UNIVERSITY OF CAPE COAST

MICROFINANCE SERVICES OF SINAPI ABA TRUST AND HUMAN CAPITAL DEVELOPMENT OF BENEFICIARIES IN THE ASHANTI REGION OF GHANA

BY

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DECLARATION

Candidate's Declaration

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

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Supervisors' Declaration

We hereby declare that the preparation and presentation of this thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

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ABSTRACT

The study set out to examine Sinapi Aba Trust (SAT) microfinance services contribution towards building human capital asset of beneficiaries in the Ashanti Region, Ghana. A cross-sectional approach was adopted to gather data from 361 beneficiaries using both quantitative and qualitative methods. Interview schedule and interview guide were used to elicit data from programme beneficiaries and staff of SAT. The descriptive analysis was used to describe and measure relationships of socio-demographic characteristics of beneficiaries. The non-parametric Mann Whitney U test was used to test the differences between incomes before and after obtaining microfinance services. The 5-point Likert scale was used to measure the respondents' opinions on statements on changes in human capital development.

Findings from the study indicated that the features of SAT services comprised financial and non-financial programmes. The microfinance services enabled beneficiaries to increase their incomes to assist in human capital development. Through the provision of microfinance services beneficiaries' outlook and investment in human capital development was enhanced. Beneficiaries' background characteristics influenced the dependent variable, their human capital development, in various levels. The study among others recommended that studies on microfinance should go beyond the conventional role of credit provision to incorporate non-financial services. The government and sponsors of microfinance should collaborate with the microfinance sector to pull resources for human capital development of beneficiaries.

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DEDICATION

To my husband Mr. Frederick Fredua Antoh and my parents Ms Hannah Antwiwaa of blessed memory and Mr. S K Peprah.

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LIST OF ABBREVIATIONS

ADB	African Development Bank
AIM	Amanah Ikhtiar Malaysia
AIMS	Assessment of Impact of Microfinance Studies
ANOVA	Analysis of Variance
BDS	Business Development Services
BOG	Bank of Ghana
BRAC	Bangladesh Rural Advancement Committee
CGAP	Consultative Group to Assist the Poor
CEO	Chief Executive Officer
FGD	Focus Group Discussion
FNGOs	Financial Non-Governmental Organisations
FSOs	Financial Service Officers
GHAMFIN	Ghana Microfinance Network
GLSS	Ghana Living Standard Survey
GNI	Gross National Income
GOG	Government of Ghana
GPRS	Growth and Poverty Reduction Strategy
GSGDA	Ghana Shared Growth and Development Agenda
GSS	Ghana Statistical Service
HEP	Household Economic Portfolio
HDI	Human Development Index

HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IDS	Institute of Development Studies
ILO	International Labour Organisation
IMF	International Monetary Fund
ISCED	International Standard Classification of Education
KMA	Kumasi Metropolitan Assembly
LIB	Labour-Income-Based
MASLOC	Micro and Small Loans Centre
MDGs	Millennium Development Goals
MFIs	Microfinance Institutions
MFOs	Microfinance Organisations
MIX	Microfinance Information eXchange
MMT	Merban Money Transfer
NBFIs	Non Bank Financial Institutions
NBSSI	National Board for Small Scale Enterprises
NDPC	National Development Planning Commission
NGOs	Non-Governmental Organisations
NHIS	National Health Insurance Scheme
NVTI	National Vocational Training Institute
OECD	Organisation for Economic Co-operation and Development
PAMSCAD	Programme of Action to Mitigate the Social Cost of Adjustment
PCA	Principal Component Analysis
PLA	Participatory Learning and Action

PNDCL	Provisional National Defence Council Law
RCBs	Rural and Community Banks
ROSCAs	Rotating and Accumulating Savings and Credit Associations
SAPs	Structural Adjustments Programmes
SAT	Sinapi Aba Trust
SHG	Self Help Groups
SIF	Social Investment Fund
SME	Small and Medium Scale Enterprise
SOMED	Soweto Microenterprise Development
SPSS	Statistical Package for Social Science
UNDP	United Nations Development Programme
WSBI	World Savings Banks Institute

CHAPTER ONE

INTRODUCTION

Background to the study

There are several programmes to reduce poverty in low income economies and microfinance is one of such programmes. Rooyen, Stewart and De Wet (2012) indicate that microfinance is one of the leading development programmes worldwide in terms of financial services and the number of poor people being served. It provides financial intermediation for the poor with the ultimate aim of creating employment and income opportunities to reduce poverty. To reduce poverty effectively the human capital of beneficiaries needs to be expanded since low endowment of it presents a challenge to development.

Microfinance's conventional service of provision of credit to the poor to set up businesses has expanded over the years. Hamada (2010) asserts that microfinance has expanded in many directions. Thus microfinance services are not limited to financial services instead they extend to non-financial services. These financial and non-financial services are complementary and contribute to the poverty reduction of the poor in various ways including their human capital development. Existing studies on microfinance effects on beneficiaries' human capital development focus on the financial services without incorporating the non-financial services.

Moreover, studies on the effects of microfinance on human capital development concentrates on limited human capital indicators such as formal education and health which shrouds the non-formal aspects. This study is about microfinance services' (financial and non-financial) contribution towards the development of human capital for the long term improvement of beneficiaries' lives. Though the term human capital is broad this study concentrates on non-formal education, formal education of children and health which are critical in development.

Development is a process of change towards reducing poverty (Sumner & Tribe, 2008) and it has been discussed in several perspectives over the years. It is certain 'that no one view point can be described as right or wrong, because there have been moments or periods in history during which one view or the other has dominated with respect to applicability and relevance according to prevailing circumstances or conditions' (Enu-Kwesi, 2009, p. 72). As a result, development has been given various meanings and explanations and it is sometimes described as a process by which poverty is reduced.

Thus, poverty is seen in a broader manner than just referring to monetary income. Schultz (1961) asserts that investment in human beings can generate the capabilities for socio-economic development and it has been expressed as important in the blueprints of the Millennium Development Goals (Ssewamala, Sperber, Zimmerman & Karimil, 2010). In reality, the poor need to identify with the fact that human capital plays an important role in reducing poverty. Fosu and Mwabu (2010) have recognised that investment in human capital asset empowers people to reduce poverty.

As a financial intermediation tool, microfinance's traditional role has been to target and provide micro loans to people who are generally not served by formal financial institutions due to their inability to produce collateral. This reflects microfinance's underlying philosophy that providing easy and affordable access to financial services for poor families can have a host of positive effects on their incomes and livelihoods (Yunus, 2003).

In addition to the conventional role of providing loans, most contemporary microfinance institutions have expanded their services beyond micro loans and have gone into a mission drift (Bateman, 2011) by providing non-financial services to address broader social goals. These are through providing additional programmes such as training and awareness creation on issues including the benefits of skill development to encourage beneficiaries to develop human capital. This study rather endeavours to explicate the effects of the financial and non-financial services on human capital development.

Most of the poor families served by microfinance institutions are low-income people who are mainly non-literates and semi-literates and who live in developing countries (Organisation for Economic Co-operation and Development (OECD), 1996). They are challenged with poor health and lack fundamental and specialised skills which are linked to beneficiaries' marketability and competitiveness in business. It is expected that if microfinance incorporate non-financial and social related products such as training and development of skills with the financial services it could engender comprehensive development.

More especially, when most microfinance institutions, such as Sinapi Aba Trust (SAT), (2008) complement their financial products with non-financial services such as awareness creation on the importance of developing skills, education loans for children and organizing social forums for beneficiaries to initiate human capital development. Owing to the enormous recognition of the low human capital endowment of beneficiaries and the acclaimed positive effects of enhanced human capital on poverty reduction, microfinance becomes significant for poverty reduction when it leads to human capital development.

The importance of microfinance was underscored when the year 2005 was declared the Year of microcredit by the General Assembly of the United Nations. The United Nations World Summit Outcome Document, 2005, (United Nations, 2005), recognised the poor's need to access financial services. The document further stipulates that microcredit will help member countries achieve the Millennium Development Goals (MDGs) of reducing poverty rates by 50 percent by 2015.

The earliest and most established microfinance scheme, the Grameen Bank of Bangladesh which is over two decades old, evolved out of the desire to meet the financial requirements of poor but economically active women. There is the common conception that women spend more money on their children than men, which benefits societal development (Brau & Woller, 2004; Nader, 2008). According to Agier and Szafarz (2010), microfinance institutions often lend to women and assert that women have superior repayment records.

Microfinance beneficiaries collect loans, in the form of individual and group loans, to undertake business activities. These businesses raise income and consumption levels of families, reduce income inequality and enhance social welfare (Mahjabeen, 2008) thereby, creating opportunities for investment in assets such as human and social capital development. Human and social capital development connotes activities directed towards developing social networking for maximum performance of the individual at improving lives (Anand & Sen, 1994).

Increasing income, by itself, does not mean that poverty is reduced. Wright (1999) maintains that it depends on what the income is used for. It is expected that, with the generally low levels of human capital, microfinance beneficiaries would prioritise human capital development when their economic and social lives improve to sustain their improved status. Gibb (2008) indicates that considering the importance of microfinance as a development strategy, Microfinance Institutions (MFIs) should track how their services facilitate improved human capital development of clients.

The presumption becomes debateable when it is unequivocal that the poor are compelled to meet various needs when incomes increase and are therefore, confronted with making choices. Applying the human capital theory to microfinance and development, it becomes imperative that once basic needs are satisfied, beneficiaries would address issues of education, knowledge, skills and attitudes to sustain their incomes (Khandker, Khalily & Khan 1995; Nanor, 2008) especially with the expanded microfinance initiatives.

Moreover, it is anticipated that measures taken by microfinance institutions and regulatory bodies, outside their traditional role of providing micro loans, would help to encourage the human capital development of beneficiaries. Background characteristics of people such as sex, age, marital status, household size and level of skills have been recognised by Ikeanyibe, (2008) as necessary to initiate and manage businesses. Furthermore, background characteristics can influence repayments, opinions, choices of development and decision making regarding human capital development.

In developing countries, viable microfinance institutions such as the Bank Rakyat of Indonesia, the Bangladesh Rural Advancement Committee, Equity Bank of Kenya have been established. Peprah and Annim (2008) write that billions of dollars have been invested in micro financing. Microfinance operations have focused on two main models depending on the institutional visions and missions to meet their goals.

The models have been generally, classified as the client-centred approach and the institution-centred approach (Datar, Epstein & Yuthas, 2008) or the welfarist and institutionist. The welfarist model focus on both financial and non-financial services which have the potential of developing human and social capital for microfinance beneficiaries by virtue of establishing networks among beneficiaries' for social and economic benefits. On the other hand, the institutionist model creates little opportunities for social support (Adjei, Arun & Hossain, 2009).

Microfinance impact assessment has focused mainly on four domains classified as individual, household, enterprise and community units. In addition, the focus has been on financial products such as income (Hulme, 2000) to establish relationship with loans. Microfinance studies have used different assessment methods including, conventional scientific, humanities and participatory approaches to assess results, leading to varied conclusions on the effects of the interventions (Zohir & Matin, 2004). Some studies, in assessing the impact of microfinance have measured the effects by using social capital theory, human capital theory and access to finance (Al-Mamun, Malarvizhi & Wahab, 2011).

Some research have indicated that microfinance facilities have improved beneficiaries' access to socio-economic facilities such as health, nutrition and education through increased individual and household incomes (Afrane, 2002; Khavul, 2010; Odell, 2010). On the contrary, Khandker (2005) and Karlan and Zinman, (2010) contest the propagated positive impacts of microfinance and claim that microfinance does not reach the poor and even if it does it rather destroys their resourcefulness as a result of repayment difficulties which inhibits acquisition of vital resources (Melzer, 2011). Others have also indicated that, microfinance can be detrimental as well as beneficial to livelihoods of beneficiaries (Husain, Mukherjee & Dutta, 2010; Rooyen, Stewart & De Wet, 2012). These differing views on effects of microfinance have led to inconclusive claims of poverty reduction in developing countries.

In Ghana, the National Development Planning Commission (NDPC) (2005) claims that despite the increasing decline in poverty incidence, poverty still remains high. The NDPC (2008) reports that poverty in Ghana has an important human capital development dimension and requires a public policy focus. The Ghana Living Standards Survey's report on the fifth round (GLSS, 5) indicates that about 31 percent of all adults have never been to school (Ghana Statistical Service (GSS), 2006). Implicitly, most people do not have the requisite skill training and education to pursue their livelihoods, a situation which renders a substantial number of the economically active population vulnerable.

Considering this reality, the government of Ghana has made human capital development one of the principal objectives of the Ghana Shared Growth and Development Agenda (GSGDA) (2010). Past and present Governments of Ghana, in their efforts to improve livelihoods, have employed various strategies focussing on microfinance and human capital development. These include the Micro and Small Loans Centre (MASLOC), scheme (Annim, Awusabo-Asare & Asare-Mintah, 2008), the Ghana Growth and Poverty Reduction Strategy (GPRS I &II) which identifies microfinance as a key strategic tool (Adjei, 2010) and the GSGDA (2010). It is expected that when the schemes are well implemented, poor household incomes will improve and this would foster the development of a knowledgeable, well-trained and healthy population.

Along with the government's efforts, various non-formal financial institutions including Sinapi Aba Trust (SAT) have been set up to provide financial services for productive small and medium businesses and substantial investment has gone into its operations. In 2004, there were more than one thousand registered and unregistered microfinance institutions in Ghana (Ghana Microfinance Institutions Network (GHAMFIN), 2007). These institutions services were mainly sourced by low income business operators. In Ghana, more than 27 percent of all households owe money or goods to other persons, institutions or businesses. Most of the loans contracted, without any guarantee, are meant for household businesses (GSS, 2008).

SAT has a long standing establishment in the country with impressive growing client strength probably due to the social capital development that SAT forges among members and staff. SAT is currently one of the leading MFIs in the country and it continues to expand geographically and compliments its portfolio with diverse services and features. SAT extends lending facilities to beneficiaries through two main credit methodologies, individual lending and group lending (SAT, 2008). The group lending is categorised as trust bank and solidarity groups, It is a development-intensive lending methodology designed to cater for the poorest micro-entrepreneurs. Generally, beneficiaries operations cover small-scale manufacturing, food and agriculture, trade and service.

Furthermore, SAT, like well-established contemporary microfinance institutions has gone through some innovations to provide services such as training and awareness creation. These non-financial services are expected to work together with the financial programmes to improve education, accumulation of knowledge, skills, experience and social networks towards improving standard of living. As of 2010, SAT had a borrower population of 99,906 and has operated since 1994 as a non-governmental financial organisation in the Ashanti region.

The Ashanti Region, with a population of 4,725,046 is the most populous region in Ghana (GSS, 2011), thus the issue of poverty and related poverty reduction strategies in the region is of major concern for Ghana. SAT's microfinance activities in the Ashanti Region covered seven districts. These were the Kumasi Metropolis, Offinso, Mampong, Obuasi and Asante Akyem municipalities and Ejura Sekyedumase and Atwima Nwabiagya districts. The activities of Sinapi Aba microfinance programme in these areas have important economic and social consequences on the livelihoods of beneficiaries.

The Kumasi Metropolis, Obuasi Municipality and Ejura Sekyedumase District have had long standing link with SAT in terms of its activities and there is much to be learned from beneficiaries' who have had long term relationship with SAT's microfinance services. This was to help shed light on the relationship between microfinance services and human capital development of the beneficiaries. Moreover, the three areas are geographically positioned in the middle, southern and northern sectors of the region respectively and they differ in their levels of infrastructure, credit facilities, commercial and economic activities making the areas representative of the survey population. These socio-economic differences are likely to engender interesting analysis.

Statement of the problem

Most microfinance programmes in Ghana and most developing countries provide both financial and non-financial services towards poverty reduction (Adjei, 2010; Krugell & Matthee, 2012; Mahjabeen, 2008). This emanates from the fact that over the years microfinance institutions have expanded beyond their traditional role of microloans to also support non-finance services such as providing training and social services to enhance the comprehensive development of beneficiaries through the acquisition of skill development and general knowledge among others.

Despite the expanded roles towards comprehensive development and the recognition of the potential role of human capital development in poverty reduction, microfinance studies rarely research on the effects of both finance and non-finance services of microfinance programmes on human capital factors such as skills development and enhanced knowledge. From the literature review, most studies have focussed more on effects of microfinance loans on income without incorporating other non-financial services. Hamada (2010) indicates that although many studies have been done on microfinance the expanded focus has not been given the needed attention.

Moreover, available studies that aim to link the effects of microfinance to beneficiaries' human capital development outcomes are narrow and inconclusive (Fischer & Ghatak, 2010; Ross, 2010). Regarding human capital issues, the focus has been mainly on formal education. Furthermore, Stewart et al. (2010) report that the limited evidence generalises and over simplifies the complex reality of poverty reduction and beneficiaries general human capital development.

The issues indicated above show that there is the need to incorporate the expanded services of microfinance into human capital development studies to address the neglected non-financial aspects and also broaden the scope of human capital development. Thus, this study sought to help close the gap by providing an approach to address this imbalance and to contribute towards the need and approach for examining the expanded services by studying SAT beneficiaries.

SAT has rendered services to many beneficiaries' in the Kumasi Metropolis, Obuasi Municipality and Ejura Sekyedumase District for more than a decade. The value of loans made by SAT since its inception was GH¢263,091,927.05 ($131,545,963.52) as of December 2010 (SAT, 2011). Thus, a substantial amount of money has been invested by SAT towards improving both the financial and non-financial status of beneficiaries in the Ashanti economy of Ghana. In spite of this, empirical study on SAT microfinance services and human capital development of beneficiaries is minimal. Studies conducted on SAT beneficiaries have mainly focused on issues other than human capital development. It is therefore, important to examine how SAT services have assisted the development of human capital which is the cornerstone of national development.

Objectives of the study

The general objective of the study was to examine the effects of microfinance services of Sinapi Aba Trust (SAT) on human capital development of beneficiaries in the Ashanti Region.

The specific objectives of the study were to:

1. Examine the features of microfinance services of SAT in the Ashanti Region;
2. Assess the effects of SAT microfinance services on beneficiary income;
3. Examine the effects of microfinance services (financial and non-financial) of SAT on beneficiary human capital development;
4. Analyse the effects of beneficiary characteristics on human capital development; and
5. Make recommendations to help improve the development of human capital by microfinance beneficiaries and institutions.

Research questions

The study was guided by the following research questions:

1. What were the features of microfinance services of SAT?
2. How did the SAT services affect beneficiary incomes?
3. How did the SAT microfinance services affect beneficiary human capital development?
4. What were the effects of beneficiary background characteristics on human capital development?

Scope of the study

The study examined both the financial and non-financial services of SAT and related it to beneficiaries' business incomes and human capital development. The study maintained a broad definition of human capital development, emphasising the formal and non-formal acquisition of knowledge and skills and health. Beneficiaries' socio-demographic background were analysed to establish linkages with the development of human capital. It also covered both the quantitative and qualitative changes that had occurred in the lives of beneficiaries as a result of the microfinance services.

The financial intermediation, human capital, social capital and rational choice theories were used to expound the research issues. It additionally, traced the historical and transformational trends of the microfinance sector in Africa and Ghana. The study focused on Sinapi Aba Trust beneficiaries, loan officers, branch managers and the chief executive officer in three out of the seven operating areas in the Ashanti Region namely Obuasi, Ejura Sekyedumase and Kumasi Metropolis represented by Adum.

Significance of the study

Microfinance services have the potential of developing human capital to enable beneficiaries reduce poverty. The study's significance was established on the basis that the effect of microfinance on human capital development is an important measure of the objective of microfinance as a scheme for sustaining improved lives. The study realised the gap in merging the financial and non-financial services of microfinance in assessment studies and by so doing shelving the expanded role of microfinance in development. By narrowing the services of microfinance, the prospects of microfinance in poverty reduction can be restrained (Hamada, 2010). The study therefore contributes to theoretical literature by examining whether beneficiaries human capital develop when their incomes and social outlook improve.

Sinapi Aba Trust presented itself as an appropriate target for the study because initial consultations with staff indicated that SAT offered both financial and non-financial programmes aimed not only at increasing incomes of beneficiaries but their human capital development. SAT had the largest beneficiary population in the country and as such findings of the research contribute to knowledge regarding the effects of the microfinance sector in improving the lives of the poor. The knowledge gained from this study provides a reference point for donors of Microfinance Institutions, Governments, the Financial Sector and Non-Governmental Organisations on human development and poverty reduction.

Moreover, the findings from the study and its related recommendations provide critical input into policy considerations and further implications for the design of microfinance programmes and regulation of the sector. This is to better understand the features of contemporary microfinance interventions and their impacts on beneficiaries. The study thereby contributes to the literature by demonstrating how microfinance services facilitate beneficiaries' human capital development. This then provides sufficient evidence of the association between financial intermediation and human capital theories. It therefore, helps to initiate policy measures for the microfinance sector and generate new areas for further research.

Organisation of the study

The thesis is organised into eight chapters. Chapter One provides the introduction which covers the background to the study, statement of the problem, objectives, research questions. Moreover, it provides the scope and significance of the study. Chapter Two offers a review of literature. It starts with the broader perspective of financial intermediation, microfinance theoretical basis and related concepts. Chapter Three presents the empirical studies and conceptual framework which set out the conceptual parameters for analysis. Chapter Four presents an overview of microfinance in Africa and study institution.

Chapter Five discusses the research methodology. It describes the study area, study design, study population and sampling procedure, sources of data, instrumentation and pre-test. Furthermore, the chapter covers the methods of data collection and analysis. It concludes with ethical issues and considerations. Chapters Six and Seven present the research results and discussion using the conceptual framework. Specifically, Chapter Six discusses the socio-demographic, business background and features of the study institution. Chapter Seven covers discussion on the effects of microfinance services on income and human capital development. Chapter Eight provides a summary of the research, conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

The review of literature is developed as a basis for obtaining theoretical and empirical insights of the thesis which is about microfinance and its effects on human capital development towards poverty reduction. The review is to guide and order empirical enquiry to situate the study in the right perspective. Sproull (1988, p. 91) indicates that literature review is a 'systematic examination of general information, research studies, data and theories which have been discovered over the years related to the variables of interest and the relationships among them'.

Literature review is very important in research studies because there is the need to know what is already known in connection with the research area to avoid reinventing the wheel. There is the need to learn about different theoretical and methodological approaches to the research area and topic to help consider the inclusion of relevant variables in the research (Bryman, 2008). The theoretical aspect is needed as a basis for the design of research instruments because theory guides and structures the focus of observation of 'reality', and determines the priorities for data generation and collection (Sumner & Tribe 2008, p. 83).

This chapter concentrates on theoretical and conceptual issues relevant to the study. It begins with an assessment of the theoretical perspective of microfinance and the context that provide useful constructs from which to study and appraise the effects of microfinance programmes in a developing country context. The key theories underpinning the study are financial intermediation and human capital. In addition, the study considers the social capital and rational choice theories to support the linkage between microfinance and human capital development. The origins, assumptions and substance of theories and related concepts are appraised to relate their relevance to the study.

Relevant theoretical perspectives of financial intermediation

Financial intermediation has a vital role in poverty reduction and development. The theory of financial intermediation deals with how individuals and firms raise and distribute funds for development. The theory assumes that access to finance plays a key role in the ability to increase income generation and employment opportunities, which ultimately lead to increased household income and asset. Claessens and Tzioumis (2006) discuss the importance of financial intermediation and affirm that the lack of it can cause persistent income inequality or poverty traps, as well as lower growth. According to Evuleocha (2011), the dominant thinking of classical development economists and many bankers rejected the very idea of giving loans to the poor on the assumption that they cannot benefit.

The notion was rather that by investing in large-scale development, a nation's ability to compete in the global market would increase and the poor would gradually become better off. The anticipated trickle down advantage of investing in large-scale development however, failed to improve the lives of the poor in many cases and as such the theory did not work as was anticipated. In examining the trickle down role as a problem solving issue in developing countries, Afful and Annim (2008) posit that the trickle down effects did not occur, due to the inequity in the distribution of resources at the beginning of the growth process, which was a result of the lack of good governance and corruption among other factors.

Consistently, in the literature, there seem to be a shift from the notion that big amounts of money can offer important means to combat poverty in developing countries (Evuleocha, 2011, Gonzalez-Vega, 1993). Rather than financial intermediation from the large and formal financial institutions, the concept of microfinance is increasingly being seen as an important component in meeting the financial needs of small and medium scale business operators to expand their social capital and reduce poverty.

The reality is that the financial intermediation construction is experiencing extensive financial innovation (Allen & Santomero, 1998). Feiner and Barker (2007) explain that the U.S.-trained economist, Muhammad Yunus, as well as others broke the credo of the dominant thinking regarding financial intermediation which failed to adequately explain and integrate the complexity of poverty in developing countries. The idea that the poor were lazy and that poverty exists in developing countries because people do not work was therefore, challenged. Thus, Yunus launched the Grameen Bank as a different model of financial intermediation for the poor in Bangladesh. The philosophy behind the Grameen Bank model of microfinance became relevant to the needs of the poor but economically active in most developing countries.

With the realism grounded on fundamental principles of neo-classical economics (Meier, 2001) modern financial intermediation theory highlights the importance of access to finance, especially, by the poor, but economically active. Feiner and Barker (2007) and Evuleocha (2011) indicate that the proponents of microfinance have defied the traditional assumptions that the poor are not worthy of loans, cannot handle the responsibility, lack collateral and education, among other handicaps.

The financial intermediation theory offers itself to the microcredit delivery model, which is the pre-occupation of the microfinance paradigm (Osotimehin, Jegede, Akinlabi, 2011). The rise and establishment of microfinance in the financial system has shown that generally when the poor have access to appropriate financial products they could achieve improved standard of living. Subsequently, in many ways it is being recognised that the classical views of financial intermediation about the poor is changing and altering the ideological premises of financial intermediation and development.

Economists and social scientists have been theorising about a causal relationship between financial development and socio-economic development and studies have been undertaken to validate the relationship. Among the reasons for the spate of theoretical and empirical research from the microfinance perspective is that since microfinance is a component of financial development, if a causal relationship can be established between financial development and poverty reduction then most likely there could be a comparable correlation between microfinance and socio-economic well-being (Afful & Annim, 2008).

Kyereboah-Coleman (2007), in analysing this relationship building, portrays that associated with the trend is the increasing research on the link between the formal financial markets and the microfinance market. It is observed that microfinance has generated a large theoretical literature, which can be divided into two components. The first deals with the specific problems that poor people have in accessing financial intermediation services at an affordable cost, particularly due to their lack of collateral. The second aspect of the literature explores the impact assessment of microfinance on enterprises, households and individuals (Duvendack, Palmer-Jones, Copestake, Hooper, Loke & Rao, 2011).

What is missing from literature is the impact of the non-financial services which, as a result of innovation, also contribute to the programme outcomes.

The changing trend has resulted in expansion in activities and has become central in strengthening the underlying assumption that access to finance can have broader socio-economic effects. This trend has been imbibed by the contemporary microfinance sector and is undertaking various approaches which are clear indications of a mission drift nonetheless. Consequently, it is presumed that financial intermediation could have both micro and macro level impacts.

The macro level could produce structural changes in social networks which may be measured by the involvement of the poor, women and marginalised groups, in social and economic activities. Zohir and Matin (2004) note that financial institutions have wider effects on economic, social, cultural and political lives at the macro perspective. At the micro level it could produce social effects at the individual level. Azama, Al-Amin, Noora, Yeasmine and Kabir (2011) state that access to financial services by the poor could facilitate human development of beneficiaries. Yet the limited studies on the human capital factor have mainly focussed on formalised education.

Essentially, financial market effects should include changes in the intensity of competition and innovation among service providers as well as changes in the varieties of products and quality of services (Mayoux, 2005). Understanding these realities and their associated ideological and economic implications can help microfinance institutions to have clarity of mission (Epstein & Yuthas, 2010)

The prime concern of microfinance is that in as much as the poor need financial services, the challenge is to design and provide the right products and services to suit them. Barnes, Gaile, and Kimbombo (2001) and Cheston and Kuhn

(2002) emphasise the likely impact of increase in income and assets, expanded choices and ability in meeting human needs of the poor, thereby leading to poverty reduction and development.

Conversely, Lard and Barres, (2007) write that despite the acclamation that micro financial services enhance the livelihoods of the poor, the acclamation is disputable. Arguably, microfinance impact studies have been confronted with contextual and methodological issues as well as attribution in some cases. According to Epstein and Yuthas (2010) the advancement of the microfinance sector has resulted in funders claiming for better social development outcomes to posit the acclamation.

In the process of affirming the acclamation, Behrman and Knowles (1999) and Dichter and Harper (2007) found positive correlation between microfinance and poverty reduction but caution the general conclusion that microfinance is a universal remedy for poverty. With the proliferation of microfinance institutions of all kinds and levels in developing countries, it is relevant to institute good governance among microfinance institutions in order to achieve the microfinance goal of tackling poverty through a redistribution of resources among the very poor (Afful & Annim, 2008; Wright, 2000). The notion of redistribution of resources should be debated within the philosophy of theoretical propositions that hinges on broader human development.

The major critique of the financial intermediation is that the monitoring and good governance aspect of financial intermediation theory is not being strictly adhered to (Roll, 1986; Wood & Sharif, 1997; Statman, 2000). Fohlin (1998) cites the lack of openness and transparency as one of the factors leading to the negative impression of the financial sector systems. The impression has been reinforced by experiences of financial problems in the world which show that effective monitoring and good governance are necessary in the financial intermediation process (Ghalib, 2009; Kaufmann, Kraay, & Zoido-Lobatón, 1999; Lazonick & O'Sullivan, 2000; OECD, 1999).

In spite of the major advances of the financial intermediation philosophy, its related assumptions and claims, there is a limited connection to human capital development. There is the need to extend the link in order to better appreciate the interface of the theories in development discourse. More importantly it helps to establish the need for the poor and microfinance institutions to recognise human capital development as a strategic element in the ultimate goal of poverty reduction irrespective of their institutional mission and ideologies (Dolnicar, Irvine & Lazarevski, 2008).

Concept of microfinance

The concept of microfinance has become an important factor in financial intermediation system. Scrutinising the concept and its features is therefore significant. It helps to appreciate the changing and expanding activities for analysis of the capability of microfinance to develop human capital and other related assets. The concept of microfinance is that, access to credit is one of the major constraints of the poor and through provision of access to microcredit, for investing in businesses they would be able to escape poverty (Rooyen, Stewart & De Wet, 2012).

Greeley (2003), reports that microfinance is based on the belief that poor people have skills and a capacity to produce for the market but have lacked access to financial services, have faced usurious interest rates and have had to deal with interlinked markets in ways which reduce their earnings. In support of that, Amin and Ntilivamunda (2009) describe microfinance as a way of providing financial services to a previously ignored, excluded and disadvantaged population in order to make changes in their lives.

Robinson (2001) and Khavul (2010) describe microfinance as an emerging phenomenon in the field of development, first coming into prominence in the 1970s. Before that, from the 1950s through to the 1970s, the provision of financial services, by donors or governments were mainly in the form of subsidised rural credit programmes which were not able to reach poor rural households. Initially microfinance institutions provided microcredit as the sole financial services but now microfinance provide access to basic financial services including loans, savings, money transfer and micro insurance (Hamada, 2010).

Sinha (2003) makes an important distinction between microcredit and microfinance by indicating that microcredit typically represents small loans, whilst microfinance, embraces NGOs and MFIs which supplement the loans with other financial services such as savings and insurance. Microfinance in a broader perspective includes credit, savings and training. It involves small-scale transactions in credit and savings designed to meet the needs of small and medium-scale businesses. Orso (2011) adds that microcredit involves small loans to poor people for self-employment projects that produce income, allowing them to care for themselves and their families. These individuals also called 'unbankable', lack any kind of economic collateral and cannot meet the basic qualifications required to access formal credit.

Contrary to traditional microcredit, microfinance services use a credit methodology, which employs effective collateral substitute for short-term and working capital loans (Brana, 2008; Hubka & Zaidi, 2005, Shane, 2003). From literature a number of factors differentiate microcredit and microfinance. Nonetheless, they have some shared attributes which emphasise the effort towards increasing access to small loans for poor households neglected by formal financial institutions (Schreiner & Colombet, 2001). These loans are used for petty trading, small-scale farming, food processing and food selling among others.

The World Bank (1980) observed that traditionally, microfinance has focused on providing very small loans to the poor to help them engage in productive activities. The World Bank further affirmed that all of these financial services can help poor people invest in productive activities, boost their incomes, plan for their own futures and reduce their vulnerability to a variety of risks with the aim of making changes in their lives. The World Bank has therefore changed both conceptually and practically in support of micro financing.

From a mere two million dollars for micro lending in the late 1980s, to thirty five million in 1996, then to over one hundred million, the World Bank's portfolio over recent years has increased to four billion dollars. The Consultative Group to Assist the Poor (CGAP), (2009) estimates capital investment into the microfinance sector as more than $10 billion. These investments were expected to achieve the best possible outcome in transforming the lives of the poor (CGAP), 2009; Lard & Barres, 2007). It must be noted, however, that funding the microfinance sector has been limited to donors and shareholders' funds.

Microfinance concept and human development are often seen as linked. For instance, Otero (1999) asserts that, microfinance creates access to productive capital for the poor and it facilitates their human capital through education and training. Maldonado, González-Vega and Romero (2003) contend that financial services facilitate consumption smoothing regarding basic needs such as food and health to obviate shocks. Moreover they offer risk management tools thereby reducing the vulnerability and risks associated with poverty (Adjei, Arun & Hossain, 2009).

Microfinance is therefore important for meeting credit, savings and non-financial needs of the poor. Gibb (2008) asserts that the savings component of microfinance programmes is vital and valued by most beneficiaries. In addition, Mahjabeen (2008), building on earlier assertions, stresses that in providing financial services MFIs typically provide information related to basic education, health, hygiene, child immunisation, disease prevention and environment.

Consequently, Armendáriz de Aghion and Morduch (2005, 2010) note that microfinance now spans a myriad of other services including micro savings, micro insurance, remittances and non-financial services such as financial literacy training and skills development programmes. This suggests that microfinance approach provides financial as well as social intermediation (CGAP, 2010; Ledgerwood, 1999; Robinson, 2001). This confirms the drift from the traditional focus on providing micro loans by the contemporary microfinance sector.

The Microfinance Information Exchange (MIX) (2006) clarifies that with the growth in microcredit institutions, attention changed from the sole provision of credit to the poor to the provision of other financial services such as savings and pensions when it became clear that the poor had a demand for these other services. Microcredit can be considered a field of microfinance, which embraces the provision of a wider range of financial services designed for the very poor. Elahi and Rahman (2006) support the assertion and state that microfinance came out as part of a paradigm shift in development thinking.

According to Von Pischke (1989), the present microfinance development is distinct from the unsuccessful rural credit agencies of the 1960s and 1970s, thus making candid comparisons between the two illogical. Though in the strictest sense microcredit should refer only to the provision of credit to the poor, the two terms, microcredit and microfinance are often confused and may be due to the fact that microfinance evolved out of microcredit which was the traditional mode of giving loans to the poor (Schrader, 1997).

Armendariz and Morduch (2005) stress that the terms microcredit and microfinance have often, been used interchangeably though they show some remarkable differences. In the context of this review microfinance and microcredit are used interchangeably and it incorporates the broad areas of financial and non-financial services including credit, savings, training and insurance. Microfinance institutions have been operating differently depending on certain attributes. These attributes determine the services delivered and the classification of the institution as microcredit or microfinance institution. Implicitly, services delivered also determine the approach and consequent implications on beneficiaries businesses and general development.

Main approaches of microfinance

Microfinance institutions have applied two main methods in their operations and services. The methods have been influenced by various visions, missions and policies to achieve certain goals. Understanding the principles and approaches inform the study of microfinance in development and the role various institutions play in achieving various forms of improvement in beneficiaries lives. The two main approaches of microfinance services have been variedly termed.

These are client-centred or institution-centred, 'welfarist' or 'institutionist', customer-centred or product-centred and poverty/empowerment or market/ sustainability.

Murdoch (2000) devised the term 'microfinance schism' to refer to the division between 'welfarists and institutionists'. Welfarists are described as microfinance models that ensure the primacy of social welfare of beneficiaries as the goal of microfinance irrespective of whether it entails financial dependency for MFIs. On the other hand, institutionists operate on the premise that the social goal of poverty reduction can only be achieved by financial self-sufficiency of MFIs and therefore, tend to lean more towards institutional sustainability (Christen, Peck, Rhyne, Vogel, & McKean, 1995; Gozalez-Vega, 1993; Robinson, 2001). Robinson (2001) refers to the two main approaches as poverty lending and financial system and Elahi and Rahman (2006) describe the approaches as customer-centred and product-centred.

Gibb (2008), on the other hand, refers to the two main approaches as the poverty/empowerment and market/sustainability approaches. The poverty approach focuses on making structural modifications that address impact inequalities in communities through connections, solidarity movements and associations. It looks at achievement in qualitative terms with a focus on outreach to the vulnerable groups and local institutional power structures. The market approach which is based on liberal market values and norms is built on the ideas of efficiency, sustainability and profitability and measures achievement in quantitative terms.

The client-centred approach of microfinance

The client-centred approach, analysed by Cheston and Kuhn (2002) and Datar, Epstein and Yuthas (2008), portrays a process which focuses on enriching the poor economically and socially. The model, besides providing credit, offers enterprise-specific training and teaches clients best practices in their businesses. The inputs of the model are intended at promoting both the welfare and strategic human development of the poor. It therefore, measures poverty reduction status by accumulated income, assets acquired and access to social facilities such as schools and health centres.

The client-centred model, thus, recognises the widespread lack of non-financial but necessary factors in the poverty reduction process (Matin, Hulme & Rutherford, 1999) and the need to reach out to the poor (Fisher & Sriram, 2002). What the client-centred model does in addition is to integrate credit facility with human development programmes, including education on financial expertise, business training. In addition, are talks on topical issues necessary for addressing vulnerability of beneficiaries, such as those in Ghana, who are mostly non-literates and have limitations in accessing basic facilities. According to Datar et al. (2008), addressing the non-financial constraints of beneficiaries fosters sustainable poverty alleviation therefore rendering microfinance mission drift necessary.

The client-centred model is however, criticised for inadequate attention to the danger of impeding outreach due to the potential reduction in funding at the expense of social and other non-profit activities. Issues of outreach have been associated with factors such as the depth, breadth, length of outreach and the cost to clients (Chowdhury, Mosley & Simanowitz, 2004; Schreiner, 2001). Implicitly, inadequate outreach, leads to stalling social and economic benefits as a result of limited loans thereby hindering development in the long term (Von Pischke, 2002). The client-centred analysis as modelled by Datar et al. (2008) is shown in Figure 1.

