

**THE IMPACT OF MICRO FINANCE INSTITUTIONS ON POVERTY  
ALLEVIATION: A CASE STUDY OF BAWKU MUNICIPALITY**

**BY**

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**(UDS/MDE/0005/18)**

**TERM PAPER SUBMITTED TO THE DEPARTMENT OF DEVELOPMENT  
EDUCATION STUDIES OF THE UNIVERSITY FOR DEVELOPMENT  
STUDIES, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR  
THE AWARD OF MASTER OF ARTS DEGREE IN DEVELOPMENT  
EDUCATION STUDIES**

**JULY, 2019**



**DECLARATION**

**Candidate's Declaration**

I declare that this Term Paper is the result of my own original research and that no part of it has been presented for another degree in this university of elsewhere

Signature of candidate: .....

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**Supervisor's Declaration**

I hereby declare that the preparation and presentation of this Term Paper were supervised in accordance with the guidelines on supervision of Thesis laid down by the University for Development Studies

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**ABSTRACT**

The purpose of this study was to examine the impact of micro finance institutions on poverty alleviation in the Bawku Municipality. The aim of the literature review was to analyse critically the existing knowledge on the impact of micro finance institutions on poverty alleviation. Qualitative research method was used employed in the study. Case study design was used. Purposive sampling technique was used to select twelve (12) community members from twelve different households in the Bawku Municipality. Data were analysed manually through capturing the patterns and direct words of the participants that were interviewed. The findings were: corruption from government officials prevents communities from taking certain rightful and supportive projects that will alleviate poverty, lack of education contribute to poverty among community people. The general causes of poverty include lack of jobs, laziness and illiteracy, irregular rainfall pattern, inadequate or lack of microcredit facilities, bad road networks for farming and business and failure to appreciate entrepreneurship skills. Microfinance institutions do provide people with loans especially women on friendly payment terms. The challenges faced by Microfinance institutions include: borrowing terms and conditions are unfriendly to the municipality people, they demand collateral security and they have high interest rates. It is recommended that mechanisms should be put in all government and municipal organisations to ensure money and funds meant for communities are properly spent. Education and entrepreneurial skills training should be taken to the door step of the communities. More micro fiancé institutions must be set in the communities to grant short loans to the people. Microfinance institutions must make their borrowing terms and conditions friendly to the municipality people, they must not demand for collateral security and they should have low interest rate.



I would like to sincerely thank my academic supervisor, Dr. Mohammed Issah, without whose technical support I would not have been able to successfully complete this thesis. Thank you for the continued guidance and support given to me. You comforted me even when all hopes were lost with regards to my thesis.

I equally thank Mr. Tahiru Nashiru, colleague worker at Bawku Technical Institute, for the various roles he played in helping me during the course of my studies at the University and also preparation of this thesis.

I relay a special thanks to my family for their support either financially or spiritually especially my wife, Mrs. Aisha Mahama.



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**DEDICATION**

I dedicate this thesis work to my family especially my wife, Mrs. Aisha Mahama.

UNIVERSITY FOR DEVELOPMENT STUDIES





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## **ORIENTATION TO THE STUDY**

### **1.0 INTRODUCTION**

This chapter presents and discusses each of the following: the background to the study, the problem statement, objectives of the study, research questions, significance of the study, delimitation and limitation of the study, definition of terms, the structure of the study and conclusion.

#### **1.1 The Background to the study**

The provision of small loans and deposits, either through individuals and groups has been acclaimed to be an effective tool towards the reduction of poverty (Johnson & Rogaly, 1997). Aid practitioners and policy makers often view microfinance institutions as manifestly effective means of improving the position of the poor. Microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people (Johnson & Rogaly, 1997).

It is argued that microfinance can facilitate the achievement of the Millennium Development Goals (MDGs) as well as National Policies that target poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living. As pointed out by the former UN Secretary General Kofi Annan during the launch of the International Year of Micro Credit in 2005.

Internationally, it is important to have a brief look at the history of two of the most famous Microfinance Institutions—the Grameen Bank in Bangladesh and Banco Sol in Bolivia - gives an informative picture of how the industry in the two regions can be characterized:



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1. **Grameen Bank in Bangladesh- Asia** for instance, started as a small microfinance institution providing credit to the rural poor in the 1970s, in the aftermath of the country's war of independence. That Grameen Bank in Bangladesh is driven by a strong sense of developmental idealism, developed into what is now the world's most famous microfinance institution ( Montgomery & Weiss, 2005).

2. **Banco Sol in Bolivia** on the other hand, developed under quite a different condition, In Bolivia, a collapsing populist regime led to widespread unemployment. Banco Sol, pioneering microfinance institution in the region, developed to address the problem of urban unemployment and provide credit to the cash-strapped informal sector (Montgomery&Weiss, 2005).

Globally, microfinance institutions have similar challenges because it is seen as a social intervention instead of a financial activity. In India and Bangladesh for instance, the following challenges are attributed to the microfinance Industry; Borrower Unfriendly Products and Procedures, Inflexibility and Delay, High Transaction Costs, both Legitimate and illegal, legal and regulatory framework, Social Obligation and not a Business Opportunity, etc. (Saha&Huang 2007).

According to KPMG, South Africa (2013).Microfinance in African also got developed under a different condition but the main aim was to provide credit facilities to poor unbanked people. The microfinance sector in South Africa is a large and growing sector of the national economy. It aims is to bring access to financial services to the poor and unemployed by assisting them in setting up income generating micro businesses (small Businesses). The microfinance industry in South Africa is estimated to be R50 billion. Studies have shown that only 6% is loaned to small businesses while the rest are





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consumer personal loans which are mainly used to buy food and to pay off old loans (KPMG, South Africa, 2013).

However, the non-banking financial institutions in Africa face a number of challenges. These include; improper regulations, increasing competition, innovative and diversified products, profitability, stability, limited management capacity of micro finance institutions (MFIs) etc. (Dahir,2015).

According to Muhammad (2010) in Ghana for instance, the concept of microfinance Business is not new. There has always been the tradition of people saving and/or taking small loans from individuals and groups within the context of self-help to start businesses or farming ventures. For example, available evidence suggests that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries. However, Susu, which is one of the microfinance schemes in Ghana, is thought to have originated from Nigeria and spread to Ghana in the early twentieth century (Asiama&Osei, 2007).

Over the years, the microfinance sector has developed and evolved into its current state thanks to various financial sector policies and programmes undertaken by different governments since independence. Among these are: provision of subsidized credits in the 1950s; establishment of the Agricultural Development Bank in 1965 specifically to address the financial needs of the fisheries and agricultural sector, establishment of Rural and Community Banks (RCBs) and shifting from a restrictive financial sector regime to a liberalized regime in 1986 (Asiama & Osei, 2007).

According to Asiama and Osei (2007), the main goal of Ghana's Growth and Poverty Reduction Strategy (GPRS II) is to ensure "sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a



decentralized, democratic [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) environment". The intention is to eliminate widespread poverty and growing income inequality, especially among the productive poor who constitute the majority of the working population according to the 2000 Population and Housing Census. For example, trends in loans and advances extended to small businesses, individuals and groups by the Non-Bank Financial Institutions (NBFIs) in Ghana amounted to GH¢50.97 million in 2002 as against GH¢39.64 million in 2001, indicating about 28.6 per cent growth.

According to Bank of Ghana (2018), about 319 microfinance institutions across the country have been licensed to operate and are in general compliance with the central bank's guidelines. These non-banking financial institutions in the country are providing financial services to poor Ghanaians who cannot bank in the conventional banking sector because of their low income status (Ojo, 2009).

However, the microfinance industry in Ghana face a lot of challenges which even resulted in the collapse of many of them in the country. For example, Noble Dream Microfinance Limited, DKM, God is Love, etc. Some of these challenges include; Lack of Policy Guidelines, Overtrading, Payment of Higher Interest Rates on Investment, Inadequate Knowledge of the Industry by Owners of MFIs, Poor Recovery Rate, Fraudulent Activities by Staff, Lack of Qualified Staff, etc. Also, in Ghana, 2013 witnessed unprecedented collapses of MFIs, in spite of the fact that they met the minimum requirement for licensing by the Bank of Ghana (Addo, 2014).

Is against this background that, the study seeks to investigate into the impact of micro finance institutions on poverty alleviation in the Bawku Municipality.

## **1.2 THE PROBLEM STATEMENT**

Based on my personal observation and my interaction with members of the Bawku Municipality, it is perceived that Microfinance institutions have not adequately assisted in alleviation poverty in the Municipality. It is believe that the lives of members in the Municipality still remain the same though there are many Microfinance institutions set up mainly to help alleviate poverty in the Municipality. The microfinance role of savings and loans and rural banks in Ghana is of particular interest because the part they play in the developing of the economy in terms of their role as one of the main channel of disbursement of loans and collection of deposits as well as the main source of finance to the poorest of the poor in the economy. It is belief there is poor disbursement and the repayment of funds to economic active poor in the municipality due to factors affecting the disbursement and the repayment of funds by the microfinance institutions to their customers.

## **1.3 OBJECTIVES OF THE STUDY**

The study seeks to achieve the following objectives:

### **1.3.1 Main objective**

The main objective of this study is to ascertain the impact of micro finance institutions on poverty alleviation in the Bawku Municipality.

### **1.3.2 Sub-objective**

The sub-objectives to be achieved in this study are:

- To ascertain the cause of poverty among the people of Bawku.
- To find out the impact of microfinances on the lives of people of Bawku.
- To assess the challenges faced by microfinance institutions in alleviating poverty among the people of Bawku.



- To ascertain alternative solutions to poverty alleviation in the Bawku Municipality.

#### **1.4 RESEARCH QUESTIONS**

The study will seek to answer the following questions:

- What are the causes of poverty in communities?
- How do microfinances impact on the lives of communities?
- What challenges do microfinance institutions face in alleviating poverty in communities?
- Which alternative solutions can be implemented to alleviate poverty in communities?

#### **1.5 SIGNIFICANCE OF THE STUDY**

The Study will serve as a basis for further research works, so its findings will be of much interest to all researchers. The findings of the study shall add to existing literature on the impact of microfinances on poverty alleviation in communities. The findings of this study shall be beneficiary to entrepreneurs, policy makers, bankers and the general public. Bankers and savings and loans institutions can use the result of the study for inter firm comparison and company benchmarks. It is important to evaluate and assess the efficiency and effectiveness in disbursement of funds by microfinance institutions in their attempt alleviates poverty.



## **1.6 DELIMITATION OF THE STUDY**

This study shall only be conducted in the Bawku Municipality using Microfinance institution, customers and community members. Only the cause of poverty, the impact of microfinances on poverty alleviations, challenges of microfinances in poverty alleviations and suggested mechanisms in poverty alleviations shall be used to achieve the objectives of this study.

## **1.7 LIMITATIONS OF THE STUDY**

There shall be time limitation since the researcher is a full time government employee as such may not have ample time to finish the study on time. There shall be non-returning of questionnaires by some respondents or may not even be available to take part in the study.

