

IMPACT OF MICROCREDIT ON SME PERFORMANCE AND HOUSEHOLD WELLBEING OF BORROWERS: EVIDENCE FROM GHANA

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DECLARATION

I, JOHNSON KWESI AMEH, Student Number, _____, declare that the thesis entitled “The impact of microcredit on the performance of small and medium enterprises and borrower’s household wellbeing: Empirical evidence from the Greater Accra Region of Ghana,” hereby submitted for the degree PhD Management Sciences: Entrepreneurship has not previously been submitted for a degree at this or any other university. I further declare that this is my own independent work in design and execution and that all materials contained herein have been duly acknowledged. I cede the copyright of this thesis in favour of the Central University of Technology, Free State.

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ABSTRACT

The main objective of providing microcredit to Small and Micro Enterprises (SMEs) is to support the poor who primarily operate in the informal sector to create and support businesses that exhibit the propensity to generate regular income and employment for their owners.

Drawing on the Institutional Theory, this study's major aim was to determine the impact of the delivery of micro credit by Microcredit Institutions (MCI) on the performance of SMEs and owner household wellbeing in Ghana. The quantitative research approach (sample survey) was adopted. Stratified random sampling was employed to select participants. Out of 632 self-administered questionnaires distributed to SMEs in in the Greater Accra Region of Ghana, 455 questionnaires were retrieved. Multiple regression modelling was executed to examine the impact of microcredit on SME's performance and borrower's household wellbeing.

Firstly, the study revealed that microcredit factors positively and significantly impact borrower's household wellbeing at a 1% significant level. Secondly, firm/individual elements (gender, manager's educational level, and business age) are statistically significant at a 5% level and correlate positively with sales growth, profitability growth, and employment growth. A sensitivity analysis revealed that the findings are significantly robust to probable endogeneity challenges.

This study has implications for policy and practice worth noting. First, key stakeholders including the government, the private sector and donor funding agencies should refocus their funding programmes on SMEs to further promote borrowers' household wellbeing and microcredit factors in Ghana. Second, in view of the overwhelming challenges in loan accessibility by SMEs in Ghana, the process of microcredit delivery

needs to be simplified to make it more attractive to SMEs through deliberate institutional support in Ghana.

The study also contributes to the academic discourse on SMEs in a number of ways. Firstly, studies on the delivery of microcredit and SME's performance, and borrower wellbeing enhancement are underexplored in the Ghanaian research context. The study contributes to the entrepreneurship literature by developing a robust framework that conceptualises the linkage between microcredit delivery and wellbeing components. This framework could engender the generation of new pathways for theory building.

Characteristic of any research activity, this current research has limitations. The following study limitations needs to be considered. Firstly, the generalisation of the findings to the whole of SME context in Ghana could be limited because the study only covers a single region that focused exclusively on the Greater Accra Region of Ghana, thus limiting its generalisation to other parts of the country. However, the sample obtained is large enough to inform the generalisation of the study to the whole of the SME sector in Ghana. Thus, the validity and reliability of the study has not been compromised. Moreso, due to the robustness of the statistical techniques used. Secondly, the absence of qualitative design to consolidate the results of the quantitative strategy might create some level of deficit. However, it needs to be noted that this strategy was not possible due to limitations imposed by the COVID-19 pandemic at the data collection stage.

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CHAPTER ONE: INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

The competitiveness of a country's firms is an essential enabler of economic development (Hermundsdottir & Aspelund, 2020). Consequently, the small and micro enterprises (SMEs) sectors play very important roles in the economies of countries. For instance, Le and Ikram (2022) argued that SMEs contribute about 48 per cent of sales revenues, 50 per cent of a country's private labour and 64 per cent of fresh employment. Abisuga-Oyekunle, Patra and Muchie (2020) indicated that SMEs contribute approximately 60 percent of global employment and 50 per cent of the global Gross Domestic Product (GDP) in the context of Sub Sahara Africa. About 55 per cent of the GDP of Sub-Saharan Africa is contributed by SMEs (African Development Bank, 2020). Undoubtedly, SMEs are noted to have driven and continue to drive economic growth and innovation (Ghergina, Botezatu, Hosszu & Simeonescu, 2020). Several factors are responsible for the growth of SMEs globally. These include personal aspirations and commitment of the entrepreneur, social capital, and adequate access to financial capital (Adewole & Aderemi, 2021; Clark & Douglas, 2014).

