UNIVERSITY FOR DEVELOPMENT STUDIES

MICRO CREDIT AND POVERTY REDUCTION IN THE JIRAPA DISTRICT OF THE UPPER WEST REGION OF GHANA

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BY

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A TERM PAPER SUBMITTED TO THE DEPARTMENT OF GOVERNANCE AND DEVELOPEMNT MANAGEMENT, FACULTY OF PLANNING AND LAND MANAGEMENT, UNIVERSITY FOR DEVELOPMENT STUDIES, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE DEGREE IN DEVELOPMENT MANAGEMENT

FEBRUARY 2018

DECLARATION

I Yesseh Desmond Anwune, hereby declare that this report is the results of my own original work and besides citing from authorities whom I have duly acknowledged, no part has been presented for another degree in this university or elsewhere.

Candidate's Signature……………… Date…………………

Name: Yesseh Desmond Anwune Index Number: UDS/MDM/0362/15

SUPERVISOR

I hereby declare that the preparation and production of this report was supervised in accordance with the guidelines on supervision of thesis laid down by the University for Development Studies.

Signature: …………………….. Date ………………….

Name: Mr. Samuel Ziem Bonye

ABSTRACT

The study employed a cross sectional as its study design with a population of 50 beneficiaries of MFIs and 3 managers who were sampled using probability and non-probability samples such as the purposive and the simple random samplings. The data was collected with the questionnaire and the interview guides and the data analysed using frequencies, percentages, mean, standard deviation and the chi-square. The results revealed that microfinance institutions were into savings, insurance, mobile banking, supported agriculture with low interests. In addition, there was easiness in accessing loan and clients needed to form groups to access loan facility. Moreover, improvement in agriculture had a mean of 4.24 with standard deviation of 1.001 implying that micro credit has positively contributed to agriculture. Challenges faced by MFIs were misappropriation of loans, legal framework, and inability of clients to pay back their loans. The study recommended that, MFIs should increase their loan size so that there is a greater multiplier effect to clients, develop a component that supports medical expenses of beneficiaries, have individual lending policies that provides emergency credit to members and finally there should be a reformed legal framework by the government to enable the MFIs to make profit. This will help attract many investors to establish MFIs in the district to help farmers.

DEDICATION

I dedicate this work to you Dada, Yesseh James Wiyor Baafa for ensuring that I had the best education that any parent could ever give a child.

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LIST OF ABBREVIATIONS

ASSIP	Agricultural Services Investment Project
CBRDP	Community Based Rural Development Programme
FINSSP	Financial Sector Strategic Plan
GHAMFIN	Ghana Microfinance Network
IFAD	International Fund for Agricultural Development
MP	Microfinance Project
NGO	Non-Governmental Organisation
REP	Rural Enterprise Project
RFSP	Rural Financial Services Project
SIF	Social Investment Fund
UNDP	United Nations Development Programme

CHAPTER ONE

INTRODUCTION

Poverty reduction has been a major concern for successive governments in Ghana over the years because it is believed to be the University accepted way of achieving economic growth in the country.

The argument is that, over the years, state lep top-down models have yielded little results hence the presumption that bottom-up people centered strategies like microcredit would help the poor out of poverty. This appears to have been the thinking among feminist theories that empowerment through income generating activities could be a key in achieving the millennium goals of halving poverty by 2015.

Guided by a notion that the poor are not passive but active agents of change. The credit investment model is used to explain how microcredit could help transform the vicious cycle of poverty into a virtuous cycle/ the question is; has microcredit really transform the beneficiaries' lives over the years? Nonetheless, impact assessment studies over the years seem to challenge the normative debate that has come to frame microcredit programs.

1.0 Background to the Study

Micro-finance is generally an umbrella term that refers to the provision of a broad range of services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro-enterprises (Khawari, 2004). In addition, Adjei (2010) to micro credit refers not only to small and micro loans but also savings products, insurance leasing and other money transfer services. In a much narrower sense though, micro-finance is often referred to as micro-credit for tiny informal businesses of micro-entrepreneurs. The term micro credit is literally a modern term, which means small amount of loan. Its primary objective is to enable the poor to change their life style positively and make better than previous. An outstanding feature of micro-finance programmes is that the end users of the services are by definition the poor, the ones who benefit.

However, according to Rallens and Ghazenfa (2005), micro credit is the lending side of micro finance. It includes advancing small loans to the poor people usually without collateral. In general, the primary purpose of all credit programs for small and micro-enterprises is to raise the living standards of beneficiaries, their families and their communities through improved production in their businesses (Basu, 2005). Furthermore, Kayunze et al. (2005) added that credit enables poor people to get capital to undertake production and service provision in the process of poverty alleviation. The origin of micro credit can be traced back to 1976 when Muhammad Yunus set up the Grameen Bank, as an experiment, on the outskirts of Chitagong University campus in the village of Jobra. The inspiration of Greameen Bank came to Muhammad Yunus mind when he left the equivalent of $ 26 to $ 42 to exploit women who were working as bamboo furniture maker. He saw that, they were enthusiastic about it and paid back their loans on time. This inspiration therefore gave birth to the concept of core program for micro finance on poverty alleviation such as, savings mobilization, human development and solidarity.

To fight against poverty is a very significant and imperative goal. According to recent literature and practice it can be achieved by provision of financial services to the deficit unit of the economy which consists of masses and are ignored by the conventional credit providing institutions like banks and other financial institutions (Quereshi et al., 2014). The role of Micro Finance institutions in poverty reduction in developing economies has been increasingly realized over the years. The international year of Micro Credit declared by the United Nations for 2005 emphasized the central role played by a healthy and stable financial sector in reducing poverty in developing countries. An estimate states that about 68% of the world population is availing the facility of this credit and utilizing it for diverse uses of household, domestic, nation building and development (Rallens & Ghazenfa, 2005).

Over the past two decades, a considerable amount of multi and bilateral aid has been channeled into micro finance programmes in Ghana with varied degree of success. For instance, the establishment of Rural and Community Banks, which operate as quasi commercial banks under the banking Act, 738 of 2007 except that they cannot undertake foreign exchange operations and the minimum capital requirement is lower than that of commercial banks. The objectives of these interventions according to Addo (1998) are mobilize savings and provide credit and other banking services to the people within their operational areas especially in rural communities not served by the commercial banks. In trying to achieve these objectives Rural and community Banks collaborate with Non-Governmental Organizations (NGO) and the Government to advance credit to the rural poor. According to Ghana Microfinance Network (GHAMFIN), the organization which co-ordinates the activities of MFIs, in Ghana there were about 233 regulated and non-regulated MFIs in Ghana as at 2001. Like all development interventions, stakeholders and interested parties need to evaluate through impact assessment to ascertain the achievements and failures of the programme.

