UNIVERSITY FOR DEVELOPMENT STUDIES

EFFECT OF MICROCREDIT ON HOUSEHOLDS INCOME IN THE KASSENA-NANKANA MUNICIPALITY OF THE UPPER EAST REGION

BY

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MARCH, 2019

DECLARATION

Student

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this University or elsewhere:

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ABSTRACT

This study examined the effects of micro credit on beneficiaries' household income levels. The main objective was to understand the effect of micro credit on poverty reduction in the Kassena-Nankana Municipality. A cross-sectional design was applied in the study. Questionnaires and Key Informant Interviews were the main tools used to collect empirical data. The sample size for the study is 300. Data analysis was qualitative and quantitative. For the quantitative data, difference - in - difference technique was used. The result was positive; signifying that the increase in the income level of the beneficiaries can plausibly be attributed to the micro credit they received. Hence micro credit has caused the mean income of beneficiaries to increase from 550.00 a month to 1,500.00 a month. By implication, their profit margins have increased which enabled them to expand their businesses. The results of the study indicated that micro credit had a positive effect on poverty reduction because profits made out of income generating activities is used to pay school fees, expand their businesses, enhanced their lives and their households through capital accumulation, helped provide them and their households with decent shelter and it provides an avenue for the beneficiaries to receive training on how to utilize micro credit and to manage businesses thereby avoiding losses. The conclusion is that micro credit increases the profit margins of beneficiaries and it helps them to stay and expand their business which increases their income levels in the long run. Recommendations made were: beneficiaries should be sensitized on early payment of loans, capacity building workshops and seminars should be organized for people intending to apply for micro credit, meetings should be organized for applicants on the procedures, government officials should avoid interfering with the work of micro-finance institutions and adequate resources should be allocated for intensive training of beneficiaries of micro credit on proper utilization.

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May the good Lord bless you.

DEDICATION

I dedicate this work to my family.

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LIST OF ACRONYMS

ASCAs	Accumulating Savings and Credit Associations
BIDS	Bangladesh Institute of Development Studies
BRAC	Grameen Bank, Bangladesh Rural Advancement Committee
BRDB	Bangladesh Rural Development Boards
CBRDP	Community Based Rural Development Programme
CSO	Civil Society Organization
ERP	Economic Recovery Programme
FINSSP	Financial Sector Strategic Plan
FSIP	Financial Sector Improvement Project
GOG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy
GPRS II	Growth and Poverty Reduction Strategy II
GSSS	Ghana Statistical Service Survey
IRDP	Rural Development Program
KII	Key Informant Interview
KNM	Kassena-Nakana Municipality
MA	Municipal Assemblies
MC	Micro credit
MCIs	Micro credit Institutions
MDGs	Millennium Development Goals
MFIs	Micro Finance Institutions
MMDAs	Metropolitan/Municipal/District Assemblies

NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental Organization
PR	Poverty Reduction
PRA	Participatory Rural Appraisal
RFSP	Rural Financial Services Project
ROSCAs	Rotating Savings and Credit Associations
SHGs	Self Help Groups
SIF	Social Investment Fund
SME	Small and Medium Scale Enterprise
SPSS	Statistical Package for Social Scientists
TNWDP	Tamil Nadu Women's Development Program
TRDEP	Thana Resource Development and Employment programme
UER	Upper East Region
UN	United Nations
UNDP	United Nations Development Programme

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

A United Nations Development Programme (UNDP) report issued in 2006 indicates that 1 billion people worldwide live in extreme poverty, earning less than one American dollar per day. A further 1.5 billion are trying to make ends meet on less than two dollars per day. Most people still do not have access to food, shelter, good healthcare and education.

Governments and development partners throughout generations have developed mitigation measures for people living in poverty to overcome their economic situation. Different plans have been developed focusing on increasing household income through the use of credit institutions.

The Grameen Bank Credit Programme is one credit institution that followed this paradigm shift; by providing small loans of about US $100, primarily through groups to poor rural women who had little access to conventional banking facilities. According to Yunus, (2004), loans are given for the purpose of supporting income generating activities in the informal economy.

The tremendous success of small loan programmes in reaching the poor, especially women, attracted international donor countries to support micro-finance initiatives so as to address the challenging task of poverty eradication. In 1997, the micro credit summit that took place in Washington D.C, USA attracted over 2,900 delegates from 137 countries, representing 1,500 organizations. This conference inspired delegates to focus on providing small loans to poor people as a condition for poverty alleviation in the third world countries.

According to (Daley-Harris, 2007) as of December 31 2006, 3,316 Micro Credit Institutions (MCIs) reported reaching 133,030,913 clients, out of which 92,922,574 were mainly the poorest as of the time they took their first loan.

In Africa, millions of people live in poverty. Poverty is a condition where people do not have means to provide for the necessities of life; basic human needs, such as food, shelter or clothing. Chambers (1983) described such conditions as deprivation trap characterized by physical weakness, isolation, vulnerability and powerlessness. Africa is the poorest region in the world with negative income per capital growth between 1980 and 2000, and a population weighted average annual income of $ 271 per person or a mere 74 cents a day. In general, Africa remains mired in poverty (Sachs, 2004). To use Chambers' (1983) description, many people are drowned in the deprivation trap, characterized by powerlessness, vulnerability, physical weakness and isolation resulting in cyclic poverty.

According to the Ghana Statistical Service (GSS) (2008), 28.5% of Ghanaian population lives below the poverty line of $1 a day. The Ghana Statistical Service Survey (2015) reports that mapping the incidence of poverty in the country shows that there is a high concentration of poverty in the Upper regions of Ghana. The Upper East region, where the Kasena-Nankana Municipality is located, is ranked the second highest in the country. Thus, poverty reduction (PR) in these areas has been a major concern for successive governments in Ghana over the years. Poverty reduction is believed to be the universally accepted way of achieving economic growth in the country. The intended purpose is to raise the living standards of the people and improve their quality of life. As a result, different economic policy reforms have been pursued to achieve poverty reduction.

Mohammad (2008) submits that micro credit (MC) is one such measure to reduce the burden of poverty among households in Ghana. Micro credit initiative is viewed as an avenue for self-employment and a powerful tool to address poverty. It refers to the small loans made available to poor people. It is an important source of capital for many people such as those in Ghana (Olujide, 2008).

Micro credit evolved in the mid-1970s as part of the paradigm shift in development from top-down approach to bottom-up approach that incorporates the participation of intended beneficiaries as key participants in sustainable development (Mugabi, 2007). Distinctively, micro credit is the lending side of micro-finance (Obeng, 2011). It includes advancing small loans to the poor people usually without collateral. Micro-finance on the other hand is defined to include the entire spectrum of financial services for broad sectors of the population but particularly for the poor. It refers not only to small and micro loans, but also savings products; insurance, leasing and other money transfer services (Obeng, 2011). In Ghana, even though micro-credit has existed in some form for many years, various governments formally and determinedly started implementing the strategy to deal with poverty in the 1990s. Every region in Ghana appears to have some coverage of micro-credit activities in the rural and urban areas. The mix of activities is through Government of Ghana (GoG) programmes, donor assisted programmes, Micro-finance Institutions (MFIs) such as rural banks, savings and loans companies, credit unions, NGOs, District Assembly initiatives, community-based initiatives, church-based programmes, among others. Some of the micro-finance programmes include Financial Sector Improvement Project (FSIP), Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), UNDP Micro-finance Project, Social Investment Fund (SIF), and Community Based Rural Development Programme (CBRDP), among others.

Many people in Ghana neither have their own bank accounts nor are able to take out loans, transfer money or insure their families against risks such as illness, accident or death. In most cases, access to these financial services that are so central to sustainable development are either denied or made very difficult.

Consequently, people frequently have no choice but to resort to local moneylenders who charge higher rates of interest or use informal and insecure ways of engaging in transactions such as money transfers.

Like all development interventions, stakeholders and interested parties need to evaluate, through impact assessment to ascertain the achievements and failures of these programmes. This study therefore seeks to assess the effects of micro credit on beneficiary households in the Kassena-Nankana Municipality (KNM) in the Upper East Region of Ghana against the broad objective of reducing poverty because as the Ghana Living Standards Survey Round 6 (2014:13) indicates, “More than four in every ten persons are poor in Upper East (44.4%) …” to which the Kassena-Nankana Municipality is inclusive. Moreover, poverty incidence in the Municipality ranges from 30-39.9% while the depth of poverty is 10-14.9%, according to the Ghana Statistical Service (2015).

1.2 Statement of the Problem

Micro credit was introduced as an intervention against poverty. In Ghana, utilization of small and easily repayable loans is a fast growing and vibrant part of the country’s financial sector and a poverty alleviation strategy as highlighted in the Ghana Poverty Reduction

Strategy II (GPRS II) document. Hogarth et al. (2005) and Mohan (2006) have suggested that existence of several financial institutions scales up financial contribution to wealth creation and poverty alleviation.

However, Peprah and Muruka (2009) argued that MFIs are established in areas where there are economically active potential clients and not just poor people. They further argued that poverty and level of development are not significant in influencing the decision to establish MFI in a particular locality. They posit that population size; population density and economic activities are important factors that drive the distribution of MFIs.

The Ghana Living Standards Survey (Ghana Statistical Service, 2014) indicates that the regions with the highest incidence of poverty are Upper East, Upper West and Northern. These areas are also sparsely populated. As rightly captured by Peprah and Muruku (2009), there is an uneven distribution of MFIs in Ghana with northern Ghana ranking higher in terms of poverty levels and having few MFIs.

The issue at stake now is not about how many MFIs we have in Ghana or where they are found in Ghana, but it is about what impact they make on the lives of beneficiary households. The issue is, are these MFIs having any impact on the lives of people in the areas where they are operating? It is true that even in the areas they operate; it is not every household that becomes a beneficiary of the micro credit facility. So, what differences exist between those who are the micro credit beneficiaries and non-beneficiaries? What are the answers to these questions? It is for this reason that this study is being undertaken. The whole country will be too large for a study like this. Out of the ten regions, one is chosen for the study. That region is the Upper East Region and only the Kasena-Nankana

Municipality is chosen. Moreover, many studies (such as Adjei, 2010 and Adjei et al., 2009) stress the financial aspects of micro credit ignoring the social aspects which affect access and utilization of small loans such as the borrowers' perceptions and attitudes, the outcome of using micro credits on the household well-being and general income level.

This study therefore addresses the effect of such credit on beneficiaries' income levels.

1.3 Research Questions

1.3.1 Main Research Question

What is the effect of micro credit on the income of beneficiary's households in the Kassena- Nankana Municipality?

1.3.2 Sub-Research Questions

i. How do beneficiaries utilize micro credit at the household level?

ii. How has micro credit affected the income levels of beneficiaries?

iii. What differences exist in asset accumulation by beneficiaries and non-beneficiaries of micro credit in the Kassena-Nankana Municipality?

iv. What challenges do micro-finance institutions encounter in offering credit facilities to beneficiaries?

1.4 Research Objectives

The main objective of the study is to examine the effect of micro credit on the income in the Kassena-Nankana Municipality of the Upper East region.

The specific objectives of the study are as follows:

i. To examine the utilization of micro credit by beneficiaries at the household level.

ii. To estimate and compare the levels of income of beneficiaries and non-beneficiaries of micro credit.

iii. To compare the assets that micro credit beneficiaries in the Kassena-Nankana Municipality accumulated as against non-beneficiaries from 2013 to 2015.

iv. To assess the challenges micro-finance institutions encounter in offering credit facilities to beneficiaries.

1.5 Significance of the Study

Considering the enormous role of micro credit in alleviating poverty of the majority of poor people in Northern Ghana, especially in the Upper East Region which is considered to be one of the poorest regions in the country, this study would bring out the extent to which micro credit has been utilized in the Kassena-Nankana Municipality of the Upper East Region of Ghana. To achieve this, there is the need for a deeper understanding of the utilization and benefit of micro credit to poor people in the Kassena-Nankana Municipality so as to influence government policy in micro credit intervention measures in the Municipality and the country as a whole.

In the arena of academics, the study would contribute to relevant debates in micro credit and micro-finance in the Kassena-Nankana Municipality and the country at large. Academic research is still expanding in this area in Northern Ghana. This study could trigger further studies on micro credit in the north.

1.6 Organization of Chapters

The rest of the chapters are organized as follows. Chapter two reviews relevant literature to the study. Chapter three discusses the Research Methodology while Chapter Four presents the results and analyses of the study. Chapter Five presents the summary, conclusion and recommendation

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature with a conceptual framework which relates Micro credit and Micro-finance and how they are related in the field of poverty reduction. The conceptual review established the fact that Micro-finance is generally an umbrella term that refers to the provision of a broad range of services which includes Micro-Credit. It points out that Micro-credit has a narrow or specific facility and target. The literature also looked at the failures of the financial market as the basis for the growth of micro credit as a poverty reduction strategy.

2.2 Conceptual Review

2.2.1 Micro credit

Armendáriz de Aghion and Morduch (2005) opinionated that micro credit is a means of reducing poverty among the poor. They stated that micro credit is a way of delivering loans to poor individuals and is often suggested to be a way out of poverty. Awumbila (2011) agrees with Armendáriz de Aghion and Morduch (2005) when he asserted that micro credit is acknowledged by far as the most resourceful means of enhancing people's economic lives and reducing poverty among them thereof.

UN (2005) examined micro credit in similar lines as Armendáriz de Aghion and Morduch (2005) and Awumbila (2011) that it entails the disbursement of small collateral-free loans to poor people in order to enhance income generation and poverty reduction. Usually, banks, micro-finance and other institutions disburse the funds.

Elucidating on the core objective of micro credit, Armendáriz de Aghion and Morduch (2005) have succinctly stated that micro credit builds on the premise that financial services are needed to make investments in human capital, to smooth out consumption and to overcome unexpected shocks. It can be seen as a solution to include previously excluded poor groups, without access to credit, to the financial market so that they may rise out of poverty by themselves. Micro credit makes a positive economic cycle possible. A micro credit granted to a borrower is invested, which generates an income. The profit accruing from the income generated then offsets the poverty of the beneficiary. The loan can then be repaid to the micro-finance institution, and the borrower may then access another micro credit and eventually increase purchasing power and social recognition. Dobra (2011) argues that micro credit not only opens up the opportunity for self-employment, but also contributes to the improvement of the situation for the entire household. Furthermore, micro credit positively effects the social situation of poor individuals by promoting self-confidence and expanding the capacity to play a more important role in society. Poor people use the profits made from the income generating activities to take care of their health needs, education, feeding, buying clothes, among others, which make the condition of the beneficiaries better than they were without the micro credit.

Findings by Maheswaranathan and Kennedy (2010) also fall in line with the earlier assertions of Armendáriz de Aghion and Morduch (2005), UN (2005), Awumbila (2011) and Dobra (2011) that micro credit is a unique innovation of credit delivery technique to enhance income generating activities. The programme extends small loans to poor people for self-employment activities thus allowing the clients to achieve a better quality of life through profits gained from the income generating activities. The Micro-Credit Summit

(1997) similarly asserts that micro credit is a second to none anti-poverty tool for the poorest, especially vulnerable groups like women. Maheswaranathan and Kennedy (2010) have even gone far to assert that giving poor people credit can help them break their vicious cycle of poverty and improve their living standards.

Micro credit according to Maheswaranathan and Kennedy (2010), involves giving small loans for people who need money for self-employment projects that can generate income for urgent family needs such as health problems, clothes, food and education. Micro credit is therefore, a means to help improve people's quality of life by lending them a small amount of money for a short period of time.

Mohammad (2008) and Police (2009) all agree with the above that micro credit means a small loan made available to poor people. In Ghana, micro credit forms an important source of income for many poor people especially in rural dwellings.

From the foregone analysis of the plethora of literature on micro credit, there seems to be a converging point on what constitutes micro credit. First, micro credit is a small amount of income and/or support from a bank, micro-finance or other institutions to poor people. Second, the poor people have to use the income/support to engage in income generating activities. Third, the profits generated from the income generating institutions is supposed to improve the living standards of the poor people thereby making them better off than they were without the credit facility.

2.2.2 Credit and some discourses about credit

Akisimani (2000) and The International Tribune Centre (1985) defined credit as an arrangement to receive cash, goods or services now from a person or institution and pay back later. According to Yakubu (2008), credit has assumed many dimensions and has come to be appreciated and defined in diverse ways. He defines credit as a temporary transfer of capital from an individual(s) or institution(s) to another person(s) or institution(s) for a specific period of time, purpose and at an agreed interest rate.

Owusu-Acheampong (1986) suggested that credit is a transaction during which a person or group of people receive money, goods or services from another person or group of people with the promise to pay back at a later time. For him, this is the basic understanding of credit in the traditional setting. When the credit involves a cash transaction, the money received is usually small and just enough to perform an important function like buying food for the family or helping to perform a customary rite and the like (Yakubu, 2008). The credit is usually understood to be a kind of assistance to a relative or a neighbour in need. Interest is never a factor in the transaction. A request to borrow is normally not turned down if the request can be satisfied, the basic belief being that one good turn deserves another. The borrower today could be the lender tomorrow and vice versa (Owusu-Acheampong, 1986).

Credit in formal institutions involves the transfer of assets in cash or in kind from a lender to a borrower for a stated purpose, a specific period and at a certain interest rate. It entails the signing of agreements between the lender and borrower covering the security offered for the credit, schedule of repayment, sources of funds for repayment and many other details necessary for the transaction (Yakubu, 2008).

Credit is therefore, the financial assistance a poor person needs in order to be able to solve/address a pressing need from a person/institution that is in the position Mersland (2005) to give such financial assistance.

2.2.3 Micro credit schemes

There are various types of micro credit schemes providing credit to poor people. Yakubu (2008) classified these schemes into three: formal or institutional credit, semi-formal credit and informal or indigenous credit. Mersland (2005) also asserted that micro credit schemes are classified into three as stated by Yakubu (2008), he identified these schemes as self-helping schemes, institutional schemes and "ad-hoc" microcredit schemes. The classifications put forth by Mersland (2005) are examined here.

2.2.3.1 Self-helping schemes

According to Awumbila (2011), this is the most common type of micro credit scheme practiced since time immemorial by people across the globe. These schemes he further asserted, are commonly called Rotating Savings and Credit Associations (ROSCAs) or Accumulating Savings and Credit Associations (ASCAs). In this type of schemes, people form their own groups numbering from 15-30 people where they regularly, often weekly or monthly contribute a sum (savings) and distribute these savings as loans among the members. The distinction between ROSCAs and ASCAs in his view, is that whereas the savings in ROSCAs are distributed among the members as a prize and where each member of the group actually receives a "prize" before starting a new round, in the ASCAs, the savings are accumulated and given out as loans, normally with interest, to some of the members based on pre-established criteria (Mersland, 2005).

