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**The impact of Microfinance Institutions on
Poverty reduction among entrepreneurs in
Ghana. A case study in the Ga South
Municipal Assembly**

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Abstract

Poverty in the developing world like Ghana is an overwhelming challenge for its government to deal with alone. Part of the responsibility then shifts to the private sector to assist in curbing the alarming rise of poverty. This study was set up to investigate whether private commercial microfinance institutions are really contributing to poverty alleviation in the Ga South municipality of the Greater Accra region of Ghana. The secondary data were gathered from the Ghana Microfinance Institutions Network, Ghana Statistical Service while primary or empirical evidence was gathered from a set of group loan clients under the Opportunity International group structure through a qualitative research methodology. A review was carried out on theories such as group lending, individual lending, credit union, village banking and the concept of women empowerment amongst others. The research was based on four objectives and three research questions. The empirical evidence retrieved after the data collection where the main data used in the discussion and conclusion of this research. Results, discussions and conclusions were based on the three research questions. The implication of this research is that asset building and poverty eradication does not happen only by the provision of loans to clients but with prudent management of the resources loan clients are given them. The research concludes that there is a link between the provision of loans by MFI's and the minimization of economic poverty within the study area. Additionally, internal and external forces were established as the two forces that contribute to default. Lastly, loan clients needed more training and monitoring before, during and after loans are disbursed to them this is necessary to ensure that the loans given to them are properly accounted for and utilized for the purpose for which they were given.

Keywords: Microfinance, Poverty, Human Development, Women Empowerment, Ghana

Declaration of Originality

In presenting this dissertation for assessment, I declare that it is a final copy including any last revisions. I also declare that it is entirely the result of my own work other than where sources are explicitly acknowledged and referenced within the body of the text. [or: in footnotes, endnotes, as appropriate]. This dissertation has not been previously submitted for any degree at this or any other institution.

[LAWRENDA HANSON HAGAN]

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LIST OF ABBREVIATIONS

BOG	Bank of Ghana
BRAC	Rural Advancement Committee
FINCA	Foundation International Community Assistance
GDP	Gross Domestic Product
GHAMFIN	Ghana Microfinance Institutions Network
GLSS	Ghana Living Standards Survey
GPRS	Ghana Poverty Reduction Strategy
GSS	Ghana Statistical Service
LEAP	Livelihood Empowerment against Poverty
MASLOC	Microfinance and Small Loans Centre
MDG	Millennium Development Goals
MFI	Microfinance Institutions
NGO	Non Governmental Organization
OI	Opportunity International
PHC	Population and Housing Census
SMEs	Small Scale Enterprises
VO	Village Organization

1. INTRODUCTION

Introduction

Inequality in most developing countries has caused humans to experience poverty at a point in life. According to Morduch (1999), “about one million people globally live in households with per capita income of less than 1 dollar per day”. Hulme and Mosley 1997 defines poverty “as the situation of having not enough money to meet the basic needs of human beings”. This basically means the inability of an individual/household to meet required minimum standard of living set by society. Poverty is not only in monetary terms, people can experience poor health, poor clothing, poor food, poor assets and among others. Living in poverty is not pleasurable since it only has adverse effect on those who usually experience it and often leave them with social and psychology issues.

Individuals, when faced with financial difficulty are challenged to find ways to alleviate the impact. If the personal savings and assets are not enough, the next option is to borrow from informal/formal financial institutions. To alleviate the impact of poverty, access to microfinance is therefore seen as one of the strategies used in eradicating poverty especially in most developing countries. These microcredit organizations are assisting many individuals and households in poverty reduction and contribute to sustained economic and social development in many developing countries (World Bank 2016).

Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs. The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. (Kofi Annan, United Nations Secretary-General, International Year of Microcredit, 2005) cited in (Segrado and Benevento, 2005 p.12).

Yunus Mohammed, the originator of concept of recent microfinance in Bangladesh believes access to microcredit leads to improvement in the socio-economic activity of the borrower. To him, access to credit facility gives the poor and the unemployed some form of expectation and

empowerment. On the other hand, there are critics who believe microfinance does not have any significant impact on beneficiaries. It is worth noting that inequality exists in the Ghanaian economy, and also led to poverty among households as well as individuals and the community at large. The government of Ghana is doing its best to alleviate poverty among households through provision of free primary education, free school feeding programme and uniforms etc. to lessen financial burden on parents but upon all these social assistance programmes, poverty is still prevalent.

Significance of microfinance in Ghana

Ghana as a developing country has not created a large number of decent employment opportunities for its working population, despite a record of sustained, moderate growth over the past two decades (Fine & Boateng, 2000). The 2010 Population and Housing Census (PHC) indicate that 85 percent of the Ghanaian population is into private informal activities while 15 percent are into formal sector activities (Ghana Statistical Service, 2015). These private informal businesses are largely small and medium scaled enterprises (SMEs). SMEs fail to grow due to difficulty in accessing credit facility to enhance its activities and expansion. Access to microcredit therefore helps the individual to venture into entrepreneurship and other opportunities which lead to socio-economic development.

Furthermore, microfinance has been used in many countries as a tool to increase financial depth in rural areas and it has typically targeted very low-income groups who would normally be excluded by conventional financial institutions (Weiss and Montgomery, 2004). Microfinance institutions (MFIs) sprang up in Ghana, because of the poor being denied access to credit facility from the mainstream bank (Boateng *et al* 2015). This was due to lack of savings with the commercial banks and inability to provide collateral to secure the loan. The poor had no savings and cannot afford to contribute to the bank or local moneylenders as savings. Owners of small scale enterprises were forced to borrow from informal sources of such moneylenders because they need not provide any asset as collateral security (Boateng *et al* 2015) but on a high interest rate (Banerjee and Duflo, 2012). They rather preferred saving together as a group, popularly known as “susu”, which is rotational among mostly women on weekly bases as self-help groups (Alabi *et al* 2007; Botei-Doku and Aryettey, 1996). In addition, a different savings arrangement

is whereby a local deposit collector goes round to take deposits and pay to banks or moneylenders, relatives and friends at exorbitant interest rates.

Access to credit facility from the formal MFIs has led to empowerment of women. Women entrepreneurs are seen as important contributors to the development of the nation as they play an important role in the Ghanaian society. Therefore empowering them financially helps reduce socio-economic challenges that come with poverty among individuals, households and community. Being empowered financially is very important as it makes them economically active, independent and confident. It often brings about investment in education, housing, and nutrition for children since they are responsible for the care and well-being of children as well as in charge of daily activities that go on in the household. In view of this, Garikipati (2008), states that lending to women makes them empowered since they are good at credit risks, are less likely to misuse the loan, “and are more likely to share the benefits with others in their household, especially their children”.

Despite of the success and benefit of MFIs to its clients, both microcredit institutions and loan clients are faced with lot of risks during repayment of credit facility. Financial institutions which take deposits from customers and lend it to clients as loan become bankrupt when clients default and bolt with their money. Saving with MFIs is a risky venture for the poor customers who keep money with these institutions hence affects the financial status of the poor. The findings of this study would go a long way to provide additional information to aid the education of microfinance organizations as well as their clients. Beneficiaries of the loan particularly shall be informed with practical steps to avoid misuse of loaned funds.

Statement of problem

According to the World Bank (2016), the world attained the first Millennium Development Goal (MDGs) target to cut the 1990 poverty rate in half by 2015. In October 2015, the World Bank projected for the first-time, that the number of people living in extreme poverty was expected to have fallen below ten percent. The 2012 World Bank Report shows that (388.7 million) in Sub-Saharan Africa, are still living in extreme poverty. This issue of poverty is alarming in the Ghanaian society which needs to be addressed.

To leverage poverty level in Ghana, the government introduced various programs such as the Ghana Poverty Reduction Strategy (GPRS I), which was implemented over the period 2003-2005. The aim of the Ghana Poverty Reduction Strategy (GPRS I), is to provide a policy framework for the fight against poverty (GPRS, 2003). Later on, in the quest to create wealth, GPRS 2 (2006-2009) was implemented to ensure poverty is reduced and to quicken economic growth. (Government of Ghana, 2006).

In addition, the government of Ghana launched the Livelihood Empowerment against Poverty (LEAP) programme. “This is a social cash transfer programme which provided cash and health insurance to the extremely poor household across the country to alleviate poverty and encourage long human capital development” (Ghana Business News, 2016). It is expected that this programme would have impact on the beneficiary’s household such as increase in school enrolment and retention as well as improvement on livelihood income-earned activities. Microfinance and Small Loans Centre (MASLOC) was also established to help the poor access loans, to enable entrepreneurs build up working capital and generate more income. MASLOC is a body responsible for implementing the Government of Ghana’s microfinance programmes targeted at reducing poverty, creating jobs and wealth (MASLOC webpage). Some entrepreneurs have the advantage of accessing credit facility from MASLOC to enable them to boost their business capital and reduce the level of poverty existing in the country. Although these programs are in place, poverty is still pervasive in Ghana.

This government owned institution has failed to achieve its objectives in the Ghanaian economy which has resulted in the poor accessing loans from private owned microfinance institutions. Although the aim of private owned MFIs is to help individual entrepreneurs become self-sufficient, by providing means of working capital and savings, some poor people who borrow from these financial institutions are unable to repay the loan but rather remain in poverty. According to Damain von Stauffenberg, the Director of MicroRate:

a microfinance rating agency rightly put it “Microcredit really is effective in allowing poor people to improve their lives, but it cannot cure all the causes of poverty; and yes, credit is a two-edged sword: in the hands of unscrupulous or incompetent lenders it will make poor people even poorer (Wiesner and Quien 2010, 2010, p.7).

In order for financial institutions to have high quality portfolio and reduce lending risk, the Central Bank of Ghana introduced the credit bureaus in 2007 known as XDS data which is a database containing credit history and creditworthiness of borrowers (xds data.com). This credit bureau is helpful to banks and other lending institutions in that loan applicant's creditworthiness is verified before the loan is either granted or rejected based on available information at the time. The credit bureau system is challenged because subscription is voluntary for all MFIs to supply information on their clients. More so, registering onto the credit bureau attracts a fee which discourages most lending institutions in Ghana.

If microfinance is seen as a tool for development, why do clients default during repayment? According to Chowdhury (2009), access to financial services is but, one aspect of the support needed by entrepreneurs running SMEs and micro-enterprises. They also need education, training in business skills as well as access to marketing information so that they can expand to take advantage of both domestic and international markets and thereby create decent jobs. Most SMEs fail to grow partly because entrepreneurs lack education and training on how to manage finances of the business which MFIs do not provide for their clients. Private owned microcredit institutions are rather profit oriented than seeking the interest of its clients. This is confirmed by;

Sam Daley-Harris, Director of the Microcredit Summit Campaign, states, "Microfinance is not the solution to global poverty, but neither is health, or education, or economic growth. There is no one single solution to global poverty. The solution must include a broad array of empowering interventions and microfinance, when targeted to the very poor and effectively run, is one powerful tool." (2007: 1). In accordance with the above statement, Professor Yunus (2003: 171; emphasis added), "Micro-credit is not a miracle cure that can eliminate poverty in one fell swoop. But it can end poverty for many and reduce its severity for others. Combined with other innovative programs that unleash people's potential, micro-credit is an essential tool in our search for a poverty-free world (Chowdhury 2009, p.2).

Despite the challenges that confront both clients and MFIs, Microfinance plays an important role in bringing the people living below the poverty line into main stream of the economy, and thereby, participating in the process of nation-building (Amarnani, Amarnani & Achuthan,

2010). Microcredit organizations are perceived as a tool for poverty reduction which also brings about development among individuals, households and the community as well as sustained economic and social development in many developing countries.

Research Objectives and Questions

Based on the defined statement of problem, the aim of this study would “investigate whether private commercial micro finance institutions are really contributing to poverty alleviation in the Ga South municipality of the Greater Accra region of Ghana”. In order to achieve this aim, three Research Questions (RQ) are used in acquiring empirical data in which would help achieve the aim of this study.

RQ1: To what extent is microfinance significant in minimizing economic poverty and empowering women in the Ga South Municipality of the Greater Accra region of Ghana?

RQ2: What kind of education/business advice is given to potential loan clients before and after disbursement of loan?

RQ3: What causes indebtedness on the part of clients and what measures do MFIs have in place to handle this risk of default?

In achieving these RQ’s, a set of four research objectives were defined by the researcher to assist and guide in the development and completion of the research. The research objectives are:

1. To critically review theories of microfinance across the globe
2. To critically review theories of poverty reduction and strategies and the contribution of microfinance institutions
3. Establish the relationship of microfinance institutions and poverty reduction
4. Recommend how microfinance institutions can best assist in poverty reduction

In summary, poverty has deprived people of good health, education and sound mind. Existence of microcredit institutions in both low and middle-income countries have in a way reduced these adverse effects of poverty on beneficiaries who are in the capacity to borrow from lending institutions. The next chapter discusses background of microfinance in different countries.

Outline of the rest of the thesis

The structure of the thesis can be grouped into seven main parts. The thesis starts with the introduction chapter. This chapter provides specific information about the topic and the importance for the study of the impact microfinance institutions have on poverty reduction. Additionally, it introduces the research questions and provides justification of the research. The second chapter deals with the background of microfinance. This chapter provides a brief history of microfinance around the globe and narrows down to Ghana. Chapter three specifically deals with topics linked to the research topic. These topics are critically reviewed to provide a theoretical expectation of the thesis. Topics covered are the definition and characteristics of microfinance, models of microfinance, savings mobilization, microfinance as a tool for human development and empowerment, propositions from similar research, implications and summary of the entire literature review and finally a conceptual framework designed from my own understanding of the way to tackle the research and ensure the appropriate results are achieved.

Chapter four deals with the methodology used to achieve the results that answer the research questions. Saunders Onion is adopted as the framework for the methodology. The research philosophy, strategy, choice, ethics are discussed. The validity, reliability and generalizability of the research is also analyzed. The operationalization of the research follows and is followed immediately with the administration of the interview and the interview design. The form for which data would be analyzed is also discussed and concluded with the limitation of the study. The fifth chapter provides the findings from the data collected and how they answer the research questions. The sixth chapter discusses the data collected and how they answer each research question and ends with how the findings are linked to theory. The seventh chapter provides an overall conclusion to the research. It also provides the opportunities for further research and actionable recommendations for the benefit of policy makers. The final chapter lists the literature used during the writing of this thesis and provides appendices of other extras of the thesis.

2. BACKGROUND ON MICROFINANCE

This chapter comprises four sub-sections which are a brief history and emergence of microfinance in Europe, Asia, Latin America, as well Africa. This chapter also presents the political and economic history of Ghana, poverty profile in Ghana, and evolution of microfinance in Ghana.

History of Microfinance in Europe

Development of microfinance varies across countries, microfinance in Europe dates to tremendous increases in poverty since the 16th century. One exciting history is microfinance in Ireland which began in 1720s using peer monitoring to enforce the repayment in weekly installments of initial interest-free loans from donated resources (Seibel, 2003). Seibel recounts that during 1840, about 300 people emerged as self-reliant and sustainable institutions, generating their own resources through deposit collection and providing small loans to the poor. However, in 1822, the Irish introduced “Reproductive Loan Fund Institution” (RLFI) developed and received donations from charities in London when nine Irish communities had experienced famine (Arthur 1998). The fund was distributed to voluntary associations in towns which then lend to in small amounts less than 10pounds were to be repaid within 20 weeks with interest rate of 12% which also attracted charges on late repayment.

Grameen Bank in Bangladesh, Asia

Bangladesh is known for origin of the current concept of microfinance which is being practiced in most developing countries. It is also the center of three major microfinance institutions which sprang up in the 1970s. Numerous microfinance institutions are working in Bangladesh for the last few decades such as Grameen Bank, BRAC, PROSHIKA and ASA are some of the prominent MFIs in Bangladesh. These institutions are working enormously to the empowerment, poverty reduction and improvement of living standards for the poor people in Bangladesh (Khan and Rahaman 2007). In so doing, Ledgerwood (1999) cited in Kyereboah-Coleman and Osei (2007), believes microfinance has evolved as an economic development approach, intended to benefit low income women and men. Two examples of MFIs is drawn from Asia since the lives of people in Bangladesh have been impacted through microfinance programs.

Modern microfinance is traced back to Muhammed Yunus, the Noble price winner in 2006 founder and of Grameen Bank in the mid-1970s in Bangladesh is hailed as the father of modern

microfinance. He wanted to assist the rural people of Bangladesh from poverty granted them a loan of US\$27 to a total of 42 people in the village of Jobra. Microfinance is important because it gives the poor a way to map out the future in a way that was not possible for them before and this is first step toward a better life (Banerjee & Duflo, 2012). When the poor accesses a credit facility, it helps increase his or her consumption of goods such as food, clothing, restocking of goods, irrespective of the purpose of the loan granted. The client then repays the loan later with interest instead of waiting to save bit by bit before acquiring such items. Yunus' idea has since been replicated in most developing countries.

As he tried to refute the idea that the poor are not bankable, having started with only 42 clients, today Yunus owns Grameen Bank which is being operated in about 43,000 villages across Bangladesh with 2.8 million borrowers (Yunus 2004). He further indicates that, access to microcredit has elevated the poor socio-economically resulting in a significant impact on the lives of its clients such as moving out of poverty, improved nutrition, better housing and sanitation, women empowerment, better access to education just to mention a few.