This paper is about microcredit and poverty reduction in Jirapa District in the Upper West Region of Ghana. Microfinance has a huge impact on the lives of millions of poor people. Numerous scholars and NGOs have been working to take microfinance within the reach of poor people who are still not important for all people but most groups can benefit from this idea. The paper tries to present evidence of the contributions made by microfinance in the eradication of poverty by increasing the income generating activities, empowerment or poor people to access development services such as health and education and reduction in vulnerability.

1.2 Statement of the Problem

Poverty in Ghana, like in most other sub-Saharan African countries, is predominantly a rural phenomenon. The Ghana living standards survey (2012/2013) indicates that rural population comprised 20 percent of the population is prominent the poverty incidence is much higher among those living in rural savannah. In the 12 month period 2012/13, the contribution to poverty incidence in rural savannah (Upper East, Upper West and Northern Regions of Ghana) is found to be higher than in coastal and forest combined. Notably rural savannah contributes more than 40 percent to the overall poverty in Ghana. The GLSS further stresses that seven out of every ten in Upper West (70.7%) are poor.

Rural poverty is estimated to contribute approximately 85% to national poverty. More than one-half of the population living in the rural Savannah regions of Ghana continues to be extremely poor. Poverty is highest among self-employed households, farmers and petty traders. In spite of these, agriculture, which is mainly rural-based and the core of the Ghanaian economy, remains the principal sector for the development and growth of the economy.

The aim of micro-credit according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor who are continuously ignored by the formal banking sector. In recognition of the role of micro credit in poverty reduction successive governments, donors and NGOs have responded enthusiastically with plans and strategies to help reduce poverty. Some of which include: Financial sector improvement, Financial Sector Strategic Plan (FINSSP), the rural financial services project (RFSP), the United Nations Development Programme (UNDP) Microfinance project, the social Investment Fund (SI), the community Based Rural Development Programme (CBRDP), Rural Enterprise Project (REP) and Agricultural Services Investment Project (ASSIP).

Despite these programmes, about 28.5% of Ghanaians still live below the poverty line with household income insufficient for an adequate diet. It is in line with these that the researcher believes that access to credit which is a means of generating opportunities for the poor, can reduce poverty. Therefore if the study is able to prove that rural poverty can be reduced through micro-credits, it will serve as an analytical tool for policy makers in Ghana using Jirapa District as the study setting and direct decision makers when formulating and implementing any poverty concern programme.

1.2 Research Questions

1.2.1 Main Research Questions

- What is the impact of micro credit on poverty reduction in the Jirapa District in the Upper West Region of Ghana?

1.2.2 Sub Research Questions

- What is the nature of microfinance in the Jirapa District?
- How can micro credit be accessed in the Jirapa District?
- What is the contribution of micro credit on poverty reduction in the Jirapa District?
- What are the challenges faced by micro finance institutions in the Jirapa District?

1.3 Research Objectives

1.3.1 Main Objective

- To examine the impact of micro credit on poverty reduction in the Jirapa District.

1.3.2 Sub Research Objectives

1. To determine the nature of micro finance in the Jirapa District;
2. To find out how micro credit is accessed in the Jirapa District;
3. To examine the contribution of micro credit on poverty reduction in the Jirapa District;
4. To identify the challenges faced by micro finance institutions in the Jirapa District.

1.4 Significance of the Study

Poverty reduction and its related issues have been on high priority of the governments in Ghana over the years. In line with this poverty reduction drive this research, if proven that microcredit can reduce poverty, will offer policy makers an opportunity to redesign policies that will use microcredit to reduce the incidence of poverty.

The outcome will also be a guide to non-governmental organizations to prioritize support towards poverty reduction through micro credit.

Other researchers can also use it as reference point in further research in the area of microfinance services.

1.5 Scope of the Study

The research covered micro credit programme beneficiaries and non-beneficiaries in the Jirapa District in the Upper West Region where varied micro financing activities are on-going. The questionnaire centered on respondents' social and economic activities. A comparison of all the variables under the specific objectives between the two groups were done to enable the researcher find answers to the research questions posed above.

1.6 Organisation of the Study

The whole work is organised in five chapters, which includes the chapter one that entails the background of the study to the organization of the study. Chapter two details the Literature review drawn from available reviews. Chapter three contains the methodology, chapter four includes the Data presentation, analysis and discussion and finally chapter five presents the summary, conclusion of the research and recommendations for policy makers.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed the literature related to the topic under study.

2.1 Theoretical Framework

This section deals with the theoretical framework of microfinance. The full understanding of microfinance relies on the detailed description of the theory of financial inclusion.

Even though the focus of this research is beyond the access to financial services, to examine the extent to which households access multiple MFIs and different types of MFIs, it is important to briefly look at the concept of financial inclusion that has become a major focus in global development agendas in recent years.

The recognition of the importance of other financial services like savings and insurance other than micro credit needed a shift in the focus to a more holistic concept of microfinance – that covers a broad range of services beyond microenterprise credit (Armendariz & Morduch, 2005; Littlefield et al., 2006; Collins et al., 2009). Despite the increasing microfinance initiatives around the world and the rapid growth of the microfinance industry in the recent decade (Reed, 2011), a considerable share of households still remain without access to MFIs. As stated in the Financial Access 2010 report, nearly half of the world's households are without access to a bank account (CGAP and The World Bank

Group, 2010). In this context, the concept of financial inclusion has entered the development discourse recently, calling for universal access to financial services. Conroy (2008) argues that, while "microfinance" has driven "micro-credit" out of the professional discourse, "financial inclusion" has not replaced microfinance as an operational concept. Therefore, financial inclusion is the most useful frame of reference for considering how poverty might be reduced through the provision of financial services.

Stein (2010) argues that financial inclusion encompasses improving the range, quality and availability of financial services to the underserved and the financially excluded. As such, this concept covers not only those who are excluded from FIs, but also the financially underserved population (Stein, 2010). Moreover, ACCION International defines financial inclusion as a state in which all people who can use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including disabled, poor, rural, and other excluded populations (Center for Financial Inclusion, 2008).

Despite some differences in the definitions used by different development organisations, Stein (2010) identifies three key dimensions that define financial inclusion: (i) financial products, (ii) features of financial products and (iii) delivery channels. Moreover, it stresses the need for providing quality financial services at affordable prices in a convenient manner through a range of delivery channels including bank branches, non-bank institutions and insurance companies.