Ashe (2002) asserted that these traditional schemes are a representation of an interest and efficient banking model for poor people. These traditional schemes (ROSCAs and ASCAs) have existed and operated for more than 1200 years (Fikkert, 2003) and are now in almost every village in the developing world (Ashe, 2002).

2.2.3.2 Institutional schemes

Awumbila (2011) observes that the institutional schemes are today promoted by most micro credit technologists and observers. In this type of scheme, the micro credit gradually develops to become a banking industry for poor people. How this scheme should look like is still under contestation whether it should be a profit investor focus, a socially oriented focus or a sustainable focus.

The institutional schemes are by far in most areas providing a range of services such as loans, savings and money transfers, insurance, among others. Awumbila (2011) observed that the institutional schemes are normally organized in standardized methodologies, either as individual loans, solidarity loans (where a group of 4-8 people guarantee the loans for each other) or in a village banking form.

2.2.3.3 "Ad-hoc" micro credit schemes

The "ad-hoc" micro credit is what non-specialists in the field of micro credit commonly refer to as micro-finance. The rationale here is that giving poor people a one-time loan to engage in income generating activities, often the starting up of new small scale enterprises, the poor people will be able to work their way out of poverty together with their families.

Higher repayments are not the issue considered but the sustainability of the poor people's lives and that of their families (their ability to grow and sustain income generating activities through loans). The interest rates are often subsidized and the focus is mostly concentrated on groups like persons with disabilities, rural women and victims of disasters. The "ad-hoc" schemes include services such as training, health services, among others aiming to empower the poor people (Mersland, 2005).

Norwood (2005) contends under these schemes that the primary idea of a micro credit is the availability of capital to traditionally vulnerable groups such as women and the poor and not customarily considered for standardized banking loans and lending assistance. Micro credit groups are therefore, promoted to find solutions to poor people's way of getting out of poverty by increasing the income of a borrower and thus reducing their poverty in the long run.

The Micro-Credit Summit (2005) submits that micro credit is a proven way to get poor people out of their poverty and so in whatever way micro credit should be given to poor people to get out of poverty should be embraced. Kabeer (1998) opinionated that the primary objective of micro credit programmes is to become an ace intervention for poverty alleviation among poor people and therefore, include "ad-hoc" ways to alleviating the poverty of poor people.

2.2.4 Micro-Finance

Literature in the field of micro-finance has bourgeoned. According to Ziem (2012), micro-finance is one of the concepts that have had lots of definitions in the literature. Ziem's (2012) view on micro-finance can be subsumed as provision of financial and non-financial services to the poor to engage in income generating activities as a way to improving and sustaining their livelihoods.

Awumbila (2011) contends that micro-finance simply refers to services such as loans, savings, transfers and other products provided by micro-finance institutions to poor people in order to offset their poverty. Seidu and Bambangi (2006) in their examination of Micro-finance and poverty alleviation: An analysis of the performance of women in micro credit activities in the Kassena-Nankana District of Ghana have stated that micro-finance is giving small loans/credit to low-income households and those who cannot otherwise receive loans to set up micro-enterprises. Similar to Seidu and Bambangi (2006), Otero (1999) opines that micro-finance involves the provision of financial resources to poor people who are in self-employment. Ledgerwood (1999) adds that these financial resources do not only include traditional savings and loans but other financial services such as insurance, pension and repayment services. Schreiner and Colombet (2001) and Robinson (2001) share similar views with Ledgerwood (1999) that micro-finance includes both credit and deposits that are provided to people who are into micro-enterprise activities. There is a clear nexus between micro-finance and micro credit. While micro-finance provides a wide range of services (as examined by Ledgerwood (1999, Schreiner and Colombet (2001) and Robinson (2001) targeting at reducing poverty among the poor, micro credit has as its main responsibility to provide small credit to poor people who would otherwise not be able to access credit. Recent literature, for example, Ziem (2012), therefore noted that a major component of micro-finance is micro credit.

Obeng (2011:20) has realized that despite the interchangeability in the use of the concepts of micro credit and micro-finance, the two are by no means the same. He stated that "Even though micro credit and micro-finance have been used interchangeably, the two terms differ. These two terms do not have the same meaning. Micro credit is small credit basically providing small amount of money to the poor to better their lives. Usually micro credit may range from ten Ghana Cedis up to about one thousand Ghana Cedis. Alternatively, in the case of rural agricultural farmers, the credit may be in the form of input supply.

Micro-finance as explained above is broader than micro credit. In fact, micro-finance encompasses a wide range of financial and non-financial services that are offered to the poor." Thus, the commonality between micro-finance and micro credit is that both target providing credit facilities to poor people with the view to reducing poverty.

The sea-sawing of definitions above point to the fact that micro-finance serves as an avenue for the provision of financial, non-financial services and their target to poor people with the objective of improving their lives and wellbeing.

2.2.5 Micro-Finance and Development

Micro-finance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients (United Nations, 2005). It includes loans, savings, insurance, transfer services and other financial products and services. Micro-finance is thus one of the critical dimensions of the broad range of financial tools for the poor, and its increasing role in development has emanated from a number of key factors that include:

- The fact that the poor need access to productive resources, with financial services being a key resource, if they are to be able to improve their conditions of life;
- The realization that the poor have the capacity to use loans effectively for income-generation, to save and re-pay loans;
- The observation that the formal financial sector has provided very little or no services to low-income people, creating a high demand for credit and savings services amongst the poor;
- The view that micro-finance is viable and can become sustainable and achieve full cost recovery;
- The recognition that micro-finance can have significant impact on cross cutting issues such as women's empowerment, reducing the spread of HIV/AIDS and environmental degradation as well as improving social indicators such as education, housing and health. (United Nations, 2000).

Studies have shown that micro-finance plays three broad roles in development:

- It helps very poor households meet basic needs and protects against risks,
- It is associated with improvements in household economic welfare,
- It helps to empower women by supporting women's economic participation and so promotes gender equity.

The literature suggests that micro- finance creates access to productive capital for the 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. 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 (Otero, 1999).

The aim of micro-finance 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. Littlefield and Rosenberg (2004) argue that the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999). More recently, commentators such as Littlefield, Murduch and Hashemi (2003), Simanowitz and Brody (2004) and the IMF (2005) have commented on the critical role of micro-credit in achieving the Millennium Development Goals.

According to Simanowitz and Brody (2004:1), micro-credit is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people. Littlefield *et al.* (2003) state that "micro-credit is a critical contextual factor with strong impact on the achievements of the MDGs. Micro-credit is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale".

However, some schools of thought remain skeptical about the role of micro-credit in development. For example, while acknowledging the role micro-credit can play in helping to reduce poverty, Hulme and Mosley (1996) concluded from their research on micro-credit that "most contemporary schemes are less effective than they might be (1996: 134). The authors argued that micro-credit is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off.

This notwithstanding, micro- finance 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. It is argued that micro-finance 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 (2005): *"Sustainable access to micro-finance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care and empowering people to make the choices that best serve their needs".*

Although micro-finance is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can make sustainable contributions through financial investment leading to the empowerment of people, which in turn promotes confidence and self-esteem, particularly for women.

2.2.6 Micro-finance and Poverty Reduction in Ghana

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 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 2010 Population and Housing Census, 80% of the working populations are found in the private informal sector. This group is characterized by lack of access to credit, which constrains the development and growth of that sector of the economy. Clearly, access to financial services is imperative for the development of the informal sector and also helps to mop up excess liquidity through savings that can be made available as investment capital for national development (World Bank, 2008). Unfortunately, in spite of the obvious roles that micro-finance institutions have been playing in the economy, particularly over the last twenty years, there is lack of data on their operations.

It is known that loans advanced by micro-finance institutions are normally for purposes such as housing, petty trade, and as "startup" loans for farmers to buy inputs for farming and this includes rice seeds, fertilizers and other agricultural tools.

Some of the loans are used for a variety of non-crop activities such as: dairy cow raising, cattle fattening, poultry farming, weaving, basket making, leasing farm and other capital machinery and woodworking. Of course, funds may be used for a number of other activities, such as crop and animal trading, cloth trading and pottery manufacture. There are other instances where credit is given to groups consisting of a number of borrowers for collective enterprises, such as: irrigation pumps, building sanitary latrines, power looms, leasing markets or leasing land for cooperative farming.

2.2.7 Structure and Key Stakeholders of Micro-finance in Ghana

The structure and key micro-finance stakeholders in Ghana consist of the following:

a. Micro-Finance Institutions, including

- The Rural and Community Banks,
- Savings and Loans Companies
- Financial NGOs
- Primary Societies of CUA
- Susu Collectors Association of GCSCA
- Development and commercial banks with micro-finance programs and linkages
- Micro-insurance and micro-leasing services.

b. Micro finance Apex Bodies, namely:

- Association of Rural Banks (ARB)
- ARB Apex Bank
- Association of Financial NGOs (ASSFIN)
- Ghana Cooperative Credit Unions Association (CUA)
- Ghana Cooperative Susu Collectors Association (GCSCA)

c. End Users

Economically active poor who are clients of micro-finance products and services

d. Technical Service Providers

Business Development Service Providers to MFIs and their clients.

e. Supporting Institutions

- Micro-finance and Small Loans Center (MASLOC);
- The Ghana Micro-Finance Institutions Network (GHAMFIN);
- Development partners and international non-governmental organizations
- Universities, training and research institutions.

f. Government Institutions

- Ministry of Finance and Economic Planning
- Ministries, Departments, Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs)
- Bank of Ghana.

2.2.8 Challenges Facing the Micro-Finance Sector

Generally, since the beginning of government involvement in micro-finance in the 1950s, the sub-sector has operated without specific policy guidelines and goals (Johnson *et al*., 2007). This partially accounts for the slow growth of the sub-sector, and the apparent lack of direction, fragmentation and lack of coordination. There has so far not been a coherent approach to dealing with the constraints facing the sub-sector. Among the constraints are inappropriate institutional arrangements, poor regulatory environment, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, no specific set of criteria developed to categorize beneficiaries, channeling of funds by MDAs, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital. Better coordination and collaboration among key stakeholders including the development partners, government and other agencies, could help to better integrate micro finance with the development of the overall financial sector (Johnson *et al*., 2007).

Secondly, traditional commercial banking approaches to micro-finance delivery often do not work. According to traditional commercial banking principles, the credit methodology requires documentary evidence, long-standing bank-customer relationship and collateral, which most micro and small businesses do not possess. The commercial banking system, which has about twenty-three (23) major banks, reaches only about 5% of households and captures 40% of money supply (World Bank, 2004). Therefore, there is room for expanding the micro-finance sector in Ghana.

For example, Barclays Bank of Ghana (BBG) Ltd launched a micro banking scheme in December 2005 which establishes a formal link between modern finance and Susu collection (one of Africa's most ancient forms of banking) in an unconventional mobile initiative across the country (Johnson *et al*., 2007). The scheme aims to extend micro-finance to some of the least affluent in Ghana, like the small trader at the market or the micro-entrepreneur selling from road-side stalls. Though their individual income is apparently too small for 'high street' banking, collectively it is estimated at about a $150 million economy thriving below the traditional banking radar. Ghana's 4,000-strong Susu Collectors offer basic banking to the needy. For a small fee they personally gather the income of their clients and return it at the end of each month, providing greater security for their client's money. In addition, with finance from Barclays the Susu Collectors are able to provide their clients with loans, helping them to establish or develop their business (Johnson *et al*., 2007). In the words of the CEO of BBG Margaret Mwanakatwe *"…What* *we are doing is somewhat unique. Not only are we creating an account for Susu Collectors to deposit their funds, we are also providing them with loans of their own, which they can 'lend-on' to their customers, helping them build their capital. In the process, we are laying the building blocks for a truly financially inclusive society. Currently, over three quarters of Ghanaian society may not have access to high street banking. We are also providing capacity building training to Susu Collectors to make sure that they do their credit risk correctly and any training needs they may need".*

It is gratifying to note that the Government of Ghana has adopted micro-finance as one of the important strategies for poverty reduction and wealth creation. Recognizing the role various institutions and individuals can play to ensure the achievement of this national vision of achieving the MDGs and also becoming a middle income country by the year 2015, there is the need to quicken the pace of reforms in the micro-finance sector in order to unleash its full potential for accelerated growth and poverty reduction (Johnson *et al*., 2007).

Finally, while Ghana has a reasonably diversified and supervised regulatory framework for formal financial institutions licensed by BoG, there is concern that appropriate regulation needs to be extended to other institutions operating in the micro-finance sub-sector (for example the legal framework for credit unions) in order to improve the outreach, sustainability and efficiency of savings, facilitate credit delivery, and institutional arrangements. The specific challenges facing the industry are discussed into more detail below (Johnson *et al*., 2007).

2.2.8.1 Institutional Arrangements

The stakeholders in the sub-sector play various roles which are expected to be complementary. Due to the lack of defined areas of operation, the roles and responsibilities of stakeholders currently overlap in some cases. The overlap is also due partly to the fact that organizational and institutional hierarchy and reporting relationships among all the stakeholders are not clearly defined. Commercial banks could play an increasing role. There is the need therefore to clearly define relationships and roles to enhance effective implementation and delivery of services.

2.2.8.2 Capacity Building and Funding for the Sector

In order to promote the sub-sector, the various stakeholders organize training programmes and activities with the view to upgrading the human capital in the industry. Nevertheless, the staffing and competency level being achieved with these training programmes is still below what is desired. Thus, the human capacity of some key stakeholders and institutions including MASLOC, GHAMFIN, MFIs, relevant Ministries, and technical service providers, among others, need to be enhanced for micro-finance operations. The random and incoherent nature of training programmes has also probably hampered the achievements of the projected gains for the sub-sector, as the flaw in the human capacity of all the stakeholders may have had a rippling effect on the governance and structure of the industry. Furthermore, the current micro-finance Apex bodies lack an adequate cadre of in-house trainers and/or facilitators as well as in-house monitoring and evaluation units to continually measure progress of their activities consistently over time. Infrastructural capacity in the sub-sector is yet to be developed around an integrated and holistic logistical support and internal operating systems. Funding for the sub-sector has been from three sources: the institutions themselves, government, and development partners. Firstly, available funds have not fully 'met the needs for developing and expanding the sub-sector; and, secondly, the varying sources come with their conditions, and distort the market in some cases. There considered to be a need for a central micro-finance fund to which MFIs can apply for on-lending and/or capacity building support, building on experience such as the Training Fund under the Rural Financial Services Project.

2.2.8.3 Credit Delivery and Management

The current strategies for credit delivery are not adequately diversified or efficient, and therefore are unable to fully meet the varying demands of the market and different categories of end-users. There is no framework for categorizing and upgrading some of the emerging micro-finance institutions in the semi-formal and informal sub-sectors in accordance with their operational capacities and capabilities. The objective of micro-finance is to provide resources for the poor. Nonetheless, there is yet to be adequate, reliable and acceptable methods for classifying various poverty levels to enhance the categorization of potential and actual MFI clients and other forms of support that may be more appropriate for some groups.

2.2.8.4 Targeting the Vulnerable and the Marginalized

People with disabilities and impairments do not have products and services designed to meet their needs and also are not adequately served by existing micro-finance funds and services. This target group in particular could benefit from complementary skills training programmes. The existing skills training and funding arrangements for women do not seem to be market-driven. Thus, specific services and products that target women for entrepreneurship development to enable them engage in economic activities and become more self-reliant need to be more coherent. Young people aged 15-24 years account for about a third of the population of Ghana and constitute over half of the unemployed population. There is a need for special micro-finance, grant and training programmes that target the youth for entrepreneurial development

2.2.8.5 Data/Information Gathering and Dissemination

Generally, there is paucity of information on micro-finance institutions, their operations and clients in the country. Approaches to and methodology for data and information gathering at the national level are not uniform, making it difficult to centrally monitor progress of the sub-sector. The current attempt to develop a national data bank on micro-finance is yet to be fully realized. There is a lack of well-defined reporting system by both the government and development partners with regards to their interventions. The outcome is inadequate data base for decision-making and planning. At the institutional level, data/information gathering and dissemination are weak within and between institutions. The lack of common benchmarks, methods for measuring and information sharing further inhibits the performance of the sub-sector. Lack of adequate and reliable information on outreach in terms of its depth and breadth remains one of the most daunting in the sub-sector. This lack of information has affected targeting of clients and ultimate poverty reduction.

2.2.8.6 Regulation and Supervision

There is a need for dialogue on the formulation, implementation and review of regulatory and supervisory policies and procedures to ensure consistency and cost-effective approaches to regulation across different types of micro-finance institutions and products. There is a need to balance permitting continued evolution of a variety of institutions providing micro-finance products and services with the need to protect depositors' funds, provide adequate information and protection to consumers, and coordinate expansion and regulation of different segments of the market. Micro-finance institutions in this category face rigid regulatory and supervisory systems that present some challenges for product innovativeness, outreach and ultimately the performance of the institutions. There is a lack of well specified guidelines for operations among apex bodies namely, CUA, GCSCA, ASSFIN and Cooperative Council. This leads to uncoordinated activities and invariably hampers the performance and outreach of their member institutions.

2.2.8.7 Collaboration and Coordination

There is no national body which is responsible for coordinating all activities associated with micro-finance, nor is there a forum for dialogue among stakeholders on policy and programme issues. As a result there is lack of coherent approach, fragmentation, duplication and inadequate collaboration between and among MDAs, MMDAs, development partners, service providers, practitioners and end users.

In this regard, the role of GHAMFIN as an umbrella body for micro-finance apex institutions, as well as their member institutions, needs to be strengthened to ensure the transfer of best practices and setting of standards for the industry. The existing institutional structure does not include all practitioners and service providers, and needs to be addressed.

2.3 Theoretical Review

The theoretical review consists of two parts, each of them relevant for the subject of this thesis. First, the financial market and its failures are introduced and second, empirical studies linked to micro credit are examined.

2.3.1 The Financial Market

Graflund (2013) and earlier studies such as Ray (1998) have argued that there is a strong demand for credit, especially small loans, by the poor. According to them, the need for credit can be classified into three types: 1) credit for fixed capital, which is needed to start a new technology, expansions, etc., 2) credit for working, capital necessary for ongoing production, and 3) credit for consumption, which aims to smooth out sudden gaps between income and expenses. Even though poor individuals demand credit, they still lack access to it in many cases (Graflund, 2013).