Even though the failure of SMEs is a global issue, the situation appears acute in developing countries such as Ghana. Watson (2019) argued that less than 20 per cent of micro-enterprises in the developed economies could pull through the first year. Comparatively, the rate of failure of SMEs is greater than this figure in Sub-Saharan Africa (Kücher, Mayr, Mitter, Duller & Birgit Feldbauer-Durstmüller, 2020; Boubakary, 2015). Many factors which work against the survival of SMEs could be grouped into two, namely exogenous and endogenous factors. The exogenous factors include lack of finance, weak market structures, and inadequate institutional interventions, while endogenous factors include non-existent strategy and goals, poor levels of education of SME owners, and non-existent social capital (Dewaelheyns, Hulle, Landuyt, Verreydt, 2021; Serrano-Cinca, Gutiérrez-Nieto & Reyes, 2016; Anku-Tsede, 2014). Despite the fact that all these factors impact SMEs negatively, working capital finance

accessibility seems to be the worst limitation to venture creation, growth and sustainability (Chalmers, Sensini & Shan, 2020; Kumar, 2017). Therefore, internally and externally, the unavailability of finance is a significant challenge that confronts SMEs as they need adequate finance to increase productivity and growth than larger firms (Alvarez, Sensini & Vazquez, 2021; Chen & Guarigila, 2013).

By extension, Adejoh (2021) asserts that adequate financing of SMEs is the pathway to their growth since flexible access to external finance is key to promoting expansion, innovation and productivity (Arnaldi, Novak, Roscigno & Zhang, 2021). Therefore, governments worldwide continuously formulate policies to create an enabling environment to unleash productive entrepreneurship through SMEs. Even with the various approaches deployed to promote SMEs, access to finance remains a hurdle to their growth. Related to SMEs' inaccessibility to finance is the general question of access to finance by individuals as well. According to Kanu and Nwadiubu (2021), almost 2 billion working population worldwide remain unbanked.

More fundamentally, although the financing gap is a challenge that is widespread in developing countries, particularly, in Africa, including Ghana, that of other regions is less severe (Chen, Sensini & Vazquez, 2021; Fowowe, 2017). Relatedly, Mittal and Raman (2021b) argued that the collective financing needs of the entrepreneurs that remain unmet in developing countries was projected to be above \$2 trillion. Similarly, the World Bank (2020) projected that the credit deficit associated with SMEs in developing countries is approximately \$2.1 trillion-\$2.5 trillion, almost 14 per cent of these countries' total GDP. A widely accepted view is that the promotion of economic growth, particularly, in developing countries like Ghana, is contingent on efficient and accessible funding policy for SMEs (Baños-Caballero, García-Teruel & Martínez-Solano, 2020; Quartey, Turkson, Abor & Ma, 2017). Furthermore, according to Bastián, Cussya and Nadant (2016), credit access also affects SMEs' visions and strategies.

Recurring reports on start-up support programmes globally have increased the criticality of the SMEs' discourse. Accordingly, extant literature averred that entrepreneurship demands the development of innovative structures that ensure the growth of existing enterprises with deliberate interventions that propel sales and marketing activities. Similarly, these interventions can help in creating bigger firms through the acquisition of relevant resources such as appropriate financing and supplies (Mpofu, Athenia Bongani Sibindi, 2022; UNCTAD, 2015). According to the World Bank (2020), providing flexible financing can help an estimated 400,000,000 SMEs in developing countries to expand their economic activities significantly, create jobs for the people, and the resultant generation of additional income. Responding to the need to fill the financing gap, development organisations such as the International Finance Corporation (IFC) and other financial institutions provide working capital to increase the revenue, assets performance, and sustainability of micro-entrepreneurs to lift them out from poverty (Nguyen & Barth, 2020; Hussain, Mahmood & Scott, 2019).

Globally, the traditional source of funding for businesses is commercial banks. Unfortunately, the SME sector has not been attractive to these commercial banks due to information asymmetry (Onyeiwu, Muoneke & Nkoyo, 2021; Hussain et al., 2019). Further, another difficulty for SMEs trying to access finance in Ghana is that these firms are primarily small and typically informal. Both characteristics act as severe barriers to borrowing money (World Bank, 2018). The emergence of microcredit is seen, therefore, as filling the financing gap of the SMEs sector. More so, it is theorised that microcredit can improve the productivity of SME borrowers and their businesses by ensuring a consistent income that improves the wellbeing of their households.