Furthermore, the benefits of financial inclusion to individuals/households as well as for the economy as a whole have been highlighted in the literature (United Nations, 2006; Conroy, 2008; Stein, 2010). It is argued that increased levels of financial inclusion support both economic efficiency and equity (Conroy, 2008; Stein, 2010). Further, it brings several effects on the poor: it helps them to manage their day-to-day needs, to better cope with risks, and to undertake investment opportunities that help to improve their income and assets (United Nations, 2006; Conroy, 2008; Stein, 2010).

2.2 The Concept of Microfinance

Microfinance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. It also has a border perspective, which includes insurance, transactional services and importantly savings. (Steel & Anda, 2003) define microfinance as small financial transactions with low income household and micro enterprises both urban and rural using non-standardized methodologies like character-based lending, group guarantees and short-term repeat loans. Microfinance refers to loans, savings, insurance, transfer services, microcredit loans and other financial products targeted at low-income clients. Microcredit has been changing the lives of people and revitalizing communities worldwide since the beginning of time.

During the 1980s and the 1990s, international attention on microfinance was primarily focused on credit for income generation activities. It was the belief that if poor people had access to credit it would lead to investment, new stream of income, future investment and more income until borrowers raised themselves above the poverty line, (Adjei 2010). Micro-credit thus emphasizes the provision of credit services to low in-come clients usually in the form of small loans to the poor for income generating activities and consumption purposes.

Micro-credit is the lending side of microfinance (Rallens & Ghazanfar, 2005). It embodies giving small loans to poor people, usually without collateral. Microfinance institutions have stepped in to provide these loans because traditional banks are usually unwilling to serve the market of the poor.

2.3 The Concept of Poverty

The word ’Poverty’ indicates the situation where people cannot meet their basic requirements for livelihood of food, shelter and clothing. It is not only about fulfilling these basic needs, it is also about not getting a chance to participate in major requirements of life, for instance, sending kids to school, not being able to pay for illness, or making any trip as per own wish (Brunswick, 2016). Poverty gets even worst when poor are recognized with little representation and less public and political priorities in the society. This problem may vary from nation to nation but always exists in rich or poor countries. In general, research suggests that the longer a person has been poor, the less likely it is that he or she will escape poverty (Iceland, 1997). According to the World Bank's 2012 report, approximately 12.7 percentage of people in the world are living under poverty earning less than $1.90 a day. However, it has gone down from 37 percentages in 1990 (Bank, 2016). Despite the fact of declining ratio from the world, the progress is uneven. It indicates there has yet to be done more work to eradicate it globally. It may be the reason that countries bring different programs to sort out this problem. Even UNO (United Nations Organization) brought the 2030 Agenda for Sustainable Development Goal aiming to eradicate poverty from everywhere (UNDP, 2016).

According to the World Bank's (1990) definition of poverty, "A condition of life so characterized by malnutrition, illiteracy, and disease as to be beneath any reasonable definition of human decency".

According to the World Bank Organization, "Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time.

Poverty has many faces, changing from place to place and across time, and has been described in many ways. Most often, poverty is a situation people want to escape. So poverty is a call to action -- for the poor and the wealthy alike - a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities."

2.4 Types of Poverty

Poverty is classified into six different types: absolute, relative, situational, generational, urban and rural. Urban and rural poverty is based on location people live in.

2.4.1 Absolute poverty

Sometime also known as 'extreme poverty', absolute poverty is a condition where people cannot reach to basic needs. Family under this poverty line need to focus on day-to-day survival. One in six around the world live in absolute poverty with less than $1 a day (VISTA Campus, 2008). According to definition made in the Declaration of Copenhagen 'Absolute poverty is a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services' (Academy, 2016).

2.4.2 Relative Poverty

Relative poverty compares one's living standard with other member of the society. It means, an individual with less items and opportunities in compare with other in the society is considered as poor. For instance, a family can be considered poor if it cannot afford vacations, or cannot buy presents for children at

Christmas, or cannot send its young to the university. Even though they have access to government support for food, water, medicine, and free housing, they are considered poor because the rest of the community have access to superior services and amenities (Eschooltoday, 2010).

2.4.3 Situational poverty

This poverty normally lasts for few periods due to various external factors like environmental disasters, divorce, or several health problems. Even a small amount of assistance can help people to get rid of this poverty situation. For example, if the father is the main earner and dies, the mother does not have the ability to work, and the children are not old enough to make a living. In this situation of life income from a pension or life insurance policy can play vital role to overcome from situational poverty (Brainz, 2016).

2.5 Rural poverty Ghana

Poverty in Ghana is prevalently rural. About seventy per cent of the country's poor people live in rural areas where they have limited access to basic social services, safe water, motor able roads and electricity and telephone services, banking services and other health care facilities. The incidence if poverty is highest in the northern parts of the country while poverty has a firm grip on the north, there has been a substantial decline in poverty overall. The disparity has widened the income gap between people in the south, where there are two growing seasons and those in the drought-prone northern plains that have only one growing season within the year. Poverty is deepest among food crop farmers, poor food crop farmers are mainly traditional small-scale producers. About six out of the ten small-scale farmers are poor and many of them are women. Despite the efforts of the government which works with development partners such as International Fund for Agricultural Development (IFAD) to reduce poverty in the country, small scale farmers and other rural people in Ghana remain poor.

Women are among the worst affected. More than half of women who are heads of household in rural areas are among the poorest 20 per cent of the population are the poorest of the poor. The poorest areas in Ghana are the Savannah regions of the north, where man rural poor people face chronic food insecurity. In the northern part of Ghana, poverty often has a hold on entire rural communities. Livelihoods are more vulnerable in those regions and all members of the community suffering because of food insecurity for part of the year. According to Ghana Statistical Service (2010), the three poorest regions are Upper East, Upper West and Northern. In the Upper East region almost nine out of ten people live in poverty. More than eight out ten people in the Upper West region are poor. In the northern region, poverty affects seven out of ten people and slightly less than half the population of the Central region is poor. Throughout Ghana, rural people cope with poverty in various ways, finding individual solutions to the problem. The men take off-farm employment, women carry on small-scale trading and families reduce cash spending, which may mean taking children out of school.

Among the causes of rural poverty, according to the government's poverty reduction strategy paper are, low productivity and poorly functioning markets for agricultural outputs. Small-scale farmers rely on rudimentary methods and technology and they lack the skills and input such as fertilizer and improved seed that would increase yields. Because of erosion and shorter fallow periods, soil loses its fertility, posing a long-term threat to farmers" livelihoods and incomes increasing population pressure leads to continuous cultivation in the densely inhabited upper east region and a shorter fallow period in the upper west region, causing further deterioration of the land.

