that, their ability to benefit from credit is impeded because of the nature and characteristics of their agricultural activities (Salami et al., 2010). Moreover, the scant empirical research and mixed outcomes in this domain (Schneider and Gugerty, 2011), justify the need to further conduct a comprehensive and rigorous study in this area. Against this background, this study considered the poverty reducing effect of microfinance on services for women and men. Thus, this thesis focused on investigating plausible relationships between microfinance services and the wellbeing of the family as well as their agricultural activities in Ghana. The evaluation of these relationships will help to establish whether access to microfinance does indeed lead to positive growth for the agricultural enterprises of the farmers, as well as for the wellbeing of their family. The chapter begins with a general introduction to the study relating to microfinance and its poverty reduction effect as well as the rationale for the study. This is followed by the research aims, objectives and research questions.

AIM (s) AND OBJECTIVES OF THE STUDY

AIM OF THE STUDY

The aim of this study is to examine and analyse the impact of Microfinance intervention and its contribution to poverty reduction among farmers in Ghana.

OBJECTIVES

i. To explore the pertinent literature on microfinance and to review empirical studies' contribution on poverty alleviation at large and Ghana in particular, to motivate research questions.

ii. To critically examine the causes and consequences of financial exclusion among farmers and consider a strategy to enhance access to microfinance for farmers.

iii. To develop a conceptual framework to examine the impact of microfinance on farmers in Ghana.

iv. Analyse the empirical survey data obtained from Ghana, in view of the conceptual framework, regarding the participation in microfinance amongst farmers and to develop policy recommendations for funding organisations and policy makers.

KEY RESEARCH QUESTIONS

Based on the gaps identified after the review of the extant literature pertinent to microfinance and its effect on poverty reduction, the following research questions are derived as the main theme for this study.

1. Is there any relationship between microfinance provision and poverty alleviation in Ghana?

This research question is the first question that emerges from the review of the literature pertinent to the contribution of microfinance to poverty reduction. In the context of this thesis, microfinance services involve the provision of credit, savings and training for their clients. Therefore, to establish the relationships between microfinance services and an increase in the wellbeing of the family, the impact of microfinance services on family wellbeing, growth of agricultural activities, income and savings are reviewed and analysed with the intent of determining the extent of the impact.

2. How relevant and effective are the present approaches employed by the microfinance service providers in Ghana in offering credit to farmers?

The second research question of this thesis relates to the specific lending techniques or the model employed by microfinance to provide credit to the service users. In relation to these lending mechanisms, group lending or collateral and individual lending models are the common lending strategies used in the literature. Although group guarantee and individual lending techniques are often used, the group lending model is the most predominant method used to give credit to microfinance customers. Group collateral allows clients to benefit from microfinance loans because of the absence of collateral and for microfinance institutions to hedge against the risk of default. In order to minimise the rate of financial exclusion, the microfinance service providers instituted various innovative lending models with the intent of helping the deprived and to reduce the risk of default. Thus, the focus of this thesis is to identify the weaknesses as well as the strengths relating to the current lending techniques and to enhance these lending practices that offer microfinance to farmer clients.

3. What are the factors that impact and affect microfinance operations in Ghana in relation to credit provision?

The third research question concerns the specific factors or features of the farmer service users and the microfinance institutions, that affect access to microfinance. An evaluation of the extant literature indicates that, there are specific factors or features that impact on the use of and the access to microfinance namely; the educational level of the farmer, the age and gender of the farmer and the nature of the agricultural activities of the farmer. In this thesis, the distinctive features help the researcher to examine the pertinent variables that affect or enhance access to credit as well as contribute to the wellbeing of the family. Thus, this study makes use of only factors or features that contribute to the growth of the agricultural activities of the famers and the wellbeing of their family.

4. **How can microfinance products be developed and provided to encourage access to finance for the financially excluded in Ghana?**

This research question is focused on identifying the relevant lending techniques that are capable of helping poor people to benefit from microfinance services. Firstly, the evaluations and results from the analysis indicate that, the costs of processing loan applications have a negative effect on the microfinance institutions. Thus, providing credit to the customers at a minimal cost could be attributed to the lending techniques employed to deliver these services to the clients. Secondly, the short repayment arrangements coupled with the exorbitant interest rates that negatively affect the agricultural enterprises of the microfinance service users, could be linked to the specific lending methods used for providing credit to these customers. In view of these developments, this thesis examines the current lending mechanisms that will inform the development of a lending model capable of providing effective credit to farmers aimed at improving their agricultural activities.

Thus, so as to find the answers to the research questions identified after the review of the extant literature relating to poverty reduction, as well as the outcomes of the empirical data; a model of microfinance that addresses the effect of microfinance on the wellbeing of the family has been constructed. In this study, the intention is to apply this model in the context of Ghana. This could then be applied to deliver effective microfinance to customers.

STRUCTURE OF THE STUDY

The thesis consists of six chapters. The first chapter presents the aim and objectives of the study as well as the justification for the study.

Chapter two reviews the literature in relation to the Ghanaian context. The chapter considers the political and economic dimensions of Ghana. This is followed by outlining various government interventions aimed at reducing poverty in Ghana. The section discusses the role of microfinance in assisting the poor to access finance for consumption and productive purposes and how it contributes to the wellbeing of the deprived as well as the growth of the economy.

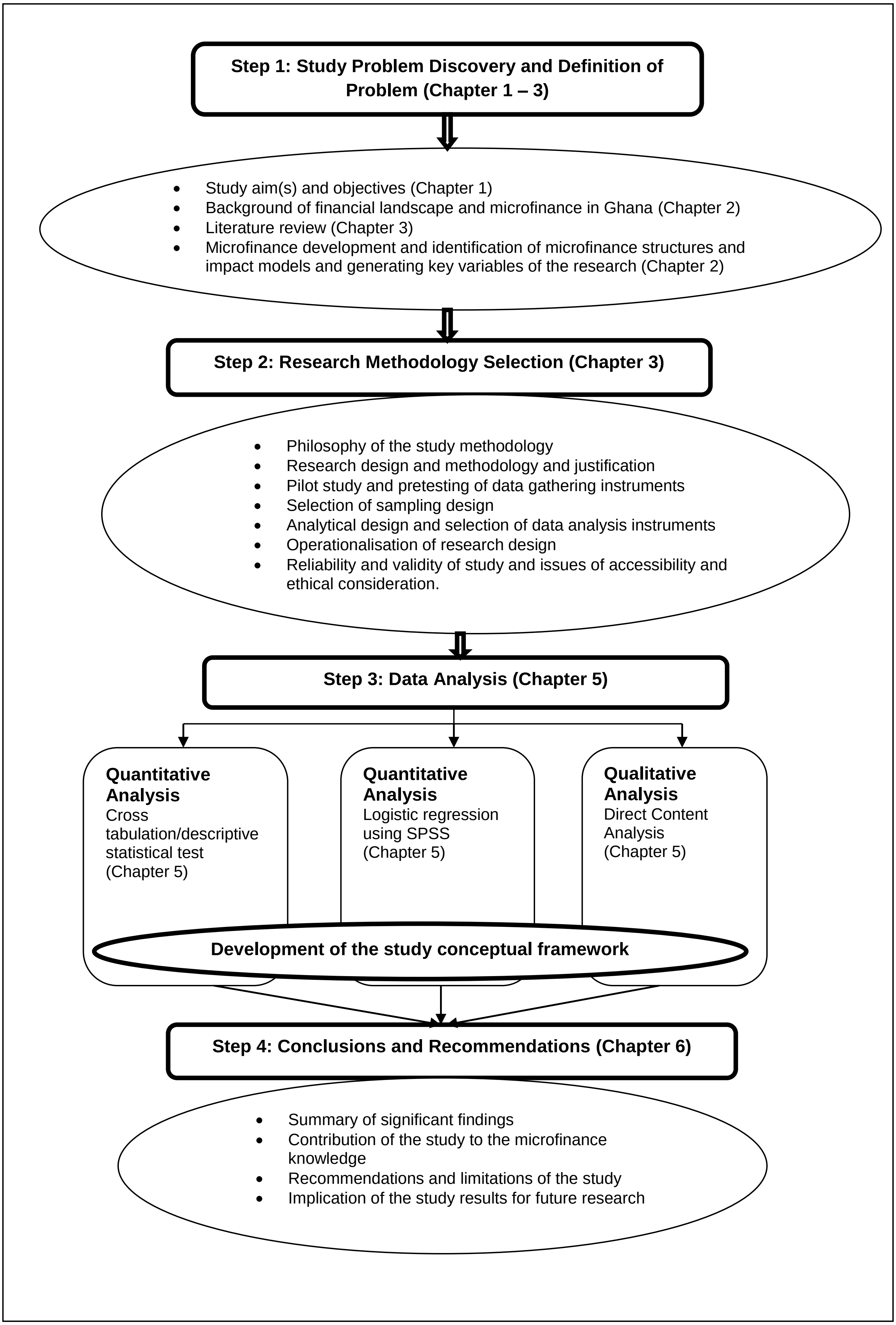
Chapter three focuses on the review of the literature pertinent to microfinance and its relation to poverty reduction and the wellbeing of the family. This is followed by a review of the various dimensions of poverty and policy implications. The chapter also reviews the literature on various lending mechanisms or models and how they help to address inefficiency in the credit market. The development of microfinance is reviewed in conjunction with the extant empirical studies. The last section reviews various methodologies used for evaluating the impact of a development project.

Chapter four presents the methodological approaches employed in the thesis and provides the justification for choosing the methodology pertinent to this research. This includes the study design, constructing the survey instruments and the selection of the most appropriate sampling techniques and their rationales. This is followed by discussion pertaining to the outcomes of the pilot study that informed the changes to the data collection instrument.

Chapter five considers the descriptive analysis of the results from the quantitative study. This is followed by discussions relating to the qualitative data analysis obtained from the loan officers of the microfinance institution studied. The chapter also discusses the outcomes from the qualitative data and quantitative data obtained from the service users of the microfinance institution. Also, the quantitative data collected is examined and analysed with the help of the Statistical Package for the Social Sciences (SPSS). In this chapter, the two hypotheses for the study are tested to help answer the first research question, employing the logistic regression model.

Chapter six entails the conclusions including a summary of the significant findings from the study. The contribution of the thesis to the extant microfinance literature is presented. Additionally, the limitations of the study as well as areas for further future research, are considered.

Figure 1.1 Research Structure and Outline



CHAPTER TWO

2.0 The Financial Landscape in Ghana and the Study Context

The main focus of this chapter is to disaggregate the context of the study area and its significance for this study. The section considers the poverty dynamics in Ghana and various government interventions aimed at addressing this menace. It is significant to note that, poverty is relative and context specific and thus requires targeted approaches and an institutional framework to tackle it. The purpose of this study is to assess the impact of microfinance on poverty reduction in Ghana; thus, understanding the study context and background will contribute to finding answers to the research questions identified after the literature review. Moreover, the contribution of microfinance intervention as an institutional mechanism aimed at bridging the financial “gap” in the credit market and also as extending access to finance for the financially excluded, will be considered.

Figure 2.1 Map of Ghana

Source: Ghana High Commission, London, UK, 2016

2.1 The Background and Political Structure of Ghana

Ghana, formally called the Gold Coast was formerly a British colony and gained independence on the 6th March 1957. The name Gold Coast was originally given to this West African country due to the huge gold deposits there particularly in the Ashanti and Western regions of Ghana. Ghana was the first of the sub-Saharan African countries to have achieved independence from the British. Ghana is strategical situated in the West African Gulf of Guinea with a land size of 239,000 sq. km. The country is surrounded by Togo, in the east, Cote d'Ivoire in the west, Burkina Faso, in the north and the southern part is enclosed by the Atlantic Ocean. Ghana is demarcated into 10 administrative regions; Volta, Eastern, Brong Ahafo, Northern, Upper West, Upper East, Greater Accra, Ashanti, Central and Western regions. The regions in Ghana are sub-divided into 170 districts and each district has its own capital. The West African country prior to its independence had Cape Coast in the Central region as the regional capital but this was later moved to Accra in the Greater Accra region. The climatic condition in Ghana is mainly tropical apart from the north. There are two rainy seasons between April to July and September to November. In the northern part, the rainy season often starts from April through to September. According to the Ghana Statistical Services (GSS) census, the population of Ghana was estimated to be 27 746 165 people (GSS, 2014). The country is divided into 5 ethnic groups namely; the Guans, Akan, Ga, Moshi-Dagomba and Ewe. The official language used in business, education and for government activities is English. However, there are other dialects and languages spoken alongside the English language.

Since independence it has relied heavily on natural resources such as cocoa, timber, and mining activities (e.g. Gold, Bauxite, Diamond and Manganese). However, an over dependency on these primary export products often exposed the country to price shocks and led to a low level of income for the country (MFT, 2011). To date, due to government initiatives to improve the living condition of the people, particularly the rural folks who are mainly farmers, the government invested heavily in the agricultural sector. This has now contributed to the country's GDP but the country's service and manufacturing sectors remain relatively small. However, the economic growth after independence began to accelerate and this was largely powered by the involvement of the government in the economy and the development of import substitution industries. In the 1970s and the early part of the 1980s, the country's income deteriorated due to austerity actions implemented largely because of growing budget deficits. Moreover, from 1983 to 1989 the country began to witness a massive economic growth due to structural adjustment programmes adopted to curb the microeconomic imbalances. According to Mckinsey (2011), this West African country is now considered amongst the group of Africa's transition economies. Though, Ghana's GDP is relatively below the diversified North African economies, in 2007, the country witnessed a massive improvement in its foreign exchange due to the discovery of an oilfield, estimated to contain between 2.5 to 3 billion barrels of light oil. Subsequent discoveries of huge deposits of oil led to the country being counted among the chain of oil producing nations worldwide (GSS, 2013).

Prior to Kwame Nkrumah, in August 1947 the first political party was formed in Ghana, the United Gold Coast Convention (UGCC). This initiative was spearheaded under the leadership of Dr Danquah with the aim of self-governance. Kwame Nkrumah who later joined the UGCC, left to form the Convention People's Party (CPP) due to ideological differences. The first election which was conducted in the Gold Coast in February 1951 was won by Kwame Nkrumah CPP and thus, Kwame Nkrumah was appointed the first prime minister of the Gold Coast. Another election was held in July 1956 by the then British colony and this was again won by the Convention People's Party (CPP). The purpose of organising this second election was to test Nkrumah's popularity. Consequently, the British declared 6th March 1957 the date for independence to take place and Kwame Nkrumah became the first president of Ghana. After independence, Nkrumah embarked on massive industrialisation and infrastructural development. This ambitious plan led to the overhaul of health, roads and educational facilities in the country. However, the intended plans of Nkrumah could not yield the desired results due to financial mismanagement and corruption. Subsequently, Kwame Nkrumah declared himself as "president for life" and thus banned all political parties in the country.

This pronouncement by Kwame Nkrumah was met by stiff resistance from the other political parties who were not enthused with the declaration leading to a period of political upheaval in the country. In 1966, the Nkrumah government was overthrown through a military coup by Emmanuel Kotoka (Jedwab and Osei, 2012). Whilst the military regime was in control of the administrative affairs of the country, the then parliament was dissolved and the Nkrumah party (CPP) was banned from engaging in any political activities in Ghana. After barely two years of military reign, the country returned to a multiparty system in 1968. This was followed by a general election held in 1968 and Kofi Busia was elected as the head of government. In 1972, the Busia government was overthrown. This was mainly due to the inability of the Busia regime to meet the high expectations of the people. The government was expected to develop a road map which would lead to a considerable transformation of the economy but this could not be achieved by the government within that relatively short period and subsequently this led to another military intervention in 1972. In February 1979, Flight Lieutenant Jerry John Rawlings staged another unsuccessful coup but in June 1979, the coup leaders succeeded in overthrowing the government in office. The coup stagers subsequently gave way to a democratically elected president and this saw Dr Hilla Liman in office for two years. The Hilla Liman regime was interrupted by another military coup led by Jerry John Rawlings in 1981 and they were in control of the affairs of the country until 1992 when Rawlings was democratically elected as the president of Ghana. Rawlings won this election on the ticket of the party he formed, the National Democratic Congress (NDC). Rawlings stood for re-election after the first term in 1996 and won by 57%. After Rawlings' two terms in office, the New Patriotic Party (NPP) led by John Agyekum Kufour won the election for two consecutive terms until 2008 when the National Democratic Congress (NDC) led by professor Evans Attah-Mills regained power for the NDC. Considering the political transition since the country returned to a multi-party system, Ghana's democratic credentials have been recognised worldwide and are considered to be the most successful in sub-Saharan Africa (Whitfield and Jones 2009; Gyimah-Boadi, 2008).

In Ghana, the executive power according to the constitution of the country, is vested in the hands of the president. The president is the head of the government and the head of state in addition to being the Commander-in-Chief of the Ghana Armed Forces. In any general election, both the president and the vice president are jointly elected together and this runs for a period of a four year term. According to the constitution of Ghana, both the president and the vice can stand for reelection for another four year term (Abdulai, 2009). For the determination of the overall policy of the country, the president usually appoints between 10 to 19 cabinet ministers to help steer the economic management of the country (IDEC and OSIWA, 2007a: 23).

2.2 Poverty Dynamics in Ghanaian Context and the Economic Background

The prevalence of poverty in developing countries including Ghana, has dominated development discourse. The condition is usually characterised by the non-existence of certain basic amenities. Predominantly, people who live in the rural stratum of the country often demonstrate certain attributes of poverty (Alkire and Santos, 2014). However, studies show that, poverty is not entirely a rural phenomenon; it also exists in the urban areas (Stansell and McLaughlin, 2013). This is because, people who migrated to the urban areas from the rural villages for non-existent jobs, often live in slums, the under developed part of the city. Thus, this worsens the already deteriorated condition of the people seeking to improve upon their livelihood. Given the relative deprivation in different countries and poverty indicators, different definitions have been ascribed to the term poverty (Tacoli et al., 2015).

Poverty is a complex and multidimensional phenomenon. In Ghana, various successive governments have concentrated on and implemented, several poverty reduction strategies and these initiatives were deemed to be at the heart of the country's development agenda (Gallardo, 2002). In 1995, the country started to consolidate this approach and this resulted in the launching of vision 2020 and; an effort was made to start promoting and analysing poverty reduction. According to the Ghana Statistical Service (GSS) (2014), about a quarter of people living in Ghana are deemed poor while under a 10th of the Ghanaian population is considered to be extremely poor. Although the level of extreme poverty is relatively low, people in this category are mostly those living in the rural savannah of the country. In all, poverty in Ghana within the last 7-year period shows that, the menace is largely a rural phenomenon. Although, incidents of poverty declined in most regions between 2005/2006, poverty variations region by region, remain unchanged. Moreover, out of the ten regions in Ghana, the rate of poverty in five of the regions was considered to be lower than the national average of 24.2% whilst the rest had poverty levels higher than the national average. According to the Ghana standard of living study and the poverty line of GH 1,314, the number of people considered poor between 2012/13 represented 24.2% of the population. The poverty gap index for this period was 7.8%. In view of these percentages, approximately 6.4 million people in Ghana are deemed poor (GSS, 2014). The poverty incidence among different geographical groupings varied from region to region between 2012/13. Studies show that, the rural population represents fifty percent of the population of the country however, this segment of society accounts for 78 percent of those poor. This recent survey supports the country's poverty profile reports between 1998/1999 and 2005/2006, where about 80 percent of the entire population of people considered to be living under the defined poverty line were residing in the rural part of Ghana (GSS, 2014). The poverty incidence in the rural savannah is more severe than the combined poverty level in the rural forest and coastal areas. However, in the Greater Accra region including Ada, Madina and Accra the country's capital, the poverty rate of 13.5 percent represents the lowest among all the geographical strata. The internal migrants in the Greater Accra region represent 66.4 percent of the people who migrated to the city seeking non-existent jobs and thus resorted to agricultural activities in the forest zones of the city.

The studies indicate that the areas where the family-heads engage in agricultural activities are not only poor in Ghana but they also represent the largest group of people living under poverty threshold compared to those in non-farming sector. Thus, it can be inferred that, the poverty incidence among those in the service industry is less severe. Overall, the incidence of poverty amongst women-headed families appeared to be less severe compared with men-headed families. Thus, empowering women should help to reduce the poverty phenomenon thereby, improving the living conditions of the entire household (Gallardo, 2002). The question therefore is whether development interventions should be focused on women-headed households or men-headed households. Given these concerns, it is pertinent to note that the men in a female-headed household may eventually control the family resources considering the cultural dynamics in Ghana. Moreover, families with a high illiteracy level, are considered to be the poorest in Ghana contributing largely to the high incidence of poverty in the country. For example, in Ghana, poverty analysis has concentrated largely on consumption poverty according to the Ghana Statistical Services (GSS) (2014). The poor are considered to be those who do not have or lack command over certain basic consumption needs. These include; non-food and food elements. The GSS often use the expenditure of a minimum consumption basket needed by individuals to achieve his/her basic non-food and foods, to measure people who are poor and marginally poor. This, the GSS refers to as the poverty line or absolute poverty in Ghana based on the estimated expenditure. Alongside the poverty line, an estimate of an extreme poverty line is also calculated. Essentially, this shows the expenditure needed for a minimum food consumption basket that could offer families the required amount of calories. Thus, a family that lives below this extreme poverty threshold would not have access to enough calorie requirements even if the entire household budget was spent on food items.

According to the Ghana Statistical Services' population and housing census (2010), there has been a remarkable improvement in relation to poverty reduction over the past two decades. The study shows that, living standards between 1992 and 2006 point to the fact that, monetary poverty calculated on the level of per capita consumption has reduced considerably. The number of people considered poor fell from 7.9 million representing 52% of the entire population in 1992 to 6.3 million in 2006 representing 29% of the country's population. In addition to this significant progress achieved in reducing poverty, the government initiated several policy frameworks including the implementation of the Millennium Development Goal Declaration, 2000 aimed at reducing global poverty levels. The policies implemented at the national level to curb the incidence of poverty include, The Ghana Poverty Reduction Strategy (GPRS 1- 2003/2005), the Growth and Poverty Reduction Strategy (GPRS 2 – 2006/2009), as well as the current Ghana Shared Growth and Development Agenda (GSGDA, 2010/2013). Each of these initiatives was aimed at achieving different objectives. GPRS 1 concentrated on microeconomic stability, human resource improvement, good governance, production and the creation of employment. The GPRS 2 focused on private sector development, civic responsibility, job creation, sustained microeconomic stability and good governance. The GSGDA is aimed at addressing seven thematic areas; improved private sector competitiveness; enhanced natural resource management and a fast-tracked modernisation of the agricultural sector; stabilisation of the economy; oil and gas; human settlement, infrastructural and energy development; accountable and transparent governance and human resource development (GSS, 2013). According to the Millennium Development Goal (MDG) (2010) report, Ghana has made a considerable improvement in achieving the MGD1, which is aimed at reducing extreme poverty by half. Although the country has witnessed a significant reduction in poverty, the endemic nature of poverty in Ghana is nonetheless a major concern for the government and non-governmental organisations (NGOs).

Furthermore, Ghana has gone through a series of economic transformations, restructuring and liberalisation in the last two decades. These initiatives were largely intended to address inequality in society and to work towards a sustained microeconomic stabilisation (Ackah and Asiamah, 2014). The country's current account deficit increased from 12.2% of GDP in 2012 to 13.2% of GDP in 2013. However, Ghana's net international reserves as of February 2014, showed a great deterioration and there was only enough to cover less than 1 month of imports of goods and services into the country. In 2013, the private capital flows went down to 6.6%, measured as a percent of GDP, from 7.4%. Between December 2012 and the end of 2013, the country's net international reserves went down from US$3.2 billion to US$2.1 billion and in 2014, to US$1.7 billion and this covered less than 1 month of import of services, goods and factor payments for the relevant period. The consumer price inflation has been on the rise since 2013 and this was estimated to continue largely due to escalating utilities prices, depreciation of the Ghanaian currency and the increasing prices of imported goods and services (Ackah and Asiamah, 2014). Given the inflationary trends over the period and its relative impact on prices in the country, any attempt by the government to curb the incidence of poverty and to achieve the MGD1 target of halving extreme poverty may be affected. This is because; the purchasing power of the poor will decline significantly due to the ripple effect of the depreciating Ghanaian Cedi and rising prices of goods and services. Thus, microfinance is considered an important mechanism that could contribute towards poverty reduction in Ghana.

2.3 Microfinance: The Ghanaian Context

There is a growing body of literature that acknowledges the significance of microfinance as a poverty fighting mechanism in the development discourse (Afrane, 2002; Simanowitz, 2004; Qureshi el at., 2012). In Ghana, microfinance has been accepted as a financing option for poor people and for the financially excluded (Oduro-Ofori et al., 2014). The concept has existed for several years in different forms (BoG, 2007). Microfinance started in Ghana in the form of self-help groups, where people save and obtain loans from families, friends and individuals or groups for the purpose of starting small retail enterprises and farming projects (Gallardo, 2002). The first credit union in Ghana was formed in 1955 by the Canadian Catholic Missionaries in Northern Ghana. However, the most common form of savings and lending in Ghana, Susu, originated from Nigeria in the 19th century. The development of the microfinance industry in Ghana today was as a result of the introduction of financial sector programmes and policies including; the creation of rural and community banks, the liberalised financial sector as well as the promulgation of PNDC Law (328) of 1991. This essentially paved the way for the establishment of different kinds of non-bank financial organisations in Ghana such as, finance houses, credit unions and savings and loan companies. There are currently three main categories of microfinance operating in the country. The main focus of these sectors is to provide financial services to the rural and urban poor people and the underserved segments of the market (Gallardo, 2002). These include;

- Semi-formal suppliers of microfinance: financial non-governmental institutions, credit unions and cooperatives.
- Formal suppliers of microfinance: savings and loans companies, commercial banks, rural and community banks.
- Informal suppliers of microfinance: rotating and accumulating savings and credit associations (ROSCAs), Susu collectors and clubs, money lenders and other individual lenders.

Currently, there are a number of initiatives aimed at improving the microfinance industry and these include; the Agricultural Services Investment Project (ASIP), the Financial Sector Improvement Project, the Rural Enterprise Project (REP), the Rural

Financial Services Project (RFSP), the United Nations Development Programme (UNDP), the Microfinance Project and the Community Based Rural Development Programme (CBRDP). These policy frameworks are intended to regulate the microfinance sub-sector and to provide a level playing field in relation to access for finance, especially for the financially excluded.

In Ghana, the operations of microfinance and financial intermediation are under the regulatory supervision of the Central Bank, the Bank of Ghana (BoG). The regulatory framework under which the Bank of Ghana supervises the financial sector is based on a tiered structure of licensed financial intermediaries and the relevant financial regulations are contained in the Non-Bank Financial Institutions (NBFI) Law 1993 (PNDC Law 328) and the Banking Law (1989). Considering the massive growth in the financial and non-financial sectors in Ghana, the regulatory framework governing the operation of these sectors was thus revised to accommodate the emerging challenges. Consequently, the Banking Act 2004 (Act 673) was enacted to regulate the activities of the Rural and Community Banks. The regulatory and legal framework governing the operations of microfinance in Ghana required MFIs to be registered as a legal entity except, ASCAs and ROSCAs, Susu clubs and Susu collectors. Moreover, banks and non-banks, financial institutions (including, savings and loans companies and rural banks) are obliged to have their businesses incorporated. The Cooperative Societies Act and the Non-Bank Financial Institutions regulations required all credit unions to have a legal identity and status. Whilst the Non-Governmental Organisations (NGOs) as well as those with microcredit focus are expected to have a legal identity under the provisions of the regulatory framework on Trusts and Charitable organisations and their legal existence is required to be registered with the Ministry of Employment and Social Welfare. According to Gallardo (2002) the country’s judicial and legal system requires a comprehensive modernisation and upgrading;

- To aid the registration, creation and execution of moneylenders’ security interests on collateral offered by borrowers.
- To aid the establishment of securitised financial instruments that can help microfinance growth by means of efficient linkages and networks to financial markets and formal financial institutions.

- To stop and prevent multiple/duplicate pledging of valuable collateral.

Gallardo observed that, modernisation and improvement in the sector will in the long-run not only lead to a sustainable microfinance development but, also contribute to the growth of the formal financial sector. For example, in Romania such initiatives directed at reforming the legal system and regulatory framework, particularly for commercial transactions secured on tangible assets, impact tremendously on access to microfinance and rural credits (Word Bank, 2000). He suggests that, such reforms in Ghana need to be complemented through considerable cutback on the government policies that can overshadow the development of sustainable microfinance by the institutions in the private sector (Gallardo, 2002).

Table 2.1: Synopsis of Institutions Offering Microfinance Services and Regulatory Framework in the Ghanaian Context

Organisations	Ownership	Legal Basis	Organised As	Fund Source	Authorised Activities	Agency Supervising	Target Market
Commercial Banks in MFO	State/Private	Companies Act; Banking Law	LtD Liability company	Equity capital; commercial loans; deposit	Commercial loans; deposit; equity capital	BoG	Individual, Commercial Enterprises
Agric. Dev. Bank	State-owned	Companies Act; Banking Law	LtD Liability Company	Equity Capital; Commercial loans	Commercial loans; deposit; equity capital	BoG; RFID	Individual, Commercial Enterprises
ARB Apex Bank	Rural banks; Bank of Ghana	Companies Act; Banking Law	LtD Liability Company	Government and International grants and loans	Apex bank functions under NBFI license	BoG; RFID	Rural Banks
Rural Banks	Community-owned; BoG	Companies Act; Banking Law	LtD Liability Comp; Unit	Government loans; deposits	Savings deposits & micro-loans	BoG; RFID	Individual and businesses in service area
GHAFIN	Individual and organisations	Law on Trust and Charitable orgs.	Company LtD by Guarantee	Grants and Donations	Umbrella body of informal and formal MFIs; Training resources	None	NGOs, MFIs, S and Ls, Customers, Government Agencies
Savings and Loan Comp.	Private parties	Companies Act; NBFI Law	LtD Liability Company	Equity capital; grants; loans; deposit	Savings deposits and micro-loans; hire purchase financing	BoG/NBFI	Individual; small business, susu collectors
Trade Creditors	Trade Creditor	None	None	Self-Owned	Micro-loans; deposits	None	Fishermen/women/; farmers; artisans
Social networks	None	None	None	Self-Owned; group	Different kinds of financial help	None	Friends; family members
Ghana Credit Union Association	Primary-level credit unions	Law on Cooperatives (Credit unions); NBFI Law	Cooperative Society	Members Unions' capital contributions; loans; grants; deposits	Wholesale loans, deposits; CFF; CU PEARLS; training, monitoring, assessment	Registrar; NBFI/BoG	Credit Unions
Money Lenders	Money Lender	None	None	Self-Owned	Loans	None	Groups; families; individuals
ROSCAs	Members/group	None	Group members	Group contributions	Group members savings and deposits	None	Employees and market Vendors
Credit Unions	Individuals & organisations	Law on Cooperatives (Credit unions); NBFI Law	Cooperative Society	Members' share capital and deposits	Members only savings deposits and micro-loans	Registrar; CU Supervision Board; CUA; NBFI/BoG	Individual members
ASCAs	Members/group	None	Group members	Group contributions	Members only savings deposits and micro-loans	None	Employees and market vendors
NGOs	Private parties	Law on Trust and Charitable orgs.	Company LtD by Guarantee	Grants and Donations	Micro-loans; Non-financial services	None	Individuals and Groups
National Association of Susu Collectors	Individual Susu Collectors	Law on Cooperatives	Cooperative Society	Members' share capital contributions	Taking deposits; making loans to susu collectors	None	Susu Collectors
Individual Susu Collectors	Individual Susu Collectors	None	None	Clients' fee	Collecting and safe-keeping of clients' savings	None	Market Vendors; Self-employed

Source: Adapted from A Framework for Regulating Microfinance Institutions: The Experience in Ghana and Philippines (Gallardo, 2002)

In table 2.1, it is evident that there are some institutions whose activities are not regulated by the Bank of Ghana (BoG). The central bank supervises and regulates the operations of non-bank financial institutions and bank financial institutions. Moreover, the Bank of Ghana serves as an advisory body to the central government on financial and policy formulation. For the BoG to focus on its core mandates and monitoring roles, the bank tasks Association of Rural Banks (ARB), to supervise activities of rural and community banks in the country (Abdallah, 2015). In Ghana, the legal and regulatory framework under which all financial institutions are required to carry out their operational activities, includes the following: BoG's Banking Act; 2002 (Act 612); Companies Code, 1963 (Act 179), Banking Act, 2004 (Act 673), Banking Act 2007 – Amendment (Act 738) (Osakunor, 2009; Addallah, 2015). The ARB Apex Bank, is a body regulated under the Banking Act, 2006 (L.I. 1825) passed by parliament in 2006.

2.4 Microfinance: The Role of the Government

In Ghana, programmes were designed and implemented to promote enterprise development and poverty alleviation. The vital role of microfinance in achieving this objective was acknowledged by policy makers and practitioners in the subsector. The failure of traditional commercial banks to make credit available to the poor and the financially excluded due to their inability to provide collateral and lack of credit history, led to the establishment of the Microfinance and Small Scale Loans Centre (MASLOC) in 2006. The responsibilities of MASLOC include, job and wealth creation and poverty alleviation in Ghana (Oduro-Ofori et al., 2014). In addition, the institution also provides training, business advisory services, and capacity building for small and medium scale enterprises (SMEs) (MASLOC, 2016). Essentially, MASLOC was established because, microfinance was identified as a development tool for achieving the Millennium Development Goals (MDGs) and creating a well-functioning financial system aimed at helping the poor (Simanowitz and Brody, 2004; Quansah et al., 2012; Littlefield et al., 2003).

Since the establishment of MASLOC, the institution has pursued several aggressive strategies aimed at creating employment and poverty reduction with the support of various government programmes such as YES, Youth in Carpentry, aquaculture, tree planting and farming including cocoa, cassava, yam, maize and vegetables. MASLOC's clients includes; the productive poor and the financially excluded especially clients in the informal sector. The lending methodologies adopted include individual lending and group lending and thus, the beneficiaries are not expected to provide any tangible securities in the form of land, cars and buildings. However, the clients are required to provide a personal guarantor of good standing who is capable of redeeming the loan in case of default. The amount of credit provided to the beneficiaries varies depending on the client's business plans and in some instances; they are expected to demonstrate sound business knowledge with a viable enterprise. MASLOC operations cut across different economic ventures. They support clients who are into agro-processing, poultry, food crop cultivation, livestock, aquaculture and fishing and the credit granted is to be repaid within a twelve month period. Thus, crops that have a gestation period spanning beyond 12 months may not be considered because the borrower cannot use the proceeds from his/her venture to pay off the loan (Oduro-Ofori et al., 2014).

The institution is often confronted with a high default rate due to the non-payment of loans. Considering the fact that, the ruling government in Ghana sometimes interfere with the operations of MASLOC, many of the political activists of the government in power often perceive the credit provided as their share of the national cake. Thus, they are normally reluctant in repaying the loan and as a result this contributed largely to the inability of the institution to serve other clients. However, a recent policy framework governing the lending policy of MASLOC has impacted significantly on the repayment of loans taken by the beneficiaries. The sustainability of this laudable initiative by the government will no doubt help to bridge the financial gap in the credit market. Thus, developing a holistic regulatory regime that governs the operations of this government agency, will in the long-term contribute towards sustained poverty reduction and economic development.

2.5 Challenges Facing the Microfinance Sub-sector in Ghana and Institutional Policy

Microfinance operations in Ghana have been conducted since the 1950s without any effective and specific institutional framework (GHAMP, 2006). This has led to the slow growth of the industry, a lack of coordination and direction. As a consequence of inappropriate and well-documented programmes, many of the sector's problems were unresolved. These include; insufficient capacities; poor regulatory environment; unsuitable institutional provision; poor institutional linkages; lack of collaboration and coordination; inadequate professionalism and skills; insufficient capital; lack of linkages between informal and formal financial institutions and the absence of specific mechanisms for classifying the beneficiaries and the channelling of funds by the microfinance development agencies (GHAMP, 2006). Thus, for the better integration of the microfinance sub-sector within the development of the entire financial sector, there should be a better and effective collaboration and coordination amongst the key stakeholders including the development partners. Moreover, the operations of the traditional banks have not helped the growth of this industry. This is largely because of the fact that, the lending approach being used by the traditional commercial banks in Ghana requires collateral in the form of landed assets. The poor and underserved markets do not possess these things. Moreover, in Ghana, there is a well supervised and diversified regulatory framework in place for formal financial institutions licenced by the Bank of Ghana. However, there are widespread concerns about a lack of an appropriate regulatory framework in relation to these key areas of the sub-sector namely; microfinance outreach, sustainability, credit delivery and savings. Thus, the challenges facing the microfinance sub-sector in Ghana stem from the absence of the above institutional framework. Furthermore, microfinance programmes have achieved some successes in the fight against poverty and in micro-enterprise development in Ghana (Boateng and Agyei, 2013). However, the industry is confronted with several challenges which affect the growth and sustainability of the sector (GHAMP, 2006). The specific challenges facing the microfinance sector include:

- **Institution Arrangements**

  The roles and responsibilities of the various stakeholders are not clearly defined. However, in some cases there is an overlap due to the fact that the institutional, organisational hierarchy and reporting relationships, particularly among the respective stakeholders, are not well-defined. Thus, to promote and improve the implementation and delivery of services, the traditional commercial banks could get involved through clearly defined roles and relationships.

- **Credit Management and Delivery**

  The existing approaches for credit delivery by the microfinance institutions are not sufficiently diversified and well-organized. Thus, they are unable to satisfy the growing and different demands of the underserved markets and varying groups of beneficiaries. Moreover, there is no institutional framework for classifying and promoting some new microfinance institutions in both the semi-formal and informal sectors based on their operational capabilities and capacities. Another challenge pertaining to credit management is the categorisation of the target groups. Essentially, the goal of microfinance is to offer resources to the poor. However, there are no acceptable, reliable approaches for dichotomising different poverty levels to improve the classification of actual and potential MFIs service users and to design other types of services needed to help various groups.

- **Capacity Building**

  Currently, various stakeholders in the industry tend to organise capacity building including training programmes with the aim of enhancing the human capital in the sector. However, the desired levels in relation to staff competency considering the training programmes provided, have not been achieved. Therefore, the human capacity within some key players and institutions such as GHAMFIN, the Bank of Ghana, Microfinance Institutions, MASLOC, Government Ministries and the relevant body offering technical services is not sufficient for the operation of microfinance in Ghana. The infrastructural capacity for the smooth running of the sector is inadequate and under developed. Moreover, funding from the three key sources, government, the microfinance institutions and the development partners is deemed to be insufficient to meet the needs for improving and developing the sector. This is compounded by the conditions attached to these sources of funds. Thus, to promote effective capacity building in the industry, there is the need to establish a central microfinance fund from which the MFIs can apply for on-lending fund or capacity building support.

- **Targeting the Marginalised and the Vulnerable**

  Most microfinance institutions do not have products designed to meet the demands of people with impairments and disabilities. Thus, they are not well served by the existing microfinance services and credits. The current funding and training programmes for women do not appear to be market-oriented. Therefore, programmes designed for women entrepreneurship development to help them venture into economic activities and become self-dependent, need to be more coordinated and coherent. Moreover, people between the ages of 15-24 represent about a third of the country’s population and account for half of the unemployed population and are not adequately targeted by microfinance institutions in Ghana. Thus, there is the need to have in place specific microfinance, training programmes and funds for this segment of society for efficient entrepreneurial development.

- **Coordination and Collaboration**

  There is currently no national body in Ghana responsible for coordinating the relevant activities of microfinance institutions. Thus, the platform that encourages dialogue among the key stakeholders in the sector is lacking. This has led to an absence of coherent method, duplication, fragmentation and insufficient collaboration amongst and between development agencies, MDAs, Service providers, MMDAs, practitioners and beneficiaries. Moreover, the current institutional structures do not cover all service providers and practitioners. Thus, there is the need to strengthen GHAMFIN, the umbrella body for microfinance Apex organisations in order to ensure the transfer of best practices and the development of sustainable standards for the sector.

- **Supervision and Regulatory Framework**

  Formal microfinance institutions are confronted with rigid supervisory and regulatory systems thus impacting on their ability to develop innovative products and services. Moreover, in the informal and semi-informal sub-sector, there are no guidelines for microfinance operations particularly among the Apex bodies including; ASSFIN, CUA, Cooperative Council and GCSCA. Thus, this contributes to the uncoordinated nature of activities in these institutions and in the end hinders the outreach and performance of their respective member institutions.

- **Consumer Protection Act**

The existing microfinance operations in Ghana lack the institutional mechanism that ensures the protection of consumers or service users. Thus, to build confidence in the sector, there is a need for a regulatory framework that guarantees disclosure and transparency in the operation of microfinance institutions. According to Muhammad (2010), the main challenges confronting microfinance institutions in Ghana and other developing countries include political interference; high transaction costs; increased competition from traditional commercial banks; limited investment in the agricultural sector; inadequate management capacity; inappropriate regulatory systems and low level of relevant knowledge. Woller and Woodworth (2001) state that, poor trade policies and supervision can affect the economic viability of microfinance institutions to survive in terms of outreach and sustainability. Hubka and Zaidi (2005) note that, the involvement of the government in the operations of microfinance can assist in eliminating unhealthy competition from other institutions, carrying out a comprehensive regulatory reform and creating conducive business environments.

2.6 The Ghanaian Financial Sector, Conduct, Structure and Performance

This section focuses on the financial systems in Ghana and their role in enhancing and developing an effective business environment. A vibrant financial system plays a vital role by providing credit, savings, payment and risk management services to both firms and individuals (Ackah and Asiamah, 2014). Ackah and Asiamah note that, financial inclusion is vital for poverty alleviation and economic development. Thus, financial exclusion particularly lack of access to finance can potentially result in persistent income inequality and low growth as well as poverty traps (Aghion and Bolton 1997; Banerjee and Newman 1993).

The over-arching regulatory and policy framework that provides the overall policy dynamics for development and economic growth in Ghana is documented in the country's medium-term national development policy framework – Ghana Shared Growth and Development Agenda 2010 to 2013 (MOFEP, 2012). At the heart of the country's second medium-term Private Sector Development Strategy (PSDS 2) is the desire to develop a well-functioning and vibrant private sector that promotes job creation and improves livelihood for the people. Thus, to achieve this objective requires effective financial systems that invariably promote financial inclusion, growth and encourage innovation. The government's initiatives in relation to the financial sector policies aimed at poverty alleviation and economic development, focus on two thematic areas namely; financial sector strategies for long-term shared economic growth and; improved access to finance in the Ghanaian financial landscape (MOFEP, 2012). The government recognised the vital role of the shared economic growth policy in the fight against extreme poverty in Ghana. Thus, to achieve shared economic growth, there is the need to intensify the resource mobilisation drive for the banking system, ensure availability of medium-long-term financing, develop risk management strategies and encourage acquisition of finance through a mix of debt and equity sources of financing. According to the Ministry of Finance and Economic Planning (MOFEP), "if the provision of the mainstream financial services in Ghana is to improve as to quantity and quality, more competition and a greater presence of strong profitable and efficient financial institutions are needed" (MOFEP, 2012:7). It is thus significant to note that, efforts to create healthy competition in the financial system may not necessarily help the microfinance sub-sector that extends financial and nonfinancial services to the poor and underserved of the market. Given the operations of the microfinance institutions, there is the need to develop a sustained policy that ensures the growth and performance of the sector.

The financial sector in Ghana is largely dominated by banks including foreign banks. There are 27 commercial banks of which 15 are foreign banks, 137 rural and community banks and, 58 non-banking financial institutions comprising savings and loans, finance houses, mortgage and leasing companies. Of the fifteen foreign banks, six are African banks, representing approximately a third of the entire banking assets in the Ghanaian banking industry. The country has in recent times witnessed a significant proliferation and expansion of the Pan African banks and this has led to a healthy competition in the industry. However, this often comes with increased risks and thus requires an effective tool to manage it. The Act that regulates and governs the banking industry provides the industry players with three categories of licences under the Banking (Amendment) Act 2007 including:

- Class One Universal Banking Licence – This gives the holders of the licence the opportunity to engage and transact domestic banking business.

- Class Two Banking Licence – The holders of this licence are permitted to engage in the mainstream banking business and investment banking business. This includes transactions with non-residents and other class two banking licence holders in currencies apart from the Ghanaian currency. These transactions should be within the permitted businesses authorised by the Bank of Ghana for engaging in the foreign exchange market and financial instruments in Ghana.

- General Banking Licence – This permits both the class one and class two licence holders to engage in banking business in Ghana.

Considering the operations and activities of banks in Ghana, all the banks are Class One Universal banks engaging in businesses in all areas of banking (Ackah and Asiamah, 2014). Thus, the licence issuance and classification of the banking businesses is to ensure that there is a sound and efficient banking industry.

2.7 Conclusion

This chapter focused on the dynamics of the study context, Ghana and the implications for this study. The significance for selecting the Eastern region for the rural areas and Greater Accra for the urban areas due to the wide spread of poverty in these areas, has been underpinned by the theoretical dimensions in relation to poverty in Ghana. In this study, the social-economic, cultural and environment are deemed pertinent in answering the research question. Thus, the historical antecedent, the background of the country, the specific domain of the research and the selected microfinance institutions in Ghana are disaggregated and examined. The researcher recognised the importance of these issues and their relationship with microfinance provision.

Microfinance programmes in Ghana have been acknowledged as to be effective and potent tool for fighting poverty and offering the poor and underserved market the opportunity to access credit. The success of microfinance in the country can largely be attributed to a stable political environment, an efficient microeconomic policy, and the democratic credentials of the country as well as relatively low interest and inflation rates. The legal and regulatory framework is deemed efficient and thus promotes the establishment of semi-formal, formal and informal microfinance institutions. This is evident in the government's initiative to promote programmes aimed at poverty reduction such as microfinance. The recent increase in the number of microfinance banks in Ghana as a result of the liberalised financial system, is an indication of the government's commitment to consolidating the gains in this sector. For the urban areas, Madina and Ada are deemed relevant for this study because, the majority of people living in these areas demonstrate several traits of poverty and because of the level of infrastructural development in the area. Whilst Techikrom, Aburi and Somanya are selected because, they exhibit the attributes of rurality. Moreover, the active borrowers and the participation in microfinance in these areas considering the level of poverty, is essentially the reason why the areas are considered ideal for this study.

Chapter Three

Literature Review

3.0 Introduction

This chapter critically examines the pertinent literature on poverty and its causes as well as the strategies to mitigate its effects. The review of the state of knowledge relevant to this phenomenon will unearth the historical trajectories, causes, and consequences of poverty in addition to examining the effectiveness of various policies' initiatives designed to fight the phenomenon. Furthermore, the literature relating to microfinance in poverty alleviation debates is reviewed, with the intention of identifying the gaps in the studies thereby, providing the ground to make an original contribution to the existing body of knowledge in the microfinance industry. The chapter is divided into four main sections:

The first section focuses on the decomposition of poverty, its nature as well as policy initiatives. This is followed by the theoretical and empirical studies on poverty and how various development-oriented policies were designed to address the multi-dimensional nature of the phenomenon. The second section concentrates on the development of microfinance, and the disaggregation of the concept. The third section contains a critical examination of the literature relevant to agriculture financing. The final section presents a critical examination of the existing studies on the impact of microfinance and other innovative mechanisms for poverty alleviation, with the view of identifying the gaps in the literature and, to develop a conceptual model applicable to poverty alleviation in general and, Ghana in particular.

3.1.0 THE DESIGN OF MICROFINANCE INTERVENTIONS AND THEIR DIRECTIONAL RELATION TO POVERTY ALLEVIATION

3.2.1 Poverty: Historical Perspectives

Recent evidence suggests that, poverty has existed for decades (Fukuda-Parr, 2006), Townsend, in particular, (2006) analysed the impact of poverty and found a trend of historical perspectives that explain the nature and forms of poverty that have existed for several decades. Accordingly, he concluded that the phenomenon has the potential to worsen the standard of living of people thus, it is important to analyse and understand the historical trajectories of poverty with a view to find out how to mitigate its negative impact (Townsend, 2006).

According to Lambarde (1579) most aspects of English law that address poverty and improving the standard of living for the underprivileged have existed since the 15th century; prior to the era of Queen Elizabeth I. A considerable amount of evidence suggests that, the institution of "Commissioners for the Poor" also began operation around the same time in the UK; during the 16th century (HM, 1630). Thus, a number of studies relating to poverty have shown that, several development programmes aimed at poverty alleviation were initiated in England and other parts of Europe before the 17th century (Eden, 1797; Himmelfarb, 1984). For example, in England and the greater part of Europe, both indoor and outdoor projects were implemented to address unfavourable living conditions (such as lack of jobs, the absence of entrepreneurial skills and an inability to access credit) that had the potential to deepen poverty (Townsend, 1976). Similarly, Rein (1970) argued that poverty alleviation strategies introduced in the 16th century in Europe may have accounted for the decreased poverty gaps that were later reported; in the 17th century. Thus, to confirm causations and outcomes in this context it may be beneficial to investigate the nature and format of the relationships between pro-poor projects and poverty reduction.

Furthermore, in the 18th century, Adam Smith described poverty as the absence of the basic necessities of life and thus, proposed the concept of wealth-creating capitalism that promotes entrepreneurial activity and addresses poverty (in Jung and Smith, 2006). In an analysis of poverty, Adam Smith argued that, economic disparity is an integral part of every society (Adam Smith, 1812). In contrast to Adam Smith's view of poverty, Gilbert (1997) argued that most parts of Smith's analysis of poverty dwell significantly on the role of social exclusions in perpetuating poverty and, this diminishes entrepreneurial significance for poverty reduction. Moreover, Adam Smith's assumption was based on the "*economic of greatness",* a situation where poor people rely extensively on the rich to fulfil their basic necessities (Jung and

Smith, 2006). Perhaps, the early conceptualisation and understanding of poverty has often undermined societies that actively engage in economic activities. Meanwhile, Gilbert (1997) argued that wage-related incomes are insufficient to reduce conditions of poverty. Drawing from the above historical trajectories of poverty, it shows poverty is multi-dimensional in nature and requires multi-definitional approaches to alleviate it. Thus, a critical examination of poverty attributes may provide a broader understanding of poverty dynamics.

3.2.2 Multi-Definitional Approaches to Poverty

Poverty is a complex phenomenon (Townsend, 1993; 2006). Considerable amounts of literature have shown that, poverty varies from country to country (Francis, 2006). However, what is common from a review of the existing literature is that the eradication of poverty remains a major aspect of governments' and development agencies' efforts (Rein, 1970; Townsend, 2006). Since the 18th century, three different views of poverty have emerged as a foundation for global and comparative study (Townsend, 2006; Owolabi, 2015). These views are largely underpinned by the following; notion of subsistence, basic needs and relative deprivation.