Similarly, advancing microcredit to SMEs ensures the sustainability of the microcredit institutions (MCIs) themselves (Memon, Akram & Abbas, 2020; Carsamer, 2012). As indicated by Dwikat, Arshad and Shariff (2022), entrepreneurs are more attracted to businesses that exhibit the potential for consistent growth. Undoubtedly, portfolio diversification is observed as one of the reasons many investors invest in MCIs (Busi

De Steur, Temmerman, Gellynck & Canavari, 2020; Tchakoute-Tchuigoua, 2014). From this perspective, it appears that the proliferation of these kinds of investors triggered the expansion of MCIs, which also finance SME start-ups and existing firms capable of contributing to the economic growth of Ghana. This research project aims at determining the impact of microcredit on the performance of SMEs and borrower household wellbeing in the Greater Accra Region of Ghana in terms of (i) sales, (ii) profitability, (iii) and employment growths.

1.2 RATIONALE OF THE STUDY

Evidence in the literature contends that funding availability is essential for the growth of any firm. Yet, as Banu, Hossain, Haque and Ahmad (2021) alluded to, there exists a funding lacuna in vulnerable and poor countries for SMEs. Consistent with this narrative, extant literature identifies limited access to finance as a critical limitation to the creation and sustenance of SMEs (Mittal & Raman, 2021a; Ndiaye, 2018; Kumar, 2017). Following the views of Mohamed and Fauziyyah (2020), the ease of access to external funding by SMEs positively impacts the number of start-ups in Ghana. Contributing to the discourse, Ruslan, Gan, Hu and Quang (2020) concur that access to external finance helps SMEs to explore opportunities for growth by using the extra cash to scale up (Sahai, Ray & Tapasvi, 2020; Omri, Frikha & Bouraoui, 2015).

In a related vein, Mustafa, Mohamed and Elgali (2020) conclude that bereft of financial support for MCIs, developing, expanding, and growing the SMEs would be daunting for business owners in emerging economies like Ghana. Current studies on the effects of access to external finance on the performance of SMEs concluded that inadequate funding adversely affects their performance (Amendola, Candila, Sensini & Storti, 2020). This conclusion is consistent with the views of Onubedo and Yusuf (2018) who posited that the largest challenge confronting local artisans and business owners in all the districts in the Greater Accra Region is inadequate capital.

Similarly, SMEs often cite lack of collateral, high agency, and transaction costs (Donald, 2020; Webb, Bruton, Tihanyi & Ireland, 2013) as impediments to accessing finance. Reflecting the high risk alluded to in the narrative, it is logical that traditional commercial banks have been unwilling to finance poor microenterprises (Balyuk, Tetyana, Prabhala, Nagpurnanand, Puri & Manju, 2021). Existing conclusions on financing intervention programmes suggest that only 17-32 per cent of SMEs in developing countries can access traditional bank financing sources (Kumar, 2017). In the Greater Accra region of Ghana, commercial banks have somewhat neglected the SMEs in their credit programmes in favour of bigger firms that can provide adequate collateral security to cushion their loans (Appiah, Possumah, Ahmat & Sanusi, 2018). Reflecting the research evidence that suggests the huge financing limitation, SMEs usually use non-traditional funding sources that are typically very costly (Donald, 2021). Nevertheless, the emergence of MCIs in Ghana appears timely as they help SMEs to access microcredit (Quacoe, Banson & Sakoe, 2015). Consequently, policymakers have often appealed to MCIs to offer microcredit assistance to SMEs to support their development (Stouraitis, Harun & Kysistsis, 2017; Danso-Abbeam, Ansah & Ehiakpor, 2014).

Available evidence in the literature suggests that the MCI landscape has grown significantly and supported millions of SMEs to access credit (Mehta & Bhattacharya, 2018). However, it is estimated that colossal total gross loans of close to GH¢800 billion owed MCIs were unfortunately outstanding as of the end of 2014 (BOG, 2014). This situation may have affected the willingness and ability of MCIs to further extend finance to SMEs that need it. A similar study by the Ministry of Finance concluded that multiple Ghanaian SMEs have collapsed because of a lack of the needed funding to sustain their businesses (Owusu-Nuamah, 2014). As a result, numerous SMEs in the Greater Accra Region of Ghana have collapsed, and others remain insolvent as a consequence of scarcity of finance (MicroCapital, 2014). Thus, loan default by SMEs has adversely affected MCIs in the Greater Accra region. Consequently, the Central Bank of Ghana in 2013 and 2017 had cause to revoke the licenses of some MCIs and traditional banks (Usiff & Yussif, 2020) due to solvency challenges.