## **1.8 ORGANISATION OF THE STUDY**

This study will be structured in the following: chapter one will present and discuss the background of the study, statement of the problem, objectives of the study, the research questions, significance of the study, delimitations and limitations of the study, organization of the study and conclusion. Chapter two will present a review of literature on the impact of microfinances on poverty alleviation. Chapter three will present the methodology that will comprise the research approach, the research design, population of the study, sampling and sampling techniques, data collection instrument, data collection procedure, data analysis, ethical issues and conclusion. Chapter four will present the results and discussions, chapter five will present the summary, conclusion and recommendations of the study.



## 1.9 CONCLUSION

This chapter one has presented and discussed each of the following: the background of the study, the problem statement, objectives of the study, research questions, significance of the study, delimitations and limitation of the study and organization of the study.



## **LITERATURE REVIEW**

### **2.0 INTRODUCTION**

The aim of this chapter is to analyse critically the existing knowledge on the impact of micro finance institutions on poverty alleviation. This chapter also presents and discusses each of the following: the causes and effects of poverty, challenges of microfinance institution in poverty alleviation and the available strategies to alleviating poverty in communities and conclusion.

According to the 2008 World Bank Indicators which is based on the 2005 survey, 5% of global income comes from 40% of the world's poorest population. Shah (2010) on the other hand, 75% of global income is derived from 20% of the world's rich. The World Bank Indicators continue to show that at least 80% of the world's population lives on less than US\$10 a day and over three (3) billion people of the world live on less than US\$2.50 a day. The United Nations' (UN) in their 2011, The Millennium Development Goal Report, states that in 2005 there were 1.4 billion people living in extreme poverty on less than US\$1.25 a day.

It has been projected by UN that by 2015 there will be less than 900 million people living on a wage less than US\$1.25 a day. Statistics shows that the area with a high number of people living in extreme poverty is Sub-Saharan African and followed by Southern Asia. In the Democratic Republic of Congo, eight in ten residents live on less than US\$2 per day (World Population Reference Bureau, 2011). Seventy six percent (76%) of residents in India live below US\$2 a day, which accounts for more than 900 million people World Population Reference Bureau (2011). This situation indicates that



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countries with high population growth and with limited economic resources, will find it more difficult to reduce poverty.

In the year 2000, 189 nations made a pledge to reduce extreme or absolute poverty and also to lessen the various deprivations that poor people face every day (Jahan, 2003). The Millennium Development Goals (MDGs) was set up by the UN based on this pledge. The goal is to free people from extreme poverty situations by 2015. In 2010, UN once again reaffirmed itself to make fast progress towards the goals. The first MDG goal is to eradicate extreme poverty and hunger (United Nations, 2010). The three main targets of MDG1 refer to the population between the years 1990 to 2015. Its targets are to halve the proportion of people whose income is less than \$1 a day, to achieve full and productive employment and decent work for all, inclusive of women and young people and to halve the proportion of people who suffer from hunger (United Nations, 2010).

## **2.1 CAUSES OF POVERTY IN COMMUNITIES**

**Definition of Poverty** The word ‘poverty’ in English has been derived from an old French word *poverté* or in Latin *paupertas*. According to the Oxford dictionary (2012) poverty means “the state of being extremely poor and the state of being inferior in quality or insufficient in amount. The causes of poverty in communities are:

### **2.1.1 Corruption**

Renowned scholar Reber (1988) hypothesized that corruption is more likely to occur in an environment where officials have monopolistic control over state resources such as who can gain access to the resource. While the mechanisms for holding these officials responsibility for their actions are weak and this reduces private investment in that society. It is widely recognized today as a symptom of poor governance and a major



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obstacle to poverty reduction efforts which causes reduction in quality of goods and services available to the public. While in the past, some scholars argued that corruption could increase economic efficiency in countries with burdensome regulations and dominant government role in the economy (Mauro, 1997).

Warren (2004) explains that corruption can have adverse consequences, both directly and indirectly, especially for the poor countries in South Asia, Indo China, Central American, Brazil and Africa (Mauro, 1997). Although, higher economic growth rate is associated with a higher rate of poverty reduction (Ravallion & Chen, 1997). In reality the attitude of corruption slows the rate of poverty reduction, undermines economic growth, and the general welfare of the community of that particular country (Mauro, 1997). It can thus be expected that corrupt government are interested in private gains rather than in supporting the development of their own people and countries (Bardhan, 1997).

### **2.1.2 Education**

Poverty is not only a problem of low incomes but it is a multidimensional problem that includes low access to opportunities for developing human capital and education. Due to the multidimensional problem, more attention needs to be focused on investment in human capital, particular in education as a means to increase earnings, quality of jobs and improving the quality of life such as better utilization of health facilities, shelter, water and sanitation. Statistically, the effect of schooling exists with rates of return as high 16 percent per year. However, poor countries increase their poverty level due to lack of training skills, productive knowledge and transforms human beings into more valuable human capital and education (Mshoro, 2010).

Without proper training for the respective skills and knowledge in the work force such as read, write, communicate and be able to choose different alternative choices in more





[www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) informed way would lead to low earnings and therefore increase poverty level. For example in the United States 22.9 percent or 6.4 million people are without a high school diploma whereas only 3.6 percent or 2 million people have a college degree or higher. Education yields attractive returns, comparable with alternative rates of return, both to the individual and to the society at large (Mshoro, 2010).

Without education it would not broaden the base understanding among people which would deter the democratic process which in turn could not pave the way to the promotion of sustainable development, through a better understanding of the intimate relation between environment, ecology and sustainable development. Thus, by strengthening democratic forces, education would help in promoting sustainable human development, making rapid social progress, including abolition of containment of the elite's discretionary power and wider social equity. Education can be a life empowering experience for all and what the poor needs most is empowerment. Thus, education serves at the same time both the constitutive and instrumental roles of development (Mshoro, 2010).

While recognizing that the economic importance of education it would increasing incomes, reducing poverty level, increase development of the country and increase unemployment rates. Education has a direct relevance of the well-being and freedom of the people, while its indirect role is through its influence on social change and economic production (Mshoro, 2010).

According to Myers (2019) not every person without an education is living in extreme poverty. But most of the extremely poor don't have an education. And why is that? There are a lot of barriers stopping children from going to school. Many families can't afford to send their children to school and need them to work. More still don't see a

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benefit in educating girls. Education is often referred to as the great equalizer, and that's because education can open the door to jobs and other resources and skills that a family needs to not just survive, but thrive. UNESCO estimates that 171 million people could be lifted out of extreme poverty if they left school with basic reading skills. And, with even more education, world poverty could be cut in half (Myers, 2019).

### **2.1.3 Political Instability (Civil Wars)**

It is arguable that countries which are rich in natural resources maybe prone to civil wars due to "loot-seeking" activities. Countries with both dependence upon primary commodity exports and a large diaspora significantly increase the risk of conflict. This has been a widespread phenomenon in Africa. Although Sudan was officially split into Sudan and the Republic of South Sudan in 2011, the recent conflict in between the split countries occurred mainly due to ongoing disagreements over how to split lucrative oil revenues. Oil, was once thought to bind the two nations together and prevent conflict because of oil fields in the South and the refineries in the North. But today, the same oil has become the reason of fuse between the split territories. Ironically, during civil wars, large amounts of resources are spent on weapons which could have been better used to alleviate poverty (Rice & Graff, 2006).



Apparently, both the civil wars and poverty exist in an inextricable manner. By their detrimental nature, civil wars lead to poverty mainly due to destruction of capital, displacement of people and increased insecurity. Civil wars can be disruptive to capital or transactions-intensive activities such as roads, production of manufactures, or financial services. They can divert expenditure and the nation's resources from economic services to the war efforts and they can divert portfolios from domestic investment into capital flight. The civil war and genocide that happened in the 1990-2000 period in Rwanda also caused economic impacts on the country's provinces. The



wars resulted in more than [60%](http://www.udsspace.uds.edu.gh) of its 8 million people living below poverty level (Rice & Graff, 2006).

A report by an international group of human rights experts documented the disruption in agricultural production and in the lives of northern villagers. Before the war, relative to other regions in Rwanda, these Northern provinces were areas of surplus production providing potatoes to the rest of the country (Rice & Graff, 2006).

Conflict can cause poverty in several ways. Large scale, protracted violence that we see in places like Syria can grind society to a halt, destroy infrastructure, and cause people to flee, forcing families to sell or leave behind all their assets. In Syria, around 70% of the entire population now lives below the poverty line — this in a country where extreme poverty was once very rare. Women often bear the brunt of conflict: during periods of violence, female-headed households become very common. And because women often have difficulty getting well-paying work and are typically excluded from community decision-making, their families are particularly vulnerable (Myers, 2019).

But even small bouts of violence can have huge impacts on communities that are already struggling. For example, if farmers are worried about their crops being stolen, they won't invest in planting. Women are particularly vulnerable in these kinds of conflicts, too, as they often become the targets of sexual violence while fetching water or working alone in the fields (Myers, 2019).

#### **2.1.4 Natural and Geographical Characteristics**

Many countries are inherently poor due to their geographic characteristics that predispose them to weak economic growth. For example, most Africans live much inwards from the sea coast or navigable rivers than in other regions and hence face higher transportation costs for exports. Furthermore, much of the population lives in



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countries which are landlocked. Also, these problems of distance are compounded by political barriers. Mainly, the landlocked countries are surrounded by national borders on all sides. This may constitute an irreducible barrier to trade even if they have good relations with their neighbors (UN Report, 2007).

Nevertheless, African nations appear to have more ethnic diversity than other poor nations of the world, which may make it harder to develop an interconnected economy. Typically, growth regressions find that being landlocked reduces a nation's annual growth rate by around half of 1%. Besides, much of the Africa continent is tropical and the slow economy growth of this continent is due to "the curse of the tropics". Notably, Africa's adverse climate causes poor health. The life expectancy has historically been low. Even with the population in a high-fertility, it is equally offset by high infant-mortality. This is partly caused by tropical diseases such as malaria (UN Report, 2007).

The adverse climate also leads to leached soils and unreliable rainfall. Five million to 12 million hectares of land are lost annually to severe degradation and that soil degradation affects 65 percent of African croplands and 40 percent of Asian croplands, in part because of nitrogen and phosphorus losses. Much of the Africa continent is semi-arid, with rainfall subject to long cycles and unpredictable failure. Soils derive disproportionately from a very old type of rock, which is low in micronutrients and varies considerably between localities. Since the 1960s, the semi-arid areas of Africa have been in a phase of declining rainfall. While there are no estimates of the output consequences of this decline, it may be significant, since agriculture is typically about one-quarter of GDP in this region. Given the lack of irrigation, the unpredictability of rainfall implies high risks in agriculture. This has created a hostile condition that restricts agricultural activities (UN Report, 2007).

### **2.1.5 Inadequate Access to Clean Water and Nutritious Food**

According to Myers (2019) currently, more than 2 billion people don't have access to clean water at home, while over 800 million suffer from hunger. Hunger and water insecurity are also big reasons why people struggle to escape extreme poverty. If a person doesn't get enough food, they simply don't have the strength and energy needed to work, while lack of access to food and clean water can also lead to preventable illnesses like diarrhea. And when people must travel far distances to clinics or spend what little money remains on medicine, it drains already vulnerable populations of money and assets, and can knock a family from poverty into extreme poverty.

Even if clean water sources are available, they're often located far from poor, rural communities. This means that women and girls collectively spend some 200 million hours every day walking long distances to fetch water. That's precious time that could be used working, or getting an education to help secure a job later in life (Myers, 2019).

