

An Investigation into the Impact of Microfinance in Poverty Reduction in Less Developed Countries (LDCs): A Case of Ghana

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Abstract

The paper attempts to provide a critical appraisal of the debate on the effectiveness of microfinance as a universal poverty reduction tool. It argues that while microfinance has developed some innovative management and business strategies, its impact on poverty reduction remains in doubt. The instrument for data collection is structured questionnaire. The study was carried out in Ashanti Region of Ghana. Using a sample size of 380 clients from various microfinance institutions (MFIs) within the research area and a survey with descriptive analysis, the result reveals among others that the clients enjoy opportunities for savings which enable them to increase their income levels by way of using their savings to acquire basic necessities of tools, equipment and materials and are able to create employment and improve their standard of living. Thus, microfinance, however, certainly plays an important role in providing safety-net and consumption smoothening. The study therefore recommends among others an urgent refocus on the promotion of micro-savings, a robust financial sector regulation and improved financial support to the MFIs by government and other stakeholders to help in the world's effort in respect of poverty eradication agenda.

Keywords: Microfinance; Poverty; Ghana; Consumption smoothening; Africa; Micro-savings.

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1. Introduction

Among the basic fundamental challenges bedeviling less developed continents of which Africa is the most prevalent is endemic poverty. Poverty cuts across all facets of the lives of African citizenry and their society making the continent lag behind in not just only infrastructural development but human capital growth and development index. Imagine living on less than US \$2 a day, it would take two days of savings to buy a bar of soap, a week of savings to buy a hot meal, and over six months of savings to pay for rent on an apartment. It is hard to relate this example to developed countries, where few live in such extreme poverty but this is the reality for about 1.4 billion people on the globe mostly living in least developed countries. When this data began to be collected in 1981, extreme poverty was pervasive in the developing world [1]. The author in [2] further indicated that, twenty-four years later it was revealed extreme poverty has been reduced in every region of the globe. Most striking is the reduction in South and East Asia, which had the largest reduction in extreme poverty. This reduction has been the result of many factors and developmental policies implemented over the years. In 1983, a 43-year-old man from South Asia pioneered one of the most unique developmental policies. This policy was called microfinance, and this pioneer was Muhammad Yunus. Various institutions such as The United Nations Development Programme (UNDP), The World Bank, the International Monetary Fund (IMF), The African Development Bank Group (AfDB), The African Union (AU) including the various governments in the respective countries have adopted various strategies in the strife to quench this element of endemic poverty that has led to the establishment of MFIs as a support system with this agenda.

Millions of rural poor do not have access to the basic savings and credit services that most people take for granted. This makes it much harder for the poor to rise out of poverty. Traditional ways of savings, such as putting money into livestock's or jewellery, can leave the poor in a weak position when they need funds. Liquid cash is far more convenient. The poor need access to micro-saving facilities in order that they can deposit money when they have it – after selling their harvested crops or trading in any wares, for example – and withdraw it in times of need. Such basic facilities could help to smooth out consumption over the year and make the poor less vulnerable. A deposit account can help the poor to obtain insurance, giving a sense of security, and it can help them to take out a loan when the need arises. Credit facilities are generally not extended to the poor, even for highly productive activities, because they have few or no assets to offer as collateral. Unless the poor have avenue for savings and can borrow, they are likely to remain trapped in poverty. The people who have been able to borrow have often seen their incomes rise and their future transformed. Overwhelmingly, they have repaid their loans. These include community-run rural banks, savings and credit cooperatives, and grass-roots organizations of indigenous origin and yet the very poorest households often have not been reached by such initiatives. Their need to borrow small amounts of money is not always recognized and they may find it hard to conform to some of the requirements involved (for example, attending meetings). The fight against poverty would be given an enormous boost if microfinance facilities were to be extended to the poorest peoples. The type of MFIs required varies from country to country. These institutions are likely to be informal – in parts of Africa and Asia, such informal institutions have been successful in mobilizing savings and organizing credit and insurance. The increased availability of microfinance facilities is no 'magic bullet' for poverty reduction. Many other changes are also needed, but microfinance can make an important contribution.