Despite the success story of Grameen Bank, there has been a general issue regarding repayment rate, collection method and questionable accounting practices. (Rahman 2001a), argued that the bank staff and group members mount pressure on its loan clients to facilitate repayment. According to Rahman, this results in recycling since loan clients are forced to take loan from moneylenders to meet their timely repayment schedule.

Association for social advancement (ASA), in Bangladesh

ASA, is one of the largest native NGOs in Bangladesh with the aim of empowering women as well as contributing to socioeconomic development and was established in 1978. It instituted programs in the areas such as income generation, integrated health, and education and empowerment of the poor and its Income Generation through Credit Program (IGCP) which was launched in 1989. The main aim of this program is to upsurge income levels and purchasing power of the poor households. ASA spreads credit facilities to the female members of the poor households to venture in various income-generating activities. The major income-generating activities receiving support under the IGCP program are paddy husking, cow/goat rearing, poultry farming, small trading and handicrafts. Nearly 190,000 members received loan under the program in 1993 (Sharma and Zeller 1999). Lending small amounts of money and provision of

programs to the rural poor women have resulted in transformation in their lives and that of the household.

Acción International in Latin America, Bolivia

Latin America's MFI focused on giving credit facility to enterprises which do not have access to financial services as well as the unbanked. Acción International is viewed as the first microfinance institution which has contributed immensely to development of MFIs in Bolivia. It is a non-profit organization whose objective is to eradicate global poverty through microfinance played an important role in the Bolivian economy (Rhyne, 2009). Acción's commercial approach to microfinance is considered to be unique and quite different from the model provided by the Grameen Bank (Bodnar, 2010). It is connected to international community and privately funded by donor institutions. Bodnar further mentioned that the first step of Acción was to take a stride by researching into economy of Bolivia which made it ideal for microfinance services.

It then entered the Bolivian financial market with a concept of microfinance to a prominent group called PRODEM established in 1987. With the help received from Acción, PRODEM was transformed from an NGO to a private bank, Banco Solidario (BancoSol) in 1992. BancoSol was the first commercial bank devoted to provision of microfinance to its clients (Bodnar, 2010). According to Ryne (2001), Bolivia is known for strength and innovation of the microfinance industry. Moreover, Accions's early entrant into the Bolivian microfinance market has led to a successful model and institution of MFIs.

Microfinance in Africa

Most MFIs in Africa are replication of the Bangladesh financial institutions especially that of the Grameen Bank. These institutions include non-governmental organizations (NGOs), non-bank financial institutions, cooperatives, rural banks and among others which provide financial needs to low income clients. Microfinance in Africa is expanding and have increased activities such as high levels of portfolio quality. MFIs in Africa aim at growth and reaching out to potential clients who are neglected by the mainstream financial service providers (Lafourcade et al. 2005). A study conducted by Lafourcade et al (2005) across African regions indicate that MFIs in East Africa are most profitable, and those in West Africa generate positive returns, whereas MFIs in Central and Southern Africa generate negative returns. An example of MFI in Africa is drawn from East Africa, Uganda.

Foundation for International Community Assistance (FINCA), in Uganda

According Carlton et al. (2001), microfinance is viewed as the tangible vehicle for delivering financial services to the urban and peri-urban low-income earners as well as the rural population. Currently there are quite a number of non-profit organizations (NGO) and commercialized microfinance institutions operating in Uganda. Examples include FINCA, PRIDE, and Ugandan Women's Finance Trust; but to mention a few. FINCA is the second NGO financial institution established in 1992 with the aim of reaching out to poor female entrepreneurs in Uganda through group lending program. As part of the lending program, FINCA also introduced both voluntary and mandatory savings for its clients. The institution provided mandatory training program for beneficiaries of the credit facility as well as low-cost group disability and life insurance for borrowers. According to (Jacobson 1999), the use of small localized program helped to reach local populations that do not have access to any type of financial services. Jacobson 1999; McCord 1999), referred to the fact that FINCA set up village banking operations in Jinja supporting a group of American students from the Midwest who raised the initial capital and established local contacts.

Giving credit facility people living in worn torn and refugees help reduce level of extreme poverty that results from war and a form of integrating displaced ones into new community. More importantly, refugees venture into economically viable activities which lead to independency, financial empowerment, improved health status and better nutrition.

Despite these achievements, FINCA was challenged with weak monitoring capacity of portfolio risk in 1999 which led to a temporary suspension in lending to new groups due to lack of information to the Board of Directors. In attempt to reduce the rate of default, management also abolished the concept of graduating repeat borrowers and rather introduced individual loan products for good clients.

Geographical Location and Political overview of Ghana

Ghana is a sub-Saharan country located in the West of Africa which shares borders with Togo to the East, Burkina Faso to the North, West with Ivory Coast and the south is bounded by the Gulf of Guinea. Ghana formerly called Gold Coast was a British colony on the Gulf of Guinea in West Africa that became the independent nation of Ghana in 1957 under regime of the late Dr

Osagyefo Kwame Nkrumah. The capital of Ghana is Accra which is perceived as the center of the country.

Politically, Ghana is a peaceful democratic nation which has had four conservative presidents since 1989. Since its return to multi-party system more than two decades ago, Ghana has made major strides towards consolidating its democratic achievements (World Bank, 2016). As stated by Nkansah (2012), Ghana however experienced presidential succession for the first time in 2001. This occurred when the National Patriotic Party (NPP) led by His Excellence John Agyekum Kuffour emerged winner in the year 2000 general elections and took the political baton from the National Democratic Congress (NDC). As a democratic nation, an election was held in 2004 which the NPP became winner the second time.

During the 2008 national election, Evan John Atta Mills under the ticket of the National Democratic Congress (NDC) was declared winner who took over from John Agyekum Kuffour. President John Dramani Mahama was sworn in as interim president of the Republic of Ghana hours after the death of the sitting president, Prof. Atta Mills on Tuesday July 24, 2012 (Allafrica, 2012). John Dramani Mahama became the president of the Republic of Ghana who stood on the ticket of the NDC in 2008 general election. The fifth general election on December 7, 2016, H.E Nana Akuffo Addo was elected as the president of the republic of Ghana.

Although Ghana is dominated with a multi political party, the World Bank reiterates that the Ghanaian Parliament is vibrant, and despite inherent challenges and the dominance of the two leading political parties such as NDC and NPP, has created the avenue for debate and vigorous legislative activity

Economic overview of Ghana

According to the GSS (2015) report, Ghana currently has an estimated population of 27.04 million. “Ghana is Africa’s second-biggest gold producer (after South Africa) and second-largest cocoa producer” GSS (2015). It is rich in diamonds, manganese ore, bauxite, and the recent discovery and drilling of oil. Two important indicators such Gross Domestic Product and inflation are used to determine the growth of the economy.

As per the provisional report by GSS (2015), Ghana’s Gross Domestic Product had a total of 113,436(million GhC) equivalent to 38,584 million (USD) and GDP per capita of GhC4,195

million (US\$1,427). The report states that there is a significant change in economic growth rate such as there was an upward increase between (2010) 4.8%, and (2012) 9.3%. There is improvement in growth rates from 2010 to 2012 with 2012 being the highest (8.6%) but further declined in 2013 and 2014. The Agriculture sector recorded the highest growth of 5.6%, followed by the Services sector with a growth of 4.9 % and Industry (3.7%). The Industry sector although the least growing sector with a share of 25.0 percent, but the second largest contributor to GDP.

Inflation on the other hand is another major factor which is important in determining Ghanaian economic growth. Inflation is high in the Ghanaian economy as the Ghana cedi currency depreciates against other international currencies such as the dollar, pounds etc. This is because of the fact that the economy relies heavily on import of goods and services. Report from the GSS -6 (2005-2013) indicates that non-food inflation rate is on the increase thus average annual rate is 14.9% and the cause of high inflation rate in Ghana as compared to average annual food inflation rate of 9.5%.

Additionally, balance of payment is another factor affecting the Ghanaian economy. Ghana dwells mostly on export of primary commodities such as minerals (crude oil, diamond, gold, manganese, etc.) and cash crops such as cocoa, timber and cashew to South Africa, Netherlands etc. whereas imports are mainly manufactured, industrial and capital goods from countries such as China, United States Belgium etc GSS-6. Despite export of these goods, Balance of Payment averaged from 2005 to 2013 remains a deficit of US\$1.46 billion recorded in 2010. After successfully cutting its fiscal deficit by more than three percentage points to 7.1% of Gross Domestic Product (GDP) in 2015, Ghana's 2016 budget aims to further reduce the fiscal deficit to 5.3% of GDP. The target was revised down from 5.8%, given the high level of public debt and the significant financing constraints (Ghana Statistical Service 2014).

Despite Ghana being Africa's second-biggest producer of gold and rich in diamonds, manganese ore, bauxite and oil drilling, inflation and huge import of certain commodities have left the Ghanaian economy in shambles. The sluggish economic growth accompanied by high inflation has taken a toll on living standards over the past years and the negative impact is due to poor management of public finance, which led in a mounting deficit and growing public debt and has contributed to current economic trouble (Heritage foundation, 2016). Currently, Ghana is facing

persistent high inflation despite efforts to tighten monetary policy (World Bank, 2016). The high inflation rate increased to 18.5% in February 2016, this is mostly due to the energy rationing which has been going on since 2015 which has had negative impact on economic activity. Once inflation is high, poverty is also looming among citizens because more money is used in purchasing fewer goods and services for consumption.

Poverty concept and profile in Ghana

According to the GLSS6, Ghana's poverty analysis has focused on consumption of poverty which has classified the poor as those lacking command over basic consumption needs such as food and non-food components. A person said to be poor is one who is living below the calculated poverty line, in other words absolute poverty line (Ghana Statistical Service 2014). In measuring the level of poverty existing in the economy of Ghana, GSS6 used the most recent survey available conducted in 2012/2013. The use of GLSS helps to determine the number of poor persons, depth of poverty and inequality for 216 districts that exist in Ghana. The report reveals significant variations in incidence and depth of poverty among the districts, within and across regions. This report is also helpful in designing social safety-net programs in poorest districts to help alleviate poverty in such areas. Also, programs are being geared toward achieving the Millennium Development Goals (MDGs) (Ghana Statistical Service 2014).

To determine the level of poverty prevailing in the country, the GSS6 used two key terms such as *Absolute Poverty line* and *Extreme Poverty line*. The latter line indicates the expenditure required for a minimum food and non-food consumption for a household. People are said to be living in *extreme poverty* even if they spend their entire budget on food, they would not meet the minimum standard set (GLSS 6, 2014). On the other hand, *absolute poverty line* refers to the minimum expenditure required to the minimum standard set for an individual to meet his/her basic food and non-food needs. In calculating those living in absolute and extreme poverty, the GSS6 in 2012/2013 set *absolute poverty line* as upper poverty line of GH¢1.314 (USD\$1.83) per day. Whereas, *extreme poverty line* is leveled at GH¢792.05 per year thus (USD\$1.10) per day. Over 2.2 million Ghanaians (based on 2010 PHC projections) cannot provide to feed themselves 2,900 calories per adult equivalent of food per day.

Furthermore, poverty incidence (P_0) and poverty gap index (P_1) are two important indicators of poverty line which show the distribution of poverty in the Ghanaian society. *Poverty incidence*

(P_0) measures the proportion of the population that is poor. It is popular because it is easy to measure and understand but does not indicate how poor the poor are. Whereas *Poverty Gap index* (P_1) measures the intensity of poverty in a country, which is the average ratio of the gap to which individuals fall below the poverty line (for non-poor the gap is counted as zero). The measure does not reflect changes in inequality among the poor but adds up the extent to which individuals on average fall below the poverty line, and expresses it as a percentage of the poverty line. These two indicators would help determine the overall poverty level existing in Ghana comparing previous GLSS reports with the 2012/2013 GLSS6 if there has been reduction in poverty among Ghanaians (Ghana Statistical Service 2014). These concepts help in determining the level and variation of poverty existing in the ten regions so as to direct needed policies and programs to poverty stricken areas.

Poverty in Administrative Regions

Ghana is made up of ten administrative regions with these regions comprising 216 local districts. Considering incidence of poverty among the ten regions reveals that poverty is high in the three Northern Regions. Upper west is highest (70.7%) followed by Northern region (50.4%), lastly Upper East (44.4%). 2012/13 GLSS report indicates that even though Upper West region is highest among the ten regions, it contributes less than ten percent to the national poverty because it has a small population.

Again, the three Northern Regions scored high for incidence of extreme poverty. Upper West region has the highest extreme poverty incidence of 45.1 percent, followed by Northern (22.8%) and Upper East (21.3%). Furthermore, the three northern regions contribute (52.7%) to the national extreme poverty. The overall findings show that there is a general reduction in incidence of poverty in all ten regions of which Greater Accra scored the lowest 5.6% in (2012/13). This change can be due to a lot of factors such as implementation of welfare policies, provision of financial assistance to the poor and among others (Ghana Statistical Service 2014). Although the Greater Accra has recorded a reduction in poverty levels, there are some parts in this region where extreme poverty is high.

Inception of microfinance in Ghana

Cooperative bank was the first to be established in the 1920s and the Gold Coast Cooperative bank was established in 1946s especially for customers who are into cocoa farming (Egyir, 2010). According to Egyir, credit facility was made available for this category of people in a form of short term loans which are repayable by the next cocoa season. In 1955, Credit unions were introduced by Father Peter Poreku Dery, a Catholic priest, founded a cooperative credit union in Jirapa in the Upper Region (now Upper West Region) of Ghana. The main aim of the establishment of the credit union was to encourage the culture of saving among poor people living in the community. Also, to enable union members benefit from accessing loans to run their businesses which in the end help to have better livelihood (Egyir, 2010). It is evident that availability of financial services for poor households can help improve universal primary education, lower child mortality and maternal health (Banerjee and Duflo, 2012).

According to Egyir, years later the first rural bank was founded in July 1976. A rural bank is a community owned and managed bank that is mandated to operate within a catchment area of 25 kilometers from its headquarters. Rural banks have the following objectives: 1) mobilizing rural savings; 2) offering credit and other banking services to rural producers; 3) being an instrument of rural (local) development; and 4) contributing to national development. Currently, rural banks are technically under one umbrella called Apex Bank which is controlled by the Central Bank of Ghana (Ajai, and Fissaha, 2010). Microfinance companies have developed and as at March 2014, The Bank of Ghana, the country's central banking authority, has issued licenses to 394 microfinance institutions (MFIs), including 344 classified as microfinance companies, 45 as money-lending companies and five as financial non-governmental organizations (Microcapital, 2014). These institutions by policy receive deposit in a form of savings from customers as well as grant these potential customers credit facility based on the viability of their businesses. Microfinance institutions are regulated by the Central Bank of Ghana. Microfinance institutions in Ghana are probably under one umbrella called Ghana Microfinance Institutions Network (GHAMFIN) that seeks to help and enhance operations of MFIs. This body became operational and registered in 2000 as an enterprise of some MFIs in Ghana with support from the world bank (Kyereboah-Coleman and Osei 2007). Establishment of MFIs have relieved the poor entrepreneur of financial burdens and provided easy financial accessibility from financial institutions due collateral free loans.

Overview and Profile of Ga South Municipality

The Ga South Municipal District is one of the 16 municipalities/districts in the Greater Accra region. Ga South municipal lies at the South-Western part of Accra and shares boundaries with the Accra Metropolitan Area to the South-East, Ga-Central to South-East, Akwapim South to the North-East, “Ga West to the East, West Akim to the North, Awutu-Senya to the West, Awutu - Senya East to the South-East, Gomoa to the South-West and the Gulf of Guinea to the South. It has a total land area of 341.838 square kilometers with about 95 settlements” (Ghana Statistical Service, 2014).

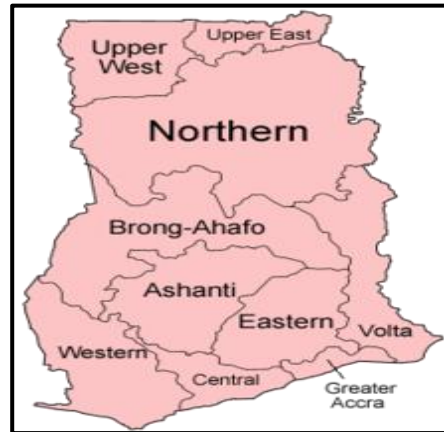


Figure 1: Regional Map of Ghana (Source: Ghana Statistical Service, 2014)

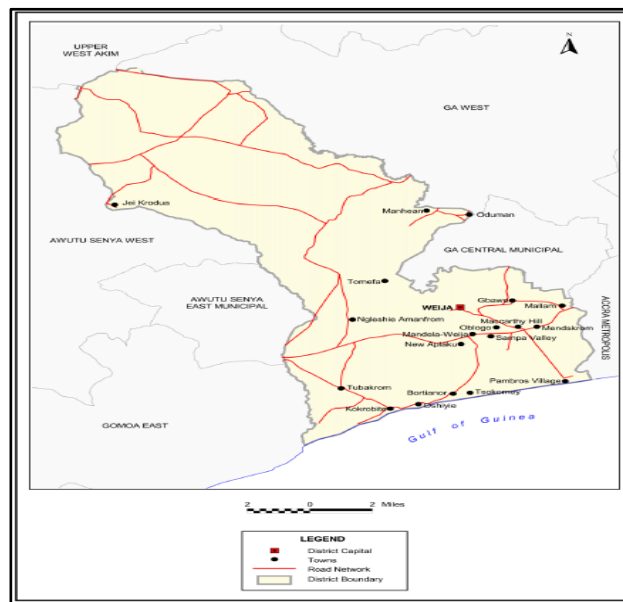


Figure 2 Map of Ga South Municipal assembly (Source: Ghana Statistical Service, 2014)

According to the 2010 PHC Report (GSS 2014), the municipality has a population of 411,377 of which 51.1 percent constitute males and 48.9 percent are females. The municipality has 86.7 percent of its population living in the urban area. The Ga South Municipal assembly is linked by all kinds of roads which facilitate different economic activities. Residents are mainly found working in the private informal sectors that are self-employed without employees and other economic activities include fishing at the Weija Lake as well as large scale quarry (Ghana Statistical Service 2014).

