The relative impact of Microfinance organisations on the well-being of the ordinary Ghanaian - a study of the Offinso Municipality

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Abstract
Micro-finance has received a lot of attention, both from policy-makers as well as in academic circles. Microfinance Programmes have been introduced in many developing economies to primarily alleviate poverty through providing financial services to the poor. This study was therefore to assess how these proliferating institutions are affecting their clients, which is the objective of this research. What are some of the motivations for people to go for loans and what are their effects on livelihood and assets ownership? The study adopted survey of clients based in the Offinso Municipality in Ghana and the data was collected through questionnaire administration. It sampled the opinions of clients who received loans on the extent to which MFIs have been able to positively changed their livelihood, confidence in life and asset holding capacity or vice versa.
The results from the analysis reveal that almost 97% of clients confirmed little or much better livelihood. A chi square test proved that this was not by chance and the improvements in livelihood emanated from the credit facility. The main factor that entices clients to solicit credit facility is closeness and familiarity of the service. This factor was found to have a Relative Importance Index (RII) of 0.819, (approximately 82%) of the ranked factors that cause clients of MFIs to go for loans and the effects were that over 90% of clients had gained self-confidence and have also acquired personal assets as a result of the patronage of MFI loan services. The results from the analysis also reveal that 88% of clients were females whose level of education did not exceed Middle School leaving certificate or Junior High School.
Key words: Microfinance, Indices, Livelihood, Poverty, Collateral, Microcredit, Loans, Asset, Ownership

1.0 Introduction

Microfinance, according to Barr (2005), is a financial development primarily focused on alleviating poverty by providing the poor with financial services. Microfinance is viewed by people as being about microcredit that is lending small amounts of money to the poor. The broader view of Microfinance is that it also, including savings, insurance and transactional services. Schreiner and Colombet (2001) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” According to the Nobel Committee, microfinance can help people to break out of poverty, which is perceived as an important requirement in the establishment of long lasting peace (Nobel Committee 2006).
Formal lenders in Ghana are the Commercial Banks and access to loans from them is premised on meeting stringent requirements which limit large proportion of the population from taking credit facility from these banks. Some of the stringent requirements include onerous collateral requirements for loans, account opening with high minimum balances and costly bureaucratic processes. The Commercial Banks are moreover, generally located in urban area, thereby adding the burden of transport costs if the predominantly rural population needs to use the banking facilities. Due to the inability of the rural poor to access formal credit, the rural poor therefore rely almost exclusively on the informal financial sector for loans. The Informal lenders ingeniously seek to solve the problems of high risk, high cost and low returns that Commercial banks face when serving the poor. In practice, individuals apply for credit, but the lenders determine how much credit is allocated to them, based on their examination of the individual's credit-worthiness. This often results in credit rationing that reflects the lender's examination of the individual’s risk profile.

The failure of Commercial banks to serve the poor is due to a combination factors. Some of these factors are high risks of borrowers to default payment, high costs of credit transactions with the poor and consequently low returns associated with the transactions with the poor. In the credit market transaction, the lenders grant loan facilities to the borrowers and the borrowers pay the loan facility at the agreed period. The delay involved in servicing the debt obligation exposes the Commercial banks to considerable risk. Transaction with the poor is difficult and costly and this difficulty of obtaining information brings information asymmetries. An information asymmetry is when it is difficult for one party to gain knowledge held by another party to perform a service. To address this problem, banks usually attach collateral requirements to loans. Collaterals do not only assist in determining creditworthiness of clients but also serve as incentive for customers to repay the loan as agreed. The effect of microfinance in Ghana is a subject worthy of serious examination for a number of reasons. Since the inception of MFIs in Ghana their activities have grown from strength to strength although up to date data on MFIs in Ghana are not readily available.

It can be said that the activities of MFIs have come to stay; there is therefore the need to assess their effects on their clients. The question, however, is whether microfinance really is affecting their clients in a positive manner thereby reducing poverty significantly, particularly in Ghana.