Following the foregone discussion, it can be surmised that SMEs are deemed to be prominent vehicles for economic growth and development worldwide (Amendola et al., 2020; Kundu, 2016). Therefore, their survival and sustainability are critical. Consequently, SMEs' performance directly depends on access to finance (Fowowe, 2017; Karedza et al., 2014). Invariably, as alluded to by Edoho (2015a), every SME wishes that the microcredit they take positively impacts their businesses. In essence, in Ghana, MCIs have become the preferred means of raising capital by SMEs who cannot otherwise access formal finance from commercial banks (Amankwah-Amoah & Wang, 2019; Moss, Neubaum & Meyskens, 2015).

Despite the apparent expansion of the MCI industry in Ghana that has resulted in easier access to microcredit finance to SMEs (Chen et al., 2021), the discussion points to the continued failure of SMEs (Amankwah-Amoah & Wang, 2019). One, therefore, wonders whether the finances provided by these MCIs are having any impact at all. According to Bateman (2014), reliable information on the impact of microcredit on SMEs is scarce. Only a few studies were done in Ghana on SMEs in general on how the delivery of microcredit influences them. These studies assessed the influence of access to credit on efficiency (Anang, Bäckman & Sipiläinen, 2016), education and training (Owusu-Ansah & Poku, 2012), and improvement in the wellbeing of the owner's households (Asiedu, Kalonda-Kanyama, Ndikumana & Nti-Addae, 2013). Other studies have focused generally on the factors that influence outreach and sustainability. Moreover, the preliminary literature review indicates that precise quantitative findings on microcredit impact on SMEs in Ghana are still lacking. Even with the few extant research, they remain largely inconclusive (Augsburg et al., 2015). Hence the main rationale for this study is to develop an advanced framework that clearly sets out the factors of microcredit that impact SME performance and borrower's household wellbeing.

1.3 PROBLEM STATEMENT

The literature on microcredit points to mixed effects. Microcredit has come under criticism in recent years for lacking evidence of impacts on clients' lives (Cook & Amuakwa-Mensah, 2021; Augsburg et al., 2015; Tarrozi, Desai & Johnson, 2015). One strand of the literature suggests that microcredit does both harm and good because microcredit positively affects firms' productivity (Asah et al., 2015). Conversely, Chikwira, Vengesai, and Mandude (2022) assert that other studies could not affirm the argument of a major impact of microcredit on the performance of SMEs. The above evidence suggests that the debate on the impact of MCIs on SME's performance is inconclusive; hence the overall goal of SMEs in the development agenda has become moot. Besides, the continued demise of SMEs despite the availability of microcredit from MCIs makes one doubt the efficacy of the finances provided by these MCIs in positively impacting the performance of SMEs. All of these create an apparent research gap (Banerjee et al., 2015). Without conclusive evidence, it will be difficult even to judge the efficacy of these MICs in the development agenda, let alone their impact on SMEs.

The only way to fill this apparent knowledge gap is to assess microcredit impact on the performance of SMEs scientifically. In other words, a specific impact assessment of microcredit on the performance of SMEs is a fertile area of study. Therefore, this study is specifically structured to empirically explore the extent to which microcredit delivered by MCIs has impacted SMEs in the dimensions of growth in sales, profitability growth and employment growth, coupled with borrower's household wellbeing. The lack of such a study will deprive MCIs and other relevant stakeholders of reliable information on tailoring microcredit facilities that deliver on the promise of improving the performance of SMEs.

1.4 AIMS AND OBJECTIVES OF THE STUDY

1.4.1 Aim of the study

By the sheer clientele base, which Aderemi, Efunbajo, Amusa and Rasheed (2020) estimate to be between 200-250 million, MCIs appear to be an essential vehicle that nations worldwide rely on to make financing available to SMEs. These SMEs are denied access to mainstream finance for various reasons. It is against this backdrop that limited finance access continues to be one of the factors militating against SME's performance. Similarly, good performance ensures that a business makes more significant profits and creates adequate jobs. From the above narrative, it is clear that the principal expectation of microcredits from MCIs is to impact these SMEs positively and the borrowers' household wellbeing. Every project or programme needs periodic evaluation to ascertain its efficacy in delivering on its expectations in order to take corrective actions where necessary. Against this background, the current study has multiple aims. From the ensuing sections, it is clear that a knowledge gap and uncertainty exist regarding the effectiveness of microcredit of MCIs in positively impacting SME performance and borrower's household wellbeing in the Greater Accra Region of Ghana due to the paucity and inconclusive nature of extant empirical research. Therefore, the main aim of this study is to fill the apparent knowledge gap.