The idea of "*subsistence*" as a basis for explaining poverty emerged as a consequence of an analysis of "Nutritionist in Victorian England" (Lambarde, 1579; Townsend, 2006). Evaluations and outcomes of this study suggest that families were categorised as poor especially, where disposable incomes are "*insufficient to obtain the minimum necessities for the maintenance of physical efficiency"* (Rowntree, 1908). A review of contemporary development literature suggests that the use of a subsistence approach in poverty analysis is persistent in studies that examine social conditions in underdeveloped countries (World Bank, *2000*; Pillay, 1973; Maasdorp and Humphreys, 1975). Therefore, the wide use of a subsistence approach as a policy tool in the United States and elsewhere is consistent with the earlier literature (Fisher, 1998; Citro and Michael, 1995; Townsend, 2006). However, some limitations are associated with using "subsistence" as a benchmark for analysing poverty. Lister (1990) argued that human needs are an embodiment of both physical and social needs. Therefore, in his view, the study results on poverty that are grounded in only physical needs are weak and lack an in-depth analysis of poverty. Similarly, he suggests that people are not merely recipients of physical energy; but they are also social organisms, who are required to undertake socially challenging duties as citizens, parents, workers, partners, neighbours and friends. Also, they are producers of these goods and not simply the consumers (Lister, 1990). Thus, an analysis of the development literature shows a contradictory narrative in this context.

However, by the 1970s, the conceptualisation of "*basic needs*" as a measure of poverty emerged (Townsend, 2006). The basic needs of families are characterised by two main components in this context: First, indispensable amenities offered by and for the entire community, namely; portable drinking water, transport, sanitation and health care, cultural facilities and education (Francis, 2001; Townsend, 2006). Second, the specified minimum necessities of a household for private consumption: shelter and clothing, sufficient food, in addition to some domestic equipment and furniture (ILO, 1976, pp. 24-25; ILO, 1977; Yeboah, 2010). According to Murali and Oyebode (2004) and; Townsend (2006) the concept of "basic needs" was later extended to encapsulate agricultural tools and land. Perhaps, it is in this regard that some studies that analysed forms of poverty suggested that the idea of basic needs as a measure of poverty helped produce strategies consistent with poverty alleviation objectives (See, for instance, Ghai et al., 1977 and 1979; Stewart, 1980). Therefore, Townsend (2006) concluded that the availability of facilities such as agricultural inputs, extension services and access to finance will aid less privileged communities in developing countries to exit poverty.

Meanwhile, Rein, (1970) and Townsend, (2006) have argued that due to the limited scope of the idea of subsistence and its policy implications, the subsistence concept of examining poverty may yield an inadequate measure of poverty impact. Similarly, they have suggested that the subsistence concept of explaining poverty constrains an understanding of poverty regarding physical and material requirements. In his view therefore, the fulfilment of other social functions such as; family cohesion and communal living have to be incorporated into studies of poverty to adequately understand the forms and format of poverty. There are already existing experiments from the World Health Organisation (WHO), the International Labour Organisation (ILO), and the United Nations Children's Fund (UNCEF) that suggest that access to basic health facilities and education, coupled with initiatives to address the needs of children in a communal setting contribute immensely in enhancing development (Rein, 1970; Townsend, 2006). The analysis and its outcomes, regarding the narrative on definitions of poverty, are therefore mixed. Thus, this requires further exploration of poverty definition to unearth and provide a more appropriate definition of poverty.

Evaluations of economic development debate especially, the analysis of social science experiments have unearthed "relative deprivation" as another form of abject poverty (Townsend, 1979, 1985 and 1993; Saunders and Whiteford, 1989; Qyen et al., 1996). Whilst some of the studies such as that conducted by Miller, (2011); Saunders and Whiteford (1989) argue that poverty is objective and constitutes an outcome of poor living conditions. (Lister. 1991; Scott, 1994; Nolan and Whelan, 1996) suggest that poverty is grounded in individual experiences and can be understood through subjective observation (Owolabi, 2015). According to Gordon et al., (2000) a subjective analysis of poverty is consistent with understanding poverty in the developing countries context especially, in areas where wide poverty gaps are reported between the lower and upper classes. Thus, the question is, is relative deprivation an appropriate definition of poverty and has it gained centre-stage in recent development discourse?

According to Townsend (2006) the concept of "relativity deprivation" refers to inadequate materials and social circumstances. Townsend's understanding of poverty demonstrates that, issues pertaining to human society are not static. Hence, poverty standards that are constructed on the basis of historical information have the potential to undermine the present growth stage and conditions of people affected by poverty. Moreover, narratives that suggest individuals' experience, similar obligations and customs that prevailed in the past remain unchanged have been contradicted (Chambers, 2006). It is plausible that this view informed Moreira's (2003) argument that using historical information about poverty as a poverty index is too simplistic. To address this gap, the World Bank (2002) supported the idea of "relativity deprivation" as an index to provide an in-depth explanation of poverty dynamism. This view is highlighted by Adam Smith's analysis of *"necessities*". Adam argued that during the early stage of the 19th century, the "*labourer's need to wear a shirt*" demonstrated favourable living conditions. Perhaps, this same experience today is inadequate and does not contribute to an appropriate standard of living for the poor (Smith, 1872, in Townsend, 2006). Besides, “relative deprivation” has been widely employed as a measure of poverty in scientific studies and other experiments conducted by donor agencies (Kanbur, 2001; Townsend, 2006; Ige and Nekhwevha, 2012).

Often, weak assessments of poverty and inadequate policy implementation contribute to an open-ended, non-quantifiable definition of poverty and this is consistent with some of the literature (Laderchi et al., 2006; Townsend, 2006). In this context, the World Bank devised the $1-dollar-a-day benchmark at 1985 prices, to assess poverty in less-developed nations (World Bank, 1990). Accordingly, the World Bank often measured poverty by the use of proxies such as; income status; educational level; nutrition; accumulation of asset;, insecurity and poor health; housing; limited citizenship and weak social integration (Adjasi and Osei, 2007; Morduch, 1995; Wood, 2003; Schubert, 2005). The analysis and outcomes of the World Bank assessment of poverty encapsulate the concepts of subsistence, basic needs and relative deprivation. Therefore, to understand and provide an established definition for poverty in a less developed country context, it is important to explore the function of inaccessible educational facilities, lack of income-driven activities, hunger, marginalisation (financial and social exclusion) and the fulfilment of basic needs. According to the World Bank (1990) these dimensions of human poverty focus on individuals’ and families’ access to farm lands, credit and some form of human capital as a measure of poverty. Considering the evaluation of the literature relating to various definitional perspectives of poverty, there is the need to further identify the causes of poverty, with a view to unearth the appropriate exit route.

3.2.3 Decomposing the Causes of Rural and Urban Poverty

As indicated in the above referenced literature, poverty phenomenon is subjective depending on the characteristics relating to the area affected by the poverty (McLaughlin, 2013). Previous studies have shown that, identifying and knowing those who are poor and where they live, is essential to an understanding of poverty. About three quarters of the world’s poor, representing 0.9 billion, live in rural areas

(World Bank, 2001). According to McLaughlin (2013) two core rural features exist: firstly, most of the rural dwellers predominantly spend the greater part of their lives working on farms. Secondly, the majority typically live in a farmhouse or in clusters of houses made of 5,000-10,000 individuals. Moreover, the distinction between rural and urban varies nationally and, in some instances is considered subjectively. However, the population threshold used to describe a rural dwelling varies from country to country. For example, whilst a population of 5,000 is described as rural in India; in Mexico and Ghana; it is usually 2,500 people or less, or in Nigeria, it is usually 10,000 or above. However, countries such as, China and Brazil, do not have a distinctive borderline, but often rely extensively on different dimensions, namely, metropolitan amenities, legal or political status (UN, 1998: 31, 38). In spite of the differences in how rural communities are perceived; the scale of poverty in these areas has largely common features. Moreover, the people living in these parts of the country lack basic necessities such as, portable drinking water, have ill-health, and inadequate financial resources to finance their children's education, thereby resorting to subsistence farming. On the other hand, urban poverty is largely attributed to lack of job opportunities and, this condition is often compounded by rural – urban migration (Francis, 2001). Besides, those who live in the rural areas are more disadvantaged compared to their urban counterparts (Miller and Mosley, 2004). Although a greater percentage of the poor live in the urban areas, various studies such as that conducted by Adams and Duncan, 1992; Summers et al., 1993; Iceland, 2003) argue that the rates of poverty are higher and more persistent amongst rural populations. Moreover, there is other evidence to suggest that rural-urban migration is instigated by a lack of job opportunities and the perception that, one could only become rich if he/she lives in an urban area. In relation to the rural/urban disparity, cases of poverty become more prevalent as rural regions turn out to be more and more detached from the city (Miller and Weber, 2003; Lobao and Schulman, 1991). Similarly, Fisher and Weber (2002) found that, rates of poverty are higher in the remote and isolated areas of inner cities. Poor persons are inclined to move from one location to the other, therefore, increasing instead of reducing the spatial concentration of poverty (Nord et al., 1995; Nord, 1998). Furthermore, Mosley and (Miller, 2004) found that, persistent poverty is also an urban menace. Perhaps, it may be important to study and understand the contribution of rural-urban migration to poverty in a country such as Ghana. Hulme and Shepherd (2003) distinguish between the transient poor (poverty due to stochastic shocks*)* and the chronic poor (poverty based on the time horizon, typically, five years as used in their study). Hulme and Shepherd argue that, the causes of poverty within households are likely to be distinctly or qualitatively diverse. However, uncertainty exists about an effective method of comparing the poor in the urban and rural contexts. Lack of asset accumulations and the inability of households to access basic amenities such as food, healthcare are characteristics of poverty (Baulch and Hoddinott, 2000). According to Baulch and Hoddinott (2000) there is a degree of variation in explanations of poverty theories, especially, in the context of asset accumulation, understanding of gains on assets and relational differences in consumption and income. Given the multi-dimensional causes of poverty it appears that earlier narratives have not adequately captured factors associated with poverty theory. Thus, to understand poverty theory, its scope and to mitigate it, it is necessary to examine poverty in the context of agricultural contribution to poverty reduction.

3.2.4 Consequences of poverty: Rural and Urban

Poverty has a broad range of undesirable consequences regarding the quality of life for the poor and the economic development of a country (Amato and Zuo, 1992). For example, the poor are affected by crime, unemployment, illness and victimisation. Consistent with this view, some studies such as that conducted by (Kessler, 1979; Liem and Liem, 1978; Ross and Huber; Williams, 1990) have found that lack of job satisfaction, economic hardship, and unfulfilled ambitions affect the poor. Against this background, Pearlin et al., (1981) and; Mirowsky and Ross (1989) concluded that incidents of poverty affect people's self-worth and reduce their "*sense of control over life"*.

Furthermore, there is a relationship between the quality of life for the poor and the performance of a country's economy. Therefore, Conger (2005) argues that, there is a connection between the amount of economic resources required in a country to address poverty and what the economy can deliver. Evaluations and analysis of the above literature suggest a study which examines poverty based on classes of trade maybe helpful to unearth the format of poverty relative to the context.

3.2.5 Measuring Poverty: Methodological Perspectives and Trajectories

The outcomes of the evaluations of development theory suggest that to address poverty it is important to unearth the pertinent attributing factors that explain the forms and format of poverty (World Bank, 2000). According to Raderchi, (2003) identifying people who are poor is insufficient in order to explain poverty. Perhaps, studying cases of poverty by investigating attributing factors has the potential for policy makers to develop targeted strategies to address it. Furthermore, poverty is affected by socio-cultural and economic factors relating to education, income driven activities and thus, the effects of these variables on the wellbeing of people are important in understanding the underpinning causes of poverty (Kyereme and Thorbeck, 1991; Coulombe and Mckay, 1996; Grootaert, 1997). There are considerable studies on poverty and how it may be measured. However, it appears that there are limited studies that have examined poverty in emerging contents such as countries in; Asia, Africa and the Middle East relative to the degree of homogeneity amongst these countries. Moreover, extending household poverty alleviation analysis to include class trades such as farming, provides an understanding of poverty trends in areas where agriculture is a predominate economic activity.

The World Bank benchmark of a $1-a-day has predominantly remained the basis for measuring poverty worldwide (Townsend, 2006). On the other hand, at country level, the majority of governments employ household income as a quantitative measure of poverty (*Ibid*). The outcomes of this evidence suggest that, there are varied degrees of measures provided to estimate poverty in both developed and less-developed countries (Fukuda-Parr, 2006). However, disposal income is generally considered as a better factor to explain and shape the format of poverty theory. The rationale for employing a $1-a-day threshold to measure poverty is to enable policy makers to focus on specific poverty related factors and to develop interventions that impact positively on poverty reduction. According to Fukuda-Parr (2006), it is essential to have measures that are focused on critical aspects of human wellbeing namely, access to portable water and child mortality. These outcomes and factors relating to poverty analysis therefore, contradict other existing approaches to poverty analysis. The question then is; does a misunderstanding exist regarding the benchmark for understanding poverty. If so, what implications emanate from these misunderstandings in the context of strategies designed to address poverty?

As an alternative to the above poverty measures, in 1996, the UNDP Human Development Reports (HDR) developed the Human Poverty Index (HPI) to fill the above gap in assessing the overall progress in fighting poverty (UNDP, 1996). This composite measure is based on the different dimensions that have promoted an understanding of the concept of poverty. The Human Poverty Index (HPI) framework draws on the human deprivation aspect of individual development – absence of basic choices and opportunities to healthy, resourceful and free life; to have an unrestricted and modest standard of living; and to participate in community activities including freedom of worship, cultural practices and political freedom (Fukuda-Parr, 2006). Fukuda-Parr (2006) argued that the Human Poverty Index (HPI) is an indicative measure of capability deprivation. Essentially, it attempts to depict "*human poverty*" as separate from "income poverty". He therefore, concluded that the Human Poverty Index describes the basic resources required for human operational existence rather than a desired level of income and consumption. The analysis and outcomes of the literature suggest that, HPI is extensively not a complete measure of poverty. Moreover, it tends to exclude other aspect of complete life, as well as the social dimensions of human conditions (UNDP, 2006). Sen (2006) for example, refers to 5 "instrumental freedoms" as important factors that contribute to a dignified life. These factors include; political freedom, social opportunities, economic facilities, security and transparency guarantees. Since, HPI and HDR exclude security, political freedom and transparency in explaining poverty; it is possible to argue as Sen (2006) that, these two approaches may omit a great deal of poverty perpetuating factors.

Evaluations of the various poverty debates unearth further aspects of poverty that are rarely captured in poverty analysis. According to Fukuda-Parr (2006) the choice of different and essential dimensions of poverty, their weighting**,** and the relevant data sets to be used are rarely addressed in poverty analysis. He agreed with this view and suggested that factors such as; political freedom, cultural choices and participation in community life are difficult to quantify and as a result are often ignored in poverty analysis. Given these weakness, Fukuda-Parr (2006) argued that HPI is a preferred measure of human poverty. Moreover, HPI concentrated on three of the four essential aspects of human poverty: (i) the capabilities to survive, determined by vulnerability to early demise (before forty years), (ii) being well-informed, determined by adult literacy rate; and (iii) access to personal income in addition to public facilities, determined by the number of people without portable drinking water and by the number of malnourished children below five years in a household. However, the differences in the poverty conditions of developing and developed countries constrain the use of HPI in studying poverty. As argued by Sen (2006), context situations of developed countries require an adjusted index to explain the form and format of poverty in developed countries. Against this background, UNDP (2006) proposed the adjusted index (HPI-2) that provides an opportunity to undertake a more holistic assessment of poverty in upper-income OECD nations. Furthermore, the relationship between human poverty and income is moderated by the fact that disparities exist in the levels of human poverty amongst nations with similar degrees of income. For example, in countries such as Pakistan and Yemen there are high levels of human poverty about, 40%. Contrast this with the fairly low levels of income poverty about, 15-17% in these same countries. The above analysis suggests the existing narrative on poverty evaluation provides contradictory results. Various studies suggest positive relationships exist between levels of education and poverty around the world. For example, Gang et al., (2002) investigated the impact of education on poverty alleviation amongst social and ethnic groupings in Asia and found significant results. Similarly, in Africa, Grootaert, (1997) found that the likelihood of being poor is more common in the rural areas of the country particularly among the less-educated. Okurut et al., (2002) later found that, lack of poverty in Uganda is attributable to the level of education of the head of a household. Also, Adjasi and Osei (2007), employed inequality indicators to examine the level of poverty in Ghana, and found that, a household is less susceptible to poverty if the "breadwinner" is educated and lives in an urban area. Therefore, this raises the question of whether development projects are designed to promote formal education as a tool to facilitate poverty alleviation.

There is other evidence to suggest that the size of the family and the age of the family head are factors that have been deployed in the study of poverty theory. Larger families are often susceptible to being poor, since there will be more mouths to feed and provide for. Adasi and Osei, (2007) seem to agree with this view; they argued that larger households are more likely to be poor and to remain in a persistent vicious cycle of poverty. According to Mosley (2004) persistent poverty conditions constrain the poor to overcome undesirable human existence. Against this background, Adjasi and Osei, (2007) concluded that poverty reduction policies should be designed to target specific inequality factors to improve poverty conditions. In contrast, some extant narratives (Lanjouw and Ravallion, 1995; Dreze and Srinivasan, 1997) found a non-linear relationship between family size and poverty. In particular, Dreze and Srinivasan (1997) argued that consistent with the principle of economies of scale in consumption, as a family grow in size, the incidence of poverty reduces. Perhaps, to achieve an in-depth explanation of poverty a further study is required to unearth the contextual factors that explain poverty in different parts of the world.

3.2.6 Poverty: Policy and Initiatives Dimensions

The consequences of poverty have refocused the thinking of practitioners and academics who aim at alleviating poverty (Frerer and Vu, 2006). Spencer (2004) suggested that policy formulators often design poverty alleviation tools within the context of binary categories; poverty fighting tools are framed as area-based or household-based and, as either demand-driven or supply-driven. Household-based and supply-driven programmes involve cash assistance to the poor. Whilst tax rebates to businesses that employ a low-income workforce represent the demand-driven and household-based programmes (*Ibid*). In Spencer’s view therefore, partisan politics in developing countries may play a significant role in policy formulation aimed at poverty reduction. Meanwhile, Esping-Andersen (1990) has argued that funding for anti-poverty projects varies immensely with the passage of time and amongst countries. For example, Piven and Cloward (1971) found that government assistance to the poor is often increased during civil unrest that emanates from unemployment and other unfavourable conditions (*Ibid*). Therefore, in the view of Piven and Cloward, public welfare policies are largely devised to control poor people instead of alleviating poverty. Piven and Cloward argue that, "expansive relief policies are designed to curb civil disorder and, restrictive ones to reinforce work norms".

The nature in which politics drives anti-poverty policies, particularly across developing nations, coupled with its short-term expedient, may have accounted for Non-governmental organisations (NGOs) including the World Bank, devising various anti-poverty strategies (Mestrum, 2003). For example, in 1995 a Social Summit at Copenhagen proposed an anti-poverty strategy in line with the 1990 agenda for global poverty reduction (Mestrum, 2003). The World Bank views economic growth as a direct result of improving the conditions and the capacity of the poor particularly in developing countries (World Bank, 2000). The provision of social amenities namely; health facilities, education and family planning maybe constitute a means through which the poor can escape poverty (World Bank, 2000). According to UNDP (2000) it is a short-term expedient to analyse poverty within the context of social protection and social expenditure. Anti-poverty measures should be directed at empowering the poor allowing them to acquire skills that would enable them to engage in productive activities within the framework of economic development (UNDP, 2000: 8, 42). Moreover, attempts to address poverty, particularly, in developing countries accounted for the introduction of "Enhanced Structural Adjustment Facility" by IMF, and was later referred to as " Poverty Reduction and Growth Facilities" (IMF, 1999). In order to benefit from this financial assistance, countries deemed to be poor are required to initiate a "Poverty Reduction Strategy Paper" (PRSP), and this has to be sanctioned by both the World Bank and IMF. One question that needs to be asked, however, is whether the funds are being used for their intended purpose and how is progress monitored? Moreover, what are the criteria used by these poor nations to determine who qualifies for assistance? As observed by Spencer, relief programmes to beneficiaries especially in developing countries, are often influenced by partisan politics (Spencer 2004) and that; people are often rewarded with this fund for supporting a particular political party during an election (Jacobs and Skocpol, 2005).

Consistent with previous efforts to fight global poverty, in September, 2000, at the United Nation's Summit, a declaration was made to address global poverty and inequalities. This led to the proclamation of the Millennium Development Goals (MDGs), of these, the extinction of extreme poverty is the overarching goal (Kalirajan and Singh, 2008), as the other social issues are undoubtedly considered as the offspring of poverty. One of the limitations with this global initiative is the pervasiveness of the MDG1 (that is, eradication of extreme poverty and hunger), predominantly intended to half *chronic poverty* by the year 2015. How would the other half be addressed? Attaining MDG1 would obviously leave about 800 million people living below the poverty line, using the $1-a-day benchmark (Kalirajan and Singh, 2008). For instance, it was estimated that, between 320 and 443 million people were found to be persistently poor (that is unable to meet the basic necessities of life) and, are often described to be in "absolute poverty" (Mosley, 2004), in the first years of this declaration (CPRC, 2008). Similarly, the World Bank and MDG monetary measure of $1-a-day has largely been criticised as insufficient and non-dimensional. Surprisingly, it is often the most widely use benchmark for poverty estimates around the globe (Edward, 2006). Edward further argues that, the $1-a-day poverty line was derived devoid of any consideration for individual basic needs and well-being, and thus, the $1-a-day standard is unrealistically low. On the other hand, there is a growing and compelling body of literature particularly in Sub-Saharan Africa that shows, the number of people living on $1-a-day increased by nearly 20% between 1990 and 1996, and there is still no empirical evidence reflecting a steady enhancement all over the continent (DFID, 2000).

In sum, it is evident in the above referenced literature that, various policies and interventions aimed at alleviation poverty are often unable to reach the intended beneficiaries, and thus failed to address the inequalities in societies. Moreover, poverty is deemed to be more pronounced amongst rural dwellers who are mostly farmers. Thus, to lift this stratum of the society out of poverty, there is the need to have access to a sustainable credit.

3.3.1 Agriculture and its relation to Poverty Reduction

Agricultural development has increasingly been recognised as important for the economic growth of a country (Cervantes-Godoy and Dewbre, 2010). A considerable amount of studies have identified the relationship between poverty alleviation and agricultural productivity. Moreover, evidence suggests that, there are several conduits through which growths in agricultural can impact positively on poverty reduction namely; food price effects, employment generation, real income changes and rural non-farm multiplier effects. On the other hand, the poorest's ability to take part in the benefits of agricultural productivity expansion is hindered because of factors such as, initial asset endowments, lack of access to the market and barriers to the adoption of technology (Schneider and Gugerty, 2011). The evaluation of previous studies showed that, there is growing debate over the methodology for assessing the impact of agricultural productivity on poverty reduction. Studies such as that conducted by Datt and Ravallion (1998) using National Annual Indian data found that output per unit of land to be statistically significant as a determining factor of the squared poverty gap. Consistent with the Datt and Ravallion findings, Byerlee et al., (2009) studied twelve countries' case studies employing bivariate analysis to compare agricultural expansion per labour across countries. The outcome showed that, the countries with the greatest amount of investment in agricultural expansion per labour had the highest rate of decline in rural poverty (Byerlee, et al., 2009). In contrast, Bravo-Ortega and Lederman, (2005) assessed the impact of agricultural labour productivity on poverty reduction and found that, the effects of agricultural productivity on the income of the poorest is insignificant compared with non-agricultural labour productivity. This explains that, there is no consensus in relation to the impact of agricultural growth on poverty reduction.

Furthermore, although agricultural growth is considered as a panacea for poverty reduction, particularly in developing countries, the sector is often faced with numerous challenges, of which, financing is deemed to be the predominant factor (Cervantes-Godoy and Dewbre, 2010). For centuries, rural finance has been the source of credit for agricultural related activities (such as input and, the marketing of products), and non-agricultural activities (Ledgerwood et al., 2012). Moreover, the credit provided is used for the acquisition of infrastructure, for example, irrigation systems, machinery and storage facilities. Essentially, agricultural credit comes in several forms, namely, “cash and in-kind” to assist farmers and agro-enterprises working within small, medium, and large-scale farms (Ledgerwood et al., 2012). Moreover, it involves financial services, for example warehouse receipt systems, savings, insurance and forward contracts that are pertinent to the agriculture sector.

Furthermore, considering its vital role for poverty reduction amongst the poor, especially in developing countries, various governments have initiated policies to stimulate agricultural credit (Miller and Atanda, 2011). Thus, offering credit to low-income farmers with the help of state-owned agricultural banks and designated agricultural credit programmes, has been recognised as an effective mechanism to address the inefficiency in the credit market. However, after several years of the relative failure of these programs, as a consequence of systemic risks such as, the excessive costs of operations, droughts, and untenable subsidies, the emphasis has now moved from agricultural loans to credit for non-agricultural activities for clients as well as for agricultural related projects (Ledgerwood et al., 2012). They observed that, the financial institutions were relatively more capable and efficient in providing credit to all the people in the rural areas, thus minimising their risk, instead of focusing entirely on agricultural credit. Ledgerwood et al., (2012) argued that, many private and public institutions were reluctant to offer agricultural credit because of the complexities involved in maintaining an agricultural portfolio of clients (Miller and Atanda, 2011). Consequently, many development agencies and governments have increasingly developed policies targeted at enhancing agricultural finance, due to the growing concern about declining food reserves, escalating food prices and, an increasing demand for food, now and in the long-term (Gilbert, 2011; Ledgerwood et al., 2012). Moreover, astronomical food prices enhance the profitability and viability of agriculture and, gains on agricultural investments, thus, leading to increasing requests for agricultural credit, (Mohan, 2004; Miller and Atanda, 2011). Therefore, this exacerbates the problems in the agricultural credit market. One question that needs to be asked, however, is whether agricultural finance providers are able to meet the financial demands of the poor who are often shunned by traditional money lenders because of lack of collateral.

3.3.2 Emerging Challenges in the Agricultural Credit Market

Recent studies have shown that, agriculture finance is often hindered by the government's interference in the credit market and, this is more pronounced in some developing countries (Ledgerwood et al., 2012). The challenges often come in the form of price control, through institutional measures that affect market prices for agricultural produce or export and import restrictions, thereby, inhibiting the repayment ability of agricultural clients. Moreover, government and donor agencies in some instances have tried to regulate the interest rates on borrowings, particularly for small and marginal holder farmers, thus affecting agricultural financing (Westercamp et al., 2015). Furthermore, in some countries, there is often direct intervention by governments with a specific policy to improve agricultural credit through a range of conduits, either through loan cancellation after a bad harvest or during election periods for political favour. Thus, this inhibits the financial institutions' ability to extend credit to the agricultural sector. Moreover, individual private service providers would be discouraged due to subsidised credit to farmers or cooperatives (van Empel, 2010). For example, In India, between 1990 and 2008, the government offered an agricultural debt "*waiver scheme*" to small and marginal farmers, thus, compounding the problems or unwillingness of financial institutions to offer agricultural clients credit (Das and Kumbhakah, 2012). In support of Das and Kumbhakah (2012), Ledgerwood et al., (2012) observe that, political interference in agricultural funding for small and marginal farmers, is increasingly becoming more prevalent especially in developing countries due to the fact that, the sector is often seen simply as agriculture instead of agro-enterprise or agri-business. Miller and Atanda, (2011) argue that, lending is not suitable, nor profitable, for subsistence farming, though there are financial products namely, insurance and savings for "income smoothing" that are appropriate for these borrowers. Similarly, Ledgerwood et al., (2011) posit that, in spite of the effort to improve credit to farmers, it is the prerogative of the credit institutions to make lending decisions. The analysis of the literature showed that, poor people indeed have problems accessing finance from conventional banks and this is compounded because of political interference.

Furthermore, most agricultural borrowers often live in the rural areas of the region, thus, making it difficult for conventional financial institutions to extend their services to them (Ledgerwood et al., 2012). The borrowers in the rural areas are often faced with problems such as, price risk, climate, unstable labour and capital and, seasonal demand for produce (Olomola et al., 2008). Thus, the default rates in relation to credit for farmer clients has increasingly been seen as a major source of concern for credit providers. Essentially, factors such as droughts, pest, floods or diseases often affect farmers' ability to repay their loans. Previous studies in relation to agricultural finance have shown that, both the lenders and farmers are faced with further problems, because of capital flows (Salami et al., 2010). The reason is that, agricultural output (livestock and crops) has a relatively slower revenue compare with microenterprises. Miller and Atanda (2011) argue that, the repayment period for agricultural loans should be much longer and that, the sector is often associated with variable and lower gains on investment (Owolabi, 2015). Thus, it involves greater risk and, has a much higher sensitivity ratio to interest rates than conventional microfinance (Ahlerup and Tengstam, 2015). Miller and Atanda (2011) suggest that, there is the need to establish a clear distinction between agricultural financing and microenterprise credit. Their suggestion is based on the grounds that, the variations in cash outflows and cash inflows often creates repayment problem for farmers, because, inputs and labour acquisition occur at the start of the farming period whilst inflows arise during the harvesting period (Christen and Pearce, 2005). Moreover, most agricultural credit requires a repayment at the end of the credit term instead of, a regular repayment throughout the credit period (Miller and Atanda, 2011). Ledgerwood et al., (2012) observe that, in order to hedge the risk involved in agricultural financing, land is often used as collateral. But, the sector is frequently confronted with problems such as, property rights and land titles for small and marginal holder farmers. This is particularly prevalent among women borrowers. In some cultures, women do not own land titles either through formal or informal acquisition (Christen and Pearce, 2005). Moreover, there is no justification for high legal costs for procession land claims due to the size of the loans to smallholder farmers. Furthermore, using transportable assets such as livestock and machinery as collateral is considered to be high risk, since farmers do not have any evidence of ownership or a proof of any protection such as insurance to cover these items (Miller and Atanda, 2011). Miller and Atanda, (2011) observe that, individual and group collateral have drawbacks, as members of the group are more likely to be farmers and may be confronted with the same type of risks. Thus, they suggest that, group guarantee is more efficient when the group is made up of borrowers with a variable income or with those who have different sources of income. Similarly, farmers' borrowing capacity is further compounded due to their level of education thus, contributing to the inefficiency in the agriculture credit markets (Miller and Atanda, 2011).

In summary, the evaluation of the literature showed the importance of agricultural productivity for poverty reduction. However, the financing of agricultural activities by formal financial institutions is considered to be a major challenge for the sector. Moreover, lenders are often concerned about the risk of default and, as a result, demand collateral from the potential borrowers but, the farmers do not often have it. Thus, leading to exclusion from various financial products. Considering the contribution of agricultural growth to the health of the economy, both donor agencies and governments especially in developing countries, have developed various agricultural credit programmes. This includes microfinance as an initiative aimed at reducing poverty. Considering the reasoning in the above analysis, it will be interesting to examine how microfinance fills the financing gaps.

3.4.1 The Development of Microfinance: Concept and its Trajectories

Recent developments in relation to poverty alleviation have led to a proliferation of studies that examine the effectiveness of microfinance towards poverty reduction. Microfinance has existed in different formats for centuries (Brau and Woller, 2004; Helms, 2006), but, has gained impetus and world-wide recognition as a strategy for poverty reduction (Khan and Rahaman, 2007). Thus, its' potential to reach the poor especially the financially excluded who often fall within the poverty threshold has in recent times been acknowledged (Robinson, 2014). Microfinance is deemed to be a development-oriented tool capable of reducing the incidence of poverty, and the level of deprivation amongst poor people who are often discriminated against, due to their profiles (Armendariz and Morduch, 2005). Thus, in view of the developments within the microfinance sector, the World Bank believes that, effective markets are significant in producing a more sustainable development, thus the need to increase the opportunities for the less-privileged becomes important. The World Bank observes that, in order for the poor to escape the incident of poverty, they often depend largely on the formal and informal markets to trade-in their human resources and goods, to protect against unexpected risks and, to provide finance for their investments (World Bank, 2004). Furthermore, the World Bank (2004) argues that, to provide adequate opportunities for the poor, there is thus the need to develop a holistic programme such as training and financial education, support and not financial assistance alone. Thus, the need to ensure the market is a perfect place for the poor especially for assets accumulation and, for addressing the inequalities associated with the allocation of endowments, for example, education, is clear. Intervention programmes tailored to the needs of these segments of society are needed. Similarly, Sudhir and Ravallion (1993) argue that, the well-being of a given economy is often measured by the health or the well-being of the people living in that particular economy. It is for this reason that, both non-governmental organisations (NGOs) and governments have initiated policies aimed at addressing this phenomenon (Badrudin and Warokka, 2012). This is to ensure that marginalised segments of society are offered the opportunity to access credit.

A considerable number of studies have shown that, the microfinance concept was originally introduced in the developed world as part of governments' initiatives to bridge the gap between the poor and the well-off (Helmes, 2006). However, some previous studies in developing countries in relation to the development programmes aimed at reducing poverty, demonstrated that microfinance has existed in various forms in less-developed countries for decades (Kalirajan and Singh, 2009). A question that needs to be asked however is, what is microfinance? There are several definitions and meanings that have been ascribed to microfinance due to the nature of the products and services offered by the various microfinance institutions. Generally, microfinance is the provision of uncollateralized credit to the poor or low-income households, usually in fairly small amounts, to those without any borrowing histories, who would otherwise be ignored due to lack of saleable collateral (Azevedo, 2007; Ghosh, 2013) but, whose economic activities are linked to income-generating enterprises (Lidgerwood, 1999; Christen and Rosenberg, 2000). According to Otero (1999, p.1), "*Microfinance is the provision of financial services to* *low income, poor, and very poor self-employed people".* Thus, at the heart of microfinance is a provision of credit to the marginalised or the less-privileged, who are usually vulnerable to shark money lenders. Therefore, microfinance is a broader concept, unlike microcredit (provision of loan), it encompasses the provision of financial products such as, savings, insurance and training. Moreover, in countries such as Bangladesh, BRAC assisted the borrowers in distributing and marketing their products to improve repayment rates (Armendariz and Morduch, 2005). Nonetheless, is the conclusion that microfinance has often saved the poorest of the poor valid? Or to what extent does microfinance help to address the financing gap in the credit markets for the marginalised poor?

3.4.2 Microfinance: Interventions and the Credit Market

Previous studies have acknowledged the importance of finance or credit for poverty alleviation and thus, to enable the poor to venture into productive enterprises. The poor or low-income households have, prior to the emergence of microfinance, relied largely on other sources of credit including informal sources (Johnmark et al., 2013; Armendariz and Morduch, 2005). Moreover, a considerable number of studies have shown that, the marginalised especially those who are often rejected by commercial banks, depended largely on informal finance sources including, family, relatives, friends (based on; a reciprocal lending concept – an epitome of informal insurance and, without interest), landlords and money lenders (Susu collectors in Ghana) (Ray, 1998; Rallen and Ghazanfar, 2006; Bhatt and Tang, 2001). These lending systems usually involved an informal arrangement between the lenders and the borrowers and, the repayment is usually based on trust (*Ibid*). However, these lending mechanisms adopted by the money lenders are often deemed to be exploitative. This is because; they often charge exorbitant interest rates on the amount borrowed (Armendariz and Morduch, 2005). Moreover, the poor are forced due to their vulnerability to accept usurious interest rates from these lenders. The usury interest rates usually prevent those who do not have the ability to pay the exorbitant interest from accessing credit (Armendariz and Morduch, 2005). These findings are consistent with a study conducted in a village near Amritsar in the Punjab region of

India on 7 money lenders (Singh, 968). Singh, (1968) found that, annualised interest rates ranged between 134 to 159 percent were charged by the commercial banks institutions in India. Similarly, Steel et al., (1997) found for example, in Ghana, Malawi, Nigeria, and Tanzania that, interest rates charged by the money lenders to be 50 percentage points more compared to those charged by the commercial banks (*Ibid*). These usury interest rates charged by money lenders are often blamed on the high cost of doing business with the poor; due to the small size of the loans processed. These costs usually include screening, monitoring and the enforcement of loan repayments from their clients (*Ibid*). Armendariz and Morduch (2005) have argued that the exorbitant interest rates are justified on the grounds that, poor clients do not often provide significant assets coupled with inefficient legal systems in developing countries to help providers retrieve expired loans. For example, Braverman and Guasch (1989) investigated the cost of doing business with poor borrowers and found that, the administrative costs associated with handling small amounts for loans are between fifteen to forty percent of the borrowed amount. Armendariz and Morduch (2005), however, suggest that, one method to avoid high interest charges from money lenders, is to fall on friends and neighbours. Although, the interest rates are likely to be low or zero, there are other social implications and obligations associated with these sources of finance such as loss of reputation and social exclusion.

Furthermore, Bhaduri (1973) observed that, one factor that hinders agricultural development in India, is the attitude of money lenders who often wear the "*caps"* of landlords in the villages. Bhaduri argues that, these money lender landlords do not often encourage the use of new farming technologies that would enhance the income of poor, small and marginal holder farmers, as this would in the end, improve the revenue of the poor, thereby impacting on the loan demand. Bhaduri (1973) therefore, concluded that money lenders would ultimately; develop the monopolistic tendency to regulate the inflow of capital to the farmers. The focus of many developing countries including India is to confront the exploitative tendency of money lenders (Bell, 1990). Perhaps, mainstream banks could take the advantage over the exploitative tendency of money lenders and intercede to provide credit to the poor. Armendariz and Morduch, (2005) however argue that, due to the tailored nature of the financial assistance offered by the money lenders particularly in bridging the financing gap, the poor borrowers who rely largely on these lenders will in effect be excluded from the credit markets. Money lenders play a significant role in ensuring the marginalised have access to credit regardless of the conditions attached to it. Moreover, previous studies have demonstrated that, apart from the money lenders there are other sources of credit to poor people including Rotating Savings and Credit Association (ROSCA) and Credit Cooperatives.

3.4.3 Rotating Savings, Credit Association (ROSCA) and Credit Cooperatives: Are they Potential Alternatives?

ROSCA and credit cooperatives, are lending concepts based on a group lending mechanism. These approaches contribute significantly in addressing the financing gaps in relation to poverty reduction thereby ensuring poor households have access to finance (Armendariz and Morduch, 2005). ROSCA is based on the concept of informal social cohesion amongst acquaintances and friends, whilst, credit cooperatives operate within a given legal framework and a regulated constitution (*Ibid*). Furthermore, ROSCA works in a relatively easy format; it involves a group of dedicated individuals who decide on the basis of unanimous consensus to contribute money to a common "pool" regularly, and, the money is withdrawn from the pool and given to a member of the group at regular intervals (Armendariz and Morduch, 2005). For example, thirty individuals may decide to contribute \$50 each on a monthly basis to the pool for a period of fifteen months, producing a monthly pool of \$1,500. Members of the group meet on a monthly basis to collect subscriptions and assign the money generated to the next member; excluding the previous beneficiaries, until every member has had their share of the \$1,500 from the pool. The recipient of each pool is often prearranged and unaltered throughout the period and, this involves members bidding for their turn instead of expecting any formal selection (for example, this system is common in Taiwan; see Levenson and Besley 1996; Calomiris and Rajaraman, 1998). ROSCA members thus, use any accumulated *"unused*" money to support an important acquisition such as cars for commercial purposes (Armendariz and Morduch, 2005).

Furthermore, in Bangladesh for example, ROSCA is referred to as "*loteri samities*". Studies conducted to understand how ROSCA work have shown that of the 95 percent of *samities* studied by Rutherford (1999), seventy percent of the members are domicile in adjacent houses, whilst the 5 percent were based on a common workplace. Similarly, Gugerty (2007) investigated 70 ROSCAs in Kenya and found that the majority of the ROSCAs are formed by neighbours and friends. Also, the participants indicated that ROSCAs' practice involves a series of occasional visits by members; on average 14 times in each month. In the context of Africa, this system is referred as *"stokvels"* (Susu in Ghana and Esusu in Nigeria) (Helms, 2006). The participants, who collected their share of the contributions on a weekly basis, would organise a party for the community, and charge a fee for attending. The proceeds from such programmes are given to the member who invested in this. However, such money is typically not for investment, but, purely for consumption purposes (Mosley and Rock, 2004). Whilst ROSCA is considered to be reliable and a cheap source of finance for the poor; Helms (2006), has identified some limitations in relation to its usefulness. According to Helms (2006) this lending mechanism is based on rigid principles. This is because; each member's contribution is tied-up until it gets to that individual's turn to access the cash. Moreover, it is extremely risky especially, when the kitty is insufficient due to the inability of a member to contribute. Sometimes due to a loss of life, the turn of subsequent members is affected. Similarly, Osei (2015) observed that most of those who practise Susu (similar to ROSCA) in Ghana often encounter difficulties especially, when a member is unable to repay their loan due to issues relating to their enterprises. He suggests that in order to prevent a situation where there would be insufficient funds to pay other members, beneficiaries should always ensure that there is back-up capital. Moreover, members are also disadvantaged especially, if he/she requires the money before their turn (Helms, 2006). The extant narrative therefore suggests that the ROSCA and credit cooperatives are unable to fully address the inefficiency in the credit markets, due to problems such as, transparency and understanding of operating cost, size of the loan and the degree of inconvenience (Helms, 2006; Jones et al., 2000). Moreover, assistance from friends and families often comes with its attendant social stigma and loss of reputation in the community and amongst peers, particularly, if they become over reliant on the lenders (Helms, 2006; Turvey and Kong, 2010).

3.4.4 Conventional Banks and the Credit Market Inefficiency

Recent evidence suggests that traditional banks play a significant role in bridging the lending gap in the credit markets given the pool of resources at their disposal (Abedifar et al., 2015). However, a considerable number of studies have shown that these banks are often faced with several challenges doing business with poor clients because they often lack local knowledge (Armendariz and Morduch, 2005). Moreover, the banks have little information on the clients, therefore doing business with poor borrowers is deemed too risky. As a consequence, the conventional banks tend to demand saleable collateral from the potential borrowers. However, poor clients do not have collateral to offer thus limiting the poor's access to credit (Helms, 2006). Similarly, access to credit for poor people is further exacerbated by a lack of reliable and cost-effective strategies to lend and collect money in poor communities (Armendariz and Morduch, 2005). Surveys such as that conducted by Stiglitz and Hoff (1990) showed that, transaction costs and information asymmetry associated with doing business with the poor contributed largely to the marginalised inability to access credit. Factors found to be affecting credit accessibility have been explored in several studies and these include; screening problems, the cost of ascertaining the risk profile of potential clients, monitoring and determining the actions of the clients that demonstrate their willingness to pay back the loan and enforcement problems (Stein, 2010; Salia, 2015). It is evident from the literature that inefficient legal systems in some developing countries also affect access to credit (Clarke et al., 2006). For example, banks are constrained in providing credit to poor people in less-developed countries due to the non-existence of well-documented and planned property registers (Kamunge et al., 2014). Consistent with these studies, Armendariz and Morduch, (2005) suggested that to achieve effective debt collection, a policy framework should be provided to empower banks to initiate legal proceedings against defaulters. Although, extensive research has been carried out on default rates relating to poor farmers, the results are weak because they do not take into account factors such as the farmer's line of business, size of the household and their extended families. Moreover, due to the inability of traditional banks to obtain adequate information on their prospective clients coupled with the perception about poor people being riskier borrowers, adverse selection problems arise (Analisti, 2009; Klein, 2014). The adverse selection problem arises because; the banks are not able to determine which clients are potentially riskier than others. The banks often set interest rates at a level to maximise returns thereby imposing higher interest rates on riskier clients to compensate for the likelihood of default (Karlan and Morduch**,** 2009; Owusu et al., 2009). Moreover, these banks are unable to distinguish between safe and risky customers thus, charging potential borrowers the same interest rates often scares safer customers away from accessing credit (Armendariz and Morduch, 2005; Mitra, 2009; Fernando, 2008). Against this background, Stiglitz and Weiss (1981) concluded that incomplete information about potential borrowers, gives rise to usurious interest rates and leads to adverse selection problems in the credit market. In contrast, Hoff and Stiglitz (1990) suggest that exorbitant interest rates are a consequent of three reasons: high correlation among defaults, high rates of default, and the high cost of screening potential borrowers and of tracking irresponsible clients. Furthermore, the existence of imperfect information in the credit markets with its attendant adverse selection problems has led to moral hazard problems (Powell and Goldman, 2013). The moral hazard problem arises because risky clients may not be induced to engage in potentially profitable projects with their loans due to the non-existence of penalty saving as a deterrent (Tsoulouhas, 2013). Moreover, poor borrowers may decide to abscond with the profit made from the investment (Armendariz and Morduch, 2005; Reddy, 1999). According to Deakins and Hussain (1994) conventional banks are often confronted with a risk of imperfect information when doing business with small enterprises. This situation often compelled the banks to exclude poor borrowers deemed risky from accessing some financial products (Salia, 2015). Consequently, the case for commercial banks to exclude poor borrowers is adequately established (Salia, 2015).

3.4.5 Microfinance: Antecedent and Historical Perspectives

Microfinance is not a new development strategy; it has existed for centuries. Helms, (2006); Lutzenkirchen and Weistroffer, (2012) have provided a comprehensive historical perspective of the microfinance concept. Helms (2006) found that, marginal, informal credit and savings groups have existed and served the marginalised segment of society for centuries in Mexico, India and Ghana. Besides, in Europe, for example, as early as the 15th centuries, the Catholic Church recognised the need to help the poor, who were often shunned by the usury traditional money-lenders, and founded Pawn Shops as a substitute. These pawn shops became prominent and spread throughout the urban regions of Europe during the 15th century (Tripathi, 2014). During this period, formal savings and credit institutions provided financial services to people that did not have tangible collateral. In order to ensure its financial sustainability, Pope Leon X, instructed the pawn shops to impose nominal interest on borrowings to meet the cost of operations (Helms, 2006).

In the early 17th century -The Irish Loan Fund system; begun through the effort of Jonathan Swift, was aimed at offering financial assistance to the poor. The system had registered about three hundred funds throughout Ireland by the end of 1840s (Hollis, 1999). During the 18th century, Europe witnessed the advent of large and relatively formal credit and savings organisations that concentrated predominantly on the urban and rural poor. In Germany, a financial cooperative was developed by Friedrich Wilhelm Raiffeisen. Its main objective was to assist rural people to escape the reliance on usurious moneylenders and to enhance their welfare (Helms, 2006; Prinz, 2002). Consequently, this financial cooperative movement emerged in France in 1865 and Quebec in the 19th century (Zeuli and Cropp, 2004). Moreover, the trajectories of many of the financial cooperatives in continents such as, Latin America, Africa, and Asia can be traced to this noble and successful movement. Another notable example, is the Indonesian People's Credit Banks (BPRs), which were opened in 1895 and became the largest microfinance scheme in Indonesia; with about nine hundred registered branches (Helms, 2006; Ahmed and Masyita, 2013)

Furthermore, in the early 19th century, there were significant changes in the credit markets. In Latin America and other continents, variations of credit and savings schemes emerged. The aim of these rural finance strategies was to enhance investment through credit, marshal "unused" savings, modernise the agricultural sector, and reduce inhumane strategies that are often employed by traditional moneylenders to enforce repayment. In the 1950s, 60s and 1970s, access to agricultural credit for small farmers to increase productivity and income was recognised as a source of improving the livelihood of the poor. This initiative was aimed at providing credit to farmers at interest rates through government-owned initiatives or farmers' cooperatives. According to Helms (2006) these programmes experienced poor repayments from clients who considered the financial assistance projects as a *"Gift*" from the government. In some instances, the credit ended up in the hands of well-off farmers instead of the poor. The capitalisation of these institutions became affected and they failed.

By the 1970s, microcredit had emerged in Bangladesh, Brazil and several other countries with the aim of extending credit to poor women entrepreneurs. The lending strategy employed by these institutions was developed on the basis of "*Solidarity group lending"*, where each member of the group serves as a guarantor for the repayments of loans for the group. Furthermore, the "*Solidarity group lending"* model called the "Jobra" was first experimented by the Grameen Bank in Bangladesh (Fotabong, 2011). In 1976, the Grameen Bank was used as a conduit to extend small amounts of credit to poor rural households in several villages. As part of the lending scheme, borrowers were put into small "peer monitoring" groups of 4 or 5 persons with an emphasis on women borrowers. Weekly meetings were arranged with other groups to fulfil their loan repayment obligations. Within a span of thirty years, Grameen Bank's client base had exceeded thirty-two million (with women accounting for about 95%). Grameen Bank has 1,178 registered branches serving 41,000 villages and an assets base exceeding three billion dollars (Mainsah et al., 2004). Other organisations such as; the Self-Employed Women's Association Banks in India and ACCION International have also joined existing institutions to provide credit to the poor (Taneja, 2009; Egyir, 2010). Therefore, in the view of Hulme and Moore (2006) through the Grameen model, the number of people looking for loans for personal and productive ventures has increased remarkably.

By the 1990s, microfinance gained international recognition and began to replace "microcredit" as a financial service for poor borrowers (Helms, 2006). The question that needs to be asked, however, is whether, the Grameen Bank model as a pioneering mechanism works for other countries that have replicated the approach. Although, the Grameen bank model has been employed in many countries including Ghana, due to its success as reported in previous studies, its effectiveness has been criticised on several grounds. In contrast to the claims and proliferation of the Grameen Bank model, that it enhances the empowerment of the marginalised; critics have argued that the bank's operational policies and model are rather disempowering to women (Moreno, 2010). The Grameen Bank model encourages the provision of loans to women. However, the husbands of these borrowers who are excluded from the financial assistance often encourage their wives to seek the loans and thereafter use the loans for their own enterprises (Microcredit Summit Report, 2007; Morduch, 1999). Moreover, these women borrowers are often not the ultimate beneficiaries of the loans but, they serve as the mediators between their husbands and the credit providers especially in parochial societies (Morduch, 1999). Thus, the provision of credit facilities to women do not necessarily empower the women to engage in productive ventures due to the inability of banks to account for the beneficiaries of loans received by women (Kulkarni and Vani, 2011; Morduch, 1999, in Moreno, 2010). Considering the reasoning in the above narratives, it becomes evident that, targeting woman in the household would not necessarily alleviate poverty because of the family system in some developing countries including Ghana. Hence, the need for further studies particularly in Ghana to examine relationship between provision of credit and poverty reduction become important.

3.5.1 Microfinance and its directional relation to Poverty Alleviation: Disaggregating the concept

Poverty is a socio-economic problem due to the negative effect it has on the economy of a country and thus requires a worldwide approach to address it (Agbaeze and Onwuka, 2014). However, there is a lack of consensus on the definition of poverty due to its complex and multidimensional nature. Variables such as, income and consumption expenditure; health; educational status of the families; self-esteem; acquisition of basic household amenities; availability of agricultural implements; lands and family nutrition are commonly used to understand poverty (Afrane, 2002; Hietalahti and Linden, 2006; Khandker, 2001; Odell, 2010). This evidence from the extant literature suggests different factors are deployed in evaluating the impact of poverty alleviation projects.