1.1 Problem Statement

From the early 1990s, there have been various microfinance interventions both by the Governments, individuals and development to help reduce poverty in Ghana. Evidence suggests that microfinance can serve as the means to reduce poverty (Daley-Harris 2006). The researcher's concern is to assess the extent to which Microfinance has affected their clients in Ghana, using Microfinance Institutions in Offinso Municipality for the study. The idea of microfinance began to spread in the early 1990; recently so many Microfinance Institutions have also begun to spring up.

However, with the emergence of many MFIs in Ghana there seem to be some hope for the poor who cannot access credit facility from the Commercial banks, but there are issues that come to mind. These are; what is the effect of these MFIs on the livelihood of their customers? Those who have contracted loans are they not worse off, looking at the burden of repayment and collateral required. The proliferation of MFIs in recent era has raise issues; it is about the forces that drive clients to MFIs and their effects on clients. What are the answers to these questions? It is for these reasons that this study is being conducted.

1.2 Research Questions

The following questions which emerged as a result remain unanswered and have necessitated this research. These questions are;

1. What factors cause clients to go for loans from MFIs?
2. What are the effects of MFIs on their clients' livelihood?
3. What are the effects of MFIs on their clients' assets ownership?

1.4 The Research Aim and Contribution of the Research

The research would help to foster faster growth in the livelihood of clients of microfinance institutions. This research could be used as a basis for offering advice to MFIs and would help MFIs to know the consequence of their operations on their clients.

The operators of MFIs would be educated on how clients perceive their activities on livelihood and is expected to assist MFIs to formulate policies which will raise and maintain high levels of enthusiasm in its operations. This study will also be a source of reference material for those seeking funds from MFIs.

2.0 Literature Review

Microfinance is not a new development in some developing countries. It days back to the eighteenth and nineteenth centuries when a number of countries in Europe developed microfinance as a form of informal banking intended to serve poor. The basis of microfinance development in Europe is informal and self-help finances. It is self-help finance that has brought about innovation in financial, conductive regulation, legal backing and creating a mass number of microfinance movement. The regulations which are unpleasant championed by commercial banking diminished the progress.

Undeniably, microfinance concept is not new in Ghana. People continuously have been saving and sourcing for loans in small amounts from groups and individuals to commence businesses and other ventures. Evidence which is available states that Canadian Catholic missionaries established the first credit union in Africa in Northern Ghana in 1955. However, it originated from Nigeria and extended to Ghana in the early part of the twentieth century. "Susu is one of the microfinance schemes in Ghana. (Asiamah et al, 2007). Microfinance sector has evolved and flourished over the years into its current state. The current state is attributable to the various financial programmes and policies under taken by governments since independence to propel the institution.

Microfinance potential to reach poor people in large numbers is now well understood (Robinson, 2001). Matin et al (1999) as cited by Stewart et al (2010), pointed out that everyone including poor people need a wide range of financial services. These financial services will help the poor to deal with short, medium and long term consumption needs. Other reasons for financial services are to cope with the upwards and downwards movements of income and expenses, take advantage of opportunities created and survive vulnerabilities and emergencies cases.

According to Matin et al (1999), the variety of financial services which are accessible to meet the categories of needs include lending, investment, insurance and money transfers. But access to formal financial services is

restricted to the poor person and the services offered do not take into account the different needs of the poor. Collins and Morduch (2010) contended that instead the poor people tend to juggle financial dealings with family, friends and financial institutions to have the reliability and flexibility they need. The poor depend on a number of formal and informal community funding, credit unions, co-operatives, money lenders, financial NGOs and many others. A whole spectrum of players now provides microfinance services. The different financial institutions can be categorized and Matin et al. (1999) created a three-by-three matrix, one axis representing the financial service components that is credit, savings and insurance and the other axis represent the provider that is formal, semi-formal and informal.
Rutherford (1996) constructed his categorization on the type of service and whether it is owned and managed by the users themselves or other providers, while Staschen (1999) also focused on the source of funds. According to Matin et al. (1999), the reality then is that the poor accessed financial services from a variety of service providers, depending on the history, local knowledge, context and need. In 1991, PNDCL 328 was promulgation to allow the establishment of different categories of non-bank financial institutions (NBFLs), including Credit Unions and savings and loans companies (Asiama et al, 2007).