The 2010 PHC indicates 262,844 of the total population were economically active thus 71 percent of the population (15 years and above) but 28.9 percent were found to be economically inactive. Also, 92 percent of the economic active population is gainfully employed whereas 8.0 percent are unemployed. The report showed more males thus 92.9 percent are in employment than females (91.1%). In the same 2010 PHC, “total population of aged 12 years and above in the municipality is 339,779 of which 45.0 percent are married, 42.1 percent have never been married and remaining 13.0 percent represents separation, divorced, widowed etc”. Married males and females have equal proportion of (45.0% each) however, males scored higher (46.2%) than females (38.3%) on never married. This disparity could be due to males receiving higher education than females (Ghana Statistical Service 2014). Dependency ratio is an important concept in socio-economic development of every country. The total dependency ratio for the Municipality is 63.0 which shows that for every 100 persons in the working-age population, 63 are dependents who are children and aged to care for. High dependency could be because this population made up of mostly the youth who are still in school and others unemployed. Greater Accra as the capital of Ghana has very low levels of poverty incidence (6.6%) and poverty depth of (1.8%). According to the Ghana Poverty Mapping Report (Ghana Statistical Service, 2015) Ga South Municipal recorded the highest of poor persons (61,347) with poverty incidence of 10-19.9% and poverty depth is (4.3%) being the third highest in the region. Bortianor is one of the twenty communities which constitute the Ga South Municipality with total population 32,485, some whose residents served as respondents in the research study.

To sum up, it must be noted that microfinance basically developed in the world in a quest to reduce poverty and inequality existing in poor countries and the world at large. As noted, there seems to be no difference in evolution of MFIs in the above-mentioned countries. Although microfinance has been in existence since the 16th century, modern microfinance is traced to

Muhammed Yunus, the Noble price winner in 2006 founder and of Grameen Bank in the mid 1970's in Bangladesh for the current concept of microfinance which is being practiced in most developing countries. His model of microfinance is currently being practiced by MFIs in Ghana. The next chapter however focuses on conceptual framework and previous studies.

3. THEORETICAL REVIEW AND CONCEPTUAL FRAMEWORK

Introduction

This chapter consists of two major sections which include conceptual framework and literature review. The first section gives a general background of microfinance and its methodologies, subsequently the importance of formal savings. Microfinance as an important tool for human development as well as the role social capital plays in solidarity group lending. The second section however enumerates various studies which have been conducted to ascertain the impact access to micro-credit has on the poor micro-entrepreneurs.

Definition of Microfinance

Microfinance literally is the provision of financial services to poor households and small-scale businesses that have been excluded from the main stream commercial banks. In the perspective of CGAP (2013), microfinance is defined as financial services for the poor and low - income clients. These are mainly low and self-employed income earners who are found in the informal sector. Services provided by MFIs are usually different from that of the conventional banking services. According to Ledgerwood (1998b), microfinance evolved as an economic developed approach intended to benefit low-income women and men. She however defined microfinance as the provision of financial services to low-income clients, including the self-employed. These financial services include savings and nevertheless, some microfinance institutions as well provide insurance and payment services to its clients.

Similarly, microfinance and microcredit are often used interchangeably. The Canadian International Development Agency (CIDA) defines microfinance as “the provision of broad range of financial services to micro-enterprises usually lacking access to formal financial institutions” (CIDA 2002). Microcredit however involves lending to the poor small amount of money for its intended purpose. Although these two terms are often used interchangeably, microfinance to a larger extent has a broader scope which includes provision of insurance, savings and payments (Barr 2005b).

In view of this, James Roth indicates that “microfinance is a bit of all a catch all-term which broadly refers to the provision of financial products targeted at low-income groups. These financial services are credit, savings and insurance products (Sile, 2010). Kirkparick et al. (2002) believe a series of terms have emerged from the provision of these services such as micro-credit, micro-savings and micro-insurance. Hence micro-credit is a product embedded in microfinance which is offered (money/loan) to the poor in small amount.

In the researcher’s perspective, microfinance is the provision of microcredit, savings, insurance to poor entrepreneurs in the informal sector who have been denied financial services from the mainstream banks due to the inability of these business owners to provide security (physical collateral) for loans. In Ghana however, the kind of model in microfinance and loan amount requested determines if an asset is required to secure the loan and also a guarantor.

Characteristics of Microfinance

Microfinance gives access to financial and non-financial services to low-income earners wishing to access money for starting or developing an income generating activity. Since the poor are not bankable and do not have collateral to access loan from the commercial banks, Microfinance came into being for micro-entrepreneurs and poor clients can be ‘bankable’, that is they can repay on time both principal and interest, and also make savings provided financial services are tailored to suit their needs. Murray and Boros (2002b) outlined the following characteristics of microfinance product;

- *Small amount of loans and savings.*
- *Short loan terms (usually up to one year).*
- *Payment schedules featuring frequent installment (or frequent deposits).*
- *Installments made up of both principal and interest. (Murray and Boros 2002b)*
- *High interest rates on credit (higher than commercial bank rates but lower than loan-shark rates) which reflects the labour intensive work associated with making small loans and permitting the microfinance intermediary to become sustainable over time.*
- *Easy access to the microfinance intermediary, saving the client time and money, while also permitting the intermediary to better know the client in their home/business context.*
- *Simple applications form which are easy to complete.*
- *Short processing periods (between the completion of the application and disbursement of the loan)*

- *Availability of repeat loans in higher amounts for clients who pay on time. (Murray and Boros 2002b)*
- *The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. As larger-size loans are less costly to MFI, some lenders charge lower interest rates: higher rates on small credit amounts and lower ones on larger credits. (Murray and Boros 2002b)*
- *No collateral is required contrary to formal banking practices. To replace collateral (which low-income earners generally do not have), microfinance intermediaries use alternative methods such as: the assessments of clients' repayment potential by running cash flow analyses based on the stream of cash flows generated by the activities for which loans are taken; all enterprise /household income and expenditure items; individual or group guarantees (solidarity groups); and compulsory savings schemes (Murray and Boros 2002b)*

Models of Microfinance

In reaching out to the poor, MFIs have designed different types of loans for its clients such as consumption and business loans which are delivered using different methodologies to provide financial services to poor entrepreneurs. Majority of these MFIs provide services based on solidarity group without any form of collateral. Some financial institutions employ either one particular methodology or a combination of methodologies in delivering credit facilities to avoid exclusion of certain groups of entrepreneurs.

Group Lending

Group lending as a model can be described as a type of lending which emanated from the Grameen model. It is mainly designed to lend small amounts of loan to a large number of clients who cannot provide collateral to access a credit facility. It involves the formation of groups of people who have a common interest to access financial services (Ledgerwood, 1996). Usually the loan size/amount is small whereby group members are jointly liable for each other (co-guarantee). These groups are found mostly in developing countries such as Asia, West Africa etc. Also, group size differs ranging between four to eight members. The group does self-selection of its members prior to acquiring a loan. Loans are granted to selected member(s) of the group first and then to the rest of the members. Most MFIs require a percentage of the loan that is supposed to be saved in advance, which points out the ability to make regular payments and serve as collateral. Group members under group lending schemes are jointly accountable for the

repayment of each other's loans when there is a default and usually meet weekly to collect repayments. To ensure repayments, peer pressure and joint liability works very well. The entire group will be disqualified and not be eligible for further loans, even if one member of the group defaults. The creditworthiness of the borrower is therefore determined by the members rather than by the MFI (Murray and Boros 2002b, p11). The use of group lending methodology has both benefits and cost to MFIs and borrowers.

Group lending is however perceived to be an effective loan scheme since group members are based on self-selection. Grouping lending according to Armendáriz and Morduch (2007), mitigates adverse selection problem since borrowers form their own groups selecting those with lower risk profile. This helps to also mitigate (Godquin 2004) the risks associated with information asymmetry. When group lending strategy is preferred by a particular MFI, it means most of its monitoring is mainly done by borrowers (group members) since members are jointly liable for each other. Therefore it is the responsibility of each member to guard against default during repayment. Hence the issue of moral hazard is highly monitored by members especially with those who divert the borrowed fund. Group methodology is perceived to be cost-effective to MFIs, Stiglitz (1990) enumerates the role of peer – monitoring in group lending schemes, which transfers the monitoring role from financial institutions to borrowers and acts as an incentive device.

Organization of group meetings facilitates education and training useful for clients with little experience and improve financial performance of their businesses (Armendáriz de Aghion and Morduch 2000). During meetings, group members share their entrepreneurial experiences as well as skills among themselves which equips others to improve on the performance of their businesses. Despite the benefits of group lending, there are drawbacks associated with it such as social cost which can be a negative restriction on group borrowing and joint liability approaches, the use of coercive peer pressure on those in default, loss of trust and the possibility that the poorest and most vulnerable would be excluded or further stigmatized (Marr,1999). Implementing such sanctions may destroy relationship between members especially family, relatives and friend.

Group lending is an important area of this research because the researcher solely involved group members as respondents in her study.

Individual Lending

Main streams banks are known for giving out individual loans to its clients which requires provision of collateral to secure a credit facility. MFIs have also adopted this type of lending whereby the institution performs a thorough analysis on the borrower's business to determine if the cash flow is sufficient for repayment. Collateral and guarantor is demanded from the client to secure the loan. Those with low –income are not eligible if they cannot provide any asset as collateral for the loan. This is simply based on the fact that lack of collateral renders the poor as having high risk. Unlike the group loan, credit officer is allocated and responsible monitoring of repayment of individual clients after disbursement. Basically, this form of lending is not designed for the very poor in society.

This form of lending nevertheless is preferred by most MFIs despite the fact that it neglects the poor entrepreneur in society from accessing financial assistance. In as much as business growth is MFIs priority, it is also in the interest of these institutions to be sustainable therefore high interests rates are charged in order to meet administrative and other costs. In view of this, MFIs implement harsh conditions /sanctions on their defaulters.

Credit Union

Credit union is a non-profit financial institution whereby members contribute fund as savings and the credit union provides short-term loans to these members. Credit union is formed mostly based on some similarity such as profession, worship or place of residence. Membership is however voluntary and also eligibility for credit is determined by one's deposit contribution. According to Mazūre (2011), credit union is a cooperative financial institution the establishment and management of which is based on the principles of democracy to promote saving of money and providing loans for its members at acceptable and economical interest rates as well as offer other services required by the members of a particular credit union.

Magill (1994), believes “credit Unions represent one of the most important sources of financing for small-scale entrepreneurs in developing countries” and are therefore “playing an active increasing role in microfinance market today”(Armendáriz de Aghion and Morduch 2005). Activities of CUs in developing countries over the past few decades have gained considerable interest from development theorists and practitioners because of their role as MFIs (Ofei 2002). In most developing countries such as Africa, specifically Ghana, credit unions providing credit and other financial services to its members have led to leverage in income level among the poor.

With CUs, members cultivate the attitude of savings; the institution is owned and controlled by the members and credit is provided at fair interest rate. The ability to mobilize larger numbers of small, voluntary savings accounts is a unique feature which separates CUs from other non-bank financial entities providing microfinance services. The success and progress of CUs are based on fact that the World Council of Credit Unions, Inc. (WOCCU) has implemented credit union strengthening and savings mobilization programs in Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, and Nicaragua. WOCCU as an organization “ demonstrates that credit unions that combine sound financial disciplines, saver-friendly product offerings, and aggressive outreach can satisfy member demands for savings services and rapidly generate high levels of liquidity” (WOCCU, 2017).

Village Banking

Village banking model in microfinance is whereby poor people living in a community form groups to access credit facility from financial institutions. Foundation for International Community Assistance (FINCA), a nonprofit organization in the U.S. is known for giving loan in rural areas. With this methodology, members are required to save some percentage of the loan amount which is used to settle off any member’s default. Savings is very crucial in village banking since no collateral is requested to serve as security for the loan. It is worth noting that a lot of NGOs have replicated this form of lending in most rural settings which have received massive success. As a requirement, Village Bank members are to save prior to receiving a loan and to continue saving during the loan cycle (Duval and Waterfield 1996) until. Although there is some similarity in village banking and group lending, the difference is the number of members during group formation.

Self-help group/Associations

According to Bouman (1995), “Rotating savings and credit associations (RoSCAs) exist in many parts of the world and are known under different names including Tontines and Susus”. They are often female dominated organizations that save small amounts and can borrow from the common pool on a rotating basis. RoSCAS and other self-help groups have sometimes been used by MFIs for group lending(Murray and Boros 2002a). Tontines are popular in West Africa whereby members who contribute small amount of money as savings receive this collective amount as interest free loan on rotational basis without any collateral.

Savings Mobilization

Recognition of Savings mobilization as a major force in the microfinance industry begun to catch the eye of many industry players a decade or two ago. In the past, microfinance focused almost exclusively on credit; savings were the "forgotten half" of financial intermediation (Vogel 1984; (Fiebig, Hannig, and Wisniwski 1999). Financial institutions which provide only credit to entrepreneurs face challenges such inefficiency and instability and lends at high interest rates. Low levels of savings mobilization may be attributable to the fact that many MFIs began their operations as channels for external funds from governments and/or donors and did not act as, and were not required to develop into, formal financial intermediaries for micro entrepreneurs, offering deposit and other financial services (Fiebig, Hannig, and Wisniwski, 1999).

Due to the inability of institutions to take deposits from its clients, the individual had voluntary informal ways of savings disposable income such as in-kind savings, which include the "savings in the form of gold, animals or raw materials, or upon informal financial intermediaries, such as Rotating Savings and Credit Associations (ROSCAs) or money-keepers" (Bouman, 1995). Reliance on these informal savings facilities do not guarantee the combination of security of funds, ready access or liquidity, positive real return and convenience, which are basic requirements or necessity of a depositor (Elser, Hannig, and Wisniwski 1999). These researchers believe inability to have some form of savings has impact on the individual, financial institutions as well as the nation economy.

Currently, savings mobilization is an essential feature in microfinance. MFIs which have included savings have reached financial self-sufficiency in terms of being fully financed by client savings and funds from formal financial institutions ("level four" institutions: Rhyne/Otero 1992). In Ghana, for an MFI to take deposits/savings from clients; Bank of Ghana requires institutions to fulfil legal and capital requirements.

In most developing countries where majority are poor and are self-employed, it is difficult among the poor to save due to the insufficient funds in operating micro-enterprises. It has been however concluded that 'the poor cannot save'(Harper 2003). To foster the culture of savings among entrepreneurs, educational programs which enumerate the benefits of savings will play a major role among the poor. In order to achieve this, MFIs have incorporated compulsory savings as a policy to qualify for accessing loans. Compulsory savings are however used as cash collateral for the borrowed fund. During repayment, clients are encouraged to do voluntary

savings during which act as buffer in times of financial challenges. Savings is an integral part of the Grameen Bank of Bangladesh which is used to determine prospective borrowers' eligibility to access loan and repayment capability. Every group member made compulsory savings of US\$0.4 weekly into the group account. Furthermore, during disbursement, 5 percentage of loan amount is saved in the group fund which is given as social loans to members in emergency.

The Grameen Bank's savings mobilization scheme, on the other hand, is designed to address production and other risks as well as market imperfections. The deposits made in "group funds" provide additional much-needed loanable funds for the poor. This type of savings fosters financial discipline and helps borrowers smooth out consumption if they incur income losses due to production failure. An "emergency funds" scheme provides insurance against disaster for both lender and borrowers where the market for insurance is incomplete or absent. (Khandker, Khalily, and Khan 1995, p x)

In summing up, savings as an important concept in microfinance when managed and utilized well by MFIs and its clients coupled with the one of the models of microfinance can lead to growth in the informal sector in Ghana. Savings deposit among Ghanaian entrepreneurs generally have steadily increased due to easy access to MFIs through mobile banking and alerts clients receive after depositing money in their accounts. Also, as a requirement for acquiring loans.

Microfinance a Tool for Human Development and Empowerment

Ranis and Stewart (2000) referred to human development (HD) as the enhancement of the human situation so that people enjoy longer, healthier, and fuller lives. The concept of HD involves some aspects related to people's physical wellbeing such as health, nutrition and education. Another aspect of HD is to widening of choice and improved empowerment which include participation, political freedoms and cultural aspects. In achieving this, Otero (1999) believes microfinance is not merely about providing capital to the poor to eliminate poverty on an individual level, it also contributes immensely at an institutional level. In an effort to tackle poverty leads to multidimensional concepts such as reducing unemployment, infant mortality, maintaining essential healthcare, sanitation, food, nutrition, basic hygiene, establishing gender equality etc (Ghalib 2007). Access to financial services results in achieving the aforementioned benefits only if loan funds are well utilized where profits are generated and savings made.