### **2.1.6 Little or no Access to Livelihoods or Jobs**

This might seem a bit like a "no brainer." Without a job or a way to make money, people will face poverty. But it's easy to assume that if someone wants a job, they could have one. That just isn't true, particularly in developing and rural parts of the world.

Dwindling access to productive land (often due to conflict, overpopulation, or climate change), and overexploitation of resources like fish or minerals is putting increasing pressure on many traditional livelihoods (Myers, 2019).

In the Democratic Republic of Congo (DRC) for example, most of the population lives in rural communities where natural resources have been plundered over centuries of colonialism — while conflict over land disputes has forced people from the land they relied upon for food and money. Now, more than half of the country lives in extreme





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poverty. While inconsistent work and low paying jobs can land a family in poverty, absolutely no work means that a family can't get by without assistance (Myers, 2019).

### **2.1.7 Inequality**

There are many different types of inequality in the world, from economic to social inequalities like gender, caste systems, or tribal affiliations. But no matter the inequality, it generally means the same thing: unequal or no access to the resources needed to keep or lift a family out of poverty (Myers, 2019).

Sometimes inequalities are obvious, but in other situations, it can be subtle — for example, the voices of certain people or groups might not be heard in community meetings, meaning they don't get a say in important decisions. Regardless, these inequalities mean that the people affected don't have the tools they desperately need to get ahead, and for already vulnerable families, this can mean the difference between being poor or living in extreme poverty (Myers, 2019).

### **2.1.8. Lack of Infrastructure**

Imagine that you have to go to work, or to the store, but there are no roads to get you there. Or heavy rains have flooded your route and made it impassable. What would you do then? A lack of infrastructure — from roads, bridges, and wells to cables for light, cell phones, and internet — can isolate communities living in rural areas. Living “off the grid” means the inability to go to school, work, or market to buy and sell goods. Traveling farther distances to access basic services not only takes time, it costs money, keeping families in poverty. Isolation limits opportunity, and without opportunity, many find it difficult, if not impossible, to escape extreme poverty (Myers, 2019).

### **2.1.9 Limited Capacity of the Government**

Many people living in the United States are familiar with social welfare programs that people can access if they need healthcare or food assistance. But not every government can provide this type of help to its citizens — and without that safety net, there's nothing to stop vulnerable families from backsliding further into extreme poverty if something goes wrong. Ineffective governments also contribute to several of the other causes of extreme poverty mentioned above, as they are unable to provide necessary infrastructure or ensure the safety and security of their citizens in the event of conflict (Myers, 2019).

#### **2.1.10 Lack of Reserves**

According to Myers (2019) people living in poverty don't have the means to weather the storms of life. So when there is a drought, or conflict, or illness, there is little money saved or assets on hand to help. In Ethiopia for example, repeated cycles of drought have caused harvest after harvest to fail, causing a widespread hunger crisis. To cope, families will pull their children from school, and sell off everything they own to eat. That can help a family make it through one bad season, but not another. For communities constantly facing climate extremes or prolonged conflict, the repeated shocks can send a family reeling into extreme poverty and prevent them from ever recovering (Myers, 2019).



## 2.2 THE IMPACT OF MICROFINANCES ON POVERTY ALLEVIATION IN COMMUNITIES

The devastating social and economic impact of poverty has necessitated research into ways of reducing it, especially in developing countries. In 2000, the world leaders adopted the Millennium Development Goal (MDG) to fight extreme poverty in its multi-dimensions (MDGs, 2006). Policy makers, donors and non-governmental organizations (NGOs) have galvanized efforts to alleviate the grave impact of poverty and improve the poor's well-being (MDGs, 2006).

According to Devarajan, Mottaghi, Do, and Abdel Jelil, (2016) the growth in Palestine's Gross Domestic Product (GDP) was estimated at 3.5 percent in 2015 (PCBS, 2016b). This positive growth was preceded by a negative growth of 0.2 percent in 2014 (PCBS, 2016b). Prior to 2014, the Palestinian economy had undergone economic recovery over the years 2010 to 2013, with the highest GDP growth rate being reported at 12.4 percent in 2011 (PCBS, 2016b). Figure 2.1 presents GDP trends for the period 2010 – 2015. GDP growth in the West Bank slowed down to 2.5 percent in 2015 as compared to 5.3 percent in 2014(PCBS, 2016b). The decrease in economic growth in the West Bank is attributed to several reasons, including the significant decline in international aid and Israel's act of suspending the transfer of customs taxes to the Palestinian National Authority (PNA) in early 2015 (Devarajan, Mottaghi, Do, & Abdel Jelil, 2016).

On the contrary, GDP growth rate in Gaza increased to 6.8 percent in 2015, following the economic recession of 2014 when Gaza's GDP dropped by 15.1 percent compared to 2013 (PCBS, 2016b).The positive growth in Gaza's GDP for 2015 is related to the increase in international aid and construction activities (PCBS, 2016b). The growth in Palestine's GDP which was slightly higher than the growth in population has resulted



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in a small increase in GDP per capita. GDP per capita in Palestine was estimated to be 1,745.9 (Devarajan, Mottaghi, Do, & Abdel Jelil, 2016).

United States Dollars (USD) in 2015, representing a growth of 0.5 percent compared to 2014 (PCBS, 2016b). Nevertheless, this figure shows declining standards of living when considering GDP per capita in 2012 which was reported at USD 1,807.5 (PCBS, 2016b). The gap in GDP per capita between the West Bank and Gaza remains significant. GDP per capita in Gaza (USD 1,002.8) was reported at less than half that of the West Bank (USD 2,265.7) in 2015 (PCBS, 2016b) (Devarajan, Mottaghi, Do, & Abdel Jelil, 2016).

### **2.2.1 Economic Impacts of Microfinance in Ghana**

Micro-Finance Institutions (MFIs) play a pivotal role in the provision of services to the financially excluded population, particularly the poor and the informal sector (Muntambanadzo, Bhiri, & Makunike, 2013). These services rendered to the poor by MFIs have the power to transform the overall living conditions of the beneficiaries. MFIs in Ghana have contributed their quota to the development of the nation in a number ways, some of which are capital provision, provision of employment, capacity building, and community development.

#### **Capital provision**

At the very core of MFIs activities is poverty alleviation. The provision of capital to the productive poor for their economic ventures is a major step towards the attainment of this goal. MFIs provide capital to their clients in two ways. The provision of micro loans and other social intermediation services like training, empowering the poor to be able to take up economic ventures (Okezie, Bankoli, & Ebomuiche, 2014; Bishnoi, 2015; Muhammad, 2010). Otero (1999), agrees that microfinance creates access to



productive capital for the [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty. She further states that by providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society.

The other side of the capital provision to the poor is by creating avenues for them to make micro savings. Such savings, when allowed to accumulate over a period, could serve as a start-up capital. The initial savings made, sometimes serve as collateral upon which a much bigger sum is granted as a loan to the saver. Whatever form the savings may take, it inculcates the habit of savings into the poor which has a long term effect on poverty reduction.

### **Provision of Employment**

The critical role of MFIs is poverty alleviation whereby they seek to increase employment opportunities and enhance income adequate to lift the poor above the poverty line (Muntambanadzo, Bhiri, & Makunike, 2013). MFIs in Ghana play significant role when it comes to employment provision. The employment generating power of MFIs is made manifest through their capital provision. Beneficiaries of micro loans are able to create jobs which serves as employment for them. In addition to the employment created for the direct beneficiaries of loans, few hands, in some cases are also employed in the assisted micro enterprises. This makes microfinance a financial sustainable instrument capable of providing capital for and ensuring growth and sustainability in the private informal sector ignored by traditional commercial banks (Boateng, Boateng, & Bampoe, 2015). MFIs offers direct employment opportunities for both skilled and unskilled labour. The operations of MFIs are such that a large



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number of employees are required to man their various departments. From top management, down to branch staff, requires quite a sizeable number of employees, especially, when the company has branches.

Capacity Building MFIs Capacity building are efforts, projects or programs, schemes and activities that are aimed at building both the institutional and human resource capacity of financial institutions so that they can more ably and satisfactorily serve their growing customer-base while becoming operationally and financially more sustainable (Friends Consult, 2015). With this, MFIs are able to initiate projects and programmes that contributes immensely towards the capacity building of their clients in areas of loan management, customer care, pricing, marketing and selling on credit, as well as social and community issues. This is made manifest, usually, at group levels, where clients are urged to form groups to undergo training.

### **Community Development**

While the relationship between outreach and financial self-sufficiency (FSS) of microfinance institutions (MFIs) is increasingly well researched, next to nothing is known about the relationship between broader corporate social responsibility (CSR) measures of MFIs and their financial self-sufficiency (FSS). Hoepner, Liu, & Wilson (2011) said, in light of the social promise of microfinance, the CSR-FSS relationship however is also very relevant. Their results further revealed that corporate social responsibility might be a crucial driver of MFI's financial success. MFIs, their investors and policy makers appear well advised to devote more attention to MFIs' corporate social responsibility. This could be the reason why a number of community based facilities like schools, police stations, boreholes and the like have either been provided by some MFIs or renovated by them. The country has also witnessed some medical bills of patients being fully paid for by some MFIs.



## **2.3 CHALLENGES FACED BY MICROFINANCE INSTITUTIONS IN ALLEVIATING POVERTY IN COMMUNITIES**

According to Muhammad (2010) micro finance is important for the society but there is some challenges faced by micro finance institutions in Mogadishu the challenges include inadequate donor funding, insufficient support from governments, improper regulations and also the challenges include Lack of standardized reporting and performance monitoring system for microfinance institutions. According to Muhammad (2010), focus on the challenges and opportunities face microfinance sector in Pakistan, his study resulted that numerous challenges are ahead of microfinance sector like improper regulations, increasing competition, innovative and diversified products, profitability, stability, limited management capacity of micro finance institutions (MFIs) etc. On the other hand, the rapid increase in poverty in Pakistan, along with other opportunities, is paving way for the growth of this sector and offering a huge market potential for microfinance.

On the other hand according to Irobi (2008) found in his study that the major challenges of microfinance institutions in Nigeria are communication gaps and Inadequate awareness; insufficient support from governments; inadequate donor funding; less attention on financial sustainability of MFIs; lack of adequate loan or equity capital to increase loan-able funds; high turnover of MFI staff; limited support for human and institutional capacity building; illegal government and NGO operations that spoil the market; and lack of standardize reporting and performance monitoring system for MFIs .

Finally, the study found that possible ways to reduce the challenges of micro financial institutions is effective communication, adequate awareness, to get full support from



local governments and international donors to micro financial institutions in Mogadishu (Irobi, 2008).

## **2.4 ALTERNATIVE SOLUTIONS AND STRATEGIES TO POVERTY ALLEVIATION IN COMMUNITIES**

It is almost impossible for people to learn new skills or explore job opportunities when they are preoccupied with where their next meal will come from or with an impending eviction notice. It is equally difficult to concentrate on employability enhancement if their physical security is imperiled by actual or threatened violence. Basic needs can be classified as physical security and health/mental health. Physical security refers to food, housing/utilities (heat and light), clothing, clean water and sanitation, and protection from violence and physical/sexual abuse (Battle 1997).