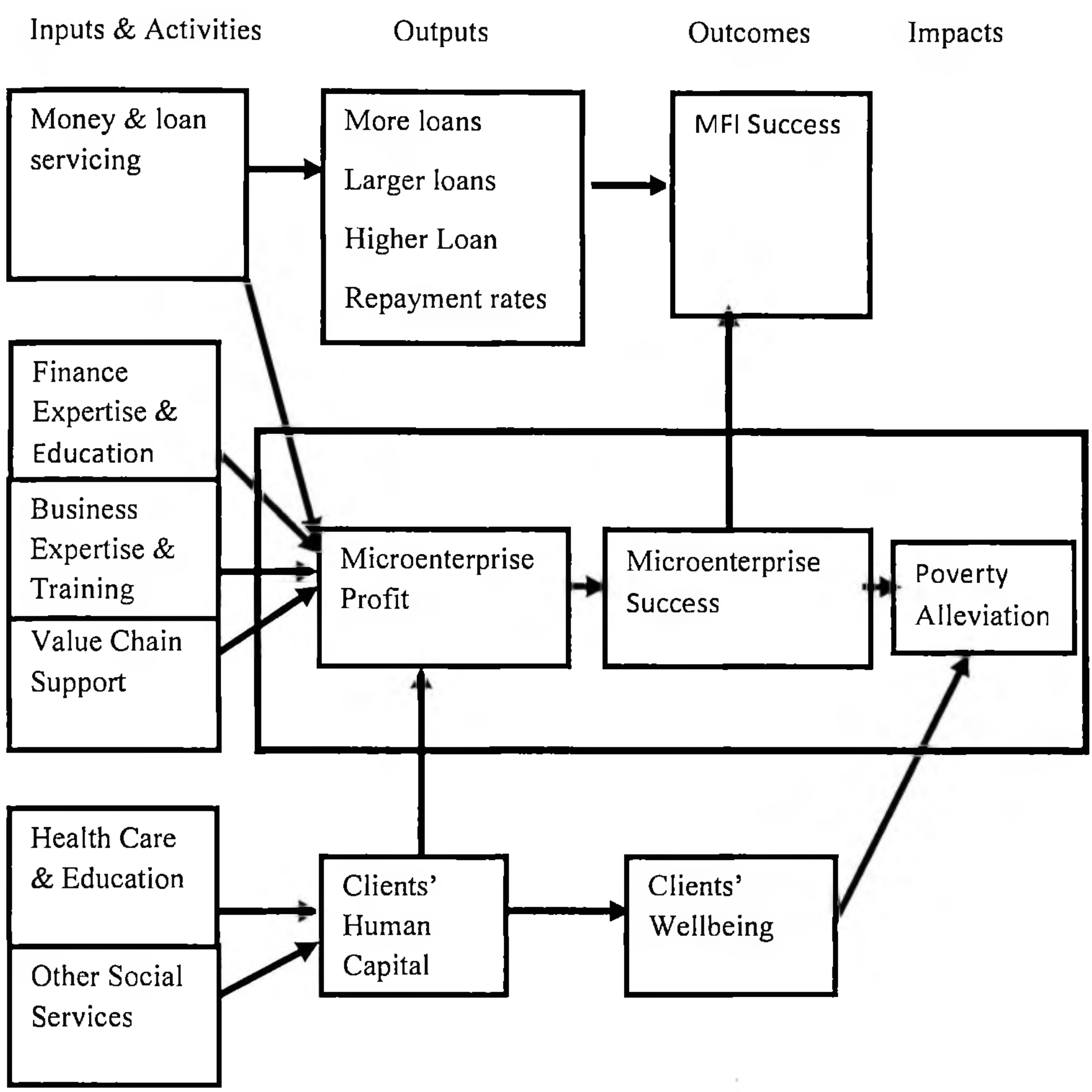

Figure 1: Client-centred microfinance framework

Source: Datar et al. (2008)

The institution-centred approach of microfinance

The institution-centred model, on the other hand, focuses on increased loans and higher repayment rates with little focus on beneficiaries' human capital development and welfare, forgetting that it could lead to high default rates and very high costs to the institution at a later date. The model operates on the premise that the prevalence of poverty and its multifaceted nature do not make broader outreach available without adequate resources. Nair (2001) indicates that because microfinance financiers cannot always meet the huge resource requirement, there is the need to incorporate some commercial elements to ensure self-sufficiency and financial sustainability.

Hollis and Sweetman (1998) maintain that without financial self-sufficiency, the microfinance institutions would not be sustainable and this could lead to most institutions being defunct. By charging commercial interest rates the institutions are able to cover their administrative costs (Nair, 2001). It could be inferred from the various views that the institution-centred approach realises that access to financial services alone ultimately leads to increase incomes and asset accumulation of many poor people (Ashcroft, 2008; Woller, Dunford & Woodworth, 1999).

The non-financial services, that may not yield income to the institutions, manifest themselves in aspects that are important to the livelihoods of beneficiaries. Mayoux (1997) argues that the focus on financial sustainability by the 'institutionist' school of thought provides little support for the active development of group social capital which is vital to beneficiaries. The social capital could be an alternative source of collateral (Woolcock & Narayan, 2000; Woolcock, 2001) or a means of collective economic activity to increase incomes.

Moreover, the formation of organisations could enable, for instance, women to challenge embedded systems of gender subordination. Thus, the institutionist model could fail to have long term effects on poverty alleviation and on social networks given their need to sustainably finance themselves through self-recovery (Pretes, 2002). The process and products of the institution-centred approach has been modelled by Datar et al. (2008) as shown in Figure 2.

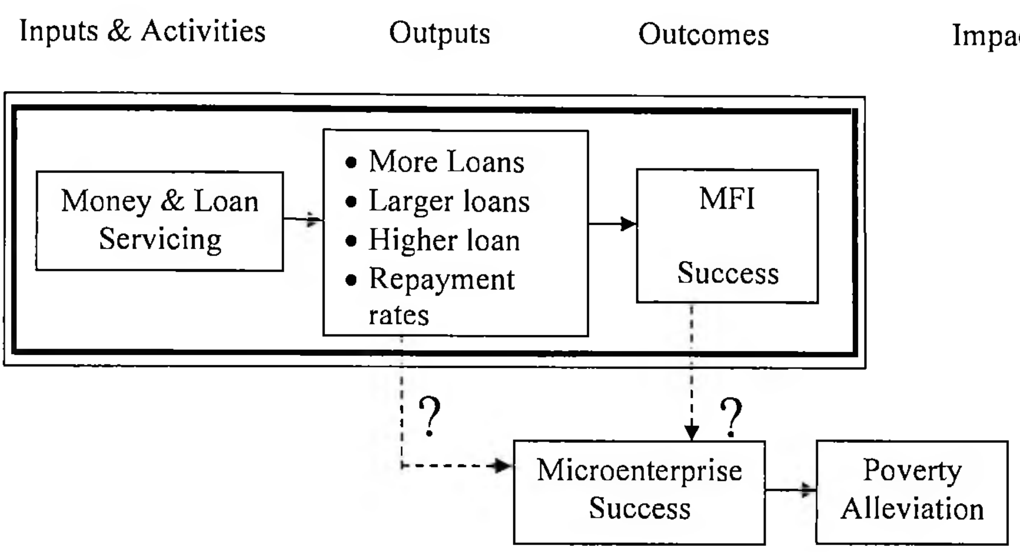

Figure 2: Institution-centred microfinance

Source: Datar et al. (2008)

Though the two approaches may appear similar, in practice their strategies can affect the goals of achieving poverty reduction. The institution-centred approach is criticised for failing to address human development components, such as education and training, which empowers beneficiaries economically and socially (Datar et al., 2008). In the Ghanaian context, most microfinance beneficiaries are semi and non-literates, and lack the skills to meet their livelihood requirements (Adjei et al., 2009; Nanor, 2008) hence any model that fails to take into account human capital development fails to lead to sustainable poverty reduction.

Microfinance entrepreneurs are usually business people who seek to be self-financing and therefore, microfinance approaches that entail human capital development of the poor are favourable to inculcating best practice and performance among beneficiaries (Remenyi, 1991). All approaches are determined to a large extent by varying underlying philosophies which affect their operational systems. In other words, how beneficiaries are mobilised, interest rates charged, loan repayment systems, savings procedures and beneficiary transformation processes are influenced by the underlying philosophies. These different approaches could even determine how microfinance programmes are evaluated (Kotir & Obeng-Odoom, 2009).

Woller (2002) contends that both the welfare and institutionist approaches have different goals which focus on holistic poverty reduction of the poor and depth of outreach. What is of concern is how to attain a balance between the client-centred and institution-centred approaches so that efforts to fight poverty will not adversely affect the financial and operational sustainability of the microfinance institution.

To this debate, Aryeetey (2008) argues that it is important to embrace standardised and best practices to ensure the expansion and sustainability of microfinance institutions as well as capital market accessibility all of which aim to extend outreach to the active poor. Subsequently, Adjei (2010) contends that both the financial services and social intermediation role of microfinance programmes may develop human assets by facilitating the self-esteem, bargaining power and independence of beneficiaries. It must be pointed out that assessment of microfinance beneficiaries should critically consider the mode of operations of the microfinance institutions. Beyond terminological distinctions the fundamental rationale and purposes remain identical and each approach has its own strengths and weaknesses.

Microfinance services and income

Microfinance products are usually characterised by short-term and small loans, savings and payment schedules through frequent instalments or deposits (Dunford, 2002; Khandker, Khalily & Khan, 1995). Murray and Boros (2002) include additional features such as simple application procedures, short processing periods from completion of the application and the disbursement of the loans.

The principal concern of microfinance proponents is the provision of income-generating and savings opportunities to the poor. Microfinance has proven to be an effective strategy for supporting low-income people to improve their livelihoods through developing their entrepreneurial activities. For instance, Kotir and Obeng-Odoom (2009), Mahjabeen (2008) and Midgley (2008) have shown that beneficiaries have been able to earn incomes and establish savings through microfinance services. Evuleocha, (2011) corroborates that it has raised incomes and reduced the economic vulnerability of the poor.

Incomes help in meeting the production, consumption and asset building needs of the poor. Measuring income levels has been the main approach to assess poverty. Wright (1999) argues that income levels cannot be the only measure, because increasing income does not per se mean that poverty is reduced, as it depends on what the income is used for. Nonetheless, with the goal of microfinance being reducing poverty, changes in beneficiaries' income levels are often used as a measure of the impact of microfinance (Armendàriz & Morduch, 2010) and to establish a relationship between loans and incomes.

Varying views have been raised about the effects of microfinance on the income and welfare of the poor (Hailai, 2010). These variations can be better managed if the income and welfare changes are looked at in a holistic manner. Generally, there is a change in the long-held conceptualisation of poverty and who the poor are as a result of the multidimensional perspective of poverty. This therefore demands a change in the indicators that measure poverty.

For example, in the 1950s to 1970s, during the era of agricultural credit to small-scale and marginal farmers, poverty was defined as lack of income and vulnerability to income fluctuations. However, in the 1980s up to mid-1990s the poor were defined as mostly female micro-entrepreneurs who should be empowered (Boserup, 1970). Moreover, the poor are growing into diverse vulnerable households with complex livelihoods (Matin, Hulme & Rutherford, 1999; Midgley, 2008).

Clearly, views on conceptualisation of poverty and for that matter approaches by microfinance institutions to reduce vulnerability need to be expanded to meet the changing views of poverty. The outcomes used to measure the impact of microfinance on the poor should also reflect the changes in the conceptualisation of what improved lives are. Current studies of impact of microfinance should move beyond income stability and savings to consider different outcome variables including improved education, strengthened social networks and improved health to correspond to the changing role of microfinance services (Hulme, 2000; Khalily, 2004; Zohir & Matin, 2004).

Moreover, microfinance facilities ought to be packaged in order to make positive impacts on beneficiaries' businesses. They must lead to the general development of beneficiaries. Two main concepts that are important in loan servicing by microfinance institutions are group-based and individual-based loans.

Group-based loans

Group-based loans require individuals to form groups to access loan services. The members are usually characterised by low collateral, low technical knowhow and low literacy (Yunus, 1999). The loans have size limitations and repayment schedules. The concept of group lending is declared to be the main innovation of microfinance and claims to provide an answer to the shortcomings of imperfect financial markets, particularly to the challenge of overcoming information irregularities (Armendáriz de Aghion & Morduch, 2005).

Group lending uses the group as guarantee which makes members responsible not only for the repayment of personal loans but for the group members as an entity. Thus the group is collectively accountable to each member's repayment. Consequently, microfinance institutions use information from members during orientation and screening to remove those who are not creditable. The joint liability lending microfinance programmes attract the relatively poor in society, although the poorest may not participate due to selection biases in group formation.

Group loan members attend regular meetings, where they learn and exchange ideas on social issues such as health, nutrition and other life enhancing needs. At times, they are given business training by staff, invited resource persons and board members (SAT, 2008). These social services not only help beneficiaries earn from their loans, but additionally, aid in the development of their human capital, an important contributor to the alleviation of poverty (Datar et al., 2008).

Group-based loans have been employed by governments and non-governmental organisations in making credit accessible to the poor. Available data indicates that group lending within communities have established social networks which lead to interactions useful for economic and social empowerment. Group loans have been criticised for giving out 'one-size fits all' loans with standard and terms almost the same for all clients (Ghatak & Guinnane, 1999). Mayoux (2001) argues that the recognised optimism of the inherent benefits of social capital to both microfinance institutions and their clients tend to overlook questions raised about networks and collective action in current critical literature and the earlier critiques of participatory development.

Mayoux (2001) advocates the need for serious questioning about the types and nature of associational norms and networks promoted and in whose interests and how they can best contribute to empowerment, particularly for microfinance beneficiaries. The joint liability element of group loans, in theory, leads to the formation of homogeneous groups who are likely to have a similar likelihood of defaulting or not defaulting loans (Gobezie, 2004; Nair, 2005). Given the lack of collateral among microfinance beneficiaries the joint liability aspect of group loans tries to address the problem of credit availability, adverse selection and moral hazard.

Information on socio-economic background of borrowers is vital for the growth and continuous access to financial services by the poor and collateral-less beneficiaries (Hollis & Sweetman, 1998). This background information helps to avoid adverse selection by fostering better screening procedures (Ghatak & Guinnane, 1999; Hasan, 2002). Consequently, loan defaulters would decrease since lenders would be informed about the perilous state of clients which in turn reduces risk in lending. And by so doing, clients who would have suffered from the group guarantee requirement get the opportunity to be assisted (Crabb, 2008; Gine & Karlan, 2009).

Individual-based loans

According to Varian (1990), individual-based loans are given to individual beneficiaries who are singularly liable for repayment. They are standardised and limited set of products and services rendered for certain specialised economic endeavours which include specialised loans to small and medium scale entrepreneurs (Khandker et al., 1995). Individual loans are useful to the poor who would not have accessed credit to finance their growing enterprises because of the unavailability of collateral (Dunford, 2002). Women who mostly comprise the poor would have been the worst of.

The products usually start with small loan sizes which are tied to disbursal schedules, frequent repayments and savings in most cases (Pitt, Khandker, Chowdhury & Millimet, 1998). Armendariz and Morduch (2005) indicate that clients who pay on time become eligible for repeat loans with higher amounts and no stringent collateral is required contrary to formal banking practices. Instead of collateral, microfinance institutions use alternative methods, such as the assessment of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows generated by the activities for which loans are taken (Lard & Barres, 2007; Yunus, 1999).

The individual lending facility to the poor appears susceptible to traditional banks due to what they perceive as operational limitations (Nanor, 2008; Ugur, 2006). Literature has shown that researches have indicated the preference for individual loans which are considered to be relatively flexible for the formal financial institutions. Hermes and Lensink (2007) have claimed that group loans rather support outreach of financial intermediation to the poor.

Generally, the two products meet the standards of the poor and non-literates who would not be comfortable with the elaborate credit methodology used by the formal commercial financial sector. Another important service that microfinance provides to beneficiaries is the regular visits by loan officers to provide loan management and business advisory services. In addition to the loan services are savings, micro-insurance and money transfer products which are essential for inculcating a savings mind-set to the clients (Gibb, 2008; Robinson, 2001; Yunus, 2003).

Individual and compulsory savings

The inability of the poor to save has been established by Otero (1999). Meanwhile, many microfinance programmes in SSA have focused on providing permanent, reasonably priced loans that facilitate savings among beneficiaries. Available data indicates that scholars have begun to document empirically that the poor, including rural African populations, can save and invest in assets (Rutherford, 2000; Schreiner & Sherraden, 2007).

According to Vonderlack and Schreiner (2002), savings constitute the basic means of personal financial resource used by the poor. Savings is a microfinance component that helps beneficiaries by conserving monies regularly in the form of individual and group savings. Akanji (2006) and Roomi and Parrot (2008) maintain that savings are important for the safeguarding of income and capital which enable people to secure loans and re-invest in businesses. It is also used by microfinance institutions to mobilise funds to support and meet their lending capacity for the increasing number of clients (Mkpado & Arene, 2007).

Microfinance institutions have included compulsory and voluntary savings in their operations. These allow beneficiaries to deposit regular amounts of money on timely basis. The compulsory and voluntary savings systems in microfinance programmes constitute a vehicle that drives a savings mentality into the beneficiaries. Compulsory savings facilitate repayment of loans and help to accumulate capital whereas, the individual savings are for beneficiaries own investment needs.

Empirical evidence indicates a positive relationship between microfinance and micro-savings (Adjei, Arun & Hossain, 2009; Ssewamala et al., 2010). Savings have been found to have significant positive effect on micro entrepreneurs' businesses and well-being in developing countries such as Bangladesh and Ghana (Vonderlack & Schreiner, 2002). It has been observed to have positive effect on opportunities for improved business activities and capital investment in Ghana and Nigeria (Adjei, 2010; Afrane, 2002; Akanji, 2006).

Sherraden (1991) applied the concept of asset accumulation to include buildup of savings or investments for human capital development and other income-generating activities in a study and indicated that savings constitute the basic means of personal financial intermediation used by the poor. They are means for the poor to accumulate large amounts of money that might be used to purchase costly items or pay for life-cycle events (Mkpado & Arene, 2007). These suggest that savings among microfinance clients have grown to address the multidimensional challenge of poverty (Ssewamala et al., 2010).

Business training for microfinance beneficiaries

A common feature of microfinance beneficiaries whose livelihoods are dominated by non-formal activities is lack of skills. This trend could be due to the generally low levels of education of many microfinance beneficiaries and this impedes the growth of businesses. The existence of training and skill enhancement centres facilitates development of business related skills. Black, King and Tiemoko (2003) contend that the lack of skills poses a challenge to business development and found business training and awareness creation important factors in the promotion of small-scale businesses. It enhances business acumen and competencies to facilitate increased productivity. Studies have shown that microfinance beneficiaries lack training and skills and have low educational levels (Brana, 2008; Cheston & Kuhn, 2002) which affect their incomes and outlook.

Consequently, programmes that upgrade the skills and enhance education of beneficiaries would improve livelihoods. In Ghana, post basic training and skill development have involved non-formal apprenticeship and vocational trades such as catering. These are skill development avenues for beneficiaries and microfinance programmes to focus on. In addition, are the National Vocational and Technical Institute, other vocational and apprenticeship centres which provide on-the-job and business training services.

From the economic viewpoint, Benhabib and Spiegel (1994) contend that on-the-job training aids technology adoption, and economic growth. This is very necessary considering the fact that the economic activities of beneficiaries help boost the business sector. Services such as business trainings and awareness creation programmes can impact positively on beneficiaries' businesses and general outlooks and can therefore, affect beneficiaries' decisions on savings and investment (Duflo, 2006; McKernan, 2002).

Background characteristics of microfinance beneficiaries

Categorising beneficiaries of microfinance schemes forms an essential part of conceptualising the framework of any impact analysis. Background characteristics are personal characteristics such as age, sex, marital status, size of household and years of education and can influence the effects of programmes on beneficiaries. It has been found that microfinance beneficiaries comprise mainly poor households with low educational levels, inconsistent incomes and unstable living environments (Nader, 2008; Rankin, 2002). These characteristics are limitations that adversely affect the majority of microfinance beneficiaries. This suggests that exploitation of entrepreneurial opportunity depends to a large extent on factors such as the entrepreneur's level of education, skills or knowledge acquired through work experience, social network and credit (Duryea & Pages, 2002; Shane, 2003).

Thus, irrespective of the notion that acquisition of human capital could have positive effects on the lives of beneficiaries (Benhabib & Spiegel, 1994), it may not be given the priority it deserves by beneficiaries depending on some individual characteristics. Matin and Begum (2002) note that when financial structures aimed at improving the lives of the poor fail to address such limitations they delay the process of getting the poor out of poverty. For instance low education is presumed to have negative effects on accessing and utilising microcredit as well as credit information that are necessary for good performance

(Kotir & Obeng-Odoom, 2009). Ekpe, Mat and Razak (2010) have shown that individual characteristics affect discovery of entrepreneurial opportunities.

From the choice theory perspective, Lillard and Willis (1994) maintain that factors such as training and education levels, career experience, age and social status do influence individual decisions on choices for development. Kabeer (2001) concurs and points out that higher level of parental education positively influence schooling decisions. Therefore, preferences about children's schooling may be influenced by adult training programmes that highlight the importance of human capital, both as a tool for income generation and as a determinant of the quality of life.

Introducing a gender perspective, some researchers have hypothesised that women have a stronger preference for educating their children than men (Behrman & Rosenzweig, 2002; Sallee, 2001). Gupta and Malhotra (2006) argue that in many African contexts age and gender influence one's position in the household. For instance, old people and male family members usually have the upper hand in taking decisions concerning production, consumption and allocation of household resources.

Implicitly, the ability to even value human capital for development depends, to some extent, on the ability of beneficiaries to access information and on their willingness to act upon the information (Shane, 2003). Research has shown that the recognition and utilisation of a business opportunity could depend on the entrepreneur's level of education, skills or knowledge acquired and social connections (Crisp & Turner, 2007). It is then plausible that education and knowledge could play a role in making rational choices for business benefits rather than individual traits. Folloni and Vittadini (2010) argue that the issues of development must be more than just the expansion of income and wealth, it must focus on peoples' holistic development.

Repayment issues in microfinance programmes

Though no collateral is required in the case of microfinance, contrary to formal banking practices, microfinance programmes use alternative methods, such as the assessments of clients' repayment potential by running cash flow analyses generated by the activities for which loans are taken. The typical loan contract involves repayment in small, frequent instalments starting from immediately after the first disbursement. MkNelly and Kevane (2000) assert that the goal for this strict repayment schedule is to instil fiscal discipline into borrowers. Disbursements and repayments are arranged to suit credit needs and cash flow patterns of beneficiaries' businesses (Osotimehin, Jegede, Akinlabi, 2011).

In relation to group loans, group members jointly guarantee loan repayment, and since gaining access to successive loans are dependent on successful repayment by all group members, repayment rates are usually satisfactory. According to Ledgerwood (1999), payments are usually made weekly and group-based loans have proved effective in deterring defaults. However, Jain and Mansuri (2003) maintain that the repayment schedules which are rigid put the service users to a disadvantage. Most lending contracts require weekly repayment, probably based on the pervasive impression among practitioners that frequent repayment is critical to achieving high repayment rates (Fischer & Ghatak, 2010).

The clients who pay on time become eligible for repeat loans with higher amounts. It can be argued, however, that the satisfactory repayment rates are due to suitable loan sizes, reasonable interest rates and savings modalities. Carsten

(1995) indicates that the increasing use of repayment rates by MFIs as a measure of sustainability shows that such MFIs are more oriented towards the institution-centred approach and more concerned with institutional sustainability rather than the sustainability of the benefits and wellbeing of the poor.

Addisu (2006) has observed that better repayment performance is strongly and directly associated with educational level of the borrower. Asides that the education from awareness creation programmes could also improve on repayment. Frequent loan re-payments can lead to reducing the wellbeing of borrowers and may adversely affect their businesses and development. Fischer and Ghatak (2010) maintain that there is the need to consider the likelihood that loan repayment could adversely affect the welfare requirements and development of human capital as well as other impacts.

There are numerous other factors that can affect loan repayment. The insufficiency of the loan granted and unplanned engagements in business activities could reduce repayment performance. For instance, an individual's zealous desire to invest in human capital development could adversely affect repayment and result in default. In addition, if full loan amount requested for a particular business is not granted and if the borrower is unable to get additional funds to top up it could result in low business return and consequent repayment difficulties.

Government owned and not-for-profit non-governmental microfinance institutions were found to face relatively larger non-repayment due to the credit attitude of borrowers towards such loan (Aryeetey & Nissanke, 2000). The poor loan repayment of such government related loans could be due to poor supervision by Bank officials. Moreover, beneficiaries often treat the loans as grants instead of loans to be paid. From this perspective repayments could have impact on beneficiaries and institutions either positively or negatively. Thus, this research strives to capture the issue of loan repayment of SAT beneficiaries.

Overview of assessment methods of microfinance

A major area of concern in microfinance studies is the assessment criteria of effects (Kabeer, 199). This is due to the underlying reasons for using a particular approach. The literature on assessment of effects of microfinance services brings to the fore three main paradigms; conventional scientific, humanities-based and participatory approaches (Hulme, 2000).

The conventional scientific method draws on the principles of the natural sciences to determine attribution. It seeks to ensure that outcomes can be attributed to causes through experimentation and standardised means of measuring results (Armendàriz & Morduch 2010; Dupas & Robinson, 2009; Hulme, 2000). Under the scientific method, the quasi-experiment and the control group approaches are used. The quasi experiment tries to make comparisons between the outcomes of an intervention with a simulation of what the outcomes would have been without the intervention. The control group approach compares a population that received a specific intervention and an identical one that did not receive the intervention (Bryman, 2008).

Moser and Kalton (1972) espouse the "with and without" or the "control and experiment groups" as helpful in assessing the counter factual situation because it reduces the errors associated with processes of recollection. The methodological problem associated with the measurement of the impacts is estimating specifically the counter-factual situation with the factual conditions of the target group. Afrane (2002) cautions that the cooperation of people in the group could not be guaranteed. Drawing out counterfactual design requires the use of baseline data.

Meanwhile, most microfinance programmes do not gather baseline data on beneficiaries making it difficult to carry out credible "before and after" impact evaluation design credibly. This situation therefore, compels most studies to use cross-sectional surveys to gather information on the loan beneficiaries (ADB, 2007). Considering the preceding discussions and associated weaknesses, the methods of the study process must therefore be understood within the context of the strengths and weaknesses of the "before and after" methodology (Adjei, 2010).

The humanities approach focuses on reasoned argument backed by theory and evidence. Sebstad et al. (1995) and Chen and Dunn (1996) presume that the humanities tradition seeks to provide an interpretive stance to the processes of impact assessment and tries to incorporate social and psychological concerns that rely on an inductive approach which generates qualitative data. The humanities tradition does not demonstrate impact by using statistically defined measures (Rogaly, 1996; Hulme, 2000).

Thus, the validity of results have to be judged among others on the basis of the logical consistency of the arguments and materials presented, the strength and quality of the evidence provided and the quality of the methodology. The advantage of the humanities approach, which focuses on qualitative methods, is that it enables information for better understanding of changes in social relations, perceptions and views on impact issues (Allen, 2002; Schuler & Hashemi, 1994).

The third approach is the participatory learning and action (PLA). The PLA advances the idea that there is no one objective reality that must be understood but rather that there are multiple realities and before any analysis or action is taken the individuals concerned must ask themselves, 'whose realities counts' (Chambers, 1997). The PLA paradigm contends that local people including the poor should be enabled to identify their own indicators and approve their own participatory baselines, monitor and ascertain their own causes of impact (Mayoux, 1997; 2005). Ntifo-Siaw and Bosompem (2009) substantiate that knowledge develop out of a process of varied initiatives through selection and preservation in a dynamic way.

Dunne, Pryor and Yates (2005) indicate that the multiple realities must be understood as in a dynamic social milieu and therefore, not on one objective reality, since that ignores the complexities in social science research. The PLA employs a process which provides a framework for stakeholders, particularly the beneficiaries to be actively involved in identifying their own indicators in data collection and analysis. The participatory method then complements the conventional approach since each approach has limitations and strengths regarding the reliability of results (Afrane, 2002; Gibb, 2008).

Critics of microfinance impact findings indicate that the specific impacts of microfinance are hard to pin down and harder to measure, especially, the social returns of social investments (Brau & Woller, 2004). The criticism of effects is based on methodological issues, such as the lack of using a convincing control group and biased sampling among other factors and the general difficulty in measuring the impact of microfinance on poverty (Manos & Yaron, 2008). Finding a control group that can actually be used to isolate the effects of improved access to facilities to microfinance services can be difficult, especially with the proliferation of microcredit institutions.

There are indications that assessing microfinance effects are confronted with problems, such as estimating counterfactual situations and actual causes of attribution which makes it challenging to obtain a clear estimate of the effects of improved access (Gaile & Forster, 1996; Manohar, 2000; Moser & Kalton, 1972). In addressing the issues of assessment, researchers have brought forth various views. Chen (1997) argues that using experienced clients as key informants for discussing wider or indirect impact and employing open-ended scope of the approach is important. In the view of Bryman (2008) this is because reliability depends in part upon the consistency of respondents' explanations for why certain kinds of impact are more marked than others.

Another strength of the qualitative method is the flexibility in specifying the scope of enquiry (Tewksbury, 2009). Such studies should delve into the means of assessing increased incomes and why this may be difficult due to issues of fungibility and attribution, should be identified before any meaningful relation of microfinance benefits can be ascertained. Afterwards, what the beneficiaries invest in should be critically analysed, particularly with respect to enhanced access to facilities such as schools and skill development. It has been well proven that using rigorous qualitative methods that balance 'positivist/quantitative' and 'participatory/interpretative' approaches is most reliable (Wright & Copestake, 2004; Ntifo-Siaw & Bosompem, 2009).

Hulme (2000) concludes that, an optimal impact study mechanism should be a mix of the different methods, namely; the scientific method, the humanities tradition and the participatory learning and action approaches, for a fit between assessment objectives, programme context, human resources, and timing. This standpoint is what would enhance the reliability of impact results and this should be adopted in impact studies for the domains of assessment.

The domains for assessment should be influenced by factors including study objectives, scope and rationale. Afrane (2002) asserts that each approach has an appropriate time and place and in most cases both are required to meet the other's shortfalls. The trend now, is on the trade-offs when performing microfinance effect assessments though the trade-off between rigour and cost-effectiveness may be more complex (Copestake, 2007).

Units of assessment of microfinance effects

Sebstad, Neill, Barnes and Chen (1995) identify four groups of microfinance impact studies. These are the individual, household, enterprise and community. The impact domains for individuals take account of business enterprises, control over personal resources, leverage in household decisions and community involvement. Considering the goal of microfinance as poverty reduction, changes in the incomes of individuals and households are usually used to assess impact (Johnson & Rogaly, 1996; Makina & Malobola, 2004).

Ghalib (2009) substantiates that, by convention, studies on programme effects use indicators and variables that measure effects in relation to material assets. These effects can be awarded numeric values such as increased income, employment, savings, access to resources, patterns of changes in expenditure and consumption and ownership of physical assets. However, the mode of assessment has now changed to include non-numeric values such as participation in social activities and networks.

Chen (1997) developed a framework for individual level impact assessment which is useful for the study under review. They comprise four spheres of individual's development. These are;

1. Material (e.g. income, assets)
2. Cognitive (e.g. knowledge, skills, awareness)
3. Perceptual (e.g. self-esteem, self-confidence) and
4. Relational (e.g. bargaining power, level of participation in household and community activities).

Though Chen's (1997) typology leaves out institutional aspect, Kabeer (2003) includes it and refers to the dimensions of impact as material, cognitive, behavioural, relational and institutional. The reality, however, is that the objective of the study should determine which dimensions to work with.

Measurement items for individual beneficiaries under each classification show similarities. Generally the material (or economic) effects are measured by increase and stability of income, expenditure and the accumulation of physical assets (Kumar, 1989). According to Marr (2002) and Zohir and Matin (2004), long-term livelihood effects are measured by the actual and perceived return on long-term investments such as housing, education, and fixed assets.

Cognitive effects include changes in knowledge accumulated in training courses and experience exchanged with other members during group meetings and daily activities, as well as education and skill development of clients' children. The perceptual effects focus on involvement in decision making at home, the degree of participation in group and community activities, and the perception of treatment by others. Marr (2002) and Zohir and Matin (2004) take into account awareness creation among beneficiaries during social groupings. Relational effects focus on involvement in organisational activities at the communal level. They are expected to be measured by the degree of participation in community and social organisations and the level of mobility (Duvendack et. al, 2011).

Microfinance is assumed to provide more social outlets to its clients, and thus, members will be more involved in community organisations and activities. The breakdown of units of assessment is detailed enough and even extends beyond the individual and could therefore present a fair view of the effects on other household members and community relations (Ghalib, 2009; Quainoo, 1997). However, the assessment models failed to indicate the time-frame for each group of impact and how they were linked.

Apart from the individual impact dimensions, Chen and Dunn (1996) introduced the Household Economic Portfolio (HEP) framework which comprises three elements, namely resources, activities and the circular flows between resources and activities. The framework stresses that microfinance loans provide additional financial resources that the household can use on any activity depending on socio-economic factors such as values, priorities and intra-household decision processes. According to the Assessment of Impact of Microfinance Studies (AIMS) (Chen, 1997), the main limitation of the HEP model is that it is not very helpful in analysing the effects from external factors on the household.

Other units of assessment are the community and institutional (Hulme, 2000; Otero, 1999). The community unit allows for capturing externalities of interventions and it is criticised for the arbitrary definition of its boundary. The institutional unit focuses on factors such as financial and operational issues of the financial institution. Sebstad et al. (1995) claim that microenterprise activities impact not only on programme beneficiaries but also on other household members through intra-household dynamics and contend that households should be the focus of impact assessments. The authors, however, indicate that different household members may feel the impact of microfinance differently.

Each of the various units of assessment has its strengths and weaknesses. Obviously, getting an optimal framework for assessing effects, should consider a mix of factors from the various units, whilst bearing in mind the research objectives and focus. The debate on assessment modes indicates that a focus purely on the 'individual' or the 'enterprise' or households could have drawbacks (Bell, 2008). The challenge is how to achieve an optimal mix so that the strengths of the units can be integrated for depth and valid results. The literature review reveals that obtaining credible results from the various units is achievable depending on the combination of the types of analysis and selection of variables.

Domains of change and related variables

The traditional type of assessment of effects focuses on economic indicators, particularly changes in income. Other commonly used variables have included levels and patterns of expenditure, consumption and assets. Sebstad et al. (1995) indicate three areas of impact at the household level namely income, expenditure and assets and these areas are relevant to all units of assessment. Social indicators such as educational status, access to health services, and participation in social organisations have been extended into the socio-political arena in an attempt to assess whether microfinance can promote empowerment (Hulme, 2000).

Barnes and Sebstad (2000) maintain that asset is particularly useful as an indicator of impact because the value of an asset does not fluctuate as greatly as other economic indicators which are not based on an annual estimate. Zohir and Matin (2004) go further in classifying effects into four domains namely economic, social, political and cultural. Impacts on the economic domain are created through engagement with various markets such as the labour markets, capital, goods and services. With respect to the social domain, effects refer to changes in social relations between individuals and other members or groups in a given society.

The political domain entails obligations between individuals or households and government agencies or civil society. Finally, the fourth, which is the cultural domain, entails changes in values, beliefs, perceptions and norms associated with social, economic and political domains. Marr (2002) and Zohir and Matin (2004) state that the economic domain effects occur faster than the others such as social, cultural and political, which are believed to materialise in a longer period. This is so because engaging in the economic domain produces short term effects usually in the form of income. Such economic gains then facilitate the mobilisation process towards the social and political domains.

Sebstad et al. (1995) differentiate between 'domains of change' (e.g. household income) and the specific 'markers of change' such as amount of income, number of income sources and seasonality of income, within each domain. According to Chen and Dunn (1996), what is important is identifying the relevant indicators for the issues under study and this requires a classification of the levels of effect as to whether they focus on the individual or an external entity (Chen, 1997).

McGregor, Mosley, Johnson and Simanowitz (2000) categorise the effects of microfinance into two main groups, namely the narrow and wider groups. These terms differ primarily by their domain and level of effects. The narrow classification refers to the individual effects and household levels whilst the wider classification covers effects at the community, regional and national levels. At the 'narrow' stage, it is anticipated that the socio-economic effects of microfinance will be most dominant whilst the political and cultural effects are expected to be observed at the 'wider' stage (Islam, 2009; Simanowitz, 2004; Zohir & Martin 2004). In other words, microfinance interventions can have effects on its beneficiaries and other unintended beneficiaries including children.

To ensure effective analysis of microfinance effects on individual beneficiaries, it is important to look at the relationships at play within the household and among members in decision-making relating to choices (Cheston & Kuhn, 2002; Mayoux, 1997). Thus studies on effects at the individual level should probe trickling effects. Such probing of effects can be effective when qualitative methods and good interviewing skills are employed to unravel unintended, but, important trickling effects.

The examination of microfinance effects on beneficiaries requires a summary of the main services of the programme since some contemporary microfinance institutions provide other services in addition to loans. Microfinance effects are the financial and non-financial gains/losses that affect beneficiaries. These include cash income, loans for social activities such as funeral and education, compulsory savings and earnings, business training and other innovative approaches such as awareness creation on topical issues including the importance of education, skill development, health and nutrition and social networks derived from membership of the programme and their benefits.

Zohir and Matin (2004) have explicitly shown factors such as social mobilisation as inherent in identifying the effects of microfinance at the individual beneficiary level. Thus to better appreciate the analysis of effects on individual beneficiaries certain theories offer insights into the potential factors that provide sociological and economic reasoning for the choice of human capital development by beneficiaries (Babalola, 2003; Becker, 2001; Spilerman, 2000).

Theoretical perspectives of human capital development

The theory of human capital development is important to the multi-dimensional perspective of poverty reduction and provides a basis for a positive relationship between human capital development and poverty reduction (Becker, 1964; Schultz, 1961). The theory of human capital posits that investments such as education, training and health can be made in human beings to generate potential returns to the initial investment for improved productivity and socio-economic development (Langelett, 2002). Implicitly, it is recognised that human beings are the most principal agents of development.

As this study, examines the building of human capital of beneficiaries in microfinance, the theoretical perspective on human capital is of utmost importance. The concept of human capital is known to have first appeared in the writings of Theodore Schultz (Blaug, 1976; Schultz, 1963). Blaug (1976) indicates that the birth of the theory of human capital was pronounced in 1960 by Theodore Schultz and the conception was said to have taken place two years later with the publication of the Journal of Political Economy in 1962.

The theory of human capital is however, centuries old. For instance Aristotle (384-388 BC) claims that humans are the real ends of all activities. Similarly, Smith (1776) and Marx (1844) contend that one's capability of functioning determines one's well-being. These ideas fostered the development of a discourse centred on the notion of human capital and how it could best address the development concerns of achieving basic needs (Badelt, 1999; Lipton, 1968; Streeten, 1999). The concept of human capital was first applied in analysis regarding the economic lives of people when Mincer published the 'Investment in Human Capital and Personal Income Distribution' in 1958 (Mughal, 2007) to study the effects of human capital on workers earnings.

Benson (1978) writes that human capital theory is based on two main assumptions which are that 'education helps to develop skills for work, that is, improves the capacity of the worker to be productive and that earned income reflects marginal productivities of different categories of workers' (p. 101). Enhanced knowledge and skill development enable people to have productive lives with better income and meaningful participation in social lives (Anand & Sen, 1994; Holzmann & Jorgensen, 2001; Jayachandran and Lleras-Muney (2009).

In the classical economic viewpoint, the basic factors of production are land, labour and capital. Physical capital was assumed to be critical in production processes. However, by the 1960s the primary focus on physical capital growth was giving way to the concept of investment in human capital and its effects for development (Meier, 2001). Thus, contrary to the dominant conceptions of development economics, it became progressively more acknowledged that development depended on productive human agents who could increase productivity owing to the attainment of knowledge, skill, better health and nutrition.

Arguably, capital and natural resources are inert factors of production while human beings, who constitute labour, are the active factors who accumulate capital, exploit and utilise natural resources. Contrary to these, Bourdieu (1986) has a very politically engaged vision of the forms of capital and stresses that the human capital theory identifies that the most limiting barriers to human development are not physical but deficiencies in knowledge, vision, attitudes and aspiration for higher accomplishment.

Furthermore, Psacharopoulos (1997), Krueger and Lindahl (2000) observe that human capital is a pre-requisite for reducing poverty in the long run. The World Bank(1998) notes that balance between knowledge and resources has moved more towards knowledge and it has become perhaps the most significant feature, compared to land, tools and labour, in determining living standards of people.

Marshall (1998), points out that human capital develops out of any activity capable of improving individual worker productivity and in practice factors such as education, training, skill development, knowledge and work habits embedded in a person are recognised as the main example (Beach, 2009; Frank & Bemanke, 2007). It could be argued that the provision of labour occupies prime place in production because without it other factors of production would not be developed. This might have reinforced the criticisms of the classical models of development.

Subsequently, in most developing countries, including Ghana, governments have made policies and plans to mainstream human capital development mainly through education in the development process for its anticipated multiplier effects on recipients (NDPC, 2008). It should, however, be noted that sustaining education is critical in that it is proven that the actual experience of sustained education and or vocational training provide additional opportunities for people to build social and emotional resilience. It also provides protective factors that may minimise the possibility of exposure to extreme poverty (Ssewamala et al., 2010).

Sen (1994) and Fagerlind and Saha (1997) have argued that human capital offers a justification for expenditure on education in developing countries to ensure capability of the people and optimal performance in their endeavours (Langelett, 2002). Consequently, the central idea is that knowledge acquisition changes people's perceptions and expectations of themselves and the society around them. Schreiner and Sherraden (2007), claim that people's behaviour and attitude can be influenced by access to such assets. This, in turn, affects their freedom to make choices and develops their human capability, known collectively as human capital.

Yet the human capital idea is challenged for its overemphasis on education. Fagerlind and Saha (1997) dispute the view that education is the single most important solution to the attainment of development objectives. This is a risky position since education alone cannot attain the desired goals without proper improvement in non-human capital factors. In addition, the human capital theory has been criticised that at the individual level, it has become controversial as to what extent investments in human capital directly relate to improvement in occupation and income.