2.6 Access to Credit

Access to financial services can help promote equity and can in this context, be linked to better economic equilibrium and to faster economic growth. Research has entered on the impact of access to credit on micro- economic development, suggesting that improving the access of micro enterprise to financial service could have an important positive impact on a country's income distribution (Westley, 2001). A survey of the literature on financial intermediation and poverty reduction conclude that development of the financial sector contributes to economic growth and thereby to poverty alleviation (Holden & Prokopenko, 2001). A world bank research looking at cross-cutting evidence substantiate the hypothesis that countries with better develop financial intermediaries experience a faster decline in measures of both poverty and income inequality (Beck Demiguc, & Levine, 2004).

A number of recent studies have looked at the positive results stemming from access to a broad range of financial services and payment system service (Christen, 2000; Wenner & Campos, 1998). Reports from developing banking communities and studies from international NGOs (Dichter, 1997), strongly suggest that lower income family's needs a wide range of complementary financial services both for everyday life and for asset building purposes (Caskey, 2010; Robinson, 2001; Rutherford, 1999) in many developing countries, poor rural households face severe constraints when they seek credit from formal lending institutions. Formal financial services such as those offered by banks are often not available to those below the poverty line because of restriction requiring that loans be beaked by collateral. Nor do banks welcome the small amounts the poor want to save. As a result, the poor usually turn first to informal source such as friends, relatives, or money lenders, who loan small amount for short periods, or to informal indigenous institution such as saving clubs and lending network to borrow enough to purchase food and other basic necessities. these informal networks are frequent successful in tiding the poor over difficult times such as bad harvest, and they enable poor households to build up savings for investments that can help lift them out of poverty (Adjei, 2010).

2.7 Microfinance and Poverty Alleviation

Poverty is multidimensional, and in providing access to financial services, MFI plays an important role in the fight against poverty (ILO, 1998). FAO (2005) reported that providing access to micro-finance is considered a precondition for poverty alleviation, but also for women's empowerment.

Microfinance has become much of favoured interventionist strategy among international development agencies in the alleviating of poverty (Matovu, 2006). MFIs provide credit and saving services to self-employed poor, enable them to initiate or expand small IGAs (Mkandawile & Soludo, 2003). MF brings the power of credit to the grassroots without requirement of collateral or previous credit record (UNICEF, 2000). Microfinance could be a strong base for countries to development financially as it has primary aim to alleviate the poverty. Microfinance is about providing financial services to poor people to help them come out from poverty. Providing microfinance to the poor can protect their livelihoods by providing them loan capital (Johnson & Rogaly, 1997).

It makes a huge difference when poor people have access to broad range of financial services, whereby they can invest in income producing activities and meet their vital needs such as health, education and nutrition (Goher, 2000). Similarly FWA, 2002 reported that access to credit allows poor people to take advantage of economic opportunities for their homes, their domestic environment and their communities. Furthermore, Matovu (2006) concluded that microfinance is therefore considered as a vital tool that breaks the viscous circle of poverty that is characterized by low incomes, low savings and low investments.

In most of the countries, including Ghana, opportunities for wage employment in the formal sector of the economy are extremely limited, and the vast majority of the poor rely on self-employment for their livelihood. Better access to financial services enables the poor to establish and expand micro-enterprise and thereby improve their income level and create employment. Even in middle income countries such as Botswana and Egypt, where opportunity for wage employment are greater, many poor household rely on self-employment in micro-enterprise for their livelihood (Peprah, 2009).

Prudent policies drawn up to encourage the development of an effective microfinance sector can also reinforce other poverty reduction agenda and vice versa. Many microfinance institution, including Sinapi Aba Trust, Opportunity International Savings and Loans Company Limited and HFC Boafo microfinance Ltd. Encourage their client to develop a socio-economic agenda. At the same time, microfinance institutions are likely to be more effective in raising the incomes of beneficiaries in the case where rapid growth in the economy and in agricultural output and better infrastructure create demand for the products and services provide by micro-entrepreneurs. Microfinance programmes will also be more effective where the provision of non-financial services such as education and raining enable clients to use their loans more productively (Peprah, 2009).

Qureshi et al. (2012) asserts that creation of self-employment opportunity is one of the major ways of alleviating poverty. Micro finance has been found a very dominant tool for uplifting the poor people from the poverty line by making them credit worthy. The findings suggest that in the Dera Ismail Khan district KPK, some people are not taking the advantage of microfinance to the desired extent because of having no awareness about the bank policies, credit system, high interest rate and insufficient amount.

Fehmeen (2010) writes about the role of micro credit institution for economic growth and states that micro credit is a very important tool for the economic growth through. This institution helps the poor to arrange self-employment through small businesses for them. As the poor people do not want to be poor so they fulfill their credit needs through this channel.

Kazim (2010) argued that micro credit helps low income people to choose savings, insurance and Micro franchising. It enables the people to arrange employment for them along with small scale business. The services provided by micro credit can contribute to the stream of economic growth and in this way full potential can be gained automatically in short run as well as long run. Contrary to this view point Mahajan (2005) stated that micro credit does not necessarily promote economic growth instead very few people have access to this source. He is of the view that it is not a perfect solution for the poverty alleviation as it is a small loan facility, which is available for a very short duration of time. Sabana (2005) highlighted the economy of Kenya with about 47% of rural and 29% of urban population is suffering and living below the poverty line with absolute poverty. Here the financial sector reforms and growth strategies made a place for the promotion of micro finance institutions.

Karatas and Helvacioglu (2008) regarded micro credit as an important tool for employment generation and economic growth in Turkey as it provides support to small and medium enterprises. Specifically, this study analyzed the facilities given to European Union and to Turkey and checked the efficiencies for the implementation of credit allocation in Turkey and found that micro credit programme has not been very much effective in providing facilities. Micro credit programs and MFIs had created a positive change in the income of borrowers. It is considered as one of the major factors of microfinance (Chavan & Kumar, 2002). It supports the small businesses for small loans that are not eligible for established commercial bank loans. Mostly in developing countries, it has been found that micro credit serves poor individual hold self-employment that enhances the level of income and status of living (Rutherford, 1996).

2.8 Conclusion

The study used the theory of financial inclusion as its framework because to examine the extent to which households access multiple MFIs and different types of MFIs, it is important to briefly look at the concept of financial inclusion. The concept of microfinance is to alleviate poverty through the provision of financial services to the productive poor. Microfinance primarily focused on the provision of credit to low income earners or clients usually in the form of small loans. There are various types of poverty however, access to credit can help promote equity and livelihoods of low income earners. Therefore, Microfinance could be a strong base for countries to development financially as it has primary aim to alleviate the poverty because micro credit is an important tool in economic growth.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section of the study included the methodology adopted in carrying out the study, namely the study Area, research design, population, sample and sampling procedure, data collection procedure and data analyses procedure.

