

THE EFFECT OF MICROFINANCE ACTIVITIES ON ECONOMIC WELLBEING AT THE GRASSROOTS,

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Abstract

The purpose of the study was to investigate the effect of microfinance activities on the economic wellbeing of individuals at the grassroots. Specifically, the study investigated the effect of microfinance interest rates or cost of borrowing, microfinance products and or services and microfinance social support and their effect on grassroots economic well-being. Aside from these direct relationships, the study investigated the moderation role of local community stakeholder engagement on these direct relationships.

The study will help shape Microfinance Institutions (MI) to implement policies and design products that will have a positive impact of the wellbeing of the grassroots; and it will assist the government to develop policy that will help directly impact on the economic wellbeing of the grassroots individual.

The study employed a sequential explanatory research design. Thus, the study first carried out a quantitative analysis followed by a qualitative in-depth analysis to probe and explain the findings obtained at the quantitative stage of the study. The study employed a total sample of 299 respondents sampled across various microfinance institutions across Ghana. Additionally, the study used a single organizational case study to investigate how the quantitative findings of the study reflect practice.

In relation to the findings of the study, out of eight hypotheses four were supported and four were not. The study found support to microfinance cost, interest rates, products/services and social support all had a significant impact on grassroots economic wellbeing but none of the moderating hypotheses were supported. The findings of the current study have practical implications for the formulation of policies and the introduction of interventions and, as such, activities must aim at encouraging a saving culture among the population, especially within the informal sector to alleviate poverty, empower minority groups and improve economic wellbeing.

Keywords: Microfinancing, economic wellbeing, social support, interest rates, products, services, local community, stakeholder engagement, SME, Ghana.