The financial system in Ghana can be categorised into three which are formal, semi- formal and informal. The formal financial institutions are those incorporated under companies code 1963 (Act 179) which gives them the legal identify as limited liability companies and are then licensed by the Bank of Ghana (BoG) under either the Banking law 1989 (PNDCL 225) or the financial institutions (Non-Banking) law 1993 (PNDCL 328) to deliver financial services under Bank of Ghana regulation. The Rural and community Bank (RCBs) functions as commercial banks except undertaking foreign exchange operations. The savings and loans companies as part of the nine stated categories of non-banking financial institutions are restricted to a narrow range of services. It operates most active in micro and small-scale financial intermediation by means of microfinance methodologies (Steel et al, 2003).
The informal financial system is made up of activities such as “Susu” including individual savings collectors, savings and credit clubs ran by an operator, and rotating savings and credit associations. The informal financial system also includes trade creditors, money lenders, self-help groups and personal loans from friends and relatives. The police are supposed to license money lenders under money lender ordinance 1957. A view expressed by one school of thought is that the proliferation of microfinance institutions and their activities are only a pretence and exploitative. Conversely, others such as Littlefield believe that microfinance institutions play messianic role in the struggle to alleviate poverty (Asiamah, et al 2007).
The flexible regulatory environment has created diversity in rural microfinance institutions (RMFIs) and their products. The flexible regulatory environment has help in the development of innovative methodologies for reaching market not served by formal commercial banks.
The Banking Act 2004 (Act 673) provides regulatory framework for controlling community and rural banks, whereas the saving and loans companies are presently regulated by Law 1993 (PNDCL, 328) on the Non-Bank Financial Institutions (NBFI). The Credit Unions regulatory framework is being prepared and will recognize the dual nature as financial institutions and as cooperatives. The remaining of the organisation such as, rotating savings and credit associations (ROSCAS), Financial Non-Governmental Organizations (FNGOs), and others do not have legal and regulatory frameworks (Steel et al, 2003).

Programmes that have been implemented in Ghana so far include the financial sector strategic plan (FINSSP), microfinance project, the United Nations Development Programme (UNDP), the rural financial services project (RFSP), Agricultural services investment project, the social investment fund, the community based rural development programme, and rural enterprise project (REP).
Microfinance institutions in Ghana include the community and rural banks, Financial NGOs, savings and loans companies, credit union Association, Ghana “Susu” Collectors Associations, development and commercial Banks with microfinance programs and linkage, micro-insurance and micro-leasing services. There are also microfinance Apex bodies such as Association of financial NGOs, Ghana cooperative “Susu” collectors Association, Association of Rural Banks (ARB) Apex Bank, and Ghana Cooperative credit unions Association. Supporting institutions are The Ghana microfinance institutions network (GHAMFIN), microfinance and small loans centre (MASLOC), Development partners and international NGOs and universities, training and research institution.
The microfinance institutions have expanded in coverage and now provide a wide range of services. These achievements form a prima facie evidence of their success in communities, and therefore have a bigger role to play in development strategy. However the programs of microfinance have frequently relied on subsidies and MFIs are faced with criticisms that are serious over both their comparative effectiveness in tackling poverty and financial viability. One of the missions of microfinance as expressed by others is to serve the poor and was at a loss since microfinance has not yet sufficiently extended its operation to reach the extremely poor. The raising

interest rates further exclude the poor from MFIs programs and serve as the last straw that breaks the Carmel back. Opponents of MFI suggest that microfinance has not reached the poorest of the poor and that their operations only affect those who are better-off in the society not the extremely poor of the populations. There is discrimination on the part of loan officers who favour the 'richer' poor who can afford to take out larger loans and very poor borrowers are rejected. Some poor families sometimes may have to contend with heavy debt after borrowing. In this circumstance the poor who already are experiencing extreme economic hardships faces the risk of worsen their plight as a result of borrowing money. According to Gokhale (2009), Indian households were being "carpet bombed" by loans, leading to extreme over indebtedness and one borrower states that she would like to see micro lenders banished from her community "forever".