The category of health/mental health includes health care services and initiatives that promote healthy child development and early stimulation; build self-esteem and furnish emotional support; provide counselling and mental health services; and address alcohol and drug abuse. For households that require assistance with basic needs, most of the latter are met through a combination of government-supported programs (e.g., welfare, mental health services) and through nonprofit organizations, such as food banks. Physical security and health/mental health are closely linked. The quality of food, for example, can affect health; exposure to violence or abuse can impair emotional well-being or lead to alcohol or drug abuse (Battle 1997).

The categories within basic needs should be understood as a set of interacting factors in which each area substantially affects the other. In some cases, basic needs are best met through linking strategies e.g., providing nutritious food or finding affordable



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housing for a given family. But basic needs also can be addressed through parallel strategies, such as developing neighborhood gardens or increasing the supply of affordable accommodation in the form of nonprofit and co-op housing. Removing Barriers. A second stream of intervention for poverty reduction involves the removal of barriers that prevent movement to skill building and economic development. Major activities in this stream include: ensuring access to high-quality, affordable child care; providing assistance for work-related costs; offsetting health-related costs; accommodating the needs of persons with disabilities; recognizing foreign credentials; and addressing transportation-related problems (Battle 1997). These are discussed as follow:

#### **2.4.1. Child care**

Most Canadian parents – including single parents and those with preschool children – are now in the labour force. Finding and paying for decent child care are major concerns. Parents cannot further their education, take training, or find or hold a job without child care. If the lack of adequate and affordable child care is a problem for many couples with children, it is often an insurmountable obstacle for single-parent families. Long line-ups for subsidized child care are a major reason that so many single mothers and their children are on welfare (Torjman, 1997c).

#### **2.4.2 work-related costs**

Sometimes barriers arise from the costs associated with job search or return to work – e.g. transportation for job interviews (see below), work clothing, license to drive a car or other vehicle for work purposes, professional dues or license fees, or equipment such as tools or protective gear. The Community Opportunities Development Association (CODA) helps offset some of these costs through an Innovation Loan Fund, described below (Torjman, 1997c).



### 2.4.3 health-related costs

Another major barrier to work is the costs associated with health-related conditions. These additional costs are often offset by provincial welfare systems. The primary purpose of welfare is to provide financial assistance for basic needs such as food, clothing, shelter and utilities. But welfare also plays an important role in making provision for special needs arising from health-related or disabling conditions – e.g., wheelchairs, hearing aids or special eyeglasses, prosthetic equipment, medications or medically-prescribed diets, special dental benefits, assistive devices for independent living or work, and hospital beds for people receiving medical treatment at home. For many households, the costs of these health-related items (not generally covered under Medicare) are prohibitive. Some jurisdictions extend their welfare provisions to cover the transitional period during which welfare recipients are establishing themselves in the workplace (Torjman, 1997c).

But individuals and families eventually must assume these additional costs – unless these households are fortunate to be among the minority of workers covered by an employer-based private insurance plan. Some provinces are taking steps to remove this barrier for all low-income households. As part of BC's welfare reform, the Healthy Kids program provides basic dental and vision care benefits for children in low-income working families not already covered by an employer-sponsored insurance plan. Starting in January 1997, Healthy Kids pays up to \$350 a year per child for basic dental and vision care for eligible families (Torjman 1997c).

### 2.4.4 Disability related barriers

Persons with disabilities face a variety of physical, procedural and attitudinal barriers (Torjman, 1997c). Physical barriers refer to the physical aspects of the workplace. The individual with a disability may not be able to enter the premises. Those who actually



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find a job may not be able to use the facilities such as meeting rooms, eating areas or washrooms. There may be no accommodation for visual or hearing impairments. There may be no accessible transportation to get to the job in the first place. Procedural barriers – the procedures involved in the hiring process – often exclude many potential candidates. Visually impaired persons, for example, may be unable to complete an employment application form. Hearing impaired persons may require an interpreter for a job interview. The designated skill requirements for a certain position may be unnecessarily elaborate (Torjman 1997c).

Attitudinal barriers arise when employers are unwilling to hire persons with disabilities because of the belief that they will be less productive than other employees. Employers may not want to assume the additional costs of retrofitting or special equipment. The stringent interpretation of safety regulations can act as a barrier to employment. Members of ethnic minorities and Aboriginal Canadians also report that they face attitudinal barriers. These barriers can be lowered through job or workplace accommodation. Changes may be made to the physical structure of the workplace, the technologies employed to carry out a job and the job itself, such as flexible hours. Common types of accommodation include installation of ramps and rearrangement of internal spaces and furniture for wheelchair accessibility; specialized equipment or adaptation to existing equipment for workers with sensory or mobility impairments; and provision of attendant services at the workplace or training site. Some individuals (e.g., persons with intellectual impairments or psychiatric disabilities) may require additional accommodation such as job restructuring, modified scheduling or job coaches for on-the-job training (Torjman 1997c).



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#### **2.4.5 Skills accreditation**

New Canadians often find that the skills acquired in countries outside Canada are not recognized here by educational institutions, trade and professional associations, and employers. For these people, the problem is not the acquisition of new skills or the upgrading of their education so much as recognition of the credentials they already have. Some may need to take extra courses to make their knowledge and skills consistent with Canadian requirements. The individuals involved usually must pay for these courses on their own; the ‘Catch-22’ arises from the fact that they typically cannot find work (at least in their particular field) until they have completed these requirements (Torjman, 1997c).

#### **2.4.6 Access to transportation**

Transportation costs or accessibility (as noted above) can create a barrier to employment. It may be possible to provide a transportation subsidy, arrange a ride or carpool for certain individuals (e.g., accessible taxi service for persons with disabilities if there is no parallel transit system) or help set up a home business or work station. For example, the Suburban Job-Link Corporation, a Chicago-based nonprofit organization, combines “carpooling with community organizing and job placement to help residents of job-hungry urban communities find work in the suburbs” (Center for Neighborhood Technology 1996).

#### **2.4.7 Building Skills**

Building skills is the third major intervention for poverty reduction. For some Canadians, basic life skills training is essential before they are ready to learn work related skills or contemplate the possibility of looking for paid employment. Hundreds of workers have avoided job loss by acquiring skills required to adapt to technical changes in their workplace. The demand has grown so much that one of the literacy





organizations fostered by [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) RESO is now an effective business in its own right, having developed a unique capacity to promote literacy in a production environment (Lewis, 1998).

There are several dimensions to job search. The first entails helping individuals improve their job search skills – e.g., assessing current skills, preparing résumés, and self-marketing and presentation. The second component of job search involves the provision of information on employment vacancies through computerized listings, job banks and job search clubs. Finally, some programs are engaging job developers to help make the links between the job seeker and the employment vacancy. The COMPASS project, for example, was developed by the Nova Scotia Department of Community Services and the federal Department of Human Resources Development to help welfare recipients move into the workforce (Torjman, 1997c).

Of the various approaches, one of the most successful is the use of job developers. Their role is to meet with selected employers, explore the range of employment possibilities at those workplaces and identify the program participants most appropriate to fill the positions. The job developers do more than simply provide information about job vacancies; they effectively act as job brokers who make the link between the opportunities and the people. Employment brokering combines training, job counselling and support services (such as referral to childcare or transportation options) to help connect workers and employers. Finally, building skills includes academic upgrading and job training – e.g., computer training, data processing and trades, such as carpentry or electronics (Torjman, 1997c).

Training may lead some participants to immediate jobs; in other cases, they may seek financial or technical assistance to create their own jobs, discussed below. Government



[www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) training programs generally target the unemployed. Private business, by contrast, tends to focus training upon members of its own workforce who require upgrading or retraining in order to keep pace with changing technologies (Hum and Simpson, 1998). The fact that employers tend to focus on job-specific training has led some community groups to set up programs for designated employers who then hire the program graduates. In Winnipeg, for example, the Mennonite Central Committee, Mennonite Economic Development Associates and Eden Health Care Services formed a partnership to help welfare recipients move into the workforce. The group provides training which is specific to the needs of several different business sectors: light manufacturing, insurance firms, call centres and restaurants. One program, for example, offers a two-week training course in the use of small tools. When the program's graduates go for a job interview, they come equipped with the specific skills being sought by the light manufacturing sector (Torjman, 1997c).

While there is no guarantee that graduates will be hired, the process involves far more than a random referral. Participants at least are guaranteed a job interview. Several hundred successful job placements already have been made. Promoting Economic Development The promotion of economic development is the fourth key intervention for poverty reduction. This type of intervention includes job creation and retention, self-employment, access to capital and technical assistance. Each of these is discussed more fully below (Torjman, 1997c).

#### **2.4.8 Job creation and retention**

Job creation includes the development of small business, worker co-operatives and self-employment. While there are far too many examples of job creation to describe here (see, for example, Perry, Lewis and Fontan 1993; Douglas 1994; Shragge 1997; Ninacs 1998), there are some exemplary models that successfully have integrated economic

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and social goals. The Human Resources Development Association (HRDA) of Halifax is a case in point. Started in 1978 with \$275,000 from the municipal welfare budget, HRDA is a successful venture capital and business development group set up primarily to serve welfare recipients. Through its subsidiary, HRDA Enterprises Ltd., it has created small businesses that have placed more than 1,400 welfare recipients in newly-created jobs. It also runs a program that provides life skills training, individual counselling, temporary work placements and specialized skills training. The Association uses welfare funds to capitalize the businesses it starts. To date, it has set up 14 businesses. While four have failed and four have been sold to the employees, the other six – environmental care services, painting, property management, bakery, consultation and training, and sewing contractors – are turning a profit (Torjman, 1997c).

## 2.5 CONCLUSION

The aim of this chapter is to analyse critically the existing knowledge on the impact of micro finance institutions on poverty alleviation. This chapter also presents and discusses each of the following: the causes and effects of poverty, challenges of microfinance institution in poverty alleviation and the available strategies to alleviating poverty in communities.



## **RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

This chapter focuses on the following: the research methodology, the research design, the population and sample, the research instrument, the data collection procedure, the data analysis and conclusion

### **3.2 THE RESEARCH METHODOLOGY**

The nature of the research problem and the aims of this study imply that a qualitative research design would be appropriate; this therefore means that the qualitative research approach was used in this study. According to Johnson and Christensen (2008) when dealing with issue of understanding a social phenomenon, the best way of conducting research is to use the qualitative method. It was on the basis of the afore-mentioned that the researcher decided to use the qualitative method. The researcher used the qualitative method because the main feature of qualitative research method is that meaningful explanations of social activities that require a substantial appreciation of the perspectives, culture and “world-view” of the actors are involved.

Qualitative research is a data collection approach of inquiry, which rely on verbal data. The reason to use this approach is that what is to be studied is happening in the real world of the participants. The respondents will describe their everyday experiences relating to the impact of micro finance institutions on poverty alleviation in the Bawku Municipality (Thompson, 2002).

Qualitative research methods have the additional advantage of gathering subjective data that can come directly from the source being investigated. Qualitative methods are also effective in identifying intangible factors, such as social norms, socio economic status,





gender roles, ethnicity, and [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) religion, whose role in the research issue may not be readily apparent (Mack, Cynthia, Kathleen, Greg and Emily, 2011).