Similarly, Solow (1965) and Benson (1978) question the overemphasis on education as improving productivity and increasing wages. They agree with other reviewers that the focus on the rate of return based on statistical measures tends to overrate the contribution of education to human development. Marshall (1998) has reported that in the Marxist renaissance of the 1960s, human capital development was criticised for legitimising individual bourgeoisie and it was attacked for blaming individuals for the defects of the system, making pseudo-capitalists out of workers.

Regarding the significance of human capital in development, many countries have tried to effectively and efficiently measure it to know their current status (OECD, 2009) and to make their development policies. According to Kwon (2009), many empirical studies indicate that human capital affects numerous social elements and as such various methods have been used to measure it. As a matter of fact there is no one way of measuring human capital since it is context specific (Baron, 2011). What is important is that the processes of measurement should be accurate and truthful.

The traditional form of measurement has focused on using proxies such as productivity and income which have been criticised for failing to measure realistic human capital. The traditional methods of assessment of human capital have been classified as output-based, cost-based and income-based. Nehru, Swanson and Dubey (1993) explain that the output-based approach measures human capital by school enrolment rates and accumulated years of schooling. The income and cost based approaches measure human capital by income returns to the individual and cost of investment in education (Barro & Lee, 1993; as cited in Kwon, 2009).

The three measurement approaches are skewed towards quantitative benefits with little consideration for qualitative effects. This deficiency accounts for the demerits of the conventional measurement of human capital development. Wolf (2002) has stated that it is possible to measure actual human capital instead of focussing on output-based, cost-based and income-based aspects. Most researchers have measured human capital on the basis of investments in education and training which usually affects the individual's efficiency (Beach, 2009; Schultz, 1961).

It is expected that other important factors influencing human capital development would be incorporated in the basic formula although it is agreed that many factors, such as those underlying investment choices, may not be measurable (Benson, 1978). Marshall (1998) affirms that even in economics, critics of human capital theory point to the difficulty of measuring key concepts, including future income and the central idea of human capital itself.

Components of human capital from the theoretical perspective

Human capital comprises knowledge, attitudes and skills that are developed and valued primarily for their economical productive potential (Hornbeck & Salamon, 1991). Sen (1999) indicates that human capital seems to be synonymous to knowledge and skills and is self-generating. This is corroborated by Alan, Altman and Roussel (2008) who refer to human capital as generic knowledge and skill, generally accumulated through formal and non-formal education, training, workforce skills and experiences and these facilitate the creation of personal, social and economic well-being.

Schultz (1961) clarifies that human capital is developed by investing in five things. These are formal education at primary, secondary and higher levels, study and training programmes for adults, on-the-job training, apprenticeship and work experience. In addition are other factors such as health, improved life expectancy, strength and vigour of people as well as mobility of people to benefit from job opportunities.

Following from that, Becker (1964) classifies human capital into specific and general. The specific are generally firm related and focus on investments between firms and workers to make them more productive in their existing occupations. The generic knowledge and skills are usually intended for future well-being with the intent to increase the individual's expertise. Such investments include education, on the job training, access to information and medical issues. But the two forms of human capital enhance knowledge, skills and health which foster development.

Similarly, the OECD (1996) broadly interprets human development as having four main elements. These are educational attainment, skills, health and the set of employment strategies that connect people to business enterprises with the required skills to reap the maximum benefit from economic opportunities and to quickly adapt to new challenges. Thus the individual's human capital focuses on knowledge, skills, employment capabilities and health which are key drivers for development. Beach (2009) also contends that most researchers have accepted that the capability of human being is embedded in knowledge and skills.

Skill development and enhanced knowledge

Notwithstanding the agreement that types of human capital investment generally include health and nutrition, the concept stresses on skill and knowledge obtained through formal and non-formal education (Anand & Sen, 1994; Mughal, 2007; OECD, 1996). These could be through educational activities such as compulsory basic education, vocational and technical education, secondary and postsecondary education (De la Fuente & Ciccone, 2002, cited in Alan et al., 2008). The extent of people's knowledge, the intensity of their aspirations, the quality of their attitudes and values, skills and information are crucial determinants of successful economic endeavours (Afrane, 2002; Olaniyan & Okemakinde, 2008; Psacharopoulos & Woodhall, 1997).

Hence, human capital theory sees education, whether formal or on-the-job, as an investment both for the individual and society, the later providing resources to promote it. Investment in education increases the productivity of humans which in turn increases the individual and national income (Olaniyan & Okemakinde, 2008). Thus human capital appears to be identical to knowledge and skills and can be accumulated through working experiences and education (Alan, Altman & Roussel, 2008). While knowledge and skills are key elements, health is also relevant in human capital development.

Prominence of human capital theory and microfinance

The importance of the human capital development of microfinance beneficiary originates from the theory of human resource primacy in general socio-economic development. This theory assumes that labour occupies a prime place in production because without it other factors of production which are land and machines would not be developed (Ikeanyibe, 2008; Schultz, 1961). Whilst not denying the importance of the other factors of production, the human capital theory assumes that human beings are the most important assets of a nation or an organisation.

The importance of human capital development to microfinance institutions to generate opportunities has been mentioned by researchers (Behrmam & Knowles, 1999; Afrane, 2002; Matin & Begum, 2002; Pitt, Khandker & Cartwright, 2003). Consequently, the assessment of the effects of microfinance has been demonstrated by using human capital theory and social capital theory (Al-Mamun, Malarvizhi & Wahab, 2011).

Thus, from the theoretical underpinnings, even though microfinance may target individuals at the micro level, building of skills by beneficiaries, in totality can have macro theoretical implications and general economic consequences (Miller, 1967). Fitz-enz (2000) indicates that among the productive forms of capital, human beings and neither money, machines nor buildings, are the most essential factors that determine economic growth. In Langelett (2002) view, at the micro level, individuals make decisions on human capital development which are facilitated through training and educational experiences primarily for the sake of both future monetary and non-monetary returns.

Consequently, the primary concern of the client-centred microfinance approach, in both theory and practice, is paying attention to the human development of beneficiaries and related outlook in transformation. This would then have a profound appreciation of when beneficiaries get properly set on the route to poverty reduction. Some studies have found that microfinance had some positive impact on beneficiaries' human capital, majority of who were women, in developing countries (Elahi & Danopoulos, 2004; Mosley, 2001).

Nanda (1999) argues that changes in women's status, through the influence of microfinance programmes, may redirect household resource allocations to human capital formation. Some researchers have indicated that women have a stronger inclination for child education than men (Behrman & Rosenzweig, 2002; Sallee, 2001). Since most microfinance beneficiaries are women (Mahjabeen, 2008), it stands to reason that microfinance in general could influence human capital development among other investment choices.

Measuring human capital

Most of the existing methods for measuring human capital have been influenced by the tradition and research in the fields of accounting, economics and human resource accounting among others (Malhotra, 2003). The main category of models of measurements of human capital has been at the National levels with a focus on measuring national knowledge assets and intellectual capital. These measures focus on broader levels and are proposed by the world development bodies such as the UNDP and the World Bank. An example is the UNDP's human development index (HDI). The other category of measurement is those developed to assess organisational and institutional capital. These focus on indicators that measure staff competencies and guide industry practices (Sveiby, 1997).

The two models, though provide more comprehensive standards for measurement, dwell on national knowledge resource which may fail to yield insightful observations (Malhotra, 2003) for the non-tangible knowledge resource which is characteristic of the poor and non-literates who dominate the microfinance sector. Such measures are not very relevant for local level studies of microfinance beneficiaries' human capital development. Investment in skills is done in various situations. For instance the OECD maintains that education qualification measures which are among the key indicators for measuring knowledge by the world bodies are simple but weak proxy for human capital (OECD, 1998).

Srinivasan (1994) maintains that the constituents of HDI, specifically, life expectancy and educational achievement are indications of performance but their relative values cannot be the same across individuals, socio-economic groups and countries, different countries express education in different ways. Other researchers have argued that, it is exceedingly challenging to measure the cost of individual and family investment in human capital in that the total costs of education, housing, food, clothing, health care and transportation are clearly indistinguishable (Malhotra, 2003; Kwon, 2009)

Consequently, such measurements do not rigorously take into account certain costs when household human capital investment is estimated. In addition, not all the components involved in the production of acquired skills and abilities are well identified (Folloni & Vittadini, 2010). Wolf (2002) adds that some indicators used in assessment by the traditional human capital measurement are inadequate and argues that for instance, using a worker's wage as a proxy to measure human capital barely measures realistic human capital and suggest a weakness.

According to Srinivasan (1994), the issue is not the concept but empirical. The indices do not avail themselves to extra contextual information that may be relevant to the explanatory power of income for the variances among countries. Thus the HDI is conceptually weak and empirically illogical with serious challenges of non-comparability over time and space. In as much as human capital ought to be measured in some way for empirical issues, measures should be culturally specific and avoid issues of inadequate coverage, inaccuracy and preconceptions.

Many international indicators are restrained by existing data generally designed to measure education and training systems (OECD, 1998). OECD therefore, does not propose any single measure and has therefore identified three broad approaches. The first is educational attainment or highest level of education described in terms of the percentage of the population that has completed various levels of formal education as defined by the International Standard Classification of Education (ISCED) which are years of education or level of education.

The critique of the ISCED is that it does not look at human capital attributes directly but rather at the completion of educational levels, which is only broadly associated with some forms of economically-relevant knowledge and competence. It takes account neither of skills and competences gained after the completion of formal education nor of the deterioration of abilities through lack of use because skills can depreciate (Malhotra, 2003). Kwon (2009) argues that this concept disregards less formal learning gained through the acquisition of knowledge and skills through an individual's own experience.

The second one is measuring adult skills directly to determine whether they have certain attributes relevant to economic activity. This model uses the International Adult Literacy Survey (IALS), in which adults are tested on three literacy scales, and assigned, to one of five levels of literacy on each scale (OECD, 1998). The model uses detailed interviews with a sample of the working-age population in their homes, consisting of both a test of respondents' ability to carry out certain tasks and a gathering of background information on the social background of participants such as age, socio-economic status and participation in various educational and other activities that may be associated with human capital formation.

The third measurement is estimating the market value of human capital differences in adult earnings that appear to be associated with particular individual social background to estimate the market value of these attributes. One way of quantifying the human capital stock is therefore by aggregating the higher earnings of individuals associated with particular attributes. There have been attempts to devise a *labour-income-based* (LIB) measure, based on earnings differentials associated with levels of educational attainment.

From the human capital measurement discourse, it is obvious that without considering the socio-cultural contexts in which the development process is taking place, the significant effects of human capital may not be amply realised and may not be meaningful to the particular study. According to (Malhotra, 2003), the OECD human and social capital measurement models seem to introduce better sociological and behavioural understanding. The IALS focus on cross-curricular skills among school-age children and life skills and knowledge among adults. These cover broader perspective than existing international tests of student achievement. Using such broader perspective allows for incorporating context specific indicators which correspond to the real situation.

Empirically, some researchers have conceptualised human capital as knowledge, skills, health, attitude, ability and behaviour embedded in an individual (Afrane, 2002; Beach, 2009; Frank & Bemanke, 2007). Given the focus of this research to assess the human capital acquisition for socio-economic development of microfinance beneficiaries' majority of whom are poor and non-literates the OECD (2009) IALS model seems relevant for this study. To produce more direct measures of human capital for this study, information on beneficiaries' knowledge, skills and other attributes that enhanced their socio-economic lives were measured using a Likert scale for three proxies.

Rational choice theory

This study seeks to understand some of the key factors that influence peoples' investment choices. From a socio-economic standpoint, the rational choice theory should be considered for a better understanding of the interface between microfinance and human capital development. Rational choice theory rests on different claims and assumptions and critiques that are relevant for this study.

Raising levels of living does not require only basic needs such as food, clothing, shelter and health. Todaro (2000) and Fukuda-Parr (2002) have indicated that it includes higher incomes, enhanced education, job availability and giving attention to cultural and human values since development connotes expansion of choices. In effect, individuals seek to meet fundamental basic needs as well as strategic social and human capital needs as they all form an integral part of overall development. The strategic needs are needs such as skills and knowledge that effectively targets the causes of vulnerability. However, individuals most often than not are faced with constraints in meeting their basic needs. According to Feddersen (2004) and Hampsher-Monk and Hindmoor (2009), individuals, particularly the poor, are compelled to make choices among multiple needs.

Thus the rational choice theory also known as choice theory or rational action theory is a framework for understanding individual actors as behaving in a manner such as they can be deemed to be doing the best they can for themselves, given their objectives, resources, and circumstances (Becker, 1976; Scott, 2000). The theory emphasises that humans are purposeful and goal oriented and that before making choices humans make rational assessment with respect to alternative needs. It therefore, means that humans would weigh the costs of alternative services to ensure maximum benefit (Hindess 1988; Mckenzie & Woodruff, 2006).

In other words, individuals must envisage the effects of alternative courses of action and weigh up the action that would bring them the best results. According to Homans (1961), people make choices in relation to both their goals and the means for achieving them by comparing the costs and benefits of different actions. In this sense, individuals would apply rational thinking to social phenomena such that people would form associations if it is possible for members to have some monopoly over a resource (Heath, 1976; Oliver & Marwell, 1988).

Folloni and Vittadini (2010) maintain that the new approach to the rational choice seeks to determine the reasons why an individual would decide to invest in his/her personal skills to make clear the distinction between the value and aspiration of the individual which goes beyond the economic dimension, and the value of his/her skills. By drawing from rational choice theory, the study aims to understand why beneficiaries invest in the way they do to better appreciate how beneficiaries perceive their actions. Thus the rational choice theory may help to know the assumptions that inform how the poor prioritise asset accumulation. For instance, there is the need to learn about the relationship between microfinance beneficiaries' resource endowments and the choice of human capital development in breaking any poverty cycle.

Educating self and children, improving health, accommodation and food and nutrition status are all choices that can affect household income and poverty reduction. These kinds of investments could be influenced by certain beneficiary values, characteristics and vice versa. For instance beneficiaries in the urge to choose meeting their human capital development aspirations may not honour their loan repayment schedules by using whatever monies they receive from their businesses to pay for the human capital development expenditures. Thus the over ambitious attempt to invest in the human capital items are likely to affect repayment rates.

Langelett (2002) indicates that economists usually presume that individuals both rich and poor are rational in their decision-making and as such when deciding to make an investment in human capital, weigh the expected costs and benefits before deciding to invest. Thus, the assumption of the rational theorists can be used to examine how beneficiaries of microfinance prioritise their preferences in the face of financial and resource constraints.

Peoples' investment interests have implications in understanding how the poor recognise the value of human capital in their development process (Scott, 2000). Crisp and Turner (2007) note that, the emergent social phenomenon that develops from rational choices constitutes a set of parameters for consequent choices by individuals. It could therefore determine distribution of resources as well as enshrining norms and obligations in a situation when individuals weigh the pros and cons of investment actions for short and long term development. Crisp and Turner's (2007), argument agree with the new approach of the rational choice of investing in human capital by individuals.

In other words, the individual's access to a social group is likely to influence the individual's decisions and choices. Rational choice theory, an approach used by social scientists to understand human behaviour, shows that an individual's decision to allocate incomes among alternative needs can be situated in the group culture. When people interact they share experiences and ideas, learn and encounter rewards and retributions which give insight on actions and outcomes (Oliver & Marwell, 1988; Ridley, 1996).

Thus improving an individual's life is determined by the choices made by the individual regarding where and how to invest incomes. Thus, each member of society decides whether, and how much, to invest in their own human capital. The money spent on human capital investments could have been invested elsewhere, such as in physical capital, homes, or financial market (ADB, 2007; Mosley, 2001). The rational choice theory has been much criticised. According to Green (2002), the rational choice approach may be criticised on a practical, empirical, or theoretical basis. On the practical level critiques say that rational choice theorists are not asking the right kinds of questions.

Regarding empirical issues Sen (1994) and Green and Shapiro (1994) argue that the empirical outputs of rational choice theory have been limited. The contention is that much of the applicable literature was done with weak statistical methods. Schram and Caterino (2006) argue that when corrected many of the empirical outcomes no longer hold. Much more should be known about how rational choice could link people to engage in relationships for social and productive benefits. A critical look would now be taken at social capital and how it reinforces beneficiaries' improved lives.

Social capital theory

Another relevant theory which informs this study is social capital. The theory reinforces the concept of social relationships and networks which are key features of microfinance systems. Dash (2012) notes that, contemporary microfinance is a development finance that also focus on social impact through innovations that engenders social capital as a development strategy for the poor. In that regard social capital definitions, features and the philosophies underlying its prospects as well as criticisms put up against the theory have been addressed.

Social capital, though not labelled as such, has existed ever since small communities got formed and humans interacted with the expectation of reciprocation and trust (Portes 1998; Woolcock, 1998). Haynes (2009) and Putnam (2000) assert that social capital has emerged as an influential research theme in a number of disciplines in the past twenty years. According to Karlan (2007), social capital is an important aspect of microfinance.

Earlier studies relating to social capital were focused on descriptive models that determined the relevance of the social network features of microfinance (Karlan & Zinman, 2008; Rankin, 2002). These descriptive models though did not appear robust methodologically, helped to capture the nature of the social networks usually mentioned by microfinance beneficiaries. Essentially social network concerns in research should consider the distinction between weak and strong bonds since the two have their different effects (Afridi, 2011).

Nahapiet and Ghoshal (1998), state that, social capital is the sum of the actual and potential resources derived from the network of relationship possessed by an individual or social unit. The connections help people to confront and or ameliorate poverty as they access resources (Portes, 1998) through the utilisation of social, economic and or financial links by way of their engagement in the local economy (Woolcock & Narayan, 2000). Putnam (1993) indicates that social capital comprises social organisation which entails trust, norms and social networks that can promote coordinated actions in a society. Thus social capital refers to informal networks of social support, including familial, customary ties and associated relationships that provide external connections through collective action.

Conceptually, Putnam, Leonardi and Nanetti (1993) proposed that the key features of social capital are participation in local activities and organisations, generalised trust and reciprocity and the access to and use of resources of the group. Social capital connotes goodwill and solidarity generated by the fabric of social relations that can be used to act in the interest of group members (Adler & Kwon, 2002). Probably this idea might have informed the formation of solidarity groups which is a principal component in microfinance. Afridi (2011) cautions that paradoxically the social network ties that are most valuable for individual's economic development are not with strongest ties.

Marx (1844) states that without solidarity, particularly, those caught in structurally weak positions would not be able to improve their situation and could not achieve that goal alone, except on rare occasions. Marx's assertion is relevant to microfinance targets as well. Acting collectively can yield short and long term personal gains. However, this can only be achieved if people's solidarity and trust towards others in a similar position is strong enough. The idea of trust cannot be seen in purely rational terms since in most instances trust and justice from people have a moral force that defies sheer rational considerations (Cook & Emerson, 1978; Elster, 1989a).

Coleman (1988, p. 101) identifies with the proposition that social capital resides within connections and 'just as physical and human capitals facilitate productive activity, social capital does as well' Implicitly, social networks could lead to actions that expand opportunities and create choices for dynamic change in the lives of the poor. If developing countries and microfinance institutions work together, combine programmes and resources then there could be a rapid improvement in poverty reduction among beneficiaries. Deloach and Lamanna (2011) has reported that the absence of microfinance institutions affects the potential to decrease social capital.

Both intangible and tangible social, psychological and economic benefits (Lin, 2000) aid purposeful and resolute relationships which produce self-esteem, self-confidence and belongingness. The emphasis here is that social capital exists between individuals and by extension can be accrued by the individuals to their gains. The socialisation processes lead to interaction and consequent social and productive networking which could affect the views and values of members positively or negatively (Sebstad et al., 1995). In addition, Woolcock (1998) and Woolcock and Narayan (2000) recognise the relationships that occur out of the connections as resources that are useful in times of need, particularly for the poor and that can even be used to assist in the acquisition of material gain.

The idea that an individual, group or institutional attribute could trigger individual and household choices might have informed Becker's (2001) assertion that peoples' behaviour can change if they develop strong positive intent and make a commitment to achieve an objective. Social capital is seen by Fukuyama (2002) as the connections between individuals that can impact on their development aspirations. Thus social capital can be understood as emerging from the individual's connections which can help in accessing important social and economic opportunities (Cross & Cummings, 2004).

Generally, the social capital concept reveals itself in five main dimensions which manifest in various forms through interaction among members of a group, organisation, community, society or simply network (Paxton, 2002). These five dimensions are the networks-lateral associations, reciprocity-expectation, trust-willingness, social norms and personal and collective efficacy. All the dimensions emphasise associational norms as vital to networks.

Hjerppe (1998) adds that social capital must be accumulated in one way or another as a strategy to derive benefits to enhance one's livelihood. This implies that individuals have a role in the acquisition of social capital. Social capital, established through social networks, has been found to be important for starting and growing businesses (Brata, 2004; Lin, 2000; Mkpado & Arene, 2007). Networking provides opportunities for collective activity and mutual assistance which are necessary for low income, small-scale business operators. In this regard social capital denotes norms and networks which foster collective action (Knoke, 1999; Musai, Abhari & Fakhr, 2011).

Tata and Prasad (2008) found out that social capital has offered the opportunity for women entrepreneurs to network and gain access to information and resources useful for their business. However, it must be noted that a network is a complex system from which not all members benefit equally. There are variations regarding the levels and depth of relationships among individuals and between groups. Implicitly, some would be at a disadvantage and relationships are likely to be determined by a myriad of factors, including background characteristics such as social and education status (Gibb, 2008).

Theorists, however, hold different views on the usage of the concept and its related gains between individuals at the individual level or community level. Putnam (1993) focuses on the gains going to the community. Though differences in emphasis occur in the various views on social capital, they rest upon the idea of harnessing social interactions for economic and social gains.

Musai, Abhari and Fakhr (2011) agree that there are different definitions for social capital but all emphasise the means for reaching goals for personal and group benefits. These include increase in human capital, financial development, investment, innovation and creativity.

Putnam (2000) sees social capital as one of the three legs of a tripod whilst the other legs are the human and physical capitals. Social capital is multi-dimensional and has inter-linkages with other capitals (Nezhad, Zedeh & Goodarzi, 2007). Bassani (2008) in his study shows that social capital can be related to human capital to some extent. In view of the multi-dimensional nature a number of studies have measured social capital using the multiplicative approach (Nezhad, Zedeh & Goodarzi, 2007)

Several recent innovative studies have attempted to measure social capital and its contribution to economic development. Morris (1998) in his study relied on separate measures including membership in association to measure social capital in India and revealed that social capital helped in reducing poverty. A commonly used measure of social capital is membership in informal and formal associations and networks using multiplicative indicators (Narayan & Pritchett, 1999). The findings indicated a strong association between social capital and income. Onyx and Bullen (2000) developed eight factors for analysis comprising participation in local community, feelings of trust and safety, neighbourhood connections, family and friend connections, tolerance of diversity, value of life, and work connections.

In the context of microfinance and its group lending approach, the dimension of social capital is relevant. The group lending approach requires regular group meetings which improve relations since group members are not only responsible for repayment of their own loans but for that of the entire group

(Ghalib, 2009). Arguments put forward by de Mel, McKenzie, Woodruff (2008) and Duvendack, Palmer-Jones, Copestake, Hooper, Loke and Rao (2011) indicate that peer pressure and monitoring among group loan beneficiaries corroborate the understanding that individual and group networks respond to the idea that joint liability eases the capital constraints of the poor.

Narayan (1997), Nahapiet and Ghoshal (1998) and Baron (2001) show that in the absence of formal enforcement systems among non-formal financial institutions, the element of social capital has become a factor for dependence. The influence of the microfinance approach in advancing the theory and practice of social and human capital development is most important. Bassani (2008) argues that social capital and human capital are related to some extent in that a child's education capability can be influenced by certain aspects of social capital. Kwon (2009) has established that for arriving at more accurate measurement of human capital it is important to recognise the relationship between human capital and other relevant factors including social capital.

Social capital theory has been criticised in various ways. According to Haynes (2009), social capital theory is a concept based on a misleading metaphor, it is weaken in stance. It is not just difficult to define and operationalise but it is impossible to measure. Furthermore, social capital, as outlined in literature, can be a hindrance to economic success, with different types of negative externalities, barriers to meritocratic and efficient decision making.

Considering the poverty dimensions of microfinance beneficiaries it becomes critical for them to access the needed social support. Such external systems can give latitude to people to benefit from non-family connections which have been weakened in developing countries, though it used to give respite to the poor who dominate the socially excluded groups. Haynes (2009, p. 4) argues that before the concept of social capital is "introduced as an explanation or description of events to support their research, scholars must be clear that it is able to add value to their findings by being able to accomplish the work that they expect it to perform".

CHAPTER THREE

EMPIRICAL REVIEW AND CONCEPTUAL FRAMEWORK

Introduction

Many empirical studies have been conducted on the effects of microfinance on beneficiaries' social and economic activities. A review of the literature then requires a reflection on previous studies to help evaluate research designs for informed purpose. This chapter deals with a review of empirical literature on microfinance, its effects on poverty reduction and its related influence on human capital development to inform how similar studies have been carried out, results and lessons learnt. The empirical review concentrates on nine studies from outside Africa, within Africa and from Ghana. The review focused on the research objectives, methodologies, findings and conclusions. Lessons drawn from the studies informed the conceptual framework.

Reviewed studies were Hossain (1988), Devi, Ponnarasi and Tamilselvi (1998), Afrane (2002), Maldonado, Gonzalez-Vega, and Romero (2003), Gibb (2008), Kotir and Obeng-Odoom (2009), Hoque and Itohara (2009), Adjei (2010) and Esnard-Flavis and Aziz (2011). All the studies aimed to assess programme effects with the underlying assumption that access to financial intermediation can lead to opportunities for poverty reduction.

One of the earliest and most cited studies that undertook a comprehensive impact analysis on microfinance was conducted by Hossain (1988) on the Grameen Bank programme to evaluate the role of credit in reducing rural poverty. The study compared clients who had been on the programme for more than three years and new clients at the time of the survey. Cross sectional design was used to gather quantitative and qualitative data to examine the effects of loans on beneficiaries' business incomes and acquisition of assets. Descriptive statistics such as frequencies and means were employed to describe variables and relationships.

The study observed accumulation of financial capital as the most direct positive effect of the programme, working capital increased three times within a period of 27 months. Moreover, investment in fixed assets was about 2.5 times higher for the clients participating for more than three years than for those who joined during the year of the survey. The study concluded that duration on credit programme has some influence in enhancing growth on asset building. The findings confirm the central argument of the positive relationship between financial intermediation and asset acquisition.

Devi, Ponnarasi and Tamilselvi (1998) approached the impact of access to microfinance from a slightly different perspective by focusing on the general socio-economic status of the rural poor in Tamil Nadu. The study used a multistage stratified random sampling with Cuddalore district as the sample frame. The Community Development Blocks were the first stage unit. Self Help Groups (SHG) that had at least two years access to microfinance were used as the second stage unit and the members of the SHGs were the third and ultimate unit of sampling.

The respondents were selected at random from each of the selected four blocks using a list of registration dates. The sample for the study comprised 54 SHGs made up of 216 beneficiaries and a matching sample of 216 non beneficiaries. Structured interview schedules were used to collect data and examined socio-economic indicators including perceptions on changes in confidence, income, assets and savings. The study applied descriptive analysis such as percentages and means.

In addition, a composite index of standard of living was computed combining social and economic indicators using the scoring technique for social indicators which included self-confidence and behavioural changes. The Garrett Ranking Technique was used to study the opinions and expressions of the respondents' priorities about their views using the scoring procedure from Garrett and Woodworth (1971) and Ray and Mandal (2004) which converts ranks into scores. Study results established a link between microfinance services and positive impact on both economic and social lives which therefore supports the microfinance concept of making credit available to improve the livelihoods of the poor.

Afrane (2002) approached the study of effects of microfinance on poverty reduction and improved lives by comparing beneficiaries in Ghana and South Africa. In contrast to the other studies, the impact on spiritual lineage was also assessed. The study employed the cross-sectional approach to arrive at the conclusion that though the programmes improve the lives of beneficiaries they produced negative impacts as well. Afrane's study combined relevant aspects of quantitative, qualitative, and participatory methods. The quantitative method dwelt mainly on economic indicators, the qualitative and participatory methods examined social indicators and spiritual issues. In terms of data collection, four main survey instruments were used comprising questionnaire and interviews, case studies, focus group discussions, and field observations.

Study beneficiaries included people on the scheme for a minimum period of twelve and eight months for SAT and Soweto Microenterprise Development

(SOMED) respectively. The minimum periods fixed in determining the sample frame was assumed to be adequate for impact on beneficiaries' lives and business activities. In applying these thresholds, appropriate sampling sizes of 129 and 82 clients representing 92 and 90 percent confidence levels were determined for SAT and SOMED, respectively. The proportional sampling approach was applied in selecting clients from various categories such as gender, business sector, size of enterprise, and level of education. Economic, social, spiritual and life-enhancing facilities were the domains for assessment.

Ex-ante and ex-post analysis were adopted for the two case studies in establishing the extent of change for clients before and after their involvement in the programmes. The main difficulty encountered, however, was how to empirically establish the counterfactual situation of project beneficiaries, since none of the programmes was preceded by a baseline study which would have captured the conditions of clients before the intervention. In light of this limitation, respondents were made to compare their conditions before the services with their situations at the time of the survey. The assumption here was that the respondents would be able to remember fairly accurately the historical data concerning their situation before the services.

The survey observed that microfinance has the potential of improving the social and economic conditions of beneficiaries. The group lending enabled beneficiaries to expand and improve their businesses, increase respect and decision-making power especially for women in the homes and communities. The study found differing levels of positive impacts whereby enterprises operated by women attained higher turnover in monetary terms than their male counterparts. The positive effects notwithstanding, negative effects were observed in the social domain. The business expansion demanded more working hours and limited time for the family in relation to quality interactions and other recreational needs. From the study results pressure of time recorded the highest negative impact in both studies, SOMED and SAT scored 38 percent and 36 percent respectively.

Maldonado, Gonzalez-Vega and Romero (2003) examined the influence of microfinance on human capital formation. The rationale for the study was to observe some paths through which microfinance could affect education outcomes positively. The study specifically looked at whether children from households with access to credit-cum-education programmes were kept longer in school, compared to children from households that simply received loans from MFOs that do not offer non-financial services to clients of Crecer and Sartawi in Batallas region of Bolivia. The survey interviewed 130 households, made up of 764 persons.

The analysis examined schooling decisions, as proxy for human capital formation, in view of both economic and cultural influences. For sampling, the study applied a cohort approach. Programme participants were separated into old clients, with at least two years' experience and new clients, with less than one year experience who had successfully passed the credit screening mechanism. The data analysis used the regression models which incorporated a negative binomial specification. The explanatory variables included age, gender, schooling levels of household workers, area of cultivated land and women's contribution to household income.

The results indicated that access to loans had divergent effects on school enrolment. In some cases loans increased the demand for education as a result of improved income and information access. Contrarily, credit-constrained households that cultivate land or operate labour intensive livelihoods realised new demands for child labour for activities such as farming or taking care of siblings while the mothers operate new or expanded businesses. Though the results were paradoxical and showed lack of significance regarding the regression variables, findings established impacts for programme participants whilst no impacts were observed for the non-participants.

In another study from the Bolivian Altiplano, Gibb (2008) explored the effects of microfinance on economic, educational and empowerment levels of beneficiaries. Using a comparative approach, the research used a control group of women who had never benefited from credit and beneficiaries of a loan group. The non-probability method of quota sampling was applied to select respondents from the two groups. The survey which was mainly qualitative used face to face interviews with key informants and open-ended questions for over hundred women entrepreneurs. Research questions focused on four areas comprising personal information, family educational attainment and personal skill development, business information and housing conditions and empowerment.

Gibb (2008) found that while the ownership of goods increased in the loan group, the benefits of microcredit on family educational attainment levels and empowerment were questionable. The study results indicated that almost all girls in Grameen client households had some schooling, compared to 60 percent of girls in non-client households. The impression was that the client-centred approach was employed in the Grameen model to have generated the result which identified with the proposition that microfinance could affect human capital development. Although important in its own right, educational levels in Gibb's study did not produce much differing impacts.

In Ghana, Kotir and Obeng-Odoom (2009) conducted a research in the Lawra–Nandom district of the Upper West Region. The study aimed at examining the theoretical notion that micro-credit plays a significant role in reducing poverty and explored whether micro-credit enhances or impedes productivity. The district was purposively selected for an in-depth study based on the criteria that it was one of the youngest and most deprived districts at the time of study.

Villages and households for the study were chosen using stratified random sampling on the basis of common characteristics of items within the villages and households. The selected villages were enumerated and households were selected randomly from a list of families using the household as the unit of analysis. Both quantitative and qualitative data were gathered from 139 household heads on general socio-economic and demographic characteristics using a questionnaire. Descriptive statistics such as tables, frequencies, percentages were used to interpret and analyse the information obtained.

The impact of the programme was measured, among other means by asking participants to indicate their ability to pay for items such as school fees, health and ability to buy food and clothing. The study pointed out that some of the loans were used for consumption smoothening by acquiring basic household items and meeting food, clothing and accommodation needs. These, though could improve quality of life, could push borrowers further into huge debt if not checked.

The findings showed that improving the effectiveness of microcredit may not only entail increasing the quantum of credit but should also include providing basic education as part of the package. Contrary to Gibb's (2008) analysis Kotir and Obeng-Odoom (2009) observed that educational levels did have profound effects on health and well-being. It was recommended that microcredit programmes should be organised in more comprehensive way to ensure holistic development.

The important role of non-financial services in beneficiaries' overall development had been earlier corroborated by Devi, Ponnarasi and Tamilselvi (1998). Kotir and Obeng-Odoom (2009) emphasised that formal education and access to media are two important factors for women's empowerment and it concluded that education is the most powerful asset of a human being. Furthermore, those who had benefitted from the microcredit for longer periods of time and operated the credits on their own were better empowered. This supports earlier findings by Maldonado, Gonzalez-Vega and Romero (2003). Furthermore, the study showed that monitoring from the MFI has a significant influence on beneficiaries' empowerment.

Adjei (2010) used a cross sectional survey to study two groups of respondents totalling 547 people, made up of established beneficiaries (treatment group) and new beneficiaries (control group) in Ghana. The established beneficiaries had borrowed on average four loans whilst the new beneficiaries were either at the orientation stage or had received only one loan. The study area was divided into three main geographical zones in the country. Within each zone certain communities were purposively selected.

The ultimate respondents were then selected on a random basis. The study used a recall to elicit information on expenditures. Descriptive statistics were used to analyse individual characteristics and programme variables as well as the outcome variables or dependent variables. Means and standard deviations of each group of respondents and the total sample of 547 were analysed. The ordinary least square regression model was used to measure the effects of microfinance services on beneficiaries' asset building in terms of financial, human and physical capitals.

Differences between means among the two groups were tested with a t-test and chi-square was used for cross tabulations. The chi-square tests were used for variables measured on either nominal or ordinal scale while the t-tests were use on interval and ratio data. Adjei's (2010) study concluded that the established clients had significant benefits in the form of accumulation of financial, human and physical assets. This supports Maldonado, Gonzalez-Vega and Romero's (2003) earlier observation of the link between financial intermediation and human and social capital development.

Esnard-Flavis and Aziz (2011) examined the relationship between microcredit, micro-enterprises and the social welfare of the rural poor, with a focus on social capital theory. The study was cross-sectional and used a semi-structured questionnaire to interview 45 active participants. The study collected qualitative data from clients who were in the programme for at least two years. Owing to the qualitative nature of the study, many probing questions were introduced to measure the impact of micro-enterprises on beneficiaries' social welfare, using indicators such as diet, housing, health, income and education.

Interviews were transcribed for analysis. A summative content analysis involving counting and comparisons of keywords or content were interpreted leading to summarised distribution responses. Numerical representations on the impact indicators were provided for the analysis. Study findings revealed that although the programme had effects on micro enterprises, the changes in personal welfare may not be due to the micro enterprises per se but to other factors suggesting that there is no direct linear relationship between access to microfinance and social welfare. Esnard-Flavis and Aziz (2011) however, contended that such questionable social dynamics encapsulate the promise of collective social networks exercised through goodwill and resource building. The empirical studies have brought to bear variations in the methodologies used in generating ideas and lessons for this study.

Methodological implications of empirical review and lessons learnt

The empirical review has elaborated on the relationship between financial intermediation from the microfinance conceptual perspective and effects on beneficiaries' social and economic development. Lessons drawn from the review in relation to the research designs and results have informed this study.

Mostly, the study designs used by researchers were the mixed method which employed both qualitative and quantitative approaches. The sampling procedures were a combination of probability and non-probability techniques to ensure representativeness and triangulation. The multistage stratified sampling was commonly used. The use of treatment and control groups was employed by Devi, Ponnarasi and Tamilselvi (1998) and Gibb (2008) by using beneficiaries and non-beneficiaries. Hossain (1988) observed old and new clients, Afrane (2002) used the recall on programme participants whilst, Littlefield, Murduch, and Hashemi (2003), Kotir and Obeng-Odoom (2009) and Adjei (2010) studied relatively new and established clients. Hoque and Itohara (2009) though used two different groups did not come out clearly whether the control group had no access to credit from other sources at all.

Experience has shown that the cooperation of independent groups could not be guaranteed (Afrane, 2002) and it is generally difficult to get true independent groups for impact studies. According to Gibb (2008), most microcredit research does not use independent and control groups. From the empirical study, the use of a recall approach to assess changes in variables was common. Obviously, by relying on recall, inaccurate responses in some cases could not be entirely avoided unless through the use of well-trained interviewers. Afrane (2002) points out that there are a number of benefits of using the mixed methods in research.

Data collection methods comprised questionnaire administration, interviews, focus group discussions, and observations with almost all studies using the cross-sectional design. Qualitative data collection techniques were mainly used to understand better behaviours and perceptions of respondents on the microfinance programmes and how they affect their livelihoods and socio-economic lives. From the review, the qualitative methods used open-ended approaches for data collection. Given the discussion from the literature review, studies on the effects of microfinance programmes should incorporate a combination of qualitative and quantitative methods and ensure that the process engenders the production of reliable and valid results.

The analytical techniques used entailed both quantitative and qualitative methods. The descriptive analytical statistics such as percentages, frequencies, means and variances were used for the data analysis. Some studies also used more advanced statistical techniques such as Analysis of Variance (ANOVA) to establish relationships. Furthermore, regression analysis was utilised to assess the relationships between certain variables and their statistical significance. Since income and expenditure are the basic measures of household welfare, they were mostly used to measure changes in economic and material variables (Hulme & Mosley, 1996).

The review showed that most empirical data did not make reference to baseline studies making it difficult to make critical comparative studies. The lack of baseline data seems to justify the use of cross-sectional design in data collection (Baker, 2000). Few studies used experimental and quasi-experimental designs by creating treatment and control groups which the researchers assumed to be statistically equivalent to one another.

The empirical studies of Maldonado, Gonzalez-Vega and Romero (2003) and Gibb (2008) which concentrated primarily on formal and non-formal education demonstrate evidence of a link between the microfinance concept and the theory of human capital in Bolivia and the Grameen Bank model. In the case of Bolivia further analysis suggested a positive human capital outcome as a result of non-financial services of the organisation. The result was supported by Devi, Ponnarasi and Tamilselvi (1998). Contradiction from the usual notion of microfinance impact results was observed by Afrane, (2002). Esnard-Flavis and Aziz (2011) study on the relationship between microcredit enterprises and social welfare of the rural poor showed evidence of improvement in social capital but questioned the social relation dynamics that might have influenced the social networks.

The empirical review brought out the dearth of knowledge in the correlation between the financial and non-financial services and human capital development. Moreover, the human capital aspects emphasised more on formal education of beneficiaries' children rather than the beneficiaries own skill development which were usually non-formal education. The review of literature showed that accuracy and efficiency in data collection is very important especially in establishing attribution.

Establishing attribution in microfinance studies

Studies on microfinance have employed various concepts and theories to arrive at varying empirical results. Some of the findings have encountered issues with attribution. The issue of attribution in microfinance impact studies is very important to mention since a considerable amount of debate on microfinance have centred on attribution of impact. Some of the reasons alluded to are that, clients' livelihoods and the communities in which they live are complex, clients may have multiple income sources, and the credit provided by the MFI is fungible and may not necessarily be used for the required purpose to make it feasible to directly ascribe certain changes in clients' lives to microfinance.