All regions and generations are not covered by microfinance. The most hurting condemnation against microfinance is that the poor is required to be entrepreneurial. However, it is quite clear that most people do not have entrepreneurial skills. MFLs fail to back the financial services they render to their prospective clients with the required managerial skills that will enable the clients to make good use of the loans. This most often leads to inappropriate use of funds and hence high incidence of defaults. The microfinance concept is criticized as being non-confrontational. Microfinance does not really challenge existing economic and social inequalities or the structures that perpetuate such inequity. For instance, it does not challenge the issue of unequal land access, an important concern in rural areas in developing countries. Proponents of microfinance on the other hand counter these allegations with the argument that microfinance would at least lead to reduction in poverty.

3.0 Research methodology and approach

Research design describes the general plan, strategy, methods and procedures used to execute the research in a comprehensive manner. This study finds the effects that MFIs have on their clients by using descriptive and correlation survey design. Descriptive or statistical research is the study of frequencies, averages and other statistical calculations whiles correlation research test for relationships that exist between two variables. These characteristics necessitated the adoption of these particular research designs. It can therefore be concluded that both designs were regarded as the best means of obtaining the answers to the research questions and the aim of the study. The study findings were arranged, sorted, edited, summarized and displayed in a descriptive and explanatory manner. Conclusions and recommendations were drawn from the findings. This researcher obtained data from mainly the primary source and it was acquired by using questionnaires and observations with focus on the Offinso metropolitan area. The questionnaires were suitably structured in connection with the objectives and questions of the research which ultimately led to achieving the aim of the research.

The responses in terms of scores were then converted to Relative Importance Indices (RII) in order to determine rankings of the factors. The formula used to calculate the RII is as indicated below:

RII , Where; Wi = weighs for individual responses, Ki = frequency, i = different responses range from 1 – 5, A is regarded as the highest weight, that was 5 in this study and N represents the total number of responses which was 128 in this research.

The second research question also examined the effects of MFIs on their clients' livelihood and several questions were posed to achieve this aim. Livelihood variables considered were income generation/consumption, health problems, confidence/empowerment and education of children. Two variables were also employed to describe their difficulty in repayment and financial situation after joining the MFIs. The respondents were therefore asked to best characterize their responses by indicating the degree to which they agree or disagree to the statements.

4.0. Analysis

Table 4.2.1 shows the composition of the respondents who completed the questionnaires. There were one hundred and thirteen (113) female representing 88.3% and fifteen (15) males representing 11.7%. Table 4.2.1 reveals more than one third (37.5%)of the respondents also had no formal education,55.5% had education to Middle School Leavers or Junior High School level whilst 9% of respondents had secondary education. Other degrees held by respondents included three respondents representing 2.3% university graduates and one (0.8%) with diploma certification. This reveals low level of education of respondents and indicates that most selected people might not education to make sound decisions on accessing credit facility.

Most of the respondents (96.9%) were receiving credit facility from only MFIs whilst 3.1% were receiving multiple credit facility from MFIs and Banks. All the respondents were using the credit for trading, education, health and building. 43.8% of them were using their credit facility for trading only, 23.4% were using their credit facility for both trading and education and 10.9% for trading, education and building. 6.2% of respondents were utilizing their credit on trading, education and health whilst the remaining 15.7% were using their credit in one combination or the other of the four ventures.

The highest age group, above 41 years recorded the highest percentage of 46.1 of the respondents. The second highest was age group 34 – 41 years making 33.6%, followed by 26 – 33 years age group representing 16.4%. The age group to record the least number of respondents was 18 – 25 years with 5 respondents representing 3.9%.