Islam (2007) and Graflund (2013) described three underlying factors why poor people tend to lack access to credit: information asymmetries, low potential profitability and lack of portfolio diversification. The potential problem of information asymmetries describes a situation where actors in a transaction agreement don't have access to the same information before the agreement takes place. The actor with more and superior information will have an advantage, which consequently can lead to the potential problem of adverse selection and moral hazard (Islam, 2007). Adverse selection describes the issue of determining a borrowers' riskiness. Due to the lack of information on the borrower, the bank would like to charge riskier clients higher interest rates to cover for a higher probability of default. The moral hazard problem refers to the situation where the bank wants to ensure that the borrowers use the money for the right purpose and that the borrower makes the full effort to repay what was borrowed. Graflund (2013) stipulates that the potential problem derived from adverse selection and moral hazard may be overcome by 1) information to monitor and evaluate clients, 2) enforcement to ensure that contracts are fulfilled, and 3) compensation for incentives to pay back loans (Armendáriz de Aghion and Morduch, 2005). The second underlying reason why poor people tend to lack access to credit is the low potential of profitability for the banks. Small loans that poor people demand bring high risk and workload for a bank to offer. Furthermore, the borrowers may have difficulties earning an income and they often lack assets. This brings higher risk for the bank to lend out money. Additional, poor individuals are expensive to serve with financial services since they often live relatively in remote rural areas (Graflund, 2013).

Thus, it is often less profitable for banks to serve poor individuals compared to people with higher incomes and more assets. The third underlying reason is the lack of portfolio diversification. It is riskier to lend to a borrower only involved in one type of income earning activity. This is especially evident in the agricultural sector where, for example, a drought or a flooding can bring many farmers in one region into a difficult situation at the same time (Islam, 2007 and Graflund, 2013).

Costly information, high risk and small sums involved in lending have made most formal financial institutions unwilling to operate at low income levels. Another issue in developing countries is that enforcement tends to be undermined by weak judicial systems (Armendáriz de Aghion and Morduch, 2005). The weak legal enforcement often forces banks to rely on other kinds of corrective methods, such as threats of not advancing loans in the future in case of default (Ray, 1998). Despite the lack of formal financial institutions that provide financial services to low income individuals, financial services still exist in other forms for the poor. The financial market in many developing countries is characterized by having both a formal and an informal financial market (Chandavarkar, 1992). Jamison (2003) defines the informal market as activities and transactions on markets that are not regulated by the state or other formal institutions. It consists of actors such as relatives, friends, moneylenders, landlords and other agents who use financial activities as a side source of income (Ray, 1998). These small informal lenders are able to gather information on their borrowers' day to day activities by continuous monitoring. They can also accept repayment in other forms than money, such as labour, which formal institutions cannot (Ray, 1998).

Islam (2007), states that the strength of the informal market is that the actors involved often have some type of relationship with each other. These relationships play a significant role since low income individuals often lack collateral. Instead of collateral, informal moneylenders use personal knowledge and social peer pressure as a guarantee of repayment (Graflund, 2013). Furthermore, informal moneylenders can use flexible interest rates to make adjustments to cover risks. Islam (2007) argues that the informal market is of great importance since it provides financial services that the formal market tends not to offer.

However, Graflund (2013) argues that there are certain problems with the informal sector that complicate the situation for poor individuals. One of the biggest problems is that informal moneylenders tend to charge high interest rates which may constrain the borrowers. Ray (1998) and Robinson (2009) suggested that the flat interest rates charged in the informal market can vary from 25 percent to 200 percent. Robinson (2009) states that informal moneylenders tend to use different interest rates for different borrowers. Low income individuals are usually not seen as profitable and they are therefore charged with higher interest rates. Most poor demand small loans that have similar transaction costs for the moneylender as larger loans. To make smalls loans equally profitable, the informal moneylenders often charge higher interest rates on small loans compared to large loans. Also, poor individuals are often charged with higher interest rates compared to others because they have low bargaining power due to their economic situation (Graflund, 2013). Another difficulty for the poor is that they in many aspects have limited information about alternative sources of financial services and limited knowledge about interest rates (Robinson, 2009). Islam (2007) argues that the high interest rate together with other circumstances such as unawareness of other financial services keeps poor individuals in a deprivation trap (Islam, 2007). Due to the problems with both the formal and the informal financial markets, one might suggest that there is a need for an alternative way for the poor to borrow (Graflund, 2013).

Rural poor people should be provided with rural flexible schemes to enable them move out of their poverty situation as the informal and formal financial markets may just exacerbate the poverty levels of the poor, especially in rural dwellings.

2.4 Empirical Studies on the Impact of Micro Credit on Households

Graflund (2013) states that there is a plethora of literature about the impact of micro credit mostly in the form of case studies and evaluations of existing micro credit programmes on the effect of income and consumption. Most of these studies show some evidence that support a positive impact of micro credit on increasing the household income for borrowers (Graflund, 2013).

2.4.1 Empirical Studies on the Impact of Micro Credit on Households

The Micro Credit Summit (1997) has noted with deep concern that micro credit is one of the most sensational anti-poverty alleviation initiatives to reduce poverty among the poor, especially women in rural areas. Pitt et al. (2003) and Ahmed et al. (2001) have all acknowledged that micro credit enriches the lives of poor people.

There is a plethora of literature showing the impact of micro credit on improving the economic situation of the beneficiaries (see Fernando, 1997; Mayoux, 1999; Ahmed et al., 2001; Amin et al., 2001; and Pitt et al., 2003). Pitt et al. (2003) for instance, found that women's participation in micro credit programmes did improve their standard of living. Ahmed et al. (2001) also attests to the success of micro credit.

Evaluating a study conducted by the Center for Home Gardening and Rural Development (CARD), Philippines suggests that it has succeeded in reaching very low-income households, generating self-employment and significantly increasing their income. The Poverty Reduction Strategy Paper (PRSP) of Pakistan states that micro credit is indicated as an important tool for creating employment opportunities for the poor.

Likewise, a research conducted by the Consultative Group for the Poor in Indonesia, found that micro credit borrowers increased their incomes by 12.9 percent compared to 3.0 percent by the incomes of non-clients. In another study conducted by Freedom from Hunger, its clients in Ghana were found to have increased their incomes by US $36 per annum compared to US $18 per annum for non-clients. Beneficiaries of micro credit were not only able to increase their earnings, but also to diversify their income (Maheswaranathan and Kennedy, 2010).

Maheswaranathan and Kennedy (2010:10) stated that "The study revealed that the micro credit led to the elimination of economic hardship of women. It was an easy way for the women to obtain a loan facility through an informal method. Even though the micro credit was meant for the livelihood activities of women yet, it helped the beneficiaries' family to eliminate the poverty by providing a support in fulfilling the need.

The micro credit institutionalization was functioning in a planned and corporative manner where the repayment could not be avoided and it was an easy way for the women to obtain and repay the loan. And their weekly visit to the president's house or the school would encourage them to move around the places to share the knowledge."

Bangladesh Institute of Development Studies (BIDS) and the World Bank (WB) conducted another earlier and significant empirical study in 1991 and 1992 respectively using a quasi-experimental household survey to conduct on 1,798 households, from 87 villages in rural Bangladesh. This survey has provided data for several analyses. For example, Khandker and Pitt (1998) based on this dataset examined three major micro finance institutions: Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) and Bangladesh Rural Development Boards (BRDB). Impact of micro credit on income was assessed using a double difference approach between eligible and ineligible households and between micro credit program villages and non-program villages. After controlling other factors such as household characteristics, any remaining difference was attributed to the micro credit programs.

Banarjee, Duflo, Glennerster and Kinnan (2010) conducted a more recent study in 2009 in Hyderabad in India. The authors used a randomized evaluation approach where 52 of 104 villages around Hyderabad were randomly selected for opening of a Spandana micro-finance branch and a household survey was conducted in each village among a total of 6,850 households.

Hashemi, Schuler and Riley (1996) conducted one of the earliest studies on micro credit and its effect on women empowerment in 1996. A longitudinal study was conducted on 1300 married women in Bangladesh between 1991 and 1994 by comparing participants of two different micro credit programs, Grameen Bank and BRAC, with a control group. The control group was divided into a group of women with access to the same banks and another group with no access to microcredit. Empowerment was assessed via a number of factors such as women's mobility, ability to make purchase, ownership of assets, and political awareness.

Kabeer (2001) examined the relationship between micro credit and women empowerment by interviewing both female and male micro credit program participants in two provinces in Bangladesh. She argues that conclusions about the impact of micro credit are reflected by the questions asked by the evaluator. On that basis, she suggested that women's own testimonies would give a better picture of the empowerment level than a survey that only measures certain aspects of their behavior.

Bali and Swain (2007) examined the effect of Self Help Groups (SHGs), a group lending form of micro credit, on women empowerment in five Indian states. The authors compared the increase in empowerment for the treatment group and the control group between 2000 and 2003. Empowerment was measured by looking at the value of owned land, the value of owned assets, whether women were main income earners in the household, literate or not, whether engaged in wage labour or farm activity, and household income.

Holvoet (2005) conducted another study of two different micro credit programs in India in 2005. The micro credit programs examined were the Rural Development Program (IRDP) and the Tamil Nadu Women's Development Program (TNWDP), which both had female and male borrowers. Decision making ability was assessed via seven types of decisions; loan use, expenditures, money management, time and task allocation, family matters, agricultural business and the cottage industry.

The study of Hassan, Billah, Hossen and Mamun (2013:5) titled "Effect of Micro credit on Agricultural Output: Evidence from Rural Bangladesh concluded in the following words:

"The study finds that on an average, micro credit receiving farmers have higher age, higher male farmers, higher education level, higher farming experience, higher labour employment and higher output compared to the group of non-receiving farmers."

Badatya and Puhazhendi (2002) measured the effects of SHG program provided by the National Bank for Agriculture and Rural Development (NABARD) on women empowerment in 2002. Empowerment was examined through questions on self-confidence, decision making ability, communication skills and behavioral changes where each of these dimensions had 2 to 4 sub indicators.

Goetz and Sen Gupta (1996) studied the effect of micro credit on women empowerment by conducting a questionnaire with 253 female members from Grameen Bank and BRAC. As an indicator on women empowerment, a five point index of loan control was used with the following measurements; full, significant partially very limited and no involvement.

Abur and Torruam (2012:8) also concluded in their study titled Micro credit as a Strategy for Poverty Reduction in Makurdi Local Government Area of Benue State, Nigeria that "The study shows that microcredit has the potential to reduce poverty in Toto Local Government local government of Benue state. The study concluded that obtaining microcredit in the study area is bisect with myriad of problems. These problems constitute a blockage to the acquisition of loans by the respondents. However, micro credit in the study area has been translated into increase in assess which help in reducing poverty among the respondents.

Newaz (2003) has realized that micro credit programmes that have targeted women have been found to be effective as it ensures that the net benefits that accrue from increased income do not only help the women but that, the welfare of the family and particularly children are improved reducing the overall poverty of beneficiary families. Proponents of micro credit have also found that, the position and bargaining power of women with access to credit have been found to improve since their cash is channeled to the family (Newaz, 2003).

Alhassan and Akudugu (2012:4) noted in their study in Tamale that "The results revealed varying degrees of impact of micro credit on the income generation capacity of women in the study area. The impact assessment was based on four main indicators which have explicit relationship with the capacities of beneficiary women to generate income to finance their welfare outcomes such as food security, healthcare, and education among others"

According to Alhassan and Akudugu (2012), their study depended largely on the personal life stories of the beneficiary women of micro credit, husbands and micro credit providers on changes in the perceptual, material, relational and cognitive circumstances of women in the study area.

The results revealed that women's perception of the impact of micro credit on their capacity to generate income from income generating activities (IGAs) and personal lives is positive. About 90 percent of the beneficiary women included in the study indicated that micro credit has had a positive impact on them. Some of the women indicated that they were not involved in any IGA prior to receiving micro credit. For those who did, they only undertook IGAs to produce products primarily for household consumption and secondarily the surplus if any for sale. For those married to farmers, they helped on their husbands' farms not earning incomes and for many others; they remained at home as housewives with no work to do. It was revealed that access to micro credit have changed all these dynamics with beneficiaries now engaging in IGAs primarily to generate income. (Alhassan and Akudugu, 2012).

They further revealed that for most of the beneficiary women, the mere fact that they are engaged in a business activity and earn an income they can call theirs, implies microcredit has had an impact on them. They indicated that the micro credit has improved their ability to expand their activities. It has also increased their social status at the household and community levels because they now earn an income. The women also indicated that the social groups that they formed for the purposes of accessing micro credit serve as spring boards for leadership training and building of safety nets… It was found that beneficiary women have increased ability to articulate their views and command respect within the household and community mainly due to their rising contribution to household income which they attribute to their access to and utilization of micro credit. (Alhassan and Akudugu, 2012)

According to them, the women beneficiaries stated that "their asset position has improved since acquiring microcredit. They revealed that they are now able to make purchases they never could afford previously such as buying household utensils, sewing machines, cloths and jewelry amongst others. They also revealed that, they had some control on how their loans were used as well as freedom in deciding to join a group to access credit. The study also revealed that, though incomes of women and households have increased because of women's increased earning ability from their IGAs as a result of their acquisition of microcredit; they still are unable to acquire assets that could add to the family wealth such as lands, and houses. Nonetheless, as most of the women beneficiaries put it, they are now able to provide decent meals for their families, provide school essentials for their children, cloth their families (children in particular), and subscribe to the National Health Insurance Scheme (NHIS) amongst others without necessarily demanding money from their husbands" (Alhassan and Akudugu, 2012).

Furthermore, the researchers found that "Another intrinsic indicator of the impact of micro credit is its relational impact…This is particularly so in northern Ghana where women hitherto occupied a subordinate role or position in society. Decisions then were often made by men as heads of households. Women therefore experienced inequality in practice in everything they did or everywhere they went. This ultimately made women marginalized and underprivileged. According to the beneficiary women, with micro credit, the subordinated role of women and unbalanced gender power relations in the study area are fast becoming things of the past. Indeed, access to micro credit has brought about substantial changes to gender power relations at the household and community levels. It was further found that the gender power relations gaps are being bridged because women who had benefited from micro credit had improved contribution to household incomes and this has earned them respect among their male counterparts.

Thus, women are now seen by their male counterparts as partners in decision making at all levels. The women reported that their husbands now consult them on decisions of the households and their opinions are highly regarded probably because, they now contribute financially at home. It was also clear from the interviews with women respondents that, it goes further than just being consulted on household and community decisions but that, because of their changing status, they can now initiate mini projects within the household and make purchases without necessarily consulting their husbands first and it will still not cause conflicts which according to them would have been unthinkable in the past. The key informants noted that changing bargaining behaviour of women has resulted in stronger family and community ties and relations. This according to most of the key informants is a significant development because women who previously were the silent voice in the household and community are now emerging from their shells and contributing to the development of the family and community as they influence decisions generally as a ripple effect (Alhassan and Akudugu, 2012).

Finally, the findings of the researchers indicated that the women now receive invaluable support and help from their husbands and children in their IGAs supporting findings from other studies such as Kay (2002) that because of women's increasing financial contribution to households, men and children now help in the activities of women. Men were reported to help with activities such as opening stores and selling items whiles women attended to other duties such as carrying out household chores and childcare among others. This was unthinkable in the past as it was frowned upon in the study area for husbands to be seen conspicuously helping out their wives in their IGAs which until recently were viewed as the preserve of women. Women also indicated that, they are now more able to articulate their views and to command attention and respect within the household and community (Alhassan and Akudugu, 2012).

In cognitive terms, Alhassan and Akudugu (2012) revealed that it was found that beneficiary women have gained knowledge, skills, and abilities in organized labour as well as wider understanding of issues around them after their acquisition of micro credit. This has offered beneficiary women some level of emotional strength and cognitive ability to pursue their IGAs without intermediation. This is because the social networking or group formations of women in the study area now offer them a sense of belonging. The 'we' feeling that beneficiary women get from belonging to solidarity groups enable them to engage in collective actions which enhance their self-confidence as they come to understand that they are not in the fight for gender equity alone. Members who suffer harassment or violence at home get emotional support from colleagues and group leaders locally referred to as 'Magazias'. This previously was unthinkable and could cost the women their marriages for associating with other women. Also by being in a group, the women now have a formidable force to deal with creditors they otherwise could not have handled individually. According to them, they are now able to negotiate for bigger and better market and prices for their products. In effect, there is now strong solidarity among women groups as they freely share and exchange ideas on best business practices, reproductive health and issues of social cohesion among others."

They therefore, drew curtains on the study that "From the findings, it is concluded that micro credit has a positive impact on the capacity of women in the Tamale Metropolitan area to generate income to support household livelihoods. Beneficiary women are more empowered to engage in income generation activities that hitherto were the preserve of men. There are improved gender relations, social cohesion and solidarity among women all of which support them in their income generation activities. Policy makers and implementers must take advantage of the changing dynamics in women's participation in decision making at the household and community levels in the study area which is a male dominated society to formulate and implement policies that will facilitate and sustain this phenomenal socio-cultural transformation made possible partly by access to micro credit. Such policies should be socially acceptable, culturally agreeable, economically viable, politically stable, gender sensitive and environmentally sustainable to the people (Alhassan and Akudugu, 2012).

However, research has shown that micro credit has not had a positive impact on beneficiary households. For instance, Alhassan and Akudugu's (2012:2) research is a double- edged sword as it presents double standards. They have noted in the same study that generally speaking, there is no consensus on the impact of micro credit on borrowers. They specifically stated that "Whereas proponents of micro credit as a strategic poverty reduction tool argue that micro credit has beneficial and positive economic impacts, opponents on the other hand argue that caution must be taken not to be too optimistic about the impact of micro credit as there are some negative impacts of micro credit. Thorn between the opposing extremes are those who acknowledge the beneficial impacts of micro credit but are cautious to note that, micro credit does not benefit the poorest of the poor. The conflicting empirical views on the impact of … are as a result of definitional problems; conflicting objectives of micro credit schemes; and the different methodological approaches to impact assessment.

Many other studies (for instance, Hossain and Asfar, 1988) draw attention to the negative impact of micro credit suggesting that, it only helps in smoothing consumption and welfare of the family without necessarily making women better-off.