Khandker (1998) maintains that few studies have thoroughly investigated the outcome of microfinance including its effect on access to education and therefore question the evidence base of conclusions. According to Sharma (2000), the assumption that microfinance effects on socio-economic lives are significant needs to be examined in detail for evidential results. Simanowitz (2004) corroborates that linking definite units of measurement and ascertaining effects of a programme on socio-economic outcomes can be challenging. It must also be noted that successes in businesses could be due to a myriad of indirect factors such as education level, type of business and the overall income level of clients' households. So far, the literature shows that impact assessment has been undertaken with varying degrees of challenges and results.

To tackle these challenges, discussions have led to an increasing agreement on integrated assessments by combining quantitative, qualitative and participatory methods (Barnes & Sebstad 2000; Hulme, 2000; Kanbur & Squire, 2001; Mayoux & Chambers, 2005). Thus the application of both quantitative and qualitative methods is emerging as the most appropriate approach to arrive at comprehensive conclusions.

Brau and Woller (2004) and Ghalib (2009) note that microfinance impact studies are contextually specific and as such, empirical study results could be influenced by the contexts within which the studies are conducted. These contextual specificities enrich information and research results. The insights from the reviewed literature and lessons learnt have been considered in the construction of the conceptual framework of the thesis.

Conceptual framework of microfinance and human capital development

The conceptual framework (Figure 3) explicates how microfinance interventions can address human capital deficiencies from a development point of view. The framework is based on four key concepts and practical factors which evolved from the theoretical and empirical reviews. These are micro financial services, beneficiary characteristics, domains of change and human capital variables comprising both skilled and unskilled development.

The framework tries to model the idea that microfinance services can enhance investment in human capital. In other words it is amply presumed that providing the traditional role of group-based and individual loans and non-financial services to the poor could increase the incomes and the development outlook of beneficiaries to facilitate effective development of human capital. This notion is posited on the client-centred approach of microfinance. The approach expands its services beyond the provision of loans to include business related services such as business training, savings and loan management towards effective loan repayment. In addition are social related services such as awareness creation on health, nutrition, education and social forum which are necessary in facilitating holistic human development.

The framework in Figure 3 has been adapted from Datar et al.'s (2008) client-centred microfinance framework, which focuses on the welfare and general development of the poor. In Figure 3, the micro financial services or inputs are portrayed in the boxes on the left hand-side comprising types of loans, business and social related services. The social related services include orientation programmes before and after receipt of loans, training and awareness creation on development oriented issues.

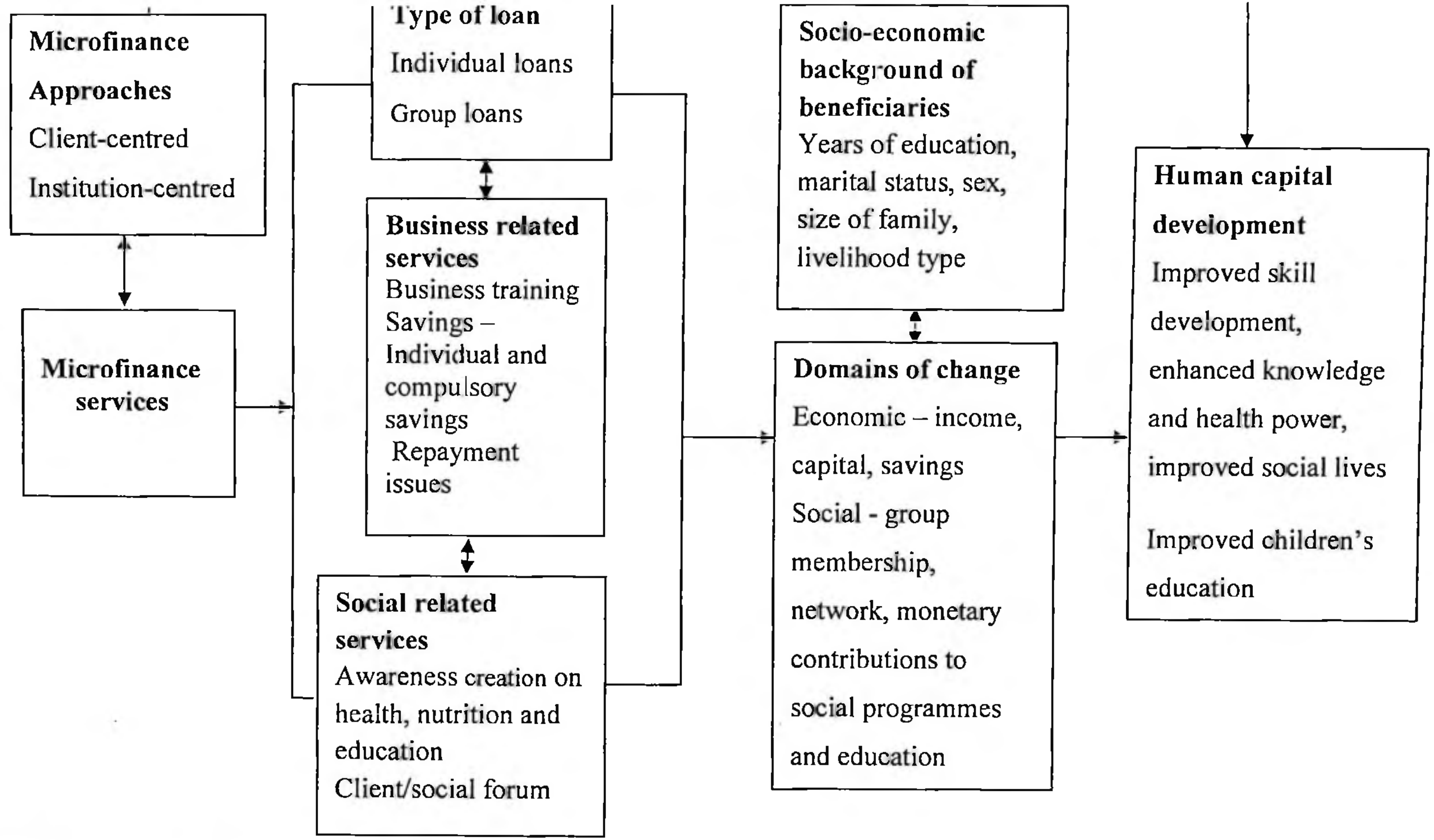

Figure 3: Microfinance service and human capital development
Source: Adapted from Datar et al. (2008)

The services, such as business training, loan management and repayment education help create productive opportunities which could result into increased or decreased business incomes and enhanced knowledge and ultimately facilitate human capital accumulation. When incomes increase, beneficiaries are encouraged by the MFI to deposit monies into compulsory and individual savings schemes to meet development expenditure. It is expected that priority would be given to human capital accumulation such as skill development, enhanced knowledge and health power to address human capital deficiencies.

Datar et al's. (2008) framework does not indicate the place of savings in impacts of microfinance but the study framework portrays that savings play important role in the impact on poverty alleviation and human capital development. Savings arrangements give beneficiaries the purchasing power to invest in assets including children's education, skill development and on the job training or apprenticeship. This becomes more relevant as a result of the assertion that the Ghanaian economy is typified by low savings and investment (Aryeetey & Baah-Boateng, 2007).

Other factors which are significant in beneficiaries' efforts towards human capital development have been represented in the box containing beneficiary social characteristics. Though Datar et al's. (2008) framework does not represent the relevance of beneficiaries' social characteristics, beneficiary characteristics feature prominently in this conceptual framework. Individual background such as sex, age, years of education, marital status, household size and the type of business activity could contribute to income status, business acumen and networks which could influence business outputs (Gibb, 2008).

Subsequently, they can affect decisions concerning investment choices because beneficiaries will examine their investment needs according to certain aspirations. These characteristics could influence the domains of change and the human capital accumulation which is the ultimate capital at the right hand side of the framework. This link is what justifies the examination of the role of beneficiary characteristics.

Considering the discourse on the importance of human capital development in poverty reduction, beneficiaries who do not experience improvement in the domains of change, as shown in the framework, would find it difficult to reduce poverty. Thus, the expected human capital impact, such as children's education and skill development and others as enumerated in the framework would then not be attained.

The linked arrows from loans, business and social related services to business income and domains of change are indications that clients benefiting from the programme services are likely to obtain transformation in the domains of change. The linked arrow to the beneficiaries' social characteristics box suggests that individual attributes could influence the development process and the levels of change to be obtained. The variables have been discussed in relation to a number of indicators. Given the fact that, economic, human and social development effects are complex and multifaceted show that, it is difficult to examine effects.

Notwithstanding, it is important to note that all the variables and associated indicators are not isolated elements. They are interdependent and coordinated (Malhotra & Schuler, 2005). The key assumption underlying the relationship of the domains of change and human development is that improvement in the domains of change will contribute to the development of the human capital items indicated in the last box. The framework has therefore been designed bearing in mind the central role of human capital in development.

Conclusion

The chapter has dealt with the theoretical and conceptual issues in the area of study and has discussed relevant empirical study results in order to better understand both methodological and substantive issues. The theories were discussed to explicate the inextricable nature of microfinance goal and human capital development towards a multidimensional poverty reduction. The empirical studies did not reveal on a large scale how beneficiaries have supported skill development, enhanced knowledge and health power.

Literature on microfinance is diverse but it has provided broader and deeper understanding into the study processes and issues, particularly regarding the notion that linking microfinance and human capital is confronted with complexities and difficulties of attribution. This is precisely why this research is necessary to fill gap in literature, influence policy and contribute to poverty alleviation. Drawing from this review of literature a conceptual framework which is core to the research has been constructed.

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CHAPTER FOUR

OVERVIEW OF MICROFINANCE IN AFRICA AND STUDY INSTITUTION

Introduction

The chapter presents an overview of microfinance in Africa and the study institution. The essential idea is to appreciate the aims of governments and non-governmental organisations with respect to microfinance services in development programmes. This chapter discusses the processes and relevance of microfinance in the socio-economic lives of target beneficiaries.

The development of microfinance in Africa

Manuh (1997) claims that though Africa had experienced traditional microcredit system, it was in the mid to late 1980s that mobilisation and provision of microcredit became popular. This happened, following many years of economic decline, stagnation, and widespread retrenchment of civil servants and employees of state-owned enterprises as a result of the World Bank-sponsored Structural Adjustments Programmes (SAPs) for African economies. The African Union (2008) indicates that microfinance took root in Africa in the mid-1970s, almost at the same time as in Asia and Latin America but its present form evolved more steadily in the region only after 1993.

One issue that is important to note is that although Africa has enjoyed political and economic freedom for nearly half a century, it has not been able to provide the majority of its population with access to reliable and affordable financial services. Hence, the emergence and evolution of microfinance in the last 25 years is of great interest to Africa in pursuit of general socio-economic development (Gore, 2000). The history of microfinance in Africa indicates that the major economic crisis resulting from escalating oil prices between 1970 and 1983 was the principal driving force for the establishment of microfinance in Africa (African Union, 2008; Manuh, 1997; Mensah & Antoh Fredua, 2005). The crisis at that time prompted the idea of supporting women to start locally-based income generation projects.

The role of women had been globally acclaimed as vital in the development process, most notably since the publication of Boserup's (1970) work which noted that women play multiple roles as producers, bearers and community managers. For that matter, the opportunity for them to have access to adequate funds and income was useful for the household and community development. According to Adjei (2010), the rapid expansion of microfinance in Africa stems from the belated realisation that, the poor, contrary to long-held views that they represent a credit risk, are actually the more disciplined savers and borrowers. This assertion is widely associated with women borrowers who form the majority of microfinance beneficiaries in Africa and Ghana (Cheston & Kuhn, 2002; Daley-Harris, 2009; Nader, 2008).

The period from 1984 to 1994 was characterised by a shift in the development paradigm which became dominated by World Bank and International Monetary Fund thinking about the role of the private sector vis-à-vis public sector. The idea was to foster enterprise development through the combination of grants and compulsory training to help individuals start and manage their own enterprises, instead of concentrating so much on income generation (Adams & Von Pischke, 1992; Ismail & Ahmad, 1997). The focus on enterprise development might have affected the funding direction of donors of microfinance institutions. It gives support to the human capital development theory which assumes that education and training are vital in combating the multifaceted nature of poverty among workers in the enterprise sector.

According to African Union (2008), 1995 to 1998 saw a breakthrough in evolving sustainable financial institutions for the poor in Africa. In addition, it led to many donors revisiting entrepreneurship development, training and other forms of non-financial services under a new nomenclature called Business Development Services (BDS) in fighting poverty. This substantiate the viewpoint of the post-modernists that development is a discourse and the ideas that evolve shape and frame the course of development at certain points of the development process (Rostow, 1978; Sumner & Tribe, 2008).

The most rapid growth and expansion of microfinance occurred between 1998 and 2002. This followed the first global microfinance summit in 1997. As the scale and scope of funding microfinance became enormous, the idea of transforming and commercialising microfinance took strong hold, thereby engulfing and dominating industry thinking. Many NGOs that had attained a reasonable level of sustainability started transforming themselves into banks in order to access local deposits to meet the demand for expansion and growth of capital. According to Asiamah and Osei (2007) and Nanor (2008), commercial banks began to redefine their missions and vision to be able to provide micro financial services at that time. Their observation confirms an earlier assertion by (Allen & Santomero, 1998) that, in response to the evolution of various types of intermediaries, contemporaneously, activities of traditional banks have changed.

Thus, throughout the history of Africa's development, microfinance has been highly considered. The overall goal of all governments and a driving force of microfinance institutions have been to enable low income entrepreneurs access funds to support their economic activities and acquire income to meet their household demands. For instance, the Second Africa Advocacy Forum held on 14th November 2002 in New York, discussed micro-credit as a solution for Africa in the context of the Millennium Development Goals (MDGs) which are to:

1. eradicate extreme poverty and hunger
2. achieve universal primary education
3. promote gender equality and empower women
4. reduce child mortality;
5. improve maternal health;
6. Combat strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people.

With respect to meeting the MDGs, all of which focus on human capital development, microfinance is a critical contextual factor having a strong impact on the achievements of the MDGs and it can deliver social benefits on an on-going, permanent basis and on a large scale (Littlefield, Murduch & Hashemi, 2003). Much of the impetus behind this large and increasing support for microfinance hinges on the assumption that its economic and social impacts are significant and need to be examined more closely, especially in developing countries (Adjei, 2010; GHAMFIN, 2007; Sharma, 2000) including Ghana.

The development of microfinance in Ghana

Ghana's economy declined severely in the early 1980s and in 1983, the government adopted a World Bank and IMF-prescribed Structural Adjustment Programme (SAP). The policy measures under the SAP raised the cost of social services and threatened the welfare of women and their households (Manuh, 1997). The measures were trade liberalisation, public sector retrenchment, privatisation, increased taxes and removal of subsidies on food, education and healthcare (Mensah & Antoh, 2005).

The adoption of SAP in the 1980s led to the decline in public spending, culminating in the introduction of user fees and cost recovery in most public service delivery. This therefore, shifted most of the burden of financing education onto parents and guardians. These public sector cutbacks led to the search for alternative ways in pursuing and sustaining livelihoods (Alabi, Alabi & Ahiawodzi, 2007; Nanor, 2008).

In 1987, the government, with financial assistance from the World Bank and the IMF, instituted a national Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) (Dennis and Peprah, 1995). However, available studies (e.g. Brydon & Legge, 1996; Manuh, 1997) show that women's concerns were generally ignored in the planning and implementation of PAMSCAD and that few women actually benefited from it. It is against this background that the economically active but distressed population, spearheaded by women, sought to mobilise and access micro loans to undertake economic activities to improve their access to socio-economic facilities.

The works of Tsikata (1989), Brydon and Legge (1996) and Mohan and Mohan (2002) explain that formal and informal "civil society" organisations have a longstanding history in Ghana. Microfinance activities have included individual savings collectors, rotating savings clubs and credit associations, savings and credit clubs, moneylenders, trade creditors and personal loans (Bortei-Doku & Aryeetey, 1995). Adams and Raymond (2008) assert that microcredit is not a new concept.

Available evidence suggests that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries. Susu, which is one of the microfinance schemes in Ghana, is thought to have originated from Nigeria and spread to Ghana in the early twentieth century (Asiamah & Osei, 2007; Dennis & Peprah, 1995). The Susu system is known to have begun with market women who realised the need to mobilise some of their income through savings to meet economic and social needs.

The microfinance sector in Ghana has grown and developed to its present state through various financial sector policies and programmes undertaken by different governments since independence. Among these are the provision of subsidised credits in the 1950s, the establishment of the Agricultural Development Bank in 1965 which specifically, addressed the financial needs of the fisheries and agricultural sector. Following this period was the establishment of Rural and Community Banks (RCBs), and the introduction of regulations such as commercial banks being required to set aside 20 percent of their total portfolio, to promote lending to agriculture and small-scale industries in the 1970s and early 1980s (Asiamah & Osei, 2007).

The sector experienced a shift from a restrictive financial regime to a liberalised regime in 1986 which culminated in the promulgation of PNDC Law 328 in 1991 to allow the establishment of different categories of non-bank financial institutions, including savings and loans companies, and credit unions. According to Asiama and Osei (2007), these policies have led to the emergence of three categories of microfinance institutions. These categories are formal suppliers, such as savings and loans companies, rural and community banks and development and commercial banks. The next category comprises semi-formal suppliers such as credit unions, financial non-governmental organisations (FNGOs), and cooperatives (Asiama & Osei, 2007).

The informal suppliers such as Susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs), traders, moneylenders and other individuals form the third category (Bortei-Doku & Aryeetey, 1995). In terms of the regulatory framework, rural and community banks are regulated under the Banking Act 2004 (Act 673), while the Savings and Loans Companies are currently regulated under the Non-Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328), (BOG, 2005).

The above is an indication that the concept of microfinance has evolved from unsophisticated Susu and credit clubs to the current state where a microfinance regime has become so popular that aside from the numerous microfinance institutions springing up; formal banks have also incorporated the system. Formal banks in Ghana have realised the fact that the poor are not only bankable, but that opening their services to them could increase profit margins substantially. Currently, some formal banks are employing key staff from the Non Formal Financial NGOs to operate and manage their microfinance schemes. In addition, the Government of Ghana has been incorporating credit and micro financing facilities into its various poverty reduction strategies making it necessary to embrace the microfinance philosophy.

The private informal sector plays a central role in the Ghanaian economy especially due to its role in offering employment outside the formal employment sector. According to the Ghana Statistical Service (GSS) (2005), 80 percent of the working population was found in the private informal sector. However, the informal sector has a large majority of the poor who also lack the requisite education and skills. This group is characterised by lack of access to credit, which constrains the development and growth of that sector of the economy. Microfinance assists in funding "start-up" loans for farmers, petty traders and others. There are other instances where credit is given to groups consisting of a number of borrowers for collective enterprises, such as irrigation pumps, power looms, leasing markets or leasing land for cooperative farming.

To help expand financial services, the Government of Ghana (GOG) established the Microfinance and Small Loan Centre (MASLOC) credit line scheme in 2006 to meet the financial needs of small and medium-scale entrepreneurs in the informal sector (Annim, Awusabo-Asare & Asare-Mintah, 2008). It has helped to enhance the development of a decentralised microfinance system since the MASLOC is linked to the formalised financial system (Mersland & Strom, 2008).

For the first financial activities in 2006, over one billion cedis was disbursed through other schemes such as the National Board for Small-Scale Industries (NBSSI). The loans and advances extended to small businesses, individuals and groups by the Non-Bank Financial Institutions (NBFIs) in Ghana increased by 2.4 percent in 2007 as against the amount of loans disbursed in 2006 (Asiamah & Osei, 2007). The upward trend of NBFI's credit to individuals, small businesses, groups and others indicate marked improvements in the level of microfinance in the country. According to Adjei (2010), microfinance has been identified as an important driving force in the reduction of poverty in Ghana.

Microfinance and poverty reduction in Ghana

In Ghana, the established microfinance institutions including SAT appreciate the multi-dimensional nature of poverty and its complex interactive and causal relationships. Households and communities may be characterised as poor based on income levels, illiteracy, ill health, lack of access to safe water, sanitation facilities and credit (NDPC, 2006).

Indications of the trends in poverty over the last 15 years have shown that poverty headcount index fell by about 12 percent points from nearly 52 percent in the 1991/1992 period to about 40 percent in 1998/1999. By 2005/2006, the incidence of poverty had fallen to 28.5 percent. Inequality measured by the Gini coefficient has however increased consistently over the period from about 0.373 in 1991/1992 to 0.394 in 2005/2006, implying that although there has been improvement in the poverty rate (NDPC, 2006), there is a tendency for income distribution to become more skewed and unequal with time (GSS, 2006).

According to Aryeetey and Kanbur (2008), both quantitative and qualitative assessments of poverty dimensions indicate that most Ghanaians are poor. Trends regarding poverty reduction in the Ashanti Region over the years have indicated a narrowing gap. The gap between 1991/92 to 2005/06 reduced from 41 percent to 20 percent showing a decrease of 21 percent points over a fourteen year period (NDPC, 2008). This could be as a result of poverty reduction not being addressed in a multidimensional way.

Microfinance institutions have used a multidimensional approach towards poverty alleviation of beneficiaries. Financial intermediation services have been supported by social welfare activities. Instead of either an institution-centred or client-centred approach, the two have often been mixed to ensure the holistic socio-economic transformation of beneficiaries (Kotir & Obeng-Odoom, 2009; Quainoo, 1997). Aside the loans for income generation, skill development, health improvement, savings mobilisation, micro insurance, education loans and talks on topical issues such as children's education and enhanced knowledge have led to improved lives (Ledgerwood, 1999; Ntifo-Siaw & Bosompem 2008).

Study institution and its features

Sinapi Aba Trust (SAT), is a Non-Governmental Christian Microfinance Institution in Ghana with an affiliation to Opportunity International (OI). SAT was established in 1994 under the Company's code (1963), ACT, (179) as a company limited by guarantee to extend loan facilities to businesses owned by the low income population with the aim of supporting socio-economic development. Sinapi Aba is the local translation of the biblical (Mathew 13: 31-32) mustard seed which express SAT's mission to serve as a "Mustard Seed" through which opportunities for enterprise development and income generation are given to the economically disadvantaged in society to transform their lives (SAT, 1996).

SAT is among the well-established MFIs in Ghana. It has branch offices in all the ten administrative regions of Ghana and it is currently the most extensive financial NGO in the country with over 143,796 active beneficiaries as of June, 2012 (SAT, 2012). Adjei, Arun and Hossain, (2009) indicate that SAT is the largest microfinance NGO in Ghana and has contributed to poverty reduction among rural and urban poor people, especially women, by supporting them with small loans.

SAT operates four main programmes of microfinance to provide a comprehensive microfinance service to the poor. These are microcredit, savings, remittance services and non-finance operations. The non-finance operations focus on non-cash but relevant activities aimed at improving clients' lives in association with the loans for livelihood development.

The organisation's main services are loans, savings, remittance services and micro insurance. The micro insurance serves as security for beneficiaries' health, fire outbreak and other adverse occurrences. The micro insurance is both compulsory and voluntary for clients. The compulsory one covers prolong sickness and accidents while the voluntary one covers funeral cost for both the nuclear and extended family. From observation, SAT applies a multi-prong approach to reduce poverty among beneficiaries. The services being offered cover the social and financial needs of beneficiaries which work to enhance the social and financial status of beneficiaries. In practice, SAT is approaching microfinance with a mix of the institution and client-centred approaches.

Microcredit facilities of SAT

According to SAT (1999), it extends lending facilities to beneficiaries through two main credit methodologies which are the individual-based and group-based lending. Group lending is categorised as trust bank and solidarity groups. The trust bank is a development-intensive lending methodology designed to cater for the poorest micro-entrepreneurs. For 2010, the average loan sizes were estimated as GH¢716.00, GH¢1,072.00 and GH¢4,764.00 for group loan, individual loan and SME beneficiaries respectively (SAT, 2012).

The small loan amounts offered attract only the smallest businesses typically owned by poor women, with household incomes below the poverty line. The solidarity groups are designed for successful matured trust bank clients who desire a smaller group atmosphere. Solidarity-based group and trust-based group loans require the mutual cross-guarantee of all group members. SAT also has a

'Tier Two' individual loan category for exceptional clients with slightly larger businesses which require relatively larger capital to grow their businesses. The SME loans are relatively new and are specialised loans. SAT provides the microcredit to beneficiaries to meet working capital needs, acquiring capital assets for businesses, buying raw materials, renovation of business premises for business expansion. Before SAT grants loan applications, potential clients are interviewed to ascertain the genuine need for the loans (SAT, 2008)

Micro-save products of SAT

Savings mobilisation is a central part of SAT programme. SAT offers two types of client savings products which comprise the compulsory and individual or progressive savings products. The compulsory savings require loan applicants both individuals and groups to post a minimum deposit of 10% of the loan amount applied for as part of the security or collateral for the loan (SAT, 2010). The compulsory savings are used as a form of collateral and beneficiaries are allowed to close it when they are parting with the programme.

During loan servicing, clients are encouraged to save portions of income earned into a progressive savings scheme. The scheme enables clients to make withdrawals for loan repayments in case of eventualities and also save towards compulsory savings requirements for subsequent loans. According to SAT (2010), the savings keep increasing which indicate clients' ability to save. Implicitly, though it is assumed that SAT does not demand collateral from clients like the formal banks, the institution uses a form of cash collateral tied to compulsory savings.

The savings product being offered has consolidated the savings attitude of most beneficiaries in that in the year 2010, GH¢8,271,017 was accumulated as clients' savings comprising GH¢5,590,505 and GH¢2,680,512 registered as compulsory and progressive savings respectively (SAT, 2011). Progressive savings constituted 48% of compulsory savings mobilised and show a positive indication in the quest of mobilizing funds internally for disbursement by the institution. Figures 4 and 5 reveal a steady increase in the savings components from 2008 to 2010. The quarterly reports indicate increase in savings over the years with the exception of a decrease in the first quarter of 2010 as against 2009.

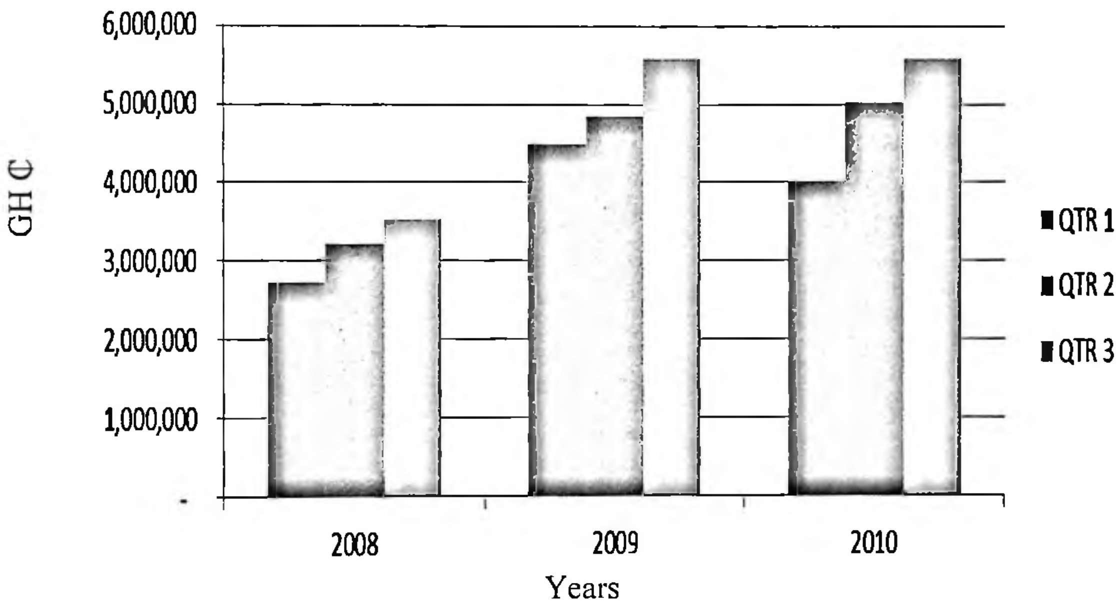


Figure 4: Growth trend in savings accumulation

Source: SAT, 2011

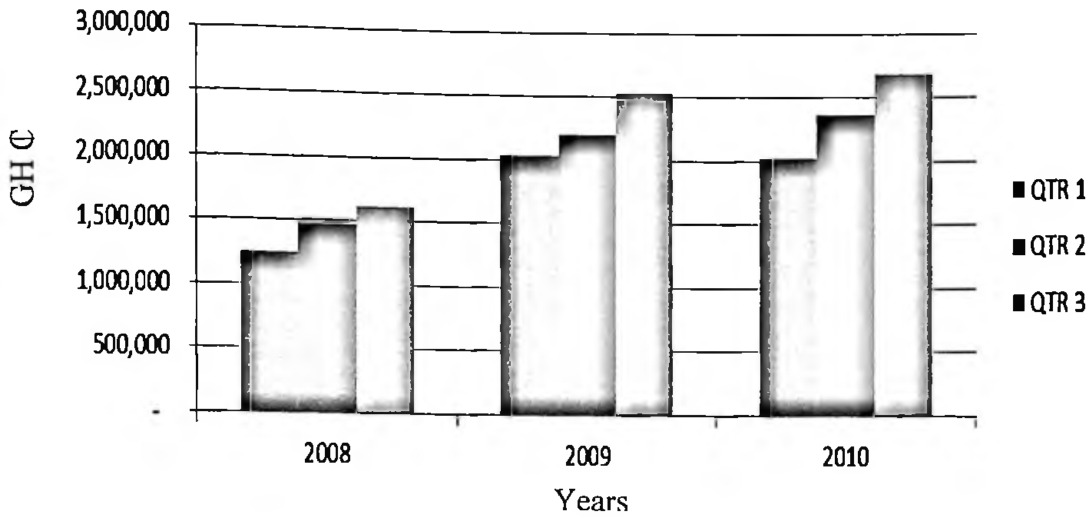


Figure 5: Growth in progressive savings

Source: SAT, 2011

Though these savings products portray benefits to the clients, the institution also derives benefits from the huge amounts to support its own lending demands and to meet other financial requirements that are strategic to its own sustainability.

Savings withdrawal and transfer

Savings withdrawals and transfers comprise personal savings withdrawal by clients and also transfers made at the instance of clients to pay off outstanding loan balance. Figure 6 illustrates savings withdrawal and transfer per month from January to September 2010.

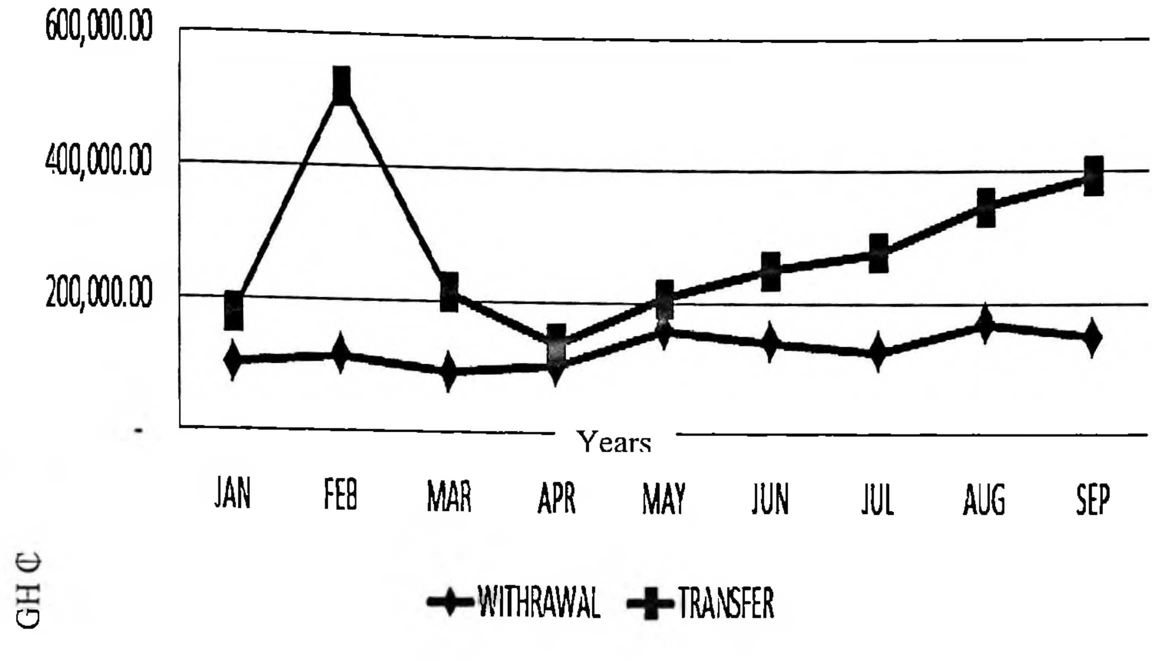


Figure 6: Savings withdrawals and transfer for 2010

Source: SAT, 2011

A total of GH¢ 1,159,666.65 and GH¢ 1,362,546.59 were withdrawn and transferred respectively from January to September, 2010. It could be observed from the trends that the levels of withdrawal were steady from April to September. Generally, there is an indication of positive savings culture of beneficiaries. This could facilitate the weaning of beneficiaries off persistent borrowing for them to rely on their own savings for investment in other forms of capital.

On the other hand, the transfer of savings to pay loan balances could indicate that businesses of beneficiaries' were not profitable enough. This could be attributed to factors including micro-economic hardships. However, it should be noted that the transfers were from beneficiaries own savings and were used as cushioning mechanisms in times of poor business returns.

Remittance operations of SAT

SAT operates remittance and micro insurance services. It uses the advantage of its network of over 45 branches to deepen the stretch into remittance services to poorer communities. It operates five remittance products namely; Merban Money Transfer (MMT), Cash4Africa, Western Union, Money Gram and Royal Money. The remittance products record significant income growth to the benefit of SAT whilst making remittance services convenient to its clients (SAT, 2012).

Non-finance operations of SAT

SAT provides non-financial services to clients including institutions. The non-finance department focuses on training, orientation of new members, awareness creation and other social capital related programmes for clients at organised client forum. All new members undergo orientation for 4 weeks to acquire knowledge on SAT products and related business and social facilities. The non-finance department has been working to meet set themes. In 2010 for instance, it worked towards the theme 'Enhancing Productivity through clients and institutional transformation and youth development programmes'.

On weekly/bi-weekly and monthly basis, SAT organises training on various topics for the clients' social, health and economic well-being. The social aspects have included community participation, importance of child education and skill development. Health topics have included HIV/AIDS, prevention of malaria, personal hygiene, balanced diet, effects and precautions of cervical cancer, breast cancer, teenage pregnancy, and maternal deaths.

Business related topics treated have included effective business management, effects of good customer relations, impulse buying, records keeping and time management. Holst (2012) contends that business owners must keep records to be able to fix problems that would arise on time. Others are business attitudes, what constitutes income, maximizing your profit, cost control and good customer relationship. SAT recognises group leaders as the backbone of SAT operations and prepares special training programmes to equip them to better perform their roles as leaders and also to improve upon their businesses and general quality of their lives. These trainings usually coincide with loan repayments to ensure maximum participation from clients. Facilitators have included financial service officers, branch managers and other external resource persons. As of the third quarter of 2010, a total of 90,965 beneficiaries comprising 73,426 clients and 17,539 group leaders had received training on various topics (SAT, 2011).

The non-financial services are directed at the transformational needs and holistic development of beneficiaries. They are also part of the pragmatic efforts to enhance livelihood development and poverty reduction of beneficiaries. In addition to the non-financial services to beneficiaries is the component of providing consultancy services to private and public institutions for fees. Although SAT has focused of financial services to meet the goal of improving lives it has also expanded its operations to cover non-financial services for effective operational performance. Additionally, the non-financial services were income generating avenues for the trust.

Key operational and performance indicators

SAT has been growing at a remarkable rate since its inception in 1994. From 2007 to 2010 the operations of SAT showed increases as presented in Table 1. Both the operational and financial sustainability suggest good income performance by SAT. The increasing number of clients also indicates a growing financial institution. The higher percentage of female clients supports the common claim that majority of microfinance beneficiaries are women who are globally acclaimed to be among the poorest (Boserup, 1970; Cheston & Kuhn, 2002; Dennis & Peprah, 1995).

The features of SAT have indicated a trend from meeting their traditional role of providing micro loans to including non-micro loan services. These non-financial services are multi-purpose in nature and are likely to produce additional and unintended outcomes in varying degrees for poverty reduction. These outcomes are likely to be sidestepped by studies that would focus on the traditional roles. The services have gone beyond those to borrowers into 'external' programmes such as apprenticeship training and workshops for the youth between 18 and 23 years.

Table 1: Key performance indicators of SAT from 2007 to 2012

Indicators	2007	2008	2009	2010	2011	2012
Loans disbursed (GH¢ Million)	21	34	41	50	56	86
Operational sustainability (%)	116	116	117	117	114	125
Number of loans	51,198	52,298	57,988	66,004	NA	72,936
Financial sustainability (%)	105	106	105	112	109	118
Number of clients	50,288	69,674	88,731	99,906	109,740	139, 866
Rural/Urban ratio	NA	66:54	64:36	63:37	63:38	65:35
Percentage of women	91	89	91	91.60	90.40	89.98

Source: SAT (2012)

Programme participants at the end of the apprenticeship are examined by the National Vocational Training Institute (NVTI) after which certificate are awarded to them. They are then given start-up fund, which is interest free to invest in businesses. When their businesses improve, SAT then enrols them into the microfinance services. SAT also provides consultancies in training for other financial institutions. These changing roles would have a far-fetched implication for SAT microfinance and microfinance in Ghana. These changing roles, relate the services of SAT within the financial and human capital theories of development.

CHAPTER FIVE

METHODOLOGY

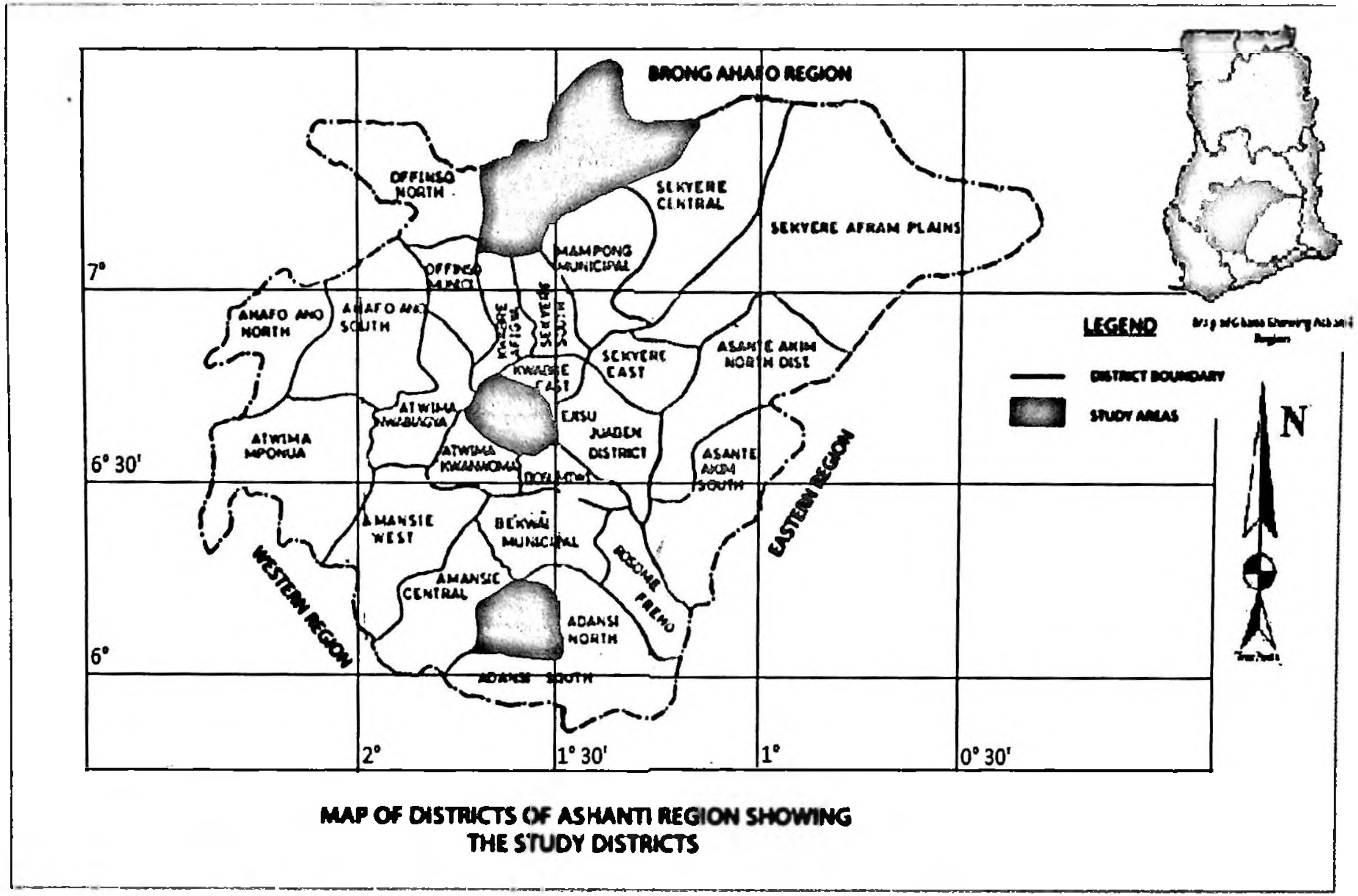
Introduction

The central focus of this chapter is the research methodology which served as a guide to how the fieldwork was undertaken. It starts with the study area description and study population. In addition, the chapter shows the research design and processes for sampling as well as the sources of data, research instruments, methods of data collection and data analysis.