Table 4.2.1: Gender, Age and Educational Level of Respondents

Gender	Frequency	Percentage
Male	15	11.7
Female	113	88.3
Total	**128**	**100**
Age Groups		
18 – 25 years	5	3.9
26 – 33 years	21	16.4
34– 41 years	43	33.6
above 41 years	59	46.1
Total	**128**	**100**
Level of Education		
No formal Education	48	37.5
Middle/JHS	71	55.5
Secondary	5	3.9
Diploma	1	0.8
Bachelor's degree	3	2.3
Total	**128**	**100**

Source: Primary data, 2013

The number of years of membership produces results which show that almost half of the respondents (49.2%) have been with these MFI for more than 4 years whilst 22.7% have had dealings with MFIs for a period of 2 – 3 years. The periods of 7 months – 1 year and 4 months – 6 months had 12.5% each of the participates. The period of 1 week – 3 months recorded the least number of 4 respondents representing 3.2%.

Table 4.2.2: Period of membership of Respondents

Period of membership	Frequency	Percentage
1 week – 3 months	4	3.1
4 months – 6 months	16	12.5
7 months – 1year	16	12.5
2 years – 3 years	29	22.7
More than 4 years	63	49.2
Total	**128**	**100**

Source: Primary data, 2013

On the number of times a client has received loan, more than 4 times recorded 57.8%, 4 times with 11.7%, trice 6.2%, twice 7.0% and once 17.2%.

Table 4.2.3: Number of loan received by Respondents

Number of loan received	Frequency	Percentage
Once	22	17.2
Twice	9	7.0
Trice	8	6.2
4 times	15	11.7
More than 4 times	74	57.8
Total	**128**	**100**

Source: Primary data, 2013

4.3 Results

A sample size of one hundred and twenty-eight (128) who are clients of MFIs in Offinso Municipality with a week to more than four (4) years experiences and have received credit facility at least once participated in the study. The following are the results that were recorded from the study area to answer the three research questions.

Results on Factors for Soliciting Loans (Environmental and Service)

The first research question examined the factors that cause clients to go for loans from MFIs. The table 4.3.1 below shows the mean and standard deviation data produced after analysis.

It is evident that among the factors that cause clients to go for loans, closeness and familiarity of the service was ranked the first with the highest value of RII of 0.819. The second factor that followed closely was accessibility with 0.806 RII whiles speed of loan decision followed with 0.786. Ease of the application and straightforward terms had 0.88, next on the list was ease and flexibility repayment with 0.678, no stringent collateral requirements was ranked sixth with RII of 0.661.Interestingly, an interest rate and transaction cost was ranked last with RII of 0.605.

Table 4.3.1(a): Rankings of Factors for Soliciting Loans (Environmental and Service)

	Factors that cause Clients to go for Loans	Disagree %	Neutral %	Agree %	Mean	SD	RII	Rank
1	Accessibility	12.5	1.6	86.0	4.03	1.049	0.806	2
2	Ease and flexibility of repayment	20.3	27.3	52.4	3.39	0.966	0.678	5
3	Speed of loan decision	6.2	19.5	74.2	3.93	0.941	0.786	3
4	Interest rate and transaction costs	35.9	29.7	34.3	3.02	0.984	0.605	7
5	Closeness and familiarity of the service	5.5	9.4	85.2	4.09	0.778	0.819	1
6	Ease of the application and straightforward terms	9.4	36.7	53.9	3.52	0.905	0.703	4
7	No stringent collateral requirements	34.4	20.3	45.3	3.30	1.295	0.661	6

Source: Primary data, 2013

Table 4.3.1(b): Rankings of Products

	Products that cause Clients to go for Loans	Disagree %	Neutral %	Agree %	Mean	SD	RII	Rank
1	Savings Account offered	37.5	33.6	28.9	2.92	0.910	0.584	3
2	Credit facility offered	6.3	6.2	87.5	4.05	0.807	0.811	1
3	Insurance policy offered	37.5	10.9	51.6	3.43	1.467	0.686	2

Source: Primary data, 2013

NB: Strongly Disagree =1, Disagree = 2, Neutral = 3, Agree= 4 and Strongly Agree = 5.