Microfinance is designed to extend credit to the poorer in society that are often ignored by traditional financial institutions because of lack of collateral (Fafchamps, 2013). Essentially, the underlying logic for credit provision to the poor is that, by extending credit to the financially excluded, they would be empowered to manage their income in a prudent way, acquire valuable assets, improve their skills, invest and start new enterprises (Rooyen et al., 2012). The evaluations and outcomes of the development literature still produce mixed results on the contribution of microfinance to poverty reduction (Meyer, 2000; Armendariz and Morduch, 2010; Roodman, 2012). Studies such as that carried out by Sani et al., (2017); Kasali et al., (2015); Boateng et al., (2015); Sulemana and Dinye, (2016); Tahir et al., (2016); Alozie, (2017) showed that, there is a significant relationship between microfinance and poverty reduction. For example, Pitt and Khandker (1998) conducted a multiuse quasi-experimental household survey in 87 villages within 29 Thanas in Bangladesh. They found that, credit provision has a greater effect on poor households particularly when the programme's participants were mainly women (Mahmood, 2013). They further showed that for every 100 additional taka credit extended to a woman, annual household consumption expenditure improved by 18 taka, considerably higher than the 11 taka reported for men borrowers. Consistent with the Pitt and Khankder (1998) findings, Khankder (2005) employed a panel data to assess the effects of microfinance on poverty reduction in Bangladesh and found that access to microfinance improved the wellbeing of the beneficiaries and that the effects of microfinance benefits are multidimensional. Drawing from Khankder (2005) and Pitt and Khandker (1998) findings where microfinance loans are provided to women, the positive impact on poverty reduction is more pronounced than that of men borrowers. Perhaps, these outcomes provide trends that help explain that women are better managers of resources in the family than men. Similarly, Morduch (1998) assessed the impact of microfinance in Bangladesh. Drawing on a cross-sectional survey of about 1800 households, he reported that beneficiaries of microfinance schemes do not experience any remarkable increase in income and consumption level in comparison with non-beneficiaries (Conroy and O'Leary, 2005). Moreover, he found that although microfinance reduces vulnerability, it has a limited impact on aggregate poverty. Khandker (2001) found that in Bangladesh, microfinance beneficiaries experienced increased consumption expenditure, income and household assets than non-borrowers. He attributed this outcome to moderate repayment plans that allow poor borrowers to improve consumption and to accumulate assets. The results of the above studies suggest that microfinance contributes to the United Nation Millennium Development Goals to eradicate global poverty. Ayuub (2013) conducted a study in the Bahawalpur District of Pakistan to determine the impact of microfinance on farmers and found that the credit enabled the beneficiaries to improve their living standards. Similarly, Umara et al., (2011) studied the effect of microfinance on beneficiaries in Pakistan and reported a positive effect on children's education enrolment and household consumption expenditure. Meanwhile, he found insignificant results on housing conditions, ownership of durable assets and consumption of food items. Barnes and Morris (2005) evaluated the impact of three microfinance programs in Uganda namely; FOCCAS, FINCA and PRIDE. The results reported from this study show that access to microfinance accounted for improved agricultural inputs and long-lasting assets, expansion in the size of cultivated farm land and improved household income from agricultural produce.

Afrane (2002) studied the effect of microfinance in Ghana and South Africa and concluded that microfinance improved the lives of recipients by enhancing their economic conditions and their access to basic life-improving amenities. Similarly, Makanga and Okibo (2014) conducted a study in the Kiambu District of Kenya on the effect of microfinance on poverty reduction and found that the intervention led to an increase in the well-being of the beneficiaries and their children's educations. In particular, 86.9% of the participants reported that the schemes helped them to engage in meaningful productive ventures, such as dairy farming. Jegede et al., (2011) conducted a study on the contribution of microfinance to poverty alleviation in Nigeria and found that the participants experienced an improvement in their economic status and income. Drawing on previous studies Enisan and Oni (2012) analysed the impact of microfinance on recipients in the Ondo State of Nigeria and found that the credit scheme improved the welfare of the beneficiaries. Therefore, the analysis and outcomes of the literature show that microfinance has a positive impact on poverty reduction.

In contrast, Coleman (2002) analysed the effect of a microfinance credit scheme in Northeast Thailand. Using a treatment group (clients who benefited from the scheme) and control groups (those who are yet to benefit from the scheme) methodology, the author recorded insignificant results for savings; physical assets; productive expenses; labour time; production; sales; health and education of beneficiaries. In a follow-up study in Northeast Thailand, Coleman (2006) found that microfinance benefited the wealthier clients more than poor borrowers. This outcome is largely attributed to the design and the targeting approach employed by the service providers. Perhaps, program design plays a vital role in ensuring the success of microfinance interventions. Similarly, Rooyen et al., (2012) evaluated the impact of microfinance on income; expenditure; savings; assets accumulation; health; nutrition; food security; education; women empowerment; child labour; housing and social cohesion and found cases of negative impact. They argued that, although the intended purpose of the loan credit is to start a business, the poorer clients engaged in profligates that wiped out their capital stock. Thus, one question that needs to be asked is whether profligates constitute an impediment for microfinance success?

Hulme and Mosley (1996) have shown that poorer households do not often benefit from microcredit programs. However, non-poor clients; those above the poverty threshold are benefiting from the scheme (Hulme and Mosley, 1996). Similarly, Hermes and Lensink (2007) argued that whilst microfinance is deemed as an effective tool for economic enhancement, its outreach to the poorest of the poor is constrained. Furthermore, loan officers often discriminate against the very poor due to their inability to contribute to MFIs profitability (Wright, 2000; Simanowitz, 2000). Moreover, microfinance service providers prefer granting wealthier clients because of the size of their loans. These discriminatory behaviours further deteriorate the participation of the very poor in microfinance. For example, in some communities where microfinance institutions operate, social segregation exists between the very poor and the rich thus; there is always the tendency to ignore the extremely poor in the community. Evidence from the existing literature also shows that the very poor avoid microfinance institutions for fear of being stigmatised (Swope, 2007; Wright, 2000; Simanowitz, 2000; Simanowitz and Walter, 2002). Perhaps, the targeting methods employed by microfinance service providers should be tailored to the needs of the poorest of the poor. According to Sengupta and Aubuchon (2008) this would help microfinance institutions to provide loans to those most affected by poverty and requiring credit. Therefore, to understand the role of societal behaviours on microfinance provision, a study that encompasses the behavioural dimensions of the beneficiary communities has to be conducted.

3.6.0 Microfinance Innovative Mechanisms and Impact on Poverty

The contribution of microfinance towards poverty alleviation and in enhancing access to finance for the financially excluded in developing countries including Ghana has been recognised in the development discourse (Karlan et al., 2016; Ali et al., 2015; Asamoah and Amoah, 2015; Samer et al., 2015; Adhikari and Shrestha, 2013). Moreover, a wide range of theoretical focus has been devoted to the operationalisation of group lending and its efficacy in delivering a sustainable credit to the underserved segment of the market (Gomez and Santor, 2008). Since the inception of microfinance, various lending methodologies such as group, individual lending and dynamic incentives models have been employed to improve credit availability, repayments, outreach and the sustainability of the programme (Karlan and Gine, 2010). Moreover, until recently, group lending mechanism was deemed as a means of helping the poor to access credit.

3.6.1 Group Lending Scheme

Group lending is thus referred to as arrangements by individuals who do not possess collateral and come together to form groups with the intent of obtaining credit from the lender (Armendariz and Morduch, 2010; Owolabi, 2015; Yeboah, 2010). The lenders often grant loans to individual group members but the group is responsible for the non-repayment of loans. The approach was first pioneered by the Grameen Bank in Bangladesh in the 1970s as a conduit for granting loans to the poor. Under the Grameen Bank model, the individual group members under the collective group collateral are allowed to access loans (Salia, 2015; Blank, 1998) but the entire group face the consequences if any of the group members renege on the terms of credit or have problem with repayments (Attanasio et al., 2011; Salia, 2015). The groups are usually made up of three to five people. The model has successfully been replicated in other developing countries including Ghana as a method of extending financial assistance to the poor. The underlying logic of group lending and its dominance in the microfinance subsector is based on the idea of joint liability (Sharma, 2014). Under the joint liability scheme, the entire group members are considered as being in default if one member fails to repay the loans thus preventing other group members from accessing subsequent credits (De Quidt et al., 2013; Yeboah, 2010). This mechanism was accepted by the practitioners and borrowers because, fellow members serve as guarantors and thus ensure only borrowers with good standing are included in the group (Owolabi, 2015). Thereby helping to minimise agency problems between microfinance institutions and service users. The model is found to be beneficial to the loan officers (Angaine and Nderi Waari, 2014; Marr, 2002) in that, loan and savings transactions with the clients can take place in a relatively short block of time (Rupnawar and Kharat, 2014; Mahmood, 2013), as shown in figure 3.1. Moreover, where a joint liability clause is incorporated into the contracts, it helps lenders to mitigate the adverse selection, moral hazards and enforcement problems that affected the traditional financial institutions' attempts to grant credit to the poor (Armendariz and Morduch, 2010; Alhassan and Akudugu, 2012), as shown in figure 3.1. Although the joint liability is deemed as an effective means of ensuring that the institutions have sufficient information about the borrowers at a minimal cost, it is considered to be onerous and time-consuming due to the usual weekly, monthly meetings. For example, Park and Ren (2001) found in their studies conducted on two Chinese programmes that, 8% of the borrowers' complained about the usual group weekly meetings and that, they often walk between 40 minutes to 1 hour to where the meeting took place (Park and Ren, 2001; Brau and Woller, 2004). Moreover, the microfinance approach has the potential to contribute to market inefficiency. For example, what if the group members colluded against the microcredit lender and refused to pay back the loan or were unwilling to impose social sanctions on the defaulting members, could this be an effective way of lending to the poor? Another embedded feature of group lending is the aspect of peer monitoring, where the group ensures the loans are used for their intended purpose. The underlying logic of peer monitoring is that, group members assume the monitoring roles on behalf of the lender and ensure members do not misapply their loans (Gomez and Santor, 2008; Mahmood, 2013). Whilst this method could be deemed more costly for the borrowers than for the credit providers, the group members will typically have local information about individual members prior to forming the group. However, the downside of peer monitoring is that, it is practically impossible to monitor members especially in a situation where the population of potential clients is dispersed and local information is thus considered weak and expensive to gather (Hermes et al., 2006). Considering the reasoning in the above narratives, the question that needs to be asked is whether, group lending in an environment where members do not live close to one another, could impact on the repayments of loans. For example, Ahlin and Townsend (2003) examined a wide range of predictions of group lending with joint liability including the impact of interest rates, group homogeneity, loan size, the magnitude of joint liability, level of peer monitoring and social sanctions on loan repayment rates (Angaine, and Nderi Waari, 2014). Similarly, Gine and Karlan (2014) investigated group versus individual liability employing an experimental design trial and randomised trials and found that, there is no increase in short-run default. Although some of their evidence supported the predictions of the underlying theory, they also found evidence that did not support many of the predictions of group lending with joint liability including, group monitoring, strong social ties and, group cooperation which are negatively correlated with loan repayment rates (Ahlin and Townsend, 2003). Gomez and Santor (2003) observed that, the existence of strong social cohesion among groups could lead to fewer incentives to repay loans and this is common particularly in urban areas where joint default would not lead to reputational damage and social stigma. They concluded that, the notion that social ties are beneficial for group lending should be qualified, considering that social structures that allow penalties can improve loan repayment, whilst those that discourage sanctions can impact negatively on repayment. Similarly, Kalan (2007) demonstrates that, a greater level of social capital within groups is positively related to a high repayment of loans, especially when the enabling environment is created to foster a sustained social cohesion. Consistent with Kalan (2007), Wydick (1999) suggests that, a higher level of social cohesion; particularly where the group members know the individual members before the formation of the group or reside in the same area, can reduce the default rates by individual borrowers (Owolabi, 2015). In this context, the groups would often have in place rules governing how members should conduct themselves including screening, monitoring and enforcement thereby (Marr, 2015), improving the repayment performance of the group. Given that the group usually select the members, could this lead to risk-taking by the members and could this be minimised to avoid the possibility of default?

Contrary to the theoretical literature in relation to group lending, Karlan and Morduch (2010) found, based on a laboratory-style experiment conducted in the Peruvian market that, joint liability encourages risk-taking particularly where the borrowers have knowledge about the investment strategies of the group members. Moreover, if borrowers could engage in self-selection into the groups, they found that there was a negative impact on risk-taking because of assortative matching. Similarly, Fischer (2010) employed the same methods and found that; under insufficient information, joint liability encourages risk-taking as borrowers usually rely on the embedded group insurance offered by the other borrowers. On the other hand, ex ante moral hazard is often mitigated especially if the projects to be undertaken require the approval of co-borrowers. Gine and Kalan (2013) investigated the effect of group liability on repayment rates employing two randomised experiments in the Philippines and found that, excluding joint liability, or incorporating individual liability at the beginning had no effect on repayment rates over the subsequent three year period. In a related study conducted by Carpena et al., (2010), they used a quasi-experiment to determine the effect of joint liability on repayments concerning a microfinance programme in India; they found that, group liability significantly enhances repayment rates. Given that factors such as inadequate proceeds from the borrowers' activities and using the borrowed amount for other household contingencies could impact on the ability of the borrowers to repay their loan, it is thus, paramount to examine the effect of joint liability contracts on the wellbeing of the family.

Recently, researchers have shown an increased interest in joint liability contracts because of their efficacy in fighting poverty (Banerjee et al., 2010). However, the impact of loans under joint liability contracts, on household wellbeing remains diverse and contentious (Owolabi, 2015). Khandker (2005) employed a quasi-experiment method to examine the impact of joint liability on family wellbeing and found that, joint liability under microcredit lending impacts significantly on household consumption in Bangladesh. In a related study conducted by Morduch and Roodman (2009) employing the same method in Bangladesh, they find no significant effect of group lending under a joint liability contract on household consumption. In contrast, Kaboski and Townsend (2005) used non-experimental data to examine the impact of joint liability regarding a microcredit programme in Thailand and found significant effects of the lending approach on consumption. Similarly, Attanasio et al., (2011) conducted a study in rural Mongolia using a randomised field experiment and found that, access to group loans impacted positively on food consumption, entrepreneurship and not on household income. However, they found no significant improvement in the loans' repayment rates under joint liability. Some recent studies have used randomised field experiments to rigorously examine various development policies including microcredit in developing countries (Duflo et al., 2008). Benerjee et al., (2010) investigated access to microcredit under joint liability in the Indian city of Hyderabad and found that, lending under this scheme impacted positively on borrowers, business creation and investment by existing enterprises however, the impact on clients' consumption is heterogeneous. They observed that, new business owners reduced expenditure on non-durable consumption so that they can pay for the fixed cost of their operation. In contrast, non-entrepreneur clients increased their expenditure on non-durable consumption. Moreover, Duflo et al., (2011) examined the effect of group liability loans in the rural village of Morocco and found that, access to credit under this lending method led to a considerable expansion of the scale of the pre-existing entrepreneurial operations. However, they found a heterogeneous effect on consumption expenditure whilst those expanding their entrepreneurial activities reduced the expenditure on non-durable consumption. Similarly, the literature in relation to the effect of group liability on the wellbeing of the beneficiaries in Ghana is diverse. However, several microfinance institutions including Opportunity International Savings and Loans Ghana Limited continue to adopt this method to grant loans to their clients. Onyina and Turnell (2013) conducted a study of 672 borrowers of the Sinapi Aba Trust (SAT) in Ghana and found that, lending under joint liability has a positive effect on the clients' wellbeing namely; asset ownership, children's education, consumption expenditure, expansion in business operations and the empowerment of women. They observed that, clients with a membership of more than 3 years who accessed credit under group lending experienced a more positive impact on their livelihood than those who joined for less than 3 years. Thus, the number of years of membership is deemed to have a positive correlation with the effects of the service. However, the efficacy of the method employed in gathering data from the borrowers particularly in relation to their income and expenditure raises serious question. This is because, the participants' expenditure and income were self-reported and this could impact on the validity and reliability of the Onyina and Turnell (2013) study outcomes. Although the group lending method is deemed to be successful in serving borrowers that are just starting small enterprises especially with no employees, the technique tends to impose restrictions on wealthier clients (Attanasio et al., 2011).

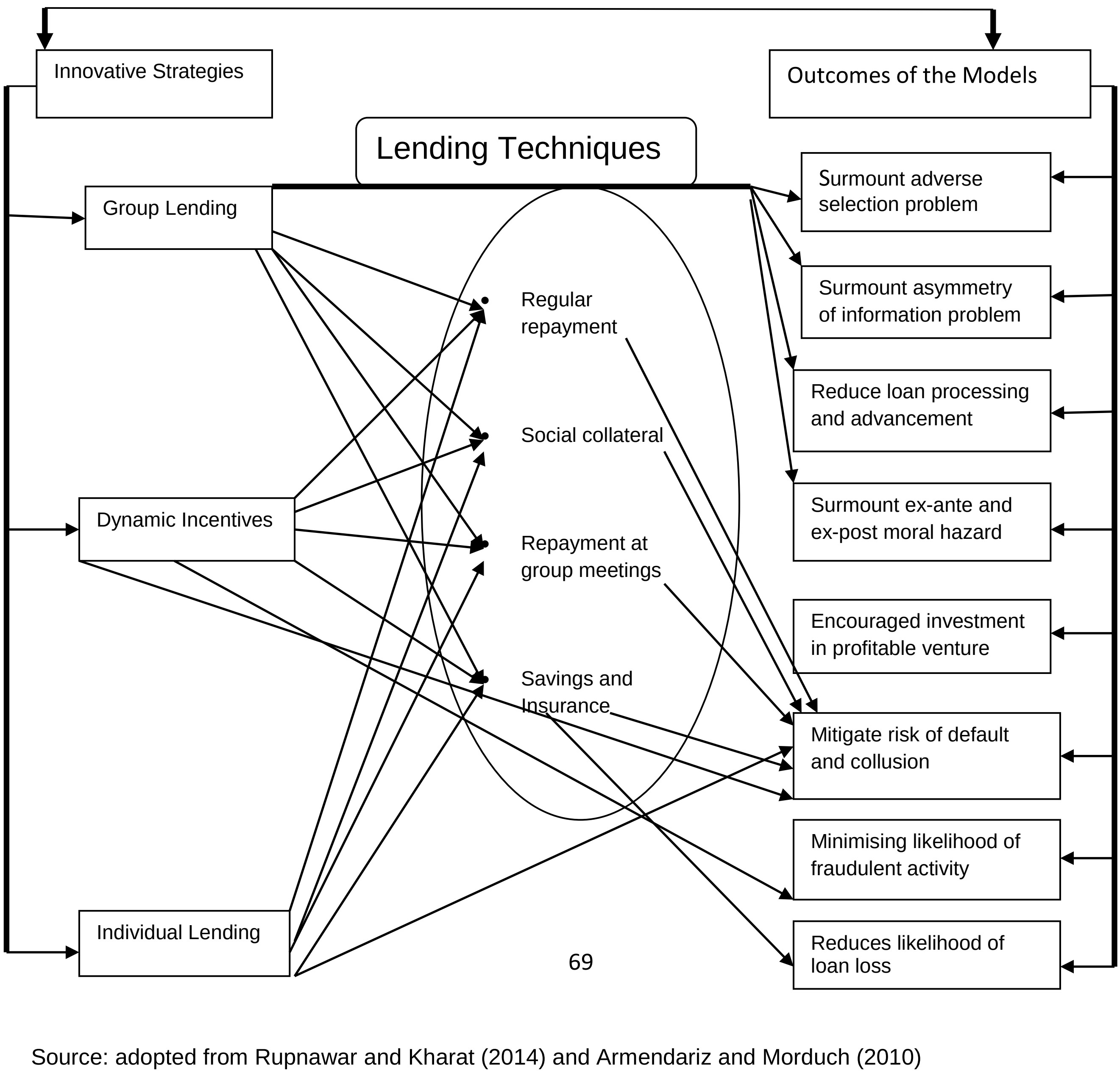
3.6.2 Individual Lending Scheme

Considering the limits imposed on well-off borrowers, most microfinance institutions such as BancoSol and Grameen Bank have abandoned joint liability for their wealthier clients and well-established enterprises Marr (2002), and thus have resorted to individual lending contracts. Under individual lending schemes, loans are granted to individuals and the individual borrowers are personally responsible for the repayment of loans (Maiangwa, 2012). Given the risk involved in granting loans to individual clients, the lending process involves screening potential borrowers by assessing their repayment capacity based on the amount applied for. MFIs also examine the individual household's cash flows and the credit history of the loan applicant with the intent of determining the credit worthiness of the borrower. The lending mechanism allows the granting of loans to fit the borrower's needs and a commensurate repayment capacity. Thus, this helps to facilitate the development of a closer relationship and strengthens the mutual trust between the borrower and the microcredit lender ((Attanasio, 2011; Maiangwa, 2012). Regarding individual lending however, the borrowers are free from the usual negative effects of group lending schemes namely; loss of privacy, risk, frequent group meetings and they avoid the possibility of collusion (Lehner, 2008; Armendariz and Morduch, 2010), as shown in figure 3.1. Madajewicz (2008) observed that, under an individualised loan package, businesses tend to perform better than when obtaining loans through joint liability contracts. However, the cost of collecting information about individual clients is usually very high compared with group lending where the groups serve as the means of obtaining information about the background of the group members (Gine and Karlan, 2014; Lehner, 2008; Attanasio, 2011). Considering the efforts by microfinance institutions to minimise default rates and to improve on loan repayment rates, both individual borrowers and those who borrow under group liability are often encouraged to repay their loan on time through dynamic incentives.

3.6.3 Dynamic Incentives Lending Scheme

A dynamic incentive or progressive lending is a lending mechanism whereby, the lending arrangements start with a small amount for the loans particularly for first time borrowers. The lender gradually increases the loan size upon satisfactory repayment of the initial loan (Khawari, 2004). Progressive lending provides the lender with a unique opportunity of testing the borrowers with small loans, thus allowing microcredit lenders to develop relationships over time and to exclude the potential defaulters before increasing the loan size (Ghosh and Ray, 1997; Yeboah, 2010). This approach offers a distinctive advantage to the lender in the sense that, it forewarns the borrowers of the consequences of default and their inability to access further loans (Armendariz and Morduch, 2000), as shown in figure 3.1. Moreover, the embedded progressive lending feature helps to overcome information asymmetry problems and thus enhances efficiency (Armendariz and Morduch, 2000). Although dynamic incentives are deemed as an effective way of reducing default rates, the technique becomes less potent where there is competition among lenders and thus, the inability to fight against moral hazards (Mahmood, 2013; Salia, 2015). For example, in the case of BancoSol and Bank Rakyat where dynamic incentives are predominantly used, the mechanism failed to yield the required results due to the level of competition in the microfinance subsector. Thus, there is the need for a well-functioning and centralised credit agency to help address the moral hazard problem confronting the service providers in the competitive microcredit sector. However, dynamic incentives tend to be more effective particularly in areas where transportation network or mobility is low. Thus, it would be ideal to adopt this lending mechanism more in rural areas than the urban stratum (Shapiro, 2014). This is because, it will be costly to monitor borrowers and also to know the whereabouts of the defaulters where mobility is high (Sumar, 2002). Moreover, lenders tend to experience high repayment rates in the rural areas compared to the urban areas (Morduch, 1999; Sumar, 2002). In figure 3.1, it is shown that, microfinance has helped poor people to access finance through various innovative schemes. The analyses of the literature showed that, those who are unable to benefit from traditional financial institutions have been empowered through microcredit. Thus, microfinance is deemed to be an important tool for lifting the poor out of poverty (Armendariz and Morduch, 2010).

Figure 3.1: Microfinance Innovative Mechanisms



Source: adopted from Rupnawar and Kharat (2014) and Armendariz and Morduch (2010)

In sum, the debates in relation to the most effective approach for making credit available to the poor and the impact of these credit methodologies, remain contentious and diverse. The group lending approach has dominated microfinance literature; however, other lending techniques such as individual lending and dynamic incentives have also been used alongside joint liability technique. Moreover, there appears to be no clear consensus on the effect of these methodologies on family wellbeing. Thus, this study intended to investigate the appropriateness of these methods within the context of Ghana. Given that the joint liability scheme pioneered by Grameen Bank was replicated in other countries such as Ghana, Grameen Bank has since incorporated individual lending and other approaches, it is thus pertinent to further investigate these techniques in the Ghanaian context. The next section will focus on microfinance and women's empowerment and its directional impact on family wellbeing.

3.7.1 Microfinance Impact on Women's Empowerment

An increased amount of studies has been devoted to discussions on the importance of women's empowerment for poverty reduction (Kulkarni, 2011). Also, there is evidence that many programmes targeted at women have benefited male-headed households rather than female-headed families (Khandker, 1998; Mayoux and Hartl, 2009). Although, there are several studies that support the efficacy of microfinance in empowering women Corsi et al., (2013); Bhatt and Bhatt, (2016); Nisser and Ayedh, (2017); Angko, (2013), its potential in helping poor women escape poverty remains contentious (Guneratne, 2015). Also, for centuries, there have been widespread concerns about how women are marginalised in male controlled households (Kato and Kratzer, 2013). Moreover, surveys such as that conducted by Khan and Noreen (2012) show that women represent about seventy percent of the world's poor and are mostly affected by poverty. Thus, to ensure there is a coordinated approach towards empowering women, in 2000, the Millennium Development Goals aimed at halving global poverty was promulgated by the United Nations. This was followed by the declaration of 2005 as a year of microfinance to promote gender equality and women's empowerment (Owusu et al., 2013). Thus, the recent interests in microfinance have renewed an interest in women's contribution towards poverty reduction. According to OECD (2009) women in many developing countries including

Ghana are the main source of livelihood for their families. However, development programmes targeted at women often face challenges. Dzisi and Obeng (2013) have attributed this outcome to the participation of women in low-wages work and informal sectors of the economy.

Furthermore, positive outcomes from the Grameen Bank experiment have shown the importance of empowering women (Moreno, 2010). Essentially, the Grameen Bank model recognises the pivotal role of women's participation in socio-economic development and women's contribution to family health, nutrition and education (Khandker and Shahidur, 1994). Thus, one major goal of the microfinance programme is to economically empower women due to their contribution to family wellbeing (Rahman and Nie, 2011). According to Elliot (2008) empowerment is characterised by three core dimensions. First, a person's capabilities such as, self-confidence, health, education and knowledge. Second, cultural institutions and other pertinent resources that provide the individual the opportunities and challenges. Third, the means by which choices are made and implemented. Pitt and Khandker, (1998); Leach and Sitaran, (2002) analysed these three empowerment dimensions and concluded that women's access to microcredit is more likely to produce more development outcomes than that of the men borrowers. This view is consistent with Dzisi and Obeng (2013) who found that women borrowers spend the proceeds from their economic ventures on household basic needs. According to United Nation (2006) entrepreneurial development is constrained in less-developed countries due to a lack of access to credit and availability of assets and this is more pronounced for women (Guneratne et al., 2015).

The evaluations and outcomes of existing studies indicate that the effect of microfinance provision on women borrowers is inconclusive (Wrigley-Asante, 2011). There are significant results that suggest credit to women in male-headed households has the potential of improving household wellbeing. For example, Kato and Kratzer (2013) assessed the impact of microfinance on women's empowerment in men-headed households in Tanzania and found that women borrowers are more empowered compared to non-borrowers. They reported that the women have experienced greater improvements in their self-confidence, self-efficacy, decision-making in the household, freedom of mobility and control over income and saving.

Consistent with the Wrigley-Asante (2011) findings, Herath et al., (2015) investigated the effect of microfinance on women's empowerment in Sri Lanka and concluded that access to credit and the availability of the market for products and services for women have improved their decision-making ability in the family especially if they act as mediators for the loan. Similarly, Mayoux and Hartl (2009) found that microfinance does not only contribute to poverty reduction but it also promotes economic empowerment, livelihood and the political and social empowerment of women borrowers. Thus, microfinance helps in promoting gender equality in line with the United Nation Millennium Development Goals (MDGs). Der and Bebelleh (2014) assessed the impact of microfinance on rural women's empowerment in the Kpandai District in Ghana and found that access to credit improved the wellbeing of women including; nutrition, child education and access to health services. They concluded that, the training programme organised by the microfinance institution together with the tailored nature of the loan, have largely impacted on the economic empowerment of women. Similarly, Seddoh (2014) investigated the impact of Plan Ghana Microfinance on poverty reduction among 180 women borrowers in Lower Manya Krobo and found that the credit scheme has improved the wellbeing of the women in the following areas; health, child education, personal development and business sustainability. Alatinga and Williams, (2016) later assessed the effect of microfinance on women's empowerment regarding household welfare and found that access to credit has improved women's participation in intra-household decision-making, education, health and participation in social networks within their communities. The reasoning in the above narratives suggests the positive impact of microfinance on women's empowerment. Meanwhile, studies such as; Schuler et al., (1998) and Wrigley-Asante (2011) found that the empowerment of women in a male-headed family may lead to violence in the household when "empowered women" challenge established family authority structures that favour men. In some instances, an increase women's self-sufficiency has resulted in the withdrawal of the usual traditional assistance from men (Silbertschmidt, 1999; Wrigley-Asante, 2011). Moreover, Hargreaves et al., (2010) found that women have experienced barriers to collective action. Rahman et al., (2009) investigated factors influencing women's empowerment in Bangladesh employing a control group method and found that women without access to microcredit are equally empowered. Schindler (2010) argued on the basis of a qualitative analysis that microcredit loans provided to women in the Northern Region of Ghana entailed high processing costs. The excessive cost of borrowing has the potential to increase poverty gaps.

Furthermore, women are seen to be better clients compared to men (Dzisi and Obeng, 2013). Women's access to loans is more likely to yield better developmental results because they are inclined to use the gains from their enterprises to fulfil their household's basic needs (Leach and Shashikhala, 2002; Pitt and Khandker, 1998). Besides, Espallier et al., (2009) assessed the repayment characteristics of 350 microfinance institutions in 70 different countries and reported that women borrowers are associated with a lower portfolio-at-risk and lower credit loss provisions. These findings support the view that, women are better clients of microfinance institutions compared to men (World Bank, 2007). Armendariz and Morduch (2005) argued that because women are unable to access credit from traditional financial institutions, they ensure that there is a continual good relationship with microfinance institutions. Thus, women tend to repay their loans on time to guarantee regular access to credit. However, there some cases of evidence that contradict suggestions that women repay their loans on time. For example, Afrane and Adusei (2014) studied female loan repayments among some 754 female borrowers in Ghana and found that women are more likely to default on loan repayments than men. Thus, they suggested that lending to creditworthy men clients could improve the repayments of the microfinance institutions. The evaluation and outcomes of the existing literature however, suggest that much uncertainty still exists about the relationship between women's empowerment, microfinance and repayment rates. Thus, the need to further investigate the relationship between microfinance and women's empowerment will contribute to the ongoing discourse on the impact of microfinance.

3.8.1 Disaggregating the Dimensions and Conceptual Framework for Assessing the Impact of Microfinance

As discussed in the preceding section above, the role and contribution of microfinance as a development vehicle for exiting poverty has been challenged over the years (Meyer, 2000; Armendariz and Morduch, 2010; Roodman, 2012). The contentions pertaining to the methodological approaches including both the “hard issues” and “perceptual issues” to consider for the impact assessments largely dominated the discussions in this domain. In most impact assessment studies, three key dimensions are often considered in measuring the extent of the intervention namely; enterprise, clients and household level (Kessy, 2013). However, each approach adopted in the impact study tends to be undertaken at the end of the project and to the neglect of the other. Thus, this chapter is aimed at reviewing the various dimensions and conceptual frameworks for assessing the impact of microfinance. The researcher would thus develop a conceptual framework within the context of developing countries and Ghana in particular, to assess the impact of microfinance services on poverty reduction amongst farmers in Ghana.

During the late 1980’s, there were concerns about the most effective approach to assess the impact of microfinance schemes on the beneficiaries (Kessy, 2013; Mayoux, 2001). Thus, to measure the extent of the impact on both poverty and empowerment, various institutions tend to carry out this exercise with varying objectives in mind. These institutions include donor-funded projects, academic researchers and non-governmental organisations’ (NGOs) in-house assessments (Kessy, 2013). Moreover, the impact assessment in the early 20th century was largely linked to and driven predominantly by, donor agencies (Afrane, 2002). Nevertheless, there has been a paradigm shift in relation to the assessment of microfinance intervention by various institutions namely; policy makers, researchers, MFIs and academics. Thus, different authors have attempted to disaggregate and define impact assessment as a process of measuring the success and failure of an intervention. Barnes and Sebstad (2000) define impact assessment “as a study conducted with the aim of identifying changes that result from a programme”. It is deemed to be an institutional mechanism intended to measure the effects of a programme on the targeted beneficiaries in a given setting (Afrane, 2000). Within the context of credit provision, impact assessment is deemed as the outcomes of a programme on the changes in certain defined variables namely; assets, expenditure on consumption, profit, sales revenue and the number of employees of the business (Vanclay et al., 2015). Roche, (1999) viewed impact assessment “as a systematic analysis of the long-term significant changes – negative or positive, intended or not, that resulted from a given action or a series of actions". The substance of Roche's definition is based on the grounds that the outcomes of the assessment could differ substantially from the initial objectives of the action(s) undertaken. Thus, if the intended objective of microfinance intervention is to offer credit/loans to the targeted clients or poor people with the aim of escaping poverty or to improve their living conditions, the design of the impact assessment framework will thus help to establish whether or not the intervention has in effect improved the living conditions of the poor (Krishnan and Ramawat, 2016). On the other hand, if the intended purpose of the microfinance schemes is to improve the development of businesses, the impact assessment will be aimed at establishing if indeed the intervention has led to the expansion of these businesses or not (Ele, 2016). The definitions tend to dichotomise the impact assessments between two strands – positive or negative. Microfinance services offered to the beneficiaries are deemed to be positive if there are observed changes in the dependent variables under examination. On the other hand, microfinance intervention is considered to be negative if there are no significant changes in the observed variables (for example income, consumption expenditure, assets accumulation, children's education, self-confidence and respect) (Al-Shami et al., 2014). This impact assessment exercise can be carried out/observed at both the individual and programme level. Thus, the impact study is viewed from two perspectives/schools of thought, namely; the intended beneficiary school and the intermediary school of thought (Hulme, 2000).

3.8.2 The Intended Beneficiary School

The intended beneficiary school's perspective is based on the logic of the typical approach of the intervention's cycle (Hulme, 2000). It thus seeks to identify the operational chain as plausible (the approaches and estimates) with the view to measuring the impact of microfinance programmes on the intended beneficiaries either at household or individual level (Hulme, 2000; Kessy, 2013). The focus of this approach views financial products/loans as a way of improving the standard of living of the targeted beneficiaries through combinations of changes including income and reducing the magnitude of debt or vulnerability. Essentially, this method helps to measure the extent to which microfinance services have benefited and changed the livelihood of the beneficiaries, their businesses and their ultimate economic conditions.

3.8.3 The Intermediary School

The intermediary school of thought focuses on the start of the impact evaluation chain particularly on the effects on MFIs and their operational activities. The focus of this paradigm is on two main strands embedded in microfinance services namely; organisational sustainability and organisational outreach (Yaron et al. 1997; Gebremichael and Chawla, 2016). Its inception is often linked to the Ohio State School's analysis of rural development programmes (Hulme, 2000). The underlying assumption of this school is based on the grounds that, if the two strands' sustainability and outreach have been improved, the credit intervention is thus deemed to have had a positive impact (Al-shami, 2014; Long and Marwa, 2015). Moreover, it is rooted in the assumption that, as a result of the intervention scheme and improved outreach and sustainability, the poor would have better access to loan credit. Thus, the provision of credit will in effect contribute considerably to the performance of micro enterprises and the economic security of individual households (Guntz, 2011). According to Hulme, (2000), if the poor experienced improvement in their livelihood, this would have positive impact on organisational outreach and sustainability. However, a considerable amount of studies have shown that, the underlying assumption of this school of thought is considered to be flawed on several grounds. The critics of this impact evaluation methodology argued that, focusing entirely on either the business or individual level may not necessarily address the core financial needs of the poor. Moreover, the approach would not uncover the problems associated with clients "cross-financing" of loan credit which may affect the sustainability of the credit providers (Wiig, 1997, Hulme, 2000, Armendariz and Labie, 2011). Studies such as that conducted by Roesch and Helies (2007) have shown that, microfinance loans are often used to pay back money owed to informal lenders and vice versa. For example, in rural Mexico, informal lenders often provide "bridging loans" to borrowers and the loans are usually used to repay part of their microfinance loans (Morvant-Roux, 2009). Thus, the question that needs to be asked is whether the improvement in the living conditions of microfinance clients could entirely be linked to this intervention?

Furthermore, considering the reasoning in the above narratives, there is no single study that has conclusively defended the efficacy of the two schools of thoughts. Moreover, the analyses of the literature show that, they both have their relative strengths and weaknesses in addressing varying issues in the impact evaluation studies. According to Hulme, (2000), the intended beneficiary school of thought tends to make fewer assumptions and is capable of drawing a clearer distinction between those who benefit from the intervention and how the credit scheme was designed to impact on the beneficiaries. Whilst the intermediary school of thought purposefully embeds the idea of sustainability and thus suggests impact strategy that could be used alongside pre-existing data (Hulme, 2000). It is however thus deemed as very ineffective in establishing who benefitted from the microfinance services and how this was executed. For example, the assessment of the USAID-financed APPLE programme is evidence of the weaknesses of the intermediary school. Feinstein, (1997) suggests a possible means by which the intermediary school paradigm can be strengthened. He recommends the gathering of longitudinal data on clients' transaction costs in order to measure and establish whether or not microfinance services benefitted the clients (leads to the reduction in the overall costs for accessing loan credit). Feinstein's proposal is intended to close the gap between the two main strands that is, if the assessors collected data on the beneficiaries of the services. Therefore, to capture all pertinent variables that will ensure the impact assessment model adequately addresses the various approaches in the assessment process; the need to consider the level (unit) of assessment becomes paramount. Moreover, identifying the level of assessment (household and enterprise level) will provide the basis to determine the issues to be considered in evaluating programme impact.

3.8.4 Level or unit of assessment

This section focuses on defining the boundaries within which the study would be carried out. Thus, identifying the unit of assessment helps the researcher to determine the variable/issues to be considered in order to measure the extent of microfinance interventions. Sebstad et al., (1995) suggested, there is the need to widen the scope within which the impacts of microfinance services are investigated. Particularly, a paradigm shift of emphasis from the institutional level to the household level as a unit of analysis.

3.8.4.1 Disaggregating the household as a unit of assessment

For centuries, a considerable number of studies has attempted to disaggregate the household as a unit of assessment (Hajnal, 1982; Bongaarts, 2001) Thus, leading to different interpretations and perspectives based on empirical and anecdotal evidence (Beaman and Dillon, 2012). Moreover, there are embedded problems in defining the composition and functions of the household in all social sciences research. Anthropologists view the household mainly through broader perspectives namely; marriage, family and kinship and have essentially been interested in disaggregating the causal relationship between the family as a unit and a household. The economists' standpoints on the household predominantly focus on the firm and the individual (as end user) at the expense of the family. They are primarily concerned about describing the household in relation to consumption and production. The feminists' school of thought in the two disciplines (anthropology and economics) views the household through a further lens of gender; specifically, by means of the socially-delineated and assigned relationships and roles of women and men (Sebstad and Cohen, 2000; Beaman and Dillon, 2012)

Over the past two decades, the emergence of three key perspectives of households namely that of; feminists, economists and anthropologists has led to considerable developments in relation to the household as a unit of impact assessment. However, each discipline domain tends to address the household within the confines of the discipline's own perspectives (Cohen and Dunn, 1999). First, and most prominently, there has been a departure from the models of the household that dwell significantly on altruism, sharing, and cooperation to models which encompass the plausibility of bargaining, negotiation and more so, conflict. Second, the key development in the definitional approach to a household has been a move away from considering the household as a bounded entity to highlighting its absorptivity and its entrenchment in broader compositions (Moore, 1994). This paradigm shift has been predominantly informed and driven by anthropological psychoanalyses of the household as an integral part of the social units which influence the decisions pertaining to consumption, production and investment. The advocates of this ideological stand emphasise that, the in-house structures and operations of the household in relation to what should be produced are largely influenced by the interplay of cultural, political and economic processes (Moore, 1994). The third key development borders on the appreciation of the vast disparity in household structure and composition both between and within societies, as well as over time. Considering the conceptual difficulties inherent in defining a household, anthropologists have tended to disaggregate what actually constitutes the structures of a typical household. The basis of their standpoint is whether the household should be defined as a kinship unit or family (for example, conjugal family) or as people who share the same residence or as people with a joint responsibility namely; production, consumption, ownership or investment. Anthropologists have indicated that, diverse roles do not necessarily match; and that, the group that share food from the same pot, the unit that mutually owns the ancestral estate and the unit that mutually uses the ancestral land may not essentially be one and the same in terms of their attitude towards these processes. Given the multi-dimensional approaches and the complexity associated with the definition of a household, this will thus influence the conceptual issues to be considered in impact assessment studies.

3.8.5 Household approach to impact assessment

Conceptually, the household is deemed as the unit or set-up within which pertinent decisions that affect economic welfare are made including decisions about resource allocation, production, consumption and asset accumulation. Operationally, it is considered within the perspective of a group of people who usually cohabit together and eat from the same “pot” particularly in developing countries (Cohen, 2001). The underlying logic behind the household approach to impact assessment is rooted in the idea that, micro enterprises are an integral part of a wider portfolio of economic undertakings (Cohen, 2001). Moreover, micro enterprises are deemed to be implanted in a vibrant household set-up within which pertinent decisions about resource allocation are made considering the interplay of both external and internal influences. Therefore, an impact assessment exercise that seeks to assess the impact of an intervention should look beyond individual micro enterprises, and should embed the wide-ranging influences that steer the decision making in the household economy. Sebstad et al., (1995) built an initial model which could be used for impact assessment employing a household approach. They recognised three varying strands that could potentially be employed at household, individual and enterprise level to assess the impact of an intervention. At the enterprise level, the main realms were production, management, markets, resource base and financial performance. Whilst at the household level, the impact realms were expenditure, income and assets. The individual level realm encompasses participation in community activities, control over economic resources and decision making influences. Sebstad et al’s., (1995) preliminary study was later expanded through the AIMS project carried out in order to further explore and refine the main conceptual issues of the household economy.

Furthermore, the AIMs study recognised the role of program context, assets, risks and intra-household dynamics in the assessment of a programme’s impact. Thus, they investigated their relationships with microenterprises programmes. Essentially, household assets are deemed to be pertinent and played a significant role for poverty alleviation. Barnes, (1996) observed that, household assets accumulation is vital to household well-being as they embody a store of wealth that the household rely on in times of emergency. The family’s assets define the productive capacity of micro enterprises and; they show the household living circumstances. In other words, the composition of a household’s assets base delineates its stratagems for increasing its current and future wellbeing. Barnes and Keogn (1999) recognised the conduits through which microfinance institutions can increase household wellbeing by aiding the accumulation of assets. Firstly, household welfare can be improved through provision of loan credit to the poor and can be used specifically for assets acquisition. The household income level may improve when these accumulated assets are used for productive and income generating activities. Secondly, in the event that the household experiences income shocks, those that have access to loans may elect to seek for financial assistance or borrow instead of depleting their assets base. Furthermore, risk is deemed to be critical for credit provision and thus influences the household behaviour and the mitigating strategies of micro enterprises. Chen and Dunn, (1996) identify two distinct strategies that households employ to manage risk namely; loss management strategies and risk reduction strategies. First, ex-post loss management strategies focus on tools that are used by households in the case of an income shock and these include; the sale of essential productive assets, using insurance and reversible systems namely borrowing or savings. Second, risk reduction strategies on the other hand, encompass the diversification of commercial activities, identifying low risk related economic activities and the household's ability to develop pertinent insurance programmes. These thus help to minimise the household ex-ante exposure to risk and to reduce household income inconsistency. Sebstad and Cohen (2000) identify the causal relationship between microfinance, poverty and risk management. They showed that, while all households, poor and non-poor, are confronted with risk, the poorer households are deemed to be more vulnerable. This is often attributed to the limited resources the poorer household can fall on and thus, any small occasions can result in a significant economic crisis. Therefore, risk-averse households may be compelled to choose projects with low risks, which generally offer low rates of return thereby affecting households' assets accumulation. Consequently, this can further exacerbate households' vulnerability and; this condition is often referred to as the "poverty trap". Sebstad and Cohen (2000) however, argue that microfinance institutions can assist the poor and poorer households to escape this poverty cycle. Also that, they can aid the accumulation of assets, the diversification of income sources, and can tackle income shocks as they emerge and offer protection against risk.

Thus, at the heart of the impact assessment studies is the effect of intervention programmes on the welfare (livelihood) of those targeted. Moreover, the sustainability of the intervention is crucial for a desired positive effect on clients. Thus, sustainable livelihood paradigm is deemed as an effective approach for assessing the impact of a programme on poverty alleviation.

3.8.6 Theory and Concept of Sustainable Livelihood Approach (SLA)

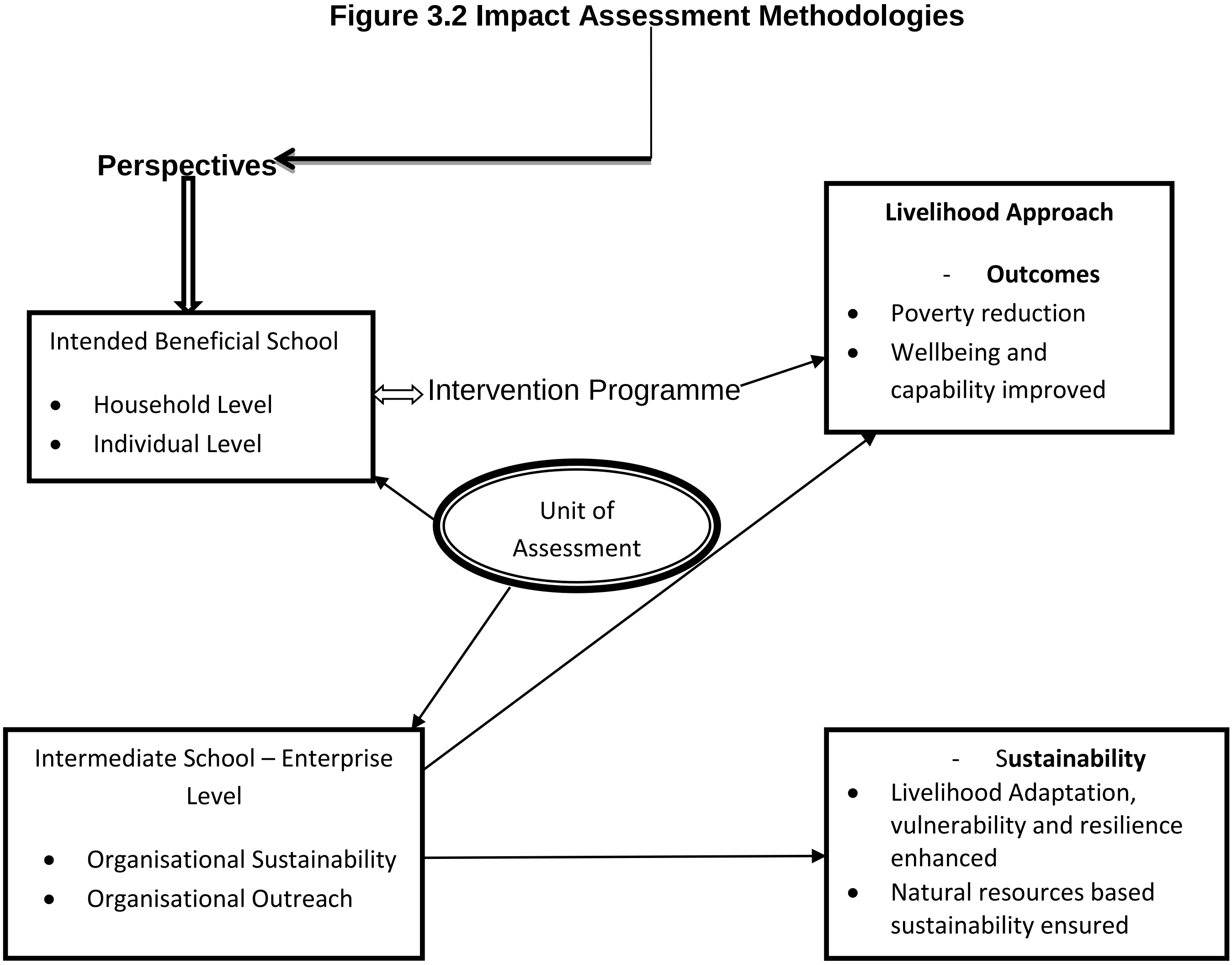
Over the last decade, a considerable amount of studies has demonstrated the need to consider and understand the contextual issues pertaining to development programmes aimed at alleviating poverty and improving the wellbeing of the poor (Solesbury, 2003). However, scant consideration is deemed to have been given to context particularly livelihood, within the microfinance debates and discourse. In view of the little emphasis on context in evaluating programmes, Johnson and Rogaly (1997) observed that, the use of cross-sectional researches often ignore how poor people manage their financial matters. Moreover, livelihood approach has been widely recognised in impact evaluation studies. For example, in the North-South of Europe, the participants considered in the impact evaluation study complained about the pre-occupation of microfinance service providers. The participants' criticisms centred on the grounds that, microfinance institutions are more concerned about their organisational sustainability and thus they pay little emphasis to the livelihood of their beneficiaries (Verhagen, 2001). Moreover, realising that the traditional development model failed to bring about the intended outcomes and that people are confronted with numerous challenges, Chambers (1980) developed the concept of "Sustainable Livelihood" aimed at enhancing the effectiveness of development cooperation (Kollmair and Juli, 2002). Thus, a sustainable livelihood approach to impact assessment has dominated impact evaluation discourse.

The sustainable livelihood approach (SLA) has gained popularity in the development discourse and thus informs the design of policy and development programmes aimed at alleviating poverty in developing countries (Weeratunge et al., 2014). The sustainable livelihood approach is deemed to be a comprehensive and multidisciplinary mechanism aimed at enhancing an understanding of the multiple dimensions of poverty (Kebe, 2008). During the last two decades, an increased emphasis and attention to poverty alleviation, sustainability in the political milieu and people-oriented approaches contributed largely to the prevalence of the adaptation and adoption of livelihood models, frameworks and definitions in the development discourse (Bennett, 2010). According to Morse and McNamara (2013), the idea of livelihood gained much recognition and emerged as a development concept at the 1992 Earth Summit organised in Rio and this initiative is called “Agenda for 21st century” (Perrings, 1994). The rationale for “Agenda 21” is to ensure that, everybody is given the opportunity in life to achieve a sustainable livelihood. The concept was founded on the grounds that, intervention aimed at reducing poverty must be designed to incorporate the underpinning ingredients of livelihood (Morse and McNamara (2013). However, there were other factors that have contributed to its present popularity. The sustainable livelihood approach was first devised from what is termed the “intentional approach to development”. Essentially, development according to Cowen and Shenton (1998) has two basic dimensions; first, immanent development – it relates to a comprehensive process of improvement in human societies inspired by several factors namely; advances in medicine, communication, the arts, science and governance. It is promoted by processes such as international integration which in effect helps to share emerging new knowledge and technologies. Second, interventionist development on the other hand is a directed and focussed process through which non-governmental and government institutions implement development programmes aimed at helping poor people. Chambers and Conway (1992) provide the most often cited definition of sustainable livelihood in the development literature and this became the basis for assessing the effect of a development programme. According to Chambers and Conway, “A livelihood comprises the capabilities, assets (namely stores, resources, claims and access) and activities required for a means of living; a livelihood is sustainable when it can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long-term” (Chambers and Conway, 1992, p.7). According to the Chambers and Conway view of livelihood, poverty alleviation interventions should pay attention to empowering the poor so they can create their own opportunities, encouraging access to productive assets, and creating an enabling policy and institutional milieu (Alinovi et al., 2010).