3.1 Study Area

The study was conducted in Jirapa. Jirapa is the capital town of the Jirapa District of the upper west region of Ghana. The total area of the district is 1,667 square kilometers. This constitutes 9% of the region area of 18,476 square kilometres. Jirapa shares boundaries with Nadowli to the south, Sissala East and West to the East. To the west it shares boundaries with Lawra and to the North Lambusie Karni.

3.2 Research Design

A cross-sectional survey method was used to collect data at a single point in time from a selected sample of respondents. This design is most appropriate for simple descriptive interpretations as well as determination of relationship between and among variables (Babbie, 1990).

3.3 Study Population

The study population included the staff of the microfinance institutions and beneficiaries of micro credit programmes in the Jirapa District.

3.4 Sample and Sampling Procedure

The multi-purpose sampling techniques were used in the sampling procedure. These included the simple random sampling and the purposive sampling. The Jirapa District had only three (3) MFIs so the purposive sampling was used to select all the 3 institutions as part of the sample size.

In addition, the simple random sampling was used to select low income earners who are clients to these organizations. The simple ransom size was used because of the larger population of the target population. In all 50 MFIs clients were randomly selected for the study. The technique is suitable in Social Science Research because it focuses directly to an area intended for the study. Likewise, when the sample elements are to fulfill a certain criterion or possess certain characteristics the technique allows ways to handle the variations appropriately (Mbilinyi, 1992).

Therefore, the sample size for the study was 53 respondents.

3.5 Data Collection Procedure

The data collection was done using two data collection tools. These included the questionnaire and the interview guide. The questionnaire was used to collect data from the low-income earners or clients of MFIs while the interview guide was used to collect data from the management of the three MFIs in the Jirapa District. In the administration of both tools of data collection, the researcher used the interview as the data collection technique. According to McMillan and Schumacher (1993), an interview consists of a direct verbal interaction between the interviewer and the subject. Similarly, Ndagi (1997) also explain that interview is unique in that it involves the collection of data through direct verbal interaction between the interviewee and the interviewer. In the same way research interview has been defined by Leedy (1997) as two-person conversation initiated by the interviewer for the specific purpose of obtaining research relevant information.

During the administration of the instruments, the purpose for the study were carefully explained to the respondents and the confidentiality of information given assured. Adequate time was allocated to each respondents since the researcher wanted them to freely respond to the instrument. However, not more than 30 minutes was spent on any respondent. The data collection exercise took approximately seven (7) days.

3.6 Data Analysis Procedure

Data were sorted, coded, summarized and analyzed by using Statistical Package for Social Science (SPSS version 21) Computer Software. Based on the objectives of the study, both quantitative and qualitative analyses were done. Quantitative analysis included frequencies, percentages, means and chi-square. The chi-square was used to measure the correlation between variables. The qualitative analysis was done using content analyses.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter presents the results obtained in this study and its discussion. The chapter determines the contribution of microfinance on poverty reduction in the Jirapa District in the Upper West Region of Ghana. The analyses have been done by using analytical tools of frequencies, percentages and the chi-square to understand the nature of microfinance on poverty in the district, its effect on poverty reduction and the challenges faced by the MFIs. The sample size for the study was 50 beneficiaries of micro credit and 3 staff of the MFIs.

4.1 Socio Demographic Data

The figure below was used to present the ages in years of respondents after the analysis was done on the data gathered.

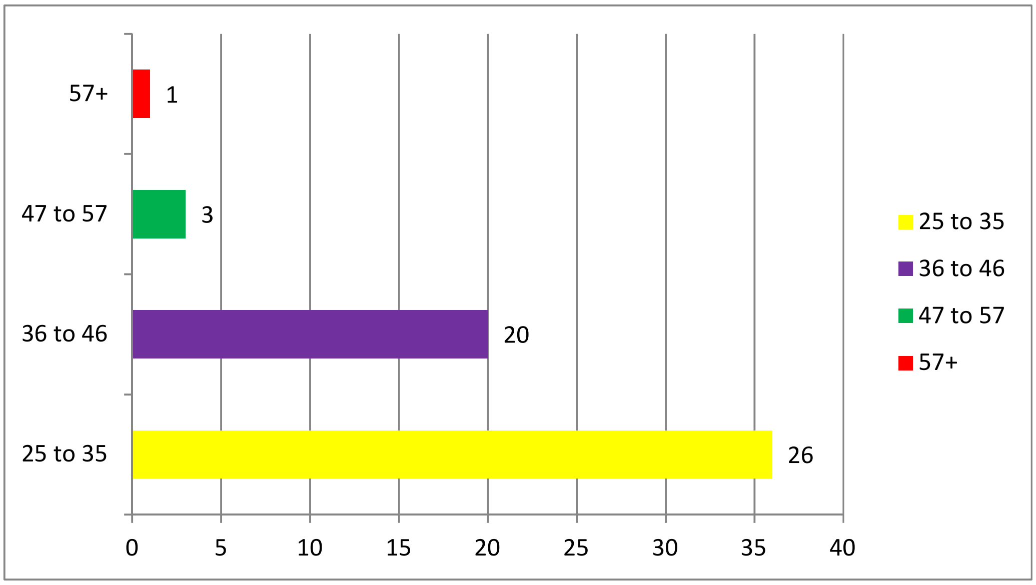

Figure 4.1: Age of the Respondents **Source: Field Work, 2017**

From Figure 4.1, it is realized that 26 of the respondents constituting 52 percent were aged between 25 to 35 years while only 1 respondent representing 2 percent was 57+ years. In addition, 20 (40%) of the respondents were aged 36-46 years. This shows that the beneficiaries of MFIs were more than 18 years and only one was above 57. Therefore, most of the respondents were in their active age or within the labour force so the provision of micro credit could enhance their productivity.

The sex of respondents as analysed from the data collected is presented in Table 4.1 below

Table 4.1 Sex of the Respondents

Sex	Frequency	Percentage
Male	31	62
Female	19	38
Total	**50**	**100**

Source: Field Work, 2017

On the sex of respondents as presented in Table 4.1, thirty-one of the respondents representing 62% were males while nineteen representing 38% of the respondents were females. Males dominated the clients of MFIs per the study and this implied that males felt secured in engaging with MFIs as compared to females. It could also be that females engaged with MFIs in the name of their husbands, taking into consideration their paternalist belief system.