Study area

The study was conducted in the Kumasi Metropolis, Obuasi Municipality and Ejura Sekyedumase district in the Ashanti Region. The region is centrally located in the middle belt of Ghana. It shares boundaries with four of the ten administrative regions of the country i.e. Brong-Ahafo Region to the north, Eastern Region to the east, Central Region to the south and Western Region to the south-west. Figure 7 shows the Map of districts of Ashanti Region and study areas.

The Kumasi Metropolis shares boundaries with Kwabre East District to the north, Atwima District to the west, Ejisu-Juaben Municipality to the east and Bosomtwe to the south. KMA has an estimated population of 2,035,064 which is made up of 972,258 males and 1.062,806 females (GSS, 2010).



SOURCE - KUMASI METROPOLITAN ASSEMBLY

Figure 7: Map of districts in Ashanti Region showing study areas

Source: Kumasi Metropolitan Assembly, 2012

The Metropolis attracts a number of migrants from several parts of the country and neighbouring African countries such as Togo, Burkina Faso, Mali, Nigeria and La Cote D'Ivoire to undertake businesses.

Adum is located within the Kumasi Metropolis and its economy is dominated by the services sector, which employs about 71 percent of the labour force with the industrial and agriculture sectors employing 24 percent and 5 percent respectively (KMA, 2005). In terms of commerce, it has the largest market centre in Ghana which is the Kumasi central market. Adum is a major trading centre and it has hundreds of small and medium scale enterprises ranging from chop bars and restaurants, boutiques, shops, travel and tours and small table top sales of all kinds of items. Generally, the brisk commercial and business nature of the Metropolis has contributed in making microfinance schemes attractive to the large number of traders, farmers and other business operators.

Obuasi is where the famous and rich Obuasi Gold Mines, now Anglo Gold Ashanti is located. The Municipality shares boundaries on the west with Amansie Central, and in the east and south with Adansi North District and Adansi South respectively. The River Offin separates the Municipality from the Central Region. The Municipality has a total population of 168,641 comprising 87,626 females and 81,015 males (GSS, 2010). Agriculture constitutes the major source of revenue for a large number of inhabitants. Commerce and small-scale industrial activities thrive in Obuasi and most of its surrounding communities. Many people are self-employed and depend on several sources, such as self, relatives and microfinance finance institutions, for financial services.

The Ejura Sekyedumase district had experience an increase in population from 60,997 in 1984 to 88, 753 in 2000. Currently, the district has a population of 85,446 made up of 42, 892 males and 42,554 females (GSS, 2010). Out of the district's 130 settlements, only three are urban areas with the rest being rural settlements (GSS, 2005). This gives the District a rural status. Ejura Sekyedumase District is one of the districts with a high figure of 10 percent of self-employed with employees (GSS, 2005) probably due to the existence of medium to large-scale commercial farmers who employ many farm hands. The District serves as the immediate link between the north and south and it has most migrants from the Northern regions.

In the study areas, literacy, which is a key aspect of human capital, can be said to be low. According to GSS (2005), levels of educational attainment and literacy in the Ashanti Region show that between 40 and 50 percent of the population, particularly, females either have no formal education or have only pre-school education. The illiteracy levels range from a relatively high level of 61.2 percent for Ejura Sekyedumase to a relatively low level of 22.1 percent for the Kumasi Metropolis.

In the Ashanti Region, for instance, a high proportion (40% - 50%), of the population has only pre-school education or no formal education (UNDP, 2007). However, besides formal education, attempts at other types of informal education such as apprenticeship in trades such as carpentry, masonry, auto-mechanics, welding, foundering, photography, tailoring, dressmaking and hairdressing are available to equip persons who are excluded from formal learning. In addition to the informal apprenticeship, there is technical and vocational education which provides apprenticeship training in state-funded schools, for example, the NVTI.

Banking outlets in the Ashanti Region are fairly spread geographically though there is a higher concentration in the regional capital (Ofei, 2004). Basic information from SAT indicates that there are over twenty registered Microfinance Institutions in the Ashanti Region. Among the registered institutions is the Sinapi Aba Trust a leading MFI in the region. Three branches namely Adum in the Kumasi Metropolis, Obuasi in the Obuasi Municipality and Ejura in the Ejura Sekyeredumase District have been long-established by SAT.

The beneficiaries in the areas are characterised by low income and low levels of human capital but there is limited study on the effects of SAT services on their human capital development. In addition, SAT as an institution has inadequate knowledge about the effects of its activities on the human capital development of the beneficiaries in the study area, thus making the area appropriate for the study. Furthermore, the researcher is familiar with the socio-economic environment of the people in the selected area and this helped engender the interest in the research topic.

Study design

Research design indicates a basic plan for a study and comprises four main ideas which are the strategy, conceptual framework, who and what to be studied and the tools and procedures to be used for collecting and analysing empirical materials (Punch, 2009). At the centre of the design is the paradigm within which to situate the study. Social science research is posited in two main research paradigms namely, the positivist/objectivist and subjectivist/ interpretivist.

The positivist approach deals with objectivity which assumes realism where things have their own independent reality. Its approach seeks to apply the natural science model of research which focuses on quantitative method to investigate the social world (Descombe, 2007). The analysis of quantitative data enables interpretations and findings to be based on measurable information that can be checked for accuracy instead of sheer impressions therefore, making room for generalisation of findings. A key methodological concern of the quantitative method which ties into the conventional scientific impact assessment approach is the relative inflexibility of quantitative tools which cannot be used in probing answers for in depth knowledge and understanding.

The subjectivist, on the other hand, is of the view that knowledge is situated and contextual. According to this perspective, meanings and understandings are created in an interaction, which is effectively a co-production, involving researcher and interviewees (Kvale, 1996; Mason, 2001). The subjectivist's concept uses the qualitative research approach to get better understanding of people's interpretations, understandings and or misunderstandings of the social reality. The qualitative research is premised on the notion that, the social world can only be understood from the viewpoint of the individuals who are part of the on-going action being investigated and the best way to ensure objectivity and truth (Cohen et al., 2005; Ntifo-Siaw & Bosompem, 2009).

The study of the social world therefore, requires a different logic of research procedure, one that reflects the distinctiveness of humans as against the natural order (Bryman, 2008). The qualitative approach offers the opportunity to pursue an interactive exchange of discourse which captures the depth of information on a particular issue since there is no one objective reality with regards to social science research. Qualitative impact analysis is particularly useful for MFIs studies of effects as it allows for in-depth appreciation of impact processes and client perspectives (Esnard-Flavius & Aziz, 2011).

The study used descriptive and cross-sectional survey approaches. Babbie (2007) denotes that a major purpose of social studies is to describe situations and events and portray the characteristics of a sample or the relationship among variables in a sample. In this study, background characteristics of beneficiaries were described to determine possible relationship between human capital development of beneficiaries and microfinance services. The descriptive approach was therefore, relevant for this study which aimed at a systematic collection of in-depth information on the components of the microfinance intervention to portray accurate profile of situations and the features of respondents to illustrate relationships between variables as pertains in this study.

The cross-sectional design collects data from a sample of beneficiaries at a one point in time for making generalisations on the population and that it helps to understand patterns of association or relationships either in a group as a whole or in subgroups sharing characteristics or attributes such as females and males (Lewin, 2006; Sarantakos, 2005). Bryman (2008) describes cross-sectional design as a prominent research design which gathers information on variables of interest concurrently.

In addition, the cross-sectional design contrasts with the experimental design which operates with an experimental group that is pre-tested and the experimental treatment that is post-tested at certain periods in time (Bryman, 2008). Cross-sectional designs are related to survey research and are commonly viewed as being limited in attributing causality. It can create the problem of ambiguity about the direction of causal influence and invariably lacks the internal validity that one finds in most experimental research (Bryman, 2008).

The study did not use the longitudinal design which examines features of people over a longer period at more than one time since the study is a student research and therefore time-bound. Manroth (2001) and Enu-Kwesi (2005) observe however, that longitudinal research design is scientifically valid. Creswell (2013) points out that the cross-sectional is preferable for student research in terms of cost-cutting and rapid data collection process. Enu-Kwesi (2005) and Lewin (2006) conclude that the cross-sectional is the simplest and least costly while the longitudinal is complex and costly for a student research. Considering the diverse geographical location of the Kumasi Metropolis, Obuasi Municipality and Ejura Sekyeredumase district, as well as the diverse characteristics of programme beneficiaries, the descriptive cross-sectional design was appropriate for the study.

The study was oriented towards the views of the intended beneficiaries with a focus on the beneficiaries themselves regarding their development investment perspectives. It is not simple to put across the effects of microfinance on beneficiaries by using only words or only numbers. Some of the effects such as income and savings can only be better understood in numbers, similarly, other effects such as business experiences, perceptions and access to certain facilities could only be described in words.

Furthermore, Monieson (1981) argues that relying on only one approach could lead to inadequate academic vision and development, resulting in narrow and one-dimensional research. Thus the use of mixed methods has become acceptable in social science research due to the understanding that relying only on scientific objectivity is limited since there are multiple realities based on various subjective perceptions in gaining knowledge. Pure quantitative impact research is of limited use for MFIs as it does not capture qualitative and complex causal impact processes and is likely to yield outdated information by the time results are released (Manroth, 2001).

Following from the discussions, the descriptive and cross-sectional survey approach using both qualitative and quantitative methods was suitable for the study. By using the mixed method, the researcher can make use of the strengths of multiple approaches to triangulate data and illuminate statistical findings to provide validity to the research (Dunne, Pryor & Yates, 2005; Lewin, 2006). The mixed method have been used in microfinance impact studies by researchers including Afrane (2002), Maldonado, Gonzalez-Vega and Romero (2003), Gibb (2008) and Kotir and Obeng-Odoom (2009), to understand the multiple realities in microfinance studies and to ensure validity of findings. It also implies getting at the truth in an objective way (Ntifo-Siaw & Bosompem, 2009).

Study population

The study population comprised Sinapi Aba Trust microfinance beneficiaries and staff. The target beneficiaries were those who had been on the scheme for a minimum of two years with at least four loan cycles. They were expected to be adequately informed about the microfinance activities and reflect better on the information collected. The two-year duration was considered to be appropriate for beneficiaries to have experienced some form of effect on their business activities and lives for them to make meaningful participation in the process (Afrane, 2002; Devi, Ponnarasi & Tamilselvi, 1998; Esnard-Flavis & Aziz, 2011; Maldonado, Gonzalez-Vega and Romero, 2003).

In the three study areas, beneficiaries who had been on the scheme for more than two years were estimated at 8734 in 2011. The target comprised individual-based and group-based loan beneficiaries. The group loans were made up of trust bank and solidarity. The beneficiaries were located in both urban and rural areas. SAT had a list of beneficiaries of all branches with their respective livelihood types and sex composition and this was used as the sampling frame.

The other group of the target population comprised thirteen staff members made up of the three branch managers, three loan supervisors, one from each branch, and six loan officers, two from each branch and the Chief Executive Officer (CEO) of SAT who were purposively selected. Each branch has one manager and between one to five supervisors and loan officers depending on the beneficiary and portfolio size of the branch. The total sample size of the study was therefore, 381 comprising 368 SAT beneficiaries and 13 out of a total population of 18 officers of the study districts.

Sample and sampling procedure

To ensure representativeness, thorough measures were taken to achieve an appropriate sampling procedure. These comprise the stratified, simple random and the purposive sampling techniques. To determine the sample size from the total population of 8734 beneficiaries, the table of sample size determination developed by Krejcie and Morgan (1970) (as cited in Sarantakos, 2005) was used to arrive at an initial sample size of 368 beneficiaries (Appendix A). From the figures presented by Krejcie and Morgan (1970), 368 computes to a confidence level of 95 percent and a margin of error of five percent which is acceptable for social science research.

To ensure that all the various categories of the beneficiaries were fairly represented, the multi-stage sampling method was used. Out of SAT's seven branches in the Ashanti Region, three branches were purposively selected mainly due to their ability to provide diverse information relevant to the study. Information from SAT officials led to the purposive selection of the three branches. After selecting the branches the second stage utilised existing information from SAT to cluster the target population in each branch into individual-based and group-based loans (trust bank and solidarity).

The next stage of the sampling process used the proportionate simple random (lottery method) by placing the names of all potential subjects on slips of paper in a box for a draw to select the required sample size from each branch. This was aimed at obtaining representativeness since it is believed that it allows the characteristics of the population to occur in the sample and to facilitate analysis of data pertinent to each of the subgroups for internal validity and reliable conclusions. Heiman (2002) however, cautions that nothing forces a random sample to be representative of a particular population since selection basically, depends on the luck of the draw.

Implicitly, random sampling is a double edge sword which could produce a representative sample or fail by giving an unrepresentative sample. The lesson is therefore that one cannot take random sampling at face value and presume that it inevitably represent a particular group. To offset the problem, Enu-Kwesi (2005), suggests the merging of different sampling procedures to help achieve a rich variety of probabilistic sampling methods that can be used in various research contexts. Key informants comprising loan officers, branch managers and the chief executive officer were purposively sampled for data collection.

In allocating the sample size of 368 to the SAT branches the proportional allocation was done to arrive at the initial sample sizes of 106, 126 and 136 for Ejura, Adum and Obuasi respectively. However, field challenges at the Ejura branch reduced the sample size from 106 to 99. Figure 8 shows the selection process for arriving at the final sample size of 361.

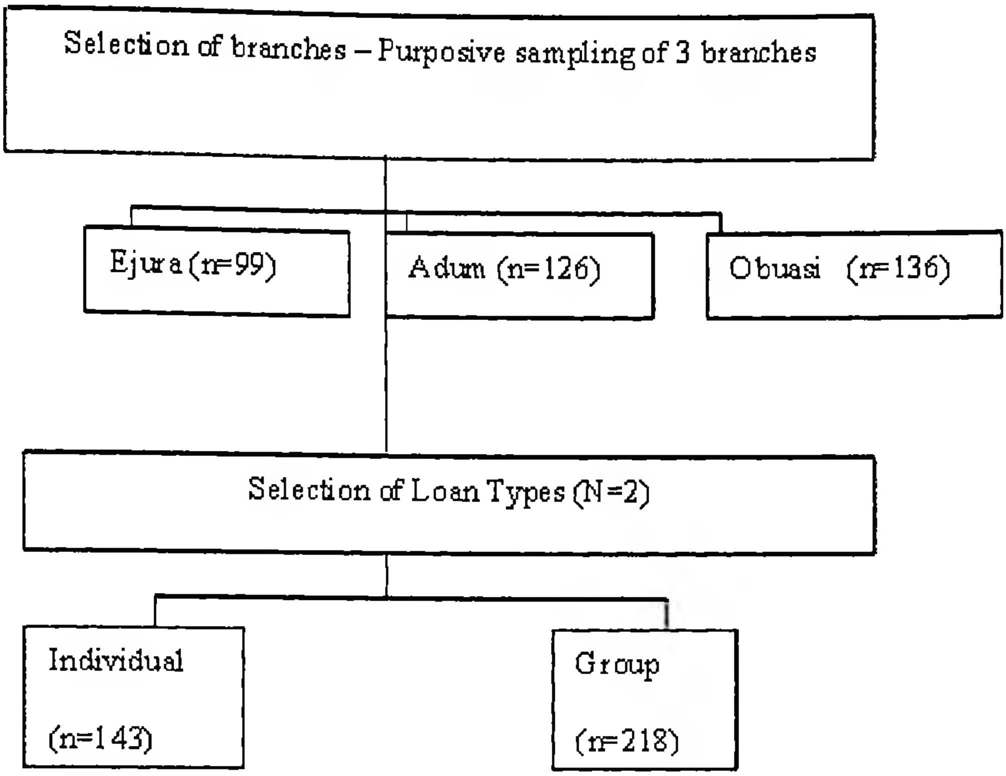


Figure 8: Flow chart showing sampling selection

Source: Field survey, 2012

Table 2: Sampling allocation of beneficiaries above two years by branches and loan types

Sample size	Ejura	Adum	Obuasi	Total
Individual	21	113	9	143
Group	78	13	127	218
Total	99	126	136	361

Source: SAT (2012)

Data collection

Making decisions on data collection methods should take consideration of the options which lead to the generation of accurate information. The methods should be reasonably linked to the research questions, conceptual framework and the overall research strategy (Marshall & Rossman, 2006). The literature review for the study has indicated a multiple perspective of the related concepts, opinions and values of beneficiaries, as such, both qualitative and quantitative types of data were collected.

Qualitative data refers to a categorical measurement which is presented not in numbers but through the means of narrative forms (Bell, 2008). The qualitative data were collected on the domains of change and how beneficiaries perceived the effects of microfinance services on their human capital development. In addition, it was used to examine beneficiaries' participation in social organisations, awareness creation, self-esteem, children's education, skill development, on the job training, apprenticeship and life enhancing facilities, access to health, food and nutrition.

Quantitative data on the other hand generates data that can be converted into numbers (Bell, 2008: Wholey, Hatry & Newcomer, 2004). It uses numerical and statistical processes to answer specific questions and apply statistics in a variety of ways to support inquiry or programme effects. Quantitative data were collected because the study objectives included knowing the nature of microfinance services of SAT, assessing the effects of microfinance services on incomes of beneficiaries. The quantitative data sought, covered data on loan and livelihood types, income, capital, and savings.

It included identifying the effects of microfinance on human capital and differences in the human capital development of beneficiaries with different background characteristics, such as years of education, marital status age, sex, size of family, type of business activities which have been accurately presented in numbers.

Sources of data

The data for the study comprised primary and secondary. The sources of primary data were interviews with individuals, focus group participants, loan officers, branch managers and the CEO. The primary data covered socio-economic background information on beneficiaries. The primary data also gathered information from the SAT staff on the activities and products of the institution. The other source were on-site observation of both the beneficiaries' business activities and SAT activities and the units of observation involved shops, workshops, workplaces and SAT orientation programmes.

The secondary sources included official documents of Ghana Microfinance Network (GHAMFIN) and Sinapi Aba Trust, on information such as the mission, vision and values of the institution, client population, operational and financial sustainability. The SAT documents involved management reports, annual reports, operational reports and some quarterly reports. These reports were used to buttress information from the field. Journal Articles, books and other relevant documents were utilised to obtain broader information to enrich the study. Descombe (2007) affirms that the social researcher can undertake empirical research based on documents which cover wide data and produce up to date information. Both the primary and secondary sources helped to generate relevant data to the research questions so as to directly and unambiguously address the research objectives (Sumner & Tribe, 2008).

Instrument design

The potential respondents comprised illiterates, semi-literates and literates and therefore, different instruments were used to meet the data collection requirements. These instruments comprised interview schedules, interview guide, focus group discussion (FGDs) and observation guides (Appendices A, B, C and D). The interview schedules were used for the programme beneficiaries and middle level staff of SAT. The interview guide and observation guide were used for the CEO of SAT and on-site observations of SAT beneficiaries' activities respectively.

The schedule for the beneficiaries comprised four sections. The first section focused on beneficiaries' background and business characteristics such as age, sex, marital status, number of children, level of education and type of businesses and start-up information. The second section concentrated on loan categories and sizes, loan repayment and related services rendered by SAT. The third section consisted of changes in incomes, working capital and general business performance related issues as well as savings and repayment. The fourth section centred on microfinance and human capital asset accumulation, such as skill development, children's education, level of accessibility to health and social capital. Furthermore, it focused on beneficiaries' perception of the quality of services delivered by SAT.

The interview schedules contained guidelines that ensured introduction of probing questions to allow learning from clients approach (Simanowitz, 2004), commonly used in microfinance impact studies. The interview schedules used a combination of open-ended and closed questions. It provided respondents with a number of defined responses and an additional category (other) that were to be ticked if the response they wished to give were not listed (Pallant, 2005).

The open-ended questions probed in-depth into human capital development effects and issues. The disadvantage of open-ended questions was that it was time consuming and liable to incomplete recording of important issues. These problems were addressed through thorough training of interviewers. Closed questions were used for background variables such as age, marital status or education. The interview schedule helped to make coding and collating quantitative data and uniformed measurement easier.

Additionally, interview schedule was used to get information from middle level staff comprising loan officers and branch managers. The loan officers and branch managers provided information on loan sizes, loan cycles, mode and subjects for orientation, training, non-financial programmes, repayment and default rates and reasons. In addition, was monitoring of beneficiaries social and economic transformation and other relevant issues that developed out of the interviews.

The interview guide was used to elicit information on a one-on-one basis with the CEO to pursue an interactional interview (Bell, 2005) to enable questions to be clarified for accurate responses. Information from the CEO included the place of human capital development in SAT's programme and SAT's contribution to human capital development and related social capital development and other relevant issues relating to their operations. The interviews were tape recorded to ease transcription.

The focus group checklist was used for discussions with selected beneficiaries to explore the depth and nuances of opinions regarding the effects of microfinance on incomes and assets and understand the different perspectives which were qualitative in nature. The focus group interviews helped in dealing with wide-ranging perceptions, views and ideas for making expenditure decisions. Focus group discussions can be used in relatively shorter periods and often becomes very important in qualitative data gathering. The discussion guide took into consideration the research objectives and questions to be able to gather the relevant information as emphasised by Cohen and Manion (1995). It often, leads to spontaneous and emotional statements about the topic on impact assessment (Kvale, 1996) which helps to reveal important matters as well as to generate rich and complex ideas from different perspectives.

A checklist of the workplace sites was developed to observe and gather on-site data on beneficiaries' business activities. The observation was done at shops, workshops, workplaces of beneficiaries to appreciate and ascertain, among others, reported improvement in business infrastructure, records, best business practices and other factual on-site situations of beneficiaries for purposes of triangulation. The observations were done in such a way that the naturalness of the business settings were retained (Descombe, 2007). Additionally, SAT beneficiary orientation programmes were observed to log activities that happened.

The recall method was used since SAT had no baseline data on clients. Clients were asked to compare their current situation pertaining to the defined qualitative and quantitative development indicators to their conditions before accessing the loans and services and after. With the recall, clients were asked questions about themselves, their livelihoods, and their family/household at different points in time (past and present). Some studies such as Adjei (2010) and Afrane (2002) used the recall and indicated that though, there are limitations of inaccuracies regarding recalling information, with good interviewing skills and triangulation, the problem could be reduced.

The study instrument also used the Likert scale to measure the degrees of opinion on human capital and social capital development. The ordinal scales on a continuum of 1 to 5 involved five pre coded statements where 1 = very low, 2 = low, 3 = fairly high, 4 = high and 5 = very high. However, according to Carifio, and Perla, (2007) the soundness of the Likert Scale approach for measurement can be compromised due to social underpinnings which could make people tell lies to put themselves in a certain socially appealing stance. To overcome that, beneficiaries were impressed upon that the interviews were for academic purpose and were therefore encouraged to provide real opinions.

Pre-testing of instruments

Before the actual field work, research instruments were pre tested at the Adum branch with a sample of thirty beneficiaries. The Adum branch was selected because of the predictability of getting the thirty clients from the various loans and business categories. In addition was proximity and ease in locating beneficiaries.

The pre- test was to ensure that the instructions, questions and scale items were clear (Pallant, 2005). It is a common practice that a survey instrument should be pre-tested in order to identify and correct errors and shortcomings before the implementation of the actual survey (Bryman, 2008).

The pre-test helped to evaluate the general receptivity and feasibility of the questionnaire, to evaluate the suitability, consistency of the questions and appropriateness of the wording used. Furthermore, it helped to assess the sufficiency of the sampling frame and reliability of questions for data processing as well as the reliability of the Likert scale. Beneficiaries were selected from both the individual and group loan categories which also covered the various livelihood types. The pre-test assisted in review of the questions and instruments.

Ethical issues

Ethics were important due to some private and delicate information the respondents were expected to give. The ethical issues taken into consideration in this study revolved around the four main areas identified by Diener and Crandall (1978) (as cited in Bryman, 2008, p. 118) namely whether there is harm to participants, whether there is lack of informed consent, whether there is invasion of privacy and whether deception is involved. The SAT management was, first and foremost informed of the study's purpose and their consent sought to conduct the field interviews with staff and beneficiaries.

The targeted respondents were informed of the purpose of the study and their consent sought for their participation. They were also assured of confidentiality of discussions and anonymity. Respect and cordiality was considered throughout the interview to maintain rapport with the participants. At the end of the interviews, interviewers expressed gratitude for the time of respondents.

Field data collection

The three branch managers were consulted prior to the field data collection for the names, contact addresses and business locations of the sampled beneficiaries, this was to facilitate identification and meeting schedules. Information about the field work and time was communicated to the beneficiaries through their group leaders by the loan officers. During the field work, the loan officers had to introduce the team members via telephones or in some cases, personally to group leaders to pave the way for interviews. The field data collection was undertaken from 18^{th} September to 21^{st} December, 2012.

Data collection was done with six field assistants, five of whom participated in the pretesting and therefore familiar with the research instruments and questions. However, they were all debriefed on the research objectives, time lines, data collection etiquette and the field instruments. There were mock interviews to make them more familiar with the questions and local interpretations. All interviews started with introduction and purpose of the study and were mostly done in the Akan language since most of the beneficiaries could express their responses in the Akan language.

The interview schedule for beneficiaries was administered by the research assistants. The Chief Executive Officer, branch managers and loan officers were interviewed by the researcher. Focus Group Discussions (FGDs) were done in two parts. One for individual and group loan beneficiaries together and the other for beneficiaries and staff of SAT ensure rich information from diverse positions. The FGDs were led by the researcher. Observations of beneficiaries' work places and SAT staff and client meetings were done by the researcher and field assistants. At the end of each day's interviews, the interviewers and the researcher reviewed and compared the administered questionnaires to identify gaps for the necessary action.

Field challenges

Some challenges were met during the field data collection. At the time of the main field work, the Ejura branch had relocated to Atebubu (About an hour's drive apart). The relocation reduced the client strength in Ejura and consequently affected the sample frame extremely resulting in uncertainties. Discussions were held with my supervisor and a contingency selection became necessary to help replace the selected participants who could not be located or were no longer active in the programme. It was then learnt from the SAT branch manager that the Ejura branch was already dealing with clients some of whom were in Atebubu before the relocation. As a result an additional sample frame for the Atebubu clients was developed for random sampling to correspond to the expected numbers. This was necessary to make up for the imbalance in the branch sampling.

Another challenge was that, most of the respondents were retailers and had to partake in frequent interactions with their customers, this delayed some of the interviews. In some instances interviewers had to go and come back severally before adequate time was given them to do the interviews. Furthermore some respondents were not keen in participating in these academic exercises which do not give them any direct benefit or to divulge personal information which may be used 'against them'. Some complained that they had been 'over researched' which was becoming worrying.

Moreover, client business locations were dispersed particularly, in Obuasi and Ejura requiring substantial travel time. In some instances loan officers had to accompany field assistants to locate some of the beneficiaries and the busy work schedules of the officers led to delays. To offset the challenge there were close coordination among the main researcher, the field assistants and SAT staff which helped to reduce some field challenges particularly regarding locations. In addition, transportation was readily available to offset delays in meeting schedules.

The estimation of incomes also became a big challenge since some beneficiaries did not keep proper documentation on incomes and was therefore, limited in providing accurate incomes particularly the incomes before becoming SAT beneficiaries. The income issue was addressed by using the recall of purchases, sales and business expenditure to estimate their incomes.

Data processing and analysis

Data analysis comprised both quantitative and qualitative methods. According to Palys and Atchison (2014), it provides greater confidence since data is analysed in a manner that enables a comprehensive and credible interrogation of research conclusions. Firstly, interview schedules were cleaned, edited and managed for coding and analysis using the Statistical Product and Service Solutions (SPSS) version 16.0

For the quantitative data analysis both descriptive and inferential statistics were used. The descriptive statistics were useful in enabling data to be explored before any further analysis and to also lend itself as a basic means for describing how things are (Lewin, 2006). The descriptive statistics made use of frequencies, percentages, means, histograms and cross-tabulations and correlation analysis to measure relationship. For this study frequency distribution, percentages, charts and histograms were used to distribute group data such as beneficiary social background information including sex and marital status and business characteristics into categories. This helped to indicate the number of observations in each category for summarising the distribution of responses to provide numerical representations of the effects of microfinance services on incomes and human capital development.

The Anova was used to compare means among the loan groups and livelihood types of respondents. The Mann Whitney U test, which is the non-parametric alternative to t-test, was used to test for differences between two independent groups (Pallant, 2005) for independent samples. It must be stated that though the study was not a gender study, considering the predominance of women in microfinance programmes, it was necessary to test and compare medians and convert scores on continuous variables such as views to ranks across women and men.

Spearman's rank order correlation designed for use with ordinal level and ranked order (Pallant, 2005) was used in the analysis to measure strength of association between two ranked variables of for instance beneficiaries' views on improvement on some listed indicators such as skill development from the lowest to the highest levels. Thus, the 5-point Likert scale was used to measure the respondents' opinions on statements on changes in the human and social capital development.

Regression analysis establishes a relationship between two or more variables (Mensah, Enu-Kwesi & Boateng Agyenim, 2007). The regression analysis was used to establish the relationship between development of human capital and members across beneficiary social background to know which factors significantly impacted human capital development. Afrane (2002) used the same measure to assess the impacts of microfinance loans on beneficiaries' transformation.

Review of statistical analysis has shown that there are disagreements on some of the assumptions and criticisms of statistical methods. For instance, Norman (2010) contends that data from Likert scale which are ordinal has been criticised for not meriting parametric statistics. Norman explains further that since the 1930s many studies, irrespective of violations of some of these assumptions, were robust and challenges that those concerns were groundless and unsubstantiated. In conclusion parametric statistics can be used with Likert data, with unequal variances, and with non-normal distributions, with no fear of getting wrong conclusions.

Sharma, Shimp and Shin (1995) have stated that what is important is whether the results are reported informatively to allow truthful representation of respondents' views. Norman (2010) reports that though some of the distributional domains such as human and economic. Under each of the domains, the key elements that indicated changes were put under themes.

For this study analysis, responses from respondents and other research results were triangulated for better results. Chapters Six and Seven focused on the study results and discussion covering a total of 361 beneficiaries interviewed, representing a response rate of 98 percent and twelve staff members from the three branches of SAT and the Chief Executive Officer.

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CHAPTER SIX

SOCIO-ECONOMIC CHARACTERISTICS OF BENEFICIARIES AND FEATURES OF MICROFINANCE SERVICES

Introduction

The results and discussion are presented in Chapters Six and Seven. The discussion focuses on the study objectives and it embodies the statistical and applied implications of findings. This chapter covers the socio-demographic, livelihood characteristics of the respondents and the features of microfinance services of SAT. Ikeanyibe (2008) has observed that socio-economic background is necessary to initiate and manage businesses as well as for repayments. It can also influence opinions, choices of development and decision making. The analysis is supported by the related theories and conceptual framework as shown in Figure 3.

Socio-demographic characteristics of respondents

Socio-demographic status of microfinance beneficiaries is an important factor that could have implications on their development trend (Afrane, 2002; Leinbach, 2003). These characteristics which comprise sex, age, marital status, number of children and level of education have been used in the analysis to discern their effects on human capital development as indicated in the objectives.

Considering the sex and marital composition of respondents in a study of microfinance which mostly comprise women (Cheston & Kuhn, 2002) is important for operational purpose and policy formulation. It also facilitates comparative analysis with literature and to ascertain whether microfinance programmes reach out to the target population. According to Aghion and Morduch (2005) and (Ghalib, 2009), the earlier and prototype microfinance institutions such as the Grameen Bank made women the core beneficiaries of their programmes.

The focus on women is because women are known to be poorer and more vulnerable than men and yet contribute substantially to the socio-economic well-being including human capital development of their households. The sex composition analysis revealed that 74.2 percent of the respondents were females with males comprising 25.8 percent. The result supports observation that microfinance operations assist mainly the poor and women engaged in informal activities (Ghalib, 2009; Khandker, 2005).

Marital status can also influence the roles and responsibilities as well as occupational lives of members and their families (Dennis & Peprah, 1995). It could also have an effect on family budget. From the total number (361) of respondents, Table 3 indicates that 77.3 percent of the respondents were married while the remaining 22.7 percent were single, divorced and widowed. The percentage (90.6%) of those who had ever married was higher than the national percentage of 58.5 given by the Ghana Statistical Service (GSS) (2008). The higher percentage of married beneficiaries could be due to the dominance of the active population making up the beneficiaries.

Table 3: Sex and marital status distribution of respondents

	Single		Married		Divorced		Widowed		Separated		Total	
Sex	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Female	22	6.1	208	57.6	15	4.2	22	6.1	1	.3	268	74.2
Male	12	3.3	71	19.7	2	.6	8	2.2	0	.0	93	25.8
Total	34	9.4	279	77.3	17	4.7	30	8.3	1	.3	361	100.0

Source: Field survey, 2012

The age of service users such as microfinance beneficiaries has been found to influence the activities and decision making in terms of productive ventures and resource allocation in the family, albeit, it may not be given the priority it deserves in financial schemes. For instance, Gupta and Malhotra (2006) have observed that in many African contexts, age and sex could influence a person's decision making position in the family.

The analysis in Table 4 shows that 30.7 percent and 40.2 percent of the respondents were in the age groups of 31 - 40 and 41 – 50 years respectively. Largely, the respondents comprised the economically active population with only 3.6 percent above 60 years. This is in reference to the International Labour Organisation's (ILO) standard for economically active age categorization which is from 15 up to 55 years and the Ghana Statistical Service (2008) standard of between 15 and 64 years.

Table 4: Age distribution of respondents

Age (years)	Frequency	Percent
21-30	15	4.2
31-40	111	30.7
41-50	145	40.2
51-60	77	21.3
60+	13	3.6
Total	361	100.0

Source: Field survey, 2012

The ages of the respondents varied from 21 years to 72 years with a mean age of 43 years. This could be attributed to the eligibility criteria and the application assessment requirements of SAT which among others demand previous business transactions and experiences of beneficiaries making it difficult for people below 20 years to qualify. Ekpe, Mat and Razak (2010) have contended that individual characteristics such as age affect discovery of entrepreneurial opportunities. Thus, the results as shown in Table 4 indicate that most of the beneficiaries were adults and could take decisions on their businesses and investment choices.

Statistical evidence on number of children and family sizes of respondents provide important information for understanding beneficiaries' consumption and expenditure disposition. It also helps to understand and appreciate the responsibilities of beneficiaries towards the human capital development of their family members. For instance, Hazarika and Sudipta (2007) found out that larger families are more likely to withdraw their children from school to attend to their family needs. Beneficiaries who are mainly sole owners and managers are also likely to rely on family members, especially own children as auxiliary workers.

From Table 5, the number of children per respondent varied from zero to ten. About 22.2 percent and 23.5 percent of respondents had three and four children respectively. Nearly, 30.6 percent had five or more children. The results correspond with the average age of 3.76 and a median of 4.00 which is typical of the average household size of four in Ghana (GSS, 2008). The overall statistics however, indicated a negative skewness of -259.

Table 5: Number of children of respondents

Number	Frequency	Percent
0	14	3.9
1	18	5.0
2	54	15.0
3	80	22.0
4	85	23.5
5	54	15.0
6+	56	15.6
Total	361	100.0

Source: Field survey, 2012

This is an indication of an uneven distribution of number of children among respondents. According to Pallant (2005), a normal distribution is represented by a skewness of 0.0. It can therefore, be inferred that the number of children per respondents was not normally distributed.

The level of education of respondents is an important factor in studies. Khan and Ali (2004) argue that heads of households who are educated are more likely to prioritise the education of their children more than the uneducated. According to Crisp and Turner (2007), the entrepreneur's level of education, skills or knowledge acquired play a role in making decisions and choices. The education status of respondents were studied because the level of education of beneficiaries could affect their businesses and decision making regarding human capital investment and other priorities. For example, Nader (2008) observed that microfinance beneficiaries comprise mainly people with low educational levels which could lead to inconsistent incomes and asset accumulation.

As seen in Table 6, 51.4 percent of the respondents had basic education, followed by 15.5 percent who had no formal education and 15.2 percent who had secondary school education. The commercial and technical levels which have the potential of training middle level technical people had been attained by only 5.5 percent of respondents. The remaining had attained 10.2 percent and 2.2 percent post-secondary and tertiary education respectively.

According to GSS (2012), a person was considered literate if he or she could write a simple statement with understanding. About 71.5 percent of the Ghanaian population aged 15 years and above were literates with the remaining 28.5 being non-literates in 2010. Regarding the study respondents whose ages were from 21 years, 15.5 percent had no basic education and could not write simple statements with the remaining 84.5 percent being literates.

Table 6: Educational attainment of respondents

Educational level	Frequency	Percent
No formal education	56	15.5
Basic	185	51.4
Secondary	55	15.2
Comm/Tech/Voc	20	5.5
Post-secondary	37	10.2
University	8	2.2
Total	361	100.0

Source: Field survey, 2012

The results show that literacy rate of the beneficiaries was higher than the national average. However, generally the results show a decrease in the participation of the beneficiaries in post basic education which is common among poor and low income population.

Fagerlind and Saha (1997) argue that to view formal education as the single most important key to achieve development goals is unjustified since that alone cannot attain the desired goals without proper improvement in the other sectors of human capital development. In addition, the human capital theory has been criticised that at the individual level, it has become controversial as to what extent education or other forms of human investments are directly related to improvement in occupation and income.

Business characteristics of respondents

The business characteristics of respondents could have influence on their business incomes and other related features. This makes it necessary to analyse the effects of beneficiary background characteristics involving the business characteristics on human capital development. The business aspects being considered in this section entail the number of years respondents have been with SAT, sources of start-up capital, type of loans and sex composition, number of loan cycles received and types of livelihood.

Number of years beneficiaries had benefited from SAT programmes

The number of years that beneficiaries have benefited from loans could give information on the issue concerning cyclic borrowing by beneficiaries. Its effect on the accumulation assets has become an important component in the impact of microfinance programmes. Hossain (1988) has observed in a cross sectional study that compared beneficiaries who had been on the programme for over three years and new ones and concluded that investment in fixed assets was about 2.5 times higher for the beneficiaries with more than three years than for those who joined during the year of the survey.

The focus group discussions denoted that the respondents borrowed with the initial aim of supporting their businesses by increasing their stocks and diversifying into other income generation activities. In this study, the number of years with SAT indicates the years that respondents had received loans from SAT. The analysis of years spent with SAT is shown in Table 7. The years were grouped into four and the results indicate that the majority (59.3%) of the respondents had been with the trust from two to five years. About 10 percent of the respondents had been on the programme more than ten years. The mean duration was four years.

Table 7: Number of year's beneficiaries had received SAT services

Years with SAT	Frequency	Percent
2-5	214	59.3
6-9	111	30.7
10-13	33	9.2
14+	3	0.8
Total	361	100.0

Source: Field survey, 2012

SAT management, in an interview, indicated that SAT aspires to provide services to assist their clients to mobilise their own business capital, implying that clients would grow into some level of capital sufficiency for their small businesses. It could be inferred from Table 7 that the objective and desire of halting continual borrowing by beneficiaries is being achieved by SAT since the majority (59.3%) reported that they had spent up to five years with only 10.0 percent being on the programme above 10 years.

Sources of start-up funds of the respondents

Bortei-Doku and Aryeetey (1995) have indicated that microfinance has the prospect of providing access to productive capital for the low income and poor and that the poor patronise microfinance programmes. However, considering the eligibility criteria for SAT loans which among others, requires the assessment of the borrower's business, the study set forth to find out how respondents acquired their start-up capital prior to SAT loans.