As stated by Ledgerwood , microfinance is a development tool and it has been estimated that there are over 500 million active poor people in the world operating microenterprises and small businesses. Researchers such as Littlefield, Morduch, and Hashemi (2003), Simanowitz and Brody (2004) and (Chibba 2009) have contributed on the role of microcredit in achieving the MDGs. In view of this, Simanowitz and Brody (2004) comment that micro-credit is a key strategy in attaining the MDGs as well as building global financial systems that meet the needs of the most poor people. In connection with this, Littlefield, Morduch, and Hashemi (2003) attest micro-credit is indeed a critical contextual factor with strong impact on the achievements of the MDGs. Since the evolution of a new concept of microfinance in the 1970s by Yunus, this concept has seen and received a lot of attention as emphasized by OkioCredit (2005) as due to the ability of microfinance to enable poverty alleviation and economic development through provision of credit and savings to those earning low income.

Accessibility to microfinance and ability to get credit facility from MFIs as well as savings helps the poor out of poverty trap to protect, diversify and to increase their sources of income which promotes investing in other important ventures such as payment of school fees (social capital), medical bills (health), and provision of basic needs for the household. According to Littlefield (2003), microfinance is a first step in breaking the cycle of poverty since MFIs helps safeguard poor households against the extreme vulnerability that characterizes their everyday existence. They further indicated that borrowed funds, savings, and insurance schemes help smooth out income fluctuations and maintain consumption levels during the lean seasons.

The borrowed fund serves as additional or working capital for clients who are into businesses such as SME. Ledgerwood (1998a) however states that the purpose of this loan is to help businesses grow which translates into high revenue to the entrepreneur. In this regard, Otero (1999) proves microfinance gives power to poor self-employed people to generate productive capital, to protect the capital they have, to deal with risk, and to avoid the destruction of capital. For the very poor, microfinance becomes a liquidity tool that helps smooth their consumption patterns and to reduce their level of vulnerability (Sebstad and Cohen 2001). Revenue generated is either ploughed back into the business or otherwise saved and used in time of adverse shock. In summary, microfinance is an important tool for developing the poor at both individual and institutional levels. Access to credit facility from MFIs facilitates improved human development in education, access to health care, increase in consumption as well as women empowerment

only when business capital is well managed and yields returns then there can be some of form of impact in the lives of the poor loan client.

Concept of women empowerment

Women's empowerment is a common thread uniting each of the major international conferences in the 1990s. Women's empowerment as a concept came to recognition in 1995 during the Beijing Conference which was later endorsed in 1996. The World Bank also defined empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individuals and collective assets and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets" (World Bank website accessed May 2018).

Batliwala (2007) defined it as the process and the outcome of the process by which women gain greater control over material and intellectual resources and challenge the ideology of patriarchy and the gender-based discrimination against women in all the institution of society. According to Dixon-Mueller (1998), this process of gaining power arises at a hierarchy of different levels such as individual, household, community and society at large. Women however become empowered when they take control and have ownership of their lives by acquiring the ability to make strategic life choices in a context where this ability has previously been denied (Kabeer 2005). Most women are prohibited in decision making simply because they do not have power and are not equipped with the needed resources.

Sen (1999) also contributed to the concept of empowerment which he defined as reflection in the person's capability set which is the potential that people have for living the lives they want, achieving ways of being and doing which are valued by people in each context. The capability of a person depends on factors such as personal characteristics and social arrangements. (Kabeer 2005), further elaborates that the ability to make choice involves three interrelated dimensions such as: resources are defined broadly, including not only access, but also future claims, to material, human and social resources; agency includes processes of decision-making, as well as negotiation, deception and manipulation enabling people to use resources effectively; achievements refer to well-being outcomes. Women are only said to be empowered when accessed resources are put to good use which and their goals are achieved. Additionally, Malhotra, Schuler, and Boender (2002) explains empowerment as enhancing assets and

capabilities of diverse individuals and groups to engage influence and hold accountable the institutions that affect them. They suggest that empowerment should occur along multiple dimensions which include economic, socio-cultural, familial/interpersonal, legal, political and psychological dimensions.

In spite of the various definition of empowerment, Malhotra, Schuler, and Boender (2002) acknowledge that the concept is challenged with measurement. They further highlighted the fact that even after recognition of empowerment as a primary development goal, neither the World Bank nor any major development agency has developed a laborious method for measuring and tracking changes in the levels of empowerment. Kabeer (2005) identified three methodological processes such as resources, agency and achievement. Resources is captured based on women's ability to have rights to own land (Dyson and Moore 1983). Measuring agency is associated with purchase of food, household items, and small items of jewellery. It also includes women's actions on children's health, discipline and education (Jejeebhoy 2000). Generally, women are agents of change nationally and internationally. When given the opportunity they bring about massive transformation in the community. Based on a research conducted India by Murthi, Guio, and Dreze (1995), findings shows that female literacy and labour force participation leads to achievement of reduction in child mortality, fertility levels and female disadvantage of child survival.

Notwithstanding massive expansion of micro-credit programs, the issue of their worth on poverty alleviation is at the heart of literature discussion (Kabeer 2005). Current question under discussion is whether participation in micro-finance programs empowers or disempowers women (Kabeer 2005). In 2007, the then UN Secretary General delivered a speech and as part of the speech, stated that: "*Empowering women is not only a goal in itself, it is a condition for building better lives for everyone on the planet*" (United Nations, 2007). In effort to achieve the UN 2000 Millennium Development Goals, in eradicating women poverty and providing financial access, security and independence, governmental and non-governmental organizations have established microcredit programs to assist poor female entrepreneurs gain access to financial freedom. The working poor women who have meagre capital and cannot provide any form of physical collateral form groups based on trust to enable them access financial support from MFIs. When borrowed funds are invested in viable businesses yields profit is saved which is used in providing household needs. Women being agent of change, when empowered financially

contribute immensely towards household needs, most importantly children's education, health and overall wellbeing. Financial empowerment results in having self – confidence, self-esteem as well psychosocial wellbeing.

Propositions from previous studies

Numerous studies have been conducted to determine both social and economic impact of microfinance on poverty alleviation. However, these studies have produced different research results. Morduch (1998) conducted a study to ascertain the impact of microfinance in Bangladesh. Results of the study indicated positive effect on participants of the microfinance programme. The study showed that households that participated in the microfinance programme perform substantially better than the control group. However, the study found no evidence that the programme caused increased consumption levels or educational enrolment of children relative to levels in control villages. Essential impact of the programme was on reduction in vulnerability but not poverty reduction. Consumption smoothing appears to be as a result of income smoothing but not borrowing or lending. This study however criticizes microfinance programmes for biased selection of clients since microfinance clients had about 20-30 percent of income above poverty levels.

Two impact assessment studies carried out by Afrane (2002) in Ghana (Sinapi Aba Trust (SAT) in 1997 and South Africa (Semeto Microfinance Development Program (SMDP) in 1998 to ascertain the impact of microfinance interventions in Africa. Results of these studies show that microfinance interventions lead to a significant increase in business income, access to life-enhancing facilities as well as women empowerment. Microfinance clients also experienced improved public respect, acceptance and self-esteem, participated more in community activities and contributed monetarily to social projects. On the contrary, clients experienced undue time pressure due to increased business activities which had negative impact on family relations and poorer church attendance and participation in church activities. Similarly in a study carried out by Adjei, Arun, and Hossain (2009) on Sinapi Aba Trust in Ghana to ascertain the role of microfinance in business expansion, income generation and asset building. They concluded that beneficiaries could purchase durables, provide better education to their children and cater for the health care expenses of their households. They also found out that participation in the microfinance programme enabled clients to own savings deposits and to become members of welfare schemes that provided insurance for them to pay off debts in times of ill health or death.

A current study conducted in Hyderabad, India, (Banerjee et al. 2015) used randomized control trial (RCT) approach in evaluating a group-lending microcredit program by a lender to 52 randomly selected neighborhood. They found out that small business investments and profits in pre-existing businesses improved as well as consumption of durable goods went up. Also expenditure on temptation goods decreased. However, the program had no effect on measures of health, female empowerment and education.

Additionally, Hermes, Lensink, and Mehrteab (2005), examined the impact of monitoring and social ties within group lending programs on moral hazard behavior using participants of 102 groups in Eritrea. They found out that peer monitoring by and social ties of group leaders do help to reduce moral hazard behavior of group members. On the other hand, peer monitoring by and social ties of other group members are not related to reducing the occurrence of moral hazard within groups. Similarly, Chowdhury (2005) conducted a study on group-lending based on peer monitoring and moral hazard. Results showed that, in the absence of sequential financing or lender monitoring, group-lending schemes may involve under-monitoring with the borrowers investing in undesirable projects. In the words of Chowdhury (2005), "... under certain parameter configurations, group-lending schemes involving either sequential financing or a combination of lender monitoring and joint liability are feasible".

In a study conducted by Zeller and Meyer (2002), they concluded that saving and credit facilities help individuals or households to either build up or acquire funds for all kinds of investments. According to Barr (2005a), microfinance is a financial tool which is used to alleviate poverty and improving living conditions of marginalized in a community. Barr however asserts that current microfinance has embedded services such as insurance and micro savings that improves the income level of the poor.

In a study conducted in Bangladesh by (Pitt, Khandker, and Cartwright 2006), findings show that women's participation in microfinance programs is connected to empowering behaviors. According to these researchers, access to microcredit is the main foundation for women empowerment. Borrowed funds serves as working capital and loan clients receive some form of training from MFIs which enhances profitability. Women invest in land and other assets when they have access to credit facility(Todd 1996). Income generated is used to support the family in time of challenges such as financial difficulty, illness as well as investing in children's education and providing basic needs.

Studies of Hashemi, Schuler, and Riley (1996); Kabeer (2001) argue that there is positive and moderately high correlation between microcredit and women's capability to influence, or make decisions that affect their life which is an significant component of women's empowerment. From their studies, they found that access to credit programs significantly reduces domestic tension and violence. This is because women earn extra income thereby contributing to household responsibilities which lessens financial and economic burden on the men. Findings from Hashemi, Schuler, and Riley (1996); Todd (1996); and Kabeer (2001) showed that microfinance enhances women's mobility freedom and helps develop their social networks (Mizan 1994). Giving credit to females is found to have positive effect on women's physical mobility due to meetings and training programs organized within or outside their village, exposing women to a broader world and increasing their relationship with non-family members (Schuler and Hashemi 1994). These findings indicate that women are both economically and financially independent thereby contribute to household needs when they receive financial support from microcredit institutions.

Contrary to these findings, researchers such as Goetz and Gupta (1996); Rahman (2001b); Hunt and Kasynathan (2001) are of the view that there are negative consequence of microcredit on women's empowerment. They opined that in as much as microcredit fails to empower women, it also disempowers them. Goetz and Gupta (1996) further argued that the higher the loan amount is, the more difficult for women to control over loans. In addition, studies by Rahman (2001b); Hunt and Kasynathan (2001) argue that access to borrowed funds rises women's workload which is time consuming thus attending group meetings and poses a burden on microenterprise. When women access credit, they need to work extra to meet their repayment amount. This burden and pressure on women has consequences on their health, children and the family wellbeing. Other scholars also feel microcredit only makes loan clients and the community undergo pressure and destroys relationships. According to Rahman (2001), women receive social sanctions and pressure from peer group members when in default which causes serious stress, social hardship and humiliation as a result leads in disempowering women and dropping their social status.

Another study conducted by Aidoo and Mensah (2018) on the topic "the causes of default loans risk in microfinance institutions in Ghana: case study of some selected microfinance institutions in Kumasi and Accra", they recommended that to eliminate or minimize non performing loans and increase the performance of the sector, the Bank of Ghana should resturcture and sanitize the

operations of the MFI's. Another research carried out by Addae-Korankye (2014) to ascertain causes and control of loan delinquency/default in Ghana using random sampling technique to select twenty-five microfinance institutions. He suggested that to control default, pre and post disbursement training, reasonable interest rate, monitoring of clients and proper loan appraisal are measures which MFIs need to implement. In a similar study on the topic "Determining the Causes and Impact of Non Performing Loans on the Operations of Microfinance Institutions : A Case of Sinapi Aba Trust", Arko (2012) found the determinant of causes and the effect of performing loans on the operations of MFI's as "lack of proper monitoring of loans by the staff, business failure on the part of the borrowers and poor marketing opportunities". In another study by Ntiamoah et al (2014) on the topic: "Loan Default Rate and its Impact on Profitability in Financial Institutions", they concluded that there is a "significant relationship between the problem of recovery and overdue of loans and profitability" and finally, they indicated through their findings that "proper management of loans given to clients will yield more profits for the firms".

In a study conducted by Karlan and Valdivia (2011) at Peru using randomized control trial to measure the impact of giving business training to Peruvian group lending program for female micro entrepreneurs, results indicate that there is little or no evidence of changes in outcomes such as business income, profits or employment among female in treatment and control group. However, improved business knowledge and increased client retention rates for the microfinance institution was revealed.

On the other hand, Temu and Kessy (2010) investigated the differences in business performance between two groups of microcredit clients in Tanzania. One group comprises of owners of enterprises who received entrepreneurship training and the second group were those who never received any form of entrepreneurship training. This study involved 225 micro and small enterprise owners. They found out that recipients of business training have higher level of assets and sales revenue compared to non-recipients. According to these researchers, training in business skills for Tanzanian entrepreneurs is vital for business performance, growth and improved owners living standard in addition to access to credit. Additionally, a randomized experiment by De Mel, McKenzie, and Woodruff (2014) in Sri Lanka where two groups of women were studied, one group received only training and second group received training and cash grants over two years. Findings of this study shows training and giving of grant increases

business profitability in the first eight months, afterward there is no impact in the second year. These researchers' recommended new entrepreneurs need more training. This reveals that the impact of business training is only short term.

Conceptual Framework in this work

The conceptual framework for this study as designed by the researcher is illustrated in the figure below. The framework includes four distinct blocks. The first block represents microfinance institutions. These institutions are mandated or expected to provide financial support and receive savings from their clients. The financial support and savings represent the second block. This block is a summary of the services they render in alleviating poverty. The third block is represented by the outcomes of the services that MFI's provide to their clients. Once financial support and savings are extended to clients in a steady manner, it is the expectation that there would be increased business income, women empowerment, improved business enterprise, improved education of children and asset building. The final block (poverty reduction) represents the end product which is the ultimate aim of MFI's. This conceptual framework is designed to give guidance and a systematic approach to MFI's and industry players the insight in what is needed to reduce poverty with the support of MFI's.

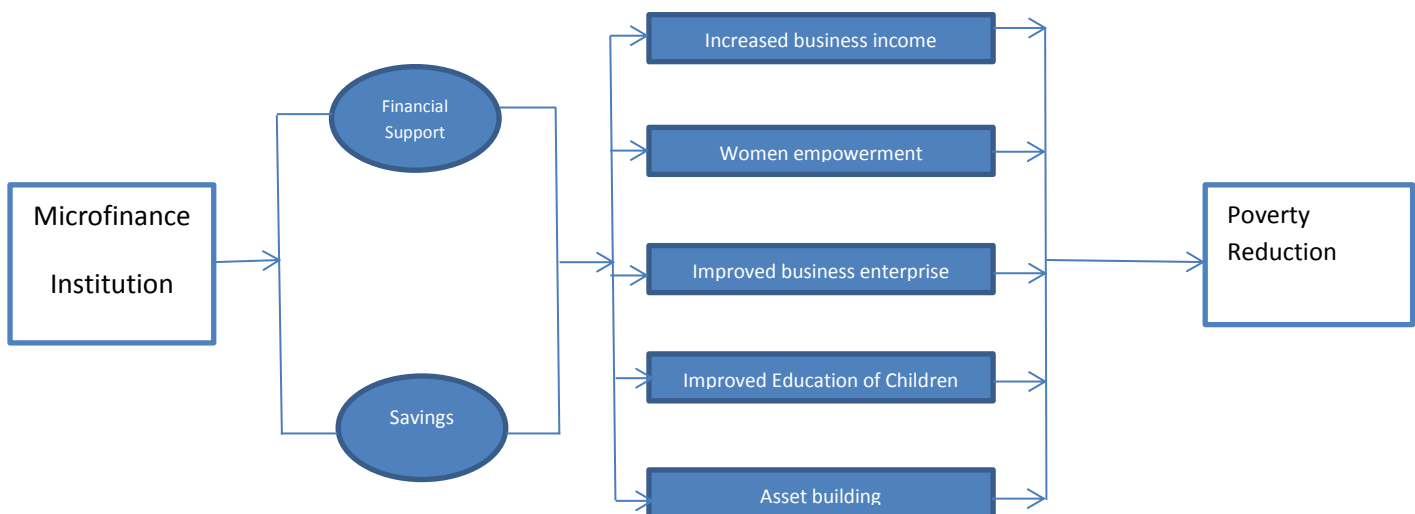


Figure 3: Researcher's Conceptual Framework

Summary

This chapter presents the various definition of microfinance and model MFIs used in giving out financial credit to prospective clients such as individual lending, group, self-help group, credit union and village banking. Each model has a unique and specific condition in reaching out to clients. Voluntary and compulsory savings are important mechanisms for both clients and

financial institutions. Microfinance, human development and women empowerment are important concepts which were discussed. Lastly, previous studies were reviewed of which some researcher are of the view that microfinance helps in reducing poverty while others do not support this claim. The next chapter presents the methodology which involves the methods used in collecting data for this research.