Table 4.2 presents that the marital status of the respondents as analysed from the data gathered.

Table 4.2 Respondents' Marital Status

Marital status	Frequency	Percentage
Single	4	8
Married	44	88
Divorced	1	2
Widow	1	2
Total	**50**	**100**

Source: Field Work, 2017

Table 4.2 indicates that 44 of the respondents constituting 88% were married, followed by 4 (8%) who were single and 1 (2%) of the respondents for both divorced and widow. This implies that most beneficiaries of MFIs were married and for that matter their spouse could be used as guarantors of credit facilities.

The occupation of respondents was collected using the questionnaire and presented in Table 4.3.

Table 4.3: Distribution of Respondents by Occupation

Occupation	Frequency	Percentage
Farming	39	78
Petty trading	7	14
Others (gov't employed)	4	8
Total	**50**	**100**

Source: Field Work, 2017

On the occupation of respondents as distributed in Table 4.3, thirty-nine of the respondents (78%) were into farming while 4 (8%) were employed by the government. In addition, seven of the respondents constituting 14 percent were into petty trading. This shows that most of the beneficiaries were into agriculture and likely to use the micro credit to expand their farms or buy farm inputs.

The household size of the respondents was captured by the questionnaire, analysed using percentages and frequencies, and presented in Table 4.4.

Table 4.4: Household Size of the respondents

Household Size	**Frequency**	**Percentage**
From 1 to 3	16	32
From 3 to 6	8	16
Above 6	26	52
Total	**50**	**100**

Source: Field Work, 2017

On the number of household size of the respondents, Table 4.4 indicates that 26 (52%) chose above 6, followed by 16 (32%) who chose from 1 to 3 and the least 8 (16%) of the respondents chose from 3 to 6. This implies that beneficiaries of micro credit also have dependents and by extension become indirect beneficiaries of the credit.

Among those in the household, the questionnaire further asked about the number of income generating members and the results presented in Table 4.5.

Table 4.5 Income Generating Household Members

Income Generating Household Member	**Frequency**	**Percentage**
From 1 to 3	45	90
From 3 to 6	1	2
Above 6	4	8
Total	**50**	**100**

Source: Field Work, 2017

From Table 4.5, most 45 (90%) of the respondents chose from 1 to 3 while only 1 (2%) chose from 3 to 6 as income generating household members. In addition, 4 (8%) of the respondents chose above 6 as income generating household members. Many of the respondents had smaller household sizes, which corresponds to fewer people to feed in a household. Therefore, credit assistance could alleviate them from poverty.

The pie chart below presents the number of times a household was fed in a day.

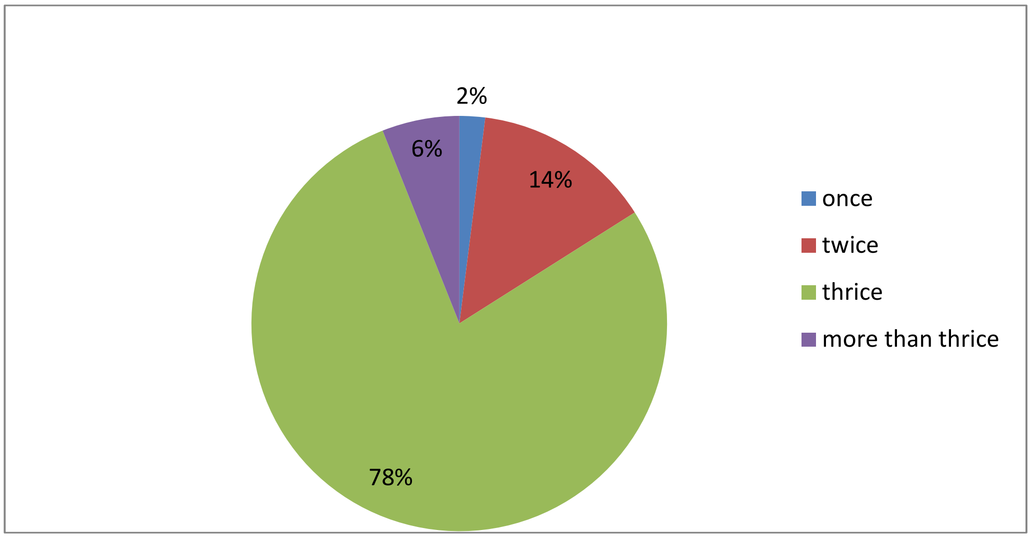

Figure 4.2: Number of times a household was fed a day

Source: Field Work, 2017

From Figure 4.2, most 78 percent of the respondents were fed thrice a day while 2 percent were fed once. It also shows that 14% of the respondents were fed twice and 6% fed more that thrice a day. This shows that most of the respondents or beneficiaries were able to feed their children thrice a day and for that matter microcredit taken from the MFIs not used for feeding rather for the expansion of their business or agriculture.

4.2 What is the nature of microfinance in the Jirapa District?

The research question 1 which states that "*What is the nature of microfinance in the Jirapa District?*" was analysed using the mean the presentation shown in Table 4.6.

Table 4.6: Nature of Microfinance using Mean and Standard Deviation

Nature	Mean	Std. Deviation
Provide micro credit	4.02	.377
Micro savings	4.20	.495
Micro insurance	3.92	.829
Micro finance trading	3.52	.789
Support agriculture	3.84	1.434
Support medical expenses	2.06	1.058
Support income generating activities	2.84	1.235
Support education to children	2.06	1.268
Low interest rates	3.74	.922
Availability of loans on time	3.04	1.177
High cost of transactions	2.72	1.144
Matching credit needs of borrowers	3.72	.809
Convenient to save	4.28	.573
Mobile banking	3.88	.824
Team with NGOs	3.36	1.495

Source: Field Work, 2017

The mean indicator as shown on Table 4.6 indicate that micro finance in the district operates many products with convenient to save having the highest mean of 4.28, followed by provision of micro savings with a mean of 4.20 and standard deviation of .495. In addition, micro credit had the mean of 4.02 with the least standard deviation of .377. The table also shows that most items on the nature list had means more than 2.50, except support medical expenses and support education to children with means of 2.06 each respectively. Although, micro credit is believed to be operated by most of the MFIs in the district, most respondents agreed that MFIs are convenient to save with the mean of 4.28.

4.3 How can micro credit be accessed in the Jirapa District?

The research question 2 which states that "*How can micro credit be accessed in the Jirapa District?*" was aanlysed using the cross-tabulation and chi-square and presented in Table 4.7.