1.4.2 Main research objective

The main objective of the study is to determine the impact of microcredit on the performance of SMEs as well as borrower's household wellbeing in the Greater Accra Region of Ghana.

1.4.3 Subsidiary research objectives

Based on this primary objective, the following specific objectives were set. These objectives are to determine the following:

1. The impact of microcredit (loan) amount on the performance of SMEs and borrower's household wellbeing in the Greater-Accra Region.
2. The impact of microcredit (loan) cost on the performance of SMEs and borrower's household wellbeing in the Greater- Accra Region.
3. The impact of microcredit (loan) flexibility on the performance of SMEs and borrower's household wellbeing in the Greater-Accra Region.

1.5 HYPOTHESES

The summary of formulated hypotheses is listed below.

1. H1a Loan amount is positively related to sales growth.
2. H1b Loan amount is positively related profitability growth.
3. H1c Loan amount is positively related to employment growth.
4. H1d Loan amount is positively related to borrower's household wellbeing.
5. H2a Loan cost is negatively related to sales growth.
6. H2b Loan cost is negatively related to profitability growth.
7. H2c Loan cost is negatively related to employment growth.
8. H2d Loan cost is negatively related to borrower's household wellbeing.
9. H3a Loan flexibility is positively related to sales growth.
10. H3b Loan flexibility is positively related to profitability growth.
11. H3c Loan flexibility is positively related to employment growth.
12. H3d Loan flexibility is positively related to borrower's household wellbeing.
13. H4a Loan accessibility is positively related to sales growth.
14. H4b Loan accessibility is positively related to profitability growth.
15. H4c Loan accessibility is positively related to employment growth.
16. H4d Loan accessibility is positively related to borrower's household wellbeing.

1.6 METHODOLOGY

A more elaborate discussion would be done on the research methodology in chapter 6. Thus, the research methodology is discussed briefly below.

1.6.1 Research philosophy

Following Saunders (2016), the basic beliefs underlying this study include ontology, epistemology and axiology amongst others as discussed in detail under the sub headings in chapter 6. Further, the researcher adopted the positivist philosophy which is a philosophical approach that involved hypothesis testing, causal explanations, and modelling in the conduct of this study.

1.6.2 Research approach

The researcher employed the deductive approach. The approach commenced with the discussion of the institutional theory and the generation of hypotheses. Data collection and analyses to test the theory (Bryman, 2012) followed. The hypotheses that were developed were either supported or rejected based on the test result (Burns & Burns, 2008).

1.6.3 Research design

The researcher adopted the quantitative methodology because it is an exploration to assess the veracity of a theory with statistical variables that is associated with human problem or social phenomenon premised on a test or proof of a theory. This method is predicated on the presumption that realities can scientifically be known in an orderly manner and objectively through an inquiry (Polit & Beck, 2012; O'Dwyer & Bernauer, 2014). Thus, the quantitative design was deployed to examine the impact of microcredit on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region of Ghana. The cardinal objective is to confirm or reject the impact of microcredit on the performance of SMEs and borrower's household

wellbeing of similar studies in the extant literature that adopted the quantitative philosophy.

1.7 CONTRIBUTION TO THEORY, PRACTICE AND POLICY

This study has mirrored entrepreneurship knowledge by developing a conceptual model that recognizes the use of microcredit as an enviable tool that can be deployed by MCIs in engendering further evaluations of the impact of microcredit on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region of Ghana. The contributions of this research can be surmised as follows:

Theoretically, there is a paucity of the microcredit/SME performance impact as well as microcredit/borrower's household wellbeing in the Greater Accra Region of Ghana in the literature. The study has, therefore, enriched the literature on the microcredit SME performance nexus, as well as the impact of microcredit on borrower's household wellbeing in Ghana.

Secondly, related studies that have been conducted in other regions of Ghana by researchers cannot be extrapolated to the whole country by policymakers because they are largely inconclusive as study contexts in Ghana are often not similar due to the highly informal nature of the SME sector. This study's result can be extrapolated to all the regions of Ghana due to the diversity of research participants and the efficacy of the model developed.

