

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOG

INSTITUTE OF DISTANCE LEARNING

KNUST

**POVERTY ALLEVIATION AMONG POOR HOUSEHOLDS IN AKUAPEM NORTH
MUNICIPALITY, THE ROLE OF MICROFINANCE: A CASE STUDY OF AKUAPEM
RURAL BANK LIMITED.**

BY

NII NARH OBODAI

**DISSERTATION SUBMITTED TO THE DEPARTMENT OF ECONOMICS, FACULTY
OF SOCIAL SCIENCES, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND
TECHNOLOGY IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR
AWARD OF MASTER OF SCIENCE DEGREE IN ECONOMICS**

MAY 2016

DECLARATION

I hereby declare that this dissertation is my work towards the Masters of Science in Economics and that, to the best of my knowledge; it does not contain any material previously published by another person nor material which has been accepted for the award of any other degree of the University or elsewhere, except where due acknowledgement has been given.

NII NARH OBODAI (STUDENT)

STUDENT NUMBER (PG2760814) SIGNATURE DATE

CERTIFIED BY

MR. J. APPIAH-NKRUMAH

(SUPERVISOR) SIGNATURE DATE

CERTIFIED BY

DR. (MRS) G. OFORI ABEBRESE

(INTERNAL SUPERVISOR) SIGNATURE DATE

CERTIFIED BY

DR. HADRAT YUSIF

(HEAD OF DEPARTMENT) SIGNATURE DATE

ABSTRACT

The purpose of the research was to find out how the microfinance activities of Akuapem Rural Bank have help to reduce the poverty levels among poor households in its catchment areas. The study was also to ascertain whether or not the activities of the microfinance of the Bank has any positive impact on the living conditions of the beneficiaries and the extent to which it has reached the unbanked population in the rural areas.

In the research process, ten (10) groups were selected of which seventy (70) respondents were chosen, seven (7) from each group. All the selected groups and respondents were done through simple random sampling. The Bank also provided information needed on the beneficiaries who patronized the microfinance activities from 2010-2015. All these information were put together and analyzed using Statistical Product and Services Solution (SPSS) version 16. The SPSS was used to generate frequency tables for the analysis. The data analyzed revealed that businesses of beneficiaries and their livelihoods have improved as a result of the microfinance scheme. Also, out of the seventy (70) respondents sampled, 37.1 per cent were new members who never had any banking experience before. This means that the microfinance had been able to reach out to some unbanked population in the rural areas.

It is therefore recommended that men must be included in the various groups to help alleviate the level of poverty faster in the rural areas. Also, the bank must expand the activities of the microfinance to cover more qualified people in the rural areas.

ACKNOWLEDGEMENT

My first gratitude goes to almighty God who made it possible for this thesis to be a success.

My second heartfelt appreciation goes to Mr. J. Appiah-Nkrumah, my supervisor who worked tirelessly to give me direction and guidance throughout this dissertation.

Also, I will like to show my gratefulness to my boss, Ms. Jessie Dzokoto (Head, Department of Social Development) and the entire staff (Marian, Lizzy, Ohenewa, Christy, Sarah and Theo) for their encouragement and support.

I am also indebted to my dear family (Francis Tetteh Sai, Nicholas Nii Tetteh-Sai, Razak, Boras, DD and Josephine) for their unflinching support not forgetting the head of Microfinance (Angie Boadu), Akuapem Rural Bank



DEDICATION

This thesis is dedicated to two cherished uncles of mine (Mr. Torgbor Obodai and Mr. Moses Lawer Ekuhoho) who made it possible for me to be where I am today. God richly bless them.



TABLE OF CONTENTS

| Contents | page |
|---|---------|
| TITLE PAGE | i |
| DECLARATION | ii |
| ABSTRACT | iii |
| ACKNOWLEDGEMENTS | iv |
| DEDICATION | v |
| LIST OF TABLES | vi LIST |
| OF ACRONYMS | vii |
| CHAPTER ONE: | |
| INTRODUCTION | |
| 1.1 Background to the Study | 1 |
| 1.2 Poverty and Vulnerability incidence in Akuapem North Municipality | 4 |
| 1.3 Statement of the Problem | 5 |
| 1.4 Objectives of the Study | 6 |
| 1.5 Research Questions | 6 |
| 1.6 Rational for the Study | 7 |
| 1.7 Organization of the Study | 7 |