Table 4.6a: benefited from credit * easiness in accessing loan Cross-tabulation

Items		easiness in accessing loan				Total
		very easy	easy	less easy	Not easy	
benefited from credit	yes	3	35	4	0	42
	no	0	0	0	8	8
Total		3	35	4	8	50

Source: Field Work, 2017

On the easiness of accessing loan from the microfinance institutions, Table 4.7a indicates that 35 of the respondents representing 70 percent whiles only three respondents constituting 6% said very easy. However, eight respondents representing 16% did not get access to the loan they requested.

Table 4.7b: The Analyses of Easiness in Accessing Loan using Chi-Square

Easiness in accessing loan N= 50	Freq.	DF	χvalue	χtable
Very easy	3	3	5.938	7.81
Easy	35			
Less easy	4			
Not easy	8			

Source: Field Work, 2017

The researcher later used the Chi-square to determine the relationship between those who benefited from the loan and the easiness in accessing the loan and Table 4.7b shows that the χvalue is 5.938 at 0.05 whiles the χtable is 7.81 implying that χvalue is less than the tabulated chi-square.

On how to access credit, most of the respondents said clients must form group, requests for the loan and have passport pictures.

4.4 What is the contribution of micro credit on poverty reduction in the Jirapa District?

The research question 3, which states that "*What is the contribution of micro credit on poverty reduction in the Jirapa District?*" was analysed using mean and the results presented in Table 4.8.

Table 4.8: Micro credit has improved agriculture analyses using mean

Improvements	Mean	Std. Deviation
Improvement in business activity	3.92	.601
Improvement in agriculture	4.24	1.001
Improved health	2.50	1.329
Improved basic facilities	2.50	1.460
Increased savings	3.92	.944
Increased real income	4.18	.850
Improved nutritional status	4.14	.948

Source: Field Work, 2017

On the perception of respondents on the impact of micro credit on poverty reduction using the agricultural improvement as the indicator, Table 4.8 shows that improvement has the highest mean with a mean of 4.24 and standard deviation of 1.001, followed by increase in real income with standard deviation of 4.18 and standard deviation of .850. In addition, improvement in nutritional status has a mean of 4.14 with standard deviation .948. On the average, micro credit has affected all improvement indicators. However, the least affected included health and basic facilities with a mean of 2.50 each respectively.

4.5 What are the challenges faced by micro finance institutions in the Jirapa District?

Research question 4 which states that "*What are the challenges faced by micro finance institutions in the Jirapa District?*" was analyzed using content analyses of the data received from the managers of the three financial institutions.

On the challenges encountered by the MFIs in the Jirapa district, managers alluded to the fact that misappropriation of loan taken, legal framework not allowing the credit unions to make profit, non-payments of loans, high withdrawals making liquid cash inadequate for loans. Others also said many clients of micro credit are unable to pay back the loan. For instance, a manager had this to say

> *Many of those who take loan from us are not able to pay back, they cannot also be traced*

On the misappropriation of loan taken from the institution, one respondent also had this to say

> *Some of the clients channel their loan facility to other business ventures instead of the original purpose of which the loan was requested*

Moreover, many of these MFIs are not allowed to make profit because the legal framework of Ghana challenges them. On this account, another manager had this to say *Credit unions are prevented from making profit*

All these statements above indicated that, microfinance institutions in the Jirapa district face challenges in rendering micro credit services the beneficiaries of the credit.

4.6 Discussion

The socio demographic data shows that most of the respondents were between the ages of 25 to 46 years, which represent 92 percent as shown in Table 4.1. This implies that most of the persons who are beneficiaries of microfinance are in the youthful age or the workforce age. This age group is active and could be engaged in business activities so as to be able to effectively deal with the MFIs. In addition, 62 percent of the respondents were males contrary to the population distribution of the district where females dominate and 88 percent of them married as shown in Table 4.2. In the rural setting working on the farm is mutual where females assist males and for that matter marriage is very important in these setting. Also, agriculture dominated the study area because 78 percent of the respondents chose farming as their occupation. The household size as seen Table 4.4 implies that most household were large because 52 percent of the respondents said their household size was above 6 which is significantly large. However, at most three of the household size were engaged in income generating activities as shown in Table 4.5. This implies that one-person feeds two mouths thrice each day because 78 percent of the respondents were fed thrice a day implying that feeding was not a challenge for most of the respondents.

On the nature of the operations of the microfinance institutions in the Jirapa district, it is shown that they engaged in almost all the activities if MFIs except supporting medical expenses of clients or beneficiaries and supporting children in education as shown in Table 4.6. This means that MFIs in the Jirapa district provided micro credit, savings, insurance, support agriculture with low interest. It was also convenient to save at these MFIs and the loans are always on time. In support of these activities by the MFIs, Steel and Anda (2003) defines microfinance as loans, savings, insurance, transfer services, microcredit loans and other financial products targeted at low-income clients. On the average most of the respondents agreed that there is convenience in saving with the MFIs as expressed in Table 4.6. In addition, they supported the agricultural sector where most of their clients were into farming. Farming is the source of livelihood of most of the residents in the district so any institution that does not support the sector cannot reduce poverty. Peprah (2009) posits that microfinance institution are likely to be more effective in raising the incomes of beneficiaries in the case where rapid growth in the economy and in agricultural output and better infrastructure create demand for the products and services provide by micro-entrepreneurs.

There was easiness in accessing the micro credit in the district as shown in Table 4.7a where 70 percent of those who benefited from the loan said it was easy to access loan and only 6 percent less easy. This implies that loans were given at the appropriate time the clients needed loan after finishing their requirements. This was supported by χvalue is 5.938 which is less than χtable of 7.81 at the significance level of 0.05. According to Qureshi et al. (2012) early access to loans is one of the major ways of alleviating poverty. This means that making the acquisition of loan simple is a very dominant tool for uplifting the poor people from the poverty line by making them credit worthy. Loans could be accessed by providing forms in groups with passport pictures.

Agricultural is an important component of poverty reduction in the rural areas and as shown in Table 4.8 where there has been improvement in agriculture due to accessing micro credit. This means that most of the farmers in the district are being assisted with credit facilities to expand their agricultural production. Expansion of the agricultural sector by these MFIs could reduce the rural-urban drift that occurs in most areas of the north of Ghana. It was realized that micro credit increased their real income and savings. This increased the basket of goods they could buy with their income. Matovu (2006) asserts that microfinance is therefore considered as a vital tool that breaks the viscous circle of poverty that is characterized by low incomes, low savings and low investments. This implies that micro credit is needed to reduce poverty in the district because clients who benefited from micro credit improved agricultural, real income, nutritional status and savings. It could also be realized that micro credit impact positively on the livelihood of the clients and thereby reducing poverty.