2.4.2 Findings from Empirical Studies on the Impact of Micro Credit on Households

Hulme and Mosley (1996) wrote one of the most cited and earliest studies of micro credit and poverty alleviation. They examined the changes in income for household villages served by micro credit programmes and changes for similar households in non-programme villages. They conducted the survey in a number of countries including Bangladesh and Indonesia between 1988 and 1992. A positive impact was found on borrowers, both male and female, income with an average increase over the control group ranging from 10 to 12 percent in Indonesia, to around 30 percent in Bangladesh (Hulme and Mosley, 1996).

Bangladesh Institute of Development Studies (BIDS) and the World Bank (WB) conducted another earlier and significant empirical study in 1991 and 1992 respectively and concluded that micro credit programmes had a positive effect on household consumption, especially for female borrowers (Graflund, 2013). On average, a loan of 100 takas to a female borrower allowed for a net consumption increase of 18 takas (Khandker and Pitt, 1998).

Banarjee, Duflo, Glennerster and Kinnan (2010) conducted a more recent study in 2009 in Hyderabad in India. Their results showed that a significant impact on how many new businesses started as well as profitability of preexisting businesses in the villages that received micro credit.

Graflund (2013) indicated that there seems to be some evidence that participation in micro credit programs has a positive effect on female income and consumption. There is, however, no real consensus among academics about the impact of micro credit on women's empowerment. Existing literature suggests that participating in a micro credit program can be both empowering and disempowering.

Hashemi, Schuler and Riley (1996) conducted one of the earliest studies on micro credit and its effect on women empowerment in 1996. They concluded that married women involved in a micro credit program were more empowered than the women who were not part of a micro credit program.

Kabeer (2001) examined the relationship between micro credit and women empowerment by interviewing both female and male micro credit program participants in two provinces in Bangladesh. The conclusion from her study is that women who received micro credit had a higher self-worth and better access to capital. Even if participating in a micro credit program in some cases led to a higher workload, the women think positively about their increased contribution to the household income. Furthermore, Kabeer (2001) finds that in many cases micro credit increased women's decision making ability within the household.

A number of studies conducted in India have shown a positive relationship between access to micro credit and women empowerment (Bali and Swain, 2007; Holvoet, 2005 and Puhazhendi and Badatya, 2002). Bali and Swain (2007) examined the effect of Self Help Groups (SHGs), a group lending form of micro credit, on women empowerment in five Indian states. They found a significant improvement from 2000 to 2003 for the SHG group, in contrast with the control group where there were no statistically significant improvements in empowerment.

Holvoet (2005) conducted another study of two different micro credit programs in India in 2005. The findings suggested that micro credit had a positive effect on women's decision making ability, but only when it comes to household decisions regarding loan use and not for household decisions regarding expenditures and family matters.

Badatya and Puhazhendi (2002) measured the effects of SHG program provided by the National Bank for Agriculture and Rural Development (NABARD) on women empowerment in 2002. They found that, in general, members increased their self-confidence as an effect of SHG membership. Also, positive effects regarding influence over financial decision making within the household, courage to protest, and mobility was a result of SHG membership.

However, some studies that have expressed doubts about the flow of automatic benefit of micro credit on women's empowerment (notably Bhattacharya, Hulme and Montgomery, 1996; Goetz and Gupta, 1996). Bhattacharya et al. (1996) examined gender differences with regards to control over micro credit. They looked at the performance and impact of BRAC and the Government of Bangladesh's Thana Resource Development and Employment programme (TRDEP) based on a household survey conducted on both female and male borrowers in 1992 and 1993. The results showed that only 9 percent of the first time female borrowers were in charge of the loan funded activities, while 87 percent described their role in the decision making as a family partnership. On the other hand, 33 percent of the first time male borrowers had sole authority over the loan funded activity, while 56 percent described it as a family partnership.

Goetz and Sen Gupta (1996) studied the effect of micro credit on women empowerment by conducting a questionnaire with 253 female members from Grameen Bank and BRAC. They found that in 37 percent of the cases, women retained full or significant control over the loan, whereas in 22 percent of the cases, women had no involvement in the loan process. Furthermore, the study showed that married women compared to unmarried women had exercised less control over their loan.

2.5 Conclusion

The impact of micro credit is yet to reach a consensus. While the proponents of micro credit have shown the impact it had on beneficiaries, opponents of the concept are of a contrary opinion. However, traversing through the literature, the general overriding issue seems to suggest especially in the case of Alhassan and Akudugu's (2012) study in the Tamale Metropolis that micro credit has a positive impact on beneficiaries.

The available evidence from the above literature therefore, shows that to a large extent, micro credit has a positive impact on poverty reduction on households. This study therefore adopts appropriate methodology to examine the effect of micro credit on beneficiary households in the Kassena-Nankana Municipality bringing out the continuities and discontinuities in the bourgeoning literature.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology for the study, which includes the specific research methods used and the overall research methodological framework employed. The software called Stata is used in the analysis of the quantitative data which helped in analyzing the difference–in-difference technique. The researcher used this technique because, the DD estimator allows for unobserved heterogeneity that may lead to selection bias.

3.2 Profile of the Study Area

The research location is the Kassena -Nankana Municipality of the Upper East Region of Ghana. It shares boundaries with the Kassena-Nankana West District to the north, Bolgatanga Municipal to the east, to the west with the Builsa and the Kassena-Nankana West Districts and to the south with the West Mamprusi District of the Northern Region. The Municipality was hitherto known and called the Kassena -Nankana District. In 2012, it was upgraded into Municipal Assembly by Legislative instrument (L.I) 2106 of 2012. The municipality's capital is Navrongo. The Municipality is sub-divided into 6 Urban/Area Councils, namely, Navrongo, Manyoro, Kologo, Naaga, Pungu and Doba Area Councils (Kassena-Nankana Municipal Assembly, 2014).

The population of the district is projected at 81,114 as of 2012 with a population density of 92 persons per square kilometer (PHC, 2010). The predominant ethnic groups in the district are the Kassena and the Nankana while the minority group is the Builsa. However, there are other migrant/settler ethnic groups who are resident in the district for various social and occupational reasons. The predominant languages spoken are Kasim, Nankani, Buli and the other languages spoken by settler tribes (Kassena-Nankana East District Assembly, 2012).

The Municipality is physically accessible by roads, air and footpath. There are four (4) trunk roads over 100 km in length, three (3) secondary roads and five (5) feeder roads, all totaling about 327.6km in length. The roads can be classified as first, second or third class standards (Kassena-Nankana Municipal Assembly, 2014).

The economy of the Kassena-Nankana Municipality could be analyzed based on its primary, secondary and tertiary sector's performances. The primary sector activities are dominated by agriculture, the secondary sector dominated by small–scale industries while the tertiary sector comes mainly from informal private individual economic activities. All these contribute towards the Gross Domestic Product and labour employment of the District (Kassena-Nankana Municipal Assembly, 2014).

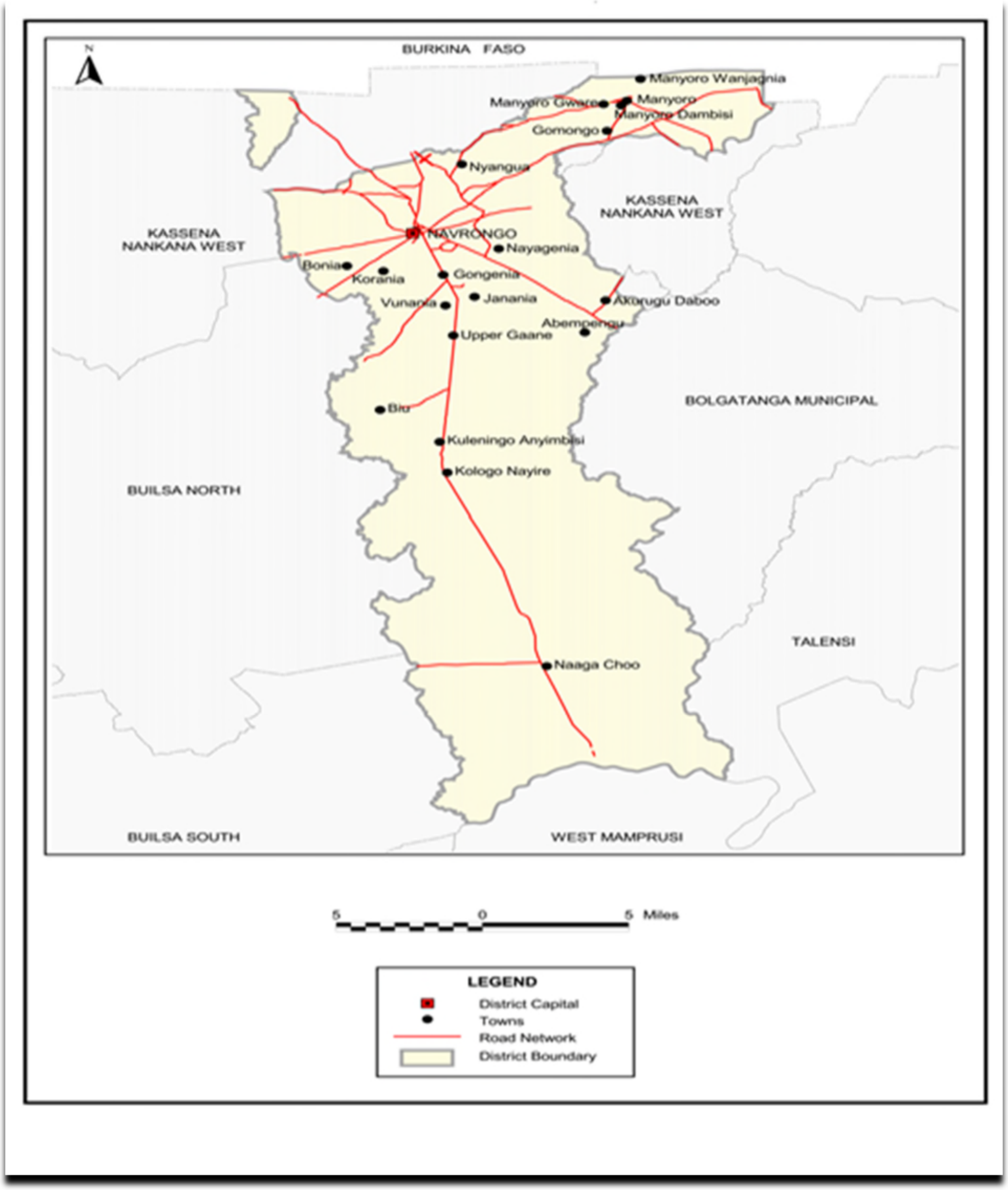


Figure 3.1: Map of Kasena-Nankana Municipality

3.2.1 Primary Sector Extraction

The most common form of extractive activities in the Municipal are sand and clay mining which are basically meant to satisfy domestic and other related informal needs such as building construction, pottery and other artifacts production.

Quarrying activities are carried out on a small scale by settlers who gather especially stones and sell to contractors. Small – Scale Informal Industrial activities account for the industrial revenue and its employment opportunities in the Municipality. The activities involved in the sub- sector domain include Small-Scale Agro-Processing such as groundnuts, Sheanuts, dawadawa, rice, sorghum, soya beans, maize, millet among others and small-scale construction works (Kassena-Nankana Municipal Assembly Composite Budget, 2014).

Activities embarked on in this sub-sector's domain are geared towards satisfying domestic needs and other informal interests such as putting up structures. Major activities in this sub-sector include road and building construction which are highly dependent on the central government initiative. The people also engage in this sub- sector by providing for themselves residential accommodations and structures for small -scale businesses (Kassena-Nankana Municipal Assembly Composite Budget, 2014).

Generally, the service/tertiary sector activities contribute about 32 percent of total employment in the Municipality. Service from this sector complement, extend and consequently, add value to the outputs gotten from the primary sector's activities. Activities under this sector include trading/commerce, private services, transportation, postal and telecommunication services markets and marketing, storage, banking, tourism, the hospitality industry, energy, law enforcement and the judiciary (Kassena-Nankana Municipal Assembly Composite Budget, 2014).

Trading and commercial activities in the Municipality revolve around foodstuff, Semi – processed food and craft items, etc. These items are sold in the local markets as well as outside the Municipality (Kassena-Nankana Municipal Assembly Composite Budget, 2014).

3.2.2 Banking and Other Financial Services

The Kassena- Nankana Municipality has some few formal operating banking institutions, situated in Navrongo, the Municipal capital. These are the Naara Rural Bank, the Agricultural Development Bank and Ghana Commercial Bank. These banks apart from advancing salaries to both the working force and some formal sector pensioned workers living in the Municipality channel their activities into lending credits to individuals and groups engaged in agricultural and small-scale industrial activities. Such packages are through collaborations with Rural Enterprises Project (REP) and Micro credit and Small Loans Scheme (MASLOC). On the informal scene, some credit arrangements popularly known as "susu" groups and one Micro-finance company are operational within the Municipality. Such schemes make available to traders and other small-scale business operators credit packages to facilitate their work. There exists Teachers' Credit Union in the Municipal which is expanding to embrace other workers in the Municipality (Kassena -Nankana Municipal Assembly, 2014).

3.3 Research Design

A cross-sectional design also termed as quasi-experimentation or quasi control design is preferred. According to Johnson and Josslyn (1995), data analysis rather than experimental manipulation is used to draw conclusions about the effect of the independent variable as it has the virtues of allowing observation of phenomenon in their natural settings. Manheim and Rich (1991) add that cross sectional designs give you "a snapshot of a moving target." This design is also used in cases where a quantitative study is to be undertaken but very little control can be exercised on the variables (Johnson and Josslyn, 1995; and Manheim and Rich, 1981).

This study design was chosen due to its ability to provide in depth insight of the unit to be studied and the research question starts with "how" type of phrase. It is widely accepted that "why" and "how" questions can best be answered by the use of case study methods, as this method allows careful and complete observation of the social unit (Korthary,1990). Again, this research sought to carry out intensive analysis of the utilization of micro finance by beneficiaries.

It is observed that the study design is an empirical inquiry method that investigates a contemporary phenomenon within its real life context when the boundaries are not clearly evident and in which multiple sources of evidence are used. This study is suitable since the research was carried out in the natural setting where the researcher had little control over the events and also allowed the use of random probability sampling where every member of the population under study had equal chances of being selected as a sample.

Apart from the fact that the phenomenon under investigation is a contemporary issue, the use of case study enabled generalisation of the results on populations with similar characteristics. The results may be used for similar districts in Ghana especially districts in northern Ghana.

For this study, the mixed approach is suitable, allowing for the use of both descriptive statistics and a comparative and critical interpretation of the phenomena under study. The research examined the quantitative utilization of micro credit by the beneficiaries' households, particularly how it led to the transformation of lives of the beneficiaries.

3.4 Sources and Tools of Data Collection

Data were generated from both primary and secondary sources. In the generation of primary data, Participatory Rural Appraisal (PRA) tools were used to facilitate the easy collection of primary data. The rationale for the use of the PRA in this study is the realization from Chambers (1992) that PRA allows for triangulation. That is, using a range (sometimes three) of methods, types of information, investigators and/or disciplines to cross-check (Grandstaff, Grandstaff and Lovelace, 1987; Gueye and Freudenberger, 1991).

On the other hand, the secondary sources embraced existing published and unpublished material that had relevance to the study that were critically examined and cited for their relevance.

3.4.1 Questionnaire

Three hundred (300) questionnaires comprising both open and closed ended questions were designed by the researcher and administered to the respondents by trained Research

Assistants and the researcher herself. Seventy-five (75) questionnaires were administered to beneficiaries of micro credit; another seventy-five questionnaires were administered to household members of beneficiaries of micro credit while one hundred and fifty (150) questionnaires were administered to non-beneficiaries of micro credit in Nogsinia, Janania, Balobia, Vunania, Kologo and Manyoro in the Kassena-Nankana Municipality. Each community had a total of 50 questionnaires. 25 each were administered to both beneficiaries of micro credit and their household members.

The justification for the questionnaire is that it allowed the researcher to capture data dealing with figures while at the same time, it allowed the researcher to give room to the respondents to give detail information on some of the questions that demanded elucidation.

3.4.2 Key Informant Interview

Chambers (1992) stipulates that key informant interviews involve enquiring who the experts are and seeking them out to obtain the desired information from them. In this study, two key informant interviews each were conducted for both males and females in the Kassena Nankana Municipality. A total of two Key Informant Interviews: one with a Rural Bank and another with a financial company. These comprise the managers of the two places whom it is believed had in-depth knowledge on micro credit and its impact in poverty reduction in households in the area.

The key informant interviews allowed the researcher to seek experts in the field of micro credit to provide qualitative information on how micro credit contributed to poverty reduction among poor households to complement the information obtained through the questionnaire.

3.5 Population, Sample Size and Sampling Procedure

3.5.1 Target Population

According to Kumar (1999) cited in Abagre (2012), the population is the class/city/electorates from which you select a few students/families/electors, to sample. The research population comprised beneficiaries of micro credit and household members as well as non-beneficiaries of micro credit in Nogsinia, Janania, Balobia, Vunania, Kologo and Manyoro in the Kassena-Nankana Municipality.

3.5.2 Sampling Technique and the Sample Size.

While deciding on the sample size, the researcher must determine the desired precision and an acceptable confidence level for the estimates (Saunders et al, 1997)

The choice of the sample size for this study took into consideration the following factors:

a. The size of the population

b. The specific population parameters of interest

c. The cost of the research

In view of the above, one main sample technique was applied to the study. This technique are probability sampling (Twumasi, 2001).

Three-stage random sampling technique was applied in selecting beneficiary households and non-beneficiary households. In the first stage, six communities were randomly selected from the Municipality - Nogsinia, Janania, Balobia, Vunania, Kologo and Manyoro. In the the second stage of random sampling, two MFIs were randomly chosen (one rural bank and one other financial company), for the key informant interviews for data collection purpose. In the third stage and final stage, the study randomly selected members from each of the beneficiary households and members from each of the non-beneficiary households.

In total, the study collected information from two hundred beneficiary households. However, during the examination of the completed questionnaires, it was found that some questionnaires contained inconsistent as well as incomplete answers. The study dropped these questionnaires. This was left with one hundred and fifty (150) useable questionnaires from the beneficiary household groups.

In the case for the non-beneficiary households, the study expected 200 randomly selected members. Also, it was found that some questionnaires once again contained inconsistent as well as incomplete answers. The study dropped these questionnaires. Then was easy to rely on one hundred and fifty (150) useable questionnaires from the non-beneficiary household groups as well. In all 300 households were interviewed. There, 50 respondents each from Nogsinia, Janania, Balobia, Vunania, Kologo and Manyoro. This is shown in Table 3.1.

Table 3.1: Number of Areas and Respondents Covered in the Sample.