4. METHODOLOGY

Introduction

To ensure all aspects of this research is captured and the needed empirical data is achieved, a well detailed methodology was designed. This methodology follows Saunders research onion (Saunders et al., 2012). Saunders' onion is seen by researchers as a generic systematic procedure that helps researchers and analysts to effectively select the appropriate research methods and data collection methods for a research project. The Onion is made up of six distinctive layers namely philosophy, approach, strategy, choice, time horizon, technique and procedures (see figure 4). The procedure starts with peeling off the layers in a step by step manner until one reaches the core of the onion.

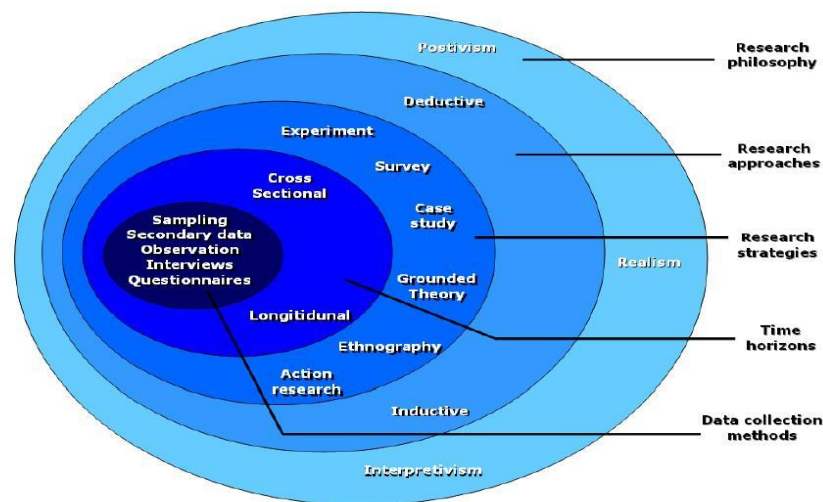


Figure 4: Saunders Onion. (Source: Saunders et al., 2012)

To effectively answer the research questions, this methodology is divided into seven sub-sections. It starts with the research philosophy, followed by the research approach, research

strategy also follows the approach. In all these sections, the chosen philosophies, strategies and approaches by the researcher are mentioned with reasons and justification. Available options are also mentioned and briefly reviewed. The research choice, time horizon, designs and administration follows sequentially. At the core of the onion is the part that deals with data analysis. Finally, the ethical considerations, limitations of the study and topics on reliability, generalizability, and validity are discussed.

The Research Philosophy and Approach

As illustrated in Figure 4, the Saunders Onion is designed in a form of an onion with different layers. The first outermost layer deals with the research philosophy. From the words of Bryman (2012), “A research philosophy refers to the set of beliefs concerning the nature of the reality being investigated”. There are two main ontological frameworks that can inform any research process. This according Monette et al. (2005) and Bryman (2012) are positivism and constructivism and can be defined differently as empiricism and interpretivism. Positivism, in other words assumes that “reality exists independently of the thing being studied” and thus in practice this means that the meaning of phenomena is consistent between subjects (Newman, 1998). On the other hand, constructivism suggests that the inherent meaning of social phenomena is created by each observer or group (Astlund et al., 2011). Constructivism philosophy is based primarily on cognitive psychology with its background relating to Socratic method from ancient Greece but its application as a perspective in epistemology increased in recent years. This researcher chose to follow the philosophy of constructivism because of the reasons espoused earlier and also because constructivism is more suitable for qualitative research methods while positivism and pragmatism is best suitable for quantitative and mixed methods respectively. Additionally, constructivism philosophy also ensures that the researcher is positioned within the context, interprets data, validates the accuracy of findings, and involves the researcher in collaboration with participants. (Astlund et al., 2011). With constructivism, people construct their own understanding and knowledge of reality, through experiencing things and reflecting on these experiences. In other words, individuals’ knowledge and experiences may differ when presented with same opportunity.

The next layer after the philosophy is the research approach. There are two main approaches in this context; inductive and deductive. The researcher chose the inductive approach because it fits perfectly with the research philosophy of constructivism and also because inductive approach is

commonly used in qualitative research as compared to deductive approach (Bryman and Bell, 2011). Additionally, with inductive approach, “observations are the starting point for the researcher and is characterized as a move from the specific to the general” (Bryman and Bell, 2011). Deductive approach on the other hand is commonly used with a pragmatist research philosophy and relies on objectivity in the assessment of observations.

Research Strategy, Choice and Time Horizon

Saunders et al., (2009) rightly described research strategy as “how the researcher intends to carry out the work”. There are several strategies that a researcher can employ to achieve the aim of a research. These strategies are determined by the type of data and population that is available to be used for the research. The known strategies are: experimental research, systematic literature review, case study research, interviews, surveys, or an action research. A case study strategy was employed in the bid to achieving the aim of the research. This strategy would “involve empirical investigations” (Robson, 2002) with input primarily from semi-structured interviews and review of documentation from secondary data mainly from electronic, printed and other academic or research papers. According to Saunders et al., (2009), Experimental research refers to the strategy of creating a research process that examines the results of an experiment against the expected results.

Additionally, Action research is characterized as a practical approach to a specific research problem within a community of practice and Ethnography involves the close observation of people, “examining their cultural interaction and their meaning” (Bryman, 2012). On the other hand, Bryman & Bell, (2011) explains that Surveys tend to be used in quantitative research projects, and involve sampling a representative proportion of the population. The closest strategy to the chosen strategy is the Grounded theory. This theory is a deployed mainly for qualitative research and works effectively on an inductive approach. As a precondition, patterns are derived from the data received from the research (May, 2011). Case study research is the best strategy when dealing with an assessment of a single unit where the establishment of key features and drawing of generalization is needed (Bryman, 2012).

The significance of using qualitative method is to enable the researcher gather contextual, detailed and sensitive data which would uncover emerging themes, insights, patterns, understandings, and generate “ideas rather than testing ideas” (Bryman, 2004). The research

choice which comes after the strategy from Saunders Onion would be a mono-qualitative method consistent with the exploratory nature of the research design, constructivism philosophy and inductive research approach. There are other research choices such as the mixed method which involves both qualitative and quantitative research and the mon-quantitative methods. The exploratory nature of the research questions demands that the method be based on a qualitative research method. Since this research is purely a qualitative research, the mono-qualitative method was suitable. The last but one layer within the Saunders Onion deals with the time horizon. The cross-sectional timing provided the perfect match for this research. Since this research is time bound and the focus is on the current happenings in the research area, a cross-sectional timing was suitable as compared to the longitudinal approach which would require repeated studies over a longer period of time to ensure the research questions are answered through observations and correlations.

For qualitative research, the main form of gathering data is through interviews, observations, and review of documents (Creswell, 2009b; Locke, Silverman, & Spirduso, 2010; Marshall & Rossman, 1999). Interviews are the commonly used data collection method for qualitative research. There are three types of interviews used for qualitative research namely structured, unstructured and semi-structured. Structured interviews adhere strictly to the use of an interview protocol to guide the researcher. It is the most rigid form of interview type where questions on the interview protocol are asked and leaves no room for the researcher to probe the respondent further on topics that come up during the interview. In contrast, unstructured interviews do not adhere to any protocol and progress in the form of a normal conversation but centered on the research topic. It affords the researcher the opportunity to probe respondents for in-depth and rich information as much as possible.

On the downside, since there is no guide, respondents in most cases, maneuver away from the topic. The semi-structured interview is the most popular interview style deployed for qualitative data collection. It deploys an interview protocol to guide the researcher through the interview stage (Opdenakker, 2006). It also provides the researcher the opportunity to probe respondents further for clarification on new topics that arise during the interview or to clarify their statements. This researcher deployed the semi-structured interview style for this research. This style comes with its advantages and disadvantages. This style is set to be time consuming (Opdenakker, 2006). This is due to the high possibility of follow up questions and the flexibility

of being able to adjust questions. Another limitation to this style is the low number of interviews and huge data that a researcher encounters. Because of the time needed to complete one interview, a researcher might not be able to perform a lot of interview (Opdenakker, 2006). Due the enumerated disadvantages, the researcher interviewed a few respondents due to lack of time and the volume of data gathered. There were follow-up questions for responses which were interesting and the researcher needed more information on.

The aim of every researcher is to accomplish the aims and objectives of a research. It is with this reason that the general knowledge or advanced knowledge or familiarity of the would-be organization, population or country is essential and can lead to the success or failure of the entire research (Saunders et al, 2002 cited in Page and Robinson, 2004). In this context, the researcher is a national of the case study population and has worked in the industry where the research is expected to focus. The researcher has the organizational and industry knowledge and thus would be easy to get access to the respondents. This would also eliminate limitations associated with unfamiliarity of populations that are encountered by some researchers during data administration and collection.

Research Ethics

Ethics is important when conducting any research that involves participants. First of all, the researcher needed database of all financial institution from GHAMFIN therefore presented an introductory letter from my school to confirm my student status. The researcher was then made to sign oath of secrecy which is to keep any information confidential. Secondly, the researcher acquired informed consent from the MFIs to permit the researcher use its clients and have information on the institution's loan portfolio for this study. This is because laws of companies do not allow information to be given out to non-staff of the institution.

Before the study began, research purpose was made known to participants and content of informed consent letter was read out to participants for their understanding. Participants were also made aware that any information provided would be recorded and notes taken. The researcher also informed that information given will be kept confidential and not given to any public figure except used for this research. After this agreement they were then made to give their consent in a form of signing the informed consent form.

Plagiarism of research works or literature without the appropriate references, falsification, fabrication of data and conclusions of a research work is considered unethical. The researcher is

therefore aware of the consequences that arise as a result of indulging in the above unethical behavior in a research environment. The researcher has also painstakingly read the contents of the universities ethical guidelines for research and publications and intends to abide by it to the letter. In the field of social research, there have been a number of discussions on ethical transgressions and principles. Diener and Crandall (1978) in their research work titled “Ethics in Social and Behavioral Research” made available the four main areas of unethical behaviours on participants: harm done to participants knowingly or unknowingly, deception by researchers, invasion of privacy and the lack of informed consent. Bryman (2012) also adds to this by stating that harm could come in a number of facets such as: “physical, loss of self-esteem, development and stress”.

Reliability, Validity and Generalizability

Validity and reliability are issues which need to be addressed in research. Qualitative research as compared to quantitative research is based primarily on contextual, subjective and interpretive data, which ends up making the findings from such a research to be questionable and highly scrutinized. Reliability and validity tests are important since they determine the quality of data which have been studied. Patton (2001) cited in (Golafshani 2003) states that validity and reliability are two factors which any qualitative researcher should be concerned about while designing a study, analyzing results and judging the quality of the study.

It is therefore expedient for as a researcher to ensure that this research is valid and reliable. In achieving this, the final results, discussions, and findings are to be consistent, credible and applicable. Once these three main criteria are met, this research findings can then be useful to readers and to other researchers who would like to draw their conclusions from this. Cypress (2017) defines validity in qualitative research “as the state of being well grounded or justifiable”. He goes on to state that the research has to be “relevant, meaningful, logical, conforming to accepted principles or the quality of being sound”. Validity in qualitative research also means “appropriateness” of the tools, processes, and data. Whether the research question is valid for the desired result, the chosen methodology is appropriate for answering the research question, the research design is valid for the methodology, the sampling and data analysis is appropriate, and finally the findings and conclusions are valid for the sample and context (Leung 2015). In maintaining both external and internal validity in qualitative research for that matter using case study, different researchers suggested criteria for assessing qualitative research. In order to maintain both external and internal validity in qualitative research for that matter using case

study, different researchers suggested criteria for assessing qualitative research. In maintaining both external and internal validity in qualitative research for that matter using case study, different researchers suggested criteria for assessing qualitative research. Lincoln and Guba (1985) and Guba and Lincoln (1994) cited in Golafshani (2003) identified two main primary criteria for evaluating qualitative studies such as “trustworthiness and authenticity. Trustworthiness is sub-divided into four such as “credibility, transferability, dependability, and confirmability. Authenticity also includes fairness, ontological authenticity, educative authenticity, catalytic authenticity and tactical authenticity” (Bryman, 2012,). In testing for validity of a research finding in qualitative study, the trustworthiness and authenticity of data collected is important.

Reliability in qualitative research, on the other hand, is referred to as “exact replicability of the processes and the results” (Noble and Smith 2015 p.34-35). Therefore, for a study to be reliable, it has to pass the test of replicability. This means the study and methodology in its form should be able to be replicated in another setting or population. This research is expected to be reliable and should pass the replicability test. To warrant reliability in qualitative research, investigation of trustworthiness is critical. Seale (1999 p. 266), while establishing good quality studies through reliability and validity in qualitative research, states that the “trustworthiness of a research report lies at the heart of issues conventionally discussed as validity and reliability”.

Generalizability is most of the time not discussed when dealing with qualitative research. Some researchers believe qualitative research is not generalizable due to the nature of qualitative research. Most qualitative research study specific populations or specific phenomenon, hence making such a study attribute ungeneralizable. With the advent of new findings and new knowledge in the study of generalizability in qualitative research, there is a new school of thought which is contrary to the earlier notion that qualitative research cannot be generalized. This new school of thought believes that “qualitative research through meta-synthesis, meta-narrative or meta-ethnography, evaluation of generalizability has become pertinent” Finfgeld-Connett (2010) although with strong criticism from Zimmer (2006) who questioned the suitability of meta-synthesis and believes meta-synthesis is a question of dialoguing with texts.

Testing of Reliability, Validity and Generalizability

In order to ensure that this research is reliable, the researcher had to employ the test-retest process of testing reliability. To start with, the same interview questions were administered twice

on each of the respondents. The researcher had to explain to them that this was meant to test the reliability of the results. The reason for administering the interview questions twice was to check that the answers that were received in the first instance would be same as the second interview. In order to cater for the memory effect associated with testing of validity using the test-retest model, the second interviews were conducted after two weeks from the first one. This was to ensure that the respondents were not relying on their memory of the first interview to answer the questions. After the two interviews, the results from the first interviews were similar to their second respondents. This therefore makes the findings of this research is reliable.

In testing the validity of this research, the content validity methodology of testing validity was employed. The findings and observations were compared with authoritative sources and models. The authoritative sources were categorized as expert opinions that assisted in ensuring that the results from this research would be valid. The reason for this is to check that there would not be huge variations from the results from my research and the models and resources available in the field of microfinance studies. The Grameen's model is one of the models that was in consonance with the findings of this research in addition to the various prepositions from previous studies that were used in comparing to the findings from this research to that of the resources. At the end, this research passed the validity test of trustworthiness and authenticity by Lincoln and Guba (1985) and Guba and Lincoln (1994) identified for evaluating qualitative studies and can therefore state that the result from this research is valid. On the aspects of generalizability, this research cannot be stated to be generalizable because, the sample size used was small and were not randomly sampled.

Operationalization

The essence of this section is to put into motion the methodology of this research and derive the needed primary data through it application. In a general social research, operationalization entails the definition of variables into measurable factors to be measured, qualitatively, quantitatively and empirically. In this section of the research, the interview design would be discussed and developed. Additionally, the administration of the interview which involves how the researcher would conduct the interview, the locations and logistics needed. The design and administration of the interviews would form the basis of gathering the primary empirical data.

Bortianor in the Ga South Municipal Assembly of the Greater Accra Region of Ghana was chosen primarily as the research population by the researcher for this research due to the easy

access it affords the researcher. The proximity to this research area would afford the researcher the opportunity to gain access to all the sampled respondents and ensure greater return rate of the interview process. The researcher made contact with the Ghana Microfinance Network (GHAMFIN) for support in granting access to any microfinance institution to be used for the research work. GHAMFIN then directed the researcher to Opportunity International (herein referred to as OI) Savings and Loans to be used as the case study institution. OI Savings and Loans is a member of GHAMFIN and Ghana Association of Savings and Loans Companies (GHASALC). It was licensed by the Bank of Ghana in June 2004. OI Savings and Loans limited is an implementing partner of OI. OI has 44 outlets across the country. As of December 2016, the institution had about 472,329 clients of which 53,958 are loan clients. Loan portfolio was GHS93.8 Million and client deposit balances were GHS124.7 Million. This makes OI, one of the largest savings and loans companies in the country. OI introduced the researcher to the Kasoa office of the institution. The credit Officer at the Kasoa office also oversees the operations at Bortianor (the research population). (Opportunity, 2017).

OI operates group loan scheme in the Bortianor area and the researcher was given the opportunity to meet with four of these groups which comprised of three active groups (groups who have been given loans and servicing their loans) and one new group (a group that is yet to be given a loan facility). Each group has five members totaling twenty clients in total. All twenty clients agreed to participate in the semi-structured interview process. Using the purposive sampling method, the researcher concluded to use all twenty clients as sample size. With purposive sampling, the researcher relies on his/her judgement when choosing or identifying samples from the population. Through the judgement of the researcher, twenty clients would serve the purpose of this research. Additionally, the loan officer also agreed to be interviewed as part of the data collection process. The interview of the loan officer would help to provide the input needed from the microfinance institution and help in triangulation of data.