### 3.3 THE RESEARCH DESIGN

The qualitative research design that was used in this study is the case study. Yegidis and Weinbach (2000) define research design as a plan for conducting research that is implemented to find answers to the researcher's focused.

A qualitative case study is an approach to research that facilitates exploration of a phenomenon within its context using a variety of data sources. This ensures that the issue is not explored through one lens, but rather a variety of lenses which allows for multiple facets of the phenomenon to be revealed and understood (Pamela & Susan, 2008) Judith (2004) states that the case study approach was particularly appropriate for this study because it gave an opportunity for one aspect of a problem to be studied in some in-depth within a limited time scale.

According to Donna (2001) case study is a systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest. The key features of a "case study" are its scientific credentials and its evidence base for professional applications. McLeod (2008:1) explains that case studies are in-depth investigations of a single person, group, event or community. Typically data are gathered from a variety of sources and by using several different methods (e.g. observations & interviews). Case studies allow a researcher to investigate a topic in far more detail than might be possible if they were trying to deal with a large number of research participants.

### **3.4 POPULATION AND SAMPLING**

The population, sampling size and sampling technique used in this study are presented below:

#### **3.4.1 Population**

A population is a group of elements or causes, whether individuals, objects or events, that conform to specific criteria and to which we intend to generalize the results of the research (McMillan & Schumacher, 1997). In this study the population comprised all members of the Bawku Municipality.

Population and sampling determine where and from whom data will be collected. One goal of scientific research is to describe the nature of a population; a group or a class of subjects or variables cannot be examined due to time and resource constraints, therefore the researcher will follow the usual procedure by taking a sample from the population that is representative of the entire population (Marie, 1997). According to Rick (2006) a “population” consists of all the subjects you want to study.

#### **3.4.2 Sampling**

According to De Vos (1998) a sample is a group of subjects or situations selected from a larger population. A sample comprises the elements of the population considered for actual inclusion in the study. A sample can be viewed as a subject of measurements drawn from a population in which we are interested.

In this study the researcher used purposive sampling technique to select twelve (12) community members from twelve different households in the Bawku Municipality.



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According to McMillan and Schumacher (1997) purposive sampling technique is based entirely on the judgment of the researcher, in that a sample is composed of elements that contain the most characteristics, representative or typical attributes of the population. On the basis of the researcher's knowledge of the population a judgment is made about which subjects should be selected to provide the best information to address the purpose of the research.

According to Mack, Cynthia, Kathleen, Greg, and Emily (2011) purposeful sampling groups participants according to preselected criteria relevant to a particular research question. Sampling sizes which may or may not be fixed prior to data collection depend on the resources and time available, as well as the study's objectives. Purposive sampling is therefore most successful when data review and analysis are done in conjunction with data collection.

### **3.5 DATA COLLECTION INSTRUMENT**

In this study, the researcher used face-to-face in-depth individual interviews to gather in-depth information about the view points and opinions of the respondents concerning the impact of micro finance institutions on poverty alleviation in the Bawku Municipality.

According to White (2005) an interview provides “access to what is inside a person's head, (it) makes it possible to measure what a person knows (knowledge or information), what a person likes or dislikes (values and preferences), and what a person thinks (attitudes and beliefs)”.





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Gajendra and Kanka (1990) defined an interview as a conversation between two or more people where one or more of the participants take the responsibility for reporting the substance of what is said. It represents an interaction between three elements: the interviewer, the interviewee and the context of the interview including the questions raised in the interview.

According to Bradley (2014) interviews are a way to tap human resources for qualitative research. Qualitative action research data collection procedures can include interviews with individuals and groups of individuals. Obtaining information from individuals directly associated with the research topic can be very enlightening. A researcher may interview individuals singularly or collectively. It is important that the researcher get an insight into the participant's perspective. This can best be accomplished by supplementing close-ended questions with open-ended in an interview setting.

According to Boyce and Neale (2006) In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation. In-depth interviews are useful when you want detailed information about a person's thoughts and behaviours or want to explore new issues in depth. Interviews are often used to provide context to other data (such as outcome data), offering a more complete picture of what happened in the program and why. The primary advantage of in-depth interviews is that they provide much more detailed information than what is available through other data collection methods, such as surveys. They also may provide a more relaxed atmosphere in which to collect information—



people may feel more comfortable having a conversation with you about their program as opposed to filling out a survey.

### **3.6 DATA COLLECTION METHOD**

The researcher in this study used field notes to collect data from the participants. The researcher started writing down the direct words of the participants immediately the interview had begun.

According to Stephen and Shane (2000) collecting data by means of field notes involves the researcher making free form of notes to record information he or she believes to be salient. The advantages of this form of data collection are that it is cheap and simple. Malcolm (2010) also states that making notes through an interview is cheap, relatively straightforward, and often effective.

### **3.7 DATA ANALYSIS**

The researcher collected the data from the participants and then analysis them by developing code from the data, categorise them and develop themes from the data. Analysis of data obtained from interviews was done through identifying common themes from the respondents' description of their experiences. Irrelevant information was separated from relevant information in the interviews. The relevant information was broken into phrases or sentences, which reflected a single, specific thought. The phrases or sentences were further grouped into categories that reflected the various aspects of meanings. The various meanings identified were used to develop an overall description as seen by the respondents (McMillan & Schumacher, 1997).

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According to McMillan and Schumacher (2006) qualitative data analysis is primarily an inductive process of organising the data into categories and identifying patterns among the categories. The inductive process of qualitative research means that the researcher develops theories from the information that has been gathered. The gathering of information involves selecting data, using techniques for data collection and the transcriptions through conversations.

According to White (2005) qualitative data analyses involves becoming familiar with the data in depth to provide detailed descriptions of the situation, participants and activities categorizing and coding pieces of data and physical grouping into themes and interpreting and synthesizing the organized data into understanding.

### **3.8 CONCLUSION**

This chapter has presented and discussed each of the following: the research methodology, the research design, the population and sample, the research instrument, the data collection procedure and data analysis.



## **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

### **4.1 INTRODUCTION**

In chapter 3 aspects of methodology that were related and had significant bearing on this study were discussed. This chapter four on the other hand, will attempt to report on the analysis and interpretation of the results obtained through the data collected. The discussions in this chapter will therefore include: the analytical method used, data presentation and interpretation, discussions of the findings and conclusion.

### **4.2 ANALYTICAL METHOD OF DATA**

For this research study, data were obtained through face to face interviews with twelve (12) community members from twelve different households in the Bawku Municipality. Data were repeatedly scrutinised, synthesised and transcribed into text. The goal of the researcher in the data-analysis stage was to create descriptive, multi-dimensional categories for the analysis of the data through the process of coding. Coding of data refers to an analytical process in which data are categorised to facilitate the analysis of data (Marie, 1997).

Collected data was thematically analysed where raw data was set into meaningful segments and codes into categories. Related categories were grouped and they led to themes. Findings were derived from emerging themes from data (MacMillan & Schumacher, 2010). Data analysis is an attempt to identify the presence or absence of meaningful themes, common or divergent ideas, beliefs and practices. Data analysis in qualitative research is primarily an inductive process of organising data into categories and identifying pattern among categories (Maree, 2007). To avoid using participant's real names, participants were named with alphabets.



### 4.3 DATA PRESENTATION

The analyses of the responses to each question, as well as the excerpts and examples from participants are presented follow:

#### 4.3.1 How does corruption from government officials contribute to poverty in the communities?

Responses to this question were that corruption from government officials contribute to poverty in the communities in the following ways: It prevents communities from taking certain rightful and supportive projects that will alleviate poverty among peoples in the communities, it brings about hopelessness and joblessness, it denies people of the national development benefits, it brings about illiteracy and also revenues for developmental projects are sometimes embezzled by the officials. The following voices support the responses:

**Respondent A (Community Member):** *It prevents them from taking certain rightful and supportive projects that will in alleviating poverty among peoples in the communities.*

**Respondent C (Community Member):** *It brings about hopelessness and joblessness.*

**Respondent E (Community Member):** *It denies people of the national development benefits*

It was also mentioned by the respondents that corruptions from government officials contribute to poverty in the communities in the following ways: corrupt government officials keep money supposed to be used to reduce poverty among themselves, it takes developmental projects to places they are not needed, it makes a lot of public funds goes into private pockets, it limits governments' ability to execute projects that could



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boost people's ability to engage in economic activities and also subsidized fertilizer are sometimes smuggled out of the town by officials. The following words confirm the responses:

**Respondent B (Community Member):** *Corrupt government officials keep money supposed to be used to reduce poverty among themselves.*

**Respondent D (Community Member):** *Taking developmental projects to places they are not needed*

**Respondent G (Community Member):** *Where a lot of public funds goes into private pockets it limits governments' ability to execute projects that could boost people's ability to engage in economic activities*

#### **4.3.2 Could you please explain to me how the lack of education contributes to poverty among community people?**

Community members highlighted that the lack of education contribute to poverty among community people in the following ways: some businesses in Ghana requires educated people to be employed but most people in community lack such education, lack of knowledge and competency for jobs, inability to read and write, lack of needed employable skills and lack of education would lead to unemployment and increases the dependency rate. The following comments support the highlights:

**Respondent A (Community Member):** *Some businesses in Ghana requires educated people to be to undertake and most people in community lack such education*

**Respondent H (Community Member):** *Lack of knowledge and competency for jobs*

**Respondent K (Community Member):** *Lack of education would lead to unemployment and increases the dependency rate*



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Members also mentioned the following as some ways that the lack of education can contribute to poverty among community people: ignorance about the existence of jobs, it leads to lack of empowerment to take advantage of job opportunities, people are unaware of their power and influence on government policies, entrepreneurial skills and creativity of the people may not be well developed and they end up making incomes that may only keep their standard of living low and there will be lack of motivation.

The following responses support the highlights:

**Respondent B (Community Member):** *It leads to lack of empowerment to take advantage of job opportunities*

**Respondent D (Community Member):** *People are unaware of their power and influence on government policies*

**Respondent L (Community Member):** *Entrepreneurial skills and creativity of the people may not be well developed and they end up making incomes that may only keep their standard of living low*

#### **4.3.3: Generally, what are the causes of poverty among the people in this municipality?**

Respondent mentioned the following as the causes of poverty among the people in the municipality: lack of jobs, laziness and illiteracy, irregular rainfall pattern, inadequate or lack of microcredit facilities, bad road networks for farming and business, lack of education and failure to appreciate entrepreneurship skills. The following excerpts confirm the mentions:

**Respondent A (Community Member):** *The causes of poverty among the people include lack of jobs, laziness and literacy.*



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**Respondent I (Community Member):** *Inadequate or lack of microcredit facilities.*

**Respondent L (Community Member):** *Failure to appreciate entrepreneurship skills*

Members of the community also mentioned the following as some of the causes of poverty among the people in the municipality: high population of the people, conflicts and natural disasters, maintenance of poor attitude towards work and cultural practices, difficulty in accessing credit facilities for business setups, lack of credit facilities, high dropout among female students and the manner in which everyone is dependable on government for jobs.