4.3.1.1 Discussion of Factors for Soliciting Loans

Table 4.3.1(a) presents the extent clients agree or disagree in percentages with RII after analysis to answer research question 1. It is evident from the summary that the most important factors that attract clients is closeness and familiarity of the service and its RII was 0.819. The responses resulted in the greatest mean of 4.09 and smallest standard deviation (s = 0.778), which means that responses were centered and not diverged. In addition, accessibility followed closely with RII of 0.806. Its mean and standard deviation were 4.03 and 1.049 respectively. 86.0% of respondents agreed that accessibility attracts the most whiles for the first ranked variable 85.2% agreed. This means accessibility, closeness and familiarity with the MFIs are the mean driving forces that pull clients.

It is therefore important for management of MFIs to monitor these variables to attract more clients. Speed of loan decision was the third in the ranking and surprising interest and transaction cost was the last factor. The RII, mean and standard deviation for the last factor were 0.605, 3.02 and 0.984 respectively. This therefore presupposes that closeness and familiarity of the service is the main factor considered by clients in acquiring credit facility. This means that a recommendation from a beneficial of the service to relatives and friends attract clients the most. This finding does not support the work of (Jones, no date) which concluded that accessibility is the most important influence when choosing a credit option.

Accessibility ranked second shows that once a person is convinced move to contact MFIs for credit facility. Speed of loan decision ranked third support the findings of Hulme et al. (1999) which state that another equally important factor drives clients and potential clients away was the long period of waiting for loan disbursement. This means that the longer the period for loan disbursement the more the institution become unattractive.

Interest and transaction cost was surprising the last factor with RII of 0.605. This means that most clients of microfinance do not consider the cost involved in procuring the credit but readiness of the money. The clients are poor with low education and ready to take any credit facility available regardless of the consequence might be the reason for this situation.

The results from Table 4.3.1 (b) after analysis show that credit facility is the most attractive product with insurance and savings at distant second and third places respectively.

4.3.2 Results on the effects of MFIs on Clients' Livelihood

The second research question examined the effects of MFIs on their clients' livelihood. Table 4.3.2 presents the results in percentages with their RII. From these results, among the effects on clients' livelihood, confidence was seen as the major effect on clients with 91.4% agreeing, 4.7% neutral and 3.9% disagreeing as shown in table 4.3.2 (a) below. The next to follow was income generation/consumption with 88.2% agreeing, 7.0% neutral and 4.7% disagreeing. Education of children followed next in line with 71.1% agreeing, 17.2% neutral and 11.7% disagreeing. The lowest ranked among them was health problems 68.7% agreeing, 20.3% neutral and 10.9% disagreeing. Some other comments raised by the respondents indicated there had been improvement in their lives as results of the loan with only 9.3% admitting their financial situation had worsened. The table 4.3.2 (b) below also shows the mean and standard deviation of the data produced after analysis.

Table 4.3.2 (a): Effects of MFIs on clients' Livelihood

	Effects of MFIs on Livelihood	Disagree %	Neutral %	Agree %	Mean	SD	RII	Rank
1	Smoothing of income generation/consumption	4.7	7.0	88.2	4.12	0.875	0.823	2
2	Dealing with health problems	10.9	20.3	68.7	3.68	0.887	0.736	4
3	Confidence from the loan facility	3.9	4.7	91.4	4.23	0.834	0.845	1
4	Education of children	11.7	17.2	71.1	3.91	1.094	0.783	3
	Livelihood situation							
1	Worsen financial situation	89.1	1.6	9.3	1.85	0.956	0.370	3
2	Difficulty in credit repayment	68.8	21.1	10.1	2.33	0.861	0.466	2
3	Improvement in life as a result of Loan	1.6	2.3	96.1	4.30	0.668	0.859	1

Source: Primary data, 2013

NB: Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, and Strongly Disagree =1

Table 4.3.2(b): Effects of MFIs on General Livelihood

	General Livelihood	Worse %	Same %	Better %	Mean	SD
1	Livelihood after joining the MFI	2.3	0.8	96.9	4.52	0.710