These groups are formed based on Putnam's social capital theory. Putnam's social capital theory is grounded on the idea that social networks have value. He identified three main types of social capital such as physical, human and social capital. Putnam is of the view that physical capital refers to physical objects; human capital means properties of individuals and social capital is simply connections among individuals. Social capital has to do with connection between relations; friends and neighbors are significant for sustaining community engagement Putnam

(2000) which plays a vital role for building a strong norm of reciprocity, Putnam enumerates social capital as social networks among community members which include formation of associations based on trust, norms and reciprocity. He however argues that social capital can be directed toward wellbeing which brings positive changes through maximization of mutual support, cooperation and trust.

In relation to this, group lending as a methodology in microfinance is operated based on the features of social capital particularly trusts. Problems with information asymmetric are reduced thus prospective group members who live in same community or village screens and monitor each other. Since group members are jointly liable for each other in time of default there is there phenomenon of adverse selection (only those who are creditworthy are accepted in the group). Social capital also enhances trust and peer monitoring in the group lending model. Floro and Yotopoulos (1991) believe that strong social ties assist in having better information to monitor and pressure for repayment. Social network plays an important role in microfinance which provides a context allowing group members to enforce loan repayment of the individual group member (Postelnicu and Hermes). On the contrary, others have stated that social networks may be counterproductive. Since people know each other very well and have close social ties, they may be less eager to pressure for repayment (Wydick 1999). For instance, family or friends may be less willing to use pressure for fear of losing family or friends, which in such cases is valued higher than losing money (Conning 2000).

The semi-structured interviews were the main forms of gathering all primary data to achieving all the set objectives and aid in answering the research questions. For the purpose of this research, questions were therefore formulated to answer all the research questions which were administered through an interview. Each question was tailored towards specific research question and had a purpose. Since the data collection was to be done through an interview, a face to face mode of interview was scheduled with all the respondents. There are other forms or mode of conducting interviews for qualitative research purpose such as phone (voice), email, and skype (video) in an asynchronous communication (time or place) or synchronous communication setting (time and place) (Opdenakker, 2006). In all of these modes, it is difficult to read the respondents mode and body language when a question is posed. It was with this reason that a face to face mode was selected.

Some researchers also employ open-ended questionnaires through paper-based delivery or through the web instead of face-to-face interviews. Open-ended questionnaires are best suitable if respondents are educated and they can respond to questions on the questionnaire without assistance. On the contrary, immediate follow-ups on topics cannot be done when using open-ended questionnaires. Face-to-face semi-structured interviews takes care of follow up's on new topics but can be more expensive compared to open-ended questionnaires. High expense for the former arises due to transportation costs and recording gadgets that need to be procured for this activity. For this research, most of the respondents are illiterates and thus would not be able to fill a questionnaire. The researcher also had to travel to the group centers of OI and the homes of respondents on several occasions to conduct interviews.

Administration of Interview

The loan officer introduced the researcher to all the respondents at their meeting grounds. The researcher took the contacts of each respondent and scheduled meeting with them individually. All respondents were met either in their houses for the interview. All the respondents engaged in trading as their main economic activity. The researcher informed them of the reasons behind the interview and informed them of their anonymity and protection of their personal data. Additionally, the researcher is aware of the ethics of this research work and thus made sure all respondents gave their consent for the interviews. The researcher informed the respondents that the interviews would be administered twice on different occasions. This was to test the reliability of the research. The interviews started with the researcher reading the informed consent letter for the research. The informed consent letter contained a brief background about the research and the researcher (See Appendix A). Within the informed consent letter, assurance was given to all respondents that their data would be protected and would remain strictly confidential. The questions were drafted in simple English to avoid ambiguity and ensure they were self-explanatory.

During the interview, the researcher used a Sony recording gadget with memory that can record for 10 hours. The researcher also used her phone as a backup recording device to ensure that in the event of the primary recorder going bad, a backup could be used to retrieve the needed data. The average time for each interview was one and half hours (1.5 hours). The researcher had to also put down salient points while the respondents were talking. There were several follow-up questions since the interview type chosen (semi-structured) allowed it. For some of the

respondents especially the loan officer, there were additional follow up interviews conducted to retrieve additional information. This came up after the initial interviews with the loan clients, some issues and observations were made that needed to be crossed checked with the loan officer.

Interview Design

In the design of the interview questions, the researcher had to design three separate set of questions. One was for the groups that had active loans and are servicing their loans, another set of questions were for the new group that had not been given a loan facility yet and are being mentored before extending a loan to them and finally, the last set of questions was for the loan officer who represented the microfinance institution.

Section A: Demographic information

This section seeks to retrieve demographic data from the respondents. The items under this section were the name of the respondent, gender, age, marital status, setting of the respondents business or home (rural or urban), geographical location of business or home, name of community, occupation, educational level, years in business, number of children, and the number of dependents. The data acquired from this section would enable the researcher to analyse and draw patterns on how effective the role of microfinance institutions has been on poverty reduction versus age, gender, and how these demographics have played a role in the building of wealth for the clients of microfinance institutions. (See Appendix B)

Section B: Questions for active loan clients

This section contains twenty questions that were well crafted to aid in answering the research questions. Fourteen (14) questions were crafted to help answer RQ1, with one (1) question crafted to answer RQ2 and finally, four (4) questions crafted to answer RQ3. These sets of questions were used heavily to answer RQ1. RQ1 deals with the extent to which microfinance institutions help in minimizing economic poverty in the Ga South Municipality significantly. (See Appendix B)

Section C: Questions for New Group members with no active loan with the MFI

This section contains a total of eight (8) questions. Seven of the questions help answer RQ1 and one (1) helps to answer RQ2. (See Appendix B)

Section D: Questions for the loan officer representing the MFI's

This section contains eight (8) questions. There is one question that does not directly answer any of the research questions but seeks to get institutional information from the loan officer. Five (5) questions help to answer RQ2 and two questions also answer RQ3. This section was used to mainly answer RQ2 and RQ3. (See Appendix B)

Primary and Secondary Data Analysis

As a case study qualitative research, the data that were received from the interviews were the basis for the analysis and discussions. This research also made use of secondary data from other sources such as the Ghana Statistical Services and GHAMFIN but was mindful not to get overwhelmed with the volume of data from these sources. Only relevant and important data from secondary sources were captured. The researcher was mindful not to base her conclusions on the secondary data because secondary data are “imperfect reflections of reality” (McCaston, 2005).

The data that were received from the interviews were transcribed, and coded using the descriptive coding method. Other coding methods such as In vivo, process coding, versus coding, and values coding were reviewed before concluding on using the descriptive coding method. In descriptive coding, respondents' primary statement is summarized into a word. After the coding, a code list and patterns were established and finally themes derived from them. The themes that were derived formed the basis for the data analysis and discussions. These themes were aligned to the three research questions and how they help in answering the research questions (Saldana, 2018).

Limitations of the Study

There were a number of shortcomings identified in conducting this research. The first limitation has to do with inadequate sample size. Due to the number of respondents used, findings of the research cannot be generalized to the population of Ghana. Accuracy of data and information obtained in the GSSL cannot be determined since there could be errors committed during the research. Although aggregate poverty level of the district was known, it was difficult to determine that of the individual. Whether some of the respondents interviewed fall above or below the poverty line was difficult to determine.

Another important limitation was translation of interview questions in English to the local language for respondents was a challenge which might have resulted in different responses from interviewees. One major limitation is errors which might have been committed during

transcription of data. Another limitation has to do with problem of book-keeping. Most respondents do not have record of financial activity of their businesses therefore they could not tell the exact profit margin before and after investing the loan into the business. In business concept, an entity is perceived separate from the owner. Most of these participants who are semi-literate do not have knowledge on the legal entity concept. They therefore misused funds and withdrew money for personal use.

The study was time consuming and expensive to conduct. This is because the researcher had to interview two groups of interviewees as well as loan officer. In the end it was tiresome and involved money since every participant had to be refreshed after taking part in the study.

In critiquing this research, one needs to be abreast with the methodology that was deployed and the results that were received. This research was designed to investigate a phenomenon in a case study approach the philosophy of constructivism was adopted with an inductive approach because it fits perfectly with the research philosophy of constructivism. A qualitative method was deployed therefore ensuring that the results be analyzed in a thematic nature. The researcher had a 100% response rate but that did not come easy. There were several follow ups before all participants were interviewed. The duration for the data collection was extended because it took an average of one and half hours for each participant. The participants were living in different locations and were always busy in the markets. It therefore became very difficult to get them to interview during working days and weekends. The researcher had to do most of the interviews after church service on Sundays since that was the times most of the participants were available.

The questions used for the interviews had several set of questions (see Appendix B). There were three set of questions. One set was for the loan officer, the second for new loan applicants and the last for the old group members. These three set of questions had different set of questions on them which were tailored to different research questions. From hindsight, there were some questions that did not contribute to any research question although they helped to probe further to gain insights into the dealings and circumstances of the respondents. With hindsight, most of these questions should have been omitted to reduce the interview timing and to make the interviews more focused. Additionally, few of the demographic questions (see Appendix B) were not used in the analysis and would have been prudent to have omitted them.

Summary

This chapter's main focus is the discussion of the empirical study by specifically focusing on the research philosophy, strategy, design of the interview questions, administration of the instruments and finally the research ethics associated with the dissertation. The methodology focuses on answering the three research questions with the emphasis on reliability, suitability, and validity of data. The next chapter discusses the findings after the implementation of the strategy and design of this chapter.

5. FINDINGS

Introduction

This chapter presents the findings after the application of the methodology in chapter four. The data gathered from the interviews were transcribed, coded and developed into themes. The themes are provided in this section and supported with relevant quotations from the interviews. For anonymity sake, the names of respondents are represented with alphabets. This is to ensure that the respondents are not traceable. Additionally, it also allows the respondents to share their thoughts freely without fear. Alphabets such as AB, CD etc are used to represent each respondent. As O'Leary (2017) rightly put it, "...gathering credible data is certainly a challenge but so too is making sense of it". It is therefore essential that the data that is gathered is taken through a systematic process which includes rigorous interrogation and interpretation. This section seeks to bring meaning to make sense out of the data gathered during the interview phase.

In the design of the interview questions, the researcher had to design three separate set of questions. One was for the groups that had active loans and are servicing their loans, another set of questions were for the new group that had not been given a loan facility yet and are being nurtured before disbursing loan to them and finally, the last set of questions was for the LO who represented the microfinance institution.

Themes

After the coding and patterns were established, four themes were discovered from the various codes and patterns. These themes are the outcomes of the interviews conducted with the twenty-one respondents. For analysis purposes, data on twenty (loan clients) have been tabulated in tables 1 to 4. the LO is the only one not added to this tabular table. For conversion purposes, 1 GHC is equal to 0.25 USD as at 20th April, 2018¹.

Group one (second cycle borrowers)

	Names of loan clients	Marital Status	Number of dependents	Years in business	Credit amount (GHC)	Cash collateral (GHC)	Weekly compulsory Savings amount (GHC)	weekly repayment (GHC)
1	AB	Married	5	6	1000	160	10	72.5
2	BC	Married	1	4	1000	160	10	72.5
3	CD	Married	3	6	1000	160	10	72.5
4	DE	Married	2	8	1000	160	10	72.5
5	EF	Married	3	3	500	80	5	36.25
Total					4500	720	45	326.25

Table 1: Group one (second cycle borrowers)

Group two (first cycle borrowers)

	Names of loan clients	Marital Status	Number of dependents	Years in business	Credit amount (GHC)	Cash collateral (GHC)	Weekly compulsory Savings amount (GHC)	weekly repayment (GHC)
1	FG	Married	3	3	1000	160	10	72.5
2	GH	Married	4	20	1000	160	10	72.5
3	HI	Widowed	3	8	700	112	7	50.75
4	IJ	Single	1	2	900	144	9	65.25
5	JK	Single	0	2	700	112	7	50.75
Total					4300	688	43	311.75

Table 2: Group two (first cycle borrowers)

Group three (fourth cycle borrowers)

¹ The Ghana Cedi has been depreciating for over a decade compared to the US Dollars. As at 20th April, one dollar is equivalent to 4.5 Ghana Cedis.

	Names of loan clients	Marital Status	Number of dependents	Years in business	Credit amount (GHC)	Cash collateral (GHC)	Weekly compulsory Savings amount (GHC)	weekly repayment (GHC)
1	KL	Married	3	5	2000	320	20	145
2	LM	Married	4	6	1500	240	15	108.75
3	MN	Single	0	3	2000	320	20	145
4	NP	Married	4	4	2500	400	25	181.25
5	PQ	Divorced	2	4	1500	240	15	108.75
Total					9500	1520	95	688.75

Table 3: Group three (fourth cycle borrowers)

Group three (Group yet to be given a loan)

	Names of loan clients	Marital Status	Number of dependents	Years in business	Credit amount Requested (GHC)	Cash collateral (GHC)
1	QR	Married	1	2	500	80
2	RS	Married	5	1	700	112
3	ST	Married	6	1	500	80
4	TU	Married	1	1	800	128
5	UV	Single	0	2	600	96
Total					3100	496

Table 4: Group three (Group yet to be given a loan facility)

Microfinance Institutional Support and Expectation

The aim of microfinance institutions (MFI's) is to assist in alleviating poverty and helping to inculcate the culture of savings. The loan clients of microfinance institutions also have their own expectations. Such expectation ranges from loan support to financial knowledge building and sharing. Extending loan facilities to loan clients is seen as the primary responsibilities of MFI's. According to ST (part of the group yet to be given a loan facility) "... when I get a loan facility from OI, I would be able to restock my shop and hope to make some profits and save some...". ST's expectation together with others such as QR ("...When I receive the borrowed funds and invest into my business, I would be able to make profits") and TU ("...I expect OI to give me a loan once I meet their requirements"), indicates that loan clients expect MFI's to primarily provide them with monetary support in the form of loan facilities.

MFI support ranges from financial literacy training, basic accounting or bookkeeping training and the importance of savings. According to the loan officer (LO), OI teaches group members on business ethics and customer relations (the LO: "...We teach them the ethics in business, bookkeeping and how to attract and retain customers"). TU (One new client yet to be given a loan facility) disclosed that as part of their orientation by OI, they have been given training on bookkeeping. In TU's own words: "...the LO of OI taught us how to keep our sales and profits records so that we can track our sales, profits and know what items are getting finished in our shops. I believe it is a good thing and it would help us immensely". Additionally, loan clients are advised on the dangers of diverting loan funds into other businesses and ventures which were not part of the primary purpose for accessing the loans. There are several dangers in diverting loan funds which includes losing the entire principal. MFI's do business assessments before granting loans to their clients. According to the LO "Such clients must be in a viable business venture before they are given loan facilities", therefore if a client diverts funds into an unassessed business, the possibility of losing one's funds is high.

"We provide insurance policy for every loan client" the LO indicated. Insurance policies are one of the packages that MFI's provide to their loan clients. Although it is seen as a package, it can be viewed as a support to loan clients. In the event of a fire outbreak or robbery or any natural disaster, or the death of the loan client, the MFI's falls on the insurance companies to defray the loan given to the client. Loan clients pay for this insurance and share the benefits with the MFI's. When insurance policies are not attached to loans, loan clients are forced to pay loans that they take even when befallen with natural disasters or robbery. In the words of the LO, OI enrolls it clients unto MicroEnsure. When questioned on the role of MicroEnsure, the LO added that "...MicroEnsure was setup by OI to help entrepreneurs keep their lives and business moving forward in the face of unexpected hardship" (LO).

When it comes to repayment of loans, clients do expect that MFI's would extend their repayment schedules or dates. Extension of repayment schedules also comes with repercussions on the loan client. In the case of KL who is currently in her fourth cycle, she believes that with her track record with OI, she should be given a relaxed payment schedule or given grace periods when she finds it difficult to make scheduled payments (KL: "...I think OI should give some of us old group members some time to repay our scheduled weekly amounts when we are in financial crisis". Notwithstanding the foregoing, "terms of repayment are an obstruction to the repayment

of loan. Weekly repayment is not in our favor. Any sales made are used for loan payment instead of re-investing into our businesses. We expect and pray that OI changes the weekly repayment system to monthly payment” (KL).

The Expectation and role of group members

Loan applicants are placed in groups by MFI’s for several reasons. Loan seekers are expected to learn from their fellow group members and to form a bond. Additionally, group members are expected to encourage themselves to pay promptly their loans to help facilitate the progress of the group. MFI’s have a system of increasing loans they give to group members after every successful cycle. Once a cycle is completed and all members pay promptly, it serves as the basis for MFI to trust the members and continue to deal with them. For OI, the formation of groups is done by loan applicants. Applicants form their groups and approach OI to recognize them, train and grant them loans. The group appoints its own leader who liaises with OI LO and makes sure repayments are done promptly.

This theme deals with the expectations from group members and the MFI. It also includes data on the role of group members. The members expect accessing credit facility without provision of physical collateral or assets. It is their belief that once they deposit cash collateral and the members co-guarantee each other, the MFI should be assured they would honor their weekly payments. The non-provision of physical collateral has ensured grouped members who hitherto were not able to access loans to qualify for such. According to BC, “...being in a group has saved her from providing guarantor and collateral”. She went on to add the negative effect guarantors do have on loan applicants. She added that “there are instances where guarantors will want to share the loan acquired with the client”.