Research Tool	Nogsinia	Janania	Balobia	Vunania	Kologo	Manyoro	Total
Questionnaire	50	50	50	50	50	50	300
Total	50	50	50	50	50	50	300

Source: Researcher’s construct, Field Data (2017).

3.5.3 Accidental Sampling

The beneficiary household members and the non-beneficiary household members were selected based on accidental sampling. According to Etikan, Musa, and Alkassim (2015) accidental sampling, also known as haphazard or convenience sampling is non-probability or non-random sampling technique whereby members of a target population that meet certain practical criteria, such as easy accessibility, geographical proximity, availability at a given time, or the willingness to participate are included for the purpose of a study. It also refers to the researching subjects of the population that are easily accessible to the researcher. Convenience, haphazard or accidental samples are regarded as 'accidental samples' because elements may be selected in the sample simply as they just happen to be situated, spatially or administratively, near where the researcher is conducting the data collection.

This technique was chosen because as Etikan, Musa, and Alkassim (2015:2) observed, "Convenience Sampling is affordable, easy and the subjects are readily available..." The main objective of convenience sampling is to collect information from participants who are easily accessible to the researcher like recruiting providers attending a staff meeting for study participation. Although commonly used, it is neither purposeful nor strategic. The main assumption associated with convenience sampling is that the members of the target population are homogeneous. That is, that there would be no difference in the research results obtained from a random sample, a nearby sample, a co-operative sample, or a sample gathered in some inaccessible part of the population.

Thus, in this study, this technique was used to obtain participants who were benefiting from micro credit and those who were not benefitting in the study communities and were available at the time of the research and ready to participate in the study. In all, 150 beneficiaries were sampled and 150 non-beneficiaries were also sampled. This gave a total sample size of 300 for the study. This technique was combined with the simple random sampling technique.

3.6 Data Analysis Tool

This sub-section presents how the data was analyzed. Data were analyzed using quantitative and qualitative approaches.

3.6.1 Quantitative Data Analysis

The quantitative data was analyzed through computer software. The Statistical Package for Social Sciences (SPSS) and Stata packages were used to facilitate the generation of tables and figures. The tables and figures were then modified to meet the binding arrangements of the final thesis. The software generated the tables and figures while descriptive explanations were made by the author. The justification for this choice is founded on the fact that it ensures a vivid impression of the data using pictorial forms such as charts, tables and graphs while at the same time gave the author the opportunity to explain the tables and figures generated.

The data was analyzed using difference-in-difference technique. The researcher conducted a first round survey in 2013 on both the beneficiary and non-beneficiary groups in order to ascertain their average income levels before the intervention. After the intervention (credit to beneficiary group), another survey was conducted to collate data again on the income levels of both groups in order to determine whether there was any significance difference in income levels between the two. The difference-in-difference (DD) was calculated using the formula

$DD= [\epsilon\ (Y^T{}_1 - Y^T{}_0)\ T_{1=}1] - \epsilon\ [(Y_1{}^c - Y^c{}_0)T_{1=0}]$

Where $Y^T{}_1$ =mean of beneficiary group after the intervention=GH₵1500.00 a month

$Y^T{}_{0=}$ mean of beneficiary group before the intervention GH₵550.00

$Y_1{}^c$ = mean of non-beneficiary group after the intervention= GH₵800

$Y^c{}_0$ = mean of non-beneficiary group before the intervention= GH₵600

$DD= \epsilon\ (1500-550)-(800-600)$

$=950-200$

DD= GH₵750.00

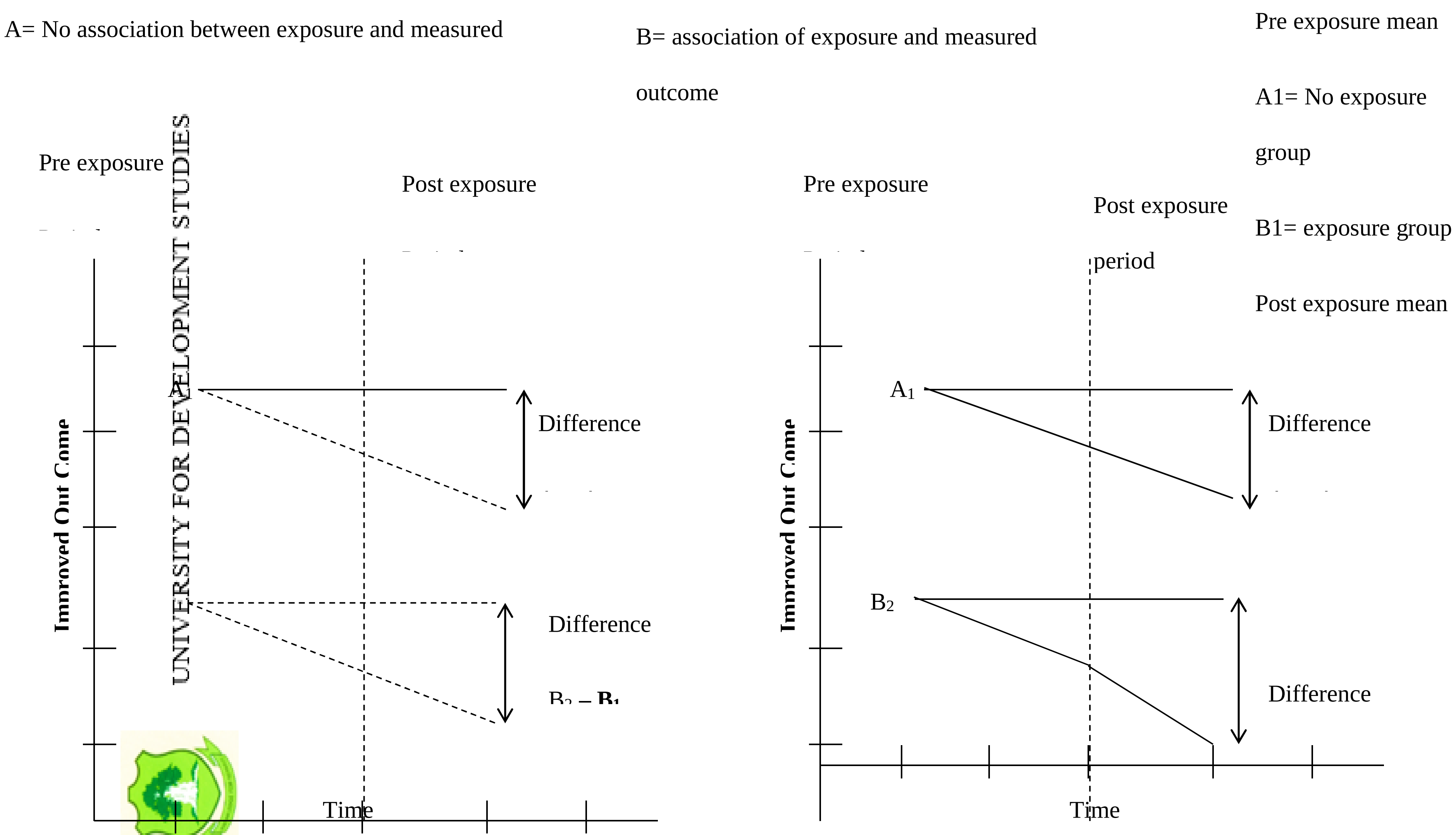
In fact, a positive GH₵750.00 DD shows a significant improvement in the average income level of the beneficiary group over the non-beneficiary group. The researcher used this technique because the DD estimator allows for unobserved heterogeneity (the unobserved difference in mean counterfactual outcomes between beneficiary and non-beneficiary groups) that may lead to selection bias. The method is able to cater for the effect of unobserved factors like innate ability or personality across beneficiary and non-beneficiary groups as well as effect of non-random program placement at the policy- making level. The method assumes that unobserved heterogeneity is time invariant, so the bias is cancelled out through differencing. So one can say that the increase in the average income of the beneficiary group is due to the credit they received. This is shown in the conceptual illustration of difference- in- difference analysis below:

3.7 Reasons for the Choice of Difference-in- difference Method

The association between policy changes and subsequent outcomes is often evaluated by pre-post assessments. Outcomes after implementation are compared with those before. This design is valid only if there are no underlying time dependent trends in outcomes unrelated to the policy change. If incomes of respondents were already increasing before the policy (micro credit), then I think using a pre-post only would lead to the erroneous conclusion that the policy was associated with better outcomes.

The difference -in- difference method addresses this problem by using a comparison group that is experiencing the same trends but is not exposed to the policy change. Outcomes after and before the policy are compared between the study groups and the comparison group without the exposure (group A) and the study group with exposure (group B), which allows the researcher to subtract out the background changes in outcomes. Two differences in outcomes are important: the difference after vs before the policy change in the group exposed to the policy (B2-B1, figure) and difference after vs before the date of the policy change in unexposed grouped (A2 -A1). The change in outcomes that are related to the implementation of the policy beyond background trends can then be estimated from difference-in-difference analysis as follows: (B2- B1) – (A2-A1). If there is no relationship between the policy implementation and subsequent outcomes, then the difference –in- difference estimate is equal to 0 (figure A). In contrast, if the policy is associated with beneficial changes then the outcomes following implementation will improve to a greater extent in the exposed group. This is shown in the difference- in- difference estimate (figure B below).

3.7.1 Conceptual Illustration of a Difference- in - Difference Analysis for Two Scenarios



Source: researcher's field data December 2015

3.7.2 The Limitations of the Difference- in- Difference Technique

The two main assumptions of difference –in- difference (DD) analysis are parallel trends and common shocks (unobserved). The parallel trends assumption states that the trends in outcomes between the beneficiary and non- beneficiary groups are the same prior to the intervention. If true, it is reasonable to assume that these parallel trends would continue for both groups even if the programme was not implemented. This is tested empirically by examining the trends in both groups before the policy was implemented (the beneficiary group received the loan).

In a regression model, this is evaluated by assessing the significance of the interaction term between time and policy exposure in the pre-intervention period. The researcher found out that the trends were not significantly different prior to the interaction. So, a difference in difference analysis used would most likely not be biased.

In Economics, a shock is an unexpected or unpredicted or unobserved event (unrelated to the policy) that affects the outcomes. The common shocks assumptions state that any event occurring during or after the time the policy change will equally affect the beneficiary and non- beneficiary groups. A key limitation to implementing difference –in- difference design is finding a control group for which those assumptions are met (good counterfactual). Ideally, the only difference between the beneficiary group and the non-beneficiary group would be the exposure to the policy (micro credit). In practice, such a group may be difficult to find. The researcher managed to get a non-beneficiary group that mirrored the features of the beneficiary group. For example, they engage in similar economic activities, almost the same age structure, have similar educational levels etc. This makes the effect of the unobserved on the outcomes statistically insignificant.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents detailed discussions of the findings of the study. The presentation is in the form of cross-tabulation, narrative discussions and tables following identifiable themes derived from the research questions and objectives.

4.2 Demographic Characteristics of the Respondents

In figure 4.1, the sex distribution shows that male respondents were 168 (56%) while the female respondents were 132(44%). Figure 4.1 shows the male and female distribution of the participants.

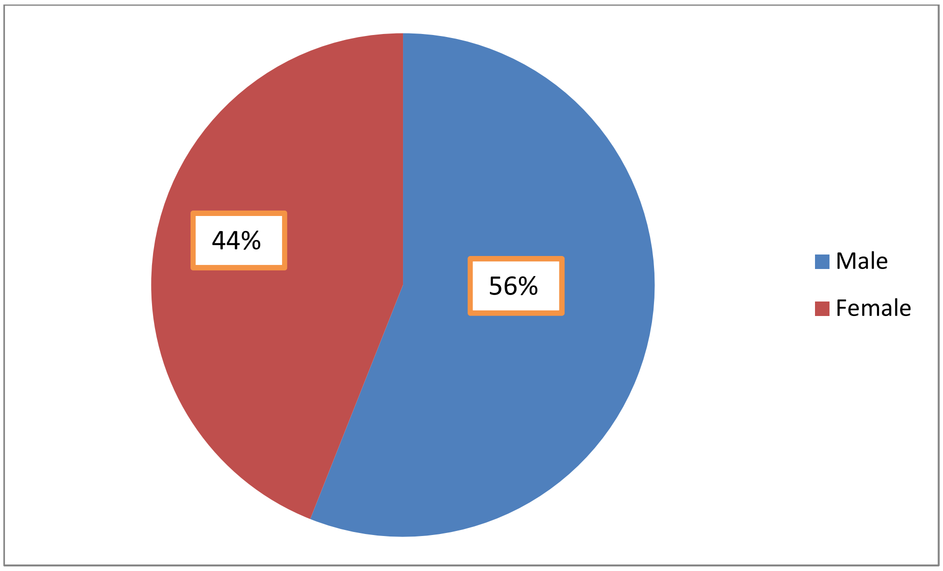


Figure 4.1: The male and female distribution of the participants.

Source (Field Survey, 2017)

Table 4.1 shows that the beneficiary respondents who were 18-24 years were 46(30.7%), those who were from 25-34 were 18 (12%), those who were 35-44 were 36 (24%), those who were from 45-54 were 30 (20%), those who were from 55-64 were 20 (13.3%) while those who were 65+ were 0 (0%). Majority of the respondents (66.7%) were below the age of 50. Also, the respondents who constituted the youth and productive force of the Municipality also dominated the other age categories of 48(30.7%) for 18-24 years and 18(12%) respondents for those 25-34 years. There were no beneficiary respondents for those 65 years and above indicating that these categories of people were too weak to work and to benefit from micro credit facilities in the Municipality.

On the part of non-beneficiary respondents who were 18-24 years were 40(26.7%), those who were from 25-34 were 17(11.3%), those from 35-44 were 37(24.7), those who were from 45-54 were 31 (20.7%), those from 55-64 were 20 (13.3) but those who were 65+ were 5 (3.3%). From the table, the age distribution for both the beneficiary group and non-beneficiary group were similar with insignificant variations. This means that the non-beneficiary group is good counterfactual since its features are similar to that of the beneficiary group.

Table 4.1: The Age Distribution of the RESPONDENTS

Age range	Number of beneficiaries	Percentage	No of Non-beneficiaries	Percentage
18-24	46	30.7	40	26.7
25-34	18	12	17	11.3
35-44	36	24	37	24.7
45-54	30	20	31	20.7
55-64	20	13.3	20	13.3
65+	0	0	5	3.3
Total	150	100	150	100

Source (Field Survey, 2017)

Table 4.2 shows the level of education of the respondents. For the beneficiary respondents it shows that those who had no formal education were 31 (20.7%), those who had primary education were 22 (14.7), those who had JHS education were 24 (16%), those who had SHS education were 38 (25.3), those who had pre-tertiary education were 11 (7.3%) while those who had tertiary education were 24 (16%). The table shows that those who had no formal education and those who had primary education constituted 53 (35.3) while those who had JHS to tertiary level education were 97 (64.7%). This indicates that in the Municipality, majority of the beneficiary respondents (64.7%) had at least a JHS education.

For the non-beneficiary respondents, it shows that those who had no formal education were 25 (16.7%), those who had primary education were 25 (16.7%), those who had JHS education were 30 (20%), those who had SHS education were 34 (22.7%), those who had pre-tertiary education were 12 (8%) while those who had tertiary education were 24 (16%). The table shows that those who had no formal education and those who had primary education constituted 50 (33.4%) while those who had JHS to tertiary level education were 100 (66.7%). This equally shows that in the Municipality, majority of the non-beneficiary respondents (66.7%) had at least a JHS education. This implies that beneficiary and non-beneficiary respondents have similar levels of education. However, it is worth noting that those non-beneficiary respondents who had JHS to tertiary level of education were 2% more than the beneficiary respondents.

Table 4.2: The Level of Education of Respondents

Item	Number of beneficiaries	Percentage	Number of Non-beneficiaries	Percentage
No education	31	20.7	25	16.7
Primary education	22	14.7	25	16.7
JHS	24	16	30	20
SHS	38	25.3	34	22.7
Pre-tertiary	11	7.3	12	8
Tertiary	24	16	24	16
Total	150	100	150	100

Source (Field Survey, 2017)

Table 4.3 shows that the beneficiary respondents who were into farming activities were 50 (33.3%), those who were into trading were 27 (18%), those who were formal salary earners were 40 (26.7%) while those who were into other occupational activities were 33 (22%).

Twelve (8%) of the respondents were students, seven (4.7%) were into apprenticeship, six (4%) respondents were into art and craft, four (2.7%) respondents were artisans, one (0.7) was a hunter while three (1.9%) was a housewife. The observation of majority as farmers corroborates Kassena-Nankana Municipal Assembly (2014) that the Municipality's economy is dominated by the primary sector with the predominant activity being farming.

However, the non-beneficiary respondents who were into farming activities were 52(34.7%), those who were into trading were 25(16.6%), those who were formal salary earners were 38 (25.3%), and those into other occupational activities were 35 (23.3%). Beneficiary and non- beneficiary groups engage in similar occupations. This implies that the beneficiary and the non- beneficiary groups have similar features – a cardinal feature necessary for the success of difference-in-difference technique.

Table 4.3: The Occupation of Respondents

Item	Number of beneficiary respondents	Percentage	Number of non-beneficiary respondents	Percentage
Farming	50	33.3	48	32
Trading	27	18	29	19.33
Salary workers	40	26.7	36	24
Other	33	22	37	24.67
Total	150	100	150	100

Source (Field Survey, 2017)

With respect to marital status of the respondents, 38 (25.3%) respondents were single, 59 (39.3%) were married, 31 (20.7%) respondents were divorced, 5 (2.8%) were widowed while 17 (11.3%) respondents were separated. Figure 4.2 indicates the marital status of the respondents.