Source: Primary data, 2013

4.3.2.1 Discussion of effects on Clients' Livelihood

The analysis on the effects of MFIs on their clients' livelihood shows that research question 2 was also answered by examining the responses for the various items. These findings show that Confidence from the loan facility was ranked as the most vivid effect on the clients. The leading effects of confidence also resulted in the highest mean of 4.23 and lowest standard deviation (s = 0.834), which means most of the answers of the questions were so close. Additionally, Smoothing of income generation/consumption recorded the second highest mean of 4.12 with a standard deviation of 0.875 whereas education of children followed recording a mean of 3.91 as against a standard deviation of 1.094.

It can also be noticed that dealing with health problems recorded the lowest mean and highest standard deviation of 0.91 and 1.094 respectively. Thus among the four variables, it was the most diverged in the answers of the questions. When asked whether MFIs had improved their lives and livelihood after joining the institution yielded huge 96.1% agreeing with almost the same percentage of 96.9 confirming better livelihood. The chi square statistic on effects on livelihood produced a value of λ^2=185.75, while the critical value at degree of freedom 4 and significance of 1% is 13.277. Since, λ^2 is far greater than the critical value, then the improvement in livelihood is not due to chance and hence, indicates that MFIs is having positive effects on their clients.

Again, this findings support the assertion Hossain and Knight 2008 and Simanowitz and Walter (2002), that there is socio-economic benefit of microfinance. The effects on the variables were increase in confidence, smoothing of income generation/consumption, education of children and health improvements.

4.3.3 Results on Ownership of Assets

The final research question also examined the effects of MFIs on their clients' assets ownership. The variables examined were purchased of new assets, renovation of assets and sale of assets to pay back the loan. A variable was also employed to describe the assets situation after joining the MFIs.

Table 4.3.3 also shows responses, mean and standard deviation data produced after analyse to identify the effects of MFIs on their clients' assets ownership. 53.1% admitted that MFIs has assisted them to acquired new assets, 25.8% were neutral and 21.1% disagreed of buying any assets of a result of receiving the credit facility. The statement as to the extent they agree with selling some of their assets to repay the loan facility saw 85.9% responding to it in negative with 6.2% in the neutral. However, 7.8% responded in the affirmative, confirming of losing assets because of the loan. On assets renovations because of the credit facility only 32.0% were in agreement with majority of 48.4% on neutral but 19.6% disagreed.

4.3.3.1 Discussion of effects on Assets Ownership

From the analysis it shows that the average of the responses for purchase of new assets was 3.38 with highest standard deviation of 1.204. Renovation recorded an average of 3.15 and least standard deviation 0.948 while assets sold to repay loan had mean of 1.91 and 1.031 as its standard deviation. Slightly more than half of respondents (53.1%) of respondents agreed of purchasing new assets with 25.8% neutral and 21.1% in disagreement.

It is inferred that MFIs is not affecting the purchase, renovation and sale of assets massively. This is not to discount the slight improvement experienced by some clients of MFIs. Again, this findings support Pitt and Khandker (1998) claimed that there was an increase in the non-land asset ownership by the clients mostly women when credit is given to them.

Table 4.3.3(a): Effects of MFIs on Ownership of Assets

	Effects of MFIs on Ownership of Assets	Disagree %	Neutral %	Agree %	Mean	SD	RII	Rank
1	Purchasing of new assets	21.1	25.8	53.1	3.38	1.204	0.677	1
2	Renovation of assets	19.6	48.4	32.0	3.15	0.948	0.630	2
3	Sold off assets to pay back the loan	85.9	6.2	7.8	1.91	1.031	0.381	3

Source: Primary data

NB: Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, and Strongly Disagree =1

Table 4.3.3(b): Effects of MFIs on Ownership of Assets

	Assets situation	Worse %	Same %	Better %	Mean	SD
1	Pool of assets after joining the MFI	3.1	30.5	66.4	3.78	0.763

Source: Primary data

5.0 Conclusions

57% of the people who take advantage of the services of microfinance Institutions in Ghana are persons above the age of 40 with low education or no formal education. It was found out that the level of education does not exceed Middle School leaving certificate or Junior High School with 88% of clients been female. The main factor that moves clients to enter into agreements to obtain credit services was closeness and familiarity of the service. This factor was found to have a Relative Importance Index (RII) of 0.819, (approximately 82%) of the ranked factors that cause clients of MFIs to go for loans from them.
Surprising, interest and transaction cost was the last factor with RII of 0.605. This meant that most microfinance clients do not consider the cost of in procuring the credit.