Furthermore, Satsangi and Anand (2013) refer to livelihood as a way of conceptualising the scope, objectives and importance of a development programme. The concept focuses on multiple issues pertaining to alleviating poverty namely; the skills, resources and activities that the poor fall on to sustain their economic, spiritual, social and physical needs (Morse and McNamara 2013). Essentially, it is deemed as an attempt by the people to reconceptualise development programmes in terms of what they need and their contribution to other people's wellbeing. Moreover, people can develop a sustainable livelihood through multiple means namely employment, training, financial literacy, education, savings programmes and entrepreneurial support.

Sustainability is defined according to Conway, (1985) as "the ability of a system to maintain productivity in spite of a major disturbance, such as is caused by intensive stress or a large perturbation". Given the context of this study, the idea of sustainability in relation to livelihood is entirely outside the realm of the concept of environmental sustainability. Sustainability is used in this study to represent the ability to increase and preserve a livelihood. The idea of a "livelihood" is aimed at organising the importance factors that impact upon the strength or vulnerability of family, individual and household survival plans (Goulden et al., 2013). Conceptually, these strategies include; the assets owned by the people, the economic and social activities they embark upon with the intention of earning a decent standard of living and to address other pertinent objectives namely risk mitigation, and the issues that often impinge or enhance people's access to productive assets, economic and social activities. Realistically, a sustainable livelihood paradigm places people instead of facilities, resources or organisation as the centre of action and concern, accentuating that improvement must be sustainable and development must be participatory (Alinovi et al., 2010). Figure 3.2 below shows the methodological approaches employed in various studies to assess the impact of microfinance and other developmental programmes designed to improve the wellbeing of the poor. Figure 3.2 explains how poverty reduction mechanisms are formulated by service providers with the intention of meeting a particular organisational objective. The intervention initiatives are either targeted at the intended beneficiaries or to achieve a desired level of organisational sustainability and outreach. However, the ultimate goal of this method is to improve the wellbeing of the beneficiaries at household and individual level. Moreover, the underlying assumption of the approaches is based on the fact that, if there is a positive impact at these two levels as a result of the intervention, this would thus have a positive effect at the enterprise level. The analysis of the literature showed that, for a positive effect to be experienced by the beneficiaries, the livelihood approach is deemed to be the most effective mechanism to maximise the effect of an intervention. Figure 3.2 showed that, this method helps to reduce poverty and that the wellbeing and the capabilities of the poor are improved.

Figure 3.2 Impact Assessment Methodologies

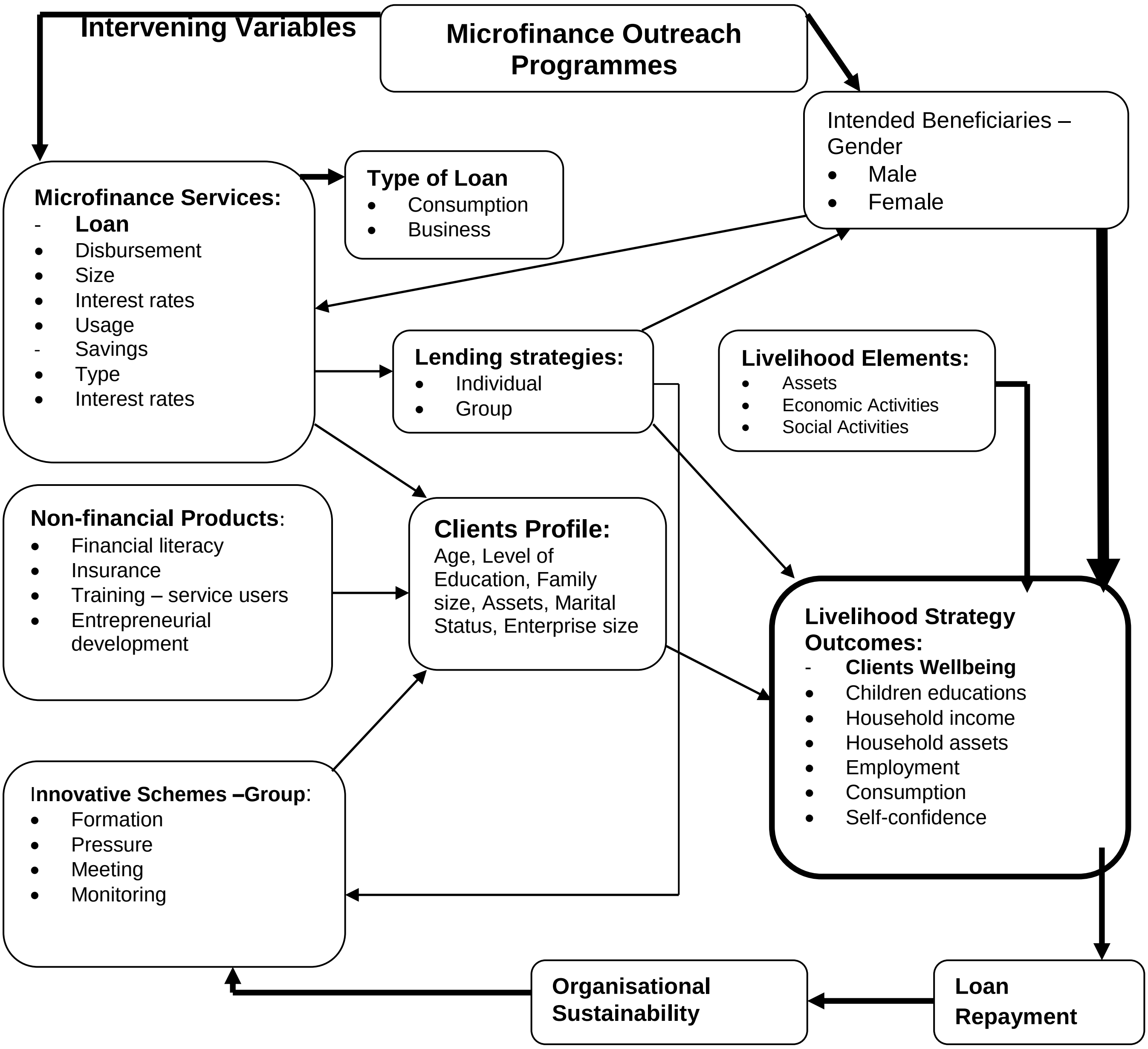


Based on the preceding analysis in relation to the contextual issues when assessing the impact of a development programme and regarding the earlier assessment of the microfinance literature; the following pertinent research questions were used for further investigation.

1. Is there any relationship between microfinance provision and poverty alleviation in Ghana?
2. How relevant and effective are the present approaches employed by the microfinance service providers in Ghana in offering credit to farmers?
3. What are the factors that impact and affect microfinance operations in Ghana in relation to credit provision?
4. How can microfinance products be developed and provided to encourage access to finance for the financially excluded in Ghana?

Considering the models employed in earlier studies in evaluating the impact of microfinance programmes on poverty alleviation, the study conducted in Ghana is backed by the framework provided in figure 3.3. The main emphasis of this study is to investigate the underlying relationships between the microfinance loan and household assets, consumption, income, self-confidence, children's education, self-esteem and wellbeing.

Figure 3.3 Conceptual Framework of the Study



Source: Remodelled by Author, 2017 (adopted from: Al-Shami, et al., 2014; Cohen, 2001)

Figure 3.3 depicts a synopsis of the variables employed in this study to assess the effect of microfinance on poverty reduction within the context of farmers. It also shows the relationships between these variables in the impact evaluation chain. The figure shows the type of loans, microfinance services, (loans and non-financial products) and, the lending strategies under which the beneficiaries are offered these services. Figure 3.3 also presents the conditions for accessing microfinance loans. The livelihood elements are presented to show how the activities the borrowers engage in, improve their family wellbeing. The box next to the client's profile represents the livelihood strategy outcomes. To assess the impact of microfinance on poverty alleviation amongst farmers, the study used questions: To what extent do microfinance programmes impact on household wellbeing? Is there any relationship between microfinance provision and poverty alleviation in Ghana? To provide answers to these questions, the researcher anticipated that, there are some pertinent characteristics of microfinance beneficiaries and their agricultural activities (marked intervening variables) that could influence the relationship between the livelihood outcomes and microfinance products. To present the relationships between the microfinance clients and various microfinance mechanisms, the intervening variables are analysed to assess their effects on access to credit and poverty outcomes.

3.8.7 Conclusion

The discussion in this chapter investigated and examined the significance of microfinance interventions and development in the credit market. The chapter considered the relationship between microfinance programmes and poverty alleviation. The chapter critically assesses various dimensions of poverty studies in relation to microfinance schemes. Moreover, the chapter evaluates different contextual issues and methodological approaches adopted in previous studies in evaluating the effect of microfinance services. The existing studies in relation to microfinance's impact on poverty alleviation show varying and mixed results. This was largely attributed to the methodological approaches and units of assessment used in the impact studies. Moreover, the economic and social-cultural backgrounds of the studies' domain, and the distinct microfinance schemes employed in different countries could lead to the differing results produced by these empirical studies. Although, there is an emerging trend in measuring the impact of microfinance on individual elements (units of assessment), studies carried out in both Ghana and other developing countries tend to evaluate the impact of microfinance on microenterprise development, poverty and empowerment simultaneously. But, each of these studies produced varied findings in relation to the effect of microfinance intervention. In order to adequately evaluate the impact of microfinance, there is the need to investigate the impact of the intervention on individual elements. This will thus help policy makers to design the best products to meet the needs of both the intended beneficiary and the intermediary beneficiaries in a separate study. The approach will enable the policy makers to assess the specific part of the intervention that contributed towards the success of the programme and the degree of impact. Some studies pointed to the fact that, microfinance is a panacea for poverty reduction largely due to the perceived improvement in the following defined variables, assets accumulation, children's education, income, self-confidence, self-respect and consumption expenditure. However, the review of the literature shows that, these studies used different methodological approaches. On the other hand, some studies which employed similar approaches to examine the effect of microfinance interventions revealed contradictory outcomes. They showed that, there are no effects of microfinance provision on poverty and that, due to the unique characteristics impacting on the capability of the poor borrowers especially farmers, the credit provision often does not reach the poorer clients. Considering the mixed and inclusive outcomes, there is thus the need to further investigate and evaluate the effect of microfinance within the Ghanaian context. This study will be carried out in Ghana, with the focus on one impact assessment unit (poverty/household). Moreover, the analysis of the literature including Ghana showed that, a considerable amount of these studies were conducted without reference to the counterfactual circumstances of the borrowers. Thus, most academic work carried out to assess the impact of the intervention was done by solely relying on the mental recall of the participants to provide precise descriptions of their situation prior to applying for microfinance service and at the time of the study. The approach has been challenged in the literature and therefore also, the fact that the impact results may not reflect the effectiveness of the intervention cycle. Thus, in order to measure the extent of the impact of microfinance in Ghana, it has become necessary to carry out research using the database of the largest microfinance institutions in Ghana, Opportunity International Savings and Loans Ghana7 Limited to assess the conditions of the beneficiaries prior to the impact survey. The matching exercise is to ensure the impact studies take into account all the variables necessary to establish whether or not the intervention has impacted on the beneficiaries.

The diverse conclusions in relation to the effectiveness of microfinance as an emerging poverty fighting mechanism, have dominated the literature. The above critical evaluation of the literature in some instances shows a positive impact on the wellbeing of family. On the other hand, the interventions are deemed to have a negative impact or in relative terms, no impact on livelihood. This lack of consensus on how microfinance success is assessed makes it difficult to generalise the outcomes of these empirical studies. As a result of these inconclusive outcomes in the literature, this provides the rationale for this study in Ghana. A model has thus been developed to aid the intended poverty-alleviation initiatives of microfinance programmes. In the next chapter, the methodological approaches are discussed with a view to constructing the most appropriate research methods and how the model will be tested.

CHAPTER: FOUR

Research Methodology

Introduction

Chapter two reviewed the relevant literature and studies pertinent to microfinance and helped to tease out the historical trajectory of microfinance and its impact on poverty alleviation. The chapter considered the conceptual framework for the study and the summary of the research logic. Chapter three considered the research methodology. The aim of this chapter is to identify the underpinning theoretical framework for the study that serves as a basis for addressing the research problem. The first part of this chapter deals with the identification and selection of research methods and the rationale for the research strategy, research philosophy, data collection, data analysis and time horizons. This is followed by the consideration of the sampling technique, survey design, and testing the efficacy of the key research instruments. The final section of this chapter discusses the underlying problems that emerged during the field work. The chapter is concluded with the diagrammatical representation of the underlying research model for the study.

4.0 ANALYTICAL FRAMEWORK AND SELECTION OF RESEARCH METHODS

4.1.0 Research Philosophy

The manner in which research is carried out may be based on the research philosophy and; the underlying research questions – and the pursuit in tackling the problem – the research question (Antwi and Hamza, 2015). Easter-Smith et al., (2002) pointed out that, a failure to comprehend and consider the underpinning philosophical issues of the study could impact negatively on the quality and efficacy of the research results. The most suitable research method for the study is dependent on whether due consideration is given to the research philosophy. The research philosophy provides the basis for the researcher to identify the nature of the evidence needed, how to collect it and how to interpret it in a quest to finding answers to the research problem under investigation (Easter – Smith et al., 2002). Research philosophy is deemed as how the researcher perceives social phenomena – the social worldview of the researcher. This thus impacts on the way in which the research is carried out, from the research design stage through to the conclusions (Smith et al., (2009). It is concerned with the nature of reality – ontology and involves what is deemed as acceptable knowledge in a particular domain of study – epistemology. Thus, to ensure that the researcher's biases are recognised, reduced and unmasked, it is significant to thoroughly understand the underpinning research philosophies. The preceding dimensions of research philosophy form the foundations upon which the research methods for undertaking investigations are based. According to Hashemnezhad (2015), there are two major extremes of research philosophies which provide the grounds to understand social realty such as; positivism and interpretivism paradigms. Thus, the paradigm adopted by the researcher in conducting the study is dependent on the research questions (Saunders et al., 2009).

4.1.1 Positivist Paradigm

The positivists' stance is based on the belief that, the problem under investigation can be tackled through objective methods instead of subjective methods by employing scientific approaches (Easterby-Smith et al., 2002). Positivist's paradigm has been applied extensively in social science research. Thus, knowledge not based on positivist ideological stance are rejected and thus deemed as void (Hirschheim, 1985, p.33).This dimension of research paradigm presumes that, the social world exists objectively, and that, knowledge is only acceptable if it is founded on observations, by means of scientific methods (Yvonne, 2010). The positivists' stance seeks to demonstrate that, employing scientific methods in order to understand a phenomenon under investigation is done without the interference of the researcher (Kulatunga et al., 2010). Thus, the influence of the researcher on the research outcome is eliminated. The researcher in essence, is to measure the social reality under this paradigm and not to test it (Collis and Hussey, 2009). The positivist paradigm is centred on the principles of reasoning, veracity and rationality; and this is entirely based on facts, obtained through observation and experience. This is carried out through surveys, experiments and statistical analysis (Saunders et al., 2007; Eriksson and Kovalainen, 2008; Hashemnezhad, 2015). Moreover, the positivist ideological stance is largely influenced by the ingredients of natural science and; involves the testing of hypotheses built on existing theories – (deductive approach), via the measurement of observable social realities (Smith et al., 2009). According to Creswell and Plano Clark (2007), the deductive researcher "*works from the "top down*", from a theory to hypothesis, to data gathering, and to either add to or contradict the theory" (p.23).

Given the central tenet of the positivists' paradigm, critics of the positivist ideological stance argue that, the paradigm tends to ignore the human element of the study (Crossan, 2014; Rubin and Rubin, 2011). Moreover, Ayer (1969), challenges the practice of using positivist and empirical methods to study human behaviour. He advocates that, it may be something unique concerning the "*nature of men*" which occasions the creation of laws (Gill and Johnson, 2002). Thus, human beings are not static objects, but are living organisms subject to the forces of behaviour, attitude, perceptions, and feelings, which positivists often dismiss as not relevant and deem as falling within the spheres of metaphysics (Crossan, 2014). Moreover, other critics of the positivist paradigm argue that, the approach produces valuable but restricted data that in essence merely offer a shallow outlook of the phenomena under investigation (Bond, 1993; Moccia, 1988; Payle, 1997; Crossan, 2014). Thus, Saunders et al., (2003) note that, studies that involve human beings should not entirely be restricted to the realms of social science, owing to the intricacy of the social world. On the other hand, the need to consider the influence of human behaviour in investigating phenomena lends itself to the interpretivist paradigm.

4.1.2 Interpretivist Paradigm

The interpretivists' view is founded on the belief that, reality is certainly not an inflexible object; rather it is the work of the personality taking part in the study (Crossan, 2014). Also, that reality does not exist in isolation but, its make-up is largely guided by the context under investigation, thereby making it possible to construct several realities (Saunders et al., 2009). Saunders et al., (2003) suggest amongst other things the factors that guide the construction of multiple realities namely, gender and cultural beliefs as the most essential influences on reality construction. Thus, it is significant to acknowledge the complex relationship between the behaviour of individuals, outside compositions, attitudes and social-cultural matters (Saunders et al., 2003). In contrast to the positivists' view, interpretivists advocate that, as a researcher, it is significant to understand different perspectives of people in our position as "*social actors*" (Saunders et al., 2003). Given the multiple realities involved in the interpretivist position, in order to investigate these multifarious realities, it is thus important to employ a gamut of approaches rather than relying entirely on scientific methods. The subjective nature of this research paradigm lends itself towards the qualitative approach (Eriksson and Kovalainen, 2008). The qualitative approach allows multiple realities to be explored and analysed, as intricate phenomena by their nature cannot be verified employing one statistical measure as is the case within the positivist traditions (Saunders et al., 2007). The interpretivists contend that, under this paradigm, the researcher is not independent of the phenomena under investigations. Thus, the researcher as a living organism and; not a rigid object, can influence the entire research process (Smith et al., 2009). On the other hand, the outcome of the study conducted under the interpretivist paradigm cannot be replicated or generalised in sharp contrast to the positivist stance (Denzin and Lincoln, 2003). The contention of the interpretivists is based on the grounds that, due to the non-static nature and circumstances of the social world, a study conducted under the interpretivist paradigm cannot stand the test of time, thereby making the replication of the outcome impossible (Smith et al., 2009).

Given that the paradigm draws on the experiences and the influences of the researcher regarding the phenomena under investigation, the interpretivists' view gravitates towards an inductive approach or theory building (Smith et al., 2009). As an alternative to the deductive approach, the inductive approach is essentially concerned about the contextual factors within which a study is being conducted (Saunders et al., 2003). Thus, it is more appropriate to work with small sample subjects instead of huge samples as in a deductive approach. The researchers using this paradigm are more inclined to use qualitative data and to employ multiple research methods to gather data with the aim of establishing a range of standpoints of the phenomena under investigation (Easterby-Smith et al., 2008).

In contrast to the above two extreme research paradigms, Saunders et al., (2009), -tended to resolve the growing disagreement between the two philosophical assumptions, adding pragmatism as a “mid-point” research assumption. Pragmatists argue that, what determines the choice of ontology and epistemology is largely influenced by the research questions. They argue that, each paradigm may be more relevant in addressing particular research questions. They advocate that, mixed methods, both quantitative and qualitative are feasible and, greatly suited to the study under investigation (Saunders et al., 2009). Tashakkori and Teddlie (1998) advocate that, for the researcher, it is more applicable to perceive the philosophical assumption adopted as a “*continuum rather than opposite positions*”. They observe that, “*at some points the knower and the known must be interactive, while at others, one may more easily stand apart from what one is studying*” (p.26). Moreover, Tashakkori and Teddlie (1998) argue that, pragmatism appears much more instinctively fascinating, mainly due to the fact that, it side-steps the needless debates about what is deemed as reality and truth.

4.1.3 Philosophical Implications for the Study – Microfinance in Perspective

The preceding discussions pertaining to the various philosophical perspectives of the research suggest that, dichotomising the underpinning research paradigm of the study helps to position the world view of the researcher. The underlying philosophical assumption (ontology) of this study perceives social entity existing between microfinance and farmer clients as a unique or distinct reality. On the other hand, contextual factors such as cultural beliefs embedded in investigating a phenomenon could have a significant impact on the research. Thus, the cultural context makes individuals be attached to certain belief systems, so a distinct reality may have multiple realities. The ideological stance of the researcher is based on the premise that, culture is a belief system that is established and re-established through an intricate range of phenomena which involve social interactions and tangible factors (Saunders et al., 2009). The researcher’s view is that, individuals within a society are objective, conversely the “*social actors*” are deemed subjective in that, individual actors hold different views of the world based on their belief systems. And that “social actors” such as the farmers/beneficiaries of microfinance will perceive diverse conditions in a range of fashions as a result of their individual views of the world. Thus, the study acknowledges and determinedly gives due consideration to the significance of people's subjective reality relative to physical and objective social entity (Johnson and Clark, 2006). The researcher is of the view that, reality does not exist in a vacuum, and that its compositions are largely influenced by its context, thus multiple constructions of reality are feasible which are primarily shaped by the perceptions of the farmers of the world (Crossan, 2014). Although culture and context are deemed significant to this study, it is however worthy to state that, these contextual factors will not be the central tenet of this study, but will be considered as peripheral factors which help an understanding of the phenomena under investigation. The contextual factors cannot however be isolated when examining the relationship between microfinance and farmer borrowers in developing countries including Ghana. Given the significant impact of context (cultural and social factors) on a study involving human beings, the researcher deems it necessary to incorporate context within the area of study in order to understand the phenomena being studied.

Furthermore, it is significant to fully comprehend the underlying factors influencing the operations of microfinance and their relationship with the farmers. The need to establish the objective reality is paramount, however, since the social world does not exist in vacuum, it is pertinent to consider context within the investigation. The belief system of the "*social actors*" plays a significant role, therefore the impact of social-cultural issues embedded in the study will help to thoroughly understand the role of microfinance in relation to alleviating poverty amongst farmers. The selection of the study area is informed by the importance of the social-cultural issues to this study. Therefore, to construct multiple realities based on tangible facts and subjective realities, it is important to adopt a variety of approaches (triangulation approach) in order to capture the differing perspectives of issues influencing the relationship between farmers and microfinance institutions. Thus, integrating qualitative and quantitative data helps to strengthen the validity of data collected and provides useful insights into how the institutional factors help to enhance the relationship between microfinance and the service users. Thus, the mid-point paradigm is deemed as the underpinning research assumption for this thesis.

Figure 4.1 depicts the diagrammatical representation of this study in relation to various philosophical assumptions and the world view of the researcher for the phenomena being investigated in Ghana.

Figure 4.1: Research Philosophical Paradigms

	Positivism	**Interpretivism**
Ontological Assumption	Reality is objective and has one dimension Focuses on natural sciences The observer remains an integral part of the observation	Reality is subjective and has multiple dimensions, holistic, constructed. Focuses social sciences The observer is independent during the observation
Methodology	Deductive research approach Involved large samples	Inductive research approach Involved small samples
Epistemological Assumption	Involved testing of hypotheses, built on existing on existing theories, base facts.	Based on the interpretations, understanding meaning and different values of social actors in the study.

4.2.0 The Research Design and Methodology

The growing disparity pertaining to the most appropriate research strategy is largely influenced by the world view of the researcher. Moreover, there seem to be several determinants shaping the choice of the research strategy for the subject being investigated (Creswell, 2009). These include: the perceptions regarding the complexity of social realities and the underlying research questions (Saunders et al., 2009). Generally, there are two distinct methods that are often employed in gathering data and for the purposes of analysing the research data collected. These are: qualitative and quantitative methods. Each of these methods has their relative strengths and weaknesses. The research method applicable to the study is dependent on the research problems being investigated (Schulze, 2003).

4.2.1 Qualitative Method

The qualitative method has its origins in sociology, anthropology and philosophy. It was employed by sociologists and anthropologists as a basis for enquiry during the early 20th century (Mustafa, 2011). The qualitative method lends itself towards an interpretivist stance and an inductive approach (moving from specific stance to general) (Wood and Welch, 2010; Bell and Bryman, 2007). Qualitative research is often designed to seek answers for the "whys and hows" of human viewpoints, experiences, actions – which may hitherto be impossible to obtain through quantitative data collection methods (Ryan and Bernard, 2000; Salia, 2015; Owolabi, 2015; Yeboah, 2010). Generally, qualitative research focuses on understanding the meaning individuals have constructed – how individuals in a given setting perceive the world and the experiences they may have encountered in the world (Merriam, 2009, p.13). Parkinson and Drislane, (2011), view qualitative research from an epistemological perspective as, employing approaches namely; case studies and participant observation which lead to descriptive, narrative account of a system (Parkinson and Drislane, 2011). This method allows for an inclusion of varieties of data collection and analysis methods, together with the multiplicity of epistemological and theoretical frameworks that are often linked to qualitative study (Nkwi, 2001). Qualitative researchers hold the view that, the experiences of participants are largely context-specific (Bryman, 2009). Given the socially constructed nature of qualitative research and the attachment of participants/social actors' values and interests throughout the entire research process, the outcomes cannot be generalised. The researchers and participants are more inclined to become vital elements of the investigation and cannot be detached from the phenomena being investigated (Bryman and Bell, 2007). In order to achieve the intended objectives desired in qualitative research, researchers often adopt a wide range of methods and processes. These include grounded theory, ethnography, case study and conversation analysis among others. Grounded theory involves generating theories about social phenomena. Specifically, it helps to develop the maximum understanding which is based on a systematic analysis of data (Corbin and Strauss, 2008). Ethnography study focuses on the cultural aspects of people's lives and actions. These include their belief systems and common customs (Guest et al., 2012). Conversation analysis is the study that aims at extracting cultural and social meanings through conversation between two or more people (Charmaz, 2006). Case study research involves a comprehensive investigation about real-life situations (Bryman, 2009). In each of these various types of qualitative research, the researchers concentrate on multiple angles, the opinion and perceptions of the participants playing a part in the study (Creswell and Clark, 2007).

4.2.2 Quantitative Method

Quantitative research on the other hand, is based on the positivist and objectivist ideological stance and, it is a more statistics and numbers oriented approach. In quantitative focused research, numerical data is gathered and analysed employing statistically based approaches with the aim of constructing meaning for the phenomena being studied (Sarantakos, 2005). The nature of quantitative research is such that, the involvement of the researcher in the entire research process is limited. Moreover, the researcher is independent of the phenomena being investigated and thus, the research outcomes can be replicated or generalised (Biggam, 2008; Bryman and Bell, 2009). Consequently, the data gathered is used to factually evaluate reality (Williams, 2007). Quantitative research is aimed at establishing, confirming, or validating causal relationships between variables of interest with the intent of developing generalisations that contribute to or refute a theory (Leedy and Ormrod, 2001). There are a set of enquiry strategies that are used by quantitative researchers: These include surveys and experimental research. Survey research is an investigative approach adopted to collect data about a large group of the population with the aim of generalising the outcome (Glasow, 2005). Experimental research on the other hand, is a scientific strategy of enquiry that seeks to investigate the underlying relationship between the variables under investigation (Williams, 2007). Given that each of these methods seeks to address a particular research question, the selection of research methods is often influenced by the philosophical assumptions and research approach adopted for the investigation. The philosophical stance and approach for this study falls within the two strands of research methods. Thus, both qualitative and quantitative methods are deemed appropriate to seek answers to the research questions being investigated. Madney, (1982) notes that adopting a combination of methods in an investigation has a diverse and synergistic impact on three significant elements of the research; the design stage, data gathering, through to the analysis stage. Thus, the use of multiple methods (triangulation) is increasingly gaining recognition in social science as no single method is without limitations. Both quantitative and qualitative methods are deemed relevant in answering specific research questions.

In recent times, researchers investigating the impact of microfinance programs in developed and developing countries have increasingly adopted multiple approaches and thus, shifted from a single method (Mustafa, 2012; Mustafa et al., 1996; Hulme and Mosley, 1996). Empirical studies showed that, the impact evaluation of microfinance programs conducted by various researchers has been challenged due to selection bias pertaining to the research approaches adopted (Goldberg, 2005). Thus, no single approach is deemed as the most effective method of assessing the impact of microfinance on the beneficiaries. Moreover, microfinance institutions and the services offered are considered to have both social-cultural and economic dimensions because of the complex nature of the social actors involved (Rhyme and Otero, 1992; Oliver, 1991; Chaves and Gonzalez-Vega, 1996; DiMaggio and Powell, 1983; Meyer and Rowan, 1977). Thus, in order to tackle these multi-dimensional factors, multiple research methods are deemed more appropriate for this study.

Researchers in developing countries have predominantly employed a gamut of research approaches when conducting studies on the impact of microfinance on poverty alleviation (Awaworyi, 2014; Afrane, 2002; Chowdhury et al., 2005; Khandker et al., 2008); Pitt and Khandker, 2005; Moduch, 1998; Mustafa, 2012; Mawa, 2008; Hermes and Lensinkm, 2007; Morris and Barnes, 2005). Thus, in these impact evaluation studies both quantitative and qualitative methods were adopted. Several enquiry strategies were employed by the researchers to investigate microfinance programs, (Awaworyi, 2014; Hulme, 2000; Rahman et al., 2009; Moduch, 1998; Khandker et al., 2008; Morris and Barnes, 2005; Hulme and Mosley, 1996). These include, rapid appraisal, participant observation, descriptive survey design, participatory-learning, quasi-experimental design and action research. These approaches were employed with the aim of establishing the causal relationship between the treatment group (those benefiting from microfinance programs) and the control group (non-beneficiaries). Given the context of these studies, the researchers adopted diverse statistical oriented approaches for analysing the outcomes of the studies. Moreover, there are empirical studies that have also adopted a quantitative focused approach to examine the impact of microfinance on poverty alleviation in developing countries such as, Ghana, Nigeria, Uganda, Bangladesh and Vietnam (Afrane, 2000; Khandker et al., 2008; Awaworyi, 2014; Kevane and Wydick, 2001; Chowdhury, 2008; Duong and Izumida, 2002). In these studies, the researchers adopted the longitudinal focused enquiry strategy. The above multi-dimensional methods have their relative strengths and weaknesses (Creswell et al., 2011). Conversely, there are impact studies that employed descriptive survey design as an antenna for a qualitative research method (Afrane, 2000; Kanak and Liguni, 2007; Emeni, 2008; Mawa, 2008; Brett, 2006). Mustafa, (2012) and Khandker, (2007), employed case study and panel data respectively to examine the impact of microfinance on poverty alleviation. The choice of methods could largely be influenced by the specific context within which the phenomenon is being investigated. Thus, the approach adopted could have a potential impact on the results of the study. It is however noted that, the lending dynamics of microfinance institutions and other non-empirical factors (cultural) have implications for impact assessment in Ghana. Thus, to tackle these multi-dimensional factors, a triangulation method which includes the application of multi-methods in the study is deemed appropriate for the phenomena being studied. This thus helps to revalidate or to double-check the outcomes of the research. Hence, the weaknesses of a particular approach can be offset or minimised by other potent methods with the intention of validating the results of the study. Bryman, (2007) notes that, an enquiry strategy that involves the use of interview to double-check the findings after a questionnaire survey was employed, could invariably lead to more grounded results rather than using a strict/single data gathering approach. Given the multi-dimensional factors (social-cultural) involved in this study, the researcher will largely depend on the established tradition of combining the features of both quantitative and qualitative methods. Thus, this study employed a mixed-method approach in order to extensively investigate the diverse factors that ultimately help to address the research questions.

4.2.3 The Triangulation (Mixed Methods) Approach

The mixed method is increasingly gaining recognition in recent times. The underlying factor behind employing a mixed methods research is based on the idea that, the combination of both quantitative and qualitative offers the opportunity to better understand the phenomena being investigated (Charmaz, 2006). Creswell et al., 2011) contend that, the overall research design for an investigation is strengthened by integrating methodological approaches for the study. The argument is based on the grounds that, the strengths of one particular method can counteract the weaknesses of another and thus, lead to a more complete and convincing evidence than using a single method. The overarching grounds for integrating multiple methods helps to address the research objectives for the study (Guest et al., 2012). The decision whether to employ one or more research techniques will largely depend on a wide range of factors including, time constraints, research objectives, the available resources at the disposal of the researcher, and the target audience for the research outcomes (Olsen, 2004; Guest et al., 2012). The question one may ask is, at what stage should the integration be incorporated in the study? Researchers employing mixed methods approaches have diverse views regarding the integration stage – the timing of integration and the rationale for integration (Yeasmin and Rahman, 2012; Guest et al., 2012). Integration timing is concerned with how quantitative and qualitative data collections are utilised analytically and sequentially alongside one another. There are two distinct integration approaches namely; concurrent and sequential research designs (Morse, 1991; Morgan, 1998; Creswell and Clark, 2007). Sequential design involves an integration process where one data collection informs another data collection. The basic idea of sequential design is that, the quantitative data collection method can be employed which helps to design the qualitative data collection procedure. Moreover, this research design helps to provide a rich and deeper insight into the results obtained from the quantitative survey. On the other hand, in concurrent design, the research methods are not influenced or dependent on each other but, they are employed at the same time particularly during the analysis (Creswell et al., 2011). The essence of concurrent design is to compare quantitative and qualitative data at the analysis stage with the intent of establishing whether the results between the data collected are contradictory or in agreement. Rao and Woolcock, (2003), provide another way of integrating qualitative and quantitative approach in a study namely: iterative, parallel and sequential designs. In iterative research design, the researcher returns to the study area after initial data collection with the aim of clarifying and, addressing any differences or gaps by employing another research technique. Parallel design is where the parties involved in conducting the research work individually, but the findings are compared by the team at the analysis stage. On the other hand, in sequential design, the subsequent research method to be used is informed by the earlier method in line with Creswell et al's., (2011) description of sequential design. Thus, in multi-design methods, the data collection methods or analytical approach must be flawlessly designed and undertaken, as a research design that is not carefully thought through could significantly impact on the study outcome (Creswell et al., 2011; Bryman, 2007). Thus, the selection of relevant research design will ultimately enable the researcher to address the research questions and the objectives of the study (Saunders et al., 2007). For this study, the sequential integration approach was adopted. The researcher firstly conducted a questionnaire survey for the target population and this was followed by a semi-structured interview for both the microfinance institutions and the farmers' borrowers.

4.2.4 Rationale for the Triangulation Approach

It is significant to note that, no single research method is effective enough to address multi-dimensional factors associated with a social science research (Yeasmin and Rahman, 2012). Moreover, the results of the study are undermined by the weaknesses of such single-stage methods. Thus, to delve comprehensively or to gain a rich and deeper insight into different perspectives issues pertaining to microfinance institutions' programs and their relationship with farmers, a triangulation/multi-design strategy is deemed appropriate for this study. This involves the application of more than one research method for the purpose of data collection, sources and analytical procedures. The multi-stage approach involves the use of both quantitative and qualitative data that helps to disaggregate the impact of microfinance on poverty alleviation amongst farmers and how the lending policies of microfinance institutions influence their relationships with the farmers. The multi-design approach is to enable the researcher to gather data in order to examine the impact of microfinance programs on farmers and to further investigate how lending decisions are made by microfinance institutions in Ghana in general and the Greater Accra and Eastern Region in particular. To examine the demand-side effect/perspective, the empirical study is accompanied by a survey designed to elicit pertinent information from the farmers. This includes income level, education and social caste among others. The mixed method approach is aimed at helping the researcher to empirically explore particularly the perspectives/views of both the farmers and the microfinance institutions. In order to validate the data collected through questionnaire survey from both the service providers and the beneficiaries, semi-structured interviews have been employed. Thus, it is apparent that, multiple methods are more appropriate for this study. Specifically, questionnaires survey and semi-structured in-depth interviews have been used to investigate the supply-side and demand-side perspectives of microfinance provision in Ghana (Afrane, 2000).

In sum, in order to tease out the multidimensional issues associated with this study, the researcher's ideological stance falls within the two main extremes of research paradigms – positivism and interpretivism. That is, combining both quantitative and qualitative methods for data collection and sources. The basis for the choice of a triangulation approach is to ensure that, the weaknesses of one method are offset by the strengths of the other. Ezemenari et al., (1999) supported the stance of using a multi-strategy approach in microfinance impact evaluation. A qualitative approach does not only offer qualitative measures of impact assessment but also, provides the basis to gain a deeper insight and interpretation of findings gathered from quantitative techniques by clarifying issues and causal relationships (Ezemenari et al., 1999).

Benefits and Challenges of Mixed methods

Table 4.1 examines the benefits and challenges associated with the mixed methods approach employed to collect and analyse pertinent data for the impact study within the confine of farmers.

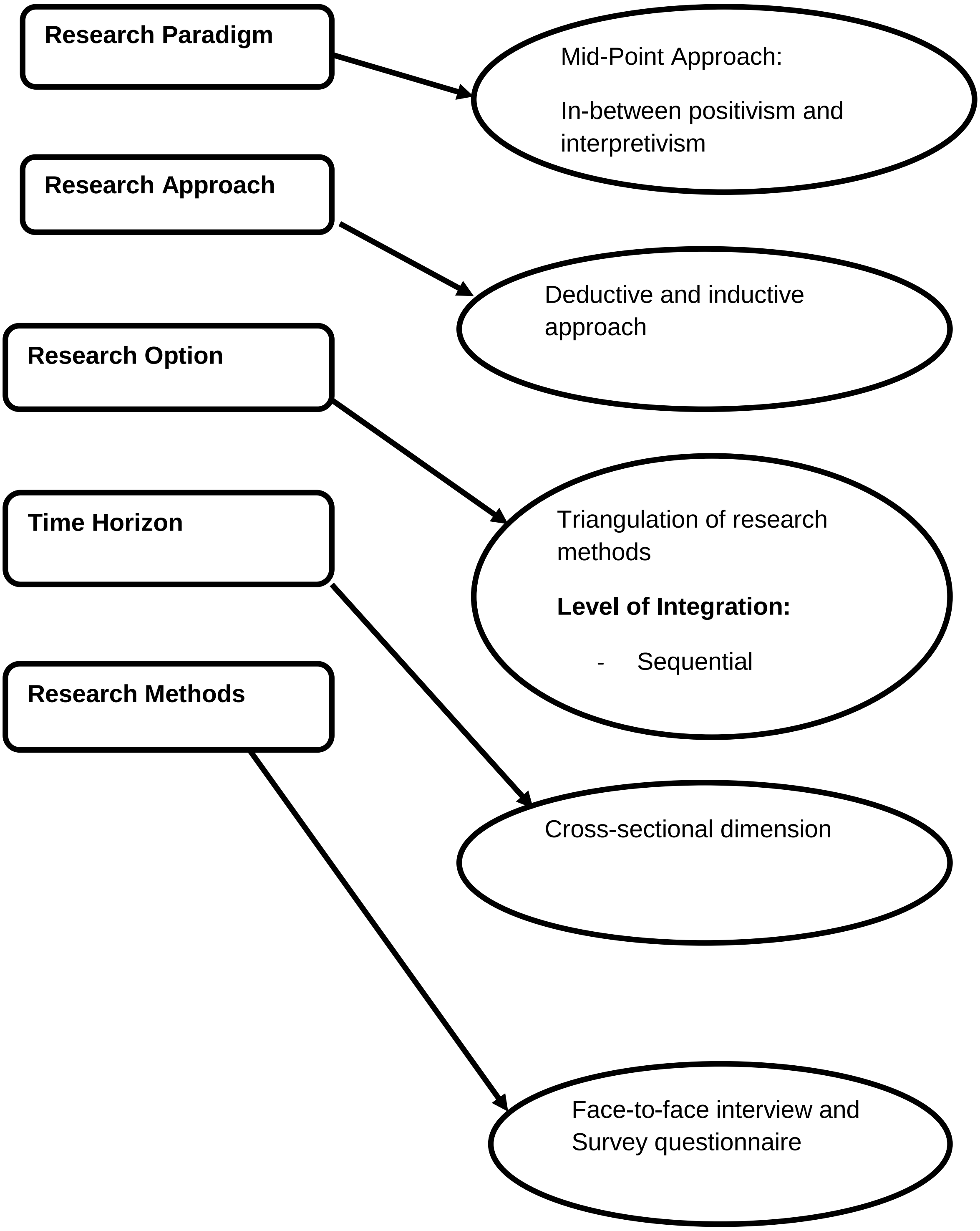
Table 4.1: Benefits and challenges of employing mixed methods in social science research.

Benefits	**Challenges**	**Mitigation strategies**
Research outcomes based on data from several dimensions	Demands high level of skills	Utilise minimal sample size
Useful where there are diverse research questions	Disagreement in both qualitative and quantitative results may be difficult to address.	Utilise pilot study to help to minimise the disagreement.
Pertinent data can be obtained and analysed distinctively.	Triangulation can be problematic from the perspective of the respondents.	Motivate the participants with attractive packages.
Helps develop and relates theoretical concept to real life.	Time-consuming at the analysis stage.	Employ analytical tools to help in the analysis.

Source: Author, 2016

Figure 4.2 shows the diagrammatical representation of the research logic and the methodological approaches.

Figure 4.2: Synopsis of the Research Methods



In sum, the research logic and design for this study as shown in figure 4.2 centred on the mid-point of the two extremes of philosophical paradigms. This involves a combination of both deductive and inductive approaches. The study is thus carried out with the aid of questionnaire surveys and semi-structured interviews as the instruments for data collection. The figure also shows how both quantitative and qualitative data analysis are combined in order to gain a deeper and richer understanding of the phenomena being investigated. Finally, the study design represents the processes entailed in the triangulation of the selected research tools, data gathering, analytical procedures and the time horizon of the study.

4.3 Pilot Study

A pilot study is deemed to be a significant component in a social science oriented research. Thus, the researcher considered this pre-testing exercise, particularly regarding the questionnaire as it is an essential ingredient in the study design. Prior to the main field work for the study, a feasibility study was carried out to ensure the questionnaires for the final field exercise were appropriate for data gathering and to ensure that relevant data is gathered for the intended purpose. Thus, where necessary the questionnaire would be modified accordingly with the aim of ensuring that issues pertinent to the research problems are thoroughly disaggregated.

The questionnaire was given to Dr Young Wang, a reader in entrepreneurial finance and small business at the University of Wolverhampton to peruse. He offered specific suggestions on the Likert scale questions relating to the impact of microfinance programmes on the wellbeing of families and agricultural activities. This provided the researcher the opportunity to effect relevant changes. The questionnaires were also given to two post-doctoral researchers in the field of microfinance. They offered useful suggestions particularly on the design of the questions that seek to obtain data on the counterfactual circumstances of the farmer clients. Their suggestions thus informed valuable changes to the questionnaire prior to the pilot study. 40 questionnaires were sent by the researcher in person to the microfinance institution for the pilot study. The questionnaires sought to gather data on income, credit accessibility and utilisation, savings and the impact of credit provision on both hard issues (e.g. income and consumption) and soft issues (e.g.

confidence level). These questionnaires were shared equally between male and female borrowers to ensure gender balance. The questionnaires were administered in the urban areas of Greater Accra Region (Ada and Madina) and the rural areas of the Eastern Region (Somanya, Aburi and Techikrom) of Ghana. Of the 40 questionnaires sent out, 38 were fully completed and returned. The criterion for the selection of the participants was based on 3 years membership. Thus, out of the 38 returned, two respondents were deemed unqualified due to membership of less than 3 years. 36 questionnaires were thus utilised for the pilot study. Of the 36 questionnaires, 58% were administered in the urban area and, 42% from rural areas. The researcher provided adequate guidance and instructions to the microfinance institution officials who assisted in the administering and filling in of the questionnaires by farmer borrowers. The problem encountered during the pilot study was the delay in getting a response from the farmers about their availability on the day of visit. However, persistent phone calls to various group leaders were very useful. The data collected from the pilot study was analysed quantitatively using the SPSS analytical tool. The pilot study offered the researcher the opportunity to understand and dissect the analytical tools employed (SPSS). In particular, the questions that sought to obtain the baseline data on the counterfactual information of the farmer borrowers were adjusted. The questions were thus segregated into "before and after" microfinance credit.

4.4 Sample and Sampling Techniques

Fundamentally, the focus of this study is to investigate the impact of microfinance on poverty alleviation amongst farmers in Ghana. Thus, in order to achieve the intended objectives of the research, both hard and soft issues bordering on the livelihood of microfinance service users were selected and examined with the intention of establishing a plausible relationship between microfinance services and poverty alleviation. According to Barreiro and Albandoz, (2001), conducting a survey for the entire population may require a great deal of effort. They note that, such an exercise may require time and money to be able to reach every part of the study area. Moreover, there is the additional problem of availability in relation to the target population. Thus, a representative sample from the target population will be deemed as representing the characteristics of the entire population (Latham, 2007). For this study, a purposive sampling technique was used to select the samples from the data base of Opportunity international Savings and Loans Ghana limited. Studies conducted in Ghana were in relation to the impact of microfinance on the beneficiaries (Boateng et al., 2015) and in Nigeria on the impact of the UNDP microfinance programme on poverty alleviation amongst farmers (Kudi et al., 2009). The researchers employed purposive sampling technique to select research samples for their respective studies. Thus, this technique has the potential of ensuring the selected samples provide an accurate representative of the entire population considering the study objectives. Moreover, a purposive sampling of the population is the dominant sampling method particularly in relation to the selection of the sample frame for impact evaluation study in Ghana. Opportunity International Savings and Loans Ghana Limited was selected as it is the largest microfinance institution in Ghana in terms of the market share of 30% geographical coverage and for their objective of poverty alleviation programmes. In the Greater Accra Region and the Eastern Region in Ghana, Opportunity International Savings and Loans Ghana Limited had approximately 70% of the active clients of microfinance institution at the end of the financial year 2015. Moreover, Opportunity International Savings and Loans Ghana Limited was selected for this study due its coverage both in the rural and urban areas with a significant number of farmers as borrowers.

This microfinance institution was identified and selected in order to investigate how its lending policy is directed at alleviating poverty especially amongst farmers in the Greater Accra region and the Eastern region of Ghana. The study focused on two main geographical areas, rural borrowers in the Eastern region were used whilst the urban borrowers in the Greater Accra region were considered for the purpose of data collection. The two regions were selected because; they represent the largest population of active borrowers of the microfinance institution in Ghana. In all, 400 active borrowers were drawn from the data base of Opportunity International Savings and Loans Ghana Limited using a purposive sampling technique for a close-ended questionnaire to gather data for the purpose of quantitative data analysis. For the purpose of statistical data analysis, empirical studies show that, a sample of 100 fully administered questionnaires is sufficient to carry out this analysis. According to Saunders et al., (2009), for a population of at least 100,000, the sample size should be 380 at a 5% margin of error and at a 95% level of certainty. Thus, a sample size of 400 is deemed reasonable to conduct a statistical analysis. This ensures the sample unit reflects an accurate representation of the population in relation to a particular area of research under investigation. Considering the characteristics of the study domain, 400 samples were selected for this questionnaire survey.

The criteria used to determine the inclusion of the sample population included; the borrowers should have been active clients of Opportunity International Savings and Loans Ghana Limited for at least 3 years and clients who were present at the time of the visit and who met the eligibility criteria. For the qualitative study, the branch managers of the microfinance institution considered for the interview should have worked for the institutions for at least 4 years. The branch managers should also be officers who are responsible for the credit provision to the borrowers. The sample for the face-to-face interview with the microfinance borrowers was selected based on 3 years active membership and those borrowers who were present at the time of the visit and also met the eligibility criteria for inclusion in the sample frame. For the face-to-face semi-structured interviews, 40 borrowers were selected from the data base of Opportunity International Savings and Loans Ghana limited. In addition, 10 officers of the microfinance institution were selected for semi-structured interviews; 8 branch managers, 2 heads of operation and the credit manager at the head office. A purposive sampling technique was used to select the samples for the qualitative data collection. Given the geographical dispersal of the area for the study and the cost involved in reaching the participants, particularly in the rural areas due to poor road networks, the researcher deemed this method as the most appropriate technique to ensure that the intended objectives of the research were achieved. The researcher also noted that, techniques such as quota, self-selection and convenience sampling could not be employed for this study due to the difficulties identified above. Moreover, the borrowers could be reached during usual group monthly meetings with prior notification. Thus, a purposive sampling of the target population is considered appropriate with moderate costs associated with the data gathering especially in selecting farmers who have been active borrowers for at least 3 years.

4.5.0 Data Collection Instruments – Design of questionnaire survey and semi-structured interviews.

4.5.1 Questionnaire

Questionnaires are the most commonly adopted approach for gathering data in social science research (Rowley, 2014). Essentially, a good questionnaire should aim at collecting data that helps in answering the research questions and thereby encourages a significant response rate from the participants. The distribution of the research questionnaires to the potential participants may take various forms namely; by e-mail, face-to-face, online questionnaire or post (Bryman, 2011). The questionnaires are often employed in survey research with the aim of collecting a relatively large amount of data from the respondents (for example between 100 to 1,000). Thus, questionnaires are used for sample unit drawn from the target population to represent the broader population (Rowley, 2014; Mahmood, 2013). In this study, the research questions originating from the literature review were used to develop the questionnaire. Moreover, in developing and shaping the questionnaire for the purpose of data collection, previous studies pertinent to microfinance impact evaluation and poverty alleviation guided the process. In order to ensure clarity and to eliminate any possible ambiguity in the questionnaire, a pilot study was conducted and thus informed improvements in the questionnaire. The quantitative data obtained from the closed-ended questionnaires helped the researcher to examine the impact of microfinance on poverty alleviation amongst farmers.

The questionnaires were administered by the researcher from February, 2016 to March, 2016 in the Madina and Ada districts of the Greater Accra Region and in the Techikrom, Aburi and Somanya districts of the Eastern Region of Ghana. Overall, 400 closed-ended questionnaires were completed by the farmer clients of the microfinance institution. The questionnaires were administered by the researcher in person with the assistance of the credit managers from Opportunity International Savings and Loans Ghana limited. Prior to the field work, the credit managers who accompanied the researcher were taken through the entire questionnaire, the purpose of the study and how the data collected would eventually be used. The structured questionnaire is divided into seven parts namely; Demographic and background profile; Private assets; Income/finance; Access to microfinance credit and other loans; Individual and group liability schemes; Relationship with service providers and; Impact of microfinance on poverty alleviation. The first page of the questionnaire provides information about the purpose of the study and how to answer the questionnaire. The instruction page covers information regarding the educational institution, the specific area of research and; assurances about confidentiality in relation to how the data would be used. Also, it gives information to the research participants about their rights to withdraw from participating in the research and benefits of taking part in the study. The demographic and background profile sought to obtain a wide range of information through multiple choice questions from the participants namely; age, number of children in the family, marital status and educational background of farmers. The multiple choice questions also focused on private assets, income and finance, bank account, agricultural and, house ownership status prior to applying for microfinance credit. This is followed by clients' access to microfinance credit and other loans. The multiple choice questions in this section cover issues such as farmers' preferred source of finance, membership of microfinance institutions, refusal of loan application and reasons, the size of the initial loan, reason for taking the loan, interest rate charged, comparison of the term of the loan taken with other terms of credit, loan guarantee, savings as a requirement for access to a loan, repayment of loan, loan agreement and penalty for defaulting in loan repayment. The fourth part sought to obtain information from the participant through multiple choice questions relating to the savings attitudes of farmers. This covers issues such as preferred means of savings, advice on savings and interest on savings. The fifth part sought to gather information on microfinance innovative schemes. The questions relate to provision of loan, group formation and frequency of group meetings. The sixth part relates to the impact of microfinance on two main areas, agriculture and families and the information is obtained through Likert-scale questions and these are ranked on the scale of 1-5. The questions on the impact of microfinance on agricultural activities sought to gather information on farm size, farm output, workers employed, agricultural assets and the application of new technology. The Likert-scale questions relating to the impact of microfinance on family wellbeing sought to solicit information on children's education, family nutrition and health, family income, knowledge of farming, family assets, and finance for meeting emergencies, family savings, consumption and self-confidence.