The author in [3] postulated that Professor Mohammad Yunus, the founder of Grameen Bank in Bangladesh and the originator of the concept of microfinance, believes that 5% of Grameen Bank's clients exit poverty each year. However, there are surprisingly few credible estimates of the extent to which microcredit actually reduces poverty. Even the recent more rigorous research findings are not free of methodological limitations or controversies. Thus, the continuing intense debate about the impact of microfinance on poverty reduction is not surprising. Despite the euphoria of the Nobel Peace Prize going to Professor Mohammad Yunus there are still many sceptics.

This research's main objective was therefore to ascertain if the presence of MFIs established across the globe serve as a tool for poverty reduction with particular reference to Ghana and for that matter within Ashanti Region. Thus, the paper will analyze microfinance in terms of how well it achieved its own goals: reach the poorest populations, ensure a positive measurable impact on the lives of clients and their families, and to reach and empower women who are considered the most vulnerable.

2. Literature Review

The literature review is arranged to address the research objectives in a systematic manner without implying any order of importance. The review starts with exploration of the meaning of the key concepts of micro finance and poverty. Following this, the importance of micro finance that deliberately targets the poor is dealt with including various aspects meant to identify the intended recipients of micro finance for poverty alleviation as well as who micro finance is currently reaching. The literature review continues with examination of the impact of micro finance on poverty globally and Ghana specifically. These two aspects are meant to find out the efficacy of micro finance in dealing with poverty. Finally, problems encountered in assessing the impact of micro finance is discussed.

2.1. Micro finance

Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients [4]. It includes loans, savings, insurance, transfer services and other financial products and services. The author in [5], further elaborated that microfinance is thus one of the critical dimensions of the broad range of financial tools for the poor, and its increasing role in development has emanated from a number of key factors that include:

- The fact that the **poor need access** to productive resources, with financial services being a key resource, if they are to be able to improve their conditions of life;
- The realization that **the poor have the capacity to use loans** effectively for income-generation, to save and re-pay loans;
- The observation that the formal financial sector has provided very little or no services to low-income people, creating a high demand for credit and savings services amongst the poor;
- The view that microfinance is **viable** and can become sustainable and achieve full cost recovery;
- The recognition that microfinance can have significant impact on cross cutting issues such as **women's**

empowerment, reducing the spread of HIV/AIDS and environmental degradation as well as **improving social indicators** such as education, housing and health.

The idea of providing financial assistance to the poor is not new. It dates as far back as 1950 where third world development strategies emphasized the need to provide working capital to the poor [6]. The term micro finance has therefore come to be associated with providing financial services to the poor to achieve poverty reduction [7]. It means the provision of a range of financial services to the poor in an effort to reduce their poverty [8]. Such financial services may include loans, savings, payment services, money transfers, insurance of their micro enterprises and households [9,8]. The licensing of Microfinance Institutions in Ghana is the responsibility of the Central Bank of Ghana or the Bank of Ghana. The microfinance institutions in Ghana include Savings and Loans Companies, rural and community banks, Informal suppliers such as Susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals

2.2. Poverty and Micro financing

The word “poverty” has been variously defined in economic literature, however, [10] as referenced from (Edozien 1975, Olayide and Esang, 1975) indicated that a poor person is considered not to have adequate resources to support a minimum standard of decent living. The poor could be found in urban centres – urban poor and in rural communities – rural poor. In both communities, the poor may not be idle or lazy as the case may be, it is considered they do not have appropriate opportunities to enable them spring up above the poverty line. Most of the poor engage in one form of economic activity or a combination of economic activities. For example, the main activity of a rural community is farming. There are other economic activities such as shoe mending, bicycle maintenance and repairs, baking, building construction, carpentry, canoe construction, fishing, educational activities, welding etc. These trades, as they practice, are either not properly coordinated or practiced in a consistent manner in order to derive adequate financial benefits. The depth of involvement in these economic activities could be considered as shallow because of inadequate time, basic infrastructural facilities, the absence of entrepreneurial skills, outmoded production techniques, funding problems, etc.