Thirdly, this study expatiates on the crucial function of microcredit from MCIs in advancing funding for venture creation, especially in emerging economies with limited financial resources (Haag & Henschel, 2016; Appiah et al., 2018). In sharp contrast, despite the invaluable role the MCIs play in advancing business funding to SMEs in developing countries context, microcredit from MCIs has not attracted commensurate research interest. Against this backdrop, this study advances the literature on MCIs and its immense role in business venturing in the context of developing countries.

Lastly, the crucial prominence of business venturing by SMEs in the context of developing countries has been deepened. Undoubtedly, in the attempt of developing countries to create employment and improved economic and social growth (Amakom & Amagwu, 2020; Chole, 2017; Lewin, Kenney & Murmann, 2016), the pivotal role of SMEs is key to this developmental agenda. Therefore, this study contributes to a deeper appreciation of the nature, needs, operation, and impact of microcredit on sales growth, profitability growth, employment generation as well as borrower's household wellbeing within the context of the Greater Accra Region.

1.8 THE RESEARCH PROCESS

The 14 stages that this study sequentially went through are presented in Figure 1.1.

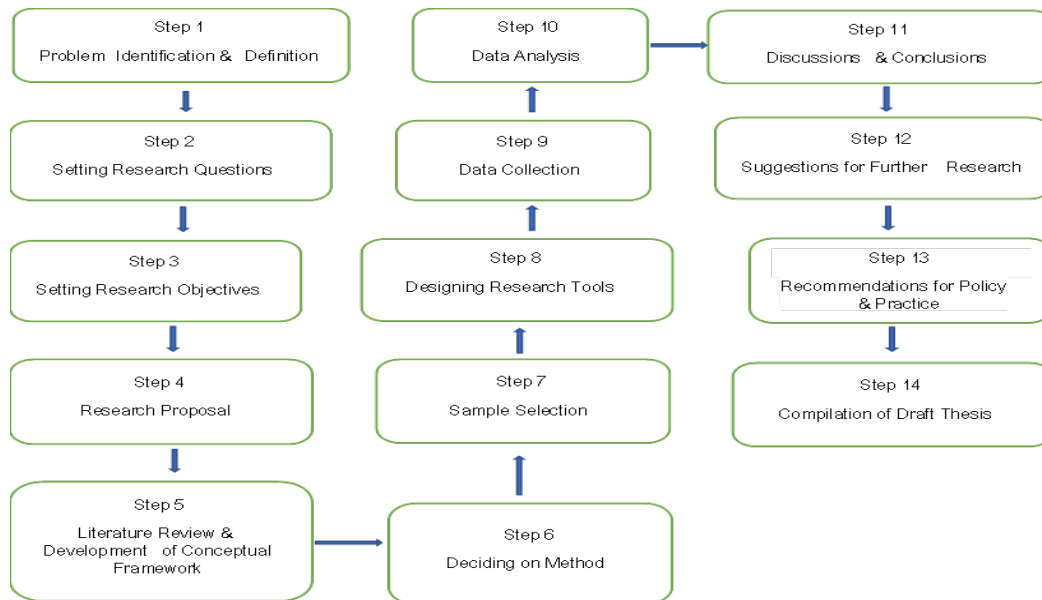


Figure 1.1: The research process

1.9 SUMMARY OF THE THESIS CONTENT

The main outline of the eight chapters of the thesis content including the introduction is provided below.

Chapter 1 comprises the introduction, the study's background which encompasses the rationale of the study, the problem statement, aims and objectives of the study, statement of the hypotheses, a summary of the research methodology, contribution to theory, practice, and policy, the research process as well as the summary of the theses content.

Chapter 2 highlights microcredit and enterprise development. The chapter discusses microcredit history and outreach, types of microfinance institutions, enterprise and socio-economic development, the microfinance process and regulations, sustainability of MFIs and SMEs and impact measurement, as well as the dimensions of borrower's household wellbeing.

Chapter 3 presents the practice of microfinance institutions in Ghana. Specific issues to be discussed include informal credit system and government-sponsored credit programmes, microfinance models and schemes of MFIs, microcredit and SMEs in Ghana, the regulatory regimes of MFIs in Ghana, the institutional logics, MFI challenges and the collapse of MFIs.

Chapter 4 The chapter discusses the Institutional theory, which represents the theoretical framework underpinning this study, the institutional actors, resources situations in the work of MFIs in Ghana, institutional voids, and strategies in addressing the institutional challenges.

Chapter 5 The chapter demonstrates the elements of the proposed conceptual framework regarding the microcredit constructs.