Table 8 indicates that the majority (85.9%) of the respondents used their personal savings as start-up capital. The rest (14.1%) had started with family savings, SAT loan and other loans. It implies that individual funds used as initial capital play a significant role in starting own businesses.

Table 8: Sources of start-up capital of respondents

Source of start-up	Frequency	Percent
Personal savings	310	85.9
SAT loan	22	6.1
Family savings	21	5.8
Other M F loans	4	1.1
Others	4	1.1
Total	361	100.0

Source: Field survey, 2012

The results corroborate the general perception that initial capitals for businesses from banks are generally unattainable due to stringent collateral demands (Yunus, 2003). In the case of SAT, all the loan officers reported that loans for start-up capital from SAT were specialised loans arranged for small and medium scale businesses indicating that most clients did not start their businesses with SAT loans. The findings can be explained by the fact that to benefit from SAT services requires having an economic activity.

Further analysis of start-up funds among the three SAT branches indicates variations within the sources. However, the personal and family savings and SAT loans were the most common sources as shown in Figure 9.

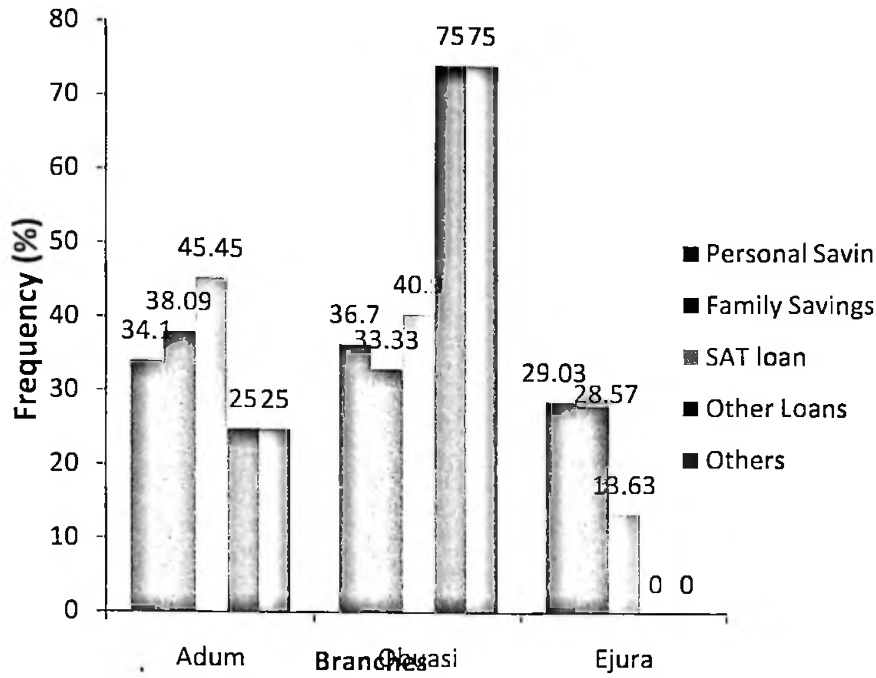

Figure 9: Sources of start-up capital of beneficiaries by SAT branches

Source: Field survey, 2012

The other sources of loan comprise credit from other microcredit agencies and others that could not be clarified. These other categories, though insignificant were mostly (75%) found in the Obuasi branch according to the analysis.

Livelihood activities could be influenced by certain factors which could also affect the domains of change as shown in the study's conceptual framework. The necessity in analysing livelihoods is to present a picture of linkages between loans and peoples livelihoods. Clients with different characteristics may go into different livelihood activities to build viable livelihoods for themselves and their families (Afrane, 2002; Schrader, 1997). The different types of livelihoods were used for subsequent analysis on incomes.

The type of livelihoods operated by the respondents in this study is categorised into retail, agriculture/food, education/service and manufacturing. The analysis indicates that the majority (62%) of the respondents were engaged in retail trade, 29 percent were into agriculture/food with the remaining respondents having their livelihoods in education/service and manufacturing as shown in Figure 10.

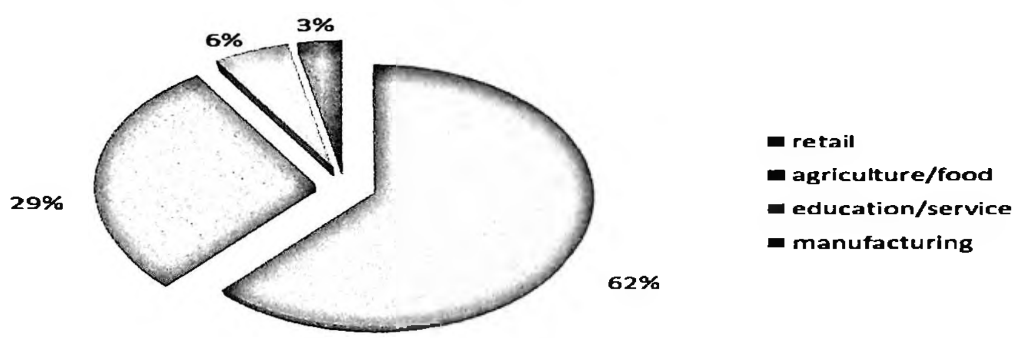

Figure 10: Livelihood activities of respondents

Source: Field survey, 2012

Further analysis was done on the type of businesses being undertaken by the respondents according to sex as shown in Table 9. About 60 percent of the females dominated the retail businesses. In Ghana, the retail sector is known to be dominated by women (GSS, 2013). This could be attributed to the motive that small initial capital and little or no technical acumen is needed to set up trade businesses thus making retail easily accessible or the best option for women who are among the poorest and non-literates (Carré, Holgate & Tilly, 2005). Males, on the other hand, dominated the services and the manufacturing businesses which could be attributed to the technical expertise and financial requirements for such businesses (Broadbridge, 1997).

Table 9: Distribution of livelihood types by sex

Type of business	Female		Male		Total	
	Frequency	%	Frequency	%	Frequency	%
Retail	165	61.7	48	51.6	213	59.0
Agriculture/food	92	34.3	23	24.8	115	31.9
Service(education)	8	2.9	14	15.0	22	6.0
Manufacturing	3	1.1	8	8.6	11	3.1
Total	268	100.0	93	100.0	361	100.0

d.f = 3; Chi-Square = 32.344; p-value = 0.000

Source: Field survey, 2012

The results in Table 9 seem to show that there is a relationship between sex and types of livelihoods of SAT beneficiaries and that the type of livelihood type was dependent on sex. Further test for significant differences indicated a chi-square statistics of 32.344 and a p-value of 0.000 indicating that the observed differences in type of businesses are not attributable to chance.

Having multiple businesses was considered for its implication on beneficiary incomes. The respondents were asked whether they had other businesses that were not linked to the SAT programme. From the survey, 33.5

percent of the beneficiaries indicated that they had other businesses whilst 66.5 percent indicated otherwise. This implies that more than 60 percent of the respondents had incomes mainly from SAT services. The other businesses were dominated by retail followed by agriculture/food and services which includes education.

Features of microfinance services of SAT

The features of microfinance have been variedly described (Dunford, 2002; Murray & Boros, 2002). Services rendered by a microfinance institution determine its paradigm and position as to whether it is client-centred, institution-centred or a blend of the two approaches. The various approaches could have varied influences on incomes and overall development of beneficiaries (Datar et al., 2008). Studying the features of microfinance programmes is therefore significant to the analysis of the effectiveness of the roles of a microfinance institution towards improving the lives of target beneficiaries. It also provides information on whether the institution is meeting its core objectives and values.

Knowing the features helped delve into the nature and services of microfinance available to the beneficiaries and to study whether SAT was oriented to an institution-centred or client-centred model of microfinance as positioned in microfinance sector studies (Cheston & Kuhn, 2002; Robinson, 2001). In addition, it was to prepare a base for linkages to human capital development as illustrated in the conceptual framework. The analysis for this section corresponds to objective one and focus on both financial and non-financial services including type of loans, number of loans received and training and awareness creation at client forum, Plate 1.

Plate 1: SAT beneficiaries at a forum organised by SAT

Source: SAT, 2012

From the conceptual framework of the study (Figure 3), social related services such as awareness creation on issues including personal savings, nutrition and education at client forums strengthen business profitability and enhance development of skills towards human capital development. In addition client forums engender social interactions which facilitate social capital acquisition.

According to a key informant, the main service provided by SAT was financial which comprised loans, savings, remittances and micro-insurance. It was found out that the remittance services were opened to the general public but SAT clients had an upper hand over non-clients because the clients could keep their monies in their individual savings and earn interest on them. The micro insurance serves as a security for beneficiaries' health and fire outbreak and other adverse occurrences (Ledgerwood, 1999).

All the services enumerated conform to what some studies have found. For instance, Armendáriz de Aghion and Morduch (2010) note that beside their traditional role of providing loans, contemporary microfinance covers many other services. These include micro savings, micro insurance, remittances and non-financial services such as financial literacy training and skills development programmes aimed at facilitating the holistic development of people as illustrated in the conceptual framework of the study.

In line with the client-centred model, SAT acknowledges prevalent non-financial constraints but necessary factors in the poverty reduction process (Matin, Hulme & Rutherford, 1999) and the need to address them. Such a view leads the institution into providing non-financial service which is envisaged as helping the holistic development of clients. On the other hand, the institutionist model which may focus on financial services alone could fail to have long term effects on poverty reduction and social improvement given their need to sustainably finance themselves (Pretes, 2002).

A key informant of SAT was asked to indicate whether SAT was a client-centred or institution-centred model reported as follows:

"It is very difficult to belong to one block wholly. This is because, if an institution becomes entirely client centred, sustainability of the company could be compromised. Therefore, SAT does not belong to any one block exclusively. SAT has a triple bottle line methodology which are client transformation, outreach for clients and sustainability of institution. He however, concluded that since two of our objectives are geared towards the clients with only one leaning towards the institution SAT is more aligned to the client-centeredness school of thought".

Type of loans offered by SAT

Information on type of loans is deemed important. With reference to the conceptual framework and literature (Varian, 1990; Yunus, 1999) two main types of literature offered by microfinance institutions are group and individual loans. Hermes, Lensink and Meesters (2011) assert that the inefficiency of a microfinance institution may be influenced by the type of loans it predominantly offers. It is assumed that some types of loans require more efforts than others. The analysis of loan types is in relation to the benefit it offers to examine the key assumption that they could lead to changes in incomes and ultimately, human capital development of respondents. The types of loan benefitted from were classified into individual-based and group-based loans.

The majority (60.4%) of the respondents were group-based loan beneficiaries with the remaining 39.6 percent in individual-based loans. Information from staff of SAT showed that the group loans consist of the trust bank and solidarity loans. The two main loan types have different requirements. With the individual loans, first time applicants must provide application letter; passport pictures, national identification and proof of on-going economic activity usually in the form of bill of laden, sales books and invoices. Regarding group loans, beneficiaries had to provide business certificates and other supporting documents, passport pictures and group guarantee.

The group lending seemed to be prevalent among microfinance operations and could be attributed to the advantage that the group guarantee system offers to the many vulnerable clients who would have found it difficult to provide any form of guarantee or guarantor to access loans (Yunus, 1999). The socio-economic position of people influences their easy enrolment into the groups. Through the group-based loans, members were able to initiate group formations with their assumed social capitals.

Females dominate microfinance beneficiaries and considering the gendered nature of livelihood activities with women's work focusing on relatively micro scale businesses (Mensah & Antoh Fredua, 2005; Nanda, 1999), it was necessary to know whether the women and men beneficiaries were given the same loan conditions to lend some valuable knowledge on the businesses operated by both sexes. In addition, various loan types have their loan size ranges and the loan types of beneficiaries give an idea about the size of loans granted and possible underlying gender prejudices. Agier and Szafarz (2013) found out that there were no prejudices in loan denial though the study revealed an unequal treatment with regard to credit sizes for female beneficiaries in medium scale businesses.

In Table 10, the chi-square test was used to determine the loan types per the sexes. The percentages presented in the analysis are those within the sex components since the sex distribution is skewed towards females and would conceal the statistics. The analysis indicates that the majority (80.7%) of group loan beneficiaries were females with the remaining (19.3) being males. Further description of data shows that out of the 268, female beneficiaries (65.7%) were group members with the rest (34.3%) being individual loan members. Regarding the male beneficiaries, 55 percent and 45 percent were individual and group loan beneficiaries respectively.

Though generally sex composition of microfinance beneficiaries was skewed towards females, in-depth analysis revealed that 65.7 percent of the females as against 45.2 percent of males were found in group based loans. The summary statistics indicate a Chi-square value of 12.142 and a p-value of .000 showing that type of loan was dependent upon sex. The main reason deduced from the Financial Service Officers (FSOs) indicated that the livelihood projects of the males were usually bigger or require larger loans and as such they prefer the individual loans.

Table 10: Distribution of sex within loan types

Loan Type	Female		Male		Total	
	Frequency	%	Frequency	%	Frequency	%
Individual	92	34.3	51	54.8	143	39.6
Group	176	65.7	42	45.2	218	60.4
Total	268	100.0	93	100.0	361	100.0

Chi-square = 12.142, p-value = 0.000

Source: Field survey, 2012

This study did not find loan conditions to be gender biased and that the majority of the women were in the group loans because the women could easily get themselves together for the group formation and they usually stayed longer. A branch manager indicated that men were difficult to work with and difficult to even get them to form groups. Responses from focus group interviews also showed that the loan conditions were generally fair. Contrarily, a female discussant stated that she would not borrow again from SAT because:

> "SAT is sometimes not fair with some of us. Some of us joined SAT long before others but they are now taking higher loan amounts than those of us who came earlier".

Thus, the significant difference within loan types as shown in Table 10 depicts that gender pattern is not due to discrimination in loan size delivery. The earlier explanation by the loan officer implicating that men find it difficult to be in groups could not also be simply accepted. Several other explanations such as the type and scales of their business remain credible factors that draw males towards

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The number of times loans have been received is perceived as having effect on beneficiaries' business characteristics and related investment in assets (Afrane, 2002). Adjei (2010) observed that established clients had greater investments than those who were new. From Table 11, 49.0 percent had received up to five loan cycles and 32.2 percent had received loans from 6-10 times with 9.1 percent indicating that they had received loans from 11 to 20 times. The remaining 9.7 percent reported that they did not know the number of loans they had received.

The classification of loan sizes is necessary because it enlightens the issues of continual loan acquisition by beneficiaries and to establish the dependency or non-dependency syndrome among beneficiaries. Considering that over all three loan cycles were received in a year was an indication that the majority (81.2%) of the beneficiaries had received loans for up to four years while 18.8 percent had received loans for more than four years.

The results could be due to the accumulation of adequate capital and income within the first four years enabling beneficiaries to be financially independent. Adjei, Arun and Hossain (2009) have indicated that when microfinance programmes incorporate savings and insurance it helps to minimise the application of the loans for consumption. This suggests that beneficiaries are able to accumulate resources better and faster. However, the assertion does not rule out factors such as negative effects of the programme on businesses and other socio-economic factors such as, repayment difficulties which could put the service beneficiaries to a disadvantage or compel beneficiaries to exit the programme (Jain & Mansuri, 2003).

Table 11: Number of loan cycles from SAT

Number of times	Frequency	Percent
1 – 5	177	49.0
6 – 10	116	32.2
11 – 15	30	8.3
16 – 20	3	0.8
Don't know	35	9.7
Total	361	100.0

Source: Field survey, 2012

Within the microfinance sector, it is assumed that when small loan sizes are disbursed they offer the opportunity to reach out to most low income people who need micro loans to start or expand their businesses. Osotimehin, Jegede and Akinlabi (2011) have observed that relatively small loan sizes help loans reach more beneficiaries and are the most important determinant of outreach. For this analysis, the amount of loans received within the first five cycles was the focus since it was expected that with the two year minimum for the study beneficiaries, most of them would have received the fifth loan. The summary statistics of loan amounts for the first five cycles are indicated in Table 12.

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Table 12: Loan sizes received within the first five cycles

Loan Cycle	Freq.	Min. Gh¢	Max. Gh¢	Median	Mean Statistics	Std. Error	Std. Dev. Statistics	Skewness Statistics	Std. Error
1st cycle	359	30	20,000	1000	1494.82	100.82	1910.24	4.42	0.13
2nd cycle	355	50	20,000	1100	1591.54	94.19	1774.76	4.82	0.13
3rd cycle	343	70	30,000	1200	1923.76	160.55	2973.39	6.69	0.13
4th cycle	298	100	15,000	1200	1876.27	111.31	1921.55	2.87	0.14
5th cycle	219	50	20,000	1000	1909.68	156.71	2319.14	3.54	0.16

n=361; GH¢2.00 = US$1

Source: Field survey, 2012

The results show differences between the minimum and maximum loan sizes. Most loan sizes were relatively small. The minimum sizes vary between GH¢30 and GH¢100.00 with the maximum varying from GH¢15,000.00 to GH¢30,000.00. This could explain the lack of normal distribution in loan amounts as indicated by the variance values of skewness. According to Pitt et al. (1998), microfinance products usually start with small loan sizes which are tied to disbursal schedules, frequent repayments and savings in most cases.

The statistics across the cycles indicate a mean of between GH¢1494.82 and GH¢1923.76. Pallant (2005) and Bryman (2008) have indicated that skewness of 0.000 represents normal distribution and from the results the range of skewness did not show a normal distribution of loan sizes. But, Sirkin (2006) has indicated that the median could produce a supplementary representative average in terms of distribution. The results in Table 12 suggest that the median of loans at the 3rd and 4th cycles were highest.

It was further observed from the interviews with the FSOs that the minimum and maximum amount of loans varies from branch to branch. As at 2012 the loan sizes were, as shown in Table 13. In addition, were the minimum and maximum amounts and the duration for repayment. The individual loans vary from GH¢200.00 to GH¢50,000.00 while that of the group loans vary from GH¢100.00 to GH¢8,000.000.

Table 13: Loan types and sizes for beneficiaries in the branches

Branches	Type of loan	Minimum amount Gh¢	Duration (Months) Min.	Max	Maximum amount Gh¢	Duration (Months) Min.	Max.
Adum	Individual	200.00	6	24	50,0000.00	6	24
	Group	200.00	6	24	8,0000.00	6	24
Ejisu	Individual	500.00	3	6	7,0000.00	4	8
	Group	100.00	3	8	3,0000.00	5	8
Obuasi	Individual	700.00	6	7	6,9000.00	6	10
	Group	400.00	6	7	3,500.00	5	10

Source: SAT, 2012

According to the FSOs, the differences depended on the type and scale of business being undertaken by the beneficiaries. Various methods were used to determine loan sizes and typical among them was the scale of business. Among the criteria was the repayment stance of the beneficiary or group in terms of meeting repayment schedules. The finding corroborates the observation that microfinance loan sizes are usually linked to frequent repayments by beneficiaries in most cases (Pitt et al., 1998). In addition, it came out that some beneficiaries do not get the loan sizes applied for even though they claimed they were credit worthy. Probing for reasons revealed that it could be due to the straight jacket loan sizes given to the group-based loan beneficiaries though the assertion was refuted by the FSOs.

Generally, microfinance products meet the standards of the majority of beneficiaries who were females, poor and non-literates who would not be comfortable with very large loan sizes that they may not be able to manage (SAT, 2012). Thus, loans reach more beneficiaries who form the majority of small-scale businesses in Ghana and it is an indication that SAT is achieving outreach which is one of the principal goals of the institution. It was reported during a focus group discussion that social capital acquisition by group members through social organisations and client forums and trainings gave the poor women who formed the majority of the beneficiaries the acumen to put the loan sizes to productive use.

Interviews with loan officers pointed out that initial loan sizes were relatively small subject to increase depending on certain factors. Some of the beneficiaries had to start with smaller loans to acquaint themselves with the loan programmes before larger loan sizes are granted to them. Meanwhile, it was also learnt that initial smaller loan sizes were part of the preparatory and probationary periods for studying the credit worthiness of clients by loan officers before raising loan sizes to enable loan officers reduce default rates and portfolio at risk. Clients who paid on time became eligible for repeat loans with higher amounts. For instance, Pitt et al (1998) report that microfinance products usually begin with small loan sizes which are tied to disbursal schedules and frequent repayments.

It has been asserted by Bortei-Doku and Aryeetey (1995) that in Ghana, although formal banking facilities have existed for over 30 years, many of Ghana's poor rely on informal banking services. This is attributed mainly to collateral requirements by the formal banking institutions that the poor who are mainly women in developing countries could not provide (Dunford, 2002). The issue of collateral from the survey was variedly presented. They exist at certain levels and in certain forms different from the types and size of physical collateral demanded by the formal banks. The collateral requirement is not entirely out of the microfinance systems.

Although SAT did not demand collateral, it was observed that some innovative techniques such as compulsory savings were being employed indirectly. The forms of collateral demanded by SAT was revealed to be suitable to their micro, small and medium scale business beneficiaries, the majority of whom lacked physical collateral to qualify for loans from the formal banks. SAT's innovative approach to collateral helped the target people who were generally not served by traditional financial institutions due to their inability to produce the requisite collateral.

The notion that the microfinance concept is dynamic and very liable to novelty and changes has been endorsed. Such novelty provides the opportunity for the poor and low income borrowers to access services from microfinance providers as indicated by Rooyen, Stewart and De Wet (2012). Just as the classical views of financial intermediation for the poor is changing, that of collateral among microfinance institutions is also changing and currently microfinance institutions are employing various credit methodologies such as cash as effective collateral for short-term and working capital loans (Brana, 2008; Hubka & Zaidi, 2005, Shane, 2003). These changes though necessary, should strive to maintain the popularity of microfinance among the poor who could not easily access credit without collateral (Yunus, 2003).

From the survey, though only about a quarter (24.1%) of the respondents stated that they paid collateral, the collaterals paid comprised cash, landed properties such as buildings and containers, cars and industrial machines and guarantors. A key informant clarified that SAT demands collateral for loans above GH¢5,000.00 and loans for small- and medium-scale enterprises. However, collateral is not required from the poor who mainly form the group-based loans but rather accept guarantors, co-guarantors and group collateral.

The group collateral which had been the most feasible and common among the majority of beneficiaries was found to be fast breaking down, especially in the urban areas. It is recognised that microfinance gained popularity among the poor because they could access credit without collateral (Yunus, 2003). As such any absolute reversal to collateral requirement because of unavailability of group collateral could pose a challenge to the original target population of microfinance programmes who comprise the very poor and vulnerable (Midgley, 2008; Kotir & Obeng-Odoom, 2009).

Loans from other financial institutions could affect the businesses and livelihoods of SAT beneficiaries. Respondents were asked whether they had received loans from other financial sources and 82.5 percent of the respondents indicated they had not while 17.5 percent stated that they had received loans from other institutions. Reasons given for sourcing other loans included the need for additional funds to meet other socio-economic financial requirements such as investing in businesses and acquiring material items for their households.

The collection of multiple loans by business people has become a concern within the microfinance sector worldwide (Srinivasan, 2009; Venkata F & Veena, 2010) and Ghana is no exception. The main reason given for multiple borrowing is that loan amounts granted are insufficient. The proliferation of microfinance services and the lack of coordinated efforts among financial institutions to track multiple loans have resulted in beneficiaries collecting loans from other sources. These multiple loans have resulted into loan repayment difficulties for both borrowers and microfinance institutions (SAT, 2012).

Non-financial services offered by SAT

Contemporary microfinance activities encompass both traditional and non-traditional roles. Besides the traditional role of providing micro loans and recently, micro savings and insurance, the concept of microfinance has developed to encompass many other non-financial services. This is an indication of the expansion or the role of current microfinance industry. Armendáriz de Aghion and Morduch (2005, 2010) have indicated that microfinance covers many services. In view of this, the study examined other services undertaken by SAT. From the survey the respondents enumerated other services that SAT offered them as shown in Figure 11.

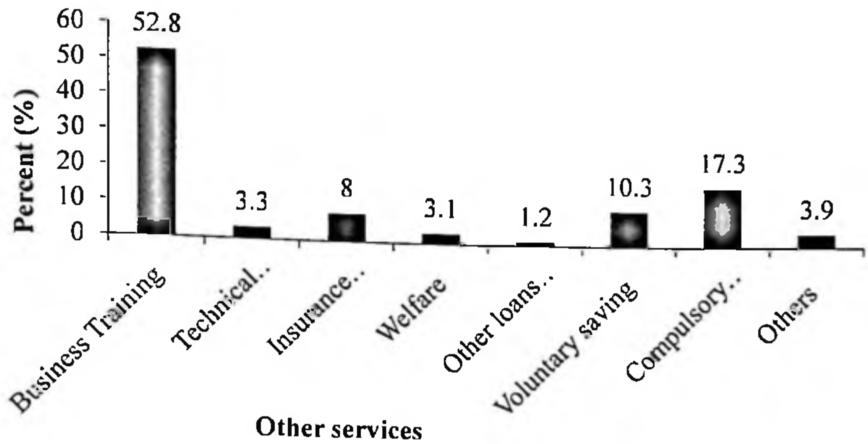

Figure 11: Non-financial services of SAT

Source: Field survey, 2012

These services offered by SAT were training, voluntary and compulsory savings. Others included micro insurance, education and funeral loans which were given to beneficiaries at lesser rates to obviate situations where beneficiaries would be compelled to use loans targeted at income generating ventures. These were aimed at enhancing and sustaining the poverty reduction efforts of beneficiaries. This confirms the notion that contemporary microfinance institutions are drifting from the traditional focus of providing micro loans and expanding to offer other non-financial services (CGAP, 2010; Ledgerwood, 1999; Robinson, 2001).

The changing concept of microfinance as represented in the conceptual framework (Figure 3), facilitates the acquisition of social and human capitals by beneficiaries. Rooyen, Stewart and De Wet (2012) observed that these services produce both financial and non-financial outcomes as well as social intermediation (CGAP, 2010; Robinson, 2001).

The provision of training was explicitly cited as the major non-financial services rendered by SAT to beneficiaries. The majority (52.8%) of the respondents indicated that they were receiving regular training from SAT at meetings as depicted in Figure 11. According to the respondents, the major training areas were business management followed by health education and skills development.

Reports from the survey showed that 69.8 percent of the respondents received regular trainings from both SAT and beneficiaries' group meetings. Responses from focus group discussions confirmed that they received trainings from SAT on good business management skills, customer care, savings, and loan management. In addition was financial education on basic business topics. It was further indicated that the government and some non - governmental organizations use their platforms to educate and sensitise beneficiaries on several issues including health, education, politics and community development.

The conceptual framework of the study identified the influence of these trainings and the social related services offered by SAT towards improving business incomes and savings as shown in the analysis. Zohir and Matin (2004) maintain that financial institutions due to their expanding objectives and services have broader effects. These services which encompass economic, social, cultural and political lives have positive impact on the individual.

Beneficiaries' views were sought on the quality of training to appreciate the relevance to their social and economic lives. The respondents were asked to indicate the eminence of the contents and presentation styles of the training programmes to their livelihoods. As presented in Figure 12, 57 percent of the respondents reported that the trainings were very good while 34 percent indicated that it was good. Less than 10 percent indicated that the quality of the training was poor.

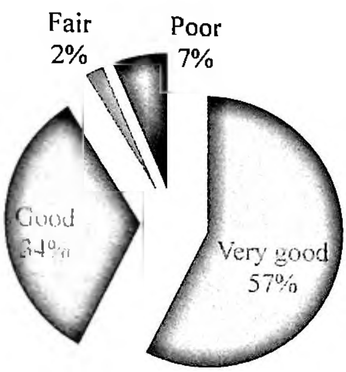

Figure 12: Respondents' views on the quality of trainings provided by SAT

Source: Field survey, 2012

Record keeping is a good business practice and vital for sound and proper financial and business operations. It helps to keep track of accurate record of business transactions (Holst, 2012). A key informant acknowledged the importance of record keeping in businesses and the efforts that SAT has been making to inculcate the skills to beneficiaries. The key informant stated that:

> "The clients, who are unable to read and write, still have their own traditional way of keeping records such as the use of chalk, charcoal to document daily sales through the training and business advice given".

Yet, 50.1 percent of the respondents were not keeping records of business transactions whilst 49.9 percent reported that they were keeping records. Those who reported that they were not keeping record of business transactions gave reasons including illiteracy, revolving all monies into business capital, inadequate time and lack of interest.

The record books of those who reported keeping records were examined to determine the status of record keeping by taking note of the documentation of stocks, sales, debit and credit inflows as well as loans received, repayment schedules and business income. Record keeping documents examined revealed that 14.3 percent, 18.9 percent and 46.1 percent of the records were excellent, very good and good respectively while 9.4 percent and 11.1 percent indicated satisfactory and poor respectively. Figure 13 gives an indication of the assessment of beneficiaries' records keeping.

The reasons underlying the overall good performance with regard to record keeping was attributed to the efforts of SAT in training and urging beneficiaries to keep business records. The conceptual framework of the study shows that business related training including record keeping is necessary in helping borrowers to enhance their businesses. Black, King and Tiemoko (2003) observed that business training and awareness creation led to the promotion of small businesses. As suggested by human capital proponents training and other forms of knowledge acquisition facilitate the accumulation of assets (Hossain, 1998).

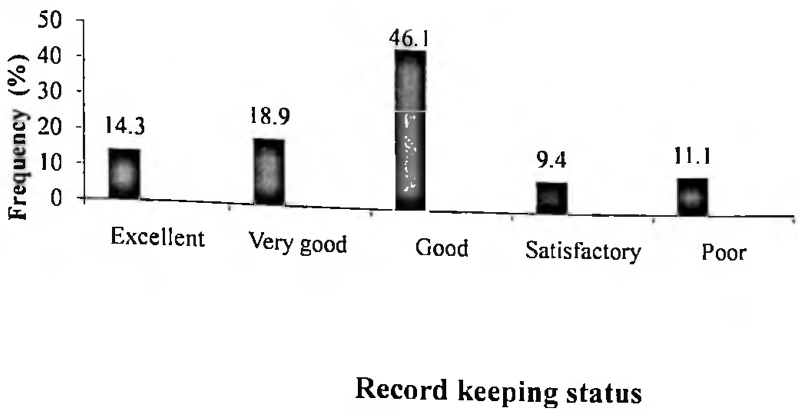

Figure 13: Record keeping status of respondents

Source: Field survey, 2012

Microfinance beneficiaries meet some challenges which need to be identified to develop the necessary policies and actions to curb them. Beneficiaries provided varied responses in terms of challenges. Analysis from the data reveals that the major challenges faced by the beneficiaries were seasonality of businesses (31.9%), inadequate technical skills (23.3%) and inadequate loans (22.4%) as presented in Table 14. It was noted that the challenges were at both micro and macro levels and need a multifaceted approach to address individual, institutional and structural concerns. For instance, challenges such as high interest rates and inadequate financial resources were exogenous and beyond the control of beneficiaries.

Table 14: Challenges facing microfinance beneficiaries

Challenge	Frequency	Percent
Seasonality of business	115	31.9
Inadequate technical skills	84	23.3
Inadequate loans	81	22.4
No challenge	35	9.7
Inadequate inputs	31	8.6
Low profit	7	1.9
Robbery and theft	4	1.1
High interest rate	4	1.1
Total	361	100.0

Source: Field survey, 2012

About 9.7 percent of the respondents reported that they did not experience any challenge in their businesses. The various challenges cited by respondents is consistent with the claim that challenges faced by borrowers are multidimensional and could affect asset based development (Ellis & Freeman, 2004) including human capital as suggested by the conceptual framework in Figure 3.

Interviews with the respondents indicated that loan officers and branch managers had regular interactions with the beneficiaries and their loan officers to learn of their challenges and discuss how to address them. In some cases, some debts of beneficiaries with genuine circumstances beyond their control were written off. A branch manager explained that when there are fire outbreaks in markets, beneficiaries who became affected were either given different terms to settle their loans or were "pardoned" depending on the degree of loss.

A beneficiary who had been a victim of a recent fire outbreak at a market substantiated that without SAT's intervention of pardon she would have been in huge debt. According to her, SAT did not only write off the debt but also assisted her with a new loan to meet income generation activity requirements and explained further that until the fire outbreak she was credit worthy and all repayments had been on schedule.

Reliable repayment rates enable microfinance programmes to run effectively since low portfolio at risk enhances the operational and sustainability rates of the institution. Some microfinance institutions use client repayment potentials by running cash flows of loans disbursed before further loans (Lard & Barres, 2007) which is referred to as dynamic incentive strategy. The study finding indicates different repayment schedules for beneficiaries varying from weekly to monthly periods.

As shown in Table 15, 47.1 percent and 47.9 percent of the beneficiaries made repayments on weekly and monthly basis respectively. It has been observed in microfinance business that most lending pacts entail weekly repayment. This is due to the general perception among microfinance practitioners that regular repayments are necessary to achieve high repayment rates (Fischer & Ghatak, 2010).

Implicitly, with the short repayment periods, beneficiaries would have to embark on productive activities that would help make industrious use of the loans to meet the repayment schedules. These strict loan repayment schedules might be one of the principal factors in the high repayment rates of between 80 to 90 percent reported by loan officers as achieved by SAT. MkNelly and Kevane (2000) assert that the goal for this strict repayment schedules is to instil fiscal discipline into borrowers.

Table 15: Repayment schedules of respondents

Period	Frequency	Percent
Monthly	173	47.9
Weekly	170	47.1
Other terms	18	5.0
Total	361	100.0

Source: Field survey, 2012

Almost sixty six percent (65.9%) of the respondents reported that they encountered no difficulties in repayment. Branch disaggregated data on difficulties of repayment as shown in Table 16 reveals that the Adum Branch in the Kumasi Metropolis reported the highest (35.8%) repayment difficulties followed by Ejura Sekyedumase (34.1%) and Obuasi (30.1%) branches.

Table 16: Repayment difficulties by SAT branches

Branches	Repayment			
	Difficulties		No difficulties	
	Freq.	%	Freq.	%
Adum	44	35.8	82	34.5
Ejura	42	34.1	57	23.9
Obuasi	37	30.1	99	41.6
Total	123	100.0	238	100.0

Source: Field survey, 2012

The disaggregated data as presented from the branches yielded a chi-square value of 5.97 and p-value of 0.05, suggesting that differences among repayment difficulties for the three branches were statistically significant showing that probability of facing repayment difficulties were influenced by branch activities. The Adum branch had the highest percentage (35.8%) followed by Ejura (34.1%).

However, generally, the repayment rates in all the study districts were high. Evidence as shown in Table 16 indicates that those with no repayment difficulties were more than fifty percent. Moreover, those with difficulties reported that they still found the means to pay back their loans. The SAT FSOs reported repayment rates of between 85 to 90 percent, 80 to 98 percent and 98 to 99 percent for Ejura, Adum and Obuasi branches respectively. These suggest satisfactory repayment rates for the institution.

The reasons assigned to the difficulties for loan repayments by the respondents varied from that reported by the FSOs. The respondents mentioned seasonality of business, inconvenient repayment schedules, and repayment of debt to other lenders, unforeseen circumstances and non-profitable businesses. Addisu (2006) has observed that the inadequacy of the loans granted and poor planning of loan servicing by both the beneficiaries and their MFIs can result in poor repayment performance.

According to the FSOs, SAT has a repayment management system which inculcates fiscal discipline into the beneficiaries. This is done through advisory services and financial management training in businesses. The joint guarantee repayment regime leads to the satisfactory repayment rates since gaining access to successive loans is most often determined by successful repayment by all group members (Ledgerwood, 1999).

The group lending makes members responsible not only for the repayment of own loans but for that of the entire group members, thereby engendering the group guarantee idea to strengthen repayment. The loan officers reported that disbursements and repayments are arranged to meet the credit needs and repayment schedules of beneficiaries businesses (Osotimehin, Jegede, Akinlabi, 2011). The reasons given by the FSOs for default included misappropriation of loans, sickness and failure of an FSO to be diligent towards repayment terms.

A loan officer, however, stated that:

> "At times beneficiaries default for reasons beyond their control during the acquisition of loans. Sometimes they default because the amount they requested for was not given hence they were not able to use the money for the intended purpose. For example, a client of mine requested for an amount of GH¢7000 to buy a machine but the board approved

GH¢6500 so he could not purchase the machine as intended since he could not raise the extra GH¢500. He therefore, used the money for another business which resulted in a loss and hence he defaulted".

The use of repayment rates by MFIs as a measure of sustainability is an indication that such MFIs are more concerned with institutional sustainability rather than the sustainability of the businesses and welfare of beneficiaries. Such institutions are therefore more oriented towards the institution-centred approach than client-centred approach which concentrates on the individual's entire welfare (Carsten, 1995). This assertion was corroborated by a loan officer who indicated that repayment rates alone do not indicate the business success or welfare of a client. It should rather be through their incomes and other business indicators such as increase in stock and record keeping books.

The loan officer said that:

"If you rely on their loan repayment rate you will deceive yourself because I had a client who lost all his money but in order to redeem his image he was borrowing to settle his debt as if nothing had happened. So if you look at this man's repayment rate you might be tempted to say he was succeeding but that would be wrong".

It was realised that the individual and compulsory savings initiated by SAT is one of the reasons which facilitates good repayment of loans by beneficiaries. The satisfactory loan repayment could also be related to the pervasive assertion that women have superior repayment records (Cheston & Kuhn, 2002) since 74.2 percent of study beneficiaries were women. However, some of the respondents complained that repayment schedules were not convenient and a lady indicted that,

> "As for me, I will not take any loan again because the two weeks for repayment is too short and when you are unable to meet your target for the week, the officer in charge will not take it easy with you at all".

In addition, some group members revealed that they had lost some group members due to their inability to satisfy repayment plans. Generally, the chapter has shown a link between the conceptions of the financial intermediation theory and the microfinance concept towards addressing the assumptions of the human capital theory.

CHAPTER SEVEN

EFFECTS OF MICROFINANCE SERVICES OF SAT ON BENEFICIARY INCOME AND HUMAN CAPITAL DEVELOPMENT

Introduction

This chapter presents the analysis of the effects of SAT services on respondents' business incomes and their human capital development. It also provides beneficiaries views on how the microfinance services had influenced their social capital development. Information on income is very important as it plays influential role in the economic and social lives of people, especially when it relates to consumption, expenditure and asset accumulation. According to Mahjabeen (2008), incomes help in meeting the production, consumption and asset building needs of the poor. Also, the theories and conceptual framework for the study, stress on income levels as important in the role of microfinance to improve the lives of beneficiaries. The influence of microfinance on incomes has been linked to effects on socio-economic lives including improvement in human capital development and accumulation of assets (Hossain, 1998; Adjei, 2010).

Microfinance and beneficiary income

Microfinance business incomes have been observed to facilitate consumption smoothing and capital acquisition (Adjei, Arun & Hossain, 2009). Thus, with the focus of this study, the income status was examined to serve as a fundamental outcome for the analysis of human capital development to appreciate the role of microfinance incomes and acquisition of human capital.

Respondents were asked to indicate whether their businesses sponsored by SAT were their main sources of income and whether the income status has changed. Results in Table 17 show that 283 beneficiaries of the respondents reported that the SAT assisted businesses were the main sources of income. The remaining 78 indicated that they had incomes from other sources such as salary work and family members.

Table 17: Main source of income and increase in income of respondents

Income	Main source		Not main source		Total	
	Freq.	%	Freq.	%	Freq.	%
Increase	265	93.6	70	89.7	335	92.8
No increase	18	6.4	8	10.3	26	7.2
Total	283	100.0	78	100.0	361	100.0

Source: Field survey, 2012

From Table 17, the majority (93.6%) of the respondents who reported that their SAT supported businesses were the main source of income observed increase in incomes. About 6.4 percent however, indicated no increase in income. Mosley (2001), in a study in Bolivia, observed a positive link between microfinance programme participation and reduction in poverty through increased incomes.

Regarding study objective two which sought to assess the effects of SAT microfinance services on beneficiary income, the study undertook a comparative analysis of respondents' average monthly incomes before and after obtaining SAT services the to measure changes in income and to establish a relationship between the SAT loans and incomes. The study recognises the reality of fungibility whereby other sources of funds could be used in the respondents' businesses and also that incomes reported on may include that from other overt and concealed sources. To minimise fungibility in arriving at average incomes, data collected on income were restricted to income generating businesses that were supported by SAT.

Table 18 describes the mean monthly income of beneficiaries before and after obtaining SAT loans. The average monthly construct was derived from working out the daily or weekly incomes of the beneficiaries which were then estimated into monthly incomes. The summary statistics reports mean monthly income after obtaining SAT loan at GH¢485.04 whilst that before the SAT loan is GH¢245.90. The result indicates an increase in incomes.