On the part of the MFI, monitoring of group members for repayments are done by the leadership of the groups instead of the LO. When loans are given to individuals, it is the responsibility of the LO to monitor and prompt the client to make timely payments, but in the case of the group, the responsibility is given to the group members and its leadership. According to the LO, “loan repayment monitoring is done by the group leadership. This reduces the work load on the LO”.

One major role of group members is to monitor each other’s business and profess innovative ideas that can help in making their businesses a success. The aim of this monitoring is to ensure that all group members become financially sound to pay their loans when due and to avoid moral hazard. When a group member diverts his or her funds and unable to service the loans granted,

the other members in the group becomes liable. It is therefore the duty of the group members to monitor each other to ensure loans given are used for the purpose to which they were granted. According to AB "...as group members, we try to reach out to each other on phone and also physically visit each other to find out how their businesses are faring and also give some form of business advice and encouragement in time of difficulties".

Another role of group members is to provide financial support to each other. It is the role of group members to support each other for them to meet the repayment timelines. In the event that a member or two are unable to meet their financial obligations, the other group members would have to find the means to support them to fulfil the group's financial obligation. This support comes in the form of short term loans to their colleagues whom have the obligation to pay back when they become financially able. In the words of MN, members rely on each other for support whenever there are low sales and they are unable to meet their weekly loan repayment schedule. HI also added that they even provide petty loans to needy group members who are unable to meet the weekly targets. These petty and short term loans are used mostly to service the loans with OI. HI continued that the petty loans they provide to their colleagues are interest free and could be paid with an exchange of goods or services that one deals with. In her own words "we sometimes give out monies to our friends within the group in exchange for goods we need at home. I have exchanged my money for chicken wings and corn dough before".

Wealth creation and responsibilities of Loan clients

Although loan clients service their loans on a weekly basis, they are also encouraged to save some of their profits as a form of wealth creation for future use. A loan client who has an appreciable savings can be given a larger amount of money compared to someone with less or no savings portfolio. As part of the loan repayment policy, clients of OI are made to undertake a compulsory savings before a loan can be extended to them. This is one form of wealth creation for loan client's courtesy OI.

One major responsibility of loan clients is the repayment of loans taken from the MFI's. Every loan client is expected to meet his or her obligation of paying back the monies lent to them. The MFI's rely on the repayments from the clients to extend loans to others. Most MFI's depend on customers' savings and loan repayments to keep their businesses running. If clients relent on their responsibilities, the MFI's would face financial troubles and can go into receivership. On the side of the clients, once a person or a group completes the payment of their loans on

schedule, they anticipate to receive a higher amount for the next cycle. According to Belinda and ST (part of group yet to be given loan), They were informed by the LO that when they finally receive their loans, they should ensure to complete paying back on schedule so that they can be given a higher amount in the next cycle. This was confirmed by BC, EF and HI. These clients are on their second cycle and were given a higher amount when they moved from first cycle to second cycle because they completed their loan repayment on schedule.

Another subtle responsibility of loan clients is the education of their children and wards. Some of the loan clients' husbands are either under employed or unemployed. This leaves the responsibilities of taking care of their children's needs such as education and feeding solely on the loan client. From the interviews conducted with AB, and DE, they all mentioned the responsibility to take up the payment of school fees of their children and feeding of their entire family. AB said "...before I accessed credit facility from OI, I struggled to pay my wards school fees since I do not get any assistance from my husband and single handedly takes care of my wards' needs all because of the support I received from OI through their loan scheme". She further stated "if I had not received this financial assistance from OI, my business would have collapsed by now". On the side of DE, she has been able to support her husband to provide educational needs for their two children who are currently in school.

In a typical Ghanaian home, the payment of utility bills and the provision of household needs is the responsibility of the husband or man in the house, but with most homes where husbands are either under employed or unemployed, the responsibility lies on the shoulders of the women. This happens when the woman is seen to have a reasonable income or has access to some funds such as a loan from an MFI. FG and NP confirmed to be in such a situation. They are seen as breadwinners for their family and also take care of the payment of utility bills and provision of household needs. The household needs mostly are food and ingredients. To quote FG, she stated "it has become my responsibility of paying for our water and electricity bills since my husband is currently unemployed. I use the profits I get from my shop to foot these bills". Also, NP stated that "I take care of the house hold needs such as toiletries, and other household needs. My husband takes care of the utility bills, school fees and hospital bills. I have decided to take care of these household needs to lessen the burden on my husband since I currently have some income".

Majority of loan clients believe profits generated from business activities helps in building assets. Assets here includes building of houses, building of a savings accounts with appreciable balance, mutual funds and company shares investments, buying of commercial and private vehicles. Some assets can also bring in income to the investor. An investment such as building of houses for rent and commercial vehicles provide quick and immediate income on a regular basis. According to PQ, she invested her profits in a money market short term investment which yields more than a regular savings account. This has enabled her to purchase a Kia Saloon Car which has been turned into a taxi for commercial use. On the part of MN, she has been able to build five simple apartments popularly known in Ghana as ‘chamber and hall’ for rental purposes. Both MN and PQ receive regular income from their assets. MN concluded by saying “I thank OI for the loans they have given me so far, it has enabled me to save and also build my chamber and hall which fetches me regular income aside my shop”. Also, IJ has been able to purchase a plot of land from her profits and savings. She added that “I am working hard to start building on the land. I know it is not easy to build, but with the support of OI, I would work hard to get more loans and work hard in my shop to turn over my capital”

Women entrepreneurs who receive financial support from MFIs tend to be empowered financially, socially and mentally. Women who receive loans and are able to manage them properly, tends to make profit. After several cycles of loans, their profits compounds and it becomes substantial. In the event of their household partners (husbands) unable to support financially at home, the empowered women are able to provide financial support in their households. Their empowerment comes from the fact that they do not need to rely always on their husbands to cater for their needs. According to GH, “...I no longer rely on my husband for financial support. I see myself as being financially independent and on a number of occasions support with the upkeep of my family. Having been independent of my husband gives me peace of mind because it saves me from demanding from him all the time”.

Repayment challenges

The last theme that was generated from the empirical data was repayment challenges clients of MFI face. Every client after securing a loan facility is given a repayment schedule to follow. For OI, the total repayment is done within four months from the inception of the loan, but the repayment starts after two weeks from the date of receipt of the loan. The repayment amount includes the principal and interest is paid in bits at their weekly meetings after the two week grace period. There are several challenges that clients face which hinders their ability to pay their

loans. These challenges can be grouped under external and internal forces. The external forces include inflation, and general economic crisis which results in rise in cost of fuel and rise in transportation cost. The internal forces include diversion of funds into non-profit yielding ventures, servicing multiple loans, financing of long term projects which does not yield immediate returns but has prospects for the future. The loan clients have control over the internal forces but are limited to what they can do with the external forces. All the external forces are out of the control of the loan clients and thus makes it difficult for the loan client to avert such situations. With the internal forces, the client has full control to prevent them from happening. The client therefore has no excuse or no one to blame if she/he falls into such a situation.

When there is high inflation, cost of commodities tends to change rapidly from time to time. Inflation could either be hyper or unexpected. With hyperinflation, the value of financial assets is easily wiped out and leads to lower economic growth and reduced investments. CD attributed the current inflation rate as a major reason for her inability to raise the needed funds to pay up her loans on a weekly basis. She explained further that the consistent increase in prices of goods from their suppliers tend to affect their retail prices. She added, for example, "...I buy a box of tomatoes for GHC430 (equivalent to USD 100 as at 20th April, 2018) and sell them for GHC500 (equivalent of USD 116 as at 20th April, 2018). The next time I go back to buy the same box of tomato, I am told the cost has moved from GHC 430 to GHC 510. Although I made a profit of GHC 70 (equivalent of USD 16 as at 20th April, 2018), I need to find GHC 10 before I can buy the same box of tomato. When such things happen, I am unable to service my loans promptly since I need to use my profit and part of my savings to buy a new box of tomato".

On the internal forces front, loan clients are prone to diverting their loans into other unprofitable ventures. Some clients also use their loans to pay the fees for their wards while others use their loans to finance their household needs. From the data, others also use the loans to pay for church fundraisings while a few of them tithe from the loans. Some clients also use their loans to settle hospital bills for their wards or close family members. One such person is a fourth cycle loan recipient KL. KL is currently in default as a result of using her loan to settle the hospital bills for her child and a close family member. She explained that "immediately I received the loan, my child and a close family member all fell seriously sick. I was the only one who had some money and could not turn a blind eye. If I had not paid for their medical bills, they would have died by now. I am satisfied I paid their bills but at the same time, I have lost my capital and unable to pay

up my loans. Also due to the pressure from my group members, I have gone to OI office for them to restructure my loan for me. I am yet to hear from them on this”.

Additionally, LM (who is also in the same group with KL) added that she took a loan facility from OI in her name for KL. She is unable to pay the loan because KL used the money meant for business to pay for the medical bills for her ward and a family member. She is unable to forcibly take the money from KL because they are related and she fears using force might destroy their relationship if she goes ahead. In the words of LM, “KL is my biological sister and she asked me to join the group so that she can use me to get more money from OI for her business. Unfortunately, when the loan was disbursed, her son got seriously ill and another family member of ours was also admitted. We all advised her to use the money to pay for the bills for the two since their sickness were life threatening. Now her business has collapsed and I am also not working. And if I may add, the other three members in the group are all part of our family. Two of them are sister’s in-law and the other is a cousin. We came together to form the group so that we could help each other in times of need. Due to this issue, our relationship is falling apart. We are one family so it is difficult to take drastic actions such as social sanctions against one another”.

From the empirical data, it was clear that some of the loan clients were servicing multiple loans which resulted in their inability to pay up their loans with OI on time. Most banks and MFI’s in Ghana use a credit referencing bureau called xdsdata to search the credit history of loan applicants before a loan is approved and disbursed. Xdsdata is software that enables banks or MFI’s who have signed on to the system voluntarily and have paid their signup fees to be able to search prospective loan applicants’ credit worthiness. According to the LO, OI has not signed up to xdsdata and therefore they are unable to check if a prospective client has taken a loan with another MFI and yet to complete the payment. JK, a first cycle client confessed to have taken a loan from another MFI including the one with OI. She is currently using the loan she received from OI to service the loan from the other MFI. She is in default at the first MFI and she receives countless calls and visitation from the LO at that MFI. When quizzed as to why she went for loans from two different MFI’s, she said “...I went for the loan from the first MFI to stock my shop, but the sales I make at my shop has reduced drastically and thus unable to pay back the loan. After discussing with a colleague, I was introduced to OI and they gave me a loan which I am using some to pay up my loan with the first MFI.” When further quizzed as to whether the

LO at OI is aware she is servicing a loan with another MFI, JK responded in the negative. “the LO is not aware I have gone for a loan from another MFI. I was advised by my friends not to tell him since he would not grant me a loan if he hears I am with another MFI” she added.

Apart from the main internal and external forces that contribute to repayment challenges, there is a third issue that contributes to clients having issues with repayment. This is the error in business assessment or appraisal by a LO or designated officer of an MFI. Due to the non-existence of a national database and proper addressing systems in Ghana, a loan office has a herculean task in knowing the office and home addresses of his/her clients. The practice is for the client to describe his office and home location either in writing or by drawing with appropriate landmarks. The LO then follows up to double check and confirms if the loan client actually works or resides at the address where he/she has provided. The issue arises when a client connives with residents of an address for them to confirm that he/she resides there when a LO visits to confirm the address.

Some LOs also do not follow up to confirm these addresses and only go there when there is a default only to meet an empty place. According to the LO, during pre-disbursement screening, he checks the viability of the business and confirms the address of the client. Additionally, he confirms the addresses of the clients business with other group members. “After screening and verifying the addresses, the unqualified ones are taken out in order to safeguard our loans” the LO added. In the event that assessment and address verification is not thoroughly done, in the event of a default in repayment, follow up by loan client becomes challenging.

Summary

This chapter dealt with the four themes that were derived from the interview data. The themes were derived as a result of data coding and clear patterns which were drawn from the coded data. The four themes derived were; microfinance institutional support and expectation, the expectation and role of group members, wealth creation and responsibilities of loan clients, and finally, repayment challenges. These themes were briefly analysed and supported with raw data from the interviews were appropriate. During the data collection and analysis of the themes, it was evident that there were family members who came together to form a group. This was against the ethics of group lending, as such resulting in default and delays in repayment. Since all the members were from one family, they could not effectively demand from each other repayments that were due OI. Additionally, the researcher noticed some of the loan clients

diverted their funds into other ventures unknown to OI resulting in default and delays in repayment. These are two unique feedbacks from the findings. The discussion chapter which comes next would be based on these themes and how they answer the research questions.

6. DISCUSSION

Introduction

This chapter discusses and analyses the findings that were derived after applying the methodology in chapter four. The findings as illustrated in themes in chapter five and are synthesized into research question specific. This discussion would be grouped into three main sections. The main aim of this research is to answer these specific research questions developed and therefore it is prudent to group the discussions under these questions.

Minimizing Economic poverty and women empowerment

After applying the methodology, the findings from this study has established a link between the provision of loans by MFI's and the minimization of economic poverty within the study area. According to the findings, some recipients of loans from OI were able to pay utility bills, pay school fees for their children in addition to taking care of their household needs, which hitherto, they were unable to pay. This finding is supported by the studies undertaken by Zeller and Meyer (2002) and Barr (2005a). In the case of Zeller and Meyer (2002), they concluded that savings and credit facilities help individuals or households to either build up or acquire funds for all kinds of investments while Barr (2005a) found out that microfinance is a financial tool which is used to alleviate poverty and improve living conditions of the marginalized in a community. This findings is also supported by a similar study carried out by Adjei, Arun, and Hossain (2009) on Sinapi Aba Trust in Ghana to ascertain the role of microfinance in business expansion, income generation and asset building. They concluded that beneficiaries could purchase durables, provide better education to their children and cater for the health care expenses of their households. They also found out that participation in the microfinance programme enabled clients to own savings deposits and to become members of welfare schemes that provided insurance for them to pay off debts in times of ill health or death. Although paying of utility bills and taking care of household were not the main reason why these loan clients went for the loans from OI, they managed to work with the loans given them and the profits that they made were used in paying these bills.

According to the findings, some beneficiaries were also able to build and acquire landed and movable assets after benefiting from loans from OI. Those who were able to achieve this feat were loan clients on their third and fourth cycles. It was evident from the loans given to them that after every cycle, the loan amounts were increased marginally (see table 3). It is necessary to add that it is not just the loans that enabled these clients to acquire landed and movable assets but with prudent management of their resources. It is appropriate to note that there were some loan clients in the same group that were in default and were struggling to pay their loans. These defaulting clients also had not acquired any asset. This findings is also supported by Zeller and Meyer (2002), which found out that savings and credit facilities assist individuals to acquire funds for all kinds of investments. In this situation, assets (landed or movable) are investments. From the research findings, the loan clients who invested their savings and profits into building assets did so to get short to long term returns on them. For commercial vehicles, there were daily or weekly commission the owner receives from the driver who operates it while for landed properties, a monthly or yearly rent is paid. This finding is again supported by Todd (1996) who states that women invest in land and other assets when they have access to credit facility.

Additionally, as part of this research question, the researcher was interested in knowing how MFI's contribute in empowering women. The data collected indicated some loan clients (mainly women) became empowered financially and this enabled them to support their households, communities, and other women. These findings go a long way to support the assertion that MFI's contribute significantly in minimizing poverty. This research's findings are supported by the prepositions from Afrane (2002) which ascertained the impact of microfinance interventions in Africa. Results of his studies show that microfinance interventions lead to a significant increase in business income, access to life-enhancing facilities as well as women empowerment. But since not all women or loan clients became financially empowered, it cannot be concluded that MFI's contribute in empowering women. This view is supported by (Banerjee et al. 2015) who used randomized control trial (RCT) approach in evaluating a group-lending microcredit program by a lender to 52 randomly selected neighborhood.

They found out that small business investments and profits in pre-existing businesses improved as well as consumption of durable goods went up. However, the program had no effect on measures of female empowerment and education. The appropriate conclusion for this subject matter can be said that, MFI's contribute partially in empowering women. From the prepositions

of previous studies reviewed, Goetz and Gupta (1996); Rahman (2001b); Hunt and Kasynathan (2001) are of the view that there are negative consequence of microcredit on women's empowerment. They opined that in as much as microcredit fails to empower women, it also disempowers them. Judging from the above, it is evident that MFI's do not necessarily empower women through the provision of credits. To further clarify the above, Goetz and Gupta (1996) further argued that the higher the loan amount is, the more difficult for women to have control over loans. In addition, studies by Rahman (2001b); Hunt and Kasynathan (2001) argue that access to borrowed funds rises women's workload which is time consuming thus attending group meetings and poses a burden on microenterprise.

Findings from this research show that microfinance is a tool for poverty reduction, wealth creation as well as women empowerment when loan funds are invested in profit generating businesses. Savings and investing profit gained are essential elements in creating wealth. On the other hand, diverting loan funds can lead to collapse of businesses hence default in repayment which results in disempowering women.