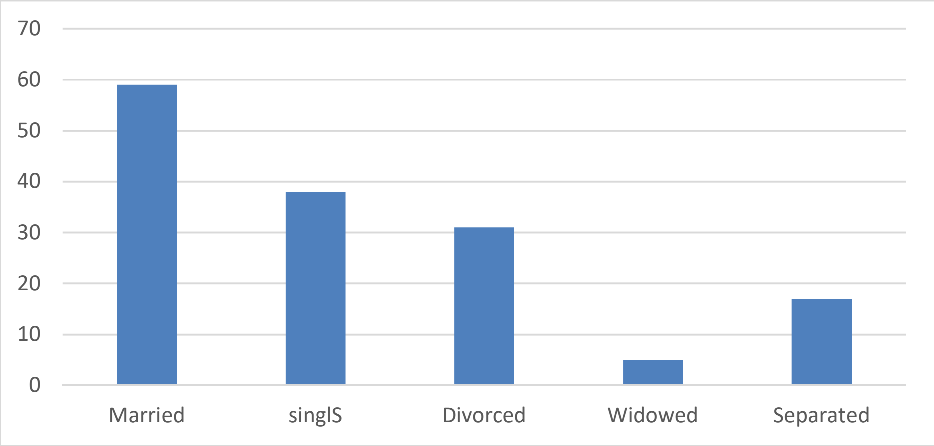


Figure 4.2: Marital Status of the Responds

Source: Field Survey, 2017

4.3.1 Knowledge of Household Members on the Presence of Micro Credit Schemes

The respondents were asked the number of years they had lived in their respective communities. Those who lived in their communities for less than 18 years were 16 (21.3%), those who lived in their communities from 18 to 30 years were 34 (45.3%), those who lived in their communities from 31-43 years were 17 (22.7%), those who lived in their communities from 43-55 years were 4 (5.3%) and those who lived in their communities for 56+ were also 4 (5.3%). This shows that majority of the respondents (45.3%) lived in their communities from 18-30 years. These respondents also fall within the range of the youthful population.

The respondents were asked about their knowledge of the organizations/institutions which give credit to members of their community. Forty-nine (65.3%) were aware of organizations/institutions which give credit to members of their community while 26

(34.7%) did not know any organization/institution which gives credit in their community. The respondents who had information on the existence of credit-giving institutions mentioned Naara Rural Bank Ltd (44%), Agricultural Development Bank Ltd (42.7%), Ghana Commercial Bank Ltd (37.3%), Afrikids (8%), GN Bank Ltd (4%), World Vision Ghana (2.7%), Lugkuzuri (1.3%), Navrongo Teachers' Credit Union (1.3%) and Multi-Credit Union in Bolgatanga (1.3%). The responses show that Naara Rural Bank Ltd is the leading financial institution in the Municipality that gives credit to medium and small scale businesses. This can be attributed to its mandate of serving rural people with banking facilities. This is confirmed in a key informant interview with an official of the bank who said:

"Our core mandate as a rural bank here is to bring banking services to the poorest people around this Municipality. We are here to provide banking services to those who otherwise cannot meet the requirements of operating with other banks in this area."

The responses also show that the Agricultural Development Bank is the second bank providing credit facilities to the people of the Kassena-Nankana Municipality. This can also be attributed to the fact that the bank operates to provide banking services to farmers, especially peasant farmers who are considered in the Municipality to be among the poorest section of the society. The Ghana Commercial Bank Ltd (now GCB), also gives credit to members of the community. The responses also show that the respondents access micro credit from financial companies like the Multi-credit Union in Bolgatanga. Surprisingly, GN Bank Ltd which started its operations in the Municipality quite recently also offers credit facilities to the people of the Municipality. The others, Afrikids, Lukuzuri, and World Vision Ghana mainly provide credit to the eastern part of the Municipality.

It is worthy to note that there is a Fast Link Financial Company but it has not been mentioned by the respondents. This could be attributed to the fact that it is still new. In a key informant interview with an employee of the company he said that:

"We have just started not quite long and so we are still putting some checks and balances in place. We are yet to start giving credit to people without collateral".

Table 4.4: Organizations/Institutions that Provide Credit to Members of the Communities.

Name of organisation / institution	Number of respondents	Percentage
Naara Rural Bank Ltd	48	32
Agricultural Development Bank Ltd (ADB)	43	28.69
Ghana Commercial Bank (GCB)	32	21.3
Afrikids	10	6.7
GN Bank	7	4.67
World Vission Ghana	5	3.3
Luguzuri	3	2
Navrongo Teachers' Credit Union	1	0.67
Multi - Credit Union in Bolgatanga	1	0.67
TOTAL	150	100.0

Source: Field work (2017)

4.3.2 Access to Micro Credit

Fifty-three (70.7%) respondents indicated that they did not seek micro credit and could not access it because there are no organizations/institutions in their communities providing such services while 21 (28%) indicated they attempted but could not access micro credit because of lack of organizations/institutions in their communities. It should be worthy of note that the respondents (21) who indicated this were from Kologo (10) and Manyoro (11) which are far from the capital. The responses above corroborate with the responses given by the respondents on the question of whether they have ever contacted any organization/institution which gives micro credit in their community but failed to access micro credit. Sixty-one (81.3%) respondents indicated that they did not contact any organization/institution for micro credit but failed to access it while 14 (54.7%) respondents indicated they contacted such organization/institution but failed to get micro credit. Various reasons were assigned by those who stated that they contacted an organization/institution for micro credit but failed to obtain it. Five (6.7%) respondents mentioned that they did not have a collateral to enable them access the credit, 4 (5.3%) respondents mentioned that the amount they wanted to loan was too high and so they were turned down, 4 (5.3%) respondents mentioned that micro credit is only for those on salary while 4 (5.3%) stated that they need to get three (3) guarantors to guarantee their loans which they did not get.

4.3 Benefits of Micro Credit

Majority of the respondents, 55 (73.3%) agreed that there are tremendous benefits associated with micro credit if they access it. This confirms studies by Maheswaranathan and Kennedy (2010) that micro credit involves giving small loans for people who need money for self-employment projects that can generate income for urgent family needs such as health problems, clothes, food and education. This also confirms Dobra's (2011) assertion that beneficiaries of micro credit (poor people) use the profits made from income generating activities to take care of their health needs, education, feeding, buying clothes among others which makes the condition of the beneficiaries better than they were without the micro credit. This confirms Hulme and Mosley's (1996) findings that there is a positive impact on borrowers, both male and female, income with an average increase over the control group ranging from 10 to 12 percent in Indonesia, to around 30 percent in Bangladesh. Only 20 (26.7%) respondents did not agree that there are benefits associated with accessing micro credit.

With respect to the distribution of respondents about benefits, 40 (30.8%) respondents indicated profits made out of income generating activities, 24 (18.5%) respondents indicated business expansion, 50 (38.5%) respondents indicated using to pay their wards school fees, 4 (3.1%) respondents indicated provision of decent shelter and 12 (9.2%) respondents indicated using the benefits take care of their health. Figure 4.3 shows the benefits associated with accessing micro credit.

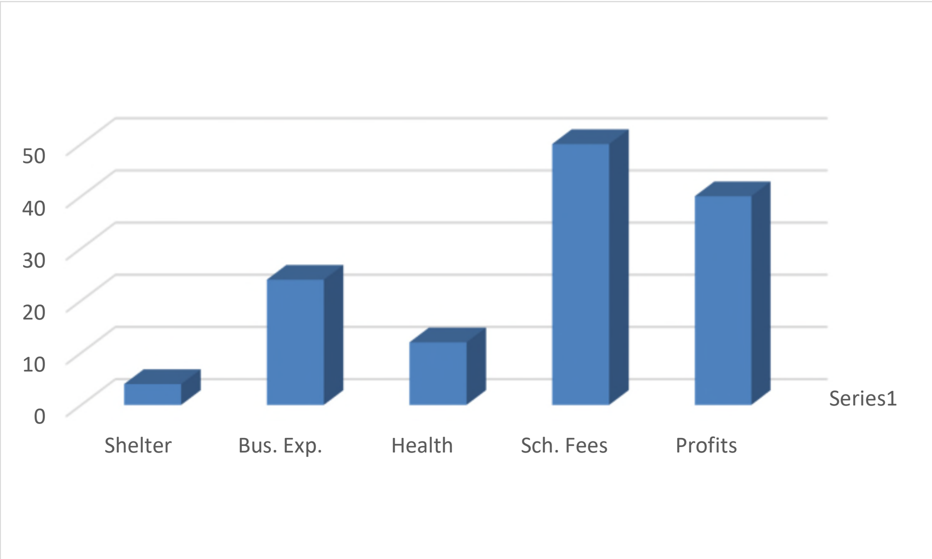


Figure 4.3: Benefits Associated with Assessing Micro Credit

Source: Field work (2017).

The respondents who asserted that there are no benefits associated with micro credit mentioned some reasons to justify their assertion. Ten (10) respondents stated that high interest rates are charged when disbursing micro credit. This contradicts Yakubu's (2008) assertion that the credit is usually understood to be a kind of assistance to a person in need. Interest is never a factor in the transaction. The other 10 (13.3%) argued that the terms and conditions (collateral) associated with accessing micro credit are too cumbersome. This contradicts UN (2005), Armendáriz de Aghion and Morduch (2005) and Awumbila (2011) that micro credit entails the disbursement of small collateral-free loans to poor people in order to enhance income generation and poverty reduction.

4.3.4 Challenges Associated with Accessing Micro credit

Forty-four (58.7%) respondents stated that there are challenges when accessing micro credit while 31 (41.3%) respondents stated that there are no challenges associated with accessing micro credit. Table 4.5 presents the information on challenges of accessing micro credit.

Table 4.5 Challenges Associated with Accessing Micro Credit

	Number of respondents	Percentage
Not flexible and it is cumbersome	21	47.7
Meant for people on formal salary	5	11.4
Requirements do not favour poor people	2	4.5
Group formation	2	4.5
High interest rates	13	29.5
Micro-credit not in the community	1	2.3
Total	44	100.0

Source: Field work (2017)

In table 4.5, Out of the 44 respondents who encountered some challenges, 21 (47.7%) stated inflexible procedure for securing micro credit, 5 (11.3%) noted that micro credit in the Municipality is meant for people on formal salary, 2 (4.5%) asserted that the requirements for securing a micro credit facility do not favour poor people, 2 (4.5%) stated group formation as a requirement for credit access as challenges. This is confirmed by an official of the Naara Rural Bank Ltd in a key informant interview that:

"Usually micro credit is given to groups of people and not individuals. The rationale is that it helps to track back the payment process because if one person does not pay back, the rest of the group members will have to pay back for that person."

Further, 13 (29.5%) of the respondents asserted that there are higher interest rates associated with micro credit while 1 (2.3%) stated non-existence of micro finance institutions in the community as a challenge. Table 4.5 shows the challenges associated with accessing micro credit.

All (31) respondents who stated that there are no challenges associated with accessing micro credit asserted that if you meet the requirements, it is easy to access micro credit.

All the 31who stated that there are no perceived challenges when accessing micro credit indicated that they have never attempted accessing micro credit and hence do not know any form of challenge that may be associated with accessing micro credit.

The respondents gave some recommendations for the improvement of micro credit delivery in the Kassena-Nankana Municipality. Thirty of the respondents recommended that there should be flexibility and the procedure should not be cumbersome when accessing micro-credit. Ten (10) respondents are of the opinion that the operations of micro finance institutions should be extended to rural areas in the Municipality while four (4) respondents asserted high interest rates should not be charged on loans taken.

4.4 Utilization and Benefits of Micro Credit

This sub-section examines the perceptions of beneficiaries of micro credit on the utilization and benefits of micro credit to them and their households.

4.4.1 Utilization of Micro Credit

The respondents were asked of the type of business/trade they were involved in. 33(44%) respondents were involved in buying and selling goods and services, 26 (34.7%) respondents were into farming while 16 (21.3%) were artisans. The respondents were involved in these businesses for a number of years. Those who were involved in the business from 1-5 years were 29 (38.7%), those who were involved for about 6-10 years were 27 (36%) while those who were involved in the business for 11 years and more were 23 (30.7%).

All the respondents (75) had received micro credit. Forty-seven respondents indicated that they received micro credit from the Naara Rural Bank Ltd. This corroborates the responses of the members of the households of beneficiaries of micro credit, 8 (10.7%) received micro credit from ADB, 6 (8%) from a micro finance company, 4 (5.3%) respondents received micro credit from GCB, 3 (4%) received micro credit from Teachers Credit Union while 3 (4%) received micro credit from a Multi-credit Union. The above responses show that the Naara Rural Bank Ltd is the leading financial institution giving micro-credit to rural people followed by ADB, Micro finance Company, GCB, Teachers Credit Union and the Multi-credit Union. A key informant interview with an official of the Naara Rural Bank Ltd confirms that they are poised to lead in the field of micro credit disbursement in the Municipality.

"We seek to do our best in reaching as many groups as possible; especially vulnerable groups, so they can have access to credit that can lead them out of their current condition of deprivation. We want to be in the lead in this Municipality".

The beneficiaries invested their micro credit in two main areas: farming, 32 (42.7%) while 43 (57.3%) respondents invested their credit on buying and selling of goods and services.

4.4.2 Utilization of Micro credit at the Household Level

The respondents gave the number of people in their respective households. Those with household members from 1-5 were 30 (40%), those who were from 6-10 were 15 (20%) while those who were 11 or more were 30 (40%).

All the respondents (75) indicated that their household members benefited from the micro credit they received. The areas in which beneficiary household members benefited from the micro credit they received were: education that is paying school fees of members of household, 43 (57.3%); on health, 17 (22.7%); providing money for family upkeep, 10 (13.3%) and 5 (6.6%) respondents mentioned that they provide shelter for household members. This confirms Maheswaranathan and Kennedy (2010) that micro credit involves giving small loans for people who need money for self-employment projects that can generate income for urgent family needs such as health problems, clothes, food and education. Figure 4.5 shows the benefits of micro credit at the household level. This also corroborates Newaz's (2003) findings that micro credit programmes that have targeted women have been found to be effective as it ensures that the net benefits that accrue from increased income do not only help the women but that, the welfare of the family and particularly children are improved reducing the overall poverty of beneficiary families. Proponents of micro credit have also found that, the position and bargaining power of women with access to credit have been found to be improved since their cash is channeled to the family (Newaz, 2003).

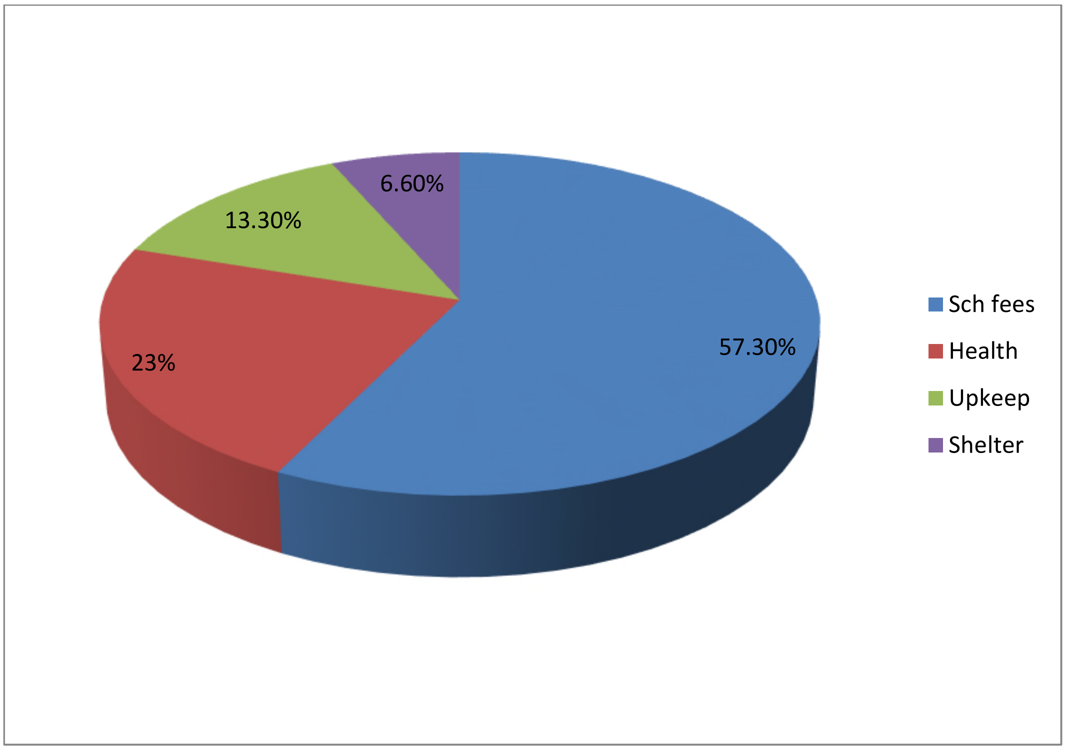


Figure 4.4: Benefits of Micro Credit at the Household Level

Source: Field work (2017)

The micro credit of beneficiaries has benefited household members who were 10 years or below. All the 75 respondents indicated that their children were their prime beneficiaries of the micro credit they received.

Micro credit has been beneficial to beneficiaries and their household members. Majority of the respondents, 60 (80%) indicated the micro credit benefited them while only 15 (20%) indicated that it did not benefit them. Those who indicated that it benefited them mentioned that it enabled them to further the education of their wards were 20 (26.7%), increased their income level were 10 (13.3%), reduced household burden were 10 (13.3%), improved the standard of living of the family were 13 (17.3%), increased crop production were 10 (13.3%), and those who indicated that it enabled them to stay and expand their businesses were 12 (16%). Table 4.6 indicates the benefits micro credit beneficiaries enjoy when they access micro credit.

Table 4.6: Benefits Micro Credit Beneficiaries Enjoy when they Access Micro Credit

Benefit	Number of respondents	Percentage
Enable further the educations of their wards	20	26.7
Improved the standard of living of the household	13	17.3
Increased crop production	10	13.3
Increased their income level	10	13.3
Reduced household burden	10	13.3
Enabled them to stay and expand their businesses	12	16
Total	75	100

Source: Field work (2017)

4.4.3 Micro credit Effects on Income Levels of Beneficiaries

The researcher compared the income levels of 75 beneficiaries before and after accessing micro credit. It was noted that total income and mean income of the beneficiaries before the micro credit were 82500.00 and 550.00 respectively. However, after accessing the micro credit, the total income and mean of beneficiaries rose to 225000.00 and 1500.00 respectively.

Micro credit has been noted by the respondents to increase income levels. Seventy-three (73) respondents asserted that micro credit increased their income levels. Only two (2) respondents stated that micro credit did not increase their incomes.

Table 4.7: The Difference- in- Difference on Beneficiary and Non-Beneficiary Households

	Before intervention			After intervention			% increase income
Category of Respondent	Number of respondents	Total₵	Mean ₵	Total₵	Mean₵	Mean difference₵	
Beneficiaries	150	82,500	550	225,000	1,500	950	172.73
Non-beneficiaries	150	90,000	600	120,000	800	200	33.33
Total	300	1725,000	1150	345,000	2,300	1,150	

DD = 950-200 = 750.00

Source: Fieldwork (2017)

The difference- in- difference technique relies on a comparison of beneficiary and non-beneficiary groups before and after the intervention. The researcher adopted this technique because it relaxes the assumption of conditional exogeneity or selection only on observed characteristics. It also provides a tractable, intuitive way to account for selection on unobserved characteristics Koolwal (2009).