According to the author in [2], poverty reduction was institutionalized in 1944, with the establishment of the World Bank at the birth of the Bretton Woods system. With the IMF and General Agreement on Tariffs and Trade (GATT) assigned the tasks of stabilizing the world’s economy and promoting free trade in the post-World War II (WW II), the problem of poverty was delegated to the World Bank. The industrial nations felt some responsibility for the world’s poor; after all, since Africa and parts of Asia, including India, had been colonies in European empires and they would need some help once they gained their independence. The strategy, with the United States of America (USA) as leader, was to bring free trade to the developing world with the hope of integrating them into the world’s formal economy. Since the World Bank’s earliest day’s attempts to reduce poverty have centered on large global organizations, working through state governments and other formal institutions, credit was distributed to developing countries as long as they adhered to policies prescribed by the World Bank. The focus of poverty reduction from the 1950s-1980s was to integrate poor populations into the economy through better macroeconomic performance. Economists had identified the poor as part of a huge

“informal” sector that remained “essentially invisible, in government plans and budgets, in economists’ models, in bankers’ portfolios, and in national policies” [11].

As onlookers observed, the attempt to reduce poverty seemed hopeless. These programs were called structural-adjustment programs, and they were highly unsuccessful. States’ loan repayment dropped below 50%, costs of subsidies ballooned, and much of the funds were diverted to the politically powerful. As reports of corruption surfaced and decades of aid proved fruitless, many came to believe that government assistance created dependency and that aid was doing little to help communities [12,13]. If such grand global organizations and state governments could not “solve” the poverty problem, then what was to be done? Microfinance emerged at the beginning of a shift in development thinking. This shift mirrored change in economic thought at the time. The ideological pendulum had shifted to the right providing an opening for microfinance. With microfinance at the helm, focus moved toward the fostering and support of the “informal” sector, in hopes that a helping hand would allow people to essentially pull themselves above the poverty line.

Many existing studies empirically analyze the close relationship between microfinance and poverty. Most of these studies conclude that MFIs potentials in reducing poverty [14,15,16,17], is high on the public agenda nowadays, especially after the UN year of Microcredit in 2005 and the awarding of the Nobel Peace Prize to Mohammad Yunus and the Grameen Bank in 2006. The provision of “micro” financial services to the poor (those earning less than \$2/day), in particular small loans of \$50–\$1000, has been hailed by advocates as an effective poverty alleviation and development tool [18,11,19]. Based on this close relationship between microfinance and poverty, several studies have postulated a positive correlation between microfinance and consumption expenditure, especially if loans are taken by women [20,21]. Indeed, microfinance financial services provide a range of financial products and substantial flow of finance, often to very low-income groups or households, who would normally be excluded by conventional financial institutions [22]. Microfinance has brought positive impact to the life of clients, boost the ability of poor individuals to improve their conditions and others have indicated that poor people have taken advantage of increased earnings to improve their consumption level, health and build assets. Today, increasingly microfinance is becoming an important investment opportunity, mainly in developing regions such as Latin America and African, and all major international institution like the European Union, the United Nations, the World Bank, the Asian Bank, and the American Development Bank dedicate funding and research to microfinance [23]. The relationship between microfinance and poverty is still in question and this paper provides some new empirical evidence on the poverty-reducing effects of microfinance institutions. Some indicate much more mixed impacts, such as benefits for the poor but not for the poorest [24,25,26,27,28]; or helping the poor to better manage the money they have [29] but not directly or sufficiently increasing income, empowering women, etc. [30,31,32] or that money spent on microfinances could be better used more effectively for other interventions [33] or that a single intervention (such as microfinance) is much less effective as an anti-poverty resource than simultaneous efforts that combine health, education, etc. [34]. Most of the evidence of the impact of microfinance interventions around the world remains highly controversial and limited on micro-economic foundations (individual household or business data). Others allude to negative impacts (i.e., that microfinance does harm), such as the exploitation of women, increased or at best unchanged poverty levels, increased income inequality, increased workloads and child labour, the creation of dependencies and barriers to sustainable local economic and social development

[35,36,37,38].

In order to pursue the objective of the study, certain research questions were formulated. The research questions formulated were:

1. Do microfinance institutions assist in promoting financial success of their customers?
2. Do microfinance institutions help in encouraging savings in Ashanti Region of Ghana?
3. Do microfinance institutions help in the alleviation of poverty in Ashanti Region of Ghana?

Following from this, hypotheses were thereby formulated and stated in the null form as:

- a. H0: There is no significant relationship between the level of someone's income and access to financial services in Ashanti Region of Ghana.
- b. H1: There is a significant relationship between the level of someone's income and access to financial services in Ashanti Region of Ghana.