4.5.2 Interview: Semi-structured for Microfinance Institutions and Participants

The researcher developed an interview guideline which assisted in gathering the data and to guide both the researcher and the farmers' clients from the microfinance institution (Opportunity International Savings and Loans Ghana Limited) during the course of the interaction. The interview guide is to ensure that all pertinent issues are covered and to minimise the chance of missing out on important topics. The researcher recognised the fact that, the structured format of the interview may not be adhered to, with the intention of engaging in more fruitful discussions and to extract in-depth information from the participants. The interview is focused on the operational activities of Opportunity International Savings and Loan Ghana Limited and; access to loan, savings and the impact of credit provision on farmer borrowers' wellbeing. The interview was conducted with 10 programme managers who worked directly with the farmer borrowers and 40 farmers' clients after the questionnaires were administered. The in-depth interviews enabled the researcher to probe and ask further questions that helped to clarify issues from the questionnaire. Babbie, (2005) observes that, the inbuilt flexibility in this method of data collection is essentially one of its main benefits. Moreover, the approach allows the participants to express their opinions on issues without restrictions when the structure of the interview is less rigid and, open-ended. Moreover, the interviews centred on the questions that emerged from the literature review although the intended purpose of the interview was to obtain information from both the supply and demand size in relation to microfinance intervention in the credit market. The interview questions for the branch managers focused on; the criteria for selecting farmers borrowers, how the size of the loan was determined, the guarantee provided by borrowers, interest rate, repayment and default rates, how their objective of poverty impact is measured and how religious, cultural and environmental issues impact on their operation. The researcher prepared an interview record sheet which captured the date, duration of the interview, number, participant and branch (see appendix a2). The qualitative data gathered from the interviews enabled the researcher to conceptualise the underpinning reasons in relation to microfinance provision (Seddoh, 2014; Yeboah, 2010; Owolabi, 2015). This also helped in understanding the impact of soft issues such as religious and cultural issues. The interview conducted for each branch manager from Opportunity International Savings Loans Ghana Limited lasted for 50 minutes whilst the interview for the farmers lasted for 30 minutes. The researcher personally recorded each interview onto tape with the permission of the participants and later transcribed them into Microsoft Word.

4.6.0 The Processes involved in administering questionnaires, interviews and degree of response

4.6.1 Questionnaire Administration

The researcher personally administered and completed the questionnaires with the help of the operation managers of the Opportunity International Savings and Loans Ghana Limited at its various branches. The questionnaires were divided between rural and urban active borrowers of the microfinance institution. In each study area, the questionnaires were divided between men and women borrowers in the two geographical areas to ensure gender balance. The researcher selected the sample from the data base of all the branches provided by the head office. The monthly group meetings held by the members helped in accessing the active borrowers. The main purpose of the survey was explained to the participants and they were given the opportunity to ask questions. The researcher recognised the significance of the ethical implications of the study, thus any clients who were not prepared to provide answers to questions deemed personal were allowed not to respond to those questions. In all, 400 questionnaires were personally given out but, only 364 were completed and returned, out of which 320 questionnaires were used for the quantitative data analysis. 40 of the questionnaires were not fully and properly completed and, 4 of the respondents were deemed unqualified due to less than 3 years membership. In line with Saunders et al., (2003), suggestions in relation to the appropriate sample for statistical analysis, the response rate achieved for this study as presented below is 81%.

Overall response level = Total response number/(total sample frame-unqualified)

= 320/ (400-4)

81%

Thus, active response level = total number of responses/(total sample size – unqualified)

= 320/ (364-4)

89%

The 320 completed questionnaires: the questionnaires were distributed among the target population as follows; 72 from Ada and 75 from Madina in the Greater Accra Region; 61 from Somanya, 50 from Techikrom and 62 from Aburi in the Eastern Region. These represent 45.9 percent from the Greater Accra Region and 54.1 percent from the Eastern Region. The table below shows the distribution of the questionnaires between the Rural (R – Eastern Region) and Urban (U - Greater Accra Region) strata.

Table 4.2: Distribution of Questionnaire – Rural and Urban - Table

Locations	Number of Responses	Response Rate	Cumulative Response Rate
Ada	72 *(U)*	22.5 *(U)*	22.5 *(U)*
Madina	75 *(U)*	23.4 *(U)*	45.9 *(U)*
Somanya	61 *(R)*	19.1 *(R)*	65 *(U+R)*
Techikrom	50 *(R)*	15.6 *(R)*	80.6 *(U+R)*
Aburi	62 *(R)*	19.4 *(R)*	100 *(U+R)*
Total Questionnaires *(U+R)*	**320**	**100**	-

4.6.2 Qualitative Interviews

The researcher first conducted a semi-structured interview for farmer borrowers. This was followed by an in-depth interview for the officers of the Opportunity International Savings and Loans Ghana Limited. For the borrowers, 40 were interviewed after a pilot study with 10 clients. 10 microfinance institution managers were interviewed and this was preceded by a pilot study for 4 branch managers. Essentially, the pilot semi-structured interviews helped to clarify and remove any ambiguity in the interview questions. The researcher recorded the interviews with the permission of the respondents. However, where the respondent was reluctant in granting the permission to do so, the responses to the interview questions were recorded on the interview sheet. The recorded interviews were transcribed into Microsoft Word and saved on the computer. The table below shows the distribution of the interview questions between women and men borrowers in the rural *(R)* and Urban *(U)* areas from the two regions.

Table 4.3: Distribution of Interviews

	Ada *(U)*	**Madina** *(U)*	**Techikrom** *(R)*	**Aburi** *(R)*	**Somanya** *(R)*	**Total** *(U+R)*
Farmers Borrowers	5	6	9	9	11	40
Credit Managers (Branch)	1	1	1	1	1	5
Head of Operations/District /Regional Manages	1	1	1	1	1	5
Total Interviews	7	8	11	11	13	50

4.7.0 Data Analysis

This section of the methodological chapter focuses on the approaches adopted for the research data analysis. For this study, there were two main sources of data. The data from the semi-structured interviews was analysed by means of qualitative approaches whilst the data collected through the close-ended questionnaires was analysed employing quantitative methods. The data were collected from the Opportunity International Savings and Loans Ghana Limited and farmer borrowers. The intended objective of collecting this data was to establish any plausible relationship between microfinance provision and poverty alleviation in general and, Ghana in particular. This in essence, was done by means of statistical measures, and tests, including establishing possible relationships between the study variables. The researcher adopted a multi-stage approach to the analysis phase. The first stage involved the analysis of the secondary data pertinent to microfinance impact studies. In Ghana for example, the existing policy documents in relation to microfinance operation obtained from Microfinance and Small Loans Scheme Centre (MASLOC), the Government of Ghana initiative aimed at alleviating poverty, were analysed. Considering the prevalence of poverty in developing countries and sub-Saharan African countries in particular, the policy documents of the non-governmental institutions (NGOs), namely; UNDP and USAID aimed at increasing access to finance by the financially excluded and poverty alleviation, were reviewed. In essence, the analysis of the extant literature was to assist the researcher to identify the relevant microfinance impact literature relating to poverty alleviation in Ghana and to formulate research questions. The second stage of the data analysis relates to the quantitative data obtained from the closed-ended questionnaires.

4.7.1 Quantitative Data Analysis

The questionnaire was constructed to obtain responses from the microfinance farmer clients on access to credit, savings, well-being of the family and agricultural activities. The design of the questionnaire allowed dichotomous, ordinal and nominal variables to be created. The data gathered by means of the questionnaire was coded and inputted into SPSS for statistical analysis. In evaluating the impact of microfinance on poverty alleviation and the livelihood of the borrowers, a linear regression was used to determine a plausible relationship between the intervening/operational variables as depicted in figure 3.3. The independent variable in this study is the microfinance programmes whilst the dependent variables include; wellbeing of the household, poverty, access to credit and growth in agricultural activities. The data entered in the SPSS was analysed by means of regression analysis, interpreted using descriptive statistics. The descriptive statistics/analysis used in testing the hypotheses of the study include; chi-square test, cross-tabulation, frequency distribution, and percentages. Chi-square was employed to assess the differences existing between the observed variables and the likely frequency with the aim of establishing the level of significance in testing the hypotheses for this study. The regression analysis was carried out to establish the causal effect of the microfinance provision on poverty reduction and family wellbeing.

In sum, to achieve the intended objectives and to answer the research questions for this study, the quantitative and qualitative data were analysed separately. However, the analysis, interpretations and discussion aimed at answering the research questions were done concurrently. This will thus lead to the development of a conceptual model for the enhancement of the relationship between microfinance providers and their borrowers.

4.7.2 Qualitative Data Analysis

The qualitative data for this study was collected from the Opportunity International Savings Loans Ghana Limited and the farmer clients through semi-structured interview. For qualitative data analysis, the most widely adopted qualitative research method is content analysis (Hsieh and Shannon, 2005). Qualitative content analysis is thus defined as a research technique employed for the subjective explanation of the content of text data by means of a systematic categorisation process of coding and identifying themes. According to Hsieh and Shannon, (2005) there are three distinct components of content analysis namely; directed content analysis, conventional content analysis and summative content analysis. The three dimensions of qualitative data analysis are employed to infer meaning from the content of text data and the major differences in these techniques are the coding schemes, origins of codes and, threats of trustworthiness. Among the three methods, directed content analysis was suggested by Zhang and Wildemuth, (2009) as the most appropriate qualitative data analytical tool for studies that commence with the analysis of extant studies outcomes as the direction for initial coding. Herrera and Braumoeller, (2004) acknowledged the relevance of directed content analysis as the most suitable technique for analysing interview records in order to establish the relationships of variables which were considered for the study under investigation. In view of the analytical tradition, this study employed directed content analysis as the main tool for analysing and interpreting the qualitative data collected through semi-structured interviews from the Opportunity International Savings and Loans Ghana Limited and farmer clients.

4.8 Rationale for the Area of Study and the Sample Population

The study areas for this research were the Eastern Region and the Greater Accra Region of Ghana. In the Eastern Region, Somanya, Aburi and Techikrom were considered for the rural study whilst Ada and Madina in the Greater Accra Region were the main focus for the urban stratum. These two regions were selected for the study because they have the largest representation of farmer participation and active borrowers. The microfinance institution, Opportunity International Savings and Loans Ghana Limited has its head office located in Accra and; this contributed largely to the significant number of active clients in these two geographical areas, the closest regions to the head office. A critical review of the 2014 annual report of Opportunity International Savings and Loans Ghana Limited and; the annual report for 2015, showed that, approximately 55% of active farmer clients live in these two geographical areas. Opportunity International Savings and Loans Ghana Limited offers a portfolio of products to its clients and these include; opportunity mobile bank, agric micro loans, housing loans, group loans, adeyhe loans, education loans, fix term deposits, individual loans, current accounts, savings accounts, susu loans, opportunity E-zwitch POS and obrapa insurance. The range of services provided by Opportunity Savings and Loans Ghana Limited makes it the dominant player in the industry and the most preferred source of finance for the financially excluded.

The focus of this study is to establish the relationship between microfinance and poverty alleviation in two different geographical strata that is, the rural and urban areas. The extant studies show that, poverty is not exclusively a rural phenomenon but, also an urban menace. Moreover, farmers are deemed to be the most financially excluded segment of the society and constitute the highest rate of people considered to be poor. Thus, the unit of analysis and sample population for this study are farmers who engage in agricultural activities such as, animal husbandry and vegetable growing in five suburbs of the Eastern and Greater Accra regions of Ghana. These include, Somanya, Aburi and Techikrom (rural) and Madina and Ada (urban). Aburi, Somanya and Techikrom were selected because they have the largest number of active borrowers in the Eastern region whilst Madina and Ada were chosen in the Greater Accra because, the two suburbs have the largest number of active famer borrowers who engage predominantly in agricultural activities as their mainstay. For the rural microfinance impact evaluation, Somanya, Aburi and Techikrom were selected in the Eastern region because; they possess the characteristics of rural strata and thus lack certain basic amenities such as, adequate educational facilities, and infrastructure. According to Merwin, (2006) the absence of the above facilities in an area is an indication of deprivation and this is a common feature of rural areas. Thus, Ada and Madina were selected to represent the urban area because of the existence of adequate infrastructure, high literacy level and the availability of markets for economic activities.

4.9 Reliability and the validity of the questionnaire and issues pertinent to accessibility and ethical consideration

The tools employed for the purpose of data gathering were created in the English language by the researcher. The questionnaire and interviews questions were administered and tested on undergraduate and masters' students from the University of Wolverhampton and Birmingham City University (BCU) from the business schools and four academic staff, two from each university were asked to complete them too to establish the clarity of the questions. The researcher sent the questionnaire and interviews to the branch managers of the microfinance institution - Opportunity International Savings and Loan Ghana Limited to test the clarity of the questions and this thus informed some pertinent changes.

For the purpose of data input and analysis, the questionnaire was pre-coded which aided the input of data into the analytical tool – a Statistical Package for the Social

Sciences (SPSS). The questionnaire involved a range of style namely, multiple choice questions and Likert-scale questions. The multiple choice questions were coded 1. To align the questions with SPSS software, all not applicable questions/answers and all unanswered questions by the respondents were coded as 999. The questions designed in line with the Likert-scale structure were coded in a scale of 1-5. Where 1 represents strongly disagree, 2 - disagree, 3 - neutral, 4 – agree and 5 – strongly agree. In order to ensure the appropriateness, accuracy of the coding and that, the data is fit for use by SPSS, the coding was checked by an SPSS specialist, an academic member of staff at BCU. For the purpose of analysing the qualitative data obtained from the interview questions, the researcher employed directed content analysis to aid the process.

The processes involved in ensuring the clarity and accuracy of the questionnaire, and the appropriate coding were deemed to be time-consuming and required a lot of material and financial resources. This nonetheless, enabled the researcher to design a pertinent questionnaire and interview questions that ensure the intended objectives of the study were achieved. Moreover, it is an added assurance of the validity of the data gathering tools. Prior to the actual field work, the questionnaire was pre-tested with the clients of the microfinance institution – Opportunity International Savings and Loans Ghana Limited. The entire data gathering process – questionnaire administration and interviews were carried out by the researcher in person with the assistance of the microfinance institution.

The researcher initially encountered problems particularly in relation to access to microfinance institution’s clients. However, through persistent and regular contact with the help of the microfinance branch managers, the problems were surmounted. The researcher maintained close contact with the microfinance institution through emails, telephone and post throughout the entire duration of the study. In order to ensure the authenticity of the study, a letter from Birmingham City University was sent to the MFI in fulfilment of the authentication obligation. Prior to the final visit to the field for the purpose of data collection, the revised version of the interview questions and questionnaire were sent to the microfinance institution for their input and consent for the final data gathering. In addition, the researcher sent schedules of each stage of the data gathering including the times and duration of the questionnaire and interviews, to the head office of the institution. This was subsequently sent to the various branch managers involved in the study. The researcher was given permission to conduct the study with the clients and the relevant staff of the company. The completion of the data gathering within six weeks, was made possible through constant communication with the branch managers and this contributed largely to the planning of the data collection schedule.

The questionnaire and interviews for the study are preceded with the detailed information about the aim and objectives of the research. The respondents of the microfinance institution were also provided with assurance in relation to how confidentiality would be maintained before and after the study. Moreover, in the face-to-face interaction with the respondents, the researcher offered a detailed explanation to the microfinance institution and the participants about the intended purpose of the data collection, its usage and the publication of the research findings. The consent of the microfinance officers and their clients was obtained prior to the gathering of the data. In order to maintain confidentiality, the responses from the participants were anonymised. Moreover, microfinance officers were not given clients' responses. However, a summary of the research findings would be made available to the respondents. To ensure anonymity, no individual participant could be identified from the interviews and questionnaire responses. The data collected from the microfinance institution (MFIs) was exclusively utilised for academic purposes and for PhD research. Birmingham City University has rules and regulations in relation to visiting designated institutions and their clients, the researcher thus complied with these in conducting the study. Considering the ethical implications for the study, the researcher sought ethical approval and this was granted by the University Faculty Research Degrees Committee to carry out this study. This thus guided how the entire research was conducted for the organisation and their clients.

Chapter Synopsis

The chapter presents the research design and methodology employed in carrying out the study. In view of the research objectives and questions for the research, the researcher developed a specific research design to achieve the intended aims of the study. Thus, a mixed method research approach was employed in order to tease out how microfinance provision impacts upon family wellbeing. The study was conducted in 2 suburbs of Greater Accra Region for the urban divisions and 3 suburbs of the Eastern Region of Ghana for the rural strata of the Opportunity International Savings and Loans Ghana limited’s clients. Overall, 320 microfinance clients, 169 female and 151 male were interviewed by means of questionnaire survey for the quantitative part of the study. For the qualitative part, a semi-structured interview was conducted for 10 programme managers of the Opportunity International Savings and Loans Ghana Limited and 40 farmer borrowers were drawn from the sample of 320 borrowers after the questionnaires were administered. For the quantitative data analysis, the Statistical Package for Social Sciences (SPSS) with the help of linear regression analysis, was employed to establish the relationship between microfinance provision and poverty reduction. The qualitative data obtained through semi-structured interview was analysed employing directed content analysis with the intention of clarifying the underlying relationships ascertained in the linear regression carried out. The procedures used in the study design to guarantee the reliability and validity of the study findings are also presented. In the next chapter, the data obtained from the quantitative and qualitative study are presented, described, interpreted, analysed and discussed.

CHAPTER FIVE

5.0 Analysis and Discussion

This chapter focuses on the analysis and discussion of the quantitative and qualitative data gathered through the questionnaires and interviews from the field study. The data collected on the multi-dimensional factors of microfinance's impact on poverty reduction, provided by the respondents of the microfinance institution, studied, is analysed by means of various statistical techniques. Considering the research questions and hypotheses set out for this study, SPSS is used to analyse the quantitative data to determine the plausible relationships between microfinance provision and its impact on the beneficiaries. The direct content analysis helps to explain the relationships that exist between the variables that are found in the extant literature in relation to the interventions and their relevance to this study. The results of the analysis presented by the participants of the study helped the researcher to find answers to the research questions identified from the gaps in the literature. This thus enables the research aims and objectives to be achieved. The chapter is organised as follows: it is subdivided into four main sections. The first section focuses on the descriptive analysis and cross tabulations from the results of the quantitative data collected from microfinance service users through the use questionnaires. The second section discusses the results from the face-to-face interviews with the microfinance loan officers. The third section considers the results from the qualitative data gathered from the service users. The final section relates to the outcomes of the regression analysis focusing on the wellbeing of the farmer borrowers and their agricultural activities.

5.1.0 Descriptive Analysis and Cross Tabulation

5.1.1 Demographical Profile of Service Users

Table 5.1 presents the analysis of the demographic characteristics of the microfinance clients. The background profile information of the respondents is important to a study that aimed at determining gender differences in relation to an intervention. The analysis of these variables provides useful information for fulfilling the research questions and thus helps in achieving the research aims and objectives. The characteristics of the microfinance clients obtained from the two urban areas (Madina and Ada) in the Greater Accra and the three rural areas (Techikrom, Aburi and Somanya) in the Eastern Region are presented below. The distribution of the data collected consists of; 72 from Ada and 75 from Madina in the Greater Accra Region; 61 from Somanya, 50 from Techikrom and 62 from Aburi in the Eastern Region. These represent 45.9 percent from the Greater Accra Region and 54.1 percent from the Eastern Region. The demographic characteristics consist of; gender, age, marital status, level of education and number of children.

5.1.1.1 Gender and Age

The microfinance institution provides credit to both men and women in the studied areas for various economic activities including agricultural credit. The respondents for this study consist of 151 (42.7%) men and 169 (52%.8) women. 38 (11.9%) of the women respondents are located in Ada, 35 (10.9%) in Madina, 34 (10.6%) in Somanya, 26 (8.1%) in Techikrom and 36 (11.2%) in Aburi. Table 5.1 shows that, the remaining 42.7% representing the men respondents are located in the following geographical areas; 34 (10.6%) in Ada, 40 (12.5%) in Madina, 27 (8.4%) in Somanya, 24 (7.5%) in Techikrom and 26 (8.1%) in Aburi. Table 5.1 shows the age distribution or composition of microfinance clients and their association with the microfinance institution. The results from the empirical study showed that, the majority of the microfinance beneficiaries surveyed in this research are between the ages of 40 to 49 years representing 43.4%. The composition of the respondents between the ages of 40 to 49 in the five geographical areas consists of 32 respondents (Ada), 34 respondents (Madina), 27 respondents (Somanya), 25 respondents (Techikrom) and 21 respondents (Aburi). The age category of 30 to 39 years old of the respondents surveyed represents the second highest number in this group (27.8%). Of the age between 30 to 39, respondents surveyed in this bracket 14 (4.4%) are located in Ada, 16 (5.0%) in Madina, 17 (5.3%) in Somanya, 19 (5.9%) in Techikrom and 23 (7.2%) in Aburi. The third highest number of the respondents is in the age category of 50 to 59 representing 80 (25.0%). Ada recorded the highest number in this age category of 50 to 59 with 26 respondents (8.1%), followed by Madina, 21 respondents (6.6%), Somanya, 15 respondents (4.6%), Aburi, 12 respondents (3.8%) and Techikrom, 6 respondents (1.9%). The age category of 18 to 29 recorded the lowest number of respondents surveyed in this study representing 12 (3.8%). The composition of the age bracket of 18 to 29 is located as follows; Ada and Techikrom both recorded 0%. 6 respondents (1.9%) are located in Aburi, 4 respondents (1.2%) in Madina and 2 respondents (0.6%) in Somanya.

5.1.1.2 Marital Status

The composition of the respondents' marital status in Table 5.1 showed that the majority of the microfinance beneficiaries are married. These results represent 192 (60%) out of the 320 microfinance service users surveyed in this study with the help of a questionnaire. The marital status of the remaining 128 of the microfinance clients surveyed consisted of: 57 (17.8%) of the beneficiaries are divorced, 38 (11.9%) of them are widowed and 33 (10.3%) are singled. It is interesting to note that the geographical distributions of the marital status of the respondents in Table 5.1 showed that out of the 72 respondents studied in Ada , 54 (16.15) are married; 7 (2.2%) are divorced; 6 (1.9%) are widowed and 5 (1.6%) are single. The second urban study area, Madina showed that 30 (9.4%) of the total 75 (23.4%) of microfinance service users surveyed are married; 11 (3.4%) of them are single; 12 (3.8%) are divorced and 22 (6.9%) widowed. In Somanya, the majority of the respondents are married. This represents 45 (14.1%) of the total population of 61 (19.1) surveyed. 7 (2.2%) respondents are single; 5 (1.6%) of them are widowed and 4 (1.2%) are divorced. None of the microfinance clients in Techikrom are widowed. 33 (10.3%) are married; 15 (4.7%) of them are divorced and 2 (0.6%) are single. Out of the 62 representing 19.4% of the 320 respondents surveyed, 30 (9.4%) are married; 19 (5.9%) of them are divorced; 8 (2.5%) are single and 5 (1.6%) are widowed.

5.1.1.3 Level of Education

Table 5.1 shows the level of education of the respondents and how this could impact on the management and usage of microfinance credit. It is interesting to note that, the application of modern farming technology by the service users is essential for improved output. Thus, the educational background of the respondents is deemed in this study as important in escaping poverty. The results of the data gathered on the level of education of microfinance beneficiaries showed, the majority of the respondents of the microfinance clients had attained vocational level qualifications. This represents 108 (33.8%) of the 320 microfinance service users surveyed in this study. This result further supports the government’s initiative to reduce poverty through agricultural development. As shown in Table 5.1, 76 (23.8%) of the microfinance service users received senior secondary school education. 64 (20.0%) of the respondents received education up to the junior secondary level. This represents the lowest qualification of the respondents surveyed in this study. 33 (10.3%) of the respondents attained O’Level and A’Level as shown in the Table. 5 (1.6%) had the higher national diploma level of education. Table 5.1 further showed that, a university qualification is the least gained qualification amongst the respondents surveyed representing 1 (0.3%). The geographical distribution of the educational qualifications of the respondents surveyed in this study throws further light on the microfinance clients in relation to the performance of their enterprises and households. In Ada, out of the 72 (22.5%) surveyed in this study, 16 (5.0%) received junior secondary school education, 13 (4.1%) had both a vocational and senior secondary school level of education; 14 (4.4%) attained O’Level education; 16 (5.0%) received A’Level educational qualifications; none of the respondents surveyed in Ada received higher national diploma and university level education. The result of the respondents surveyed in Ada showed, the concept of farming is yet to be received by people with further and higher education levels in this geographical area. In Madina, out of the 75 (23.4%) of the microfinance service users surveyed, 7 (2.2%) received junior secondary education; 24 (7.5%) achieved vocational level education; 21 (6.6%) had secondary education; 6 (1.9%) attained O’Level; 14 (4.4%) received A’Level education; 3 (0.9%) achieved higher national diploma level education. Table 5.1 showed that, Somanya is the only area that recorded 1 (0.3%) respondent with a university level education out of the 61 (19.1%) of the respondents surveyed; 10 (3.1%) had junior secondary school level education; 19 (5.9%) received education of up to vocational and senior secondary level as shown in the Table; 7 (2.2%) had O’Level education; 3 (0.9%) received A’Level education and 2 (0.6%) achieved a higher national diploma level of education. In Techikrom, out of the 50 respondents surveyed, no respondents had an educational level of A’Level, higher national diploma or university qualification. 11 (3.4%) had junior secondary school level of education; 24 (8.8%) received vocational level education; 9 (2.8%) achieved an education level of O'Level. Interestingly, the highest level of education in this area is O'Level representing 6 (1.9%). Table 5.1 further showed that, out of the 62 respondents surveyed in Aburi, the highest qualification achieved by the respondents is senior secondary school level qualification representing 14 (4.4%). 28 (8.8%) had vocational level education and 20 (6.2%) received junior level education.

5.1.1.4 Number of Children

The number of children in the household of microfinance service users, particularly if the client is the bread winner of the family, could affect the utilisation of microfinance credit and the outcomes. Moreover, time including the financial resources required to take care of the family, may impact on the ability of the microfinance clients to achieve the desired results. Table 5.1 shows that out of the 320 respondents surveyed, 75 (23.4%) had 2 children; another 75 (23.4%) had 3 children; 59 respondents representing 18.4% had 1 child; 55 (17.2%) had no children; 33 (10.3%) had 4 children in the household and 23 (7.2%) of the respondents had more than four children. The distribution of the number of children in the geographical areas showed that, in Ada 10 (3.9%) had no children; 9 (2.8%) had 1 child; 18 (5.6%) had 2 children; another 17 (5.3%) had 3 children; 9 respondents representing 2.8% had 4 children and 9 (2.8%) had more than 4 children in the household. In Madina, 15 (4.7%) respondents had no children; 15 (4.7%) had 1 child; 22 (6.9%) respondents had 2 children; another 11 (3.4%) respondents surveyed had 3 children; 7 (2.2%) had 4 children and 5 of the respondents, representing 1.6%, had more than 4 children. Table 5.1 further shows that out of the 61 (19.1%) respondents surveyed in Somanya, 8 (2.5%) had no children and; 10 (3.1%) had 1 child, another 10 (3.1%) had 4 children; 9 (2.8%) had 2 children; 16 (5.0%) had 3 children and 8 (2.5%) of the respondents had more than 4 children. In Techikrom, 7 (2.2%) of the total population of 50 respondents surveyed had no children; another 7 (2.2%) had 1 child; 17 respondents representing 5.3% had 2 children; 15 (4.7%) had 3 children; 3 (0.9%) had 4 children and 1 (0.3%) respondent had more than 4 children. In Aburi, out of the 62 respondents surveyed in this study, 15 (4.7%) had no child; 18 (5.6%) respondents had 1 child; 9 (2.8%) had 2 children; 16 (5.0%) of the respondents had 3 children and 4 of the respondents representing 1.2%, had 4 children.

Table 5.1 Descriptive Statistics for the Profile of the Microfinance Clients

Variables	Location of Microfinance Clients					Totals
	MFI Ada Branch	MFI Madina Branch	MFI Somanya Branch	MFI Techikrom Branch	MFI Aburi Branch	
Age						
18-29	0.0%	4(1.2%)	2(0.6%)	0.0%	6(1.9%)	12(3.8%)
30-39	14(4.4%)	16(5.0%)	17(5.3%)	19(5.9%)	23(7.2%)	89(27.8%)
40-49	32(10.0%)	34(10.6%)	27(8.4%)	25(7.8%)	21(6.6%)	139(43.4%)
50-59	26(8.1%)	21(6.6%)	15(4.6%)	6(1.9%)	12(3.8%)	80(25.0%)
	72(22.5%)	75(23.4%)	61(19.1%)	50(15.6%)	62(19.4%)	320(100%)
Gender						
Male	34(10.6%)	40(12.5%)	27(8.4%)	24(7.5%)	26(8.1%)	151(47.2%)
Female	38(11.9%)	35(10.9%)	34(10.6%)	26(8.1%)	36(11.2%)	169(52.8%)
	72(22.5%)	75(23.4%)	61(19.1%)	50(15.6%)	62(19.4)	320(100%)
Marita Status						
Single	5(1.6%)	11(3.4%)	7(2.2%)	2(0.6%)	8(2.5%)	33(10.3%)
Married	54(16.9%)	30(9.4%)	45(14.1%)	33(10.3%)	30(9.4)	192(60.0%)
Divorced	7(2.2%)	12(3.8%)	4(1.2%)	15(4.7%)	19(5.9%)	57(17.8%)
Widowed	6(1.9%)	22(6.9%)	5(1.6%)	0(0.0%)	5(1.6%)	38(11.9%)
	72(22.5%)	75(23.4%)	61(19.1%)	50(15.6%)	62(19.4%)	320(100%)
Number of Children						
No Children	10(3.9%)	15(4.7%)	8(2.5%)	7(2.2%)	15(4.7%)	55(17.2%)
1	9(2.8%)	15(4.7%)	10(3.1%)	7(2.2%)	18(5.6%)	59(18.4%)
2	18((5.6%)	22(6.9%)	9(2.8%)	17(5.3%)	9(2.8%)	75(23.4%)
3	17(5.3%)	11(3.4%)	16(5.0%)	15(4.7%)	16(5.0%)	75(23.4%)
4	9(2.8%)	7(2.2%)	10(3.1%)	3(0.9%)	4(1.2%)	33(10.3%)
More than 4	9(2.8%)	5(1.6%)	8(2.5%)	1(0.3%)	0(0.0%)	23(7.2%)
	72(22.5%)	**75(23.4%)**	**61(19.1%)**	**50(15.6%)**	**62(19.4%)**	**320(100%)**

Level of Education						
Junior High School	16(5.0%)	7(2.2%)	10(3.1%)	11(3.4%)	20(6.2%)	64(20.0%)
Vocational	13(4.1%)	24(7.5%)	19(5.9%)	24(7.5%)	28(8.8%)	108(33.8%)
Senior High School	13(4.1%)	21(6.6%)	19(5.9%)	9(2.8%)	14(4.4%)	76(23.8%)
O'Level	14(4.4%)	6(1.9%)	7(2.2%)	6(1.9%)	0(0.0%)	33(10.3%)
A'Level	16(5.0%)	14(4.4%)	3(0.9%)	0(0.0%)	0(0.0%)	33(10.3%)
HND	0(0.0%)	3(0.9%)	2(0.6%)	0(0.0%)	0(0.0%)	5(1.6%
University	0(0.0%)	0(0.0%)	1(0.3%)	0(0.0%)	0(0.0%)	1(0.3)
	72(22.5%)	**75(23.4%)**	**61(19.1%)**	**50(15.5%)**	**62(19.4%)**	**320(100%)**

Source: Author, 2016.

5.1.2 Savings, Assets, Income, and Credit

This section of the descriptive analysis reports on the data obtained from respondents in relation to their bank accounts, family income, household ownership and agricultural assets. This further shows the relationships between microfinance provisions and the determinants of credit provision. The data for this purpose is obtained from the microfinance clients in both the rural and urban areas used for this study. Out of the 320 microfinance service users surveyed, 239 respondents representing 74.7%, had a bank account and this is supported by the qualitative data analysis obtained from the beneficiaries. The outcome of this study is consistent with Salia (2015) who investigated the impact of microfinance on microenterprise development in Ghana, this showed that a majority of the microfinance clients had a bank account. The geographical distributions of the banking attitude of the respondents showed that, 122 (83%) surveyed in the urban areas had bank accounts before benefiting from the microfinance. 117 of the respondents representing 67.6% in the rural strata, had a personal account. Table 5.2 shows that 81 of the respondents representing 25.3%, do not maintain a personal bank account in both urban and rural areas. In the urban areas of the study, 25 (17.0%) do not have a regular bank account whilst 56 of the microfinance service users representing 32.4% in the rural areas do not have a bank account. It is interesting to note that, the results from the questionnaire survey show that the majority of the respondents already have savings habits prior to availing themselves for microfinance services. The household income of the respondents is deemed to be necessary to establish the relationship between microfinance credit and its impact on the household income of the service users. Table 5.2 shows that out of the 320 respondents of the microfinance institution surveyed in this study, 152 of the respondents in both rural and urban areas representing 47.5, had income of less than Ghc 1000. Table 5.2 shows that 64 (43.5%) of the respondents are in the urban areas and 88 of the microfinance service users representing 50.9%, are in the rural areas. Out of the 320 clients surveyed in this study, the income bracket of between Gh1001 – Gh 3,000 represents the second highest income level. 133 of the respondents representing 41.6%% of the microfinance surveyed fell within an income bracket of Gh1001 – Gh 3,000. 67 (45.6%) of the respondents are in the urban areas and 66 (38.2%) come from the rural area of the study. Table 5.2 shows that 16 (10.9%) of the respondents in the urban area have an income of more than Ghc 3,000 compared to 19 of the respondents, representing 10.9% in the rural areas.

The house ownership of the respondents is deemed in this study as important because of its considerable effect on the service users' household income. Table 5.2 shows that out of the 320 respondents surveyed in this study, 120 (37.6%) of the respondents owned their houses before applying for microfinance and these findings are consistent with Mahmood, (2013) who found, the majority of the microfinance clients in the rural areas of Asasah in Pakistan owned their houses. The geographical distribution of house ownership showed that 55 (37.4%) of the respondents in the urban areas own their houses compared to 65 of the respondents in rural areas representing 37.6%. Table 5.2 shows that the majority of the rural microfinance service users live in their own houses. Of the respondents whose partners owned the houses in which they live; 31(21.1%) of the respondents are in the urban areas and 15(8.7%) are in the rural areas. The composition of joint ownership shows, 4 (2.7%) in the urban and 16 (9.2%) in the rural area. For the respondents who inherited their houses and are living with relatives, 30(20.4%) in the urban areas and 22(12.7%) in the rural areas. For those respondents who rented their houses, the results show the number of rural clients who live in rented houses is more than that of the urban clients. The distribution of the rental shows that 27 of the respondents representing (18.4%) are in the urban areas compared to 55 (31.8%) of the respondents in the rural areas.

The relationship between ownership of agricultural land and household income is considered pertinent to this study. This is because, farmers clients are the focus of this research and thus, there is the need to establish how agricultural land ownership impacts on the family wellbeing. A considerable number of studies have shown that, the agricultural sector is often faced with problems such as property rights and land titles for farmers, particularly in developing countries including Ghana (Christen and Pearce, 2005). However, it is interesting to note that, out of the 320 respondents surveyed in this study, the majority of the service users in the urban and rural areas owned their agricultural land. The geographical distribution of land ownership shows that, 86 (58.5%) of the urban respondents owned their agricultural lands. In the rural division, 110 (63.6%) of the respondents owned their farm lands. Table 5.2 shows that the respondents whose agricultural lands are owned by their partners, represent the second group in terms of farm land ownership. 36 (24.5%) of the respondents reported that their lands are owned by their partners in the urban areas and 23(13.3%) of the respondents, in the rural areas. Table 5.2 shows that 25 of the respondents, representing 17% have reported that their farm lands are owned by landlords in the urban areas and 33 (19.1%) of the respondents in the rural areas. Table 5.2 shows that no agricultural land is owned by co-tenants in the urban areas. The results of the rural clients however show that, the respondents whose farm lands belong to their co-tenants amounts to 7, representing 4%.

Table 5.2 Savings, assets, income and credit after benefiting from microfinance

Service Users	Urban	Rural	Total
Bank account			
Yes	122 (83%)	117 (67.6%)	239(74.7)
No	25 (17.0)	56(32.4%)	81(25.3%)
	147(100%)	**173(100%)**	**320(100%)**
Household Income			
Less than Gh 1000	64(43.5%)	88(50.9%)	152(47.5%)
Gh 1001 - 3000	67(45.6%)	66(38.2%)	133(41.6%)
Gh 3001 and more	16(10.9%)	19(10.9)	35(10.9%)
	147(100%)	**173(100%)**	**320(100%)**
House Ownership			
Self-owned	55 (37.4%)	65(37.6%)	120(37.5%)
Owned by Partner	31(21.1%)	15(8.7%)	46(14.3%)
Joint Ownership	4(2.7%)	16(9.2%)	20(6.3%)
Family inheritance/living with relative	30(20.4%)	22(12.7%)	52(16.3%)
Rented	27(18.4)	55(31.8%)	82(25.6%)
	147(100%)	**173(100%)**	**320(100%)**
Agricultural Land			
Self-owned	86(58.5%)	110(63.6%)	196(61.3%)
Owned by Partner	36(24.5%)	23(13.3)	59(18.4%)
Landlord	25(17.0%)	33(19.1)	58(18.1%
Owned by co-tenant	0(0%)	7(4.0%)	7(2.2%)
	147(100%)	**173(100%)**	**320(100%)**

Source: Author, 2016

5.1.3: Results from the questionnaire survey: Clients' savings attitude.

The savings attitudes of the microfinance clients were investigated in order to determine the impact of the savings advice provided by the microfinance institution on the respondents surveyed in this study. In order to analyse the data gathered from the questionnaire survey, SPSS was used. The results in relation to the savings attitudes of the respondents were divided into urban and rural clients as shown in table 5.3. The findings from the quantitative data analysis showed that, the majority of the beneficiaries had developed savings habits and this was supported by the qualitative data obtained from both the microfinance institutions and respondents surveyed in this study. This outcome is consistent with the study conducted in Pakistan by Mahmood (2013) that investigated the savings attitudes of the microfinance clients. Similarly, Afrane (2002) studied access to microfinance and the economic conditions of the beneficiaries in South Africa and Ghana and found that, clients' savings attitudes as well as other wellbeing indicators such as children's education and consumption expenditure had improved. A cross tabulation analysis of the data obtained from the urban and rural service users as indicated in Table 5.3 showed that, out of the 320 of the respondents surveyed in this study, 308 of the respondents constituting 96.3%, practised saving before applying for microfinance. Interestingly, only 12 of the respondents did not practise savings prior to joining microfinance. The respondents were asked about where they prefer to save their money and Table 5.3 showed, 15 of the respondents representing 4.6% preferred to save their money under the bed whilst 91 (28.5%) give money to their partners. Table 5.3 further showed that, out of the 320 of the respondents studied in this research, 210 of the respondents constituting 65.7%, preferred to save their money in the bank. It is revealing that, the respondents who were practising saving before accessing microfinance are more than those clients who opted not to save their money in the bank. This deference could be associated with the microfinance lending practice. The lending policies require borrowers to have a compulsory saving account before accessing loans. Thus, this could have a positive effect on the saving habits of the respondents of the microfinance respondents surveyed in this study. Lending to friends is the least means of saving as shown in Table 5.3. 4 of the respondents constituting 1.2% reported that, they prefer lending to their friends as a way of saving. Out of the 320 respondents surveyed, 319 of them representing 97.7% admitted getting advice from the microfinance institution. The service users were asked if the advice from MFI improved their saving attitudes. 316 of the clients reported that, the advice provided by MFI had a positive impact on their saving habits. Whilst only 1 of the service users indicated that the savings advice received from the microfinance institution impacted negatively on their savings attitude. The remaining 3 of the respondents surveyed stated that, the advice received from the microfinance institution had neutral impact on their saving habits. Regarding the interest payment, all 320 of the service users admitted to receiving interest on their savings. In order to further probe the appropriateness of the interest paid on their savings, the respondents were asked if it is a favourable interest rate. 129 of them constituting 40.3% admitted that, the interest rate was favourable. Whilst, 191 of the clients reported that the interest rate paid on their savings is not favourable.

Table 5.3: Cross tabulation for the saving attitude of the microfinance clients

Service Users	Urban	Rural	Total
Did you practise saving before taking the microfinance loan?			
Yes	140 (43.8%)	168(52.5%)	308(96.3%)
No	7(2.2%)	5(1.5%)	12(3.7%)
Where do you prefer to save your money?			
Keeping money under my bed	11(3.4%)	4(1.2%)	15(4.6%)
Giving money to partner	21(6.5%)	70(21.9)	91(28.5%)
Saving at the bank	114(35.6%)	96(30%)	210(65.7%)
Lending to friends	1(0.3%)	3(0.9%)	4(1.2%)
Have you been offered advice before and after on savings by microfinance institution			
Yes	147(45.9%)	172(53.8)	319(97.7%)
No	0%	1(0.3%)	1(0.3%)
If Yes to question 3; did the advice improve your savings habit?			
Yes – Positively	143(44.7%)	173(54.1%)	316(98.8)
No - negatively	1(0.3)	0%	1(0.3%)
Not at all	3(0.9%)	0%	3(0.9%)
Does the microfinance institution pay interest on your savings?			
Yes	147(45.9%)	173(54.1%)	320(100%)
No	0%	0%	0%
Is it a favourable interest?			
Yes	60(18.7%)	69(21.6%)	129(40.3%)
No	87(27.2%)	104(32.5%)	191(59.7%

Source: Author, 2016

5.1.4: Results from the questionnaire survey for the lending practices of microfinance institutions

In order to determine how a microfinance loan was provided to the respondents, this study investigated the conditions under which the access to microfinance loans was approved. A cross tabulation of the data collected from the questionnaire survey is analysed with the help of SPSS. It is revealing from the data gathered from the 320 respondents that, the loan was given to the individual beneficiaries as a member of a group. This finding is supported by the qualitative data analysis obtained from the respondents studied in this research. This lending strategy was accepted by the microfinance institutions and borrowers because, it helps to minimise agency problems between service providers and their clients (De Quidt et al., 2013). Moreover, this lending model is found to be beneficial to the officers (Angaine and Nderi Waari, 2014; Marr, 2002), in that, loans and savings transactions with the service users can take place in a relatively short period of time (Rupnawar and Kharat, 2014). The outcomes from the quantitative data analysis obtained from the respondents surveyed showed that, group lending helped them to access credit from the microfinance institution. This finding is consistent with the outcome of the study conducted in Bangladesh by Attanasio et al., (2011); Blank, (1998) on the lending methodology of Grameen Bank. They found that, collective group collateral helped the poor clients to access loans from the bank. The respondents were asked if group formation was a prerequisite for accessing microfinance loans and the 320 service users admitted that, membership of a group was a precondition for benefiting from microfinance credit and thus, this finding supported the outcome of similar studies conducted in Bangladesh concerning the clients of the Grameen Bank model that showed, group membership is a condition for qualifying for a loan (Armendariz and Moduch, 2010). All the 320 respondents surveyed in the urban and rural areas stated that, the microfinance institution allowed them to form their own groups. Regarding the selection of the group members, out of the 320 respondents surveyed, 7 of the respondents constituting 2.2%, indicated that, the selection of the group members is influenced by the standing of the individuals in the community. The respondents that selected their own group members represent the largest number in this category. 220 of the respondents representing 68.7% stated that, the decision to the select their group was largely determined by their existing relationships with the members. It is interesting to note that, the geographical composition of the respondents that chose their own group further shows that, 158 of the respondents constituting 49.3%, are from the rural areas and 62 of the respondents are from the urban areas. The large number of rural clients in this category could be attributed to the proximity and close social ties that often exist in the rural areas. 93 of the respondents of the microfinance surveyed representing 35% indicated that, the group was formed based on the advice from the microfinance institution. The respondents were asked how long they had been with their groups and out of the 320 of the service users studied, Table 5.4 showed that 204 (63.8%) of the clients stated that, they have been members of their groups between 3 to 4 years. 116 of the respondents constituting 36.2% indicated that, their membership of the group was more than 4 years. On the frequency of meetings held by the groups, 144 (45%) of the microfinance beneficiaries indicated as shown in Table 5.4 that, their group meetings are scheduled for every 2 weeks. Whilst 176 of the respondents representing 55% stated that, they organised their group meetings on a monthly basis. Table 5.4 showed that, the 320 respondents of microfinance surveyed reported to have a good relationship with the microfinance institution and that; this cordial relationship with the banks helped the group to access microfinance loans. The respondents were asked about the changes they would recommend to be made as microfinance clients, and out of the 320 of the respondents, 187 of the respondents constituting 58.7% indicated that, the interest rates charged on the loans should be reconsidered. 109 (33.9%) of the respondents of microfinance surveyed stated that, the repayment plans of the microfinance loan should be changed. Interestingly, only 24 of the respondents representing 7.4% indicated that the meeting schedules of the group should be amended.

Table 5.4: Cross tabulation for lending mechanism adopted by microfinance Institution

Service Users	Urban	Rural	Total
How was the loan provided?			
Group loan	**147 (45.9%)**	**173 (54.1%**	**320 (100%)**
How was the group formed?			
Formed by members	**147(45.9%)**	**173(54.1%)**	**320 (100%)**
Was group formation a condition for accessing loan??			
Yes	**147(45.9%)**	**173(54.1%)**	**320 (100%)**
No	**0**	**0**	**0**
How were the group members selected			
Selection influenced by standing in the community	**6(1.9%)**	**1(0.3%)**	**7(2.2%)**
Personally chose the group	**62(19.4%**	**158(49.3%)**	**220 (68.7%)**
Advised by the bank	**79(24.7%)**	**14(4.3%)**	**93 (29%)**
Length of being with the group			
3 to 4 years	**78 (24.4%)**	**126(39.4%)**	**204 (63.8%)**
More than 4 years	**69(21.5%)**	**47(14.7%)**	**116 (36.2%)**
Frequency of meeting as a group			
Every 2 weeks	**37(11.6%)**	**107(33.4%)**	**144 (45%)**
Monthly	**110(34.4%)**	**66(20.6%)**	**176 (55%)**
Does your group have a good relationship with the microfinance institution?			
Yes	**147 (45.9%)**	**173 (54.1%)**	**320 (100%)**
No	**0**	**0**	**0**
What changes would you make as a group?			
Meeting schedules	**9 (2.8%)**	**15 (4.6%)**	**24 (7.4%)**
Repayment plans	**66 (20.6%)**	**43 (13.3%)**	**109 (33.9%)**
Interest rates	**72 (22.6%)**	**115 (36%)**	**187 (58.6%)**
Does the group membership help to access microfinance loans?			
Yes	**147 (45.9%)**	**173 (54.1%)**	**320 (100%)**
No	**0**	**0**	**0**

Source: Author, 2016

5.1.5 Cross tabulation for the wellbeing of the family and the size of the first microfinance loan

In order to determine how the size of the microfinance loan impacts on the wellbeing of the family of the respondents, a cross tabulation of the data collected from the questionnaire survey of this study is shown in Table 5.5. For this analysis, all the independent variables are categorical and for some variables, the categories are reduced by merging the categories having fewer responses for a better interpretation of the results. For example, the microfinance loan size is reduced to three categories, up to Ghc 1,000, Ghc 1,001 to Ghc 3,000 and Ghc 3,001 and more. The results of the questionnaire survey showed that, the majority of the respondents as shown in Table 5.5 admitted that their family's wellbeing has improved in respect of all the variables used in this study. The outcomes of this study supported the findings of the study conducted by Owolabi, (2015) in Nigeria that examined the effect of LIPO microfinance on the clients. The outcomes of this study showed that, the size of the loan played a significant role towards the wellbeing of the client's family considering the depth of poverty in the area of study. Similarly, Mahmood, (2013) found amongst the three microfinance institutions (Khushhali, Kashf and Asasah) studied in Pakistan that, as the loan size increases, the effect on wellbeing is more pronounced. It is interesting to note that, out of the 320 of the respondents of microfinance surveyed in this study, 101 of the respondents constituting 87.8% within the loan range of up to Ghc 1,000 agreed that, access to microfinance helped to finance their children's education. 10 (8.7%) of the service users disagreed and 4 of the respondents constituting 3.5% indicated that, microfinance had a neutral effect on their children's education. Within the loan size bracket of Ghc 1,001 to Ghc 3,000, 182 of the respondents, representing 91.5% agreed that microfinance contributed in financing their children's education. 6 (3%) of the microfinance clients disagreed and 11 (5.5%) remained neutral in relation to the positive effect of microfinance on their children's education. 4 of the respondents in the loan size range of Ghc 3,001 and more agreed, 1 of the service users were neutral and only 1 respondent disagreed that there was an impact from microfinance on their children's education. The respondents surveyed in this study were asked whether access to microfinance led to an increase in family nutrition as this has the potential of improving children's educational attainment. 98 of the respondents constituting 85.2% within the loan bracket of up to Ghc 1,000 agreed that there was a positive effect of microfinance on family nutrition. 8 (7%) of the microfinance clients disagreed and 9 (7.8%) remained neutral. 190 (95.5%) of the microfinance beneficiaries in the loan bracket of Ghc 1,001 to Ghc 3,000 agreed, 4 (2%) disagreed and 5 (2.5%) of the respondents surveyed were neutral. Out of the respondents surveyed in this study with a loan size of Ghc 3,001 and more, 3 (50%) admitted that, access to a loan impacted on the family nutrition ,1 disagreed and 2 were neutral. The family income in the study is considered to have a direct impact on other wellbeing variables used in this survey. Thus, the respondents were asked about the effect of microfinance loan on the family income. It is revealing that, 99 of the beneficiaries constituting 86.1% with the loan size of up to Ghc 1,000 agreed that, their family income has improved as a result of benefiting from microfinance. 5 of the respondents representing 4.3% disagreed and 11(9.6%) were neutral. 188 (94.5%) of the microfinance beneficiaries with a loan size of Ghc 1,000 to Ghc 3,000 agreed, 3 (1.5%) disagreed and 8(4%) were neutral. The highest band of the loan size of between Ghc 3,001 and more recorded 5 (83.3%) of the respondents as agreed and only 1 service user disagreed and 2 were neutral. These results further showed that, the increase in the family income of the respondents surveyed in this study had a positive effect on financing their children's education and family nutrition. On the knowledge of the respondents' trade, 97 of the beneficiaries constituting 84.3% agreed that access to microfinance loan impacted positively on their knowledge of the field, 8 (7%) of them disagreed and 10 (8.7%) were neutral with a loan size of up to Ghc 1,000. 192 (96.5%%) of the respondents surveyed within the loan range of between Ghc 1,001 to Ghc 3,000 admitted that, access to microfinance improved their knowledge of the trade, 2 (1%) of them disagreed and 5 (2.5%) were neutral. The loan size bracket of between Ghc 3,001 and more showed the lowest responses. 4 of the respondents agreed, 1 of them disagreed and 1 was neutral in relation to the positive effect of microfinance loans on their knowledge of the field. Interestingly, the majority of those who admitted that access to microfinance helped their families to acquire more assets for example, a tape recorder and radio is within the loan size bracket of up to Ghc 1,000. Out of the 115 of the respondents of microfinance surveyed, 102 of them constituting 88.7% agreed, 5 (4.3%) disagreed and 8 (7%) were neutral. 172 of the respondents representing 86.4% within the loan range of Ghc 1,000 to Ghc 3,000 agreed, 12 (1.2%) of them disagreed that, access to microfinance helped them to acquire more assets for the family. It is revealing that, only 1 respondent within the loan bracket of Ghc 3,001 and more agreed that, the family assets had improved after benefiting from microfinance. 3 of the respondents disagreed and 2 of them were neutral. On the question of whether microfinance led to an improvement in the family finances in meeting the family's financial obligations during emergencies, 96 of the service users of microfinance surveyed constituting 83.5% with a loan size of up to Ghc 1,000 agreed, 9 (7.8%) of the respondents disagreed and 10 (8.7%) were neutral. 180 of the microfinance clients considered in this study representing 90.5% who fall within the loan range of Ghc 1,001 to Ghc 3,000 agreed, 10 (5%) of the respondents disagreed and 9 (4.5%) were neutral. 4 of the beneficiaries falling in the loan range of Ghc 3,001 or more agreed and 2 disagreed. The respondents considered in this survey were asked if the family savings have improved after benefiting from finance. Out of the 115 of the microfinance services surveyed, 93 of them constituting 80.9%% with an initial loan of up to Ghc 1,000 agreed, 10 (8.7%) of the respondents disagreed and 12 (10.4) were neutral. Income bracket of Ghc 1,001 to Ghc 3,000 is the largest number of respondents who agreed that access to microfinance impacted positively on their savings. 188(94.5%) of the respondents agreed, 6 of them disagreed and 5 were neutral. 4 of the microfinance beneficiaries constituting 66.7% within the loan size bracket of Ghc 3,001 or more agreed and only 2 (33%) of the service users were neutral. The expenditure on family consumption is deemed another important measure of wellbeing. 99 (86.1%) of the respondents who received loan up to Ghc 1,000 agreed that their family consumption expenditure had increased after benefiting from microfinance. 4 of them disagreed and 12 of them were neutral. 192 (92.5%) of the clients with a loan size of between Ghc 1,001 to Ghc 3,000 agreed, 2 (1%) of them disagreed and 5 (2.5%) were neutral. Out of the respondents whose loan size ranged between Ghc 3,001 or more, 4 of them constituting 66.6% agreed and only 1 respondent disagreed and 1 was neutral. Table 5.5 showed that, the self-confidence and self-esteem of the respondents improved after benefiting from microfinance in the third loan size categories. Of the 115 of the respondents surveyed, 103 of them representing 89.6%% with a loan size of up to Ghc 1,000 agreed and 5 (4.3%) disagreed and 7 (6.1%) were neutral. Within the loan range of Ghc 1,001 to Ghc 3,000, 190 (95.5%)

of them agreed, 3 (1.5%) of the respondents disagreed and 6 (3%) were neutral. The last loan bracket of Ghc 3,001 and more had 5 (83.3%) of the service users agreed and 1(16.7% of the clients was neutral that, their self-esteem and self-confidence had improved after benefiting from microfinance.