Pre and Post disbursement business education

There were not much findings which point out to the fact that loan clients received financial literacy training, basic accounting or bookkeeping training, business ethics and customer relations and the importance of savings from their loan officer. The education provided was primarily to new loan clients and groups before their loan requests were granted. These findings form part of the microfinance institutional support and expectation theme which was generated from the interview data. The importance of education or business advice cannot be underrated when dealing with MFI's and their loan clients (Armendáriz de Aghion and Morduch 2000). From the empirical evidence, loan clients were appreciative of the gesture that was extended to them by OI. It was indicated by the loan clients that apart from them using the lessons learnt to ensure they pay back their loans, they also have found use for the lessons in their daily lives. This findings by the researcher is confirmed by the findings of Temu and Kessy (2010) to be very important element in the loan administration process. On the contrary, Karlan and Valdivia (2011) sees no impact to group lending programs but agrees that it increases client retention rates for MFI's.

From the data received, it was not clear the advice or education that loan clients received after loans were disbursed to them. None of the loan clients interviewed made it known to the

researcher of an advice or education by officials of OI or the loan officer post receiving their loans. All the education received was at the preparation stage towards the disbursement of their loans. This finding is supported by Addae-Korankye (2014) who conducted a study to ascertain causes and control of loan delinquency/default in Ghana using random sampling technique to select twenty-five microfinance institutions. He suggested that to control default, pre and post disbursement training as one of the measures which MFIs should implement.

However, the LO expressed the inability to do post disbursement follow ups on clients and provide some form of business advice is due to the large number of prospective clients he needs nurture and handle as well as the cost involved in providing training programs. This researcher believes as a form of continues support and management of loans, officials of MFI's or loan officers are to provide education on the utilization of loans after clients have received their disbursements. This would ensure that those who have forgotten about the topics treated when they were at the preparation stage would have the opportunity to recap on the lessons. Additionally, it would serve as a form of refresher lesson for loan clients.

From the available data and reviews done, it could be implied that OI did not provide post disbursement training because they (OI) were not aware of the impact post disbursement training could have on the lifecycle of load administration. The task of mentorship and support has been left in the care of the LO and he in turn does not include post disbursement training as part of his mentorship for loan clients. It is expected that OI would make the post disbursement training part of the loan lifecycle an official and mandatory stage in the process. OI needs to train it LO's to see the need to perform this task and also empower them theoretically on the nitty-gritties of post disbursement training or advice. OI should track the training being offered and whenever they feel the need to bring in experienced accounts officers to train loan clients on bookkeeping and other accounting related training, they should not hesitate to do so.

Causes of indebtedness and mitigating risk

For the third research question, the findings that supported in answering this question were received from the theme "repayment challenges". The causes of indebtedness as revealed from data and indicated in the findings chapter, were mainly grouped under external and internal forces. External forces are inflation, and general economic crisis which results in rise in cost of fuel and rise in transportation cost. These external forces are out of the reach and control of the loan client. Although external forces are widespread, data available from this research indicates

that this is a secondary cause of indebtedness and repayment challenges. The primary cause is the internal force. Internal forces are under the control of loan clients. The internal forces include diversion of funds into non-profit yielding ventures, servicing multiple loans, financing of long term projects which does not yield immediate returns but has prospects for the future. In a similar study, Goetz and Gupta (1996) concluded that the higher the loan amount is, the more difficult for women to control over loans. This discovery by Goetz and Gupta (1996) confirms this researcher's findings about loan clients.

Another cause of default from the findings is the lack of internal monitoring of groups members by their peers. From the findings, the fourth cycle groups were formed by persons from the same family. This was the same group which had defaulted in their repayment schedules. It therefore shown that monitoring of group members by peers or close relatives or persons with social ties are major causes of default in loan repayment. It was also evident from the findings that some group members use cunning ways to take part of the loans given to their colleagues. This happens because these groups are made up of family members and they at times use the excuse of using the monies to cater for urgent needs such as health and education of their wards. In most cases, these monies taken from colleagues are not paid back and they are unable to exert pressure on group members due to fear of destroying family relationship. This forms part of the repayment challenges group loan clients face. This findings is contrary to that of Hermes, Lensink, and Mehrteab (2005), who examined the impact of monitoring and social ties within group lending programs on moral hazard behavior using participants of 102 groups in Eritrea. They found out that peer monitoring by social ties of group leaders do help to reduce moral hazard behavior of group members. The finding from Hermes, Lensink, and Mehrteab (2005) is directly opposite the findings of this research. The findings of this research indicate that groups with social and family ties tend to relax in monitoring each other which intends leads to default.

Lack of post disbursement training which has been identified in the finding could also could lead to default during loan repayment. This finding is confirmed by Addae-Korankye (2014) who conducted a study to ascertain causes and control of loan delinquency/default in Ghana using random sampling technique to select twenty-five microfinance institutions. He suggested that to control default, pre and post disbursement training, reasonable interest rate, monitoring of clients and proper loan appraisal are measures which MFIs need to implement.

Although instances of default were recorded during the study, OI had instituted some measures in place to reduce default by loan customers. These measures may not be exhaustive enough to curtail loan clients from defaulting. OI has learnt from previous default cases and therefore implemented some measures which can be used to defray loan default. Firstly, every loan client within the group setup is requested to deposit cash as collateral. The cash collateral is 16% of the loan amount being requested. Secondly, after the loan is given, clients are made to do a compulsory weekly savings with OI. This savings is 1% of the total loan amount given to the client (see tables 1 to 4). In the event of a default, the loan client first falls on the group members to pay up for their colleague since they hold joint liability. When the group is unable to complete the payment or in the worst case, unable to pay for the defaulter, the compulsory savings and the cash collateral of the loan client are used to defray the default amount. It is expected that by the time of default, a loan client might have paid some repayments before going into default. The measures as indicated above help OI not to overburden their books with default.

The principle that is being practiced by OI conforms with the literature reviewed on group lending and joint liability (Stiglitz (1990). From the reviewed literature, group lending and joint liability as a methodology is inspired by the Grameen's model (Ledgerwood, 1996). The literature goes on to state that most MFI's require a percentage of the loan that is supposed to be saved in advance and which serves as a collateral. Group members are jointly accountable for the repayment of each other's loans and usually meet weekly to collect repayments. Additionally, the creditworthiness of the borrower is therefore determined by the members rather than by the MFI (Murray and Boros 2002b, p11).

But it is of the view of the researcher that more stringent measures would be put in place to detect and stop default of payments before it even happens. The views of the researcher would be made known in the recommendation section of this research.

Opportunities for Further Research and Recommendation

With the findings emanating from this research, it is the wish of the researcher that the methodology used in this research is replicated in other organizations within the same geographical area as well as other geographical areas with higher sample size. Secondly, further research would be welcomed with a different methodology in the same setting and organization. The researcher would welcome any opportunity to replicate the methodology used in this study in an environment where the limitations identified in this research can be surmounted.

The results from a different methodology would help to shape the body of knowledge in this field. Also the organization and respondents can also be used to investigate into other areas of microfinance such as the perceptions loan clients have about MFI's or what factors loan clients use in choosing a particular MFI over the other. The researcher would welcome the opportunity to research into these two topics.

In the course of this research, the researcher has had the opportunity to view and review several materials on this topic. This has afforded the researcher broad perspectives on the solutions that can be implemented by MFI's in one way or the other to strengthen their risks grow their businesses and ensure they are kept in business. All these solutions and suggestions were not captured in the main discussions and conclusions of this research because they fall outside the remits of this research. As a focused research with defined research objectives and questions, it was not prudent to include policies that do not align with the research objective but rather to include them as actionable policy recommendations for policy makers and industry players. This research is recommending:

1. The Bank of Ghana with the support of all banking institutions and the Ghana Microfinance Institutions Network (GHAMFIN) and the Association of Microfinance in Ghana are entreated to make it a mandatory requirement for all institutions in the banking or microfiance industry to subscribe to the Credit Bureau in Ghana known as XDS. In the current state, not all institutions have subscribed to it and therefore make it easy for loan defaulters to seek for new loans from other institutions. Once all institutions are signed unto it, it would be mandatory for them to check the credit worthiness of a client before engaging that client.
2. The bank of Ghana and all players in the industry including MFI's are entreated to gradually reduce interest rates on loans given to the poor in the society. Currently, interest rates are averaging 30%. The high interest rates in the industry makes it very difficult for loan clients to make profits which goes on to contribute to the default in payment by loan clients.
3. The Government of Ghana is entreated to quicken the pace of issuing the National Identity Card (ID) cards to all residents. A good ID card system with a good addressing system would eliminate fraud and identity theft to an extent. The system put in place by most MFI's in Ghana is to rely on the word of loan clients to assit with their home

addressess. MFI loan officers normally follow their new clients to their homes and offices or shops to check and confirm their addressess. In some cases, fraudulent clients normally conive with people to confirm addressess of homes which hitherto were not their original homes. It therefore appropriate for the government to support in establishing a proper addressing system for all ghanaians where one's house can be identified and mapped to this ID number.

4. MFI's are entreated to make it mandatory for loan clients to be provided with post disbursement training or advice as part of the loan lifecycle. MFI's should train their loan officers to have the soft skills needed to undertake post disbursement training. This training should include but not limited to bookkeeping, marketing, packaging, customer relations and business ethics. In the event that MFI's observe that their loan officers are not experienced enough to undertake these trainings, they should employ experienced professionals to entertake these training and also mentor their loan officers.

Linkage to theory and Summary

The empirical data and the discussions that have ensued establish a link with the Grameen model, human development and women empowerment theories. The Grameen model is a type of group lending model which is mainly designed to lend small amounts of loan to a large number of clients who cannot provide collateral to access a credit facility. The case study for this research is OI group lending scheme in the Bortiano area of the Ga South Municipal of the Greater Accra region of Ghana. The type of case study and the theory of group lending are synonymous. Additionally, the first research question also seeks to find out the support for women empowerment as a result of the loans given by MFI's. The concept and theory of women empowerment are fully utilized in addressing this research question. The empirical evidence from this research shows clearly the extent to which human development can be achieved once loans are provided to the needy. There is evidence to show in relation to support that clients were able to extend to their families, the education of their children and the physical wellbeing they enjoy after receiving loans. The results from this research support the theories and concept of human development, women empowerment, and the Grameen model.

The researcher has been able to establish that asset building does not happen only by the provision of loans to clients but with prudent management by loan clients of the resources that are given to them. The researcher has been able to establish that to improve on loan default,

MFI's are to educate their clients before, during and after they receive loans from them. Continues mentoring and education on best practices, bookkeeping and basic accounting are essential in guarding against default.

This research has established that the causes of indebtedness are both internal and external. To successfully reduce the internal causes, MFI's are encouraged to establish internal mechanisms that allow them to recoup their monies when a client defaults. Loan clients are also entreated to use the loans for the purposes for which they contracted the monies for.

These three findings as comprehensive as they are, are supposed to become part of the body of knowledge of microfinancing and specifically on group loans. It is also to serve as the basis for further research to confirm or disapprove them with similar methodology

7. CONCLUSION

The three research questions produced valuable answers which were backed by the empirical evidence and theories. The findings from the first research question established a link between the provision of loans by MFI's and the minimization of economic poverty within the study area. Additionally, it could be concluded that MFI's contribute partially in empowering women. Judging from the above, it is evident that MFI's do not necessarily empower women through the provision of credits. From the second research question it was evident that loan clients only received basic accounting or book keeping training before loans were disbursed to them by the MFI. There was no evidence to show that after loans were disbursed, loan clients were given any continues training on book keeping and credit management. The last research question established that there were two broad factors that contribute to default. These are internal and external forces. It was established that MFI's have control over the internal forces. These forces include: diversion of funds into non-profit yielding ventures, servicing multiple loans, financing of long term projects which does not yield immediate returns but has prospects for the future. The external forces which were discussed also include but not limited to inflation, fluctuating interest and exchange rates amongst others. All these findings were supported by reviewed literature and propositions from previous studies.

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APPENDICES

Appendix A

Informed Consent

Request for participation in Research Project

Dear Participant,

My name is Lawrenda Hanson Hagan, a Ghanaian studying in Oslo, Norway. I am a graduate student reading a programme in International Social Welfare and Health Policy at the Faculty of Social Sciences at Oslo and Akershus University of Applied Sciences (www.hioa.no)

As a requirement for fulfillment of my Master's Degree, I am conducting a research titled "impact of microfinance institutions on poverty reduction among entrepreneurs in Ghana" the main objective of this study is to investigate if commercialized Micro finance Institutions are contributing to poverty alleviation among Ghanaians especially small scale entrepreneurs such as petty traders . In order to examine this, the research is focused on two main areas;

This research is to find out if access to loan facility has any influence on both beneficiaries and households. Access to microcredit therefore helps the individual to venture into entrepreneurship and other opportunities which lead to socio-economic development which reflects in reduced economic poverty such as the wellbeing of borrowers, change in income level, profit etc.

Also, since women form majority of loan clients in most MFIs and are mostly entrepreneurs, this study would therefore examine if access to microcredit leads to empowering women thereby making them independent in discharging their duties and responsibilities. Being empowered financially is very important as it makes them economically active, independent and confident. It often brings about investment in education, housing, and nutrition for children since women are responsible for the care and well-being of children as well as in charge of daily activities that go on in the household.

Another important area of this research is to find out if potential and prospective loan clients are given any form of education/business advice before and after disbursement of loan. And also investigate cause of indebtedness on the part of clients and what measures do MFIs have in place

to curtail this risk of default. Both microcredit institutions and loan clients are faced with lot of risks during repayment of credit facility. Financial institutions which take deposits from customers and give it to clients as loan become bankrupt when clients default and bolt with their money.

As Microfinance is seen as a tool for poverty reduction which results in socio-economic development in most developing countries, information and findings derived this study would help policy makers and microfinance institutions design policies, regulations, programs and strategies tailored to the benefit of loan clients in reducing poverty among the poor in society. Also if there is the need for government to implement policies regarding microfinance institutions in Ghana.

In order to conduct this research, individual interview would be conducted after you voluntarily consent to participate and provide information during the interview. The interview would last for about an hour at a place which is suitable and convenient for the interviewee. Your participation is voluntary. Your refusal to participate will involve no penalty and during the interviews, you may decide to withdraw from the study at any time and discontinue participation.

During the interview, the researcher will record information provided using audio tape recorder and also make some notes. A report will then be written after the interview for the purpose of the study. As per the ethics of scientific research, your identity and information provided will be kept confidential and not published. Data gathered will only be available to the investigator and anonymous names used during report writing.

Final report might be published on the World Wide Web (Internet) and results might also be used in future studies.

If you have read the information provided above and satisfied with the content, voluntarily sign this form as evidence for your consent.

I have read the information provided above. I have been given a chance to ask questions. My questions have been answered to my satisfaction, and I agree to participate in this study. I have been given a copy of this form.

If you have any questions or concerns about the research, please feel free to contact me on (lawrendahansonhagan@gmail.com) or (mobile contact +47 48634629, Norway or 0268866216, Ghana). You can also reach my thesis supervisor Anne Welle-Strand at (anne.welle-strand@bi.no) for further explanation on this study

Thank you.

Name of Researcher

Participant

Lawrenda H. Hagan

Signature

Signature.....

Appendix B

Interview guide for loan clients

Name of Borrower.....

Gender

Age.....

Marital status.....

Rural/urban setting.....

Geographical location.....

Name of community.....

Occupation.....

Educational level.....

Years in business.....

No. of Children.....

No. of Dependents.....

1. How was your financial status before borrowing from the financial institution?
2. Support from spouse/children/ relative.... Yes No
3. Do you have any other source of income? Yes No
4. How much was your startup capital?
5. Number of times you have borrowed from this institution
6. What is the purpose of the money you borrowed?
7. How is your repayment schedule
8. How did you use the borrowed funds?
9. How much is your current capital?
10. What are the positive and negative thought about being in a group/ association
11. Tell me about how access to loan influenced or not influenced your business activity
12. Generally, how has access to credit facility contributed to your welfare or wellbeing?
13. Comparatively, how would you describe your financial status before and after having borrowed from this institution?
14. Do you have multiple loans running?
15. Yes, how are you able to make repayment on scheduled time?
16. Have you ever defaulted?
 If Yes, what caused it?

 If No, how are able to repay multiple loans on time?
17. Apart from loan repayment do you make savings?
18. What are the challenges faced in running your business?
19. Which training or business advice is given to you before and during repayment? What are the impacts
20. As a woman/man, do you think access to loan has made you to become financially independent?

Interview guide for non-beneficiaries of loan

Name of Borrower.....

Gender

Age.....

Marital status.....

Rural/urban setting.....

Geographical location.....

Name of community.....

Occupation.....

Educational level.....

Years in business.....

No. of Children.....

No. of Dependents.....

1. Based on the current economic condition, how will you describe your financial status?
2. Support from spouse/children/ relative.... Yes No
3. Do you have any other source of income?
4. Why did you join this association?
5. What are the positive and negative thoughts about being in a group/ association
6. Why do you want to access this credit facility?
7. How would access to this credit facility have impact on your wellbeing?
8. What are the challenges faced in running your business?
9. As a woman/man, do you think access to loan will make you financially independent?

Interview guide for MFIs officials

1. Kindly give me a brief history about your institution.
2. How do you determine if members of a group qualify for loan?
3. Does your institution have arrangement for skills training or business education programmes for loan clients?
4. If no, why don't you have such programmes
5. If yes, enumerate such programmes
6. From your personal point of view, do you think these programmes have any influence on clients business? How?
7. Why do you think loan clients default?
8. How does your institution handle clients who are in default?