**Respondent A (Community Member):** *Conflicts and natural disasters*

**Respondent A (Community Member):** *Maintenance of poor attitude towards work and cultural practices*

**Respondent A (Community Member):** *Difficulty in accessing credit facilities for business setups*

#### **4.3.4 Do you think policy makers, donors and non-governmental organizations help in alleviating poverty in this community?**

The views of the respondents were that NGO's like world vision help in training people in the community on bead and soap making and the likes which makes the people self-employed, policy makers, donors and non-governmental organization, policy makers, donors and non-governmental organizations, by providing microfinance institution, providing good drinking water and other social amenities, policy makers, donors and non-governmental organizations bring developmental projects to the community. Eg world vision, policy makers, donors and non-governmental organizations, policy makers, donors and non-governmental organizations provide social amenities and to



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some extent yes, but very marginal. This is because most of the attempts made could not to sustain and some do not get target groups. The excerpts that follow support the views:

**Respondent B (Community Member):** *Yes, NGO's like world vision help in training people in the community on bead and soap making and the likes which makes the people self employed*

**Respondent C (Community Member):** *By providing microfinance institution, providing good drinking water and other social amenities*

**Respondent D (Community Member):** *To some extent yes, but very marginal. This is because most of the attempts made could not be sustained and some do not get target groups.*

#### **4.3.5 Do you think microfinance institutions play a great role in providing credit to the rural poor in this community? Explain**

The belief of the members were that microfinance institutions do provide people with loans that help them engage in businesses, farming and so on, they provide groups with loans especially women on friendly payment terms, loans given is used by people to expand their businesses and the offer low interest rates credit facilities to women groups. The following examples confirm the beliefs:

**Respondent A (Community Member):** *They provide people with loans that help them engage in businesses, farming and so on.*

**Respondent D (Community Member):** *They provide groups with loans especially women on friendly payment terms*



**Respondent F (Community Member):** *It has low interest rates credit facilities among women groups*

It was also the belief of some members that most people do not know the importance of microfinance institutions, most of the people do not know how to access credit from microfinance institutions and this is largely due to the unfriendly terms provided by these institutions and that the rural poor are mostly averse to risks. The following examples confirm these beliefs:

**Respondent E (Community Member):** *Loans given is used by people to expand their businesses*

**Respondent G (Community Member):** *No, most of the people do not know how to access credit from microfinance institutions*

**Respondent I (Community Member):** *No, and this is largely due to the not so friendly terms provided by these institutions. The rural poor are mostly averse to risks*

#### **4.3.6 Generally, do microfinances have positive impacts on the lives of people of Bawku? Explain**

The responses from members were that microfinance institutions are able to provide people in the community with loans that helps them engage in business which in turn gives them high yield, microfinances alleviate poverty; provide incomes and community members self-sufficient. It was also said that microfinance institutions help farmers to improve their agricultural activities in the communities, they train people on how to manage their businesses and create job opportunities in the community. The voices below confirm the responses:



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**Respondent A (Community Member):** *These institutions are able to provide people in the community with loans that helps them engage in business which in turn gives them high yield.*

**Respondent D (Community Member):** *Yes by alleviating their poverty, providing them incomes, making self-sufficient.*

**Respondent F (Community Member):** *Yes, it helps farmers improve agricultural activities in the community.*

The feelings from the respondents were also said microfinances help to improve the standard of living of the communities, they provide low-interest rate facilities for people and they give loans and also supervise people for better revenue. The excerpts below confirm the feelings:

**Respondent C (Community Member):** *Improves the standard of living of the communities*

**Respondent L (Community Member):** *Yes, the loan and supervision they do encourages people to work effectively in return for better revenue*

**Respondent G (Community Member):** *Yes, its provides low-interest rate facility*

Only two members had the beliefs that microfinances have no impact on the lives of the community people because their high transaction cost and other terms of borrowing is preventing the very poor who should be beneficiaries from having access to micro credit and also most people do not patronise them due to ignorance about the operating the system. The examples below support the beliefs:



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**Respondent B (Community Member):** *No, high transaction cost and other terms of borrowing is preventing the very poor who should be beneficiaries from having access to micro credit*

**Respondent I (Community Member):** *No, because most people do not patronise them due to ignorance about the operating the system*

**4.3.7 How true is it that most microfinance institutions faced challenges because their borrowing terms and conditions are unfriendly to the municipality people?**

Respondents reacted to this question by claiming that the borrowing terms and conditions are unfriendly to the municipality people due to the fact that their loans are given based on peoples savings, microfinance institutions demands for collateral security makes it difficult for people to come by, their high interest rates also scares away the people, they also demand short payment period, most community members are not eligible for loans from these microfinance because of their terms, their consequences for loan default is high and most people are ignorant about the terms and conditions of the microfinance institutions. The following excerpts confirm the reactions:

**Respondent D (Community Member):** *The borrowing terms and conditions are unfriendly to the municipality people due to the fact that their loans are given based on peoples savings*

**Respondent H (Community Member):** *The demand for collateral makes it difficult for people to come by and high interest rates scares away the people*

**Respondent I (Community Member):** *Most community members are not eligible for loans from these microfinance.*



#### **4.3.8 How true is it that most micro finances faced challenges because they have high interest rates and high transaction cost?**

Respondents asserted that due to microfinance high interest rates and high transaction cost most people do not patronize on their loans, high interest rates and high transaction costs make it difficult for customers to access loans, most of these microfinance have higher interest rates than banks and it is evidenced by the fact that a lot of people want to go for loans but are afraid there is no investment that can enable them pay back when the time is due. The responses below confirm the assertions:

**Respondent A (Community Member):** *Due to microfinance high interest rates and high transaction cost makes most people not patronize their loans*

**Respondent E (Community Member):** *High interest rates and high transaction costs makes it difficult for customers to access loans*

**Respondent F (Community Member):** *It is not true because most of these microfinance have higher interest rates than the banks.*

#### **4.3.9 What challenges do microfinances face in alleviating poverty in Bawku?**

The challenges microfinances face in alleviating poverty in the Bawku municipality mentioned by the respondents include: complains about the high interest rates and transaction rates, loans default, inadequate micro credit institutions, lack of credit worthiness of customers, government interference, economic instability, many people do not patronise the services of microfinance, sometime difficult for them to get their monies back from the people and low profit due to ignorance of the benefit of microfinance in the community. The following examples support the mentions:

**Respondent B (Community Member):** *Lack of credit worthiness of customers*



**Respondent F (Community Member):** *Government interference*

**Respondent H (Community Member):** *Many people do not patronise the services of microfinance*

It was also mentioned by the community people that the following were some of the challenges faced by the microfinance institutions: inability for them to reach out to many people and to educate them, lack of funds to give support to businesses to grow, deviation from the concept of microfinance which is helping the poor, most staff lack the requisite expertise in finance and operating of microfinance institutions, loss of confidence in these institutions on the part of the people because some have lost their investment kept by some microfinance institutions in the past years, lack of identifiable women groups in community, illiteracy and the inability of local people to pay back their loans. The excerpts below support the mentions:

**Respondent A (Community Member):** *People in Bawku do complain about the high interest rates and high transaction cost of the microfinance.*

**Respondent A (Community Member):** *Most staff lack the requisite expertise in finance and operating of microfinance institutions*

**Respondent A (Community Member):** *Loss of confidence in these institutions on the part of the people. People have lost their investment with some microfinance institutions in the past years.*



#### 4.4 DISCUSSIONS OF THE FINDING

The following discussions are based on research objectives set to achieve earlier on in chapter one. These objectives are:

- To ascertain the cause of poverty among the people of Bawku.
- To find out the impact of microfinances on the lives of people of Bawku.
- To assess the challenges faced by microfinance institutions in alleviating poverty among the people of Bawku.

The detailed discussions of the findings under each objective are presented below:

##### 4.4.1 To ascertain the cause of poverty among the people of Bawku.

With this objective, a question was asked on how corruption from government officials contributes to poverty in the communities. The findings were that corruption from government officials contribute to poverty in the communities in the following ways: It prevents communities from taking certain rightful and supportive projects that will alleviate poverty among peoples in the communities, it brings about hopelessness and joblessness, it denies people of the national development benefits, it brings about illiteracy and also revenues for developmental projects are sometimes embezzled by the officials. The following voices came from some members:

*It prevents them from taking certain rightful and supportive projects that will in alleviating poverty among peoples in the communities.*

*It brings about hopelessness and joblessness.*

*It denies people of the national development benefits*



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To confirm the findings, Reber (1988) hypothesized that corruption is more likely to occur in an environment where officials have monopolistic control over state resources such as who can gain access to the resource. While the mechanisms for holding these officials responsible for their actions are weak and this reduces private investment in that society. It is widely recognized today as a symptom of poor governance and a major obstacle to poverty reduction efforts which causes reduction in quality of goods and services available to the public. While in the past, some scholars argued that corruption could increase economic efficiency in countries with burdensome regulations and dominant government role in the economy (Mauro, 1997).

It was also found that corruptions from government officials contribute to poverty in the communities in the following ways: corrupt government officials keep money supposed to be used to reduce poverty among themselves, it takes developmental projects to places they are not needed, it makes a lot of public funds go into private pockets, it limits governments' ability to execute projects that could boost people's ability to engage in economic activities and also subsidized fertilizer are sometimes smuggled out of the town by officials. The following words were made by some members:

*Corrupt government officials keep money supposed to be used to reduce poverty among themselves.*

*Taking developmental projects to places they are not needed*

*Where a lot of public funds goes into private pockets it limits governments' ability to execute projects that could boost people's ability to engage in economic activities*



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In confirmation with the findings above, Mauro (1997), Bardhan (1997) claim the reality the attitude of corruption slows the rate of poverty reduction, undermines economic growth, and the general welfare of the community of that particular country (Mauro, 1997). It can thus be expected that corrupt government are interested in private gains rather than in supporting the development of their own people and countries (Bardhan, 1997).

Again, still on the objective, a question was asked on how the lack of education contributes to poverty among community people and the findings were that lack of education contribute to poverty among community people in the following ways: some businesses in Ghana requires educated people to be employed but most people in community lack such education, lack of knowledge and competency for jobs, inability to read and write, lack of needed employable skills and lack of education would lead to unemployment and increases the dependency rate. The following comments came from some people:

*Some businesses in Ghana requires educated people to be to undertake and most people in community lack such education*

*Lack of knowledge and competency for jobs*

*Lack of education would lead to unemployment and increases the dependency rate*

Mshoro (2010) concurs with the above findings when states that poverty is not only a problem of low incomes but it is a multidimensional problem that includes low access to opportunities for developing human capital and education. Due to the multidimensional problem, more attention needs to be focused on investment in human capital, particular in education as a means to increase earnings, quality of jobs and



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improving the quality of life such as better utilization of health facilities, shelter, water and sanitation. Statistically, the effect of schooling exists with rates of return as high 16 percent per year. However, poor countries increase their poverty level due to lack of training skills, productive knowledge and transforms human beings into more valuable human capital and education (Mshoro, 2010).

Also, it was found that the lack of education can contribute to poverty among community people: ignorance about the existence of jobs, it leads to lack of empowerment to take advantage of job opportunities, people are unaware of their power and influence on government policies, entrepreneurial skills and creativity of the people may not be well developed and they end up making incomes that may only keep their standard of living low and there will be lack of motivation. The following responses were presented by some members:

*It leads to lack of empowerment to take advantage of job opportunities*

*People are unaware of their power and influence on government policies*

*Entrepreneurial skills and creativity of the people may not be well developed and they end up making incomes that may only keep their standard of living low*

According to Mshoro (2010) without education it would not broaden the base understanding among people which would deter the democratic process which in turn could not pave the way to the promotion of sustainable development, through a better understanding of the intimate relation between environment, ecology and sustainable development. Thus, by strengthening democratic forces, education would help in promoting sustainable human development, making rapid social progress, including abolition of containment of the elite's discretionary power and wider social equity.