The T-test was used for a pooled estimate of variances in the incomes and to test the significance of the difference in incomes before and after the microfinance services of SAT. The conceptual framework for the study emphasises variation in income as one of the main domains of change from microfinance services and the results have shown the extent to which microfinance services can produce a general positive effect on incomes of beneficiaries of SAT. Evidence from other studies (Adjei, 2010; Mahjabeen, 2008) has also shown increase in incomes.

Further analysis was done using the World Bank Atlas Method based on 2011 economy classifications, which indicated the Gross National Income (GNI) per capita as: low income, $1,025 or less, lower middle income, $1,026–4,035, upper middle income, $4,036–12,475 and high income, $12,476 or more (World Bank, 2012). The mean monthly income was reported as the average and from the classification of beneficiaries' monthly mean income of

GH¢485.04, computed to GH¢5,820.48 per annum ($2,910.24 at a conversion rate of $2 as of November, 2012) puts the beneficiaries in the lower middle income group.

Table 18: Differences in average monthly income of beneficiaries before and after SAT services

SAT Loan	Mean GH¢	Median GH¢	Mode GH¢	Std. Dev	Skew-ness	Std. Error of skew-ness	Std. Error Mean	Sig. (2-tailed)
Before	245.90	200	200	212.55	3.08	0.15	13.28	0.00
After	485.04	400	300	318.21	2.88	0.15	19.88	0.00
Total	730.94	600	500	530.76	5.96	0.30	33.16	0.00

n = 256

Source: Field survey, 2012

The skewness values in Table 18 indicates that for both the before and after loan acquisition, the values exceeded 0.5. According to Bryman (2008), normality of distribution can be assumed when skewness of ±0.5 is estimated. This implies that the distribution of the incomes among the respondents was not normal. To undertake a further comparison of the two loan groups, the result was followed by the Non Parametric Test -Mann Whitney U-Test and Table 19 presents the summary statistics.

Table 19: Differences on average income of individual and group beneficiaries

SAT loan	Type of loan	Freq.	Mean Rank GH¢	Sum of Ranks	Mann-Whitney U
Before	Individual	112	157.40	17628.50	4827.50
	Group	144	106.02	15267.50	
Total		256	263 .42	32896.00	
After	Individual	112	154.30	17282.00	5174.00
	Group	144	108.43	15614.00	
Total		256	262.73	32896.00	10001.50

N = 256; p-value = 0.000

Source: Field survey, 2012

Results from the Mann-Whitney U Test comparison in Table 19 give a p-value of 0.000 indicating that there is a relationship between microfinance loans and incomes. The associated mean ranks with type of loan and related incomes are positive. This means that there are significant differences in the incomes of both individual and group loan beneficiaries before and after receiving SAT loans.

The results were similar to Khandker (1995) and Adjei (2010) who found out that microfinance services facilitated increase in beneficiary incomes. Further discussions were made on the relationship between the type of loans and average monthly incomes. Table 20 reveals that the individual-based loan beneficiaries had higher average incomes for both the incomes after and before obtaining SAT loans and services compared to the group-based loan beneficiaries. Individual-based loan beneficiaries after joining SAT had an average monthly income of GH¢567.23 as against those in the group loans who accrued an average monthly income of GH¢417.64. Similarly, the statistics of beneficiaries before joining SAT reveals a mean income of GH¢313.12 and GH¢193.61 for individual and group based loan beneficiaries respectively.

Table 20: Type of loan and average monthly income (GH¢)

Average income	Type of loan	Freq.	Mean income	Std. Dev.	T	Std. Error Mean	Sig.(2-tailed)
Before	Individual	112	313.12	247.47	4. 70	23.38	0.000
	Group	144	193.61	163.50	4. 41	13.62	0.000
After	Individual	112	567.23	352.14	3. 90	33.27	0.000
	Group	144	417.64	264.20	3. 74	22.02	0.000
Totals			1491.60	1027.31	16.75	92.29	0.000

Source: Field survey, 2012

The results show that incomes from individual loans were higher than from group loans. It indicates a p-value = 0.000 showing that the type of loan has an influence on the incomes. This suggests that the type of loan is an important determinant in the income levels of beneficiaries which is a factor in the domains of change as indicated in the conceptual framework. Madajewicz (2011) observed that individual loan businesses grew more than that of group loans. The reliability of the increased incomes is indicated by the assertions of respondents.

The improved mean incomes for both individual and group beneficiaries before and after the SAT services were corroborated by responses from focus group discussions and few quotes were selected from the transcripts for illustration (Krueger, 1988). A female focus group discussant stated that:

> "Before SAT services I did not have adequate skills in separating my business incomes and overall expenditures. It was therefore difficult for me to track my actual incomes and I felt my monies and for that matter my income was being 'spirited' away by some unseen forces. With education from SAT loan officers on basic accounting and prudent uses of my money I was able to sort out my incomes from other monies and well".

Some of the respondents explained that with the SAT services they could make bulk purchases of items to retail and were able to make more profit from sales. Another woman added that:

> "With my income, I have been able to build a container in which I am going to sell my second –hand clothing and I can now store my goods very well".

Another respondent said that:

> "I have been able to build a store room for my business and this will help me to sell from it without necessarily going on trek".

The loan officers corroborated the beneficiaries' assertion by explaining that they were able to monitor their expenses and saving better and some of them had even opted for individual loans which suggest improvement in business capital and other assets. Otero (1999) observed that microfinance establish access to productive capital for the poor to undertake income generating activities that help people to move out of poverty.

A further analysis of the average monthly income as per the livelihood types of beneficiaries is presented in Table 21. The highest average income of GH¢520.00 was obtained by manufacturers followed by retailers, GH¢501.84. The lowest average monthly income of GH¢432.21 was obtained by beneficiaries in agriculture/food.

Table 21: Monthly income per livelihood of respondents after SAT loans

Type of Livelihood	Mean (Gh¢)	Median (Gh¢)	Std.Dev (Gh¢)	Skewness	Std. Error of Skewness
Retail	501.84	433.93	422.89	3.89	0.18
Agriculture/food	432.21	340.00	337.91	1.28	0.26
Education/service	491.67	466.67	204.54	0.64	0.54
Manufacturing	520.00	383.33	345.77	1.56	0.69
Total	481.81	406.67	387.30	3.43	0.14

Chi-sq.= 11.78; p-value = 0.008

Source: Field survey, 2012

From the statistical summary, the distribution of income was not normally distributed based on the overall skweness of 3.427. To test the statistical differences among the livelihood groups the Kruskal Wallis Test was used to compare the median (Pallant, 2005) for representative averages. Hence overall average monthly income was GH¢406.67. The test for significant differences indicated a chi-square statistics of 11.776 and a p-value of 0.008 showing that the difference among the average monthly incomes from the various livelihood types was statistically significant at an alpha of 0.05.

The Ghana Statistical Service (2008) indicates the mean annual household income in Ghana at GH¢1,217.00 with average per capita income almost GH¢400. It presents the upper poverty line at GH¢370.89 adults per year and a lower poverty line as GH¢ 288.47 adult per year. The above analysis is an indication that the SAT beneficiaries' mean incomes are higher than that of the National.

The results are consistent even when the nominal rates were adjusted to include the rate of inflation. The Consumer Price Index (CPI) measures changes over time in the general price level of goods and services. Using the real income formula of:

$$\frac{\text{Norminal Income}}{\text{CPI}} \times 100$$

World Bank (2013) the incomes for the various types of livelihood, produced annual real incomes of GH¢2,685.55, GH¢2,312.93, GH¢2,631.13, GH¢2,782.73 for retail, agriculture/food, education/services and manufacturing respectively. The theory of financial intermediation and the conceptual framework of the study put emphasis on income levels and their influence on human capital development and other assets. The study results support financial intermediation theorists' claim that it plays a key role in the ability to increase income (Meier, 2001). In line with the study findings, the corollary of a relationship between financial intermediation and poverty reduction in terms of cash has been validated.

According to Afful and Annim (2008), the main reason for the increasing theoretical and empirical studies from the microfinance arena is that since microfinance is an aspect of financial development, if a causal relationship can be established between financial development and poverty reduction then most likely there could be a comparable correlation between microfinance and socio-economic well-being. The results suggest that there is a correlation between microfinance and incomes which could be used to support socio-economic development.

However, based on the World Bank income groupings, all the livelihood income groups were at the lower middle income levels. Reflecting on the income levels suggest that for beneficiaries to make significant improvement in human capital development, they cannot depend solely on incomes but other non-income factors such as the non-financial services being provided by SAT to beneficiaries. The human capital theorists assert that enhanced lives include access to services such as health, education, opportunity and income (Sen, 1994; Ssewamala et al., 2010). Therefore, the institutionist approach which focuses on income and financial outcomes cannot adequately meet the human capital needs of beneficiaries.

The study also sought to explore how the increase in income and other services from SAT have affected business status and working capital which is an important asset for beneficiaries' business improvement. Changes in working capital affect the nature of business and income in microfinance studies. Hossain (1988) found out that accumulation of working capital increased three times within a period of 27 months for loan beneficiaries. The description of the perceptual survey instrument in Table 22 shows that three hundred and thirty five respondents, corresponding to 92.8 percent, indicated that their working capital had improved very much. The result corroborates that of Hossain (1988) and confirms the authenticity of analysis of the income status of beneficiaries after obtaining the SAT services.

Change in working capital (*dwetre*) seems to be a major yardstick for assessing the gains made from obtaining the SAT services. There were indications from the focus group discussions that their working capital had expanded and consequently led to increased incomes. Assessment of the working capital was mainly done with the quantity of goods on sale and in some instances whether they had been able to diversify their businesses.

Table 22: Change in working capital of respondents after joining SAT

Change	Frequency	Percent
Increased	335	92.8
Remained the same	15	4.2
Decreased	11	3.0
Total	361	100.0

Source: Field survey, 2012

The results from beneficiaries were corroborated by the twelve loan officers and branch managers interviewed. According to them, SAT services had generally raised the business capital and incomes of more than ninety percent of their clients. These results were attributed to the loans and delivery of business related services as implied in the conceptual framework in Figure 3. Black, King and Tiemoko (2003) found that business training and awareness creation were important in the promotion of small businesses. According to a key informant of SAT, the financial appraisal of clients' turnover shows an increase in business capital even though some of the clients did complain that the interest rate charges were high.

The change in status of business was related to factors such as increase in number of customers, marketing information, customer relations and stock of business items. Table 23 reveals that 51.5 percent of the respondents reported that they had very high improvement in their businesses. Thirty-three percent ranked their business improvement as high with the remaining indicating that their business improvement position was fairly high or low or very low.

Both staff and beneficiaries reported that the trainings have enhanced business practices and that has resulted in the improvement. The increase in customers was also as a result of increase in stock through the SAT loans. This attracts more customers to their shops and business places. The analysis shows that SAT programmes have impacted positively on beneficiaries businesses. This suggests that the objectives of SAT for providing training and other non-financial services to improve the socio-economic lives of their clients had been achieved. Datar et al. (2008), maintain that addressing the non-financial constraints of beneficiaries aids sustainable poverty alleviation.

Table 23: Improvement in status of respondents' businesses

Improvement	Frequency	Percent
Very low	2	0.6
Low	8	2.2
Fairly high	44	12.2
High	121	33.5
Very high	186	51.5
Total	361	100.0

Source: Field survey, 2012

Savings and microfinance programmes are commonly tied, making it necessary to ascertain how the link is in relation to the SAT programme. Gibb (2008) has stated that the savings component of microfinance programmes is vital and valued by most beneficiaries. From the conceptual framework, Figure 3, business related services including savings, loan repayment management, offered mainly by microfinance institutions oriented to the client-centred approach, support development in the domains of change. According to the Ghana Statistical Service (2008), just a third of all households in Ghana have savings accounts, an indication of poor savings culture in the country. From the survey results, 89.7 percent of the respondents indicated that they had savings accounts. The remaining 10.3 percent did not have savings.

The results show higher levels of savings among clients than what pertains in the country generally and this could be attributed to the awareness creation and savings products associated with the SAT programme. It is assumed that these services encourage beneficiaries to save. For instance, Mahjabeen (2008), Midgley (2008), Kotir and Obeng-Odoom (2009), and

Adjei, Arun and Hossain (2009) have observed that beneficiaries have been able to earn incomes and have saved through microfinance services.

The majority (69.9%) of those who had savings accounts said they were saving before becoming SAT clients. More than half (54.2%) of the 324 respondents who had savings accounts reported that they saved with formal banks, 37.8 percent saved with susu groups while the remaining save with cooperative societies, in piggy boxes and other means. The thirty seven respondents who were not saving reported that they use their incomes to expand their businesses and support their children's education. Others reported that they did not have adequate incomes to save from.

The study results also indicated that the majority (67.5%) of the respondents' existing savings accounts were linked to the SAT services. On the other hand, 32.5 percent indicated that their savings had no direct links with the SAT programme. Results from the survey depict that savings of the majority (85.2%) of the respondents' after obtaining SAT services had increased while 8.6 percent indicated a decrease as shown in Table 24.

Table 24: Respondents' views on change in savings

Change	Frequency	Percent
Increased	276	85.2
Decreased	28	8.6
Same	20	6.2
Total	324	100.0

Missing cases 37

Source: Field survey, 2012

In the words of a group leader:

> "SAT trainings and workshops have greatly improved our knowledge about savings, health and other things. This has affected the amount of savings some of our group members make. This has also led to great improvements in our assets such as capital, but currently business is very bad and this has affected our assets too. Therefore, a greater part of our incomes are now used to settle our debts".

It was observed that the debts (*eka*) referred to were mainly the repayment of SAT loans. According to the respondents, the repayment schedules were regular and did not take into account the trend of a person's business. All members tried to meet the group guarantee commitments to avert situations where non-payment by some members put all members businesses at risk by using whatever monies or savings accrued to repay debts. The social capital theory places emphasis on social relationship and group guarantee. These factors enhance the satisfactory repayment rates. In addition most microfinance programmes tie continual loans to successful repayment by all group members (Ledgerwood, 1999).

Those who said that their savings had increased indicated the savings made as at 2012. Table 25 presents the savings amount of the 85.2 percent of the respondents who reported increase in savings. About 34.4 percent of the respondents reported that they had savings varying from GH¢601 to 900. The rest were GH¢301 to GH¢600, and GH¢901 to GH¢1200 representing 25.7 percent and 16.3 percent respectively. About eight percent (7.7%) of the respondents reported that they had savings varying from GH¢100 to GH¢300.

The results from Table 25 indicate that the majority (76.4%) of the respondents had savings ranging from GH¢301 to GH¢1,200. The mean amount of savings was about GH¢1,070 with a mode of GH¢500. From the conceptual framework of the study (Figure 3) business related services which are part of the expanded roles of contemporary microfinance industry (Armendáriz de Aghion & Morduch, 2010) are given to beneficiaries to complement the cash loans. These include acquiring savings accounts for depositing clients' loans and subsequent compulsory savings by beneficiaries. These savings accounts help to reduce the application of the loans for consumption Adjei, Arun and Hossain (2009) and act as insurance to protect beneficiaries from persistent debt.

Table 25: Amount of savings made by respondents

Amount saved (Gh¢)	Frequency	Percent
100 – 300	21	7.7
301 – 600	71	25.7
601 – 900	95	34.4
901 – 1200	45	16.3
1201 – 1500	24	8.7
1500+	20	7.2
Total	276	100.0

Missing: 85

Source: Field survey, 2012

A discussant was asked to clarify how she managed to save about GH¢600.00 from her petty trading and she explained that:

"At the initial stage of my business, I found it very difficult to save but with persistent advice and encouragement from my loan officer, I started something small and it was also not on a regular basis, but now I can save between Gh¢3 and Gh¢5 a day on regular basis".

The study analysed the decision-making status of the respondents regarding savings. The survey report indicates that almost 90 percent of the respondents took decisions on their savings personally and just a third of all respondents took decisions with others. This portrays the individual freedom and empowerment in decision making, irrespective of the fact that the majority of the respondents were women. Generally, women in Ghana compared to countries such as Bangladesh have the decision making power concerning 'what is theirs'.

Greenstreet (1978) states that a woman's multiple roles and important economic activities empower her to have a significant economic independence and equality. In support of this, Ardayfio-Schandorf (1994) who documented a female headship of 51.6 percent in Ghana asserts that women make major decisions and take economic responsibilities in their homes.

The pattern of expenditure has been used in many studies to examine trends in individual consumption or investment (Afrane, 2002). According to Zeller, Sharma, Henry and Lapenu (2006), this is because people easily provide information on things they consume than what they earn. It is therefore necessary to know the expenditure pattern of microfinance beneficiaries to assess how they use their incomes and the reasons behind. Such information is to help appreciate their investment choices and socio-economic development.

Some studies have observed increase in expenditure on health and asset (Adjei, Arun & Hossain, 2009). To help answer the question on whether beneficiaries invest in human capital development, the respondents were asked to prioritise their expenditure items. In this analysis, expenditure on food was not included because it was basic and foremost that its inclusion was going to obscure the motive for identifying the expenditure pattern. Reasons for making certain choices were probed to make the disticntion between their values and aspirations.

Expenditure	Branches							
Item	Ejura		Obuasi		Adum		Total	
	Freq	%	Freq	%	Freq	%	Freq	%
Children's education	71	23.67	89	25.80	78	24.61	238	24.74
Recapitalising Business	61	20.33	87	25.22	76	23.97	224	23.28
Loan repay	60	20.00	75	21.74	64	20.19	199	20.69
Health	34	11.33	39	11.30	40	12.62	113	11.75
Self-Skills development	32	10.67	10	2.90	6	1.89	48	4.99
Others (entertainment)	42	14.00	45	13.04	53	16.72	140	14.55
Total	300	100.00	345	100.00	317	100.00	962*	100.00

*Multiple responses: n=361

Ejura=99; Adum=126; Obuasi=136

Source: Field survey, 2012

The results from Table 26 indicates that the major expenditure items reported were children's education (24.74%), recapitalisation of business (23.28%) and loan repayment (20.69%). Regarding children's education, the study's conceptual framework portrays that education and skill development play important role in the development of human capital. In addition the human and social capital theories stress that awareness creation and training aspects of non-financial services open up people's outlook towards the multifaceted nature of poverty and the need to address the non-income aspect of poverty. Fosu and Mwabu (2010) have recognised that investment in human capital asset empowers people to reduce poverty.

Focus group discussions probed for the rationale behind the expenditure pattern. From the responses, the idea that investing in children's education has the potential of improving the general socio-economic lives of beneficiaries' families was pronounced. Some measured their successes in life by the level of skills' development of their children. In the words of a beneficiary:

> *Me hu mpontou wo me bre yi nyinaa mu se metumi ahwe me mma ama won ako sukuu aduro akyire aah maamfa me ho anto me kunu so,* which means I see success as being able to take care of my children by myself without being dependent on my husband.

Expenditure on loan repayment and recapitalising business were also prominent ranging from 21 percent to about 23 percent for loan repayment. Revolving incomes into businesses was realised to be principal in the economic lives of the respondents. Some of the respondents reported that they were able to purchase goods on wholesale which was relatively cheaper to stock their shops for higher profits than when they were buying on retail basis. Focus group discussions further indicated that beneficiaries were able to undertake 'cash and carry' transactions which promote retention of monies in their businesses which would rather have been paid to creditors.

Discussions revealed that the relative priority given to education of children were because they perceived it as a vital investment choice. Responses showed that some of them minimise expenditure on food and clothing in order to meet the training and health needs of their children who are their 'future assets'. Implicitly, people aspire for certain strategic needs besides basic needs such as food, clothing and shelter. Such strategic needs include enhanced education, health, job availability and giving attention to cultural and human values since development connotes expansion of choices (Fukuda-Parr, 2002; Todaro, 2000).

In effect, individuals seek to meet fundamental basic needs as well as strategic social and human capital needs as they all form an integral part of overall development. In their own aspirations, people assume that they are making the most rational choice out of their multiple needs. Barnes, Gaile, and Kimbombo (2001) and Cheston and Kuhn (2002) emphasise the likely impact of increase in income and assets, expanded choices and ability in meeting human needs of the poor, thereby leading to poverty reduction and development.

Effects of microfinance services of SAT on human capital development

Generally, microfinance programmes aim at the overall human development of beneficiaries. The principal proponents of human capital (Becker, 1964; Schultz, 1963, 1981), sum up the broader components of human capital as knowledge gained and skills developed, through formal or non-formal means, which enable people to become productive in their livelihoods. Some researchers have conceptualised human capital as knowledge, skills, attitude, ability and behaviour embedded in an individual (Afrane, 2002; Beach, 2009; Frank & Bemanke, 2007). In this particular study, acquisition of human capital is particularly important as a result of the fact that microfinance beneficiaries do not have adequate human skills for socio-economic activities.

As a result of the multidimensional nature of human capital, various indicators based on literature and particularly the OECD (1998) IALS was adopted. The study broadly examined formal and non-formal skill development including on the job training and apprenticeship, experience exchange, feeding, clothing, health and social life improvement. Building on the theories of human capital, these indicators were placed into three major groups namely, skills development, health power and enhanced knowledge, generated from the responses as proxies for human capital. These indicators were chosen due to the high level of ease with which the beneficiaries would understand and respond to inquiries. Thus, the proxies and indicators that are convincingly related to assessing the effects of human capital were identified and assessed (Kwon, 2009). The research results and discussion of the human capital outcome have been done within both the qualitative and quantitative discourse.

The skills development contains formal and non-formal education including on the job training and apprenticeship. The health power covers food and nutrition, clothing and health whilst the enhanced knowledge embrace knowledge acquired through organised forum by SAT for talks on topical issues and through group meetings and other social networks. Thus, the conceptual framework set out to argue that the microfinance concept has developed to expand beyond its traditional role of credit to include non-financial and social services. These services together with incomes affect the skills development, enhanced knowledge, health power, social lives of beneficiaries and that of their children. Data were gathered through self-reporting by respondents who were asked to indicate their level of ability to acquire enhanced knowledge, health power and skills development after obtaining loans from SAT. The responses are presented in Table 27.

Mahjabeen (2008) has stressed that in providing financial services, MFIs typically provide basic education, health, hygiene, child immunization, disease prevention and environment to beneficiaries. Overall, health power was rated very high (55.1% and 34.9%) for the respondents and children respectively. The provision of health education by SAT seems to be acceptable by their clients. Clients indicated that the generally high improvement in their health could be attributed to the health education and encouragement from loan officers to acquire NHIS cards for themselves and children. This indicates that the beneficiaries were able to support good health by paying for medical care and bills from their incomes.

Respondents also indicated that the most successful aspect of the health education has been the talks on preventive health care, particularly how to reduce the incidence of malaria. This finding is in consonance with Maldonado, Gonzâlez-Vega and Romero's (2003) observation that financial services facilitate consumption smoothing and provide opportunities for the management of risk, thereby reducing the vulnerability and risks associated with poverty (Adjei, Arun & Hossain, 2009).

Table 27: Distribution of human capital development of respondents and children

	Human capital		
Response Level	Enhanced Knowledge Frequency (%)	Health Power Frequency (%)	Skills Development Frequency (%)
Very Low	6(1.7)	2(0.6)	11(3.0)
Low	28(7.8)	4(1.1)	77(21.3)
Fairly High	89(24.7)	48(13.3)	108(29.9)
High	147(40.7)	108(29.9)	115(31.9)
Very High	91(25.2)	199(55.1)	50(13.9)
Total	361(100.0)	361(100.0)	361(100.0)
Children			
Very Low	73 (20.2)	30(8.3)	86(23.8)
Low	65 (18.0)	21(5.8)	63(17.5)
Fairly High	102 (28.3)	94(26.0)	103(28.5)
High	82 (22.7)	90(24.9)	94(26.0)
Very High	39 (10.8)	126(34.9)	15(4.2)
Total	361(100.0)	361(100.0)	361(100.0)

Note: Percentages are in parentheses

Source: Field survey, 2012

The results suggest that beneficiaries had enhanced knowledge by reporting high (40.7%) and very high (25.2%) respectively. This means that the microfinance services have enhanced the knowledge of the respondents. Programmes such as awareness creation on all manner of topical issues including nutrition, home keeping, government and policies have been beneficial. About 1.7 percent implied that their enhanced knowledge was very low whereas 7.8 percent stated low. This is consistent with the conceptual framework which alludes that microfinance services can enable beneficiaries to enhance their knowledge.

According to Becker (1964) and Jayachandran and Lleras-Muney (2009), skills development enables people to have productive and meaningful lives with better income and improved living standards. The results show that, 29.9 percent and 31.9 percent of the 361 respondents indicated that their skills development had progressed fairly high and high respectively. The results admit that microfinance services of SAT facilitate skill development, enhanced knowledge and health power as indicated by the conceptual framework of the study.

Payment of school fees became dominant among responses from focus group discussants who narrated among others that were able to pay their children's school fees in the international schools without support after the death of a husband or as a result of separation. It was further noted that loan officers educate them on the fact that the loans issued did not belong to them and they should put them into good use and stop spendthrift. In addition health education organised for them helped prevent contracting malaria.

From two different group discussions, two women stated the reasons for giving their children apprenticeship training after the Junior Secondary School. They reported that they were motivated to invest in their children's education because during old age their children will acquire skills for employment and cater for them. One of the focus group members said that:

> 'I did not get an opportunity to go to school and as a result I am going through a lot of challenges in life, and therefore will not like my children to encounter the same problem'.

The acquisition of health power by respondents was mainly referred to in terms of their ability to pay for the National Health Insurance Scheme (NHIS) to acquire a card. The NHIS is a programme undertaken by the Ghana Government to provide fair access to basic health care services to Ghanaians. The findings are similar to Deloach and Lamanna's (2011) results which realised that participation in community organization produced a significant positive effect on health of children.

Responses from all the focus group interviews showed that the human capital development perception was dominant among the respondents. Prominent among them was the skill development of their children. There were repeated responses that:

> *"yen mma nti na yerebere yi, won daakye ntra"* meaning that we are working very hard because of our children, we want our children to do well in the future. In addition, if you are sick you cannot work and hence we have to invest in our health.

A branch manager asserted that SAT as microfinance institution also directly supports educational institutions in the area of infrastructure. Loans are given to private school owners to complete their school building projects and to acquire vehicles for transportation. According to a loan officer, this has enabled some schools to increase enrolment. The research team visited some of the SAT assisted schools in the Kumasi Metropolitan Assembly to observe the forms of assistance. Schools visited had new class room blocks being constructed, new children's playground. It was found out from the proprietors and managers that the loans received were used to expand their school facilities.

In addition, painting of buildings and pictorial drawings on buildings were common. Some collected the loans to buy buses to transport their pupils. The proprietors reported that the SAT loans had boosted their morale in the education business by facilitating enrolment of school children as well as employment of good teachers and staff for their schools. One of them indicated that it helped in the process of getting accreditation to run the school.

A key informant of SAT corroborated what the branch managers imputed that SAT activities facilitate human capital development of beneficiaries and confirmed that:

> "SAT counsels beneficiaries on importance of human capital development very well. This is because one of the objectives of SAT is transformation of the lives of clients. As a result, we have the transformation department which is responsible for it. The transformation department organises programmes to educate beneficiaries on the importance of education, health, housing and nutrition. Programmes are organised for group

leaders who go back to teach their respective group members. SAT also organises workshops for their operational communities prone to HIV. SAT deems HIV education as a necessary human capital activity since we have lost some clients due to the HIV/AIDS scourge. Other programmes include education on family care, family planning, hygiene, nutrition and good sanitation. Under the micro schools programme, SAT organises trainings for proprietors and caterers on good hygiene and nutrition".

Photographs of handing over of vehicles to some school proprietors and the environment of some of SAT assisted schools were observed.

Plate 2: A photograph showing SAT staff handing over a vehicle to a school proprietor

Source: SAT, 2012

Key informant interview further portrayed that in some instances, the goals of donors can influence the project direction and reported that some foreign companies give out loans at lower interest rates to the microfinance companies and are therefore obliged to meet their goal of achieving human capital. The key informant indicated that, local support for the microfinance companies was missing.

The results, as shown in Table 27, suggest that the respondents were conscious of human capital as an important asset for investment. Implicitly, the responses were reflective of what they had achieved and that enhanced knowledge, health power and skills development were suitable proxies for the broader definition of human capital theory.

With regard to the overall human capital development of children, about 31.6 percent of the 361 beneficiaries realised fairly high while 29.9 percent indicated high. The remaining 39 percent reported very low (16.1%), low (17.7%) and very high (4.7%) as shown in Figure 14.

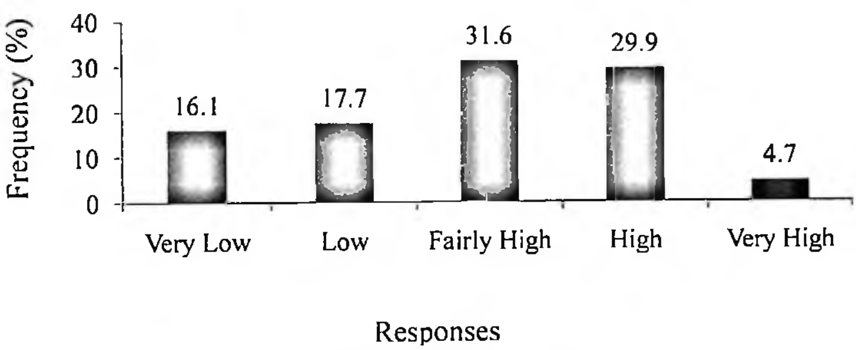

Figure 14: Overall improvement in children's human capital

Source: Field survey, 2012

The statistical summary implies an overall improvement in children's human capital. Odell (2010) observed improvement in access to socio-economic facilities such as health, nutrition and education through microfinance services. For further comparative analysis, results for individual and group loan beneficiaries' assessment of the level of human capital development after SAT services are indicated in Table 28.

Table 28: Distribution of individual and group-based beneficiaries' views on level of human capital development

Level	Beneficiaries				Total	
	Individual		Group			
	Frequency	%	Frequency	%	Frequency	%
Very low	3	2.1	0	0	3	0.8
Low	18	12.6	9	4.1	27	7.5
Fairly high	47	32.9	67	30.7	114	31.6
High	65	45.5	84	38.5	149	41.3
Very high	10	7.0	58	26.6	68	18.8
Total	143	100.0	218	100.0	361	100.0

Source: Field survey, 2012

The results in Table 28 show that, both the individual and group loan beneficiaries gave their human capital development as fairly high (32.9 percent and 30.7 percent) and high (45.5 percent and 38.5 percent) respectively. However, the higher ratings by the group beneficiaries indicated a somewhat generally high improvement of about 95.8 percent with the rest indicating that their human capital development was rather low.

Comparatively, the individual beneficiaries portrayed the human capital development rates in a slightly descending order, illustrating the very highest rate as 7.0 percent. Some of the reasons for the largely, higher rating by the groups were that the members became 'suddenly' aware of new opportunities and outlook to develop since most of them came in with relatively lower human capital asset. In addition, they benefited from the regular trainings and could borrow from the educational loans and other welfare loans to support them and their children's human capital development needs. Results are shown in Table 29.

Table 29: Respondents' views on human capital development by SAT branches

Indicator	Branches	Responses					χ^2	Sig.
		Very low	Low	Fairly high	High	Very high		
Skills Development							70.587	0.000
	Adum	9(2.5)	41(11.4)	30 (8.3)	40(11.1)	6(1.7)		
	Obuasi	0(0.0)	31(8.6)	26 (7.2)	51(14.1)	28(7.8)		
	Ejura	2(0.6)	5 (1.4)	52 (14.4)	24 (6.6)	16 (4.4)		
Health Power							33.961	0.000
	Adum	2(0.6)	3(0.8)	15(4.2)	41(11.4)	65(18.0)		
	Obuasi	0 (0.0)	1(0.3)	6 (1.7)	42(11.6)	87(24.1)		
	Ejura	0 (0.0)	0 (0.0)	27 (7.5)	25 (6.9)	47(13.0)		
Enhanced knowledge							50.250	0.000
	Adum	6 (1.7)	15 (4.2)	33 (9.1)	56(15.5)	16 (4.4)		
	Obuasi	0 (0.0)	12 (3.3)	20 (5.5)	51(14.1)	53(14.7)		
	Ejura	0(0.0)	1 (0.3)	36 (10.0)	40(11.1)	22(6.1)		

Note: Percentages are in parentheses

Source: Field survey, 2012

In further analysis, disaggregated data of the branches revealed varied results within the indicators. The test for significant differences presented chi-square statistics of 70.587 and p-value of 0.000 for skill development. In relation to the health power, statistics revealed a chi-square of 50.250 and p-value of 0.000. Regarding enhanced knowledge results yielded a chi-square statistics of 33.961 and p-value of 0.000. This is an indication that the differences in the human capital development of among the branches of SAT were significant. Overall, skill development has a higher effective relationship followed by enhanced knowledge and health power is the least among the three SAT branches.

Some researchers have observed that women have a stronger preference for improving the human development of their children with particular reference to education than men (Behrman & Rosenzweig, 2002; Nader, 2008; Sallee, 2001). The results as given within the sexes show that 19.4 percent of females reported very high inputs into their children's development whereas 17.2 percent of males indicated very high. With respect to those who responded high, 38.4 percent of females and 49.5 percent of males indicated high respectively. On the other hand, 0.4 percent of females reported very low as against 2.2 percent of males as shown in Table 30.

Table 30: Distribution of responses by sex on human capital development of respondents' children after obtaining SAT services

Level	Females		Males		Total	
	Frequency	%	Frequency	%	Frequency	%
Very low	1	0.4	2	2.2	3	0.8
Low	22	8.2	5	5.4	27	7.5
Fairly high	90	33.6	24	25.7	114	31.6
High	103	38.4	46	49.5	149	41.3
Very high	52	19.4	16	17.2	68	18.8
Total	268	100.0	93	100.0	361	100.0

d.f = 4; Chi-Square = 0.141

Source: Field survey, 2012

The results do not give a clear representation of any of the sexes as having a stronger preference to children's education. Chi-Square result of

0.141 depicts that the differences in terms of female and male investment in their children was not significant.

The findings though not unique do not support the common notion that women offered more assistance, both in cash and kind towards their children's education more than their male counterparts. The findings contrast observations by Sallee (2001), Behrman and Rosenzweig (2002), Brau and Woller (2004) and Nader (2008) whose studies support the notion that women spend more money on their children than men. Those studies failed to explain the observations clearly and this could be attributed to the failure of hearing the case of men who usually were not the focus of microfinance programmes. On the other hand, while the men may be focusing on paying the apprenticeship fees and 'drink monies' which usually comprise larger sums at a time, the women were focusing more on the practical needs such as feeding and other emotional cares which could not even be properly assessed for analysis.

During focus group discussions both sexes expressed the importance of prioritizing children's human capital development for their own future and that they expect the children to take good care of them in their old age. Thus, microfinance benefits to both sexes in terms of income, training and awareness creation influence the general human capital development of children through paying fees, feeding and other demands.

Effects of beneficiary characteristics on human capital development

The human capital development of clients has been measured by the skills, enhanced knowledge and health power acquired by the clients of SAT after joining SAT. To measure this, the Principal Component Analysis (PCA) was adopted. PCA is a data reduction technique. It calls for a number of iterations to be done to establish data patterns. After a number of iterations one valid component was obtained. And the average of the three of the variables that loaded significantly on this component was computed. To verify the reliability of the three variables as the measure of skill development, reliability analysis using the Cronbach's Alpha was done and the results showed 89% reliability which was high.

Having computed the variable for human capital development it was standardised as the dependent variable in the regression analysis. The ordinary least square (OLS) regression was then used for the analysis of variables which influenced the dependent variable, human capital development. The human capital has been measured by the skills, enhanced knowledge and health power acquired after clients joined SAT. The aim was to identify the most significant characteristics which influenced human capital development.

The explanatory variables or predictors contained in the model in Table 31 are age (AGE), sex (SEX), marital status (MSTATUS), number of children of SAT clients (NCHILDREN), level of education of client (EDUCATION), highest amount of loan granted (HAMOUNT), type of loan (TLOAN) loan cycle (LCYCLE) and the non-financial services provided by SAT(NONFINSERVE). Gibb (2008) states that background characteristics such as sex, marital status, household size and the type of business could contribute to loan sizes, networks and capital accumulation. Table 30 presents the results of the regression.

Table 31: Effects of beneficiary characteristics and non-financial services on human capital development

Variable	Beta coefficient	t-statistic	p-value
Constant	-	6.461	.000
Age	0.049	.890	.374
Sex	-.024	-.491	.624
Marital status	-.037	-.745	.457
Number of children	.049	.848	.397
Level of education	.069	1.408	.160
Highest amount of loan	.196***	3.751	.000
Type of loan	.249***	4.356	.000
Loan cycle	-.088*	-1.764	.079
Non-financial services	.359***	7.179	.000

F-statistic=12.453, p-value=000, Adjusted $R^2 = 0.223$. N = 361

***, ** and * represent 1%, 5% and 10% significant levels respectively.

Source: Field survey, 2012.

The F-statistic of 12.453 significant at one percent level and a p-value of 0.000 implies that the explanatory variables jointly and significantly explain human capital development of the beneficiaries. The adjusted R^2 of 0.223 mean that the explanatory variables were able to explain about 22 percent variation in the human capital development of SAT beneficiaries. The variation results could be due to certain concealed determinants.

A major contribution to poverty is dearth of relevant information and ignorance and the non-financial services offered by SAT addressed some of the challenges. According to Datar et al. (2008), addressing the non-financial constraints of beneficiaries aids sustainable poverty alleviation. Results from Table 31 indicates that non-financial services provided by SAT positively and significantly determines about 36 percent of the human capital development of SAT clients.

The results suggest that the non-financial services such as basic bookkeeping, personal financial management training, skill development, sensitization programmes and social organizations offered by SAT as part of its microfinance package was significantly contributing to the development of beneficiaries. The results confirms Devi, Ponnarasi and Tamilselvi (1998) assertion that non-financial services play important role in beneficiaries overall development. It also supports the proposition that non-financial services such as business and social related services offered by microfinance institutions facilitate human capital development as shown in the conceptual framework, Figure 3.

The statistically significant positive relationship between the highest amount of loan contracted by a SAT beneficiary and human capital development presupposed that as SAT grants higher amounts of loans to its beneficiaries the human capital development of the latter improves significantly. Madajewicz (2011) demonstrates that individual loan businesses grow more than that of group loans. The study findings observed higher incomes for SAT individual loan beneficiaries who usually, receive higher amounts of loans compared to the group loan members. It suggests that increase in income corresponds to increase investment in human capital thus granting larger amounts of loans to individual microfinance clients is likely to contribute to their development.

The type of loan extended also showed positive statistically significant relationship with human capital development. While not losing sight of the fact that contextual features from an individual's socio-economic background and branch programmes can influence the level of development (Adjei, 2010)

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The type of loan extended also showed positive statistically significant relationship with human capital development. While not losing sight of the fact that contextual features from an individual's socio-economic background and branch programmes can influence the level of development (Adjei, 2010) it is expected that different loan sizes and resultant differences in income could influence the human capital development. Individual loan beneficiaries usually get larger loans and earn higher incomes and would be able to invest more resources into their development and that of their children.

Loan cycle has a negative statistically significant relationship with human capital development of SAT clients. This is significant at about 10 percent significance level. The implication is that continuous borrowing from SAT does not positively impact on human capital development. This could be attributed to loan dependency syndrome that usually results in more impoverishment because of continuous payment of interest which ties the beneficiary's lives to the dictates of the MFI. This suggests that first-time borrowers of SAT are more likely to experience development in their skills than long term repeat borrowers. This may be a factor in the relatively shorter loan cycle rates of SAT beneficiaries showing decline in beneficiaries as the cycles increase.

The statistical evidence in Table 31 shows that age, sex, marital status, number of children and level of education of clients of SAT do not have statistically significant relationship with their human capital development. Although age, number of children and level of education have positive coefficients they are not significant. Beneficiaries irrespective of their ages and number of children deem it necessary to improve on their human capital development and that of their children. It can however, be deduced that the relatively aged would have the experience, more stable families and businesses to invest more in human capital.

In Ghana most people are aware of the relevance of human capital development considering the growing rate of pupils and students at all levels of education and if people are not pursuing it the obvious reasons include the lack of resources such as inadequate funds. This suggests that the probability of SAT clients experiencing human capital development from the services offered in relation to variables such as sex, age, marital status and education level cannot be predicted.