Table 5.5: Cross tabulation of the size of the first loan and the wellbeing of the family.

	Size of the first microfinance Loan			
	Up to Gh1,000	**Gh1,001 – Gh 3000**	**3,001 and more**	**Total**
Helped finance children's education				
Agree	101 (87.8%)	182(91.5%)	4 (66.6%)	287(89.7%)
Disagree	10 (8.7%)	6 (3.0%)	1 (16.7%)	17(5.3%)
Neutral	4 (3.5%)	11(5.5%)	1 (16.7%)	16(5%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Increase in family nutrition				
Agree	98 (85.2%)	190 (95.5%)	3 (50%)	291(90.9%)
Disagree	8 (7.0%)	4 (2.0%)	1 (16.7%)	13(4.1%)
Neutral	9 (7.8%)	5 (2.5%)	2 (33.3%)	16(5%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Increase in family income				
Agree	99(86.1%)	188 (94.5%)	5 (83.3%)	292(91.3%))
Disagree	5 (4.3%)	3 (1.5%)	1 (16.7%)	9(2.8%)
Neutral	11 (9.6%)	8 (4.0%)	0 (0%)	19(5.9%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Improved Knowledge of the field				
Agree	97 (84.3%)	192 (96.5%)	4 (66.6%)	293(91.6%)
Disagree	8 (7.0%)	2 (1.0%)	1 (16.7%)	11(3.4%)
Neutral	10 (8.7%)	5 (2.5%)	1 (16.7%)	16(5.0%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Increase in family assets, e.g. tape recorder, radio.				
Agree	102 (88.7%)	172 (86.4%)	1(16.7%)	275 (85.9%)
Disagree	5 (4.3%)	12 (6.0%)	3 (50.0%)	20 (6.3%)
Neutral	8 (7.0%)	15 (7.6%)	2 (33.3%)	25 (7.8%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Improved family finances for emergency				
Agree	96(83.5%)	180 (90.5%)	4 (66.7%)	280 (87.5%)
Disagree	9 (7.8%)	10 (5.0%)	2 (33.3%)	21(6.6%)
Neutral	10 (8.7%)	9 (4.5%)	0 (0%)	19(5.9%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Increase in family savings				
Agree	93(80.9%)	188 (94.5%)	4 (66.7%)	285(89.1%)
Disagree	10 (8.7%)	6 (3.0%)	0 (0%)	16(5.0%)
Neutral	12 (10.4%)	5 (2.5%)	2 (33.3%)	19(5.9%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Increase in family consumption				
Agree	99 (86.1%)	192 (96.5%)	4 (66.6%)	295 (92.2%)
Disagree	4 (3.5%)	2 (1.0%)	1 (16.7%)	7(2.2%)
Neutral	12 (10.4%)	5 (2.5%)	1 (16.7%)	18 (5.6%)
Increase in your self-confidence and self-esteem	**115(100%)**	**199(100%)**	**6(100%)**	**320(100%)**
Agree	103 (89.6%)	190 (95.5%)	5 (83.3%)	298(93.1%)
Disagree	5(4.3%)	3 (1.5%)	0 (0%)	8(2.5%)
Neutral	7 (6.1%)	6 (3.0%)	1 (16.7%)	14(4.4%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**

Source: Author, 2016

5.1.6 Size of the first loan and the agricultural activities of the farmer borrowers

Table 5.6 shows the relationship between the first microfinance loan and its effect on the agricultural activities of the respondents. A cross tabulation of the data collected from this survey with the help of SPSS, is presented in Table 5.6 to determine the extent of how the various loan sizes impact on these indicators. All the independent variables are categorical and in some of the variables considered, the categories are reduced by merging the categories meaning fewer responses for better interpretations of the results. For example, the microfinance loan size is reduced to three categories, up to Ghc 1,000, Ghc 1,001 to Ghc 3,000 and Ghc 3,001 and more. In Table 5.6, the number of the respondents who agreed that, access to microfinance loan impacted positively on their agricultural activities within the range of Ghc 1001 to 3000 is more than that of the two other loan categories. The findings from this study further suggest that, the size of investment in agricultural enterprise played a significant role in enhancing agricultural productivity. The outcomes of this study are consistent with Byerlee et al., (2009) whose investigations of twelve countries showed that the countries with the greatest investment in agricultural activities had the highest rate of decline in poverty as well as increased rates in agricultural output.

Table 5.6 shows that, out of the 115 respondents of microfinance surveyed in this study, 90 of them constituting 78.2% within the loan size of up to Ghc 1,000 agreed that, the income gained from agricultural activities had improved after benefiting from microfinance. 8(7%) of them disagreed. Of the respondents whose first loan fell within Ghc 1,001 to Ghc 3,000, 177 of the clients representing 89% agreed and 10 (5%) of the service users disagreed that access to microfinance led to an increase in the revenue generated from farm activities and 12 (6%) were neutral. 4 of the respondents of microfinance constituting 66.7% in the loan bracket of Ghc 3,001 or more agreed, 2(33.3%) of the service users were neutral. Regarding the respondents' farm size, 86 of them representing 74.8%, agreed to have experienced an increase in their farm size after befitting from microfinance. 11 (9.6%) of them disagreed. 172 of those who fell within the loan range of Ghc 1,001 to Ghc 3,000 agreed and 5 of them disagreed. Table 5.6 shows that, a loan size of Ghc 3,001 and more represented the smallest number of responses. 3 of the respondents representing 50% agreed, 1 (16.7%) of them disagreed and 2 (33.3%) were neutral that, their farm size had improved after accessing for microfinance. The respondents were asked whether access to microfinance had impacted positively on their farm output as this could determine the income from the agricultural activities. Out of the 115 of the microfinance beneficiaries surveyed, 80 of them constituting 69.6%% with a loan size of up Ghc 1,000 agreed that their output had increased as a result of benefiting from microfinance loans. 14 (12.2%) of those surveyed disagreed. The loan size of between Ghc 1,001 to Ghc 3,000 represents the largest number of responses. 171 (86%) of them agreed and only 11 (5.5%) of the respondent disagreed. 4 of the service users constituting 66.6%% with the loan bracket of Ghc 3,001 or more agreed and 1 (16.7%) of the clients disagreed. It is interesting to note that, the number of workers employed after accessing microfinance represented the smallest number of indicators in relation to those who agreed that they have experienced some positive effects after accessing a microfinance loan. Out of the 115 of the respondents considered in this study, 76 of them representing 66.1% agreed and 26 (22.6%) disagreed that the number of workers employed has increased within the loan size group of up to Ghc 1,000. 69 of the respondents constituting 34.7%% with the loan group of Ghc 1,001 to Ghc 3,000 agreed and 31 (15.6%%) of them disagreed. 2 (33.3%) of the respondents who fall in the loan range of Ghc 3,001 and more agreed and 1 of them disagreed. On the acquisition of agricultural assets after benefiting from microfinance, 79 of the respondents representing 68.7% falling between the loan size of up to Ghc 1,000 agreed and 24 (20.9%) disagreed. 92 (46.2%) of the microfinance clients surveyed whose first loan fell in the range of Ghc 1,001 to Ghc 3,000 agreed and 34 (17.1%) of them disagreed. Within the loan bracket of Ghc 3,001 and more, 4 (66.6%) of the respondents agreed and 1 of them disagreed that access to microfinance helped them to acquire more farm implements. In order to determine the extent to which the operating costs of agricultural activities are affected as a result of applying a new technology and its relationship with the revenue generated, the respondents were asked if they have experienced a positive impact concerning this indicator. Table 5.6 shows that, 81 of the service users constituting 70.4% with the initial loan of up to Ghc 1,000 agreed and 19 (16.5%%) of the respondents disagreed. 96 (48.2%) of those with a first loan of Ghc 1,001 to Ghc 3,000 agreed and 44(22.1%) of them disagreed. 1 of the respondents whose initial loan fell in the range of Ghc 3,001 and more agreed and 1 disagreed. It is revealing, as shown in Table 5.6 that, the majority of the respondents of microfinance whose first loan fell in the range of Ghc 1,001 to Ghc 3000 agreed that, access to microfinance impacted on their agricultural enterprise. Moreover, a greater number of these service users have all experienced positive effects in all the indicators.

Table 5.6 cross tabulation for agricultural activities and the size of the first microfinance loan.

	Size of the First Microfinance Loan			
Variables and indicators	**Up to Gh 1,000**	**Gh 1,001 – Gh 3000**	**Gh3,001 or more**	**Total**
Increased agricultural income				
Agree	90 (78.2%)	177 (89%)	4 (66.67)	271(84.7%)
Disagree	8 (7.0%)	10(5.0%)	0 (0%)	18 (5.6%)
Neutral	17 (14.8%)	12(6.0%)	2 (33.3%)	31(9.7%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Increase in farm size				
Agree	86 (74.8%)	172 (86.4%)	3 (50.0%)	261(81.6%)
Disagree	11(9.6%)	5(2.5%)	1 (16.7%)	17(5.3%)
Neutral	18 (15.6%)	22(11.1%)	2 (33.3%)	42(13.1%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Increase in farm output				
Agree	80 (69.6%)	171 (86%)	4 (66.6%)	255(79.7%)
Disagree	14 (12.2%)	11 (5.5%)	1 (16.7%)	26(8.1%)
Neutral	21 (18.2%)	17 (8.5%)	1 (16.7%)	39(12.2%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Increase in the number of workers employed				
Agree	76(66.1%)	69 (34.7%)	2(33.3%)	147(46%)
Disagree	26 (22.6%)	31 (15.6%)	1 (16.7%)	58(18.1%)
Neutral	13 (11.3%)	99 (49.7%)	3 (50%)	115 (35.9%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Increase in agricultural assets				
Agree	79 (68.7%)	92(46.2%)	4 (66.6%)	175(54.7%)
Disagree	24 (20.9%)	34(17.1%)	1 (16.7%)	59(18.4%)
Neutral	12(10.4%)	73(36.7%)	1 (16.7%)	86(26.9%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**
Reduced operating costs to new technology				
Agree	81 (70.4%)	96 (48.2%)	1 (16.7%)	178(55.6%)
Disagree	19 (16.5%)	44(22.1%)	1 (16.7%)	64(20%)
Neutral	15 (13.1%)	59 (29.7%)	4 (66.6%)	78(24.4%)
	115(100%)	**199(100%)**	**6(100%)**	**320(100%)**

Source: Author, 2016

5.1.7 Descriptive Statistics for the impact of microfinance on the wellbeing of the household

Table 5.7A and 5.7B focus on the impact of microfinance on the wellbeing of the respondents surveyed in this study. This section considers variables such as; finance for children's education, improvements in family nutrition and health, improved knowledge of the field, an increase in family assets, finance to meet emergencies, improved family savings, an increase in consumption expenditure and self-confidence. It is interesting to note that, more than half of the respondents either agreed or strongly agreed they have experienced an increase in all the above indicators after benefiting from the microfinance scheme. The findings from this study are consistent with the findings from the study conducted in Pakistan by Mahmood (2013), that investigated the impact of Asasa and Kashf microfinance services on the wellbeing of their clients and their families. The outcomes of this study showed that, the majority of the service users have agreed that, access to microfinance has improved their family wellbeing including; children's education, consumption expenditure, savings, income and self-confidence. Similarly, Khankder, (2005) employed a panel data from Bangladesh to assess the effects of microfinance on the wellbeing of the household and found that, access to microfinance loans improved the wellbeing of the clients and their families. Table 5.7A covers the male clients whilst table 5.7B concentrates on the female borrowers.

Table 5.7A shows that, out of the 152 respondents surveyed in this study, 115 of the respondents (male) representing 76.2% agreed and 15 (9.9%) strongly agreed that access to microfinance helped in financing their children's education compared to 7 (4.6%) of the respondents who disagreed. Although the majority of the male respondents of the microfinance institutions claimed that microfinance had a positive impact on their children's education, the number of female clients who reported that access to microfinance services has helped them to finance their children's education as shown in Table 5.7B is more than their male counterparts. Out of the 169 of the female respondents of the microfinance institution considered in this study, 114 of the respondents representing 67.4% agreed and 24 (14.2%) of the respondents strongly agreed to have experienced an increase in the amount spent on their children's education. 18 (10.7%) of the respondents disagreed and 1 (0.6%)

strongly disagreed. Table 5.7A shows that 103 of the male respondents of microfinance surveyed representing 68.2%, agreed that their family nutrition and health have improved after benefiting from microfinance and 15 (9.9%) of the respondents strongly agreed. Only 13 of the respondents disagreed. On the family's nutrition and health, Table 5.7B shows 124 of the female clients representing 73.4% agreed that they have experienced improvements in family nutrition and health and 15 of the respondents strongly disagreed. It is revealing that after applying for microfinance, the number of female clients whose household income had increased is more than that of the male respondents surveyed in this study. 106 (70.2%) of the male respondents agreed and 16 (10.6%) of the respondents strongly agreed compared to 123 (72.8%) of the female clients who agreed and 25 (13.6%) of the respondents who strongly agreed. This shows that the women are better in using their income more productively than the men. Of the respondents who disagreed, 15 (9.9%) of the male respondents disagreed and 1 (0.7%) strongly disagreed whilst 13 of the women respondents representing 7.7% disagreed. The respondents' knowledge of the field/trade is deemed necessary as it has the potential to impact on the household income. Table 5.7A shows that 106 of the male respondents representing 70.2%, agreed their knowledge of the field has improved and 17 of the respondents representing 11.3% strongly agreed. Out of the 169 of the women respondents surveyed in this study, 126 (74.6%) of the respondents agreed and 21(12.4%) strongly agreed that their knowledge of the trade has improved after benefiting from microfinance. Whilst 12 (7.9%) of the men clients disagreed and 2 (1.3%) strongly disagreed. 13 of the women respondents disagreed to have experienced any improvement in their knowledge of the field. Tables 5.7A and 5.7B show that the two categories of the microfinance clients surveyed in this study have agreed that their family assets have increased after benefiting from microfinance. However, a comparison of the acquisition of assets indicator to others in this research shows that, the gains in all other indicators are more than the increase experienced in relation to the acquisition of assets. Interestingly, the female respondents whose family assets have increased are more than the men service users. 88 of the men respondents representing 58.3% agreed and 13 (8.6%) of the respondents strongly agreed their family assets have increased after benefiting from microfinance. Compared with the female clients, 117 (69.3%) of the respondents agreed and 13 (7.7%) of the respondents strongly agreed. 22 of the men representing 14.6% disagreed and 2 (1.3%) of the respondents strongly disagreed whilst 10 of the women service users representing 5.9% disagreed that their family assets have increased after applying for microfinance. These results further confirm women make better use of the household income than the men. On the availability of finance to meet family emergencies, the men and women respondents of the microfinance surveyed reported to have spent more on emergencies after applying for microfinance. 112 of the male respondents representing 74.2% agreed and 17 (11.2%) strongly agreed compared with 124 (73.4%) of the women who agreed and 20 of the respondents representing 11.8% who strongly agreed that expenditure on emergencies has increased after benefiting from microfinance scheme. Whilst 11 (7.3%) of the men disagreed, 17 of the women surveyed disagreed that, they have not benefitted from microfinance facility. Tables 5.7A and 5.7B show that the savings of the men and women have increased after accessing microfinance loan. Out of the 151 of the men surveyed in this area, 109 of the men respondents representing 72.2% agreed and 17 (11.2%) of the respondents strongly agreed that their savings improved compared with 123 (72.8%) of the women clients who agreed and 25 of the respondents representing 14.8% who strongly agreed. The increase in the saving habits of the respondents further confirmed the lending practice of the microfinance institutions which required the service users to open a bank account with the institution prior to applying for microfinance credit. 10 of the men service users representing 6.6% disagreed whilst 11 (6.5%) of the women clients disagreed that their savings attitude had improved. Out of the 320 respondents of the microfinance institution surveyed, more than half of the clients have reported that, family expenditure on consumption has increased after benefiting from microfinance. 112 of the men clients representing 74.2% agreed and 9 (6%) strongly agreed compared with 116 (68.7%) of the women beneficiaries who agreed and 22 of the respondents who strongly agreed. 10 (6.6%) of the men respondents disagreed and 2 (1.3%) of the respondents strongly disagreed whilst 11 of the women service users representing 6.5% disagreed that family expenditure on consumption had increased after applying for microfinance. Regarding the self-confidence of the respondents after benefiting from the microfinance facility, 117 of the men borrowers representing 77.5% agreed and 20 (13.3%) of the respondents strongly agreed that their self-confidence had improved. 125 (74%) of the women clients agreed and 25 (14.8%) strongly agreed. It is revealing that, more women have reported their self-confidence did not increase after benefiting from microfinance compared with men service users. 7 of the male respondents representing 4.6% disagreed whilst 10 (5.9%) of the female respondents disagreed.

Table 5.7A - Descriptive Statistics for the impact of microfinance on the wellbeing of the household – Men clients

Indicators and variables after benefiting from microfinance scheme	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Increased/Helped finance children's education.	0(0%)	7(4.6%)	14(9.3)	115(76.2%)	15(9.9%)
Improved family nutrition and health.	0(0%)	13(8.6%)	18(11.9%)	103(68.2%)	17(11.3%)
Increased family income.	1(0.7%)	15(9.9%)	13(8.6%)	106(70.2%)	16(10.6%)
Improved your knowledge of the field.	2(1.3%)	12(7.9%)	14(9.3%)	106(70.2%)	17(11.3%)
Increased family assets (television, tape recorder, radio etc.).	2(1.3%0	22(14.6%)	26(17.2%)	88(58.3%)	13(8.6%)
Improved family's finances in meeting emergencies	0(0%)	11(7.3%)	11(7.3%)	112(74.2%)	17(11.2%)
Improved family savings	0(0%)	10(6.6%)	12(7.9%)	109(72.2%)	20(13.3%)
Increase in family consumption	2(1.3%)	10(6.6%)	18(11.9%)	112(74.2%)	9(6.0%)
Increase in your self-confidence	0(0%)	7(4.6%)	7(4.6%)	117(77.5%)	20(13.3%)

Source: Author, 2016

Table 5.7B Descriptive Statistics for the impact of microfinance on the wellbeing of the household – Female clients

Indicators and variables after benefiting from microfinance scheme	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Increased/Helped finance children's education.	1(0.6%)	18(10.7%)	12(7.1%)	114(67.4%)	24(14.2%)
Improved family nutrition and health.	0(0%)	10(5.9%)	20(11.8%)	124(73.4%)	15(8.9%)
Increased family income.	0(0%)	13(7.7%)	10(5.9%)	123(72.8%)	23(13.6%)
Improved your education/education of the field.	0(0%)	10(5.9%)	12(7.1%)	126(74%.6)	21(12.4%)
Increased family assets (television, tape recorder, radio etc.).	0(0%)	20(11.8%)	19(11.2%)	117(69.3%	13(7.7%)
Improved family's finances in meeting emergencies	0(0%)	17(10.1%)	8(4.7%)	124(73.4%)	20(11.8%)
Improved family savings	0(0%)	11(6.5%)	10(5.9%)	123(72.8%)	25(14.8%)
Increase in family consumption	1(0.6%)	11(6.5%)	19(11.2%)	116(68.7%)	22(13%)
Increase in your self-confidence	0(0%)	10(5.9%)	9(5.3%)	125(74.0%)	25(14.8%)

Source: Author, 2016

5.1.8 Descriptive Statistics for the impact of microfinance on the agricultural activities of the household

Tables 5.8A and 5.8B illustrate the impact of microfinance on the agricultural activities of the respondents surveyed in this study. The variables/indicators covered in this section include; income from farming, farm output, number of workers employed, increase in agricultural assets and reduction in operating costs as a result of applying new technology. It is revealing that, Tables 5.8A and 5.8B show that, a majority of the respondents have agreed that, they have experienced an improvement in all the indicators. Overall, the outcomes of this study are consistent with other studies such as that conducted by Datt and Ravallion (1998) using National Annual India data to examine the effect of microfinance on the agricultural enterprise of the beneficiaries. The outcomes of their study showed that, access to microfinance helped in improving the enterprises of the clients. Similarly, Byerlee et al., (2009) studied the effect of microfinance loans on twelve countries employing bivariate analysis to compare agricultural expansion across countries. They found that, access to finance has the potential to enhance agricultural productivity and thus leading to a decline in poverty.

Table 5.8A shows that, out of the 151 of the male respondents of the microfinance surveyed, 88 of the respondents representing 58.3% agreed and 28 (18.5%) of the service users strongly agreed that income from farming activities has increased after benefiting from microfinance. 115 (68%) of the women clients of the microfinance agreed and 24 of the respondents representing 14.2% strongly agreed. These confirm the results in relation to the increases in the family income after benefiting from the microfinance facility. 15 (9.9%) of the men beneficiaries disagreed and 3 (2%) of the respondents surveyed strongly disagreed that their incomes have not increased after applying for microfinance whilst, 18 of the women respondents representing 10.7% disagreed. In relation to the increase in farm size of the respondents surveyed, 78 (51.6%) of the men respondents agreed and 19 (12.6%) of the clients strongly agreed. Compared with the women respondents, 91 of the respondents representing 53.8% agreed and 17 (10.1%) of the respondents strongly agreed as shown in table 5.8B. 19 (12.6%) of the men beneficiaries disagreed and 2 (1.3%) of the respondents strongly disagreed compared with 33 of the women service users representing 19.5% disagreed and 1 of the respondents strongly disagreed with an increase in their farm size after benefitting from microfinance. The men and women respondents of the microfinance surveyed reported that their farm output had increased after applying for microfinance. 101 (66.9%) of the men respondents agreed and 8 (5.3%) of the respondents strongly agreed. 106 of the women service users representing 62.8% agreed and 8 (4.7%) of the respondents strongly agreed. 18 (11.9%) of the men clients disagreed and 2 (1.3%) strongly disagreed whilst 35 of the women beneficiaries representing 20.7% disagreed. The results in relation to the number of women respondents who disagreed further support the results of the women who reported that the size of their farms had not increased. 79 of the men respondents representing 52.3% agreed and 9 (6%) of the respondents strongly agreed that the number of employees employed after applying for microfinance had increased. 72 of the women clients representing 42.6% agreed and 5 (3%) of the respondents strongly agreed. Interestingly, more women respondents have disagreed that access to microfinance impacted on the number of employees hired compared with the men clients. 27 out of the 151 of the men surveyed disagreed whilst 60 of the women clients representing 35.5% disagreed. On the acquisition of additional agricultural assets after applying for microfinance, 93 of the men respondents representing 61.6% agreed and 10 (6.6%) of the respondents strongly agreed. 82 (48.5%) of the women service users agreed and 5 of the respondents representing 3% strongly agreed. 27 of the male beneficiaries of microfinance representing 17.9% disagreed whilst 59 (34.9%) of the women respondents disagreed. These results further suggest that, the decision by the women clients not to hire more employees compared with the men respondents as shown in Table 5.8B could largely be influenced by their inability to acquire additional agricultural assets. Tables 5.8A and 5.8B show that, 86 out of the 151 men clients surveyed agreed that their operating costs have reduced after benefiting from microfinance as a result of using new farming technology and 13 of the respondents representing 8.6% strongly agreed. 108 (63.9%) of the women clients agreed and 11 (6.5%) strongly agreed. 26 (17.2%) of the men service users disagreed whilst 29 (17.2%) of the women respondents disagreed. These results further shed light on the reason why more women reported that their farm output have not increased compared to the men respondents of the microfinance surveyed.

Table 5.8A Descriptive Statistics for the impact of microfinance on the agricultural activities of the household – Male clients

Indicators and variables after benefiting from microfinance scheme	**Strongly agree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
Increase in your income level	3(2.0%)	15(9.9%)	17(11.3%)	88(58.3%)	28(18.5%)
Increase in farm size	2(1.3%)	19(12.6%)	33(21.9%)	78(51.6%)	19(12.6%)
Increase in farm output	2(1.3%)	18(11.9%)	22(14.6%)	101(66.9%)	8(5.3%)
Increase in the number of workers employed	0(0%)	27(17.9%)	36(23.8%)	79(52.3%)	9(6%)
Increase in agricultural assets	0(0%)	27(17.9%)	21(13.9%)	93(61.6%)	10(6.6%)
Reduced operating costs as a result of application of new technology.	0(0%)	26(17.2%)	26(17.2%)	86(57%)	13(8.6%)

Source: Author, 2016.

Table 5.8B Descriptive Statistics for the impact of microfinance on the agricultural activities of the household – Female clients

Indicators and variables after benefiting from microfinance scheme	**Strongly agree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
Increase in your income level	0(0%)	18(10.7%)	12(7.1%)	115(68%)	24(14.2%)
Increase in farm size	1(0.6%)	33(19.5%)	27(16%)	91(53.8%)	17(10.1%)
Increase in farm output	0(0%)	35(20.7%)	20(11.8%)	106(62.8%)	8(4.7%)
Increase in the number of workers employed	0(0%)	60(35.5%)	32(18.9%)	72(42.6%)	5(3%)
Increase in agricultural assets	0(0%)	59(34.9%)	23(13.6%)	82(48.5%)	5(3%)
Reduced operating costs as a result of application of new technology.	0(0%)	29(17.2%)	21(12.4%)	108(63.9%)	11(6.5%)

Source: Author, 2016

In Summary, section one of chapter five presented the descriptive analysis and cross tabulation focusing on the demographic profile of microfinance clients, private assets and incomes, access to microfinance credit, group liability schemes and the relationship between microfinance and service users. The final part focused on the descriptive analysis of the impact of microfinance on the wellbeing of the farmers and their families as well as their agricultural enterprises. Moreover, an independent mean comparison test is conducted as shown in (appendix b3: Table 7) to establish if there is any significant difference between the male and female borrowers in relation to the impact of microfinance on their wellbeing and agricultural enterprise. The outcome of the mean test showed that, there is no significant difference in terms of the effect of microfinance on the wellbeing of both the male and the female clients. However, the impact on the agricultural enterprise is reported to be significant at 5% (.003). This result could be attributed to the fact that, both categories of clients studied may have considered the wellbeing of their families paramount and thus used the income from their enterprises for the benefit of the household. Moreover, the significant difference in relation to the effect of microfinance loans on the agricultural activities of the men and women clients maybe associated with the fact that, farming, particularly in the developing countries, is largely the preserve of men.

5.2.0 The Results from the Face-to-Face Interviews with the Microfinance Institution Officers

Section two of chapter five presents the responses from the loan officers interviewed during the field work. The intended aim of the interview was to understand the plausible relationship between the provision of microfinance and poverty alleviation particularly amongst farmers in general and Ghana in particular. The method used in this study to gather qualitative data is consistent with Salia, (2015); Owolabi, (2015); Yeboah, (2010); who employed the inductive approach to gather qualitative data from the service providers in relation to the impact of their services on microfinance clients in Ghana and Nigeria. The interviews carried out with the operators/managers were preceded by the questionnaire data analysis collected (Mahmood, 2013). For this purpose, data pertaining to the administration of the loan was gathered namely; the profile of the microfinance staff, conditions for granting loans, internal monitoring and collection procedures, how loan interest and repayment periods are determined and the penalty for non-repayment. In order to analyse the data collected by means of semi-structured interviews and to unearth the relationships, the direct content analysis technique was used.

5.2.1 Demographic Profile of Loan Officers

The results gathered from the qualitative data analysis using the interviews on the background of the respondents for this study, is shown in Table 5.9**.** Out of the 10 respondents surveyed by means of interview, 1 of the respondents representing 10% was less than twenty years old; 1 (10%) of the respondents was between twenty-six to thirty years. Furthermore, 1 (10%) of the respondents was found to be between thirty-one to thirty-five years. 3 of the respondents constituting 30% were between thirty-six to forty years old. Between the age range of forty-one to forty-five years, 2 of the respondents representing 20% fell in that age category. Another 2 of the respondents were between forty-six to fifty years old. The geographical distributions interview data analysis further showed that, in the Ada branch, the respondents were in the age brackets of twenty-six to thirty and forty-one to forty years. In the Madina branch, the respondents fell within the age brackets of thirty-one to thirty-five and forty-one to forty-five years. In the Techikrom, the 2 (100%) respondents surveyed in this study were between thirty-six to forty years old. Interestingly, the Aburi branch is the only branch of the microfinance institution with 1 (50%) loan officer of less than 25 years old. Another 1 (50%) of the respondents was found to be between forty-six to fifty years old. In the Somanya branch, 1 (50%) of the respondents was between thirty-six to forty years old. The other (50%) of the respondents surveyed in this location was between forty-six to fifty years old.

The respondents' gender compositions as shown in Table 5.9 is as follows; out of the 10 respondents of the microfinance staff interviewed in this study, 6 of the respondents constituting 60 percent are female and the remaining 4 of them representing 40 percent, are males. In the Ada, Madina, Aburi, and Somanya branches, 1 female and 1 male loan manager were interviewed in each. In contrast, in Techikrom, 2 male officers were interviewed. Moreover, out of the total of 10 interviewees considered, 5 of the respondents representing 50 percent were married, 3 (30%) of them were single and 2 of the microfinance officers were either divorced or separated. The geographical distributions of the marital status of the respondents showed that, in the Ada branch, 1 (50%) of the respondents was found to be single and 1 of the interviewees was married. Also, in the Madina branch of the microfinance institution, the 2 (100%) loan officers interviewed were married. Table

5.9 further showed that, 1 (50%) of the respondents was married and another 1 (50%) was either divorced or separated in the Techikrom branch. In the Aburi office, both the interviewees constituting 100 percent were found to be married. 1 (50%) of the managers interviewed was married and another 1 (50%) was separated in the Somanya subdivision of the microfinance institution.

Furthermore, in relation to the educational standing of the officers selected for the purpose of collecting qualitative data through interviews, it is interesting to note as shown in Table 5.9 that, 8 of the interviewees constituting 80 percent, had university degrees and the remaining 2 of the respondents representing 20 percent had higher national diploma qualifications. The geographical distributions of the level of education of the officers showed that, in the Ada division, 1 (50%) of the interviewees had higher national diplomas and 1 (50%) of them had a university level degree. In the Madina branch, 2 of the managers interviewed constituting 100 percent had university degree. Also, Table 5.9 showed that, in the Techikrom office of the microfinance institution, 2 (100%) of the respondents possessed university degrees. In the Aburi subdivision, 2 of the interviewees constituting 100 percent had university degrees. 1 (50%) of the loan managers had a university degree and another 1 (50%) had a higher national diploma level qualification in the Somanya branch. In relation to the duration of working with the microfinance institution, 5 of the officers representing 50 percent, indicated that, they had been working with the bank between six to nine years. 4 (40%) of them had worked for the organisation for between three to six years. Interestingly, out of the 10 officers interviewed, only 1 of them had worked for the institution for nine to twelve years. The geographical distributions of the number of years the managers had been with the bank in Table 5.9 showed that, in the Ada branch, 1 (50%) of the respondents had worked for three to six years and 1 of the respondents was found to have been with the bank for six to nine years. In the Madina division, 1 (50%) of the officers had worked for three to six years and another 1 (50%) had been a member of staff for six to nine years. 2 (100%) of them claimed to have been working for the company for six to nine years in the Techikrom branch. 1 (50%) had been with the microfinance institution for three to six years and another 1 (50%) for nine to twelve years in the Aburi office. In the Somanya division, 1 of the respondents constituting 50% reported to have been working with the bank for three to six years and 1 (50%) of them had been a member of staff for nine to twelve years.

Table 5.9: Background of Microfinance Loan Officers

Variables	Location of Microfinance Clients					Total
	Ada Branch (MFI)	**Madina Branch (MFI)**	**Techikrom Branch (MFI)**	**Aburi Branch (MFI)**	**Somanya Branch (MFI)**	
Age						
Less than 25	0	0	0	1(50%)	0	1(10%)
26 – 30	1 (50%)	0	0	0	0	1(10%)
31 – 35	0	1(50%)	0	0	0	1(10%)
36 – 40			2(100%)		1(50%)	3(30%)
41 – 45	1(50%)	1(50%)				2(20%
46 – 50				1(50%)	1(50%)	2(20%)
	2(100%)	**2(100%)**	**2(100%)**	**2(100%)**	**2(100%)**	**10(100%)**
Gender						
Male	1	1	0	1	1	4(40%)
Female	1	1	2	1	1	6(60%)
	2(100%)	**2(100%)**	**2(100%)**	**2(100%)**	**2(100%)**	**10(100%)**
Marital Status						
Single	1(50%)	0	0	2(100%)	0	3(30%)
Married	1(50%)	2(100%)	1(50%)	0	1(50%)	5(50%)
Divorced/separated	0	0	1(50%)	0	1(50%)	2(20%)
Widowed	0	0	0	0	0	0(0%)
	2(100%)	**2(100%)**	**2(100%)**	**2(100%)**	**2(100%)**	**2(100%)**
Level of Education						
Higher National Diploma	1(50%)	0	0	0	1(50%)	2(20%)
University Degree	1(50%)	2(100%)	2(100%)	2(100%)	1(50%)	8(80%)
	2(100%)	**2(100%)**	**2(100%)**	**2(100%)**	**2(100%)**	**2(100%)**
Years with MFI						
3 – 6	1(50%)	1(50%)	0	1(50%)	1(50%)	4(40%)
6 – 9	1(50%)	1(50%)	2(100%)		1(50%)	5(50%)
9 – 12	0	0	0	1(50%)	0	1(10%)
	2(100%)	**2(100%)**	**2(100%)**	**2(100%)**	**2(100%)**	**2(100%)**

Source: Author, 2016

Consistent with three years as the basis for selecting the microfinance beneficiaries for inclusion in this study, the length of service for the loan officers should not be less than three years. The rationale for these parameters for the inclusion of the loan managers for the interviews is to ensure that, they have sufficient information about the operational procedures especially in relation to how loans are provided, the attitude of the clients and how the microfinance institution functions in general. Thus, Table 5.9 shows that, the respondents for these semi-structured interviews must have worked for the microfinance institution for three year.

5.2.2 Loan Disbursement

The provision of loans to the respondents is often influenced by well-defined organisational procedures (Johnson and Rogaly, 1999), thus, in order to ascertain the conditions and techniques employed by the microfinance institution, the loan disbursement officers were asked to describe the processes involved in the approval of loan applications by the microfinance bank. This question provided the researcher the chance to find out how the loan managers ascertain the creditworthiness of the respondents, their collateral and their ability to repay the loan. Interestingly, it was reported by the ten managers interviewed in all five divisions of the microfinance institution visited that, the institution has a standardised procedure in granting loans to the respondents considered in this study. This result is in line with the findings of Salia, (2015) that, microfinance institutions have uniformed lending policies to avoid a situation where customers that are refused a loan by one branch move to another branch. In response to the researcher's question, interviewee, male No. 12 reported that;

"*As part of the initial orientation provided to us as loan officers, we are all obliged to follow a standard procedure in approving loans, in relation to assessing the creditworthiness of the clients, the selection procedures and final approval*". Moreover, according to interviewee (female) No. 14, "*because of our uniform approach to providing loans to our customers, they often prefer to apply for a loan at the closest branch because they know the approval procedures are the same"*

In order to gain a deeper understanding in relation to why the bank has a standardised process in granting loans, the researcher further cross-questioned loan officers as to the rationale for following a well-defined procedure for approving loans. In response, interviewee (male) No. 16 reported:

"*This uniform procedure has assisted the bank to minimise the magnitude of defaulting customers. Our experience with the clients shows that, whenever the clients are refused a loan in one division of the company, they often go to another division with the hope that, their loan application will be approved. The officers in other branches often go through the same approval processes with the applicants.*

Thus, the uniform procedures enable our bank to identify customers that have the tendency to default. Moreover, uniform approach to dealing with the clients helps the bank to reduce its operating costs, because in most cases our existing customers often educate other prospective applicants about the banks procedures"

The loan officers were asked about the specific conditions and factors the bank considered for approving loans. The results of the semi-structured interviews indicate that, prior to assigning a customer to a group or allowing an individual to join an existing group, the prospective applicant is thus assessed by the loan disbursement officer in the branch on the basis of six decisive factors: First, a client's savings ability, is there a savings account in the name of the clients and the strength of the savings account; Second, nature and type of guarantee provided by the beneficiary, whether the guarantee is in the form of physical collateral or group guarantee; Third, the client's repayment ability: fourth: level of debt capacity that will enable the client to repay the loan on time; Fifth, the client's credit history and sixth, knowledge of other groups who are existing clients of the bank. This finding is consistent with the outcomes from qualitative studies conducted in Nigeria and Pakistan on the microfinance loan officers to determine the conditions for granting loans to their customers (Owolabi, 2015; Mahmood, 2013). According to interviewee (female) No. 18:

"*As a bank, we always evaluate the client's ability to manage its financial resources by ensuring that, they have savings account and is performing well. Also, the recipient must have savings account with the bank as a condition for accessing loans"*

On the repayment ability of the beneficiary, interviewee (male) No. 14 said: "*As part of the organisational procedures to determine the client's repayment ability, we usual visit enterprise and their agricultural land. This helped the bank to know the locations, outputs, duration of their existing enterprises. Moreover, the visit offered the loan officers the opportunity to ask the recipients about where their customers are located and type of product offered by their enterprises".* This is line with the Angaine and Nderi Waari, (2014) findings that, assessing the clients' characteristics including visits to their businesses helps the microfinance institutions to minimise default rates. Thus, we can argue that, loan officers need to be familiar with the locations of the customers' enterprises especially the land ownership system in order to determine ownership of the agricultural lands. Moreover, due to poor land registry systems especially in developing countries including Ghana, the loan officers may have to rely on information from the existing clients (Salia, 2015; Yeboah, 2013; Ledgerwood et al., 2012).

The results of the qualitative analysis in relation to how clients' credit history was assessed by the loan disbursement officers showed that, the loan managers of the microfinance are often able to assess the credit history of the existing clients with ease. This is due to the fact that, the loan officers already have access to the credit files of the existing clients prior to obtaining the initial loan from the bank. When the officers were further probed how the bank manages the situation in the absence of the credit history of the clients, this is what interviewee (male) No. 15 said:

"In order to minimise the risk of default by the potential clients, we often suggest to the prospective beneficiary to join a group. Alternatively, the potential client is asked to come with somebody who is currently a beneficiary of a loan with the bank and in good standing. The information obtained from the existing customer about the potential client is used as a basis of determining the credit history"

The outcomes of the qualitative data analysis in relation to the size of loan showed that, the bank had set a threshold including the minimum and maximum loan amounts approved for their clients. The results from the semi-structured interviews showed that, the bank had a minimum of Ghc 500 and the maximum ranging between Ghc 10,000 and Ghc 20,000 depending on the repayment ability of the individual clients within a group. The finding in relation to the quantum of loans given to the clients, is consistent with the outcomes from the qualitative analysis collected from the loan managers of LAPO microfinance institution in Nigeria (Owolabi, 2015). According to interviewee (male) No. 16:

“The amount of loan to be granted to a potential client depends on our assessment of the beneficiary’s ability to repay and type and nature of enterprise together with the frequency of the client’s cash flows”

Interestingly, the results further reveal that, although the rating mechanism used by the bank to determine the loan amount to be granted to the potential beneficiaries could place them in the same or similar categories, the size of their loans often varies. This is consistent with Salia, (2015), thus, the researcher sought to find out the differences in the amount of loan given to individual clients under group borrowings, the loan disbursement officers were asked about what the bank considered to be at the heart of making a loan to a potential customer. In response to this question, the majority of the loan managers interviewed in this study reported that, group collateral was the most essential condition for approving loan applications made by the farmer clients. This lending model is consistent with similar findings in Bangladesh and Ghana (Seddoh, 2014; Armendariz and Morduch, 2010), Moreover, the loan managers indicated that, because there were no well-functioning credit rating agencies to enable them to assess the creditworthiness of the clients, the most reliable way of determining their ability to repay the loan is to rely on group collateral and in some cases to request the loan applicants to provide physical collateral. Specifically, one of the loan disbursement officers (female) No. 15 said:

“*In most cases, our farmer clients are unable to provide physical collateral demanded, thus, the bank (loan managers) often rely on group collateral as a condition for granting loan”*

It was found that, group guarantee or physical collateral was not exclusively used in determining or approving loan applications. The loan officers also indicated that, in the absence of the collateral, the potential farmer client’s current income from the agricultural output is used to help the loan disbursement officer to decide whether or not to approve a loan application. This is in line with the Angaine and Nderi Waari, (2014) findings that, earnings from the agricultural activities of the beneficiaries are used beside group collateral as part of the loan approval procedures. Moreover, in approving a loan request, the loan repayment is considered as an important component of the process. Based on the loan repayment difficulties experienced by some farmer clients as reported in the quantitative data analysis preceding the semi-structured interviews, the respondents of the microfinance institution were asked to provide details about how the repayment period of the loan was determined. In relation to the microfinance institution's practices about the repayment period of the loan, the qualitative data analysis indicated that the bank had standardised repayment periods in all of the five branches. Consistent with Christen and Pearce, (2005), however, the results from the quantitative analysis also showed that, although the bank had uniformed repayment periods across all the divisions, the repayment periods for some agricultural products vary because of the gestation period of these products. Moreover, the analysis and evaluations of the qualitative data in this study suggest that, the repayment periods for loans varied, depending on the nature and type of the agricultural products. Given that the loans were provided to the farmer clients under group guarantee in all of the five branches, the repayment periods granted to the group members were between one to five months. According to interviewee (female) No. 17:

"*Our repayment periods are often informed by the likelihood of the clients defaulting. Thus, we always devise a way of collecting the loan from the clients on time because of the impact of non-payment on the bank's cash flows"*

It is revealing that, the bank often gives an extended credit period to customers that are perceived to be less risky in terms of their ability to pay back and those that are deemed to be moderately risky clients are given shorter credit periods (Salia, 2015). Moreover, loans provided under group guarantee helped the banks to minimise the risk of default. Interestingly, the loan repayment periods that were offered to the beneficiaries of the microfinance institution seem to have helped the farmer clients to access loans from the bank. The outcomes of the qualitative data analysis showed that, the respondents often meet with the potential clients during the initial stages of the loan application to discuss the repayment options available to them. Thus, depending on the client's agricultural activities, the loan officer advises them on the best repayment option for members of the group. Consistent with Owolabi, (2015);

Armendariz, (2005) this procedure ensures that, the loan is repaid when the farmer begins to generate enough cash flow after crops are harvested and sold from the farm activities. One of the interviewees (male) No. 13 stated that;

"*Our bank always considered the gestation period and cash flows of the client's agricultural activities in determining the repayment periods for the borrowers"*

Furthermore, the results of the quantitative analysis showed that, loan interest imposed on the amount borrowed appeared to be one of the challenges confronting microfinance clients. Thus, the loan officers were asked to provide details about how the microfinance banks determine the interest to be paid on the loan. The outcomes of the qualitative data analysis showed the banks had two different ways of charging interest namely; a flat rate to be paid throughout the duration of the loan agreement and interest is also charged against the outstanding amount of loan until the final amount is paid. The results also revealed that, in most cases the farmers were not able to honour their repayment on time because of the repayment periods leading to a seizure of their properties. Interviewee (male) No. 11 said;

"*Our interest rates are the best in the industry. This is the main reason we are ranked as the largest provider of agro-business loans"*

Given that the banks survival depends largely on its cash flows, loan officers provided details about the microfinance institution procedures for loan monitoring and collection. The information provided indicated that, they have uniform approaches in all their divisions. Moreover, the banks have different monitoring mechanisms such as, conducting a review of the operational activities of the clients, this is done by the officers of the microfinance bank and they also rely extensively on peer monitoring of the beneficiaries by other group members. This is in line with Blank's (1998) findings. In order to minimise default rates, the banks often incorporate covenants into the terms of the loan agreement and the condition to demand repayment when the terms of the contracts are violated. Moreover, the banks had institutionalised measures to collect loans namely; arbitration and legal action, seizure of physical collateral, savings, and legal representative collection.

This report is supported by the qualitative data collected from the service users interviewed in this study. Moreover, this study's findings are consistent with Salia, (2015). However, before the bank decides to seize the client's property, the loan officers often engaged the defaulting beneficiary to negotiate the most reasonable repayment schedules. In all cases, the clients were offered the opportunity to ask questions before appending their signatures on the loan agreement. Moreover, clients were always provided with accurate and regular statements about their dealings with the banks and any outstanding balance together with the interest, was given to the client in order to ensure openness in their operations. Interviewee (female) No. 19 showed these procedures in the course of the conversation.

"*Our bank has a policy of ensuring that, the potential clients understand the terms of the loan agreement before signing. In order to ensure this entrenched procedure is followed, we always read the agreement aloud and in some instances we translate the materials for the contract into their languages*"

The results of the qualitative analysis on the provision of non-financial services by the microfinance bank showed that, the farmers were provided training on the best approach to farming including the application of modern agricultural equipment and the use of improved seeds for better output. This finding is in line with (Miller and Atanda, 2011). The study also found that, the farmers are not provided with any training in relation to debt management. Considering the parameters and social factors affecting the activities of the potential beneficiaries of microfinance in Ghana, the loan officers were questioned on the provision of loans for consumption purposes or how the loan was used by the clients. Some respondents stated that, the bank often supports the farmers through consumer loans to meet their healthcare, school fees of their children. On the other hand, some loan disbursement officers indicated that, consumer loans are not profitable for the banks as the probability of default is very high. It is often agued in the microfinance literature that, clients who encounter excessive outstanding loans also invariably experienced a large amount of indebtedness (Conroy and O'Leary, 2005). It is revealing from the interviews with the loan officers that, some beneficiaries upon receiving the loans used it on family consumption expenditure. Moreover, once they realise that they will be unable to repay their loans they relocate to unreachable villages or towns in order to escape the uncompromising actions of the microfinance bank. Thus, it is evident from the outcomes of the qualitative data analysis that, granting loans to clients for the sole purpose of using it to pay school fees and to buy food for the family is deemed to be risky for the survival and sustainability of the banks. This is because, such expenditures do not have the potential to generate returns for the beneficiaries thereby leading to high default rate among these borrowers.

In summary, section two of chapter five explores the microfinance loan officers' perspective of their relationship with the service users. This qualitative data analysis showed that, both the loan managers and the clients have good long-standing relationships. In all five branches of the microfinance institution visited, the loan processing, approval and monitoring were the same. According to the loan disbursement officers interviewed for the qualitative study, the standardised approach adopted across all the branches was aimed at minimising default rates. Moreover, the uniform method of operation was to prevent potential customers from taking advantage of the non-standardised approach. The rationale for this is that, it is well documented in the microfinance literature that, when potential customers are refused loan by a branch/unit of the microfinance bank, they quickly move to another branch with the hope of securing a loan (Mahmood, 2013; Salia, 2015). In relation to the provision of microfinance loans under group guarantee, the microfinance bank usually allowed the members to form their own group. However, if a potential customer is unable to find a group; the loan officers assist these potential customers to find a group. Whilst group collateral helps to reduce default rate, the microfinance bank designed an in-house approach to assess the repayment ability of the service users. This includes visiting the client's enterprise, agricultural land and income. This visit helps the microfinance bank to know the location and duration of their existing businesses. The risk profile of the potential customers was used to determine the size of the initial loan based on the microfinance bank's defined minimum and maximum threshold. Although, the microfinance bank had a uniform repayment period, the loan officers reported that, the repayment period of some agricultural crops varies depending on the gestation period. Moreover, the repayment agreement was informed by the harvesting period and the harvested crops are eventually sold.