Before the intervention (in the table above), the total income of the beneficiaries was 82500.00 while that of the non- beneficiaries was 90,000.00. However, after the intervention, the total income of the beneficiaries increased to 225,000.00 while that of the non-beneficiaries rose to 120,000.00. There was a significant increase in income level of the beneficiaries (172.73%) than that of the non-beneficiaries (33.33%). The difference-in- difference confirmed this as shown below.

$DD= [\epsilon\, (Y^T_1 - Y^T_0)\ T1_{=1}]-[(\epsilon\, (Y_1{}^c - Y^c_0)\ T1_{=0}]$

Where $Y^T_{1\,=}$mean of beneficiary group after the intervention=GH₵1500.00 a month

$Y^T_{0=}$ mean of beneficiary group before the intervention GH₵550.00

$Y_1{}^c =$ mean of non-beneficiary group after the intervention= GH₵800

$Y^c_{0\,=}$ mean of non-beneficiary group before the intervention= GH₵600

$DD=\epsilon\ (1500-550) - (800-600)$

$=950-200$

DD= GH₵750.00

A positive difference in mean difference signifies that the increase in the income level of the beneficiaries can plausibly be attributed to the micro credit they received. Hence micro credit has caused the mean income of beneficiaries to increase from 550.00 a month to 1,500.00 a month. By implication, their profit margins have increased which enabled them to expand their businesses. This is in tandem with Chaudhury and Parajuli (2006) which showed that a programme effect is plausibly attributed to the intervention with a good counterfactual. For the beneficiary and non-beneficiary groups have similar features that helped in dealing with unobserved characteristics

4.4.4 Assets Accumulated by Micro-Credit Beneficiaries and Non-beneficiaries

Information on assets accumulation by micro credit beneficiaries and non-beneficiaries is presented in Table 4.8.

Table 4.8: Assets Accumulated by Households

Item	Beneficiaries	Percentage	Non-beneficiaries	Percentage
Built a house for their household members	84	28	4	4
Acquired motorbike	56	19	10	10
Bought spraying machines	16	5	4	4
Established new businesses	16	5	8	8
Bought car	16	5	4	4
Purchased bicycles	16	5	20	20
Acquired fridges	16	5	0	0
TV set	12	4	20	20
Hair drier	8	3	0	0
Bought a tricycle	8	3	0	0
Sewing machine	8	3	6	6
Pumping machines	18	6	14	14
Built a hostel	12	4	0	0
Donkey cart	16	5.	10	10
Total	300	100.00	100	100.00

Source: Field work (2017)

On Table 4.7, it is observed that the total asset accumulated by the beneficiary group is 300 as against the non-beneficiary group of just 100. According to the table above, 84 assets representing (28%) were acquired by beneficiary respondents who stated that they used the profits accrued from their businesses they invested on their micro credit to build houses for their household members. 56 assets representing (19%) were motorbikes acquired from their micro credit investments, 16 assets representing (5%) acquired by the beneficiary group being spraying machines, 16 new businesses representing (5%) were established by the beneficiary group.16 cars representing (5%) of the total assets were acquired by the beneficiary respondents.16 bicycles representing (5%) of total assets acquired by respondents of the beneficiary group , 16 refrigerators representing (5%) of the total assets were acquired by the beneficiary respondents. 12 television sets representing (4%) of total assets of the beneficiary group were acquired.8 hair driers representing (3%) of the beneficiary total assets were acquired. 8 tricycles representing (3%) of the total assets were acquired.8 sewing machines representing (3%) of total the assets were acquired.18 new pumping machines representing (7%)of the total assets were acquired. 12 newly built hostels which is (4%) of the total assets were owned by the beneficiary respondents. while 18 donkey carts which is (6%) of the pool of assets acquired by the beneficiary respondents. Pictorially, the non-beneficiary group was able to accumulate fewer assets as compared to the beneficiary group. For instance, only 4 new houses were built representing (4%) of total assets of the non-beneficiary respondents, 10 new motor bikes representing (10%)of the non-beneficiaries' total assets were acquired. 4 new spraying machines representing (4%) of non- beneficiary total assets were acquired. 8 established new businesses, representing (8%) of the new assets acquired by the non-beneficiary group. 4 new cars were bought representing (4%) of the total assets acquired. 20 new bicycles representing (20%) of the accumulated assets of the non - beneficiary group. 6 new sewing machines were acquired. This represents 6% of total assets by the non- beneficiary group.14 new pumping machines representing (14%) of the total acquired by the non - beneficiary group, while 10 donkey carts representing (10%) were new assets acquired by the non – beneficiary group. However, in the non – beneficiary group, no additional asset was acquired in terms of refrigerators, hairdryers, tricycles and hostels.

In effect the above shows that beneficiaries earned 75% of the net asset while the non – beneficiaries earned 25% of the net asset.

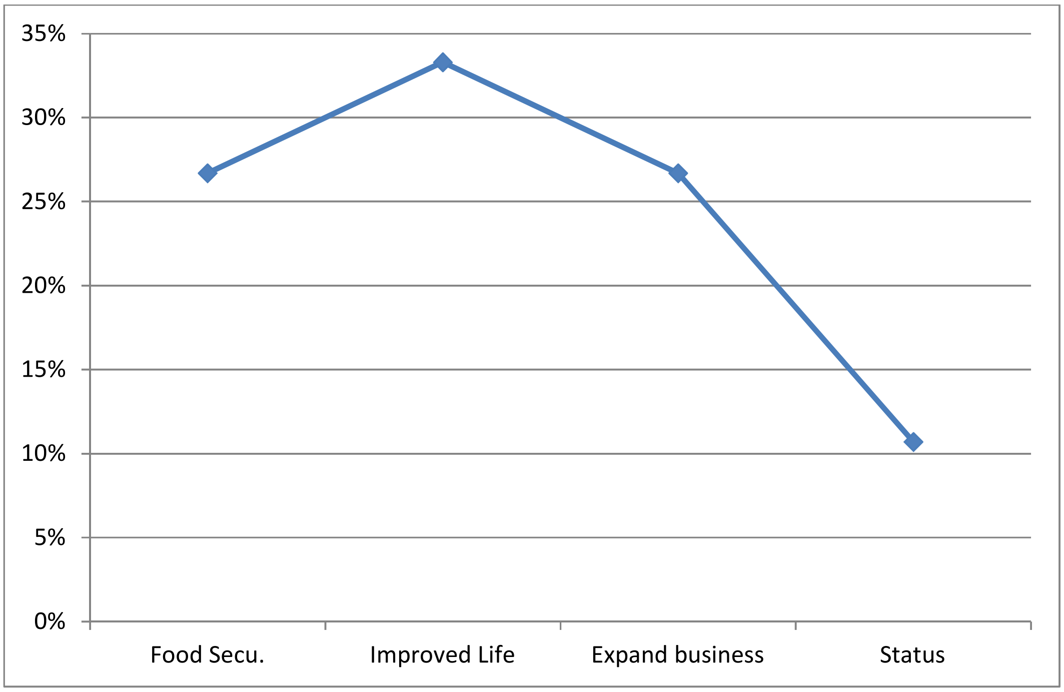


Figure 4.5: Reasons why Micro Credit Beneficiaries are better off than Non-Beneficiaries

Source: Field work (2017)

One hundred and forty- six (146) of the respondents indicated that they were better off as a result of their access to micro credit. This confirms Maheswaranathan and Kennedy (2010), Armendáriz de Aghion and Morduch (2005), UN (2005), Awumbila (2011) and Dobra (2011) that micro credit extends small loans to poor people for self-employment activities thus allowing the clients to achieve a better quality of life through profits gained from the income generating activities. Only four (4) respondents indicated that they were not better off with micro credit.

The respondents gave reasons to justify their position that they were better off with micro credit than those who did not benefit from micro credit. Forty (40) respondents indicated most of the foodstuff for their families are being obtained from the micro credit they used in investing in farming thereby reducing the family burden, 50 (33.3%) respondents stated that it improved their standard of living. This confirms Dobra's (2011) argument that micro credit not only opens up the opportunity for self-employment, but also contributes to the improvement of the situation for the entire household. About 40 (26.7%) respondents mentioned that the micro credit enabled them to expand their business which has increased their profit margin, while 16 (10.7%) respondents asserted that their status in the community changed and they are now being recognized and respected as a result of their access to micro credit. This is also confirmed by Dobra's (2011) assertion that micro-credit positively effects the social situation of poor individuals by promoting self-confidence and expanding the capacity to play a more important role in society. This shows that micro credit offsets poverty among poor people. The four (4) respondents who stated that micro credit did not benefit them did not advance any reason for their assertion. Figure 4.6 shows reasons why micro credit beneficiaries are better off.

4.4.5 Challenges Micro-Finance Institutions Face in Offering Credit to Beneficiaries

The last research question sought to find out: What challenges do micro-finance institutions encounter in offering credit facilities to beneficiaries? Answers were sought through a key informant interview.

Micro-finance institutions gave the challenges they face in offering credit to beneficiaries through key informant interviews. These challenges can be categorized into two: internal and external challenges. Internally, micro-finance institutions are limited in management capacity to manage the micro-finance institutions. The respondents showed that they lack adequate human resource officers who are capable of managing credit issuance to clients as well as retrieving back loans and hence their inability to reach many possible clients to benefit from the facilities. Additionally, as a result of the limited management capacity of micro-finance institutions, pressure is mounted on the few individuals handling loan facilities leading to delay and inefficiencies in disbursing loans to clients.

More so, micro finance institutions have inadequate training resources to give beneficiaries intensive training on how they can effectively invest their credit on income generation activities and how they can as well avoid losses in their businesses/trade. This leads to clients' inability to make propitious investments on the monies they pick from the micro-finance institutions.

Externally, improper regulations from government affect the operations of micro-finance institutions in the study area. As a result of unforeseen regulations that crop up by government controlled financial institutions, micro-finance institutions are usually not able to meet regulations and hence their inability to provide proper services to clients.

More often than not, clients are unwilling to pay back on time loans they have taken and sometimes micro-finance institutions have to use the legal process to retrieve their monies leading to court actions. This usually delays the progress of the micro-finance institutions.

Moreover, there is now an increasing competition in the provision of credit to clients. Hence it has become increasingly difficult for some micro-finance institutions to survive in the face of those competitions and in the long run, they fold up.

Sometimes, clients are not able to form credible groups to obtain loans. This slows down the loan processing until the groups are able to meet the basic criteria before the loans are disbursed.

Lastly, politicians try to intervene so that micro-finance institutions can bend their rules to provide loans to groups that are not credible. These pose a serious challenge to the existence and operations of some micro-finance institutions.

4.2.6 Challenges to Micro Credit Utilization

One hundred and forty-two (142) respondents (94.6%) did not encounter any challenge in the utilization of their micro credit while eight (8) respondents encountered challenges in utilizing their micro credit. This shows that utilizing micro credit has minimal challenges for beneficiaries of micro credit in the Kassena-Nankana Municipality. Challenges to micro credit utilization are presented in the table.

All the respondents who stated that they were faced with challenges mentioned that they were entertaining fears on how they would pay the loan back because they were not given any training from the micro-finance institution that disbursed the funds to them.

All the respondents who faced challenges also said that family responsibilities also posed a threat to the utilization of the loans they took because they were tempted to use the loans to take care of their children's school fees, medical bills and provide for the livelihood of their families.

Additionally, they stated that the fluctuation of market prices of commodities, especially seasonal and perishable goods made it very difficult to reap profits from the investments they made and hence their fear that they might not be able to repay the loans when the time was due for payment.

Aside that, another challenge they faced was that the loans were not huge enough for them to invest in the areas they had knowledge and experience working in and therefore, they had to divert to invest in areas they had little or no knowledge and experience in because such loans could only allow them to venture into those other areas. In the end, they thought they would not be able to make profits that could help them pay back the loans and to plough back the profits into their businesses.

On the other hand, all those who stated that they did not face any difficulty mentioned that they were promptly paying their loans back and so did not face any difficulty even if they had the interest in taking another loan. This means prompt payment is a requisite for continuous access to micro credit. This is confirmed in a key informant interview with an official of the Naara Rural Bank when he asserted that:

"Those who pay back promptly are given credit any time they need it. Trust and confidence in our beneficiaries is a key factor to continual access to micro credit in this facility."

All the micro credit beneficiary respondents (150) recommended that micro-finance institutions should process their loan applications promptly without unnecessary delay for them to utilize the credit anytime they need it

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This Chapter sums up the outcomes of the study by presenting the summary of major findings, conclusions and recommendations.

5.2 Summary of Major Findings

In finding answers to the question: What is the effect of micro credit on poverty reduction in the Kassena-Nankana Municipality? It was realized that micro finance through micro credit disbursement to poor people contributed to poverty reduction among poor people. Majority of the respondents, 115 (76.7%) out of the total of 150 (100%) respondents indicated that micro finance through micro credit reduced poverty among them and their household members. Micro finance through micro credit impacts on poverty reduction by (1) profits made out of income generating activities from micro credit is used to pay school fees (40 respondents) which in the long run reduces illiteracy among households, (2) beneficiaries are able to expand their businesses by bringing household members on board to manage the businesses, (3) it enhances the lives of the beneficiaries and their households through capital accumulation (4 respondents), (4) it also helps the beneficiaries to provide themselves and their households with decent shelter (4 respondents) and (5) it provides an avenue for the beneficiaries to receive training on how to utilize micro credit and to manage businesses thereby avoiding losses (3 respondents).

Micro-finance thus contributes to poverty reduction through micro credit by improving the living standards of beneficiaries and their households.

The second research question sought to find out: How do beneficiaries utilize micro credit at the household level? All the respondents (150) indicated that they utilized their micro credit on their household members and all the beneficiary respondents (150) also asserted that all their household members benefited from the micro-credit they received. The areas in which beneficiary of the micro credit was utilized were: education, that is paying school fees of members of household, 43 (57.3%), health, 17 (22.7%) respondents, providing money for family upkeep, 10 (13.3%) respondents and 5 (6.6%) respondents mentioned that they provided shelter for household members.

Thus, beneficiaries of micro credit in the Kassena-Nankana Municipality utilized their credit on the welfare of their household members, ranging from paying school fees to providing shelter.

The next research question was: How has micro credit affected the income levels of beneficiaries? The result from difference- in-difference method was positive, indicating that the increase in average income of the beneficiaries was as a result of the micro credit received. So the micro credit led to an increase in the income level of beneficiaries.

Micro credit has been noted by the respondents to increase their income levels. One hundred and fifty (150) respondents out of the 150 micro credit beneficiaries asserted that micro credit increased their income levels. Micro credit affected beneficiaries' income in two major ways: increased beneficiaries profit margins, 90 (60%) of the beneficiary respondents and it helped beneficiaries to stay and expand their business which increased their income levels, 28 (37.3%) of the beneficiary respondents.

Micro-finance through micro credit has a positive effect on the income levels of beneficiaries by increasing the profit margins of beneficiaries and it enables beneficiaries to stay and expand their businesses.

The next research question examined: What assets have micro credit beneficiaries in the Kassena-Nankana Municipality accumulated as compared to non-beneficiaries? The micro credit beneficiaries acquired various assets as a result of the credit they accessed. Forty-three (43) beneficiaries out of the 150 beneficiaries acquired various items including houses, motorbikes, spraying machines, established new businesses, bought cars, bicycles, fridges, TV sets, hair driers, tricycle, sewing machine, pumping machines, built a hostel, and donkey cart.

Micro credit beneficiaries have thus, been able to acquire various assets that enable them to live improved lives than non-beneficiaries.

The first part of the last research question sought to find out: What challenges do micro finance institutions encounter in offering credit facilities to beneficiaries? Answers were sought through a key informant interview with the Naara Rural Bank official. The challenges micro finance institutions face is disbursing micro credit to clients cut across several spectrums of life. The bank official asserted that:

"The challenges we face as an institution in offering credit to our clients are: clients unwillingness to pay back loans taken on time and sometimes leading to court actions to retrieve our money, clients inability to form credible groups to obtain loans, high pressure from clients to process loan applications speedily, interference from government officials to offer loans to groups which do not meet the basic criteria, and inadequate training

resources to give beneficiaries intensive training on how they can effectively invest their credit on income generation activities and how they can as well avoid losses in their businesses/trade".

The second part of the last research question examined: what are the challenges beneficiaries face in utilizing micro credit? It was realized that 140 (93.3%) of the respondents stated that they did not encounter any challenge in the utilization of their micro credit while four (10) respondents encountered the challenge of fearing to incur losses in utilizing their micro credit.

Thus, the above shows that there are minimal challenges to the utilization of micro credit by the beneficiaries of micro credit in the Kassena-Nankana Municipality.

5.3 Conclusions

Micro-finance through micro credit impacts positively on poverty reduction in the Kassena-Nankana Municipality in a number of ways: (a) profits made out of income generating activities from micro credit is used to pay school fees which in the long run reduces illiteracy among households, (b) beneficiaries are able to expand their businesses by bringing household members on board to manage the businesses thereby creating employment for them, (c) it enhances the lives of the beneficiaries and their households through capital accumulation, (d) it also helps the beneficiaries to provide themselves and their households with decent shelter and (e) it provides an avenue for the beneficiaries to receive training on how to utilize micro credit and to manage businesses thereby avoiding losses on their investments.

Since micro credit has positive effect on income of beneficiaries according to the difference -in -difference technique, financial institutions should embark on more outreach programmes to ensure that more economically active poor people have access to credit in order to lift them out of poverty.

Beneficiaries of micro finance through micro credit utilize the increased income at the household level in a number of ways: education that is paying school fees of members of household; health; providing money for family upkeep; and providing shelter for household members. Thus, beneficiaries of micro credit invest their loans in petty trade and utilize the profits at the household level on the basic necessities of life.

Micro credit affects the income levels of beneficiaries positively. It affects the income levels of beneficiaries by increasing their profit margins and helps beneficiaries to stay and expand their business which increases their income levels in the long run.

The assets micro credit beneficiaries acquire in the Kassena-Nankana Municipality include houses, motorbikes, spraying machines, established new businesses, cars, bicycles, fridges, TV sets, hair driers, tricycle, sewing machine, pumping machines, hostel, and donkey cart.