CHAPTER TWO:

LITERATURE REVIEW

| | |
|--|----|
| 2.0 Introduction | 8 |
| 2.1 Theories of Poverty | 9 |
| 2.2 Brief history of Microfinance | 14 |
| 2.3 Microfinance and Poverty Reduction in Ghana | 17 |
| 2.4 Empirical Evidence of Positive Impact of Microfinance on Poverty | 19 |
| 2.5 Criticisms against the Impact of Microfinance on Poverty | 21 |

CHAPTER THREE:

METHODOLOGY

| | |
|--|----|
| 3.0 Introduction | 22 |
| 3.1 Research Design | 22 |
| 3.2 Sample/Population | 22 |
| 3.3 Sample and Sampling Techniques | 23 |
| 3.4 Research Instruments | 25 |
| 3.5 Pilot Survey of Research Instruments | 25 |
| 3.6 Data Collection Techniques | 25 |
| 3.7 Data Processing and Analysis | 26 |

CHAPTER FOUR

RESULTS AND DISCUSSION OF DATA

| | |
|---|----|
| 4.0 Introduction | 27 |
| 4.1 Demographic Features of Respondents | 27 |
| 4.2 Age Distribution of Respondents | 27 |
| 4.3 Educational Levels of Respondents | 28 |
| 4.4 Occupations of Respondents | 29 |
| 4.5 Impact of Microfinance on the Businesses of Beneficiaries | 30 |
| 4.6 Sources of Funding before Joining the Scheme | 31 |
| 4.7 Impact of Microfinance on Living Conditions of Beneficiaries Households | 32 |
| 4.8 Household Consumption | 33 |
| 4.9 Home Ownership before Joining Microfinance Group | 34 |
| 4.10 Does the Respondent own a House after the Joining the Microfinance | 35 |
| 4.11 Ownership of Household Assets by Respondents | 35 |
| 4.12 Presence of Bank Official in the Respondent's Community | 37 |
| 4.13 How Akuapem Rural Bank help alleviate poverty in its catchment areas | 38 |

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

| | |
|-------------------------|----|
| 5.1 Summary of Findings | 41 |
| 5.2 Conclusions | 42 |

| | |
|------------------------------------|----|
| 5.3 Recommendations | 42 |
| REFERENCES | 45 |
| APPENDICES | |
| 1. Questionnaire for Bank Official | 49 |
| 2. Questionnaires for Customers | 52 |

OF TABLES

| Table | Page |
|---|------|
| 1. Sample size procedure of the microfinance respondents | 24 |
| 2. Age Distribution of Respondents | 28 |
| 3. Education Background of Respondents | 29 |
| 4. Occupations of the Respondents | 30 |
| 5. Impact the Scheme made on Respondent's Business | 31 |
| 6. Source of respondents finance before joining the microfinance | 32 |
| 7. Has joining the microfinance improve the living condition of respondents | 33 |
| 8. Change in Meal or food intake since the respondent joined the microfinance | 34 |
| 9. Ownership of place of abode before joining the scheme | 34 |
| 10. Does the respondent own a house after the joining the microfinance | 35 |
| 11. Ownership of household assets by respondents | 37 |
| 12. Presence of Bank Official in the Respondent's Community | 37 |
| 13. Loan disbursement of Akuapem Rural Bank from 2010-2015 | 39 |

KNUST

LIST OF ACRONYMS



| | |
|--------|--|
| NGO | Non-Governmental Organization |
| MiDA | Millennium Development Authority |
| SPEED | Support Programme for Enterprise Empowerment |
| SIF | Social Investment Fund |
| LEAP | Livelihood Empowerment against Poverty |
| MASLOC | Microfinance and Small Loans Scheme |
| GPRS | Growth and Poverty Reduction Strategy |
| PSME | Promotion of Small and Micro Enterprise |
| AFDB | Africa Development Bank |
| UNDP | United Nations Development Programme |
| OVC | Orphans and Vulnerable Child |
| PWD | Person with Disability |

| | |
|------|---|
| SME | Small and Medium Scale Enterprise |
| MF | Microfinance |
| TV | Television |
| NYEP | National Youth Employment Program |
| NHIS | National Health Insurance Scheme |
| SPSS | Statistical Package for Social Sciences |
| MFI | Microfinance Institutions |