3. Methodology

The study was carried out in Ashanti Region of Ghana. The choice of Ashanti region was as a result of proximity, cost and familiarity. It is also delineated into 30 district assemblies [39] with a population size of 4,780,380 persons [40] with many of them plying trade or engaging in farming notably subsistence. Both secondary and primary data were used in generating information on the effectiveness of microfinance banks in alleviating poverty as expressed by their customers in the Ashanti region of Ghana. A questionnaire was designed titled "**An Investigation into the Impact of Microfinance in Poverty Reduction in Less Developed Countries, the Case of Ghana**". The researchers of the study adopted descriptive survey and thus, as reported by the authors in [41] from Adewumi in 1981; the survey method was chosen because of its inherent advantages over other research methods.

A stratified interspersed with random sampling methods were used in the selection of the respondents that expressed their views on the effectiveness of MFIs in alleviating poverty in Ghana. In order to have unbiased selection of samples, the study area was divided into 12 sample units based on the various district areas that have similar landscape and trade area characteristics of the Ashanti region of Ghana. The population of the study comprises 24 microfinance institutions (MFIs) in the 12 sample units of the study area, which consists of 2 from each district assembly. Four Hundred and Fifty questionnaires (450) were randomly distributed to customers of these selected MFIs in the 12 district samples units. Distribution of the questionnaires were done based on the concentration the MFIs across the region. Respondents were asked to respond to the questions contained in the questionnaire by indicating level of relevance of the implicated variables. Three Hundred and Eighty (380) questionnaires indicating 84% were properly filled and used for analysis. Data generated from the survey were analysed using descriptive and inferential statistics such as percentage, mean, standard deviation, t-test statistics and Analysis of Variance (ANOVA) at 0.05 alpha level.

In terms of data analysis, an average monthly income of the respondents was used by the author in [42] to proxy

poverty. Respondents with income level below \$2 per day will proxy the poor because the author in [43] argued that extreme poor are those with daily income level of less than one US dollar and this is in line with the United Nations Millennium declaration popularly known as Millennium Development Goals (MDGs). Therefore, respondents with income level above \$2 per day were coded 1 and 0 if otherwise. The author in [42] further used the level of financial exposure of the respondents on Savings Account, Current Account, Fixed Deposit, and Loans, Automated Transaction Machine (ATM)/Credit/Debit Card, Loan, Insurance, Mobile Banking, and Internet, Banking to proxy access to finance. They coded 0 for individuals who didn't answer the question or did not know the answer. 1 for individuals that had never used the product, 2 for individuals who used the product before, 3 for individuals who have other members of the household using the product in question and 4 was allocated to individuals who currently have the product. Nevertheless, in this study 0 was coded for the respondents unanswered the question or do not know the answer. 1 was awarded to individuals who had never used the product. 2 for individuals who used the product before and 3 for individuals who are currently using the product.

Logit model was used to analyse the influence of independent variables (financial services) on the dependent variable (level of income). The model is given below:

$$Pr(Y_1=1) = F(x/b) \dots\dots\dots 1$$

Where:

PrY_1 = Probability of income of respondents, GHS 240 and above

X = Vector of explanatory variables

b = Parameter to be estimated

F = the log odd or cumulative logistic function

We applied multinomial logit model to ascertain how the degree of financial services usage vary among the different income categories of the respondents. This was so since the respondents exhibit different categories of income levels. The respondents were categorized into four income brackets below GHS240, GHS241-GHS600, GHS601- GHS960 and GHS961 and above. This model is therefore further modified to accommodate different income brackets of the respondents such as:

Pr (>240)	$F(X_1 \beta) \dots\dots\dots$	2
Pr (240-600)	$F(X_1 \phi) \dots\dots\dots$	3
Pr (601-960)	$F(X_1 \Omega) \dots\dots\dots$	4
Pr (<960)	$F(X_1 \Gamma) \dots\dots \dots$	5

Where β , φ , Ω and Θ are parameters to be estimated and F is the normal cumulative distributions function.