However, there were instances where the loan managers gave extended credit terms to some service users due to perceived low risk. Given that the microfinance bank at the initial stage of the loan application met with the customers to discuss the various repayment options available based on their agricultural activities, the procedures ensured that, the customers had generated enough cash flows to meet their loan obligations. In relation to how interest rates on the loan are determined, the microfinance bank had two different ways of charging interest rates namely; a flat rate payable throughout the entire duration of the loan agreement and interest is also charged against the outstanding amount of the loan until the final amount is paid. Since microfinance survival depends on its ability to generate sufficient cash flows, in the event that a group member is unable to meet the repayment deadline, the entire group is held responsible for any defaulting loan. Moreover, where the group members are not able to repay on behalf of the defaulting member, the microfinance bank often seize the savings of the entire group to the extent of the unpaid loan. Consistent with the findings from this study in relation to group guarantee, this lending mechanism was first used by Grameen Bank in Bangladesh in the 1970s as a conduit for granting loans to the financially excluded (Attanasio et al., 2011; Armendariz and Morduch, 2010). Similarly, in other developing countries such as Ghana, Nigeria and Pakistan, group guarantee is predominantly the lending method employed to give credit to the microfinance service users (Seddoh, 2014; Owolabi, 2015; Yeboah, 2010). Moreover, group collateral helps the microfinance institutions to minimise agency problems and reduce the costs associated with loan processing and monitoring (Rupnawar and Kharat, 2014). A comparative analysis of group guarantee in Africa and other developing countries showed, group members often complained about the frequency of group meetings (Armendariz and Morduch, 2010). This is in line with Park and Ren, (2001) findings that, 8% of the microfinance borrowers complained about the usual group weekly meetings and that; they often walked between 40 minutes to 1 hour to where the meeting took place. Moreover, based on the laboratory-style experiment conducted in the Peruvian market, it was found that, joint liability encourages risk-taking especially where the borrowers have knowledge about the investment strategies of group members (Karlan and Morduch, 2010). In Ghana, for example, Salia, (2015); Yeboah, (2010); found that, the size of loans to be given to the individual group members is determined by the characteristics of the entire group regardless of the individual's projects and repayment ability. The group guarantee model is also based on the concept that, in the event of non-payment of the loan, the entire group members are held responsible (Sharma, 2014; Attanasio et al., 2011). Consistent with these experiences, we can argue that, since the group lending scheme adopted by the microfinance institutions in the developing countries is based on the Grameen Bank model, given the characteristics of the clients involved, it is thus obvious that these problems may emerge.

5.3.1 Microfinance and Service Users Perspective: Results from the Face-to-Face Interviews.

The focus of this study is essentially to assess the effect of microfinance on the livelihood or wellbeing of the farmers. This is consistent with the Seddoh, (2014); Yeboah, (2010); Owolabi, (2015) studies that employed an inductive approach to collect qualitative data in relation to the perspective of the microfinance clients on the effect of microfinance loans on their wellbeing and that of their families. Thus, in order to determine whether microfinance indeed benefited or impacted on the wellbeing of the farmers and their family, the perspective of the clients becomes important. As indicated in the qualitative data analysis obtained from the staff of the microfinance institution, loans are provided to the clients under a group lending scheme with the sole aim to minimise default rate. Consistent with the quantitative data outcomes gathered from the service users, the results of the interview analysis indicated that, access to microfinance loans had a positive effect on the wellbeing of the family under the group lending mechanism. This finding is in line with Seddoh, (2014) who found a positive effect on the wellbeing of the microfinance clients and their families. Thus, this section of chapter five focuses on the clients' perspectives in relation to their assessment of the group lending strategy. Although, there are methods of accessing loans from the microfinance institution, the results of the quantitative data analysis showed that, the microfinance loans are largely provided to the beneficiaries in a group. This thus suggests that, potential clients are more likely to be excluded from benefiting in any financial services if they are unable to find a suitable group to join. Thus, the main focus of this section is to ascertain how this lending scheme benefits the service users hence, impacts on their wellbeing.

5.3.2 Group lending Scheme and Formation

Microfinance institutions have extensively employed a group lending strategy as it is deemed to help reduce the costs of processing loan applications and to minimise default rates (Rupnawar and Kharat, 2014). Moreover, group lending is seen in the microfinance industry as the dominant approach to helping the financially excluded to access loans (Armendariz and Morduch, 2010; De Quidt, 2013). Thus, the service users were asked about how they form their respective groups in order to access microfinance loans. The results of the qualitative data analysis showed that, group formation is based on self-selection. These outcomes are further corroborated by the quantitative data analysis obtained from the service users and these findings are supported by the reviewed literature in relation to peer selection (Gomez and Santor, 2008). However, some studies argued that, the self-selection strategy tended to exclude the very poor who are perceived by others as risky in terms of loan repayment (Attanasio et al., 2011; Hulme and Mosley, 1996). The respondents were asked about the selection processes and the service users indicated that, the potential customers are required, in line with the group policy, to seek approval from the existing members prior to joining an existing group. For a new group to be formed, the outcomes of the qualitative analysis showed that, as a pre-requisite, a minimum of eight members are required to form a new group and members are thus self-selected by those who initiated the formation of the group. Moreover, the service users stated that, the selection and inclusion of members into the group is also influenced by the type of agricultural enterprises of the prospective clients. This finding is corroborated by the interviews with the microfinance officers. Furthermore, the inclusion of members in the group is sometimes also based on trust, social standing and personal friendship and these findings are in line with Kalan (2003). Thus, this could be a potential ground for excluding others from accessing microfinance loans. However, the outcomes of the qualitative analysis with the service users showed no evidence of exclusion. This is what interviewee (female) No. 23 had to say in response to the formation of a group:

"I first heard about the microfinance institution from a friend and she introduced me to another existing group because they have already reached the maximum number

that should be in a group. I was accepted into the group based on my friend's association with the leader of the group"

Furthermore, given that the inclusion into a group is based on available information about prospective client, it means that an assortative matching strategy was used by the initiating member to select members for the group. This suggests that clients have adequate knowledge about their peers' risk levels and that, they are able to sort out the good borrowers from the bad ones (Ghatak, 2000). Previous studies in relation to the process of group formation showed that, a microfinance group begin as a heterogeneous group, implying that pertinent information about the individual clients' profiles especially their probability of defaulting is deemed to be imperfect (Owolabi, 2015). The outcomes of the qualitative data analysis indicated that, clients' knowledge about each other's risk profile varies among all the forty respondents considered for the interviews. The results further showed that, the existing group members tend to have more knowledge about the potential customer they introduced to the group than other members and they appear to rely on the information held about the new clients by the individuals who introduced them. Interviewee (male) No. 13 reported that:

"*When I found out at our meeting that a new member was admitted, I was told by the group leader that the new member is a closed-friend of the family with good standing. Although, I do not have sufficient knowledge about the new client's risk status and thus relied on the information provided by the group leader. Moreover, members are unable to distinguish good clients from the bad ones".*

In the absence of an existing group, the service user was asked about how the initial group was formed and they stated that, it was based on trust, implying that members are selected into the group based on the findings from the forty respondents on limited information about each member. Thus, it means group members do not have any other means to obtain information about any new member except to rely on the information held by the one who introduced the new member. Moreover, since the microfinance loan officers do not have sufficient information about the new borrower, they often rely on the information provided by the member who is introducing the new client. This is what interviewee (male) No. 23 said:

"*If a new member is admitted and other members do not have sufficient information about this new client, as a condition for the group, the one who is introducing the prospective client will be held responsible in the event that the new member default. Alternatively, the savings of the client with the bank will be seized to repay the defaulting loans. Some people are not willing to join our group because; we have in so many occasions excluded defaulting members from the group, this helps to maintain good relationship with the microfinance bank*".

The reasoning in the above narrative from respondents' No. 13 and 23 in relation to peer selection suggests that, the processes involved in selecting members for the purpose of forming a group in order to benefit from a microfinance loan, is thus deemed to be limited in scope. Moreover, Kalan, (2003) finds that, a greater level of social capital within groups is positively related to high repayment of loans. However, in support of the above narrative from interviewees' No. 13 and 23, Marr, (2002) finds that, the reliance on joint liability under a group loan scheme is gradually being replaced with individual collateral; where the property of the defaulting member is sold to repay the microfinance loan. Thus, it is revealed from the above qualitative findings that the use of individual guarantee is used as a basis for accepting new members into the group. This implies that, potential customers who do not have this tangible collateral to offer are more likely to be excluded from benefiting from the financial services provided by the banks. However, it is worth recognising the fact that, such individual-based guarantees required in the case of the microfinance clients interviewed, appeared not to be acknowledged in the microfinance literature. Moreover, the presumption under group liability lending is that, the group members are jointly liable for any unpaid debt by a member (De Quidt, 2013). Thus, the results of the qualitative data analysis based on the interviews with the microfinance service users showed that, the group lending scheme offered the service users the opportunity to access microfinance loans under a collective capability and this finding is in support of the reviewed literature (Armendariz and Morduch, 2010; Sharma, 2014). The results further show that, all of the respondents considered for this interview indicated that, although the joint liability does come with its associated risks as acknowledged in the reviewed literature, their participation in the lending is beneficial. They also reported that, considering the fact that group formation is a prerequisite for accessing microfinance, the respondents did acknowledge during the interview that, they would have been denied access to loans if it had not been for the group assistance. According to interviewees (female and male) No. 27 and 32:

"When I first approached the microfinance institution, I was advised to look for a group in the community. I have approached three different groups but they all refused to accept me. I went back to the microfinance bank and was told that, there are other potential borrowers in a similar situation, so if I wish; I could join them to form a group. Our existing group was self-form without any initial social ties but we are all happy with the commitment of each group member"

"*I have realised based on my experience with other microfinance banks that, this microfinance institution is the only bank that helps the potential clients who are unable to find a group to secure one. Moreover, they always ensure that, the prospective customers join a suitable group by considering the type of agricultural enterprise"*

We find from the qualitative results with the microfinance clients that, peer selection was the basis for inclusion in a group formation. However, it was revealing that this approach for selecting members for a group could exclude potential clients that are deemed by the existing members of a group as having dissimilar characteristics. Contrary to this observation, there is no evidence of exclusion in the case of the clients of the microfinance institution considered in this study. It is interesting to note that, for the microfinance institution under investigation, it was reported that, prospective clients who are unable to find a suitable group are encouraged by the microfinance institution to self-form a new group. As indicated in the qualitative data analysis obtained from the loan officers, the bank usually visits the client's enterprise, assesses the nature of their business, cash flow levels and physical collateral as part of their loan approval process. Thus, this implies that potential clients in this group may be exposed to moral hazard problem because of a lack of sufficient information about the client's subsequent usage of the microfinance. However, this could be mitigated in the case of the microfinance clients in this study because of the presence of individual guarantees under the group lending mechanism of the microfinance institution.

5.3.3 Loan Application and Peer Monitoring

As microfinance loans are provided to the beneficiaries under group guarantee, monitoring of members' activities is an embedded feature of the loan contract (Armendariz and Morduch, 2010). Although, group members are not explicitly required by the microfinance institution to closely monitor their peers, because of the potential consequences of the non-payment of a loan by a member, beneficiaries have the motivation to monitor loan usage (Gomez and Santor, 2008). Peer monitoring is a process of ensuring that loans are not used for any other purpose other than the intended projects for which they were provided. Peer monitoring is aimed at minimising the potential risk of default, encouraging members to maximise returns on investment, and to impact positively on the wellbeing of the family of the service users (Ahlin and Townsend, (2003). Thus, in order to assess the effectiveness of the peer monitoring and its effect on poverty reduction, the respondents were asked about how the monitoring of loan usage is carried out.

Monitoring of loans use is the responsibility of all group members. This helps to mitigate ex-ante and ex-post moral hazard problems (Rupnawar and Kharat, 2014). However, the results of the quantitative analysis show that the greater number of the respondents surveyed claimed not to have any idea about how members used their funds. Table 5.10 showed that, out of 320 of the respondents, 280 of them constituting 87.5 percent, stated that they are unable to tell how individual group members utilised their loans. Interestingly, the remaining group members who said they had knowledge about how their peers used their funds, were found to be either group leaders or introducing members. Considering these narratives from the respondents, it thus becomes challenging to determine the effectiveness of the monitoring system since only a few of the members have knowledge about the loan usage. This is what an interviewee (female) No. 34 had to say, demonstrating the extent of the monitoring mechanism across all the groups:

"Although I was made to understand when I was introduced to the group that, members' activities and loan usage will be monitored, I hardly had the opportunity to monitor other members because of pressure from my work"

Table 5.10: Group Members Knowledge of Individual Use of Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Knowledge of loan use	Yes	40	12.5	12.5	12.5
	No	280	87.5	87.5	100.0
Use of microfinance loan for non-project activities	Yes	320	100	100	100.0
	No	0	0	0	100.0

Source: Author, 2016

Thus, considering the reasoning in the above response, what could be the reason for the low level of peer monitoring systems given that, non-repayment of a loan by a member could affect other members' access to subsequent loans? The reason for this low level of monitoring could be attributed to the fact that, the microfinance institution has its own internal mechanism for monitoring the members' projects through to harvesting and the subsequent sale of the crops. However, it is revealing that all the 320 (100%) respondents stated that, they have not used their loans for any other purposes other than the project for which it was meant for. When the respondents were asked about how other family commitments are met, respondent (male) No. 24 said:

"I had to rely on loans from friends and relatives to meet other family commitments. When I am not able to source funds from my immediate relative at the time it is needed, I sometimes use part of the money borrowed but I have to replace it because the loan officers will come later to inspect how the fund was used"

Furthermore, the accounts of the respondents in respect of the use of microfinance loans for non-project activities raised some level of suspicion. However, the response from the loan officers indicated that, in order to minimise the risk of default they have a dedicated staff responsible for monitoring respondents' projects. Studies such as that conducted by Armendariz, (2005) and Stiglitz, (1990) examined the importance of peer monitoring and indicated that; it helps to minimise ex-ante and ex-post moral hazard problems. Moreover, the premise of their non-empirical observations is on the assumption that funds obtained by borrowers would be invested in revenue-driven projects so that loans could be repaid and to minimise default rates. The results of the qualitative analysis regarding the low level of monitoring also indicated that, some group members did not deem it fit to monitor other members because of the communal spirit to reward the best performing venture. Thus, members are encouraged to show high levels of commitment towards their projects and the fear of being disgraced. The outcomes in relation to low levels of peer monitoring are supported by the findings from a study conducted by Marr, (2002) in Peru that showed, more than fifty percent of the clients of microfinance banks have not carried out peer monitoring as an embedded feature of the loan contract. The reason for the low level of monitoring in Marr‘s studies is largely attributed to the high monitoring costs (Gomez and Santor, 2008). Moreover, the composition of the groups (friends and relatives) makes it difficult for members to monitor each other for fear of being abused and ostracised by these people. Similarly, Hermes and Lensink, (2007) argued that, while peer monitoring is essential in ensuring low default rates, it is practically impossible to monitor members especially in a situation where the population of potential clients is dispersed. However, the results obtained from the loan officers showed, the microfinance bank ensured that, loans are only given to customers who live within certain defined parameters in order to facilitate easy monitoring of service users. In summary, the results of peer monitoring amongst the respondents surveyed in this study showed, the majority of the members did not monitor their peers because of the understanding that the funds would be used for their intended purpose due to the perceived threat of being ostracised. Thus, moral hazard problem in the case of the respondents of the microfinance bank studied can to some extent be deemed to be non-existence.

5.3.4 Peer Support

Peer support involves how group members assist each other on issues pertaining to their projects, family wellbeing and loan repayment. Apart from a joint liability loan contract, it is common practice to help others on their projects, in the area of study. This is consistent with Kalan and Wydick’s, (1999) suggestion that, a higher level of social cohesion impacts positively on the wellbeing of the group members as well as loan repayments. Moreover, considering the implications of the non-repayment of loans, this study recognises the importance of social relations as an effective tool to enhance repayment among borrowers (Owolabi, 2015). The results of the qualitative analysis showed that, a majority of the respondents reported to have benefited tremendously from their peers including, assistance to repay the loan and meeting family basic needs. According to interviewees (females) No. 27 and 32 said:

"*A group member assisted me to pay my child's school fees when it coincided with the repayment of the loan. Moreover, because of the trust among the group members, we occasionally used the group as way of resolving family problem"*

"*Our group has an agreement to assist other members to find market for their products and this is to avoid a member defaulting in loan repayment. I ones had a problem selling my crops but I was helped by the group leader who has enough customers for similar products"*

Loan repayment is an important component of the peer support. The outcomes of the qualitative analysis showed that, in the event that a group member is not able to repay, considering the ramifications for the entire members, the group leader or the introducing member would encourage other members in good standing to help repay the loan. This result is supported by the findings of Yeboah, (2010) that, group leaders of the Trust Banks in Ghana occasionally helped members lagging behind in paying their loans and later collected the money from the defaulting member. It was also found that, it was a common practice among group members to contribute money at the end of each month to meet other family commitments other than using it to repay the loan. Moreover, peer support is not only limited to loan repayment and help in meeting basic family needs, but also covers issues such as death, attending funerals, and weddings. They also organise social events to celebrate a bumper harvest. That is what a group member (female) No. 29 said:

"We see ourselves as one family and thus, one member's problem is seen as everyone's problem in the group. Thus, we are always interested in the general welfare of the group"

The results of the qualitative data analysis showed that, group guarantee as an embedded feature of group lending helped the beneficiaries to access loans from the microfinance bank. However, one significant observation made by the researcher during the interviews with the microfinance clients was that, a majority of the respondents have expressed some reservation about the idea of being held liable in case a member reneged on the loan agreement. Although, studies such as that conducted by Karlan and Morduch, (2000) argued that, joint liability encourages risk-taking, the results of this study showed that, not only does group lending help the financially excluded but, it also assists in building friendship and social cohesion among the service users hence, its implications for the wellbeing of the clients.

5.3.5 Peer and microfinance Loan Officer Influence

In order to determine the level of peer pressure in relation to members' ventures and their relationship with the loan disbursement officers, the researcher assessed the levels of independence of the microfinance clients. Consistent with the findings of Marr, (2002), the results of this study showed that, because of the low level of monitoring experienced among all the respondents surveyed, group members used peer pressure to ensure repayment of loans. Moreover, on the level of independence enjoyed, the outcomes of the study showed that, they operated their respective ventures without any interference from the loan officers. Considering the effect of the non-payment of loans on other members within the group, the group leaders and introducing members often used various mechanisms including, seizure of personal property, monthly voluntary contribution (Susu) and expulsion from the group to ensure peers honoured their debt obligation. Moreover, members could be prevented from benefiting in any future financial assistance and the embedded group member benefits. This is what interviewees (Male and Female) No. 25 and 28 said:

"*When one of the members I introduced to our group defaulted, as part of the group policy, I was asked to repay on behalf of the defaulting member. I remember, when my money was not sufficient to meet all the debt, part of my monthly contribution to the group (Susu) was used*"

"*I was compelled as the group leader to ensure members do not default. This is because, if a member is unable to repay, the bank will impose sanction on me as the group leader. This could take the form of seizing my savings and the dissolution of the group"*

The results of the qualitative analysis showed that, the group members are visited by the loan officers during their usual meetings in order to know how meetings are conducted. The interviewees also stated, prior notification is always given to the members before the visit. Moreover, the microfinance officers do not participate in the group discussions but they only observe the proceedings and if the loan officers have any advice for the group, this is given at the end of the meetings.

On whether the loan officers interfere in the running of the business, the respondents were asked whether the microfinance managers are involved in the management of the group projects. The outcomes of the qualitative analysis showed that, because group members have knowledge about how to carry out their operational activities, they often did not experience any interference from the loan officers. Moreover, decision regarding how the group activities should be conducted is largely the preserve of the group members. When the respondents were further asked whether the loan officers had the power to dismiss a defaulting member from the group, the response was negative. They indicated that, the expulsion of any delinquent member is the exclusive right of the members especially the group leader and the introducing member. According to interviewee (Female) No. 39:

"*Because the repayment of loans of our members is a collective responsibility, we all ensure it does not get to a stage whereby the bank will get involved with the intention of expulsing a defaulting member".*

Although the results of the interview with the service users indicated that, loan disbursement managers do not interfere in how the group activities are run, there are instances where the loan officers, especially the field officers, pay unannounced visits to the microfinance clients' project site including harvesting time. This finding was collaborated by the microfinance beneficiaries studied for the purpose of the qualitative data analysis. This finding is line with Salia, (2015). Essentially, this intervention on the part of the microfinance institution is made when it is obvious based on the knowledge of the loan officers that, member/s in a particular group are likely to default. Moreover, the bank's sustainability depends largely on its cash flows. The results of the qualitative data analysis showed that, delinquent members were on several occasions dismissed from the group by the designated loan officers and other group members if those members are deemed to be a threat to the survival of the group. Even though, non-interference in how the activities of the group are run is important, one can make an argument for some level of monitoring and supervision on how the group operates. This is because, it helps the microfinance bank as well as the group members to minimise the effects of any default. This is what interviewee (Male) No.37 said:

"*My name was deleted from the list of registered group members by the bank when I was not able to pay on time in two different occasions. Although, other group members were able to rescue me by repaying my debt, I was told by the group leader that, the bank sees me as a potential risky client".*

5.3.6 Access to microfinance and the conditions under which the loans are provider to the beneficiaries:

Table 5.11: What guarantee did you provide for the loan received?

Categories/indicators	Frequency	Percent	Valid Percent	Cumulative percent
Physical Collateral	1	.3	.3	.3
Group Guarantee	188	58.8	58.8	59.1
Compulsory Savings	131	40.9	40.9	100
Total	320	100.0	100.0	

Source: Author, 2016.

The ability of the service users to benefit from microfinance loans depends on the microfinance institutional lending policy. Thus, this study sought to find out from the respondents the conditions under which the loan was provided. Table 5.11 showed that, out of 320 of the respondents of microfinance surveyed, 188 of the respondents constituting 58.8 percent, benefited from the loan under group guarantee. 131 (40.9%) of them indicated that, they were asked by the loan officers to open a savings account in order to access microfinance loans. Interestingly, only 1 (.3%) of the respondents provided physical collateral before accessing a loan. It is revealing from the quantitative data analysis that, the majority of the service users accessed the loan by offering group collateral and through compulsory savings. Thus, it can be argued that, group formation helped the microfinance customers to benefit from loans. These findings are supported by the qualitative data analysis obtained from both the loan officers and the service users. Considering the number of respondents who received loans through compulsory savings with the bank, the study sought to find the reasons from the service users. They were asked the reason for the compulsory savings, the results of the qualitative data analysis showed that, some group members were asked to have compulsory savings because of the number of new members in the group. This is supported by the interviews with all of the loan officers interviewed and is also consistent with Mahmood, (2013). The loan disbursement officers stated that, if the group is made up of 80 percent of members with less than the required number of years of membership threshold, they are often asked to maintain a certain amount of savings. Interviewee (Male) No. 26 said:

"*When I first joined the group, my impression was that the group guarantee will help me to access loan. Although I have been with the bank for over three years, I was told by the loan officers to maintain an amount in my savings in order to benefit from microfinance loan". To my surprise, the group leader who introduced me to the group insisted I meet the bank's condition".*

Although the demand by the microfinance banks for compulsory savings to be kept before accessing microfinance loans could be seem as a way of excluding the customers from benefiting from the loans, it helps the microfinance bank to minimise default risks. Moreover, the compulsory savings provides the service users the opportunity to have a longer vision regarding how their activities should be planned, to gain specific stability and for risk protection and, to enhance their operational efficiency (Wright, 2003; Ledgerwood, 1999). The microfinance clients were asked whether compulsory savings affected their ability to access microfinance loans and the response was negative.

5.3.7 Size of Microfinance Loan and Repayment conditions

The amount of loan received by the service users and the size of their projects could have a potential impact on the microfinance clients' ability to repay the loans. Thus, this study seeks to assess how loan size, interest rates and repayment frequency influence them in meeting their loan obligation.

Table 5.12: Size of the First Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below Gh 1000	115	35.9	35.9	35.9
	Gh 1001 - 3000	199	62.2	62.2	98.1
	More than Gh 3000	6	1.9	1.9	100.0
	Total	320	100.0	100.0	

Source: Author, 2016.

Table 5.12 shows that 199 of the respondents' (constituting 62.2 percent,) first loans received were between Ghc 1001 and Ghc 3000. 115 (35.9%) of them accessed a loan below Ghc 1000 in their initial application. Interestingly, only 6 (1.9%) of the respondents received a loan above Ghc 3000. The results of the qualitative data analysis obtained from the loan officers showed that, the initial amount of loan given to individual beneficiaries was the same. The amount of the initial loan is largely determined by the years of being a member of the microfinance as well as the group and the size of savings. The outcomes of the qualitative data analysis collected from the microfinance clients indicated that, new members of the group are often given the same amount. In order to benefit from subsequent loans, members' repayment records are assessed to determine the amount to be given. Even though, the banks had a policy of encouraging clients to apply for additional loans especially when their repayment performance are good, the service users are under no obligation to accept this loan offer. This is what interviewees (Male and Female) No. 40 and 35 said:

"I was once approached by the loan officer to apply for another loan when the first loan was repaid. Although, I initially objected to the request, I was advised by the group to accept it, because non-acceptance could be seen as not having any profitable venture to invest in and this could affect the credibility of the group".

"I always make sure that the amount of loan I received is within my ability. This is because, I do not want my property to be seized or disgraced in the event I am not able to repay the loan".

The results of the qualitative analysis showed that, a subsequent loan is influenced by dynamic incentives. Consistent with Khawari's (2004) findings, the microfinance institution loan officers increased the loan size upon the satisfactory repayment of the initial loan. Interviews with the loan officers indicated that, a dynamic incentive was used to develop relationships with the service users and to exclude the potential defaulters before increasing the loan size (Ghosh and Ray, 1997). Moreover, it was employed to help overcome information asymmetry problems (Aghion and Morduch, 2000). The respondents of the microfinance bank in this study indicated, the progressive lending strategy used by the microfinance bank helped and motivated them to make productive use of the initial loan and to meet the repayment plans. According to interviewee (Female) No. 22: "*Because one's ability to access subsequent loans is based on repayment performance, I always ensure my loan obligation was met"*

5.3.8 Use of Loan

How the microfinance loan is used by the service users could determine the extent of its impact on the wellbeing of their families. Typically, microfinance loans are given to the beneficiaries to be channelled into profit-oriented investment. However, the extant empirical evidence in relation to how microfinance loans are used by the service users showed that, the loans are used for many purposes other than for income-generating ventures (Alhassan and Akudugu, 2012; Al Mamum et al., 2010). The results from the quantitative data analysis as reported in Table 5.13 showed, out of the 320 respondents of microfinance surveyed, 224 of the respondents constituting 70 percent used their loans for expanding their existing businesses. 50 (15.6%) of them used the microfinance loans for acquiring agricultural implements. The remaining 46 (14.4%) of the respondents invested the loans in new farm projects. The results of the qualitative data analysis collected from the microfinance clients showed that, after the loans were received, the loan officers ensured they were used for the intended purpose by personally verifying the applications. These findings were also corroborated by the loan disbursement officers during the fieldwork. Moreover, because of the potential ramifications for non-payment on the group members, members are often warned by the group leaders or the introducing members not to use the loans for any other purpose and this finding is consistent with Gomez and Santor, (2008). Although, the outcomes of the study showed that the microfinance loans were not used outside their intended purpose, the interviewees were questioned about how their family basic needs are met. According to interviewee (Male) No.35:

"*I have used small proportion of the loan for paying my children school fees but, I replaced it with the money I borrowed from another closed family member in our group. This is because; I know the banks will come to check how the loan was used".*

Although the empirical evidence has shown that, the use of microfinance loans for purposes other than income-generating ventures has the potential to impact positively on the capabilities at the family level (Morduch, 2002; Hulme and Mosley, 1996), it can be argued that this could affect the service users' ability to pay back the loan. Moreover, this could increase the microfinance clients' debt level and its resultant ramifications for family wellbeing.

Table 5.13: What are the reasons for Applying for the Loan

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	To buy farm implements	50	15.6	15.6	15.6
	To invest in new farm project	46	14.4	14.4	30.0
	To expand an existing farm	224	70.0	70.0	100.0
	Total	320	100.0	100.0	

Source: Author, 2016.

5.3.9 Loan interest rates

The sustainability of microfinance banks depends largely on loan repayments as well as the income generated in the form of interest on the loan amount (Guntz, 2011). Interest rates represent the costs of borrowing from the microfinance institution. The empirical evidence showed that, in order to enhance the bank's profitability, interest rates imposed on the service users by the microfinance bank are usually kept high (Mitra, 2009; Fernando, 2006). The results of the quantitative data analysis collected, as reported in Table 5.13, showed that 274 (85.6%) of the respondents of the microfinance surveyed indicated that, the interest rates charged were appropriate compared to what other banks charged. 14 (4.4%) of the respondents stated that it was very appropriate and another 14 (4.4%) of them were undecided. Interestingly, only 9 (2.8%) of the respondents indicated that, it was not appropriate. The remaining 9 (2.8%) reported that, it was the same as what other microfinance banks charged. The results of the qualitative analysis showed that the majority of the service users agreed that, the interest rates charged by the microfinance bank were appropriate and acceptable. This is what interviewees (Female and Male) No. 25 and 26 said about the appropriateness of the interest rates:

"*When I first heard about the microfinance bank, I was told they are the best in terms of interest rates on the loan. The first thing that I did was to visit other banks to confirm for myself. Honestly, this is the best interest rates".*

"*Although I do not have any urge in the determination of the interest rate, I accept the rate charged on my loan because it is the best compared to others".*

Table 5.14: What is your view of Rates Charged Compared with Other Sources?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very appropriate	14	4.4	4.4	4.4
	Appropriate	274	85.6	85.6	90.0
	Undecided	14	4.4	4.4	94.4
	Not appropriate	9	2.8	2.8	97.2
	Same as others	9	2.8	2.8	100.0
	Total	320	100.0	100.0	

Source: Author, 2016

5.3.10 Loan Repayment Frequency

Whilst frequent loan repayments lead to an increase in repayment rates (Armendariz and Morduch, 2010), it can result in undue pressure on the service users especially when the cash flows from their ventures depend on the gestation period of the agricultural crops. Considering the nature of the clients involved in this study, it is thus essential to evaluate the experiences of microfinance clients in relation to the frequency of loan repayments. Typically, the repayment period of a loan received from the microfinance banks under group guarantee is between one to five months. The results of the qualitative data analysis collected from the service users showed, loan repayments in all of the five branches visited were made fortnightly. It is revealing that the frequency of loan repayments was a general concern among all the respondents considered in this study. Consistent with Mahmood, (2013), as part of the group members plan, loan repayments often coincide with their usual group meeting. The service users unanimously agreed that, the repayment frequency is relatively too short. Given the concern of the service users, the loan officers were asked whether issues relating to loan repayment intervals were brought to their attention. Interestingly, they claimed not to have any knowledge of any such complaints. The study sought to further probe these conflicting reports and the service users were asked whether they have discussed their concerns with the microfinance loan managers. This is the account of interviewee (Female) No. 34:

"*Although we know the repayment frequency is too short, as a group, we are always afraid to complaint to the loan officers because of the potential consequences this could have on their subsequent microfinance loan. I sometimes have to find money elsewhere to repay because of the gestation period of my crops. Moreover, after harvesting the crops, I am not able to raise the required amount of money because of competition in the market"*

This account suggests that, the features of dynamic incentive embedded in the loan agreement impact largely on the borrower's ability to raise concerns about the repayment intervals. The finding from the qualitative data collected from the service users is consistent with the outcomes of Yeboah, (2010) on the frequency of loan repayments in Ghana. He reported that, microfinance clients were unable to raise issues with the repayment arrangement because of the "*limited economic absorptive capacity of the community (poor markets) and, increasing loans size with no commensurate extensions in repayment periods"* (Yeboah, 2010, p. 234). The results of the qualitative data analysis showed that the cash flows from the agricultural projects are often affected by events such as, natural disasters, family issues (for example, death and sickness) and the agricultural policies of the government. Regarding natural disasters, the loan officers and service users interviewed reported that, during such crisis the loan repayments are rescheduled with the approval of the group leader. This finding is consistent with the outcomes from Thailand where the Bank of Agricultural and Agricultural Cooperation (BAAC) provided the opportunity to the borrowers to renegotiate repayment problems because of natural disasters such as drought and flood (CGAP/IFAD, 2006**).** According to interviewees (Male and Female) No. 24 and 21:

“You can only discuss family problem with the other group members and not the microfinance bank. The bank ones told a group member that; family problem is not an excuse for non-payment”

“When my farm was destroyed by a heavy storm, the group members could not help because majority of them were also affected. Even though renegotiation on this ground is not included in the agreement, the microfinance bank rescheduled the repayment interval for all the members who had their crops destroyed”.

5.3.11 Service Users’ Perspectives and Understanding of Poverty, and how to Escape this Vicious Cycle of Deprivation

Poverty is deemed to be a complex phenomenon and thus requires a multidimensional approach to reduce its occurrence (Townsend, 2006). Moreover, the extant studies have shown that, poverty varies from country to country (Francis, 2006). Thus, this section explores the microfinance clients’ view of poverty as revealed during the qualitative study. Consistent with the method used by Owolabi, (2015) to determine the perception of the poor; and also applied in the “Voices of the Poor” (Narayan et al., 1999), this study used the inductive approach to unearth the perception of the poor and which aspects of deprivation they deemed, contribute to poverty reduction. Thus, to ensure that the researcher’s view of poverty does not interfere with the qualitative data collection, the interviewees were allowed to provide accurate accounts of their understanding of the concept of poverty. Consistent with the conceptualisation of deprivation in this research, the results of the qualitative analysis showed that, poverty does indeed vary and is a multifaceted concept. The microfinance clients considered for the purpose of the qualitative data gathering were asked about their understanding of poverty and how to escape this vicious cycle of deprivation. It is revealing that, all the interviewees linked poverty to the non-existence of productive ventures or a lack of income-generating activities. The findings from the qualitative data analysis also showed that, unemployment and lack of employable skills contribute to poverty especially among the poor. In Ghana, as demonstrated in chapter two, poverty is both a rural and urban phenomenon and thus often associated with the poor's inability to secure wages and income related employment. Moreover, this cast of the society often lacked the required skills to engage in productive activities and to secure a decent and well-paid employment. These are what interviewees (Female, Male, Male and Female) No. 12, 15, 36, 24 said about their perceptions of a poor person:

"In my view, a poor person is anyone who does not have a job and relies on others for survival"

"In my view, the poor are individual and families that do have any productive ventures to generate sufficient income"

"In my view, the poor is a person who does not work or engages in a menial jobs for the rich people"

"In my view, the poor is someone who did not inherit any property from the parents or the grandparent"

It is revealing considering the accounts of the interviewees that, poverty is not essentially a defining concept in terms of a perceived benchmark standard of living for a sustainable livelihood but it encompasses one's ability to take part in productive activities. Thus, to disentangle oneself from the poverty trap, the poor person can engage in productive activities or wage-earning employment irrespective of the nature of the job. This is line with the Owolabi, (2015) findings. Moreover, so long as the person does not sit down without making any effort but gets involved in something that will bring food on the table, that individual is not deemed as a poor person. Considering the level of deprivation in both the rural and urban areas in Ghana due to inadequate basic necessities and the low level of infrastructural development, such as social welfare interventions, the ability of the poor to escape poverty is largely dependent on how much income they are able to raise (Adjasi and Osei, 2007). Given the profile and nature of the activities undertaken by the service users considered in this study, engaging in income-generating ventures is deemed to be a means to escaping poverty. Thus, the researcher's choice to assess poverty alleviation through an increase in the microfinance client's livelihood indicators such as income, output, consumption expenditure, self-confidence and assets is justified on these grounds. Generally, poverty is viewed to be a lack of basic amenities such as, portable drinking water, transport, health care facilities and sanitation and education (Francis, 2001; Townsend, 2006). Thus, the wellbeing of the poor family depends largely on their ability to access these basic necessities. This is what a service user had to say about poverty; "*poverty is in the mind and I do not see myself to be poor because I am able to honour my children school fees obligation. Moreover, ones I do not borrow from people to survive, my family does not belong to that group of people that say they are poor".* It is interesting to note that, the accounts of the interviewee in relation to poverty are consistent with the household concept as a unit of impact assessment. In some previous studies, the wellbeing of the family was used to measure poverty. In these studies, individuals were used as a unit of analysis focusing on the ability of the deprived person to acquire certain basic necessities capable of helping them to escape poverty. The accounts of the interviewees considered for the qualitative data analysis however showed that, poverty reduction is perceived at the household level. This further shows that, the microfinance clients demonstrated that, the ability of the bread winner of the family to provide basic needs for the entire household is the means by which the wellbeing of the family can be described to have increased. Although, the individual as a unit of impact analysis is used in some poverty intervention evaluations, a considerable number of empirical studies have shown that, the head/bread winner of the family often makes sacrifices in terms of not eating just to clothe, pay school fees and feed their children (Narayan et al., 1999). Empirical evidence has shown that, a livelihood approach that focuses on the individual as a unit of impact assessment does not encapsulate the majority of the issues relating to poverty and the impact of microfinance (Hulme, 2000). Moreover, the results of the qualitative data analysis show that, the microfinance clients see their children's education as essential for the family as it is considered as a way of escaping poverty. Thus, this multidimensional conceptualisation of poverty reduction is consistent with the sustainable livelihood approach to measuring the impact of an intervention on poverty reduction (Morse and McNamara, 2013). Moreover, the findings from the qualitative analysis showed, that the service users admitted that an increase in the capabilities particularly at the household level is deemed to be very important. Thus, this study recognises the importance of the following indicators; an increase in income, savings, consumption expenditure, assets, children's education, self-confidence, and output as paramount to the increased wellbeing of the household and this is consistent with the World Bank proxies employed in the living standards measurement survey (Adjasi and Osei, 2007; Morduch, 1995; Wood, 2003). Similarly, an increase in capability as a proxy for wellbeing (for example; education, food, portable drinking water, job, and self- esteem) were used in the study involving the "Voice of the Poor" that was conducted to determine the poor's perception of poverty (Narayan et al., 1999). Although the researcher was initially confronted with the poverty measurement indicators and enterprise growth, the choice of the proxies employed in this study is supported by their appropriateness in other empirical researches (World Bank, 1990; 2000; Adjasi and Osei, 2007; Narayan et al., 1999).

In order to determine whether microfinance did indeed impact on the wellbeing of the service users' families, the interviewees were asked if access to microfinance loans lead to an increase in their families' wellbeing. The results of the qualitative data analysis showed that, microfinance had a positive effect on the following wellbeing proxies as mentioned above; children's education and enrolment, household consumption expenditure, household assets, household income, self-confidence and household savings. These results are supported by the outcomes of the quantitative data analysis collected from the respondents surveyed in this study. This what interviewees (Female and Male) No. 24 and 29 said:

"If not because of the microfinance loan, I will not have been able to pay my children school fees"

“*My family is able buy tape recorder, flat screen television because of the microfinance loan”*

The results of the qualitative analysis showed that, the service users’ view of poverty varies. They indicated that, access to employment and income-generating activities are exit routes to escaping poverty. It is interesting to note that, the ability to meet basic needs such as water, food, assets and paying children’s schooling are considered important by all the interviewees. Thus, in order to capture all these variables in this study, the researcher employed the household as a unit of assessment in line with the concept of sustainable livelihood approach. In the case of the study context, Ghana, the poor often engage in all kinds of jobs aimed at assisting them to escape poverty and this is supported by the qualitative data analysis collected from the microfinance service users (Yeboah, 2010).

5.12 Microfinance and the Women Borrowers

Generally, microfinance loans are often targeted at women (D’Espallier et al., 2009) thus, this study investigated why women are considered as the prime targets for microfinance. Empirical evidence has shown that, access to microfinance by women service users led to women’s empowerment (Pitt et al., 2006; Kulkarni, 2011). Moreover, other studies such as that conducted by Cheston and Kuhn, 2002 argued that, targeting women ensured gender equality (Hartl and Mayoux, 2009). These findings are consistent with the Millennium Development Goals aimed at halving global poverty through microfinance to promote gender equality and women empowerment, (Owusu et al., 2013). Moreover, the positive outcomes from the Grameen Bank experiment have shown the importance of empowering women (Moreno, 2010). The findings from the qualitative data analysis showed that, women were targeted by the microfinance bank because they are perceived to be less risky in terms of loan repayments. This is consistent with the findings of Dzisi and Obeng, (2013); Armendariz and Morduch, (2005); D’Espallier et al., (2009). Women borrowers’ access to microfinance loans is more likely to yield better developmental results because they are inclined to use the gains from their enterprise to fulfil their household basic needs (Leach and Shashikhala, 2002; Pitt and Khandker, 1988).

Although the microfinance bank provided loans to both women and men clients, the loan officers were asked about their perception of the female service users. According to interviewee (Male) No. 16;

"*The women borrowers often disclose more information about their families compared to men clients. This information is important for the bank because, it helps us to assess the level of risks associated with them".*

The results of the qualitative analysis showed that, both the male and female clients have experienced positive effects after benefiting from microfinance loans. This finding is supported by the quantitative data analysis collected from both women and men service users. The loan officers were further cross-questioned about whether they have a special consideration for women clients and this is what loan officer number no. 25 said: "*The bank targets women because, they often use the income from their enterprises for the benefit of the entire family. Moreover, women are generally scared of social stigma and thus honour loan obligation. The bank has on countless occasions refused potential men customers thus, the men has the habit of using their wife as a proxy in order to access microfinance loan".* This finding is consistent with Owusu et al., (2013) who found that, men often used their wives as a surrogate for loan applications because of some of the microfinance bank lending policy. In line with the argument that microfinance is designed to empower women borrowers (Pitt and Khandker, 1998; Pitt et al., 2006), the results of the quantitative and qualitative data analysis showed that, access to microfinance loan indeed contributed to women's empowerment. Even though results from the study in Bangladesh on Grameen Bank's women clients showed that, the household of the women service users appeared to have experienced positive effects after benefiting from microfinance (Ledgerwood, 1999; Moreno, 2010), the quantitative data analysis collected from both clients showed otherwise. The outcomes of the quantitative data analysis collected from the male and female beneficiaries showed that, they have both experienced a positive impact on their family wellbeing. Moreover, there was no evidence of any repayment problems as reported by the men clients. The results of the qualitative data analysis as reported by the loan officers showed that, there was no evidence of gender imbalance in the approval of loan applications.

The findings from this study in relation to women's empowerment showed that, although women are generally perceived to be better clients, the study finds no evidence of such a claim. The results from the quantitative data analysis indicated that, the women and men borrowers are equally considered to be good and reliable customers of the microfinance bank. Thus, the idea of targeting women with microfinance loans has the potential to alienate the poor men from participation in microfinance. Moreover, the empirical evidence showed that, microfinance loans given to women in a male headed family, are often taken from the women (Mahmood, 2013). It can thus be argued that, the intended poverty reduction objective cannot be achieved.

In summary, the third section of chapter five explores service users' perspectives and experience with the microfinance bank and various microfinance features with the intention of assessing how this impacts on their relationship with the service providers. Moreover, in line with method employed in this research, the section focused on issues relating to poverty that microfinance service users deemed necessary to help them escape poverty. It was observed that, the design and implementation of the microfinance's embedded features had a potent impact on the clients in varied ways.

As observed during the qualitative data analysis collected from the microfinance loan officers, consistent with the literature, microfinance groups are formed based on peer selection. However, where a potential customer is unable to find a suitable group, the loan disbursement officers usually intervened by assisting these individual customers to form their own group. Even though there was no evidence of any possibility of exclusion, the methods employed in choosing group members together with the embedded individual collateral to insure against ex-post moral hazard problems, could lead to the exclusion of potential customers with no such clout. Whilst social collateral helped to minimise the likelihood of the microfinance loan being misapplied, the existence of imperfect information about the potential risk profile of the group members, as documented in the extant literature, showed that the group begins and stay heterogeneous. Moreover, given the understanding among the group members that the microfinance loan will not be used for any other purpose other than what it was initially meant for, peer monitoring was deemed to be appreciably low. Although weekly meetings were embedded in the group structure, monitoring of the repayment ability of the group members was deemed to be latent. Moreover, how the members used the microfinance loan was implicitly absence. Thus, consistent with the literature, the group members could be exposed to ex-post moral hazard problems due to the low degree of a monitoring system in place. However, the peer support in relation to the welfare of the group members and the concern about the success of their members' enterprises helped the microfinance clients to share ideas and to consolidate their social network, this was deemed to be important for their enterprises and contributed to helping them escape poverty. Whilst peer support helped immensely in the event that a member is unable to repay their loan within the stipulated time, it also has potential financial burden for other group members. The reason is that, because of imperfect information about the defaulting member, group members are usually not well-positioned to enforce repayment hence, it effects on the cash flows of their businesses. Although the group members impose sanctions on the member with a delinquent repayment record, the process involved in enforcing the repayment could create additional costs to the microfinance clients and this could potentially damage the social relations among the members in the community. Thus, it could be argued that, the sustainability of social capital depends largely on the consistency of repayments among members of the group. However, this study is unable to confirm on the basis of the data collected that social capital as embedded in a group structure grows with the passage of time. Considering the research objectives and research questions set out for this study, the researcher considered this as an area that should further be explored. Thus, the need to further examine the ramifications of the relationship between microfinance and social capital and its attendant poverty reduction implications becomes paramount. Moreover, this study identified the need to further investigate the relationship between microfinance's impact on poverty and the influence of social sanctions on the depth of the impact.

Although microfinance is credited with empowering women in relation to their contribution towards the wellbeing of the household, this could potentially lead to the exclusion of men borrowers who have unique productive ventures capable of lifting the household out of poverty. As regards the microfinance bank considered in this study, no evidence of exclusion was reported. Consistent with the literature, the microfinance loan was designed with the intention to help the financially excluded who are unable to provide collateral so as to access loans with ease. This essentially led to microfinance being considered as a "saviour of the poor". However, the findings from the qualitative data analysis showed that, microfinance's features had a varied degree of impact on the microfinance beneficiaries. As reported by the microfinance loan officers, the size of loans given to the service users are deemed not to be the same. This study finds inconclusive outcomes in relation to the amount of the loans given to each microfinance beneficiary. These mixed results are based on the accounts of both service users who usually repay their microfinance loans on time and those that do not. While good borrowers claimed that the quantum of loan given impacted negatively on their ability to repay, the bad borrowers said the contrary. The account of the service users who never defaulted is consistent with the quantitative data analysis collected from the microfinance clients surveyed in this study. In relation to how microfinance loans are applied, the loans are largely used for enterprises. However, in some instances the loans are used for other household basic needs and that demonstrates the extent of the fungibility of money. Although this could affect the repayment of the loan, microfinance service users had reported that, what is important to the microfinance bank is the assurance that the loan will be repaid on time. The service users claimed that, so long as the use of the loan contributed to an increase in the family capability to meet household basic needs hence, impacting on the wellbeing of the family, they were content with how the loan was used. As regards the frequency of the repayment, all the service users were not enthusiastic about the repayment arrangement, although the loan officers said otherwise in terms of the frequency of the loan repayments. However, the service users stated that, the interest rate imposed by the microfinance bank was the best compared with other banks in the industry.

Generally, the service users' perception of poverty varied. However, what they deemed as constituting capabilities in relation to helping them escape poverty are the same. The microfinance service users were concerned about having consistent and reliable income-generating enterprises capable of assisting the family to meet household basic needs. For a sustainable livelihood, the service users identified the following as representing increased capabilities; income, assets, children's education, consumption, self-confidence, savings and agricultural output. Thus, this justifies the researcher's choice to measure poverty or the wellbeing of the family at the household level. In Ghana, for example, the ability of the service users to meet household basic needs is deemed to be at the heart of increasing their capabilities. Moreover, the essential household needs that are dear to the service users studied include, portable drinking water, food, shelter, clothing for both parents and children and the education of the children. Thus, as proxies for measuring the effect of microfinance on poverty reduction, the following wellbeing indicators were selected; family income, family assets (for example, tape recorders, radio), family savings, family consumption expenditure, self-confidence and self-esteem, ability of the family's finances to meet emergencies and children's education. Moreover, in relation to the proxies associated with the service users' agricultural activities, indicators that invariably contributed to an increase in household capabilities were selected and this selection process was consistent with other empirical research in microfinance.

Logistic Regression of the Wellbeing of the Farmer and Agricultural Enterprise

This section of the study tested the underlying hypotheses based one research question. The data was analysed quantitatively with the help of SPSS software. In order to answer the underpinning research question as shown below, the two hypotheses enabled the researcher to provide the relevant answers. The section is divided into two main parts. The first part focuses on discussion relating to the research question and hypotheses and the indicators of dependent and independent variables. This is followed by the empirical outcomes of the two hypotheses using the logistic regression model as indicated in the table below. For the purpose of analysing and to explore the data for this study, the researcher employed logistic regression to find the probability of the causal relationship between microfinance provision and the wellbeing of the farmer family as well as the growth of their agricultural activities.

Logistic Regression

In order to answer the research questions and to determine the underlying effect of microfinance for clients, this exploratory research was conducted employing a structured questionnaire. The quantitative data analysis using SPSS was carried out to analyse the effect of microfinance on poverty reduction by examining an increase in wellbeing and agricultural enterprise indicators as shown below. The analysis used logistic regression to determine the relationship between microfinance and its impact on poverty reduction and agricultural enterprises. Consistent with the study conducted in Pakistan by Hussain and Mahmood (2012) on the effect of microfinance on poverty reduction, a logistic regression model was used to examine increased income and education as well as the welfare of the borrowers. Similarly, Christensson, (2017) carried out a study in Nigeria to determine the relationship between microfinance loans and poverty. In this study, logistic regression was used to examine the underlying relationship between unemployment and poverty as well as the impact of agriculture on poverty reduction. The impact of microfinance in this study is analysed employing capability indicators. These include: agricultural output, health and nutrition, education and income of the family (Morrison et al., 2007).

Consistent with previous studies as discussed above, thus, the logistic regression model is deemed appropriate to examine the underlying relationship between microfinance provision and the wellbeing of farmers as well as their agricultural ventures.

Research question and hypothesis

The wellbeing of the family, especially those involved in agricultural activities, is deemed to be important for the economic development of a country particularly in the developing economy. However, the extant studies on microfinance as a development mechanism have shown that, there is a paucity of research in relation to the effect of microfinance on poverty alleviation amongst farmers. The intended objective for the emergence of microfinance is not only limited to improving the consumption level of the underprivileged but, it is also to empower them to engage in more productive ventures. Thus, to assess the effect of microfinance on poverty alleviation, there is the need to concentrate on the effect of microfinance provision on the mainstay of the poor especially, the agricultural activities of the household. Thus, the first underlying research question identified after the literature review is:

1. Is there any relationship between microfinance provision and poverty alleviation in Ghana?

To find the answer to this research question for this study, two hypotheses were developed based on the literature review:

H_1: There is a positive relationship between the provision of microfinance and the wellbeing of a poor household.

H_2: Microfinance contributes positively to the agricultural enterprise of poor households.