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Education can be a life empowering experience for all and what the poor needs most is empowerment. Thus, education serves at the same time both the constitutive and instrumental roles of development (Mshoro, 2010).

Still on the objective, the study also investigated on the general causes of poverty among the people in the municipality and found the following to be the causes of poverty among the people in the municipality: lack of jobs, laziness and illiteracy, irregular rainfall pattern, inadequate or lack of microcredit facilities, bad road networks for farming and business, lack of education and failure to appreciate entrepreneurship skills. The following expressions below came from some members:

*The causes of poverty among the people include lack of jobs, laziness and literacy.*

*Inadequate or lack of microcredit facilities.*

*Failure to appreciate entrepreneurship skills*

This might seem a bit like a “no brainer.” Without a job or a way to make money, people will face poverty. But it’s easy to assume that if someone wants a job, they could have one. That just isn’t true, particularly in developing and rural parts of the world. Dwindling access to productive land (often due to conflict, overpopulation, or climate change), and overexploitation of resources like fish or minerals is putting increasing pressure on many traditional livelihoods (Myers, 2019).

To confirm the findings, Myers (2019) states that in the Democratic Republic of Congo (DRC) for example, most of the population lives in rural communities where natural resources have been plundered over centuries of colonialism — while conflict over land disputes has forced people from the land they relied upon for food and money. Now, more than half of the country lives in extreme poverty. While inconsistent work and



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low paying jobs can land a family in poverty, absolutely no work means that a family can't get by without assistance (Myers, 2019).

The following were also found to be the causes of poverty among the people in the municipality: high population of the people, conflicts and natural disasters, maintenance of poor attitude towards work and cultural practices, difficulty in accessing credit facilities for business setups, lack of credit facilities, high dropout among female students and the manner in which everyone is dependable on government for jobs. The following comments came from some people:

*Conflicts and natural disasters*

*Maintenance of poor attitude towards work and cultural practices*

*Difficulty in accessing credit facilities for business setups*

According to Myers (2019) people living in poverty don't have the means to weather the storms of life. So when there is a drought, or conflict, or illness, there is little money saved or assets on hand to help. In Ethiopia for example, repeated cycles of drought have caused harvest after harvest to fail, causing a widespread hunger crisis. To cope, families will pull their children from school, and sell off everything they own to eat. That can help a family make it through one bad season, but not another. For communities constantly facing climate extremes or prolonged conflict, the repeated shocks can send a family reeling into extreme poverty and prevent them from ever recovering (Myers, 2019).

#### **4.4.2 To find out the impact of microfinances on the lives of people of Bawku.**

With this objective, the study first investigated on whether policy makers, donors and non-governmental organizations help in alleviating poverty in this community; the



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findings were that NGO's like world vision help in training people in the community on bead and soap making and the likes which makes the people self-employed, policy makers, donors and non-governmental organization, policy makers, donors and non-governmental organizations, by providing microfinance institution, providing good drinking water and other social amenities, policy makers, donors and non-governmental organizations bring developmental projects to the community. Eg world vision, policy makers, donors and non-governmental organizations, policy makers, donors and non-governmental organizations provide social amenities and to some extent yes, but very marginal. This is because most of the attempts made could not to sustain and some do not get target groups. The views below came from some members:

*Yes, NGO's like world vision help in training people in the community on bead and soap making and the likes which makes the people self employed*

*By providing microfinance institution, providing good drinking water and other social amenities*

*To some extent yes, but very marginal. This is because most of the attempts made could not be sustained and some do not get target groups.*

According to MDGs (2006) policy makers, donors and non-governmental organizations (NGOs) have galvanized efforts to alleviate the grave impact of poverty and improve the poor's well-being (MDGs, 2006).

The study also investigated on the role of microfinance institutions in providing credit to the rural poor in this community, the findings were that microfinance institutions do provide people with loans that help them engage in businesses, farming and so on, they provide groups with loans especially women on friendly payment terms, loans given is



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used by people to expand their businesses and the offer low interest rates credit facilities to women groups. The following words came from some respondents:

*They provide people with loans that help them engage in businesses, farming and so on.*

*They provide groups with loans especially women on friendly payment terms*

*It has low interest rates credit facilities among women groups*

It was also found that most people do not know the importance of microfinance institutions, most of the people do not know how to access credit from microfinance institutions and this is largely due to the unfriendly terms provided by these institutions and that the rural poor are mostly averse to risks. The claims below came from some members:

*Loans given is used by people to expand their businesses*

*No, most of the people do not know how to access credit from microfinance institutions*

*No, and this is largely due to the not so friendly terms provided by these institutions.*

*The rural poor are mostly averse to risks*

The study also investigated on the impact of microfinances on the lives of people in Bawku, the findings were that microfinance institutions are able to provide people in the community with loans that helps them engage in business which in turn gives them high yield, microfinances alleviate poverty; provide incomes and community members self-sufficient. It was also said that microfinance institutions help farmers to improve their agricultural activities in the communities, they train people on how to manage





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their businesses and create job opportunities in the community. The voices below were made by some people:

*These institutions are able to provide people in the community with loans that helps them engage in business which in turn gives them high yield.*

*Yes by alleviating their poverty, providing them incomes, making self-sufficient.*

*Yes, it helps farmers improve agricultural activities in the community.*

It was also found that microfinances help to improve the standard of living of the communities, they provide low-interest rate facilities for people and they give loans and also supervise people for better revenue. The words below came from some people:

*Improves the standard of living of the communities*

*Yes, the loan and supervision they do encourages people to work effectively in return for better revenue*

*Yes, its provides low-interest rate facility*

It was also found that microfinances have no impact on the lives of the community people because their high transaction cost and other terms of borrowing is preventing the very poor who should be beneficiaries from having access to micro credit and also most people do not patronise them due to ignorance about the operating the system.

The feelings from some community people were:

*No, high transaction cost and other terms of borrowing is preventing the very poor who should be beneficiaries from having access to micro credit*

*No, because most people do not patronise them due to ignorance about the operating the system*

#### **4.4.3 To assess the challenges faced by microfinance institutions in alleviating poverty among the people of Bawku.**

With this objective, the study first investigated on the on whether microfinance institutions faced challenges because their borrowing terms and conditions are unfriendly to the municipality people, the findings were that borrowing terms and conditions are unfriendly to the municipality people due to the fact that their loans are given based on peoples savings, microfinance institutions demands for collateral security makes it difficult for people to come by, their high interest rates also scares away the people, they also demand short payment period, most community members are not eligible for loans from these microfinance because of their terms, their consequences for loan default is high and most people are ignorant about the terms and conditions of the microfinance institutions. The following reactions came from some members:

*The borrowing terms and conditions are unfriendly to the municipality people due to the fact that their loans are given based on peoples savings*

*The demand for collateral makes it difficult for people to come by and high interest rates scares away the people*

*Most community members are not eligible for loans from these microfinance.*

According to Muhammad (2010) micro finance is important for the society but there is some challenges faced by micro finance institutions in Mogadishu the challenges include inadequate donor funding, insufficient support from governments, improper regulations and also the challenges include Lack of standardized reporting and performance monitoring system for microfinance institutions.



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The study also investigated on how micro finances faced challenges because they have high interest rates and high transaction cost, the findings were that due to microfinance high interest rates and high transaction cost most people do not patronize on their loans, high interest rates and high transaction costs make it difficult for customers to access loans, most of these microfinance have higher interest rates than banks and it is evidenced by the fact that a lot of people want to go for loans but are afraid there is no investment that can enable them pay back when the time is due. The responses below were made by some members:

*Due to microfinance high interest rates and high transaction cost makes most people not patronize their loans*

*High interest rates and high transaction costs make it difficult for customers to access loans*

*It is not true because most of these microfinances have higher interest rates than the banks.*

According to Muhammad (2010), focus on the challenges and opportunities face microfinance sector in Pakistan, his study resulted that numerous challenges are ahead of microfinance sector like improper regulations, increasing competition, innovative and diversified products, profitability, stability, limited management capacity of micro finance institutions (MFIs) etc. On the other hand, the rapid increase in poverty in Pakistan, along with other opportunities, is paving way for the growth of this sector and offering a huge market potential for microfinance.

Again, the study investigated on the challenges microfinances faced in alleviating poverty in Bawku, the finding were: complains about the high interest rates and transaction rates, loans default, inadequate micro credit institutions, lack of credit





worthiness of customers, [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh), government interference, economic instability, many people do not patronise the services of microfinance, sometime difficult for them to get their monies back from the people and low profit due to ignorance of the benefit of microfinance in the community. The following mentions came from some community people:

*Lack of credit worthiness of customers*

*Government interference*

*Many people do not patronise the services of microfinance*

The following were also found to be the challenges faced by the microfinance institutions: inability for them to reach out to many people and to educate them, lack of funds to give support to businesses to grow, deviation from the concept of microfinance which is helping the poor, most staff lack the requisite expertise in finance and operating of microfinance institutions, loss of confidence in these institutions on the part of the people because some have lost their investment kept by some microfinance institutions in the past years, lack of identifiable women groups in community, illiteracy and the inability of local people to pay back their loans. The assertions below came from some members:

*People in Bawku do complain about the high interest rates and high transaction cost of the microfinance.*

*Most staff lack the requisite expertise in finance and operating of microfinance institutions*

*Loss of confidence in these institutions on the part of the people. People have lost their investment with some microfinance institutions in the past years.*

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To concur with the above findings, Irobi (2008) found in his study that the major challenges of microfinance institutions in Nigeria are communication gaps and Inadequate awareness; insufficient support from governments; inadequate donor funding; less attention on financial sustainability of MFIs; lack of adequate loan or equity capital to increase loan-able funds; high turnover of MFI staff; limited support for human and institutional capacity building; illegal government and NGO operations that spoil the market; and lack of standardize reporting and performance monitoring system for MFIs .

#### **4.5 CONCLUSION**

This chapter has attempted to report on the analysis and interpretation of the results obtained through the data collected, it has also presented the analytical method used, data presentation and interpretation and the discussions of the findings.



## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.0 INTRODUCTION**

This chapter presents a summary of the findings from the points of views of the participants concerning the impact of micro finance institutions on poverty alleviation in the Bawku Municipality. This summary will be followed by the researcher's conclusions as well as recommendations.

### **5.1 SUMMARY**

This research project was set out to examine the impact of micro finance institutions on poverty alleviation in the Bawku Municipality. Based on my personal observation and my interaction with members of the Bawku Municipality, it is perceived that Microfinance institutions have not adequately assisted in alleviation poverty in the Municipality. It is believe that the lives of members in the Municipality still remain the same though there are many Microfinance institutions set up mainly to help alleviate poverty in the Municipality. The microfinance role of savings and loans and rural banks in Ghana is of particular interest because the part they play in the developing of the economy in terms of their role as one of the main channel of disbursement of loans and collection of deposits as well as the main source of finance to the poorest of the poor in the economy. It is belief there is poor disbursement and the repayment of funds to economic active poor in the municipality due to factors affecting the disbursement and the repayment of funds by the microfinance institutions to their customers.