4. Findings and Analysis

The results of the study are presented by descriptive relational analysis in relation to respondents' demographic variables as well as inferential analysis of how MFIs operations impacts on poverty alleviation in Ghana. Demographic variables such as gender, marital status, educational qualifications, occupation and income range were discussed in the table 1 below:

Table 1: Demographic assessment of the respondents

Demographic Variables	Frequency	Percentage
Gender		
Male	167	44
Female	213	56
Marital Status		
Single	137	36
Married	232	61
Divorced	11	3
Educational Qualifications		
No Formal Education	118	31
Basic Education	160	42
Secondary Education	68	18
Tertiary Education	34	9
Occupation		
Agriculture/Farming	99	26
Artisans	72	19
Business/Trading	156	41
Formal Employment	46	12
No Response	8	2
Income Ranges in Ghana		
Below GHS240	87	23
GHS241 – GHS600	110	29
GHS601 – GHS960	99	26
Above GHS960	84	22

From the Table 1 above, it shows that out of 380 respondents 167 were males while 212 were female representing 44% and 56% respectively. With regards to marital status, the data also indicated that majority of the respondents were married numbering 232 with 137 singles and only 11 were divorced representing 36%,

61% and 3% respectively. Moreover, data pertaining to educational qualifications of the respondents shows that 118 of the respondents do not have any formal education, 160 possessed basic school leaving certificate with 68 indicated as having secondary education certificate whilst only 34 possesses tertiary certificate qualification representing 31%, 42%, 18%, and 9% respectively. The frequency of the occupational distribution of the respondents showed that 8 respondents (2%) did not respond to the question, 99 (29%) were farmers or involved in agricultural activities, 72 (19%) were in the formal sector employment whereas 156 (41%) indicated business/trading as their major occupation. In order to avoid multiplicity of response, respondents that affiliated to more than one occupation were only asked to give their major occupation. Similarly, the monthly income brackets of the respondents from the above table depicted that 87 respondents (23%) were earning below GHS240, 110 respondents or 29% indicated earnings between GHS241 and GHS600 as their income bracket, with 99 or 26% earning between GHS601 and GHS900 N20,000, whereas 84 (22%) indicated earning above GHS960 on monthly basis.

Table 2: Summary of Multinomial Logit Regression

Variables	Equation 6	Equation 7	Equation 8	Probability
Savings Account	-0.28/(-1.27)	-0.61/(-1.98)	-0.59/(-2.70)	0.210
Current Account	0.10/(0.44)	0.10/(0.44)	0.24/(1.07)	0.675
Fixed Deposit Account	0.73/(1.44)	0.74/(1.67)	0.55/(1.18)	0.243
Credit	0.01/(0.03)	-0.89/(-2.59)	-0.65/(-2.08)	0.958
Debit Card	0.05/(0.26)	-0.08/(-0.33)	0.29/(1.20)	0.770
Microfinance	0.38/(1.26)	0.37/(1.25)	-0.60/(-0.20)	0.820
Insurance	-1.21/(-1.75)	-1.12 (-1.57)	0.16 (0.38)	0.721
Mobile Banking	0.93/(2.27)	0.93 (2.27)	-0.69 (-1.37)	0.272
Pseudo R²			0.39	
L R Chi²			41.78	
Total Observation			380	

Indicate significance at 10.5 & 1 percent probability levels, Z-ratios in parenthesis

Table 2 above shows the summary of multinomial logit regression results. It could be discerned from the results that the estimated coefficient of savings is negative but not significant in equation 4 while the estimated coefficient is significant in equation 5 and 6. The result means that high income class has more capacity to save than poor dwelling in rural areas. The finding appears to support the predication of economic theory of savings which argues that saving is a function of the level of income. On the contrary, the estimated coefficients of current account and fixed deposit are positive but statistically insignificant in all models however both have 69% and 23 % probabilities of reducing poverty. Moreover, the estimated coefficient in equation 4 and 5 are and statistically significant at 1% and 5% level of significance respectively. The estimated coefficient of loan has the highest probability (98 %) of reducing poverty among the MFIs clients in their operational areas. This finding

tends to support the authors in [44], who asserted that access to formal finance is critical for enabling the poor to transform their production systems and thus exit poverty. Access to finance through credit assists the poor not only to smooth their consumption expenditure but also to build their assets, which enhance their productive capacity [42]. Furthermore, the estimated coefficients of ATM and insurance are not statistically significant in all equation but have approximately 79% and 72% likelihood of reducing poverty in the operational areas respectively. Similarly, the estimated coefficient of microfinance is statistically insignificant in all equations with 82% probability of reducing poverty in rural areas. The estimated coefficients of mobile banking are positive and significant at 5% level of significance in equation 7 and 8 respectively. Moreover, the estimated coefficient in equation 6 is not statistically significant. The coefficient has 17% probability of reducing poverty in the study areas. The overall model is adequate given by significant LR Ch2 value at 1% level of significance so also 42% variations in dependent variable is jointly explained by independent variables as shown by Pseudo R² value.