2. What are the effects of MFIs on their clients' livelihood?

Research question 2 examined the effects of MFIs on their clients' livelihood and several questions were posed to achieve this aim. It was discovered that the effect of MFIs on the lives of their clients varied tremendously according to circumstances of the clients. The livelihood variables considered were income

generation/consumption, health problems, confidence/empowerment and education of children. Two variables were also employed to describe their difficulty in repayment and financial situation after joining the MFIs.
Among the effects on clients' livelihood, 91.4% of the clients respondents agreed strongly that MFIs have increased their confidence in life and it was seen as the major effect on clients with 88.2% also agreeing that MFIs have had positive effect on their income generation/consumption ventures, thus improving their personal development and finally 71.1% conceding that MFIs have had tremendous effect in ensuring that they met the educational requirements of their wards in school.

3. What are the effects of MFIs on their clients' assets ownership?
The response to the above question from the analysis was that, mainly, clients in business or clients with some regular incomes accessed the credit services of MFIs to meet immediate asset purchases needs. As seen above, the variables examined were purchased of new assets, renovation of assets and sale of assets to pay back the loan. A variable was also employed to describe the assets situation after joining the MFIs. The respondents ticked what best characterize their situation. The relative Importance Index produced the highest 0.677 relating to purchase of new assets followed by renovation 0.630 and 0.381 for assets sold to pay back loan.

5.3 Conclusion
Microfinance Institutions have contributed immensely to the personal development of a very large number of people in Ghana. By and large, MFIs have made the most significant effects on the lives of married persons with little education and very low incomes more especially women above the age of 40. The relative importance index (RII) has shown that women and other beneficiaries of MFI loan schemes rank closeness and familiarity of serve as the topmost factor affecting their patronage of MFI loan schemes. Though there are also problems with repayment, which is a worry, clients of MFIs have indicated that they have not sold their assets to pay. It was gratifying to note that the credit facility received has boosted their personal confidence in life and also agreeing strongly that they have achieved slight increase in their assets ownership or renovating assets with the support of MFIs. Chapter five has summarized all the findings from the survey of sample of clients of three MFIs in Ashanti Region specifically in the Offinso Municipality and has made a generalization of the conclusions above. The Chapter has also made some recommendations based on the findings and also has reiterated the limitations of the research.

5.4 Recommendations
The established rankings and effects from the study can be used to recommendations. The study closeness and familiarity of the service is the main factor that pulls clients. In view of this finding management should educate their staff on how to treat their clients. Clients should therefore be treated with kind and courtesy whiles ensuring that policies and procedures are followed for clients to spread that quality service received to others. Again, the fact that interest and transaction cost was the last factor considered by clients should not encourage MFIs to arbitrarily increase their interest rate. This is because the ranking can change any time. The fact that great positive effects were recorded on clients' livelihood and slight improvements in assets ownership means that MFIs should make concerted efforts to increase their spread to reach the poorest in society.
It is recommended, therefore, that the findings of this study could be taken into account on formulating policies for these MFIs and others. By this understanding the factors that driving client to MFIs, it will assist in shaping strategies of MFIs to improve the lives of their clients and achieve its overall mission of combating poverty.

5.5 Future Research Directions.
The initial objectives of the study have been achieved, but further research is needed in order to determine why then do some MFIs collapse in the face of potential benefits to clients. Stated otherwise, exploring the causes of collapse of the MFIs in the light of enormous economic and social benefits.

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