The main objective of this study is to ascertain the impact of micro finance institutions on poverty alleviation in the Bawku Municipality. The sub-objectives to be achieved in this study are:



- To ascertain the cause of poverty among the people of Bawku.
- To find out the impact of microfinances on the lives of people of Bawku.
- To assess the challenges faced by microfinance institutions in alleviating poverty among the people of Bawku.
- To ascertain alternative solutions to poverty alleviation in the Bawku Municipality.

The aim of the literature review was to analyse critically the existing knowledge on the impact of micro finance institutions on poverty alleviation, the causes and effects of poverty, challenges of microfinance institution in poverty alleviation and the available strategies to alleviating poverty in communities and conclusion.

The researcher, in order to attain the goals and objectives of the study used the qualitative research method in collecting and analysing of the data. This method was used for this investigation because qualitative methods deal with issues of understanding social phenomena and meaningful explanations of this phenomenon to others.

In this study the researcher used purposive sampling technique to select twelve (12) community members from twelve different households in the Bawku Municipality. This technique was used because only those who had interest in the study were been interviewed.

Face-to-face individual interviews were used to gather information about the view points and opinions of the participants concerning the impact of micro finance institutions on poverty alleviation in the Bawku Municipality.

In the study the researcher analysed the data by capturing the patterns and direct words of the participants that were interviewed through note taking. The researcher then used



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the manual method to analysed the data. This was done by the researcher categorizing and coding the data and then grouping them into themes. Finally, the data was interpreted and conclusions drawn. Participants used in the study had understanding of the purpose of the research. Participants used in the study had understanding of the purpose of the research.

## 5.2 CONCLUSION

The researcher is of the opinion that this research study had investigated the impact of micro finance institutions on poverty alleviation in the Bawku Municipality. In Chapter 1, an outline was given of the statement of the research problem, the research objectives, the research questions, significance of the study, limitations and delimitations, as well as ethical considerations. In Chapter 2, the researcher gave a literature review of what other authors have said about the problem under study. Chapter 3 gave an outline of the research methodology and design used in the study. Chapter 4 presented the data and the analysis. Based on the objectives and the research question certain inferences were drawn. Some of the findings were as follows:

The findings were that corruption from government officials contribute to poverty in the communities in the following ways: It prevents communities from taking certain rightful and supportive projects that will alleviate poverty among peoples in the communities, it brings about hopelessness and joblessness, it denies people of the national development benefits, it brings about illiteracy and also revenues for developmental projects are sometimes embezzled by the officials.

It was also found that corruptions from government officials contribute to poverty in the communities in the following ways: corrupt government officials keep money supposed to be used to reduce poverty among themselves, it takes developmental



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projects to places they are not needed, it makes a lot of public funds goes into private pockets, it limits governments' ability to execute projects that could boost people's ability to engage in economic activities and also subsidized fertilizer are sometimes smuggled out of the town by officials.

Again, the findings were that lack of education contribute to poverty among community people in the following ways: some businesses in Ghana requires educated people to be employed but most people in community lack such education, lack of knowledge and competency for jobs, inability to read and write, lack of needed employable skills and lack of education would lead to unemployment and increases the dependency rate.

Also, it was found that the lack of education can contribute to poverty among community people: ignorance about the existence of jobs, it leads to lack of empowerment to take advantage of job opportunities, people are unaware of their power and influence on government policies, entrepreneurial skills and creativity of the people may not be well developed and they end up making incomes that may only keep their standard of living low and there will be lack of motivation.

Still on the objective, the study also investigated on the general causes of poverty among the people in the municipality and found the following to be the causes of poverty among the people in the municipality: lack of jobs, laziness and illiteracy, irregular rainfall pattern, inadequate or lack of microcredit facilities, bad road networks for farming and business, lack of education and failure to appreciate entrepreneurship skills.

The following were also found to be the causes of poverty among the people in the municipality: high population of the people, conflicts and natural disasters, maintenance of poor attitude towards work and cultural practices, difficulty in





accessing credit facilities [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh) for business setups, lack of credit facilities, high dropout among female students and the manner in which everyone is dependable on government for jobs.

The findings were that NGO's like world vision help in training people in the community on bead and soap making and the likes which makes the people self-employed, policy makers, donors and non-governmental organization, policy makers, donors and non-governmental organizations, by providing microfinance institution, providing good drinking water and other social amenities, policy makers, donors and non-governmental organizations bring developmental projects to the community. Eg world vision, policy makers, donors and non-governmental organizations, policy makers, donors and non-governmental organizations provide social amenities and to some extent yes, but very marginal. This is because most of the attempts made could not to sustain and some do not get target groups.

The study also investigated on the role of microfinance institutions in providing credit to the rural poor in this community, the findings were that microfinance institutions do provide people with loans that help them engage in businesses, farming and so on, they provide groups with loans especially women on friendly payment terms, loans given is used by people to expand their businesses and the offer low interest rates credit facilities to women groups.

It was also found that most people do not know the importance of microfinance institutions, most of the people do not know how to access credit from microfinance institutions and this is largely due to the unfriendly terms provided by these institutions and that the rural poor are mostly averse to risks.

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The study also investigated on the impact of microfinances on the lives of people in Bawku, the findings were that microfinance institutions are able to provide people in the community with loans that helps them engage in business which in turn gives them high yield, microfinances alleviate poverty; provide incomes and community members self-sufficient. It was also said that microfinance institutions help farmers to improve their agricultural activities in the communities, they train people on how to manage their businesses and create job opportunities in the community.

It was also found that microfinances help to improve the standard of living of the communities, they provide low-interest rate facilities for people and they give loans and also supervise people for better revenue.

It was also found that microfinances have no impact on the lives of the community people because their high transaction cost and other terms of borrowing is preventing the very poor who should be beneficiaries from having access to micro credit and also most people do not patronise them due to ignorance about the operating the system.

The study first investigated on the on whether microfinance institutions faced challenges because their borrowing terms and conditions are unfriendly to the municipality people, the findings were that borrowing terms and conditions are unfriendly to the municipality people due to the fact that their loans are given based on peoples savings, microfinance institutions demands for collateral security makes it difficult for people to come by, their high interest rates also scares away the people, they also demand short payment period, most community members are not eligible for loans from these microfinance because of their terms, their consequences for loan default is high and most people are ignorant about the terms and conditions of the microfinance institutions.



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The study also investigated on how micro finances faced challenges because they have high interest rates and high transaction cost, the findings were that due to microfinance high interest rates and high transaction cost most people do not patronize on their loans, high interest rates and high transaction costs make it difficult for customers to access loans, most of these microfinance have higher interest rates than banks and it is evidenced by the fact that a lot of people want to go for loans but are afraid there is no investment that can enable them pay back when the time is due.

Again, the study investigated on the challenges microfinances faced in alleviating poverty in Bawku, the finding were: complains about the high interest rates and transaction rates, loans default, inadequate micro credit institutions, lack of credit worthiness of customers, government interference, economic instability, many people do not patronise the services of microfinance, sometime difficult for them to get their monies back from the people and low profit due to ignorance of the benefit of microfinance in the community.

The following were also found to be the challenges faced by the microfinance institutions: inability for them to reach out to many people and to educate them, lack of funds to give support to businesses to grow, deviation from the concept of microfinance which is helping the poor, most staff lack the requisite expertise in finance and operating of microfinance institutions, loss of confidence in these institutions on the part of the people because some have lost their investment kept by some microfinance institutions in the past years, lack of identifiable women groups in community, illiteracy and the inability of local people to pay back their loans.



### 5.3 RECOMMENDATIONS

Based on the findings, the researcher wishes to present the following recommendations:

It is recommended that mechanisms should be put in all government and municipal organisations to ensure money and funds meant for communities are thoroughly channeled to those communities. All suspicious activities in the form of corruption should be reported and the necessary actions taken.

It is also recommended that all developmental projects should be taken to communities that need those projects to help alleviate poverty in those communities. Steps must also be taken to ensure fertilizers meant for farmers in the communities are not smuggled out for sale.

It is recommended that education and entrepreneurial skills training should be taken to the door step of the communities where it is made affordable if not free so as to encourage all people to be educated and to gain some skills and competences that would enable them to be employed.

It is also recommended that more micro financé institutions must be set in the communities to grant short loans to the people. These institutions must ensure their terms of loan acquisitions are flexible and easy for the community people to apply for some loans.

It is also recommended that private and public businesses must be encouraged to open their branches in the communities where some members can be employed. These people must also be counselled not to be lazy but must be hard working. The municipality must also ensure the roads are good for the usage of both local and commercial farmers.



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It is also recommended that health professional must be employed to talk to the people to plan their families and to have less children to take care of. It is also recommended government should established agencies responsible for maintaining peace in the communities where people can do business with no sign of chieftaincy conflicts and war.

It is also recommended that NGOs must assist in training people in the community on bead and soap making so they can become self-employed. Also, policy makers, donors and non-governmental organization should help to provide the people with good drinking water and other social amenities.

It is also recommended that microfinance institutions must organise community forums where they explain to the people on what they offer and how to access credit from microfinance institutions.

It is also recommended that microfinance institutions must make their borrowing terms and conditions friendly to the municipality people, they must not demand for collateral security, they should have low interest rate, they must not demand short payment period and they must make most community members to be eligible for loans.



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**INTERVIEW SCHEDULE**

**THE IMPACT OF MICRO FINANCE INSTITUTIONS ON POVERTY ALLEVIATION: A CASE STUDY OF BAWKU MUNICIPALITY**

The study on the impact of micro finance institutions on poverty alleviation at the Bawku Municipality is undertaken by the researcher Bukari Sulley in partial fulfilment of the requirement for the degree of Master of Art in Development Education Studies at the University for Development Studies (Faculty of Education).

This interview session is to gather information from you concerning the topic; this exercise is expected to last not more than thirty (30) minutes. Information gathered from this will serve as the basis for writing the term paper, therefore, your participation remain anonymous and voluntary. All your answers will be kept completely confidential. As a prospective participant, you have the right to withdraw at any point of the exercise without having to give reasons.

**Question 1.1:** How does corruption from government officials contribute to poverty in the communities?

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**Question 1.2:** Could you please explain to me how the lack of education contribute to poverty among community people

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**Question 1.3:** Generally, what are the causes of poverty among the people in this Municipality?

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**Question 2.1:** Do you think policy makers, donors and non-governmental organizations (NGOs) do help in alleviating poverty in this community? Explain.

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**Question 2.2:** Do you think microfinance institutions play a greater role in providing credit to the rural poor in this community? Explain.

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**Question 2.3:** Generally, do microfinances have positive impact on the lives of people of Bawku? Explain

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**Question 3.1:** How true is it that most microfinances faced challenges because their borrowing terms and conditions are unfriendly to the Municipality people?

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**Question 3.2:** How true is it that most microfinances faced challenges because they have high interest rates and high transaction cost?

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**Question 3.3:** What challenges do microfinances faced in alleviating poverty among the people of Bawku?

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**THANK YOU FOR YOUR PARTICIPATION**