Chapter 6 presents the methodology. Relevant themes for discussion comprise the research philosophy, the selected research approach, the strategies and methods deployed for data collection, methods for data analysis, reliability and validity, as well as ethical considerations.

Chapter 7 elucidates the results of the impact of microcredit elements on the performance of SMEs, as well as borrower's household wellbeing. The chapter also discusses the impact of other SME and individual features such as business age, manager's level of education, and gender on SME performance and borrower's household wellbeing.

Chapter 8 throws the spotlight on the principal study results, recommendations, the study's contribution to knowledge, policy, practice, and researchers' implications. The limitations of the study, recommendations and directions for future research would equally be discussed.

CHAPTER TWO: MICROCREDIT AND ENTERPRISE DEVELOPMENT

2.1 INTRODUCTION

The previous chapter highlighted the rationale for the study, the statement of the problem, the aim of the study, research objectives, hypotheses, and contributions to theory, policies, and practice as well as the research methodology. Many researchers have reinforced the invaluable role of enterprise development as an enabler of socio-economic development hence a key factor in the global economy as far as poverty reduction is concerned. The chapter is a critical review of the existing literature. Firstly, the chapter presents the importance of funding sources for SMEs with a focus on microcredit as a significant funding avenue. Secondly, the chapter will elucidate on the correlation between microfinance and entrepreneurship development, highlighting the uniqueness of the microcredit process, microcredit regulation, and sustainability. Thirdly, the study explores the institutional logic in line with the delivery methodologies of MFIs. Finally, a summary and discussion on microcredit and socio-economic development will be presented.

2.2 EXPLAINING MICROFINANCE AND MICROCREDIT

2.2.1 The meaning and nature of microfinance

Microfinance has been explained as the act of providing banking services to individuals that are significantly vulnerable and traditionally denied formal financial products (Lebovics, Hermes & Hudon, 2016). It also refers to informal and formal programmes directed at offering financial services, such as uncollateralised loans to the vulnerable through innovative lending methods that are sustainable (Zulfiqar, 2014). Further, the Consultative Group to Assist the Poor (2009) defines microfinance as the supply of financial products in smaller units to largely poor, especially non-salary individuals. They include those who have been systematically denied financial services in a country. This range of services includes providing savings products, micro-insurance, entrepreneurship training, and money transfer services, among

others. Accordingly, the term means the extension of microloans and other intermediation services to alleviate poverty by promoting self-employment opportunities for the poor.

Consistent with earlier narratives, numerous studies have confirmed that financial services for the poor extend beyond microcredit for smaller firms. It also encompasses insurance and payment services, savings facilities, and loans for housing, education, consumption, health care, and skills in managing crises. Therefore, the provision of microfinance services has been highly recognised and appreciated by development practitioners as an enabler of an improved standard of living (Bateman & Maclean, 2017). Microfinance has also been seen as a conduit for fixing challenges in connection with the funding markets in order to enhance risk-taking to unleash the skills and knowledge of the poor who are largely self-employed (Cull, Demirgüç-Kunt & Morduch, 2018).

A careful analysis of the above definitions suggests some appreciable level of consensus in the extant literature that microfinance refers to small loans borrowed by the poor (Al-Shami, Majid, Rashid & Hamid, 2014). Microfinance in the context of this study, therefore, is the process of providing small loans, simplified savings products, risk reduction management products including micro insurance, simple money transfer services, flexible retirement plans and attractive mortgages for people under-served by commercial banks.

2.2.2 The meaning and nature of microcredit

The microcredit concept has attracted heightened attention worldwide and is hailed as an excellent growth policy (Hickel, 2015). Microcredit has to do with the provision of non-security loans by MFIs to non-bankable vulnerable households and micro-businesses (Berlage & Jasrotia, 2015). Similarly, microcredit could refer to the supply of small loans to the vulnerable and poor individuals to take part in the productive sectors to generate income (Dzansi & Atiase, 2014; Mahmood, Hussain & Matlay,

2014). In typical microfinance programmes, poor people get a microloan with or without security to invest in an income-generating activity. These loans are usually paid back on daily, weekly, or monthly instalments.

Microcredit emerged in the 1970s to reduce poverty by increasing access to capital to the individuals who have been denied funding access, especially in developing countries whose population live on less than US\$1 per day (Mahmood et al., 2014; Rajbanshi, Huang & Wydick, 2015). Similarly, microcredit by its proponents means transforming the businesses of clients through working capital financing in order to improve client's earnings with the aim of eliminating poverty (Wiklund, Nikolaev, Shir, Foo & Bradley, 2019). Evidence in the literature emphasises particularly for developing countries the mission of poverty reduction through microcredit, as a result of the exclusion of large numbers of individuals from the formal financial systems (Demirguc-Kunt, Klapper, Singer, Ansar & Hess, 2018).