The model

The underlying simple linear regression equation from the equation of a straight line by Field, (2009) is shown below.

$$Y_i = c_0 + \beta_1 X_{1i} + \varepsilon_i$$

Where, c_0 is the Y intercept and β is the coefficient and X represents the independent variables and ε_i is a residual term. The quantitative data collected through questionnaires was analysed using the logistic regression model. The logistic regression model is based on the prediction that, “the probability of Y occurring given the known values of X_1” (Field, 2009, pp. 266 – 267). The logistic regression equation where *P(Y)* indicates the probability of *Y* occurring, e denotes the natural logarithms, B_n *represents* regression coefficient of predictor variable X_n *is given below:*

$$P(Y) = \frac{1}{1 + e^{-(c_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \cdots + \beta_n X_{ni})}}$$

$$P(Wellbeing\ of\ farmers\ family) = \frac{1}{1 + e^{-(c_0 + \beta_1 Size\ of\ the\ First\ Loan_{1i} + \beta_2 Membership_{2i} + \beta_3 Gender_{3i} + \beta_4 Use\ of\ Microfinance_{4i} + \beta_5 Farm7_{5i} + \beta_6 Farm8_{6i})}}$$

$$P(Agricultural\ activities\ of\ Farmers\ borrower) = \frac{1}{1+e^{-(c_0 + \beta_1 Size\ of\ the\ First\ Loan_{1i} + \beta_2 Membership_{2i} + \beta_3 Gender_{3i} + \beta_4 Education_{4i} + \beta_5 Age_{5i} + \beta_6 Ag2_{6i} + \beta_7 Ag3_{7i} + \beta_8 Farms_{8i} + \beta_9 F \ldots \beta_{10} Farm7_{10i})}}$$

Dependent and independent Variables

The dependent variables for the increased wellbeing of the borrowers consist of increase in income, children's education, family health and nutrition, consumption expenditure and self-confidence after obtaining a microfinance loan. The dependent variables for agricultural enterprise include farm output, use of knowledge of the field, income, farm size, number of workers employed, operating costs and agricultural assets. The independent variable for all the two hypotheses is the amount of microfinance loan. The control variables for the dependent and independent variable are education, number of children and age of the farmers in this study. In order to have a more robust interpretation of results, the initial categories of some variables employed in the data collection are reduced by merging them in order to have fewer responses. There are two categories of years of membership; 3 to 4 years and 5 or more years. For the loan size, the categories are reduced to 3; up to Ghc 1000, Ghc 1001 to 3000 and Ghc 3001 and more. The age categories are now, 18 to 39 years, 30 to 39, 40 to 49 and 50 or more years. The educational status of the respondents is merged into 3 categories; junior education, school education and higher education. The use of microfinance loan now has three categories; invest in farm projects, family consumption and others. Table 8 in the appendix shows the outcome of the issues related to multicollinearity in the independent and other variables in both models. The tolerance values obtained are not less than 0.1 and the VIF test values are not greater than 10. This indicates the absence of multicollinearity issues between the predictor variables.

Table 5.15: The Wellbeing of the Farmers' Families

Logistic regression for the well-being of poor households

	categories	Coef B	Exp B	Std. Error	Sig.p	95% Confidence Interval	
						Lower Bound	Upper Bound
Constant		1.448	4.255	1.227	.238		
Size of the First Loan	0-1000	2.845**	17.193	.969	.003	2.572	114.935
	1001-3000	2.773**	16.010	.950	.003	2.489	102.967
	3001 and more	-	-	-	-	-	-
Highest level of Education	Junior Education	-2.725**	.066	.849	.001	.012	.346
	School Education	-1.416*	.243	.624	.023	.071	.824
	Higher Education	-	-	-	-	-	-
Gender	Male	-.742*	.476	.350	.034	.240	.946
	Female	-	-	-	-	-	-
Use of Microfinance Loan	Farm project	-.908	.403	.667	.174	.109	1.491
	Family needs	-.601	.548	.732	.412	.131	2.303
	Others		-	-	-	-	-
Length of Membership of **the** Microfinance Institution	3 - 4 years	.365	1.440	520	.483	.520	3.987
	5 or more years	-	-	-	-	-	-

Notes:- indicates the reference category; R-square =.086 (Cox & Snell), .153(Nagelkerke), .108(McFadden) Model χ2(8)= 28.918: ***p<0.001, **p<0.05, *p<0.1

Logistic regression is run to assess the effect of microfinance on the likelihood that the borrowers report that their wellbeing has improved. The model contained five variables (size of loan, education, gender, use of microfinance loan and length of membership with the microfinance institution. The chi square test for independence explores the relationship between the dependent variable, increase in wellbeing and agricultural enterprise with the independent variable, amount of microfinance loan. The outcome of the chi-square $\chi 2 = 28.918$, test is significant which indicates that there is a relationship between levels of microfinance loan and increased wellbeing after microfinance intervention. The regression model as a whole explained between 8.6% (Cox & Snell R square), 15.3% (Nagelkerke R square) and 10.8% (McFadden R square) of the variance in increased wellbeing. Table 5.15 shows that three variables: size of the first loan, education and gender made a statistically significant contribution in the model. The amount of loan predictor indicates that borrowers taking a loan of up to Ghc 1000 are 17 times (odd ratio of 17.193, $p<.05$) and borrowers taking loan of Ghc 1001 to 3000 are 16 times (odd ratio of 16.010, $p<.05$) more likely to report an increase in wellbeing of the household controlling for all other factors in the model. Thus, it is revealing that the quantum of loan received did not have a significant effect on the wellbeing of the farmers. The odd ratio of .066 for junior education is less than 1, indicating that borrowers with a junior educational level are .066 less likely to report an increase in wellbeing of the household. The odd ratio of school education is .243 ($p<.05$), indicating that borrowers with school educational level are 2 times less likely to report an increase in the wellbeing of the household compared with higher education, controlling for all the factors in the model. The odd ratio of males is .476 ($p<.1$), indicating that male borrowers are less likely to report an increase in the wellbeing of the household compared with female borrowers, controlling for all the factors in the model (Pallant, 2007).

Table 5.16: The Agricultural Activities of the Farmer Household

Logistic regression for the agricultural enterprise of the household

	Categories	Coef B	Exp B	Std. Error	Sig. p	95% Confidence Interval	
						Lower Bound	Upper Bound
Constant		-4.585	0.010	1.293	.000		
Size of the First Loan	0-1000	1.840*	6.298	1.091	.092	.743	53.397
	1001-3000	.999	2.715	1.070	.351	.333	22.106
	3001 and more	-	-	-	-	-	-
Use of Microfinance Loan	Farm project	1.439**	4.216	.459	.002	1.714	10.367
	Family needs	.812	2.253	.522	.120	.809	6.270
	Others	-	-	-	-	-	-
Increase in farm size	Yes	1.627***	5.090	.323	.000	1.350	2.560
	No	-	-	-	-	-	-
Increase in farm output	Yes	1.956***	7.070	.324	.000	3.744	13.351
	No	-	-	-	-	-	-
Gender	Male	.856**	2.354	.306	.005	1.291	4.292
	Female	-	-	-	-	-	-
Age	18-29 years	-1.702*	.182	.751	.023	.042	.794
	30-39	.069	1.071	.402	.865	.487	2.354
	40-49	-.270	.763	.372	.467	.368	1.581
	More than 50	_	-	-	-	-	-
Increase in family income	Yes	.296	1.345	.414	.474	.597	3.027
	No	-	-	-	-	-	-
Increase in family assets	Yes	-.096	.909	.374	.798	.437	1.891
	No	-	-	-	-	-	-

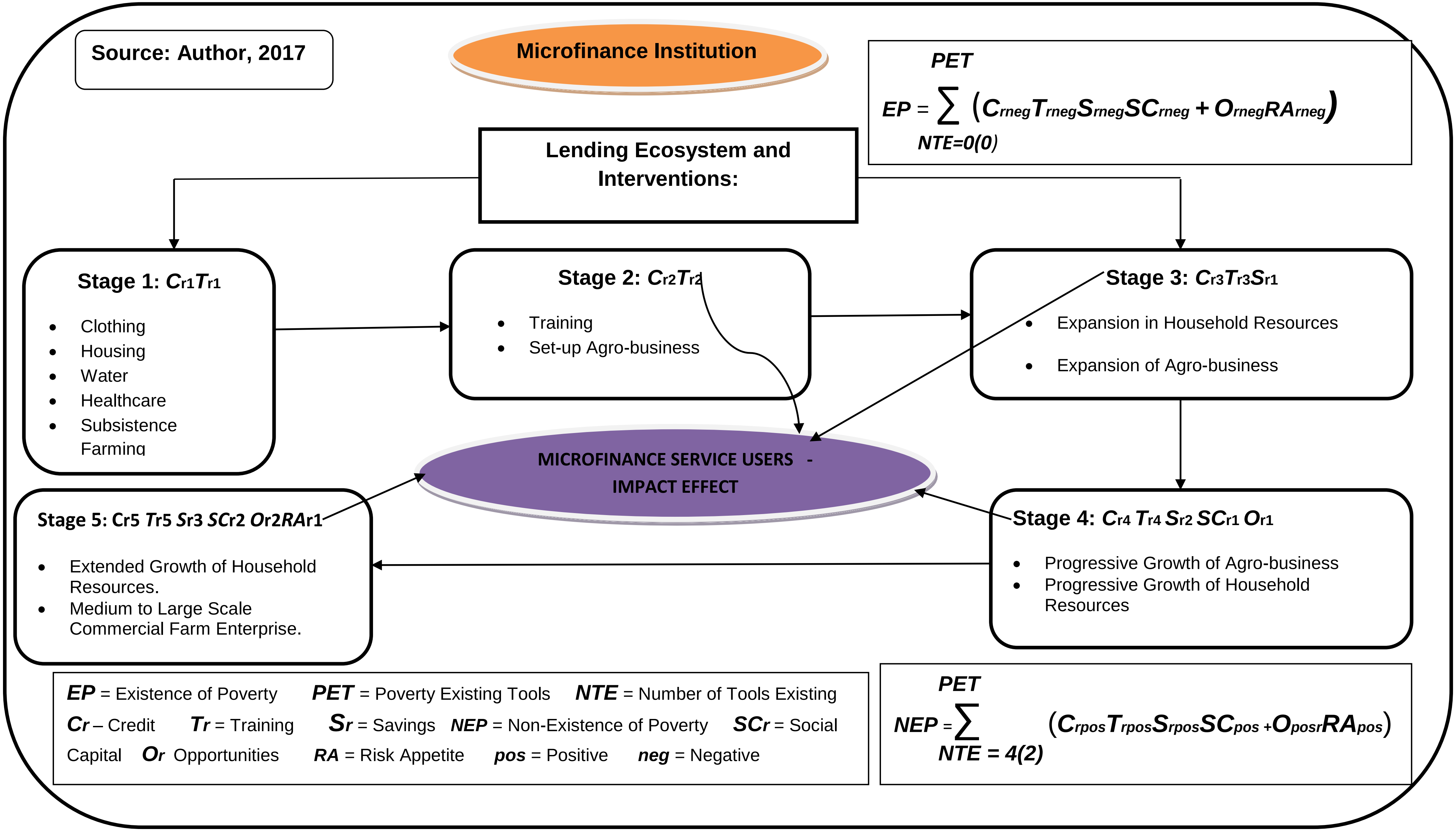
Improved family savings	Yes	-.283	.753	.436	.516	-1.341	.311
	No	-	-	-	-	-	-
Improved your knowledge of the field	Yes	.059	1.060	.455	..898	.435	2.586
	No	-	-	-	-	-	-

Notes: - indicates the reference category; R-square =.332 (Cox & Snell), .448(Nagelkerke), .298(McFadden); Model $\chi 2$ (14) = 129.228: ***p<0.001, **p<0.05, *p<0.1

Logistic regression is performed to assess the impact of microfinance on the likelihood that borrowers report that their agricultural activities have increased. The model contained ten variables (size of the first loan, use of microfinance loan, farm size, farm output, gender, age, income, assets, savings and knowledge of the field). Moreover, the result of the chi-square $\chi 2$ = 129.228, test is significant which indicates that there is a relationship between levels of microfinance loan and an increase in agricultural enterprise after microfinance intervention. For the second regression model for this study, the model as a whole explained between 33.2% (Cox & Snell R square), 44.8% (Nagelkerke R square) and 29.8% (McFadden R square) of the variance in increase in agricultural enterprise (appendix b2). Table 5.16 shows that six variables made a statistically significant contribution in the model: size of the first loan, use of microfinance loan, farm size, farm output, gender and age. Interestingly, the amount of loan predictor indicates that borrowers taking loan amounts of up to Ghc 1000 are 6 times (odd ratio of 6.298, p<.1) more likely to report increased agricultural enterprise compared with a loan amount of Ghc 1001 to 3000, controlling for all the factors in the model. The odd ratio of use of microfinance loan is 4.216 (p<.05), indicating that borrowers with investment in farm projects are 4 times more likely to report an increase in agricultural enterprise compared with borrowers that used the loan for family needs, controlling for all the factors in the model. The odd ratio for farm size is 5.090 (p<.001), indicating that borrowers that answered yes are 5 times more likely to report an increase in agricultural enterprise, controlling for all the factors in the model. The odd ratio of farm output is 7.070 (p<.001), indicating that borrowers that answered yes are 7 times more likely to report an increase in agricultural enterprise, controlling for all the factors in the model. The odd ratio of males is 2.354 (p<.05), indicating that the male borrowers are 2 times more likely to report an increase in agricultural output compared with the female borrowers, controlling for all the factors in the model. Interestingly, the odd ratio of age is .182 ($p<.1$) and less than 1, indicating that borrowers aged 18 to 29 years are .182 times less likely to report increase in agricultural enterprise compared with borrowers aged 30 to 39 and 40 to 49, controlling for all the factors in the model.

In summary, the outcomes of section four of chapter five focusing on the regression analysis showed that, H_1 is supported by the logistic regression model. Moreover, the results further show that microfinance contributes to the wellbeing of the family of the service users. This outcome is consistent with the extant studies such as Pitt and Khandker, (1998) using a panel data from Bangladesh who found that access to microfinance impacts positively on household consumption expenditure, self-confidence and children's education. Similarly, Noreen et al., (2011) reported that, microfinance has a positive effect on children's education. However, Rooyen et al., (2012) found no effect on education, housing, food security, savings, assets accumulation, health and nutrition, and consumption expenditure. Equally, Coleman's (1999) study on the effect of microfinance on the livelihood of service users in North East Thailand showed that, access to microcredit had no positive impact on children's enrolment. The outcomes of the logistic regression showed that, there is a positive relationship between loan size and wellbeing of the clients' family.
The results of the logistic regression model supported H_2 that microfinance helps to improve the agricultural activities of the farmer service users. This outcome is consistent with Barnes and Morris, (2005) who studied the effect of three microfinance schemes, FOCCAS, FINCA and PRIDE in Uganda and found that, microfinance helped to improve agricultural input and long-lasting assets, to expand the size of cultivated farm land and that it increased household income from agricultural produce. Similarly, Makanga and Okibo, (2014) reported that, microfinance helped the service users to engage in meaningful productive ventures, such as dairy farming. However, Coleman, (2006) found that microfinance had no impact on the agricultural activities of the borrowers. Moreover, the outcomes of the logistic regression show that, there is a positive relationship between loan size and the impact on the wellbeing of the family.

Figure 5.1: Conceptual Framework: Embedded Ecosystem for Existing Poverty



CHAPTER SIX

6.0 CONCLUSION: SUMMARY, RESEARCH FINDINGS AND CONTRIBUTIONS

6.1 Introduction

Microfinance is considered to be a development strategy for poverty reduction. This study investigated the impact of microfinance on poverty reduction amongst farmers. Although microfinance cannot be considered to be a panacea for helping the poor to escape poverty, previous empirical evidence has shown that it does help the poor to access finance for productive and consumption purposes, to enhance household income, savings and the accumulation of valuable assets. This chapter provides a summary of the results of the study, the contribution of the research, and policy implications and, areas for further research. The chapter is subdivided into seven main areas, first, research summary; second, summary of research findings; third, contributions to the existing state of knowledge in microfinance; fourth, limitations fifth, areas for further research.

6.2 Summary of the study thesis

Chapter one presented the research problem identified after the review of the extant literature, the research objectives, the justification of the study, the significance of the study and the limitations of the study. The second chapter reviewed the study context; this is followed by a review of the literature on microfinance and how it helps the poor to escape poverty, and the review of the literature on various dimension of poverty. The fourth chapter discussed various methodological approaches adopted in this study and the justifications, and the fifth chapter presented the research empirical results and findings. In order to achieve the research objectives and to address the research problems, the researcher administered 320 questionnaires for the purpose of collecting quantitative data and 40 interviews for the qualitative data from the microfinance service users. The researcher gathered 10 lots of qualitative data from the microfinance loan managers in order to corroborate the plausible relationship between the empowerment of the poor to escape poverty and the provision of microfinance. The results of the quantitative and qualitative data analysis of this study suggest that, in Ghana, access to microfinance has a positive effect on the livelihood of the service users and, that there is a positive relationship between microfinance provision and a positive impact on the wellbeing of the farmers. The study findings are consistent with the findings of other previous studies that suggest that, microfinance helps the poor to escape poverty and improves their wellbeing (Pitt and Khandker, 1998). This research concluded that, income from agricultural output is used by the poor farmers to improve their family's wellbeing.

6.3 Summary of the Significant Findings

The research findings helped to develop a conceptual framework that will enhance access to finance for the poor and thus lead to an increase in the wellbeing of the poor. The section presents the outcomes of the quantitative and qualitative analysis gathered from the microfinance providers and the service users. Moreover, it addresses the significant contributions to the state of knowledge relating to microfinance literature and the wider implications providing future direction in this study area.

6.3.1 Microfinance Features and Ghana Experience

Microfinance institutions have different strategies to deliver microfinance services to their clients. The results of this study based on the quantitative data analysis suggest that, group collateral and individual lending strategies are the main lending schemes employed by the microfinance institution to provide credit to the farmer service users. Consistent with the conventional lending methodology largely used by the microfinance practitioners in this sector, group guarantee is predominantly the lending model used in Ghana to extend financial services to the beneficiaries. Thus, based on the outcomes of this study, this research concluded that, the use of the group collateral model helped the service users to access credit from the microfinance institutions in Ghana.

It is revealing, based on the quantitative data analysis that, a majority of the service users considered in this study appear to have preferred group lending schemes. The study also found that, the group lending model does not only help them to benefit from microfinance but also to address family issues not connected to their enterprises. Although the group guarantee lending model helped the microfinance institution to minimise the risk of default including moral hazard, it does inhibit the ability of the less risky clients to negotiate better credit terms and the amount of loan the individual member in the group can access. Considering the demand side of this lending methodology, the microfinance clients will opt for tailored credit terms or independent methods of granting loans. Thus, based on these results, comparing group collateral to an individual lending model, the research findings showed that, the microfinance service users would prefer to borrow under the individual lending approach because of the associated benefits, particularly the lending conditions and flexibility.

The findings from the quantitative data analysis indicate that, the microfinance institution has the exclusive rights to decide on the mechanism that will be employed to determine the loan agreement including the terms and conditions of the credit. However, there may be instances where such exclusive rights are non-existent; in that case the service users often depend largely on advice from friends, family relations and the microfinance loan disbursement managers, to choose the most suitable lending methodology. Interestingly, these study outcomes confirmed the extent of the participation by the service users in deciding the lending scheme in relation to the credit accessed from the microfinance institution.

6.3.2 Microfinance Service Users and their Perception of Poverty

Broadly, poverty is viewed as a multidimensional phenomenon. The microfinance service users view poverty as lack of access to stable means of livelihood as well as the inability to meet certain basic family needs. Thus, this study seeks to evaluate farmers’ ability to achieve positive outcomes from their agricultural enterprises and increase in the household capabilities in order to escape poverty. The results of the qualitative data analysis show that, access to reliable waged employment especially permanent wage employment is positively associated with poverty reduction. In Ghana, for example, the prevalence of poverty is largely linked to inadequate infrastructural facilities such as roads, hospitals, education. Thus, this inhibits the ability of the poor to engage in productive enterprises capable of helping the household to reduce the incidence of poverty.

Moreover, the results of the qualitative data analysis show that, the service users interviewed had differing views in relation to the definition of a poor person. The poor are seen as those who do not have a paid job or someone who is lazy and is always relying on the rich for menial jobs for survival. Considering that the microfinance clients already have existing agricultural enterprises running prior to accessing microfinance, enhanced capabilities could be deemed as poverty reduction indicators as this minimises the likelihood to be poor.

The qualitative data reveals that, in Ghana, service users place significant value on the ability to access basic needs for their families. Consistent with Narayan et al., 1999; Owolabi, 2015), the study finds that there are instances where service users prefer to go without food in order to provide clothes and food for their children. The outcomes of the study show that, the microfinance clients considered access to water, clothing, food, children's education, and shelter as essential for increased capabilities. In line with these findings, the results of the quantitative data analysis reveal that, microfinance loans have impacted positively on the service users in relation to household income, children's education, family finance for meeting emergencies, household assets and household savings.

6.3.3 The Relationship between Microfinance and the Wellbeing of the Farmers' family

This study examines the impact of microfinance on poverty reduction among farmers. Thus, to explore the extent of the effect of the intervention, the research is centred on the hypothesis that, access to microfinance enhances the wellbeing of the farmers' families as well as their agricultural activities. Moreover, to examine the extent of the effect of the microfinance intervention on the livelihood of the clients, this study's analysis is based on the two hypotheses identified, in order to achieve the intended objectives of the research. Considering the fact that, the effect of the intervention is the underlying theme of the study, the results of the quantitative data analysis by means of the logistic regression model showed that, there is a positive relationship between the provision of microfinance loan and the wellbeing of the farmers' families and their agricultural activities. The outcomes of the quantitative data, by way of logistic regression analysis show that, a microfinance loan size of between Ghc 1001 to Ghc 3000 contributed positively to the wellbeing of the farmers and their families as well as the growth of their agricultural activities. Although there are some embedded limitations to the study, the outcomes of this empirical research have made a significant contribution to the state of knowledge in microfinance literature because of the limited extant empirical studies in relation to microfinance and poverty reduction among farmers. Consistent with the findings from the quantitative data analysis, the majority of the service users interviewed reported that, their families' wellbeing had improved after benefiting from microfinance. The empirical evidence from this study is consistent with other studies such as Pitt and Khandker, (1998); Umara et al., (2011); Coleman, (1999) who found that microfinance interventions assist the farmer service users to improve their livelihood as well as that of the family.

The study results from the qualitative data analysis provide further insight into the relationship between microfinance and its effect on the livelihood of the farmer borrowers. These findings are in line with the results from the extant empirical study that found a positive impact of microfinance on the wellbeing of the beneficiaries and their families (Barnes and Morris, 2005; Makanga and Okibo, 2014).

The analysis of the qualitative data further shows that, the self-confidence and self-esteem of the respondents improved considerably after benefiting from the microfinance credit. These findings are consistent with Mahmood, (2014); Umara et al., (2011) that, access to microfinance impacts positively on the self-confidence and self-esteem of the service users. Moreover, this qualitative data outcome is supported by the quantitative data analysis where the majority of the service users agreed that their self-confidence increased after benefiting from microfinance loans. The outcomes of the logistic regression showed that, loan size has a directional effect on the magnitude of the impact on the wellbeing of the family. Consistent with previous studies such as Khandker (2001); Umara et al., (2011); Afrane, (2002); Jegede et al., (2011), a majority of the farmer service users reported that they experienced an increase in their expenditure on food, health and nutrition, children's education and enrolment, and assets accumulation of the household after benefiting from microfinance loans.

Furthermore, the farmers stated that, after accessing microfinance loans, they are now in a position to save part of the proceeds from the sale of the crops for emergencies such as the funeral of a relative and the paying of marriage dowries for their children. Thus, these findings suggest that, the famer service users can now focus on their ventures since they are able to meet their families' basic needs from the earnings realised from their harvested crops. This is further supported by the quantitative data analysis collected from the respondents studied in this survey. It is revealing based on the qualitative data analysis that, the majority of the respondents of microfinance used their money for the benefit of their families rather than spending it on unproductive events. In relation to the agricultural activities of the respondents, the results of the quantitative and qualitative data analysis showed, the majority of the microfinance service users reported an increase in agricultural inputs and long-lasting assets, an expansion in the size of cultivated farm land and improved household income from agricultural produce. This finding is in line with previous studies such as Ayuub, (2013); Barnes and Morris, (2005); Makanga and Okibo (2014). Interestingly, the respondents using microfinance have reported that, access to microfinance helped them to use modern farming technology which has contributed immensely to the improved farm yields. In sum, this study thus concludes that, access to microfinance helped the service users to improve the wellbeing of their families as well as their agricultural activities in spite of the embedded difficulties the farmers faced in accessing finance for productive ventures in Ghana.

6.4 Contribution of the Thesis

This research has made a significant theoretical contribution to the extant microfinance literature and state of knowledge, via the development of a conceptual framework (Figure 5.2: Conceptual Framework) that will enhance the wellbeing of farmers through access to microfinance. Moreover, it adds a considerable amount of knowledge to the comprehensive body of literature in relation to the agricultural activities and the wellbeing of farmers through the application of microfinance loans for productive ventures. Thus, the embedded features of the model are capable of assisting the poor farmers to escape poverty and realise their potentials.

There is scant study on the effect of microfinance on the wellbeing of the men borrowers. Microfinance literature is predominantly devoted to the evaluation of the impacts from the perspective of women due to a long held view that they are the better clients particularly in terms of loan use and repayment rate. Thus, this study made a significant contribution to the body of literature relating to the impact of microfinance on poverty reduction on men service users.

The outcomes of this study showed that, microfinance interventions in Ghana contributed positively to the wellbeing of the poor farmers. This finding is consistent with other empirical studies that have found a positive relationship between microfinance provision and poverty reduction. Thus, this study made a significant contribution to the existing microfinance and poverty literature.

This research has made a significant contribution in relation to the methodological approach by combining qualitative and quantitative techniques for data collection. For example, contrary to the existing studies that have either used qualitative or quantitative methods, this study triangulates the two methods. For the quantitative data analysis, the logistic regression was employed to determine the relationship between microfinance and the wellbeing of the farmers' families and their agricultural activities. The pre-testing study helped the researcher to design the interview questions for the purpose of collecting qualitative data from the microfinance provider and the service users. Thus, to gain a deeper understanding into the relationship between microfinance and poverty, the quantitative data collection was followed by semi-structured interviews with the farmer service users. Thus, the method adopted in this study is an important contribution to the impact evaluation methodological approaches in the area of microfinance particularly in Ghana.

There is a limited study in the area of microfinance and its effect on farmer clients. Most microfinance providers are often reluctant to give loans to the farmers because; they are classified as a group of borrowers that are unlikely to repay their loans due to the gestation periods of their agricultural crops. Moreover, the earnings that can be realised from the agricultural produce could be affected by natural disasters outside the control of this group of clients. Thus, this study provides a significant contribution to the existing studies relating to the impact of microfinance on the wellbeing of poor farmers.

6.5 Limitation of the study

There are a considerable number of limitations that this study faced. Thus, these limitations affected the intended aim of this study to generalise the findings in relation to the provision of microfinance in Ghana.

Firstly, due to the limited resources available to the researcher, only one microfinance intervention in five districts of Ghana was considered. Thus, this limits the generalisability of the research findings to the microfinance service users in this intervention. However, because all the microfinance service providers including the microfinance institution studied employed the Grameen Bank model for loan administration, there is thus a strong probability that the findings from these five districts in the two regions will be relevant to other microfinance interventions in other part of Ghana.

Secondly, the sample size is another limitation of this study. The reason for this relatively sample size was due to time, budget and data constraints. During the field work, it became evident that, some loan officers were reluctant to provide information about some of the service users, therefore the researcher relied on the data available for both the quantitative and qualitative analysis.

Thirdly, it was unearthed during the fieldwork that some microfinance service users borrowed from more than one microfinance provider. Moreover, in some instances it was difficult to separate the contribution of microfinance to poverty reduction and the benefits from other sources that cannot clearly be recognised. Thus, there is a likelihood of excluding some pertinent variables from the observed impact.

Fourthly, the main focus of this study is the impact of microfinance on the wellbeing of the clients' family. Thus, this means, this study is unable to thoroughly examine the perspectives of the microfinance providers.

Fifth, this study employed a baseline approach by comparing the counterfactual situations of the service users with their circumstances after benefiting from the intervention. Thus, no comparison between clients and non-clients was carried out in this study. There is therefore a probability that, due to the likelihood of selection bias, the replication of the outcomes of this study maybe limited.

Finally, there is a possibility that, due to the presence of microfinance loan managers and an unfamiliar face – the researcher during the quantitative and qualitative data collection, the service users would have found it difficult to provide sufficient information pertinent to this study. Moreover, the service users may be reluctant to share with the researcher the true reflections of their experiences with the microfinance institution.

6.6 Areas for Future Research

There are a number of areas that can further be explored and investigated in relation to microfinance and poverty reduction. Considering the microfinance features and their relevance to poverty reduction, the need to further examine this impact on the wellbeing of the poor becomes important. Although, the Grameen Bank model is used by most microfinance institution in Ghana, the research on the relationship between microfinance and poverty reduction can be extended to other parts of Ghana. This is largely because, the concept of microfinance as a poverty fighting mechanism is fast spreading to every region in Ghana. Thus, the need to compare the impact of various interventions is very important as this will help to identify the methodological difficulties in the impact evaluation.

Whilst group guarantee helps the poor to access finance, the influence of social collateral and poverty reduction is an emerging area and will require further exploration. Moreover, considering the characteristics of the individuals in the group coupled with the varied level of influence they may have on the operation of the group, the extent of the influences of social capital on poverty outcomes could be further explored as this was entirely outside the realms of this study. This could form the basis of formulating a research question for future studies. The quantitative data was collected from male and female borrowers from the five districts in Ghana. Thus, a microfinance study could be devoted to only men or female borrowers. Another interesting area for further study could be to compare the effect of microfinance on poverty reduction in Ghana and other developing countries. Considering the sample size for this study, there is the need for a comprehensive and contextual evaluation of microfinance involving different microfinance intervention schemes and using a much bigger sample for the purpose of quantitative and qualitative data collection. Microfinance service users are often afraid of complaining about the services offered to them by the microfinance institutions due to the fear of being excluded from future finance, thus, this calls for future research focusing on the experiences of the service users and designing the assessment of the intervention from their perspective.

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APPENDICES

Appendix A: Questionnaire and Interview Guides

The Impact of Microfinance on Poverty Alleviation amongst Farmers in Ghana

A1: RESEARCH QUESTIONNAIRE:

I am currently a PhD student at Birmingham city University, UK. This questionnaire is an important component of my PhD research. The researcher will only use the data collected for academic/scholarly purposes. The questionnaire examines microfinance impact on poverty alleviation with a view to specifically unearth how microfinance may constitute a source of finance for farm enterprises and improve livelihood of beneficiaries.

The questionnaire is divided into seven sections: (1) Demographic and background profile, (2) Private assets, (3) income/finance, (4) access to microfinance credit and other loans, (5) individual and group liability schemes, (6) relationship with service providers (7) impact of microfinance on poverty reduction.

I would be extremely grateful if all sections of the questionnaire are fully completed.

No individual person or business will be identified.

I am very appreciative of your cooperation and time devoted for this exercise

……………………………………………………………………………………………

- ☐ Yes, I certify that respondent agreed to participate

- ☐ No, the respondent preferred not to participate

- ☐ Male
- ☐ Female
- ☐ Respondent No………………… (**To be coded by interviewer**)

Fatawu Bakare

PhD Scholar

Birmingham City University business School, UK

Date: ____________________

Name of the farmer borrower (Optional) ______________________________

Area (City/Village and Town/District)_________________________________

A-Demographic and Personal Profile of Farmers Borrowers:

Please tick (✓) the relevant answer to the questions.

1– Which of the following age ranges do you fall in?

a) 18-29
b) 30-39
c) 40-49
d) 50-59
e) 60 or Over 60

2– Which of the following best describe your present marital status?

a) Single
b) Married
c) Divorced/separated
d) Widowed

3– How many children do you have?

a) No Children
b) 1
c) 2
d) 3
e) 4
f) More than 4
g) Not Applicable

4 - What is the highest level of education you have obtained?

- ☐ No qualifications
- ☐ Primary school
- ☐ Junior High School Certificate
- ☐ Vocational Qualification (NVQ)
- ☐ Senior High School Certificate
- ☐ GCSE – O-Level
- ☐ GCSE – A- Level
- ☐ High National Diploma
- ☐ University Qualification
- ☐ Other Qualifications

B - PRIVATE ASSETS, INCOME AND FINANCE:

Please tick (✓) the relevant answer to the questions

1– Do you have an existing current or savings bank account in your name?

a) Yes
b) No

2– Did you have a bank account prior to applying for the Microfinance credit?

a) Yes
b) No

3- How much was your household monthly income before applying for the Microfinance credit and how much is it now?

☐ Before ☐ After

4- Which of the following best describes your house ownership status at the time of applying for the loan and what is your house ownership status now?

Before	After
a) Self-owned	a) Self-owned
b) Owned by partner	b) Owned by partner
c) Joint ownership-Husband and Wife	c) Joint ownership – Husband and Wife
d) Family inheritance	d) Family inheritance
e) Rented	e) Rented
f) Living with a relative	f) Living with a relative

5- Who owned the agricultural/farm land at the time you received the microfinance loan and who owns it now?

Before	After
a) Self-owned	a) Self-owned
b) Owned by partner	b) Owned by partner
c) Landlord	c) Landlord
d) Owned by other fellows of the household	e) Owned by other fellows of the household
e) No agricultural/farm land or not applicable	f) No agricultural/farm land or not applicable

C-ACCESS TO MICROFINANCE CREDIT AND OTHER LOANS BY FARMERS:

1 – Which of the following is your most preferred source of finance?

a) Money lenders
b) Family/friends
c) Landlords
d) Commercial banks
e) Non-governmental organisations
f) Microfinance institutions
g) Others please specify………………………………………………………

2 – Are you a member of a microfinance institution?

a) Yes
b) No

3 – If you answered yes to question 2, how long have you been a member of the microfinance programme?

a) Less than 3 year
b) 3-4 years
c) 5-7 years
d) 8-10 years
e) More than 10 years

4 - Have you ever been refused a loan by a microfinance institution?

a) If Yes, go to question 5
b) If No, go to question 6

5 - What was the reason for the refusal?

a) I have no credit history
b) I have no asset to provide as collateral
c) The size of the loan
d) Others please specify…………………………………………………………………

6 - What was the size of your first loan received from the microfinance institution?

a) Below Gh 500
b) Gh 500 –Gh 1,000
c) Gh 1,000 – Gh 1,500
d) Gh 1,500 – Gh 2,000
e) Gh 2,000 – Gh 2,500
f) Gh 2,500 – Gh 3,000
g) Gh 3,000 – Gh 3,500
h) Gh 3,500 – Gh 4,000
i) More than – Gh 4,000

7 - What is the size of your present microfinance loan?

a) Below Gh 500
b) Gh 500 –Gh 1,000
c) Gh 1,000 – Gh 1,500
d) Gh 1,500 – Gh 2,000
e) Gh 2,000 – Gh 2,500
f) Gh 2,500 – Gh 3,000
g) Gh 3,000 – Gh 3,500
h) Gh 3,500 – Gh 4,000
i) More than – Gh 4,000

8) – Why did you apply for the microfinance loan?

a) To buy farm equipment
b) To invest in new farm project
c) To expand an existing farm
d) To pay school fees for children
e) To meet basic family needs, such as food, clothes, water and shelter
f) To repay an existing loan
g) To cater for health expenses
h) Others please provide further details……………………………………..

9 - What is the interest rate charged on the loan you received?

a) Below 20%
b) 21-30% APR
c) 31-40% APR
d) 41-50% APR
e) More than 50% APR

10 – What is your impression about the interest rates charged by Microfinance Institutions when compared with other sources of credit?

- ☐ Very appropriate
- ☐ Appropriate
- ☐ Undecided
- ☐ Not Appropriate
- ☐ Same as others

11 – What is your opinion about the terms of microfinance loans when compared to that of other financial institutions?

- ☐ Very reasonable
- ☐ Reasonable
- ☐ undecided
- ☐ Not reasonable
- ☐ Not all reasonable

12- What guarantee did you provide for the loan received?

a) Physical collateral
b) Group guarantee
c) Compulsory savings

13– Do you need to have a savings or current account with the Microfinance Institutions to enable you access their financial services?

a) Yes
b) No

14 – Who is responsible for the repayment of your loan?

a) Yourself
b) Partner
c) Both
d) Others please specify……………………………………………………………

15 – What is the loan repayment frequency?

a) Daily
b) Weekly
c) Bi-weekly
d) Monthly

16 – Are you able to make regular loan repayments to the Microfinance Institution from the investment you used the loan for?

a) Yes
b) No

17 – If No to question 15, how do you fulfil your loan repayments?

a) Sell other personal items
b) Borrow from other relatives
c) Others please specify………………………………………………………..

18 – Did you sign any contract/agreement at the time of receiving the loan?

a) Yes
b) No

19 – If your answer to question 18 is yes, do you understand the terms of the contract/agreement?

a) Yes
b) No

20 – Do you always pay back your loan on time?

a) Yes
b) No **(Answer question 21 to 23)**

21 – **Why are you not able to repay your loan?**

a) Used for consumption
b) The farm proceeds not sufficient
c) High interest rate
d) Unfavourable weather condition affecting output
e) Husband/wife seized the proceeds
f) Others please specify…………………………………………………….

22 – **Are you aware of the consequences for defaulting on the loan?**

a) Yes **(Answer question 23)**
b) No

23 – What form will this usually take?

a) Seize my farm or farm land
b) Seize the savings in my bank account
c) Use the services of law enforcement agencies
d) Hand me over to debt collectors
e) Others please specify…………………………………………………………

D – SAVINGS ATTITUDE OF FARMERS

1 – Did you practice savings before taking the microfinance loan?

a) Yes
b) No

2 – If you answered Yes to question 1, where do you prefer to save your money?

a) Keeping money under my bed
b) Giving money to partner
c) Saving money with the bank
d) Lending to friends as a means of savings
e) Others please specify………………………………………………………………

3 – **Have you been offered any advice on savings by the Microfinance Institution either before or after you collected the loan from the bank?**

a) Yes
b) No

4 – If you answered yes to question 3, in your view, did the advice improve your savings habit?

a) Yes - positively
b) No – negatively
c) Not at all

5 – Does the microfinance institution pay interest on your savings?

a) Yes
b) No

6 - If your answer to question 5 is yes, is it a favourable interest

a) Yes
b) No

F – MICROFINANCE INNOVATIVE SCHEMES

1 – How was the loan from the microfinance institutions provided?

a) Individual loan
b) Self-Help-Groups
c) Group loan (**if group loan, answer question 2 to 9 in this section)**
d) Others, please specify**……………………………………………………………**

2 – How was the group formed?

a) The group was formed by the microfinance institutions
b) The group was formed by the members
c) Others, please specify………………………………………………………………

3 – Was this a condition for accessing the loan from the Microfinance Institutions?

a) Yes
b) No

4 – How were the group members selected?

a) The selection was influenced by your standing in the community
b) I personally chose the group
c) I was advised by the bank to choose that particular group
d) Others, please specify………………………………………………………………

5 – How long have you been with the group?

a) Less than 3 months
b) More than 3 months to 1 year
c) More than 1 year to 2 years
d) More than 2 years to 3 years
e) More than 3 years to 4 years
f) More than 4 years

6 – How frequently do you meet as a group?

a) Weekly
b) Every two week
c) Monthly
d) Others please specify……………………………………………………………..

7 – Does your group have a good relationship with the Microfinance Institution?

a) Yes
b) No

8 – As a group member, what changes would you make?

a) I will like the meeting schedules to be changed
b) I will like the loan arrangement or repayment plans to be changed
c) I will like the interest rates charged by microfinance institutions to be changed
d) Others please specify………………………………………………………………

9 – In your view, does group membership help to access microfinance loan?

a) Yes
b) No

G. Impacts of microfinance on poverty alleviation amongst farmers

Please rate the following questions in accordance with your opinion about each of them. Please circle the most relevant number from 1 to 5. 1 represents Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree and 5 – Strongly Agree.

Impacts of Microfinance on Agriculture Activities of the Farmers

a) Since joining the microfinance scheme, did the programme lead to increase in your income level?	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
b) The farm size has increased	1	2	3	4	5
c) The farm output has increased	1	2	3	4	5
d) The workers employed has increased	1	2	3	4	5
e) The agriculture assets have increased.	1	2	3	4	5
f) Reduced operating costs as a results of application of new technology	1	2	3	4	5

Please rate the following questions in accordance with your opinion about each of them. Please circle the most relevant number from 1 to 5. 1 represents Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree and 5 – Strongly Agreed.

H – Impacts of microfinance programme on family wellbeing

Does your participation in the program contributed to any of the following?

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Increased/helped to finance children education	1	2	3	4	5
Improved family nutrition and health	1	2	3	4	5
Increased family income	1	2	3	4	5
Improved your education/knowledge of the field	1	2	3	4	5
Increased family assets (Television, tape recorder, radio)	1	2	3	4	5
Improved family's finances in meeting emergencies	1	2	3	4	5
Improve family savings	1	2	3	4	5

Increase family's consumption	1	2	3	4	5
Increase your self-confidence	1	2	3	4	5

Thank you for completing this questionnaire

The Impact of Microfinance on Poverty Alleviation amongst Farmers in Ghana

A2: Interview Itinerary – Borrowers of Microfinance Institution

Duration of the Interview 35 – 40 minutes

Name of the Microfinance Institution ___________________________________

Name of the Participant (Optional)_____________________________________

Name of Village/City and Region_______________________________________

I am currently a PhD student at Birmingham city University, UK. This questionnaire is an important component of my PhD research. The researcher will only use the data collected for academic/scholarly purposes. The interview questions generally cover the impact of microfinance on poverty alleviation with a view to specifically unearth how microfinance may constitute a source of finance for farm enterprises and improve livelihood of beneficiaries. For this reason, I wish to record your responses to the interview questions with your permission. However, if you are not happy with the recording, I will then make notes of the interview responses. I am very appreciative of your cooperation and time devoted for this exercise.

Interview Guide

<u>Background and Personal Profile of Farmers:</u>

1. In all, how many adult and children do you have in the household? Probe, who the bread winner of the family? Who is responsible for making decisions in the household? If both, how do you make decision about who keeps the money for household expenses?

2. Apart from farming, do you have any other job that serves as a source of income? Probe, how do you combine this with your agriculture activities? Does it anyway impact on your farm produce/output?

3. Do have any formal education? If yes, does it in away contribute to your day-to-day routine? Please specify. Since joining the microfinance scheme, did you

receive any formal training? If yes, what is the nature of the training? Specifically; applying new farming techniques, managing your finances (book-keeping), savings and banking operations.

Availability of Micro-credit and other Loan:

1. Who introduced you to Microfinance loan scheme? Why microfinance loan rather than other sources of finance? Please explain
2. Apart from microfinance loan scheme, do you currently have loan from any other source? Please provide reasons for having loan from more than one source.
3. Do you often repay your loan agreed? If no, why are you not able to do so? Do you know of the penalty for non-payment? Please explain.
4. In your opinion, do you in any way think microfinance scheme has affected your attitude towards savings?

Microfinance and Group Liability

1. Are you currently a member of any group/cooperatives? How was the group formed? Do you think being group member helped you to access microfinance loan?
2. How does your membership of the group influence your repayment? Please explain. Do you if any, have problem repay accessing loan as a result of non-payment by a member of the group? If yes, do you ever think of leaving the group as a result of this? Please explain.

Microfinance Loan Utilisation

1. Did you use microfinance loan for acquisition of land/inputs for a new farming activity or it was used to expand an existing farm? Probe, if no, what was it used for?
2. Do you think the microfinance loan is sufficient for the intended purpose? If no, where did you get the extra finance from? Is the repayment of the additional finance affecting the repayment of your microfinance loan? If yes, how did you manage to meet both repayments? Please explain.

Livelihood of household

1. In your view, do you think since joining microfinance loan scheme, you have been economically empowered? If yes, how does it affect your association with your peers?
2. Since joining the scheme, could you specify how this has impact on the well-being of your household? Please explain if microfinance loan has made any significant improvement in your family.

Clients Perception of Poverty

1. In your view, who is a poor person? What are the characteristics of poor person?
2. In your view, what is poverty? (What leads to that?)
3. What are the characteristics of a poor family?
4. How will your family situation be described prior to joining the microfinance programme?
5. In your view, what are the things that help the poor family exit poverty

In addition to the questions on impacts of microfinance on livelihood of farmers; if you have any other information that will enhance the discussion this area, please do hesitate to share that with the researcher.

The Impact of Microfinance on Poverty Alleviation amongst Farmers in Ghana

A3: Interview Itinerary – Mangers/Officers of Microfinance Institution

Duration of the Interview 35 – 40 minutes

Name of the Microfinance Institution ___________________________________

Name of the Participant (Optional)_____________________________________

Name of branch (village/city)______________________________________

I am currently a PhD student at Birmingham City University, UK. This questionnaire is an important component of my PhD research. The researcher will only use the data collected for academic/scholarly purposes. The interview questions generally cover the impact of microfinance on poverty alleviation with a view to specifically unearth how microfinance may constitute a source of finance for farm enterprises and improve livelihood of beneficiaries. For this reason, I wish to record your responses to the interview questions with your permission. However, if you are not happy with the recording, I will then make notes of the interview responses. I am very appreciative of your cooperation and time devoted for this exercise.

1. How many years have you been servicing in your current position with microfinance institution? (Please could you provide further details about your background including your age, marital status and education?

2. Please, what are the processes involved in underwriting loan application? Specifically, please focus on type of guarantee, maximum and minimum amount of loan granted to individual client or group, repayment ability, credit history and reputation of the individual borrower.

3. How do you as an institution explain the loan contracts to clients? Please do you provide written contract form in both English and local languages to borrowers?

4. What is the most important factor when making decision in relation to loan application? Do you consider group characteristics as part of the process?

5. What factors are considered in determining loan repayment by individual borrowers or group? Please, do you consider the cash flows of the clients? If, loans are not paid on time, how do you enforce repayment?

6. How is the interest rate on the loan calculated? Please, is it fixed or based on the outstanding balance?

7. What are the loan collection and monitoring processes? Specifically, the dates of contracts, court action; loan covenant including the ability to demand payments if the embedded features of the loan contracts are breached. Please, focus on other alternative means of collecting the unpaid loan such as, seized collateral, court action, savings. Group members' assessment of the defaulting client and if there are any other plans prior to seizing collateral or taking legal action.

8. Do you provide training programmes before and after giving loans to the clients? Please, specifically on the application of new farming technologies, debt management. Do you provide borrowers information about the update of their outstanding balances?

9. Do you empower and support clients to make independent decision about how to grow their business.

A2: Interview Record Sheet (Borrowers of Microfinance)

Date and Time	**Respondent's name or Number**	**Respondent's background; Highest Level of Education/Marital Status**	**Client's Location**	**Duration of Interview**	**Mode of Recording** **M-**Manual **R**-Recorded (Audio/Visual)	Backup on Computer **Y** – Yes **N** - No

A3: Interview Record Sheet (Managers/Loan officers of Microfinance)

Date and Time	**Respondent's name or Number**	**Respondent's background; Highest Level of Education/Marital Status**	**Designation/Bank (Branch) Location**	**Duration of Interview**	**Mode of Recording** **M-**Manual **R-**Recorded (Audio/Visual)	Backup on Computer **Y** – Yes **N** - No

Appendix B: SPSS output

Appendix B1: Table 1 -Logistic regression of wellbeing of the household

wellbeing of a poor household	B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
Intercept	1.448	1.227	1.393	1	.238			
[SizeofLoan=1]	2.845	.969	8.611	1	.003	17.193	2.572	114.935
[SizeofLoan=2]	2.773	.950	8.529	1	.003	16.010	2.489	102.967
[SizeofLoan=3]	0^b	.	.	0	.	.	.	.
[Education1=1]	-2.725	.849	10.314	1	.001	.066	.012	.346
[Education1=2]	-1.416	.624	5.155	1	.023	.243	.071	.824
[Education1=3]	0^b	.	.	0	.	.	.	.
[Gender=1]	-.742	.350	4.489	1	.034	.476	.240	.946
[Gender=2]	0^b	.	.	0	.	.	.	.
[UseMicro1=1]	-.908	.667	1.852	1	.174	.403	.109	1.491
[UseMicro1=2]	-.601	.732	.673	1	.412	.548	.131	2.303
[UseMicro1=3]	0^b	.	.	0	.	.	.	.
[Membership=2]	.365	.520	.492	1	.483	1.440	.520	3.987
[Membership=3]	0^b	.	.	0	.	.	.	.

Table 2: Model Fitting Information

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	111.085			
Final	82.167	28.918	8	.000

Table 3: Pseudo R-Square

Cox and Snell	.086
Nagelkerke	.153
McFadden	.108

Appendix B2: Table 4 - Logistic regression of agricultural enterprise

agricultural enterprise of poor household[a]	B	Std. Error	Wald	df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
Intercept	-4.585	1.293	12.566	1	.000			
[SizeofLoan=1]	1.840	1.091	2.847	1	.092	6.298	.743	53.397
[SizeofLoan=2]	.999	1.070	.871	1	.351	2.715	.333	22.106
[SizeofLoan=3]	0[b]	.	.	0	.	.	.	.
[UseMicro1=1]	1.439	.459	9.822	1	.002	4.216	1.714	10.367
[UseMicro1=2]	.812	.522	2.417	1	.120	2.253	.809	6.270
[UseMicro1=3]	0[b]	.	.	0	.	.	.	.
[Gender=1]	.856	.306	7.807	1	.005	2.354	1.291	4.292
[Gender=2]	0[b]	.	.	0	.	.	.	.
[Age=1]	-1.702	.751	5.142	1	.023	.182	.042	.794
[Age=2]	.069	.402	.029	1	.865	1.071	.487	2.354
[Age=3]	-.270	.372	.529	1	.467	.763	.368	1.581
[Age=4]	0[b]	.	.	0	.	.	.	.
[Ag2=1]	1.627	.323	25.406	1	.000	5.090	2.703	9.582
[Ag2=2]	0[b]	.	.	0	.	.	.	.
[Ag3=1]	1.956	.324	36.359	1	.000	7.070	3.744	13.351
[Ag3=2]	0[b]	.	.	0	.	.	.	.
[Fam3=1]	.296	.414	.512	1	.474	1.345	.597	3.027
[Fam3=2]	0[b]	.	.	0	.	.	.	.
[Fam5=1]	-.096	.374	.065	1	.798	.909	.437	1.891
[Fam5=2]	0[b]	.	.	0	.	.	.	.
[Fam7=1]	-.283	.436	.422	1	.516	.753	.321	1.770
[Fam7=2]	0[b]	.	.	0	.	.	.	.
[Fam4=1]	.059	.455	.017	1	.898	1.060	.435	2.586
[Fam4=2]	0[b]	.	.	0	.	.	.	.

Table 5: Model Fitting Information

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	366.270			
Final	237.042	129.228	14	.000

Table 6: Pseudo R-Square

Cox and Snell	.332
Nagelkerke	.448
McFadden	.298

Appendix B3: Table 7 Mean comparison test

Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
wellbeing of a poor household	Male	151	1.21	.452	.037
	Female	169	1.14	.407	.031

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
wellbeing of a poor household	Equal variances assumed	6.889	.009	1.441	318	.151	.069	.048	-.025	.164
	Equal variances not assumed			1.432	303.840	.153	.069	.048	-.026	.164

Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
agricultural enterprise of poor household	Male	151	2.63	.596	.048
	Female	169	2.42	.632	.049

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
agricultural enterprise of poor household	Equal variances assumed	4.393	.037	3.033	318	.003	.209	.069	.073	.345
	Equal variances not assumed			3.044	317.097	.003	.209	.069	.074	.344

Appendix B4: Table 8: Diagnostic test

Multicolonearity Test[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Size of the First Loan	.956	1.046
	Length of Membership of Microfinance Institution	.987	1.013
	Highest level of Education	.979	1.021
	Age	.984	1.016
	Use of Microfinance Loan	.989	1.012
	Gender	.943	1.060