Sex and marital status rather had negative and insignificant effects, an indication that they are not exceptional in initiating human capital development. The result is not unsound considering the fact that awareness of the human capital significance is well known among beneficiaries irrespective of sex or marital status and that what could make a difference is the resources to invest with. Educational levels in Gibb's (2008) study did not produce much differing impacts. Adjei, Arun and Hossain (2009) found no significant differences regarding the human resource dimension between SAT clients and non-clients and that in terms of education level there were no significant differences between the two groups. The model in Table 31 has helped to specify some of the factors that influence the study beneficiaries' investment in human capital development and most importantly, the results and discussion in relation to related results have been reported informatively (Sharma, Shimp & Shin, 1995) to represent accurate results.

Microfinance services and social capital

This section analysis the different forms of social capital that respondents reported they had obtained. The acquisition of social capital through microfinance has been touted as an important effect (Mayoux, 2001). Some empirical studies reported positive effects on social capital accumulation and repayment (Karlan, 2007; Woolcock, 2001). Conversely, some studies have recorded negative effects. The results shown in Table 31 used the multiplicative approach concentrating on social ties and inter- personal relationship (Nahapiet & Ghoshal, 1998) and power change focusing on role relationships.

The aim was to discover the cause of links to changes in beneficiaries' social lives. Indicators were constructed from responses to three separate sets of questions to measure the social capital. These were access to information comprising, market trends and bargaining power, business connections and development issues, participation in social life made up of community activities, ceremonies and relationship comprising friends and families.

Karlan (2007), posits that social capital is an important aspect of microfinance. Dash (2012) explains that modern microfinance is a development finance that emphasises social impact through innovations that facilitate social capital among the poor. The client-centred approach aims at developing social capital by virtue of establishing networks among beneficiaries for social and economic benefits. The social capital development of respondents of the study was analysed to appreciate its influence in the socio-economic lives of respondents. Table 32 presents the social capital conversation responses. The responses are grouped into three indicators comprising participation in social life, access to information and relationship.

Table 32: Distribution of social capital development of respondents

Level	Social capital					
	Participation in social life		Access to information		Relationship	
	Frequency	%	Frequency	%	Frequency	%
Very Low	21	5.8	0	0.0	1	0.3
Low	50	13.9	6	1.7	6	1.7
Fairly High	68	18.8	74	20.5	75	20.8
High	112	31.0	156	43.2	141	39.1
Very High	110	30.5	125	34.6	138	38.2
Total	361	100.0	361	100.0	361	100.0

Note: Percentages are in parentheses

Source: Field survey, 2012

The major findings suggest that general ratings range between fairly high to very high for the three indicators. For instance 30.5 percent, 34.6 percent and 38.2 percent of respondents rated their social capital development as very high for participation in social life, access to information and relationship respectively. Similarly, a substantial percent (31.0%, 43.2%, and 39.1%) of beneficiaries indicated that they attained high levels of social capital indicators after acquiring SAT services. This shows that through social interactions people become conscious of latent benefits that are utilised for both social and economic improvement. The guaranteeing of loans by group members has been a major asset to group-based loan holders since, most of them, without it, would not have qualified for SAT loans. One discussant expressed that:

> "Unlike taking the loan on individual basis where you have to provide collateral because we are a group, one need not give

any collateral before he or she is given the loan since the members in the group serve as guarantors for one another, it is very good for us. In addition, we are united since we all trade in the same items, all the various group members have come together that when one is in trouble we come together to help the person because if one of us defaults we are at risk since we all bear the brunt".

Woolcock and Narayan (2000) and Woolcock (2001) maintain that social capital could be an alternative source of collateral or of a collective economic activity to increase incomes. Tata and Prasad (2008) observed that social capital, through microfinance, has offered the opportunity for women entrepreneurs to network so as to gain access to information and resources for business, thereby making social capital theory relevant to the study. Recent evidence from Deloach and Lamanna (2011) supports the research finding as they observed that when microfinance institutions move into a community, social capital is constructed to serve as a base for access to credit and economic development. Moreover, some studies have found a relationship between microfinance, social and human capital theories (Al-Mamun, Malarvizhi & Wahab 2011).

Interview with a key informant revealed that SAT's direct contribution towards social networking among beneficiaries is limited. It was noted that more than 80 percent of SAT beneficiaries' are in groups and that the group lending is a social tool for network and most beneficiaries' share experience and exchange knowledge at group meetings. A key informant further indicated that leadership in the groups, rotate giving members the opportunity to lead and imbibe leadership skills albeit ephemeral. It was moreover, learnt that various groups within communities meet from time to time to share ideas and experiences concerning businesses and exchange advice on solutions to their problems.

Social capital connotes goodwill and solidarity generated by the fabric of social relations that can be used to act in the interest of group members (Adler & Kwon, 2002). To represent the total capital benefit that was all encompassing, particularly the Christian aspect of SAT, microfinance beneficiaries were further, made to reflect on their Christian, cultural and political lives. Results in Figure 15 Beneficiaries expressed their overall social capital development after SAT services as fairly high (31.6%) with 29.9 percent indicating high. About eighteen percent (17.7%) reported low for their social capital development.

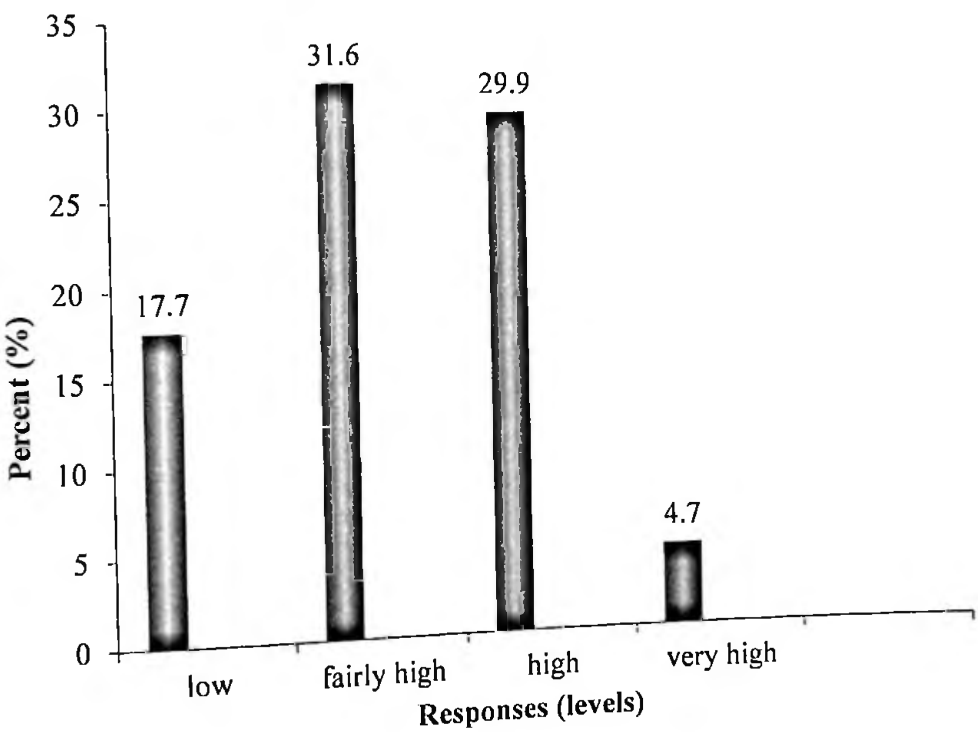

Figure 15: overall social capital of respondents

Source: Field survey, 2012

Conclusion

The results and discussion were presented in two chapters which were harmonised with the objectives, theories and conceptual framework of the study. The themes for discussion comprised the socio-demographic and business background of respondents. Inclusive were the features of Sinapi Aba Trust microfinance programme. The second theme focused on the effects of microfinance services on income, human and social capital development of respondents and the effects of beneficiary characteristics on human capital development. Measuring the human capital development adopted the OECD (2009) IALS approach to general human capital indicators. This was to enable the categorization of indicators on both the qualitative and numerical condition of three main categories of the human capital proxies for the study which were the skill development, enhanced knowledge and health power.

Quantitative data analysis was used to analyse study objectives two, three and four. The objective two focused on microfinance loans and effects on income, three examined effect of microfinance services on beneficiary human capital development and objective four covered effects of beneficiaries' social and economic characteristics on human capital development. The study findings have explained the relationship between the microfinance conception and the theory of human capital.

CHAPTER EIGHT

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The chapter presents a summary of the study objectives, methodology used and the main findings. Conclusions derived from the major findings are also drawn to set out the basis for recommendations to enhance the human capital development of microfinance beneficiaries. Suggestions for further studies are also indicated. The chapter concludes with research contributions towards advancing the existing body of knowledge on microfinance services and human capital development.

Summary

The study set out to examine the effects of microfinance services of Sinapi Aba Trust on human capital development of beneficiaries in the Ashanti Region. The specific objectives were to examine the features of microfinance services of SAT, assess the effects of microfinance on income of beneficiaries, examine the effect of SAT services on beneficiaries' human capital development and to analyse the role of beneficiaries social background on human capital development.

The study used the mixed methods approach which employed both quantitative and qualitative methods and applied the descriptive and cross-sectional survey designs. The study sample comprised 361 microfinance beneficiaries made up of 268 females and 93 males from a total population of 8734 who were on the programme for at least two years. The sample size assumed a confidence level of 95 percent indicating a margin of error of 0.05 percent.

In addition to the 361 beneficiaries were 13 senior officers of SAT comprising Branch Managers and Financial Service Officers from Obuasi, Adum and Ejura branches. The Chief Executive Officer was interviewed as a key informant. Both primary and secondary data were collected; focus group discussions, beneficiaries' work place observations and documents including journals and reports were also used. Interview schedules and an interview guide were the main instruments used for data collection. The instruments were pre-tested at the Adum branch and the main field data collection took place from September to December 2012.

Data analysis comprised both quantitative and qualitative methods. The quantitative data analysis used descriptive and inferential statistics. The descriptive statistics included frequencies, percentages, means, cross-tabulations and regression to measure relationships. The non-parametric tests were applied to test for differences between independent groups. Charts were used to present group data such as beneficiaries' livelihood information and non-financial services rendered to beneficiaries.

The qualitative data were analysed through transcribing, narratives from key informant interviews and focus group discussions. Even though the study was not a gender study, considering the predominance of women in microfinance programmes some gender analysis was done. Quantitative data were analysed using the Statistical Product and Service Solutions (SPSS) version 16.0

The study examined the features of microfinance services of SAT as the first objective and the following were observed:

1. SAT rendered financial and non-financial services to beneficiaries. The financial services entailed issuing loans and offering management services on the loans to generate cash income to recipients. Group-based loans and individual-based loans were the two main categories of loans offered. Most (60.4%) of the beneficiaries were found in the group-based loans.
2. Loans above GH¢5000 were collateralised. Group-based loans were not collateralised but rather group guarantee and co-guarantors were required.
3. Most (62%) of the respondents were in retail trade. Disaggregated data indicated that females were dominantly in retail businesses. The services and manufacturing businesses were dominated by men who had the technical expertise and financial requirements for such businesses.
4. SAT's programme activities have expanded beyond the traditional service of giving out loans for economic activities and related financial products such as savings (compulsory), remittance services, micro-insurance, welfare loans covering children's education loans, housing loans, funeral loans and micro loans for other consumption purposes.
5. SAT non-financial services encompassed training programmes aimed at skill development, awareness creation and sensitisation workshops to inform beneficiaries about topical issues that were development oriented.

6. The services offered show an expanded mission by SAT. The expansion was as a result of aiming at a comprehensive development of their target beneficiaries. SAT applied both the client-centred and the institution-centred approaches however, critical study of their products and activities indicated a lineage towards the client-centred.
7. SAT FSOs have direct and regular interactions with borrowers. These interactions help in having adequate information on the progress of beneficiary economic activity. They have assisted in the high loan repayment rates for SAT.

The key findings regarding the effects of microfinance services on beneficiaries' incomes were that;

1. Most (93.6%) of the respondents reported increase in incomes. Average monthly income for individual-based loan beneficiaries after joining SAT was GH¢567.23 as against GH¢313.12 before joining SAT. That of group loans was GH¢417.64 and GH¢193.61 for the after and before periods respectively. Overall, individual loan beneficiaries had higher incomes compared to group loan beneficiaries.
2. There was an association between the type of loan and average monthly incomes. The highest average income of GH¢520.00 was obtained by manufacturers followed by retailers, GH¢501.84. The lowest average monthly income of GH¢432.21 was earned by beneficiaries in agriculture/food. The difference among average monthly incomes from various livelihood types was statistically significant (p-value = 0.008).

3. In relation to the World Bank income comparison analysis using the World Bank Atlas Method based on 2011 economy classifications, SAT beneficiaries' monthly average income of GH¢485.04, computed to GH¢5,820.48 per annum puts the beneficiaries in the lower middle income group.
4. Most (92.8%) respondents observed increases in their working capital. About seventy percent (69.9%) of the beneficiaries' were saving before SAT services. Most (85.2%) of the respondents' after obtaining SAT services were able to increase savings.
5. Expenditure trends of the respondents indicated that expenditure on children's education was the most prioritised followed by re-capitalisation of businesses and loan repayment.

In relation to the effects of microfinance services (financial and non-financial) of SAT on beneficiary human capital development, the following were revealed:

1. The services enabled the beneficiaries to improve on their knowledge, skill development and health power as well as that of their children.
2. The non-financial services provided by SAT had significant effects on human capital development of the beneficiaries. The type of loan and highest amount of loan were also found to facilitate human capital development.
3. Beneficiaries reported improvement in their social capital development. There was a general consensus that the group guarantee factor helped them to access loans. This was realised as a key asset for members who could not have provided any physical collateral.

With respect to the effects of beneficiary socio-economic characteristics on human capital development, the key findings were:

1. Age, number of children and level of education of clients of SAT did not have any statistically significant relationship with their human capital development though they showed some positive relationship. This suggests that one cannot predict the probability of SAT clients experiencing human capital development by these variables.
2. The results depicted a statistically significant positive relationship between the type of loan, highest amount of loan and human capital development.
3. Non-financial services offered by SAT had positive significance on human capital development of the beneficiaries. The main reasons were that beneficiaries became regularly acquainted with SAT staff and group members for sensitisation programmes aimed at fostering human capital development.
4. Improvement in social capital accumulation was ranked very high by beneficiaries. The group guarantee system used to enable the poor access loans was found to be an important for members who could not have provided any physical collateral.

Conclusions

Features of SAT services were the provision of loans, business related services such as training, setting up compulsory and individual savings. Other aspects were social services including workshops on awareness creation, social forums to educate clients on topical social and economic issues. SAT had extensively integrated non-financial services into its traditional function of providing loans and was able to achieve financial sustainability.

SAT microfinance services employed efficient collateral alternative for short-term and working capital loans which met the need of most of their beneficiaries who could not meet certain collateral requirements. Implicitly, though SAT did not demand collateral from clients unlike the formal banks, the institution used alternative forms of collateral for different types of loans. Social capital through group guarantee scheme was found to be a valuable alternative source of collateral for group-based loans.

SAT services led to improvements in beneficiaries incomes. Most of the SAT beneficiaries were classified under the lower middle income group and were earning incomes higher than the national average. Beneficiaries in the manufacturing sector earned higher incomes than those from the other livelihoods. Those with the lowest income were beneficiaries from the agriculture and food sector. Generally, individual loan beneficiaries had the highest incomes compared to those who acquired group loans. The group loan beneficiaries comprise trust bank and solidarity groups whose loan sizes were relatively smaller. It was identified that larger loan sizes had positive impact on increased income.

The services of SAT facilitated the improvement of human capital development of beneficiaries. This was reflected in the increased levels of human capital accumulation by beneficiaries in terms of enhanced knowledge, skills development and health power of respondents which did not come out clearly in microfinance studies. There was higher enrolment and retention of children in schools. Continuous education of children in secondary schools, apprenticeship training and other forms of skill development was enhanced compared to the situation before the SAT services.

SAT directly supported educational institutions with loans to develop infrastructure which was recognised as another key effort towards formal education and for that matter human capital development. Thus the study found a relationship between microfinance concept and human capital theories and the results admit that microfinance services of SAT facilitated skill development, enhanced knowledge and health power as constructed by the conceptual framework of the study.

Beneficiary social and economic characteristics were identified as age, sex, marital status, number of children, highest amount of loan, type of loan, loan cycle and non-fmancial services of SAT. The enumerated characteristics provided various degrees of influence on beneficiaries' human capital development.

Generally, the study design has adequately helped to attain the objectives set out by the study. The features of microfinance services of SAT have been identified and proven to facilitate the comprehensive development of beneficiaries by identifying the relationship to the main factors of human capital development in the forms of skill development, enhanced knowledge and health power. The features of services and anticipated domains of change in beneficiaries correspond to the conceptual framework and address the key concepts and development goal of the study. The key assumption underlying the conceptual framework, Figure 3, has therefore been endorsed.

Recommendations

Based on the key findings and conclusions it is recommended that:

SAT management should:

1. Deepen the transformation approach and provide effective transformation policy that would drive their corporate programmes towards human capital development since the poor need these services to improve financially and non-financially.
2. Keep expanding the features of SAT microfinance, particularly the non-financial aspects such as business training, awareness creation and social forums to sensitise beneficiaries on topical issues such as the importance of human capital development in poverty reduction. This can help facilitate attitudinal change for investing in human capital development which is the cornerstone of poverty reduction.
3. Encourage their clients to prioritise and incorporate human capital development in their socio economic lives and ensure they participate in opportunities created by SAT and other sources for accumulation of human capital.
4. Provide measures to track the human capital development efforts of beneficiaries and motivate clients who pursue it.
5. Incorporate appropriate and suitable collateral alternatives to help sustain group loan recipients who have critical needs for credit to do business. This will address the growing breaking down of group collateral and the problem of the poor having difficulties in getting guarantors so that they are not excluded.

6. Institute measures for the promotion of credit worthy group beneficiaries, who dominate SAT clientele, to the individual loan beneficiary strata to qualify for larger loans. This will enhance increased incomes among clients since incomes of individual loan beneficiaries were relatively higher.
7. Financial service officers of SAT need to identify successful group loan clients who were mostly females to encourage and assist them to expand their businesses.
8. SAT branch managers and loan officers should develop baseline data on clients' business status and undertake regular updates on the socio-economic profiles of their clients to make reliable data available to researchers.

Microfinance beneficiaries need to:

1. Invest in human capital development, in terms of skill development, enhanced knowledge and health power to help promote and sustain poverty reduction.
2. Advance interest in acquiring pro-poor insurance facilities such as, micro-insurance, the National Health Insurance Schemes to provide them the needed insurance to access socio-economic facilities while at the same time keeping their loans and working capital for businesses.
3. Encourage and support their children to develop their skills to acquire employment and financial independence. This will help reduce dependency on beneficiaries' incomes.

4. Dialogue with SAT management for higher loans for members who had improved their businesses and financial stance over time. This will also help them forge a united front to promote members interests.

The Ghana microfinance network should:

1. Support microfinance institutions to develop social capital since it has become an important activity in financial intermediation though the financial intermediation theory which delivered microfinance does not illustrate why financial institutions should encourage and execute it.
2. Encourage microfinance institutions in Ghana to expand their activities towards holistic development of their beneficiaries and should serve as a motivation for policy support.

Researchers, planners and policy makers should:

1. Review the conventional assessment measurement of human capital theory which usually focused on formal education should be reconsidered. The conventional indicators tend to conceal the equally important aspects of non-formal learning which are important to microfinance beneficiaries', majority of whom do not pursue formal education for their own skill development. This will address the challenges of financial benefits which have over crowded the non-financial aspects in microfinance impact studies.
2. Impact studies in the microfinance sector must reflect on the concept of microfinance to include the expanded roles and account

for both the financial and non-financial activities that are contributing to human capital development.

Contribution to knowledge

The study has contributed to addressing the gap and advancing the existing body of knowledge on microfinance services and human capital development through the following:

1. The study has delved into the broader activities of contemporary microfinance institutions by employing the financial and non-financial services to analyse the main and relevant components of human capital development of SAT beneficiaries. These comprised identifying a relationship between the SAT services and beneficiaries skill development, enhanced knowledge and health power. This has unravelled the relevance of the complementary role of non-financial services rendered by microfinance institutions. It has therefore contributed to literature on the wide-ranging services of microfinance institutions and the broader aspects of human capital of beneficiaries.
2. Harmonising skill development, enhanced knowledge and health power to measure human capital development of beneficiaries' majority of who were not of school going age is quite new in microfinance impact studies. The study has therefore addressed the gap in literature concerning the lack of empirical evidence regarding the relationship between microfinance concept and human capital theory. Highlighting the critical nature of non-formal forms of human capital, aside the common indicator which has been formal education, is a fairly new

addition to knowledge. The non-formal indicators such as apprenticeship training which form part of skill development and enhanced knowledge, usually accumulated through social programmes aimed at awareness creation, has not been studied in Ghana. The study has contributed as a reference point to building the existing literature.

3. The study has enhanced the knowledge on the changing concept of microfinance. Microfinance services can no longer be restricted to financial schemes. The broader spectrum of microfinance services and the respective role on the human capital development of beneficiaries has been established by the study. This has contributed to literature by demonstrating how microfinance promotes human capital development

Limitations of the study

There were some limitations that affected some aspects of the study design. Firstly, the geographical scope of the study was limited to one region. Considering the fact that Sinapi Aba Trust programme has a national coverage, the choice of one region as study area indicates a limitation in terms of size and composition of sample size. This may affect the representativeness and generalisation of the situation of the impact of microfinance on human capital development in Ghana.

Secondly, there was no baseline data on clients before receiving SAT services posing a challenge to getting very reliable information. Some information gathered were based on recall which could disguise some statistical data, for example income and expenditure, for very reliable representation of results. Also, client data base for the sampling frame in one of the study districts was not updated due to relocation of the branch office and may have affected the sampling selection of respondents with respect to the two year minimum duration of respondents on the programme.

Reliability and accuracy of the data analysis and results depended on data provided by the respondents. Respondents may not be accurate in recalling their business, income, expenditures and other beneficiary characteristics before obtaining SAT services. However, despite the limitations the samples are considered substantially representative of SAT clients. The sampling techniques used also aided in arriving at reasonable and reliable conclusions on studying the effects of microfinance services on human capital development.

Suggested areas for further studies

Based on limitations of the study, the following further studies were suggested:

1. Microfinance and human capital development in the Regions that have experienced SAT programmes. This will enable comprehensive analysis of the study topic for better comparative analysis and conclusions.
2. To explore how the non-financial services that influence human capital development are funded to strengthen their sustenance and to also identify potential hidden costs to the beneficiaries if any to appreciate how well the poor are indirectly supporting their own human capital development.

3. To examine the statistical results on the effects of beneficiary characteristics on human capital development since the results indicated that twenty two percent of the explanatory variables could be linked to the variation of human capital development of beneficiaries. The results need to be subjected to further econometric analysis since that was not the focus of this study.

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APPENDICES

APPENDIX A

INTERVIEW SCHEDULE FOR BENEFICIARIES

The researcher is a PhD student at the Institute for Development Studies, University of Cape Coast, Ghana. The purpose of this study is to examine microfinance services of Sinapi Aba Trust (SAT) and how they affect human capital development of beneficiaries in the Ashanti Region. There is the hope that the findings and recommendations from the study would aid policy formulation regarding microfinance and human capital development. Your participation is very much needed for the successful completion of the study. The researcher would be grateful if you could respond to the ensuing questions, as accurately as possible. By that you will also be contributing towards the success of the study. Any information given will be treated as confidential.

Thank you.

Code Number:

Date:.......................

Name of interviewer.............. Start Time: ....

Section A: Beneficiary characteristics (Please tick where appropriate)

1. Branch Name: ....

2. Group Name:...

3. How old are you? ....

4. Gender: Female [ ] Male [ ]

5. What is your marital status?

Single [ ] Married [ ] Divorced [ ] Widowed [ ]

Separated [ ]

6. Number of children ....

7. What is the highest level of education attained?

No formal education [ ] Basic [ ] Secondary [ ]

Comm/Tech/Vocational [ ] Post-secondary [ ] University [ ]

Others (specify) [ ]

8. Which year did you join SAT? (indicate year and month)

....

9. Why did you decide to join SAT? (listen to the story of the client, observe

and probe here)..

Beneficiaries' business characteristics

10. What type of business/es do you operate? (Tick those that apply)

Retail [ ] Agriculture/Food [ ] Education/Services [ ]

Manufacturing [ ]

11. When did you start your business? ....

12. What are the major challenges you encounter in your business?

....

....

....

....

13. Do you have other business/es besides that of the SAT assisted business?

Yes [ ] No [ ]

14. If Yes specify ....

15. What was the main source of your start-up funds? (Tick those that apply)

Personal savings [ ] Family savings [ ] SAT loan [ ] Other loans [ ] Others (specify).........................
....

16. Do you keep records of your business/microfinance transactions?

Yes [ ] No [ ]

17. If Yes to Q16, then look at the records and make judgment

....
..

18. If No why?

....
.

19. Have you received loans from any other financial institution? Yes [ ] No[ ]

20. If Yes what is/are the source/s? (Tick those that apply)

MFI [ ] Rural Bank/Bank [ ] MASLOC [ ] Susu [ ] Others (specify)...

21. Please provide amount...

Section B: Features of SAT microfinance services

22. What type of loan have you received?

    Individual Loans [ ]   Group Loans (Trust and Solidarity) [ ]

    Others (specify)..

23. How many times have you applied for SAT loans

    ....

24. How many times have you been granted loans from SAT?...

25. Loan sizes

    What loan amounts have you received from SAT? (note amount and year)

SIZE/AMOUNT- Gh¢	YEAR	INTEREST RATE

26. Do you pay collateral for loans? Yes. [ ]   No. [ ]

    If yes (specify)

    ....

    ....

27. What other services do you receive from SAT beside loans? (Tick those that apply)

    Training [ ]   Technical assistance [ ]   Insurance provision [ ]

    Welfare [ ] Other loans e.g. (education, funeral) [ ] Voluntary saving

[ ] Compulsory saving [ ] Others(specify) ....

.

Microfinance and business training

28. Do you regularly receive training from SAT?

Yes [ ] No [ ]

29. Do you regularly receive training during group meetings?

Yes [ ] No [ ]

30. If yes, what are some of the topics you have benefitted from? (Tick those that apply)

Business management [ ] Health Education [ ]

Importance of Education [ ] Others (specify) [ ]

....

31. How do you obtain skills related to your business? (Tick those that apply)

Through formal apprenticeship [ ] Through informal apprenticeship [ ]

[ ] No training Through training by others (specify)

....

32. Who pays for your skill development/training?

Self [ ] NGO [ ] Family member [ ] Others (specify)

....

33. How would you rank the quality of the trainings provided by SAT?

Excellent [ ] Very Good [ ] Good [ ]

Fair [ ] Poor [ ] Very Poor [ ] Do not know [ ]

34. How do the trainings help your business?..

....

....

Repayment

35. How often do you make repayment on loans?

Daily [ ] Weekly [ ] Monthly [ ] Others (specify)
....

36. Do you have difficulties in your repayment? Yes [ ] No [ ]

37. If yes state reasons (Tick those that apply)

Business is seasonal [ ] Inconvenient repayment schedules [ ]

Repayment of debt to other lenders [ ] Unforeseen circumstances [ ]

My business is not profitable [ ]

Others (specify)..

Section C: Microfinance services and changes in incomes

38. Is the SAT business your main source of income?

Yes [ ] No [ ]

39. If no, name the sources and the amount ....

....

......

40. What is your average monthly income

....

41. What was your monthly average income before and after joining SAT?

BEFORE GH₵	AFTER GH₵

42. Would you say the SAT microfinance loan has enabled you increase your income? (Listen to the story around the response to establish link)

Yes [ ] please, state your reason

....

....

No [ ] please, state your reason

....

....

Microfinance services and other business related issues

43. How much has your working capital changed since you became a SAT beneficiary?

Very much [ ] Remained the same [ ] Decreased [ ]

Microfinance services and savings

44. Do you save part of your income? Yes [ ] No [ ]

45. If yes, where do you save? Banks [ ] Susu Groups [ ] Cooperative Society [ ]

Piggy Box [ ] Others (specify)..

46. If no, give reason(s)..

47. Have you been saving before joining SAT?

Yes [ ] No [ ] Learnt how to save when I joined to SAT [ ]

48. Is your savings linked to the SAT loan?

Yes [1] No [2]

49. If Yes, what is the current value?...

50. If No specify..

51. How is your current savings pattern like?

Decreased [ ] Increased [ ] Same [ ]

52. What items do you spend your savings on? (Multiple responses/prioritise by indicating $1^{st} - 6^{th}$)

Self-skill development [ ] Children education [ ] Health [ ]

Loan repayment [ ] Business (e.g. buy stock) Food [ ]

Others (specify) ....

53. Who makes the most decisions about how to use savings? Myself [ ] Spouse [ ] Joint Decision [ ] Others (Specify) ....

Section D: Microfinance services and human capital development

54. Indicate improvement for yourself on the listed indicators since you joined SAT in the table using very low [1] low [2] fairly high[3] high[4] very high [5]

Human	Enhanced knowledge					
	Skill Development					
	Experience Exchange					
	Training programme for adults					
	On the job training/apprenticeship					
	Ability to feed family					
	Ability to clothe family					

55. Indicate improvement for your children on the listed indicators since you joined SAT in the table using very low [1] low [2] fairly high [3] high [4] very high [5]

Human						
	On the job training /apprenticeship					
	Enhanced knowledge					
	Training programme					
	Skill development					
	Health status					

Children's formal education

56. Has there been any improvement in your children's education/schooling since you became a SAT beneficiary? Yes [ ] No [ ]

57. State the ages and highest level of education attained by children

Ages and educational levels							
Age/ Sex	No formal education	Primary	JSS	SSS/Tech-nical	Post-secondary	Tertiary	Fees per year (Gh¢)

58. Does anyone attend non-formal education? Yes [ ] No [ ]

59. How many attend non-formal education? ....

Health

60. Do you have access to health facilities? Yes [ ] No. [ ]

61. Has there been improvement in your health since you became SAT beneficiary? Yes [ ] No. [ ]

62. Please give reasons to your answer

....

....

Housing

63. What best describes your housing condition?

Own [ ] Self/spouse [ ] Shared family house [ ] Other (specify) ....

64. Has there been any improvement in your housing condition since you joined SAT?

Yes [ ] No. [ ]

If yes explain

....

....

Microfinance services and social organisations

65. Do you belong to any organisation? Yes [ ] No [ ]

If yes, what is the name of the association?

....

If no why?...

66. What gains do you receive from the association/network? (Tick those that apply)

Information [ ]   Training [ ]   Financial support [ ]   Sharing experiences [ ]   Material supply [ ] Emotional support [ ] Others (specify) ....

67. Do you hold any leadership positions in these activities?

Yes [ ]   No [ ]

68. Indicate improvement on the listed indicators in the table using very low [1] low [2] fairly high [3] high [4] very high [5]

		Very low ⟷ Very high				
		1	2	3	4	5
Social	Contribution towards community funerals and other activities					
	Meaningful participation in social life					
	Relationship with children					
	Relationship with friends					
	Self esteem					
	Self confidence					
	Access to information					
Relational	Bargaining power					
	Business connections					
	Change in perceptions/ expectations/ attitudes					

69. Indicate improvement on economic /material change since you joined SAT in the table below using very low [1] low [2] fairly high[3] high[4] very high [5]

Domain of change	Area of change	1	2	3	4	5
Economics /Material	Change in status of business (diversification of business)					
	Number of customers acquired					
	Personal or family assets acquired					
	Improvement of business assets – land					
	Improvement of business equipment					

Beneficiaries' perception of quality of services delivered by SAT

70. What has been the most significant contribution of SAT Services to your business? And why was that significant?

....

....

....

71. How satisfied are you with the quality of services provided by the SAT Services?

Very dissatisfied [ ]   Somewhat dissatisfied [ ]   Not sure [ ]

Somewhat satisfied [ ]   Very satisfied [ ]

72. What recommendations do you have to ensure better performance of SAT in developing human capital development in the future?

....

....

....

End Time: ....

Thank him/her for the cooperation and end the administration

APPENDIX B

INTERVIEW SCHEDULE FOR STAFF OF SINAPI ABA TRUST

The researcher is a PhD student at the Institute for Development Studies, University of Cape Coast, Ghana. The purpose of this study is to examine microfinance services of SAT and how they affect human capital development of beneficiaries in the Ashanti Region. There is the hope that the findings and recommendations from the study would aid policy formulation regarding microfinance and human capital development. Your participation is very much needed for the successful completion of the study. The researcher would be grateful if you could respond to the ensuing questions, as accurately as possible. By that you will also be contributing towards the success of the study. Any information given will be treated as confidential.

Thank you.

Code Number:

Date:.......................

Name of interviewer

....

Staff data

Staff designation: (i) Branch Manager [ ] (ii) Loan Officer [ ]

Section A: Features of microfinance services

1. When was your branch started?...
2. What types of services do you provide to your beneficiaries? (Tick those that apply)

Loans [ ] Training [ ] Skill development [ ] Management training [ ] Awareness creation [ ] Advice [ ]

3. What types of livelihood activities do your branch support?........................

....

....

4. What are the minimum and maximum amount of loans given to beneficiaries and for how long?

Category of loan	Minimum Amount Gh¢	Duration Min. Max.		Maximum Amount Gh¢	Duration Min. Max.	
Individual						
Trust Bank						
Solidarity						

5. What are the requirements for giving out loans?

i Individual

....

ii Trust Bank

....

iii Solidarity

....

iv

....

6. What are the interest rates for the various categories of loans?

(i) Individual loans ....

(ii) Trust Bank ....

(iii) Solidarity

....

7. Do you demand collateral on loans? Yes [ ] No [ ]

If yes what types of collateral do you require ?

....

....

8. What is the repayment or recovery rate?

....

....

9. In your opinion why do some clients fail to repay their loans?.

....

....

10. Do you offer training/skill development/education to your beneficiaries

Yes [ ] No [ ]

11. If yes, state the major themes.

....

....

12. Why do you offer training to beneficiaries

....

....

13. Does your organisation conduct any monitoring on investment items of beneficiaries? Yes [ ] No [ ]

14. Does your financial institution encourage group members for formation of social groups? Yes [ ] No [ ]

15. Give reasons for your answer

....

....

Section B Microfinance services and changes in incomes

16. In what ways have your services affected the business operations of beneficiaries? (Tick those that apply)

Expanded capital [ ] Business expansion [ ] Skill development [ ]

Savings [ ] Network [ ] Others (Specify)

....

....

17. In what ways have your services affected the incomes of beneficiaries?

....

....

18. How do you assess the success of your services among your beneficiaries'?

incomes [ ] loan repayment rate [ ] improved access to social facilities [ ] improved human capital development [ ] improved social/economic networking [ ]

Others (specify) ....

Section C: Microfinance services and human capital development

19. What human capital problems do your beneficiaries face in their business operations? (probe education/skill development./training, housing, health food and nutrition improvement)

....

....

Give reasons

....

....

20. What are some of the major socio-economic problems that inhibit beneficiaries from investing in education/skill development/training.

(i)..

(ii..

(iii..

(iv)..

21. How can these human capital development issues be addressed?

....

....

22. What government polices promote beneficiaries human capital development

....

....

23. What role is SAT playing in solving human capital development issues?

…………………………………………………………………………

…………………………………………………………………………

24. What have been your achievements in enabling beneficiaries develop their human capital? (probe education and training, health, and housing)

…………………………………………………………………………

…………………………………………………………………………

26. Do you think your beneficiaries are aware of the effects of HCD?

Yes [ ] No [ ]

27. If yes how would you rate the level of awareness?

Very high [ ] High [ ] Low [ ] Very low [ ]

28. Give reasons for your answer

…………………………………………………………………………

…………………………………………………………………………

29. In your opinion what can be done to increase beneficiaries' knowledge about the importance and effects of HCD?

…………………………………………………………………………

…………………………………………………………………………

30. How does SAT encourage beneficiaries to acquire HCD?

…………………………………………………………………………

…………………………………………………………………………

31. How do you organise training/awareness creation programmes for beneficiaries?

…………………………………………………………………………

…………………………………………………………………………

33. Do you conduct any monitoring on the beneficiaries who benefit from your training programme?

Yes [ ] No [ ]

34. Do you conduct any evaluation on the beneficiaries who benefit from your training programme?

Yes [ ] No [ ]

35. If yes what is the impact of these training programmes?

Positive [ ] Negative [ ] No impact [ ] Cannot assess [ ]

36.If No give reasons

....

....

37.What measures do you put in place especially if the impact is negative?-

....

....

38. In what ways have your services affected the social lives of beneficiaries? (rank the responses from highest to the lowest)

....

....

APPENDIX C

INTERVIEW GUIDE FOR THE CEO

The researcher is a PhD student at the Institute for Development Studies, University of Cape Coast, Ghana. The purpose of this study is to examine microfinance services of SAT and how they affect human capital development of beneficiaries in the Ashanti region. There is the hope that the findings and recommendations from the study would aid policy formulation regarding microfinance and human capital development. Your participation is very much needed for the successful completion of the study. The researcher would be grateful if you could respond to the ensuing questions, as accurately as possible. By that you will also be contributing towards the success of the study. Any information given will be treated as confidential.

Thank you.

Thematic Areas for interview

1. What are the main services provided by SAT?
2. Is your institution Client-centred or institution-centred? (probe for reason)
3. To what extent has your organization's objectives been attained?
4. Does SAT counsel beneficiaries on the benefits of human capital development? (education/training, health, housing, food and nutrition)
5. Would you say SAT activities have been effective in encouraging beneficiaries to invest in human capital development? (education/training, health, housing, food and nutrition)
6. How would you assess beneficiaries' performance in human capital development? (consider commitment of resources)

7. What have been your significant contributions toward human capital development of beneficiaries and why was that significant?
8. What do you consider to be your strengths in encouraging your beneficiaries to ensure development of human capital?
9. Did access to training and services generate an improvement in living conditions of beneficiaries? If yes how?
10. Has SAT been able to stimulate networks for beneficiaries? If yes, explain how this has been achieved
11. Any policy to help improve microfinance beneficiaries' human capital development?
    i. SAT
    ....
    ....
    ii. GHAMFIN
    ....
    ....
    iii. Other institutions/organizations..............................

APPENDIX D

FOCUS GROUP DISCUSSION GUIDE FOR SELECTED BENEFICIARIES

Introduction

Welcome and thank you for coming. Introduction (Explain why we are meeting and the focus of our conversation today)

Why you? We have invited all of you today because you are Beneficiaries OF the SAT programme. You are in a position to give us your opinions and views regarding your link to SAT. We're interested in your views on how the programme has affected your businesses and human capital development. There are no wrong or right answers; we just want to know your opinion. Please speak freely; what you say will not be quoted individually. If you like to talk a lot, please make sure that others get a chance, and if you are quiet please try to participate.

But we need your honest participation to make it work

Introductions: Ask participants to give first names, and tell something very briefly about their livelihoods.

- How many are the members of your group? How often does the group meet? Do members attend meetings regularly?
- Can you tell me why you borrow?
- How do you estimate success?
- How have you benefited from the loan – in business or personally?
- What training have you undertaken or sought for? How has it helped them?

- How motivated are group members towards investing in HCD (Listen and probe responses)
- How have you been associated with groups due to your link with the SAT?
- How have you benefitted from the groups and associations?
- Do you want to borrow again – why?

Microfinance services and changes in incomes and assets

- To what extent has the SAT activities led to increased income of group members? (probe for changes in composition and level of incomes, more income sources, more diversification and higher income)
- Has your financial assets changed (savings, debt, borrowing, insurance)
- What items do you spend their incomes on? (Probe for details of factors that inform their decision)

Microfinance services and human capital development

- What form of human capital development related support have you received from SAT? (Consider trainings/skill development, business advice, access to social services, networks etc.)
- Have you observed changes in local associations by beneficiaries? Explain
- Are there changes in social cohesion, collective capacity and local self-help capacities among members?
- To what extend do SAT activities contribute to increase access to better health and education facilities?

- How satisfied are you with the services provided by SAT?
- What has been the most significant contribution of SAT to your businesses? And why was that significant?
- What would have happened without SAT?
- Is there anything else you would like to add?

APPENDIX E

OBSERVATION GUIDE

Work place scenes (note the types of equipment)

……………………………………………………………………………………………

……………………………………………………………………………………………

Record keeping (note the type of items documented, relevance and regularity)

……………………………………………………………………………………………

……………………………………………………………………………………………

Staff/beneficiaries meeting (observe relationship between staff and beneficiaries)

……………………………………………………………………………………………

……………………………………………………………………………………………

Topics discussed (Note the types of human capital development related issues)

……………………………………………………………………………………………

……………………………………………………………………………………………

Attendance at meetings

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………