The challenges micro-finance institutions face in offering micro credit to their clients are: (a) clients unwillingness to pay back; (b) clients' inability to form credible groups to obtain loans; (c) pressure from clients to process loan applications speedily' (d) interference from government; (e) and inadequate training resources to give beneficiaries intensive training. Finally, this research has found no strong evidence that micro credit supports wage employment through entrepreneurship as claimed by some MFIs. Instead, micro credit clients are trapped in self-employment as they continually get involved in survival activities. Group formation and composition depend on those already engaged in an income generating activity and with the ability to repay the loan. The loan quantum that the clients received was inadequate for investment in enterprises that have the potential of employing wage workers. The research also found that apprentices and unpaid relatives constituted the main workforce of the clients. Client's level of education was low and this is a handicap to entrepreneurial qualities, competence and business growth. If micro credit clients continue to receive small loans in addition to lack of the requisite skills to take risk in investing larger businesses, then the overall economic system cannot grow to the stage where one would expect job opportunities that will lead to poverty reduction.

5.4. Recommendations

Beneficiaries of micro credit should be sensitized by micro finance institutions on the need to pay back their loans promptly to enable them enjoy more credit from the institutions. Micro finance institutions and beneficiaries should develop a Loan Payment Plan (LPP) and beneficiaries should be reminded by micro finance institutions to follow the LPP to ensure prompt payments of loans.

Micro finance institutions, Civil Society Organizations (CSOs), the Kassena-Nankana Municipal Assembly and other stakeholders interested in bringing poor people out of poverty should organize workshops and seminars for prospective beneficiaries of micro credit on how to identify people of like minds and with the ability to utilize and pay loans back to form groups in order to obtain micro credit from micro-finance institutions. This will help avoid situations where beneficiaries refuse to pay back their loans and thereby bringing pressure to bear on members of the group to pay such loans for the defaulters.

Meetings should be organized for the micro credit applicants on procedures and duration of which loans will be disbursed to applicants to avoid applicants constantly putting pressure on officials to disburse loans to them. This will also help create a good rapport between officials and beneficiaries. Applicants will get the opportunity to ask questions for clarification if they deem it necessary.

Regulations and rules of payment should be instituted by the financial institutions to help beneficiaries to pay.

Government officials should stop the interference with the work of officials of micro-finance institutions in the discharge of their duties in disbursing loans to their clients who do not meet the minimum requirements in obtaining loans. This will help avoid issues of non-payment of loans by some beneficiaries who secure their loans through government officials and feel that they do not need to pay back such loans.

Micro-finance institutions and other stakeholders should allocate adequate resources for the training of beneficiaries of micro credit on how they can properly utilize the loans they have been given. The beneficiaries should be trained on how they can invest the loans, how they should open savings accounts and how to pay back the loan. This will help remove fear in beneficiaries on how they can utilize the loans and in the long run avoid losses in the investments they used the loans on.

The micro-finance industry in Ghana requires a holistic approach in addressing the challenges. There is a need for better coordination among the various stakeholders and the development of a robust regulatory framework and performance benchmarks for all micro-finance service providers. It is important for MFIs to come out with product innovations that would allow growth-oriented clients to transform their enterprises from micro to small or medium enterprises. It is not enough to start and sustain self-employment but there is the need also to provide avenues for increased productivity through larger enterprises such that employments are created for people to earn wages. This would not only pave way to wage employment, economic growth and poverty reduction but also help to strengthen the sector and improve the quality of micro-finance in Ghana.

There is the need to establish a National Autonomous Microcredit/Insurance fund (Ghana Microcredit Fund Authority). The managers of the autonomous micro credit funds should be given the authority to screen and monitor micro credit programmes according to standard criteria. Funding and support based on uniform standards create a level playing field. A set of monitoring requirements also contribute to more professional microfinance programmes which may be converted to professional microfinance institutions for poverty eradication. It is therefore recommended that MASLOC should be strengthened to carry out this duty.

Although most of the microfinance institutions are giving out credit, it seems the credit is not large enough to lift those living below the poverty line. It therefore recommended 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.

Microfinance in Ghana seems to only concentrate on Micro credit. The other aspects like micro-saving and micro-insurance are lacking. The schemes are only interested in giving out credits. Saving play an important role in poverty reduction, in that savings in the absence of proper insurance serves as insurance for household. Saving help improve future consumption for household. It is recommended that MFIs should rather concentrate much resource into savings mobilization. From basic knowledge in economics, capital accumulation has a greater strength to reduce poverty. Savings provides the asset for the economy's investment in future production. Without them, the economy cannot grow unless there are alternative source of investment.

Micro-insurance is very important to the poor even more than the rich. Most poor people do not have any form of insurance to safeguard them against bad days. From the study it was found that micro-insurance is one aspect lacking in the field of microfinance in Ghana. For instance in 2005/2006, when the Avian Flu broke out most maize farmers lost a lot of their capital. There was no insurance for them and therefore had to go and borrow from other source to pay for micro credit they took from the MFIs. Again it is recommended that MFIs should concentrate much of their resources into micro-insurance and how to improve on it.

Interaction with the clients during the data collection showed that there is a problem of information Asymmetry. The bank must employ qualified staff to check background of each client. In this case also it is recommended that proper and strong monitoring teams should be put in place to monitor client activities and how they put the credit to use.

There is one thing that lacks in the microfinance programmes in Ghana. There is not time frame set for client to be sustainable after which time no credit will be giving again. MFIs just enjoy to have more clients. This only means that, their programmes do not have the required impact. If MFIs are able to set this time frame for their clients, the programme will have significant impact on the lives of its clients.

Finally, the MFIs must step up the education of its members of basic business ideal. For example, how to keep record of expenditure and income.

LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

The problem with the research as it tends to focus on a given specific locality and a small client group. It is very difficult to generalize or make reliable conclusions that reach across borders or the whole country in income levels or socio-economic status.

Another problem is that the environment in one district may support the activities of a successful micro credit institutions which may not necessarily be the case in another district in Ghana. It is still a big challenge in measuring the impact of micro credit intervention because the data may not be reliable. However, there is still some scepticism even if good data may be obtained that allows for some analysis of the impact of micro credit.

It is possible to conclude that there is a relationship between micro credit programmes and the improved quality of life. Notwithstanding what has been stated above field assistants pointed out all the questions very carefully and wrote the response of the respondents from their verbal expressions. It was for this reason that most of the questions on questionnaire were fashion out in some multiple-choice and dichotomous questions.

Again one thing that may have affected the study is the sample size. 300 respondents were sampled from each of the communities which had more thousand people being members on one Micro credit scheme or the other. It is extremely difficult to establish hundred percent the data in developing countries like Ghana. The issue is to try as much as possible to minimize the risks in order to make the research credible. Critics' question the degree to what extent the data in developing countries is reliable as reliability concerns the quality of measurement. Information given may not necessarily portray the true fact as information may be concealed by clients because of being regarded "private life" or confidential. This is likely to compromise the accuracy of the sought data but this cannot be given as an excuse to discourage researchers conducting research in the developing world.

It is of the belief that even against the less representativeness of the sample size the result of this study is reliable and carefully determines the criterion for the sample. As have already mentioned that the selected sample size was randomly done with the help of local branches of MFIs and the local people of the specific area. It is believed that, the data collected was authentic and based on this data the results were gotten, which reflects most of the previous studies.

Finally, "effect" is a very complex abstract and therefore cannot be measured with perfect accuracy. There is no way one can measure every bit of effect on a micro credit intervention with certainty.

Although the focus was on the effect of micro credit on income of beneficiary households, the credit may have generated some impact on other variables which were not included in this study.

As an agenda for further research, one needs to identify all other key target values of the Microfinance Policy. Also most studies on microfinance have concentrated on the demand side of microfinance and there is the need to look at the supply side of microfinance. That is, there should be research into what factors MFIs considers before they give out credit, to ensure sustainability of their activities. A further research into the role interest rate plays in the field of microfinance will also help MFIs package their products very well.

Finally, there is the need to also look at the problem of asymmetry of information on the side of clients. That is, a search into adverse selection and moral hazard is important in the determinant of loan repayment. All these are researchable projects that can be pursued.

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APPENDIX I

CONSENT FORM

This research investigates micro credit utilization and its effects on beneficiary households in the Kassena-Nankana Municipality of the Upper East Region of Ghana. You are therefore required to answer the questions as honestly as possible. If for any reason, you are not interested in participating after knowing what this research is about, you are at liberty to opt out as a participant of the study.

Researcher   Respondent

………………   ……………….

Sign/Thumbprint   Sign/Thumbprint

APPENDIX II

UNIVERSITY FOR DEVELOPMENT STUDIES, GHANA

GRADUATE SCHOOL, TAMALE

MASTER OF PHILOSOPHY IN DEVELOPMENT STUDIES

TOPIC: MICRO CREDIT UTILIZATION AND ITS EFFECTS ON BENEFICIARY HOUSEHOLDS IN THE KASSENA-NANKANA MUNICIPALITY OF THE UPPER EAST REGION OF GHANA

QUESTIONNAIRE FOR BENEFICIARIES OF MICRO CREDIT

This questionnaire seeks to obtain information on micro credit utilization and its effects on beneficiary households in the Kassena-Nankana Municipality of the Upper East Region of Ghana. This study is purely for academic purposes. You are therefore, required to answer the questions below as honestly as possible.

Name of District/Community:……………………………………..

Date:…………………………………………………………........

Name of Research Assistant... Time:

Start:.................

Start end...........

A. Demographic Characteristics of Respondents

1. Name of participant:…………………………………………………………………...

First Name………………………….. Last Name……………

Other

Name(s)……………………………………………………………………………….

2. Sex: Male ☐

Female ☐

3. Age: 18-24 ☐

25-34 ☐

35-44 ☐

45-54 ☐

55-64 ☐

65+ ☐

4. Level of education:

No education at all ☐

Primary Level ☐

Junior High ☐

Senior High ☐

Pre-tertiary ☐

Tertiary ☐

5. Main occupation:

Farming ☐

Trading ☐

Formal salary worker ☐

other ☐

If other, state………………………………………………………………......................

6. Marital Status

Single ☐

Married ☐

Divorced ☐

Widowed ☐

Separated ☐

B. Utilization of micro credit

7. What type of trade/business are you involved in?..

8. How long have you been involved in this business/trade?...

9. Have you received micro credit of any kind in this community?

Yes ☐

No ☐

10. If yes, which organization/institution did you receive it from?......................................

11. Can you estimate the amount you received?..

12. Mention the business (es) you invested the micro credit on…………………………..

…………………………………………………………………………………………….

…………………………………………………………………………………………….

C. How beneficiaries utilized micro credit at the household level.

13. How many people are in your household?..

14. Did any of your household members benefit from the micro credit you took?

Yes ☐

No ☐

15. If yes, how many have benefited...

15. Kindly mention the areas in which your household members benefited from your micro credit………………………………………………………………………………….

…………………………………………………………………………………………….

………………………………………………………………………………………………….

16. Which of the following categories of your household members benefited from your micro credit?

a. Children: Male (number)…………….. Female (number)……………………

b. Adults: Male (number)……………….. Female (number)……………………

17. In your opinion, has micro credit been very helpful to you and your household members?

Yes ☐

No ☐

18. If yes, mention three ways in which it has been helpful………………………………

……………………………………………………………………………………………

……….…………………………………………………………………………………

D. How micro credit affects the income levels of beneficiaries.

19. In your opinion, has micro credit increased your income level?

Yes ☐

No ☐

20. If no, why did you say so?..

……………………………………………………………………………………………

……………………………………………………………………………………………

21. If yes in question 19, which ways did micro credit affect your income level?..............

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

E. The assets micro finance beneficiaries in the Kassena-Nankana accumulated as compared to non-beneficiaries.

22. As a beneficiary of micro credit mention some of the assets you have been able to acquire through micro credit…………………………………………………………….

…………………………………………………………………………………………………

……………………………………………………………………………………………….

23. In your opinion, do you think you are better off as a beneficiary of micro credit as compared to those who did not benefit from micro credit?

Yes ☐

No ☐

24. If yes, what reasons account for your assertion?..

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

25. If your response in question 23 is no, what are your reasons?...

…………………………………………………………

F. Challenges beneficiaries face in utilizing micro credit.

26. Did you face any difficulty in accessing the micro credit you took?

Yes ☐

No ☐

27. If yes, what are some of the challenges you faced when you were accessing the micro-credit?..

……………………………………………………………………………………………….

……………………………………………………………………………………………..

28. Currently, do you face any challenges in accessing micro credit?

Yes ☐

No ☐

29. If yes, what are the challenges you face?...

…………………………………………………………………………………………

…………………………………………………………………………………………

……………………………………………………………………………………….

30. If no in question 28, why do you say so?..

…………………………………………………………………………………………

…………………………………………………………………………………………

……………………………………………………………………………………….

31. Give recommendations for the improvement of micro credit schemes in your community…………………………………………………………………………

APPENDIX III

UNIVERSITY FOR DEVELOPMENT STUDIES, GHANA

GRADUATE SCHOOL, TAMALE

MASTER OF PHILOSOPHY IN DEVELOPMENT STUDIES

TOPIC: MICRO CREDIT UTILIZATION AND ITS EFFECTS ON BENEFICIARY HOUSEHOLDS IN THE KASSENA-NANKANA MUNICIPALITY OF THE UPPER EAST REGION OF GHANA

QUESTIONNAIRE FOR BENEFICIARIES' HOUSEHOLD MEMBERS

This questionnaire seeks to obtain information on micro credit utilization and its effects on beneficiary households in the Kassena-Nankana Municipality of the Upper East Region of Ghana. This study is purely for academic purposes. You are therefore, required to answer the questions below as honestly as possible.

Name of District/Community:……………………………………..

Date:……………………………………………………….........

Name of Research Assistant... Time:

Start:.................

Start end...........

A. Demographic Characteristics of Respondents

1. Name of participant:

First Name…………………………………… Last Name………………………………

Other Name(s)………………………………..

2. Sex:

Male ☐

Female ☐

3. Age: ☐

18-24 ☐

25-34 ☐

35-44 ☐

45-54 ☐

55-64 ☐

65+ ☐

4. Level of education:

No education at all ☐

Primary Level ☐

Junior High ☐

Senior High ☐

Pre-tertiary ☐

Tertiary ☐

5. Main occupation:

Farming ☐

Trading ☐

Salary worker ☐

other ☐

If other, state…………………………………………………………………………..

6. Marital Status:

Single ☐

Married ☐

Divorced ☐

Widowed ☐

Separated ☐

B. Knowledge of households on the presences of micro credit schemes

7. How long have you lived in this community?...

8. Do you know of any organization/institution which gives credit to members of this community?

Yes ☐

No ☐

9. If yes, mention the names of these organizations/institutions…………………………..

……………………………………………………………………………………………

……………………………………………………………………………………………

…………………………………………………………………………………………….

C. Household members attempts at seeking micro credit

10. Have you ever had the intention of seeking micro credit but did not get because there are no institutions/organizations which give micro credit?

Yes ☐

No. ☐

11. Have you ever contacted any institution/organization which gives micro credit in your community but failed to give you micro credit?

Yes ☐

No ☐

12. Why did you turned down the offer?..

…………………………………………………………………………………………….

…………………………………………………………………………………………….

…………………………………………………………………………………………….

D. Household members' perception of the benefits of micro credit

13. Do you think there is any benefit associated with micro credit if you get one?

Yes ☐

No ☐

14. If yes, what do you think are the possible benefits associated with micro credit?

………………………………………………………………………………………………

………………………………………………………………………………………………

………………………………………………………………………………………………

15. If no in question 13, what are your reasons?..

………………………………………………………………………………………………

………………………………………………………………………………………………

………………………………………………………………………………………………

E. Household members perceived challenges associated with accessing micro credit

16. In your opinion, do you think there are challenges if you want to access micro credit?

Yes ☐

No ☐

17. If yes, what are the possible challenges?...

………………………………………………………………………………………………

………………………………………………………………………………………………

18. If no, in question 16, why?..

………………………………………………………………………………………………

………………………………………………………………………………………………

……………………………………………………………………………………………….

19. What recommendation would you give for the improvement of micro credit schemes in Ghana?..

……………………………………………………………………………………………….

………………………………………………………………………………………………..

………………………………………………………………………………………………..

APPENDIX IV

UNIVERSITY FOR DEVELOPMENT STUDIES, GHANA

GRADUATE SCHOOL, TAMALE

MASTER OF PHILOSOPHY IN DEVELOPMENT STUDIES

TOPIC: MICRO CREDIT UTILIZATION AND ITS EFFECTS ON BENEFICIARY HOUSEHOLDS IN THE KASSENA-NANKANA MUNICIPALITY OF THE UPPER EAST REGION OF GHANA

KEY INFORMANT INTERVIEW GUIDE FOR MICRO CREDIT SCHEMES

These questions seek to obtain information on micro credit utilization and its effects on beneficiary households in the Kassena-Nankana Municipality of the Upper East Region of Ghana. This study is purely for academic purposes. You are therefore, required to answer the questions below as honestly as possible.

Name of District/Community:……………………………………..

Date:………………………………………………………........

Name of Research Assistant.. Time:

Start:.................

Start end...........

1. What type (s) of micro credit scheme(s) do you operate in this organization/institution?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

2. How long has this organization/institution operated the micro credit scheme?............

…………………………………………………………………………………………

……………………………………………………………………………………….

3. How many communities/villages does your organization/institution operate?................

4. In your opinion, how many individuals/groups have benefited from your organization/institution for the past one (2) years?.......................................,….........

5. Does your organization/institution have the intention of expanding its coverage or increase the number of beneficiaries?

Yes ☐

No ☐

6. If yes, which aspects of the scheme would be expanded and why?..........................

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

7. If no in question 13, why won't your organization expand its coverage?.......................

…………………………………………………………………………………………

…………………………………………………………………………………………

……………………………………………………………………………………….

8. Mention the challenges your organization/institution faces in giving out credit to beneficiaries?..

………………………………………………………………………………………..

9. Give recommendations for the improvement of your micro credit scheme……………..

…………………………………………………………………………………………

APPENDIX V

Effect of microcredit on respondents' mean income (difference- in-difference)

Pre- intervention				post intervention		
Variable	coefficient	Std. error	T	coefficient	Std. error	T
Δmean income						
Constant	1.481129**	0.5586783	2.65	0.9759925*	0.4855684	2.01
ΔImpact	0.7995947	o.5864356	1.33	0.0018450**	0.0005857	3.15
Δamount	0.7798594	0.6045422	1.29	0.6664801*	0.3188980	2.09

Summary statistics:

R squared: 0.2868

Adjusted R squared: 0.2600

Prob>F:0.0000

Key: *** significant at 1%, ** significant at 5%, * significant at 10%