5. Limitations of the Study

Despite the current enthusiasm in microfinance programs, rigorous research on their outreach, impact and cost-effectiveness of such programs is rare which made it difficult in the gathering of data for this research work. In part, this reflects the difficulty of establishing an appropriate statistical methodology and implementing those standards in practice, and in part no doubt reflects the variations found in practice the way in which microfinance operates. The evidence surveyed here suggests that the conclusion from the early literature, that microfinance may have had positive impacts on poverty but is unlikely to be a simple panacea for reaching the core poor, remains broadly valid. Reaching the core poor is difficult, and some of the reasons that made them difficult to reach with conventional financial instruments mean that they may also be high risk and therefore unattractive microfinance clients.

5.1 Conclusions

The results of the study revealed that majority of respondents were female constituting 56% as well as majority were also married (61%) depicting the fact of requiring adequate resources to manage their families and themselves. In respect of formal education, majority of the respondents constituting 73% were either without formal education (31%) or just with basic education (42%) indicating MFIs ability of providing financial access and opportunity to the most vulnerable and ignorant in society thereby giving them the opportunity to make savings and create worth to cater for their families and themselves. Thus, the finding appears to support the predication of economic theory of savings which argues that saving is a function of the level of income, facility availability as well as awareness creation. The monthly income brackets of the respondents show that 23% were earning below GHS240; 29% were earning between GHS241 – GHS600 as their income bracket, 26% were earning between GHS601 – GHS960 while 22% indicated earning above GHS960. From the results, it showed an evenly spread of all income class signifying that microfinance provide an avenue for all and help in providing capacity to save especially the poor. Access to formal financial services increases with level of respondents' income and also most of the variables that were examined indicated a very high probability of reducing poverty. It could therefore be concluded that enhancing access to formal finance, especially, credit has a high likelihood

of reducing poverty among the poor in society.

5.2 Recommendations & Managerial Implications

The long-standing supporters of microfinance accept the evidence of its positive impact on their operational communities and clients but seemed not to be too intensive. Evidence to the contrary now needs to be weighed against the hyperbole surrounding microfinance with suggested steps for improvement as follows:

- Government at all levels should establish a well-designed regulatory framework to oversee the activities and operations of the various MFIs as a way of ensuring constant flow of financial and service especially to the poor in society since they have accepted and embraced their usefulness in the enhancement of their living standards. Thus, a robust financial sector regulation to ensure that local financial institutions act in a manner conducive to sustainable local economic development and to building and retaining local social capital should be critically pursued.
- Donor agencies, governments and participating financial institutions should, through supervisory techniques, ensure that funds made available by them to MFIs and that those funds are effectively used for economic and not social purposes.
- The promotion of genuine community-owned and controlled financial institutions, such as credit unions, building societies and savings banks, to underpin local capital accumulation should be encouraged and developed to help provide financial service to the poor.
- An urgent refocus on the promotion of local micro-savings rather than microcredit, as the first step in the local accumulation of capital should be the priority for both MFIs and the state.
- The implication of this study is that the government of Ghana and financial institutions in the country should take up the challenge of establishing bank branches in the rural areas or make formidable arrangement for the savings avenues and supplying more credit to the rural dwellers as a way of arousing economic interest and productive activities which in turn produces more income and enhances the standard of living.
- More so, the government of Ghana and financial institutions in the country should take up the challenge of establishing bank branches in the peri-urban, remote and rural areas or make formidable arrangement for supplying more credit to the rural dwellers.

It is recommended that micro-credit and savings should be used as a common tool for poverty alleviation in developing countries. In order for it to be effective, there should be coordinated efforts on the part of government, donor agencies, participating financial institutions and micro-credit entities which are mostly non-governmental organizations (NGOs). More focus is needed on other interventions that may better promote growth and poverty reduction, such as local financial systems and poverty reduction models with a good track record.

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