On the challenges, it was realized that the MFIs in the district faced many challenges and these could affect negatively on the operations of these MFIs.

These challenges included misappropriation of loan taken where some clients used the loan they took for different purposes. Other institutions were also challenged legally not to make profits, non-payments of loans, high withdrawals making liquid cash inadequate for loans. Others also said many clients of micro credit are unable to pay back the loan. These challenges could result in some of the MFIs closing down or rounding-up because external challenges cannot be easily resolved.

CHAPTER FIVE

SUMMARIES OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is divided into three parts. The first part looks at the summary of the findings, the second part presents conclusion and the third part presents that the recommendations of the study.

The study employed a cross sectional as its study design with a population of 50 beneficiaries of MFIs and 3 managers who were sampled using probability and non-probability samples such as the purposive and the simple random samplings. The data was collected with the questionnaire and the interview guides and the data analysed using frequencies, percentages, mean, standard deviation and the chi-square.

5.2 Summaries of the Findings

5.2.1 Nature of micro finance in the Jirapa District

On the nature of micro finance in the Jirapa district, it was realized that most of the respondents agreed that there was convenience in saving in the MFIs and most were engaged in savings, insurance, mobile banking, supporting agriculture with low interest rates and availability of loans on time. However, most of the respondents disagree that, MFIs in the district support medical expenses and children in education.

5.2.2 How micro credit is accessed in the Jirapa District

On the easiness of accessing loan from the microfinance institutions, most of the respondents said it was easy to access loan and they needed to form groups, request for loan and must have passport pictures.

5.2.3 The contribution of micro credit on poverty reduction in the Jirapa District

Micro credit reduced the poverty by improving the agricultural sector where most of the household derived their source of livelihood. There was also increase in the real income of the respondents implying that money meant for the market has increased. In addition, micro credit has increased their nutritional status.

5.2.4 The challenges faced by micro finance institutions in the Jirapa District

The challenges faced by the MFIs included the following misappropriation of loan taken where some clients used the loan they took for different purposes. There was also the challenge of not making profit by some credit unions, non-payments of loans by clients and high withdrawals making liquid cash inadequate for loans. Others also said many clients of micro credit are unable to pay back the loan.

5.3 Conclusion

It can be concluded that access to micro credit by rural population who engage in agriculture could reduce their poverty. However, beneficiaries of micro credit from the MFIs in the district do not pay back the credit facilities thereby negatively affecting the operations of the MFIs in the district.

5.4 Recommendations

The recommendations of the study based on the findings of the study are;

1. Although most of the microfinance institutions are giving out credit, it is important that microfinance institution increase their loan size. An increase in loan size will have a greater multiplier effect on households' income through profits from income generating activities.
2. It was also found that MFIs do not support medical expenses of clients and so it is recommended that MFIs support the medical expenses of clients to increase their health wellbeing, which is necessary for their agricultural activities.
3. There should be individual lending policies initiated by the MFIs to limit group lending, which does not help clients who needed credit for emergency purposes.
4. There should be a reformed legal framework by the government to enable the MFIs to make profit. This will help many investors to establish MFIs in the district to help farmers.

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APPENDIX

Research Questionnaire

Introduction

The survey is on MICRO CREDIT AND POVERTY REDUCTION IN THE JIRAPA DISTRICT. The research will give answers that are important to our understanding of microfinance and its role in poverty reduction. The Information you give will be kept strictly confidential and only for academic purposes. Thank you very much for your cooperation.

Please tick where appropriate and supply information where necessary

Section A: Socio Demographic Data

1. Microcredit: Beneficiaries [ ] No [ ]
2. How old are you? …………………………
3. Sex: Male [ ] Female [ ]
4. Marital Status: Single/Never married [ ] Married [ ] Divorced [ ] Widowed [ ] Other [ ], Specify ……………………..
5. Educational Background: No Formal Education [ ] Primary/Middle Level [ ] Secondary/ SHS [ ] Tertiary [ ] Others [ ], specify ……………
6. Occupation: Farming [ ] Trading [ ] Teaching [ ] Others [ ], specify ………….
7. Household size: below 3 [ ] Between 3 and 7 [ ] 7 and above [ ]

8. How many persons in your household are actively active (generating some income)? None [ ] Some [ ] All [ ]
9. How many are dependents? ………………………….
10. How many times does your household feed in a day? None [ ] Once [ ] Twice [ ] Thrice [ ] More than thrice [ ]

Section B: Nature of Microfinance

	Items	**Strongly disagree**	**Disagree**	**Indifferent**	**Agree**	**Strongly agree**
11.	Micro credit					
12.	Micro savings					
13.	Micro insurance					
14.	Micro finance training					
15.	Support Agriculture					
16.	Support medical expenses					
17.	Support income generating activities					
18.	Support education to children					
19.	Low interest rates					
20.	Availability of loans on time					
21.	High cost of transaction					

	cost					
22.	Easy access to loan					
23.	Matching credit needs of borrowers					
24.	Convenient to save					
25.	Mobile banking					
26.	Team with NGOs					

Section C: How to Access Micro credit

27. Have you ever benefited from Micro-credit? Yes [ ] No [ ]
28. If yes, how much do you earn a month? Below GHc 100 [ ] GHc 100 and GHc 200 [ ] Between GHc 200 and GHc 300 [ ] More than GHc 300 [ ]
29. Which of the following is your source of lending? Direct lending [ ] Inventory Lending [ ]
30. What are the necessary conditions of MFIs that must be met before getting a credit?
    a. ---
    b. --
    c. --
    d. --
31. Please indicate the easiness in dealing with your source of credit: Very easy [ ] Easy [ ] Less easy [ ] Not easy [ ]

Section D: Contribution of MFIs on Poverty Alleviation

	Items	Strongly disagree	Disagree	Indifferent	Agree	Strongly agree
32.	Improvement in business activity					
33.	Improvement in Agriculture					
34.	Improved health					
35.	Improved basic facilities and amenities					
36.	Increased savings					
37.	Increase in real income					
38.	Improved nutritional status					

INTERVIEW SCHEDULE FOR MICRO CREDIT INSTITUTIONS

Please tick where appropriate and supply information where necessary.

1. Name of Institution ……………………………………………
2. Type of institution: ………………………………………………..
3. Services offered: ……………………………………………….
4. Why has some clients not being able to pay their loans?

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5. What are the major constraints imposed by legal framework or government regulations?

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6. Apart from the legal constraints or government regulations, what are the challenges facing microfinance Industry in Jirapa?

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7. What are the major factors/hinders that prevent the productive poor from acquiring loans from the formal banking system?

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