Recent literature in small business finance indicates the ability of microfinance to improve borrower's household wellbeing. Thus, microcredit delivery to the financially excluded ensures a consistent income that increases the wellbeing of the borrower's households. Furthermore, granting small loans to vulnerable small businesses improves the sustainability of the microfinance institutions (MFIs) themselves (Carsamer, 2012). In essence, the acceptance of microcredit as a growth policy is evidenced in the evolution of microcredit as a union. This development thus culminated in the microfinance assumption of the position of the most resourced growth initiative globally (Bateman, 2014b).

2.3 HISTORICAL OVERVIEW OF MICROFINANCE AND MICROCREDIT

Research evidence suggests that microfinance emerged as feedback to the poor performance of government-subsidised credit programmes fraught with loan defaults of well over 50% (Ntiamoah, Oteng, Opoku & Siaw, 2014). Emerging literature also suggests that changes in rural banking and microfinance appear to be unending

development. The revolution in microfinance started in Germany some 150-200 years ago as part of an emerging self-help movement. The proponents of microcredit created the first thrift society in Hamburg in 1778. Following the successful footprints of the thrift society emerged the first community bank in 1801, and rural cooperative credit associations in 1850 and 1864, respectively (Seibel, 2003a). The same source contends that providing legal status, prudential control and effective decentralised oversight contributed immensely to the advancement of the microfinance sub-sector.

The exploits in Germany transcended to Bangladesh in 1976 under the initiative of Muhamad Yunus. From his pocket, he lent out 27 U.S. dollars to augment the start-up capital of 42 women in Jobra to engage in economic activities (Yunus, 1998). This development has indeed conceptualised microfinance as supporting the poor financially, particularly women with loans of short tenors to promote their businesses. Extant literature contends that, subsequently, new microfinance programmes emerged in many countries with a strong motive to fighting poverty in 1970s (Mersland, Randøy & Strøm, 2011). Compelling arguments were advanced that David Bissau and Al Whittaker, inspired by their Christian faith, commenced the delivering of credit to small businesses in 1971. This programme gave birth to Opportunity International, deemed as one of the biggest international microfinance organisations.

Preliminary evidence of microfinance organisations in Africa started among the Yoruba, christened *ajo*, from the 16th century to *esusu*, a rotating savings and credit association (ROSCA) (Adeyeye, 1970). The same author suggests that the concept spread across West Africa and other African countries such as Congo or Zaire in the 1960s. ROSCA and 'susu' are deemed as the sole reliable financial product and institution existing in the countryside in SSA (Seibel, 1970, 2010). The susu denotes a daily collection of small deposits from individuals at their various locations.

Regarding the development of microfinance in Ghana, the first MFI is the credit union started in 1955 in Jirapa, in the Upper West Region of Ghana by the parish community and financed by missionaries. By 1974, the credit union was expanded to include

workplace credit unions. Credit Unions and other MFIs such as the rural banks have increased steadily since their birth in Ghana. Therefore, from the above discussion, the study can argue that microfinance is not new, neither does it resonate only in developing countries as a poverty reduction tool. Earlier studies linked microcredit with financial NGOs with the understanding that microcredit originated from Bangladesh. However, recent studies strongly contend that linking the origin of microcredit to current programmes misses the historical scope of microfinance. They resolved that microcredit has indeed come a long way from centuries of experience.

2.4 MICROCREDIT OUTREACH

Though microcredit was projected to have reached almost 200 million clients in 2013 (Cull & Morduch, 2017), emerging literature suggests that by 2016, almost two billion people were excluded by financial institutions worldwide (Demirgüç-Kunt, Leora, Saniya & Jake, 2018). Proponents of microcredit argue that granting credit to the poor could enhance the generation of additional income, employment. Similarly, the availability of low-interest loans facilitated SMEs' escape from moneylenders and loan sharks whose products are characterised by exorbitant interest rates. In addition, the evidence in the literature suggests that easy access to microcredit could promote the building of social capital and solidarity since microcredit institutions predominantly deploy group lending and accept social solidarity as collateral (Halder & Stiglitz, 2016).

2.5 MICROFINANCE INSTITUTIONS THAT PROVIDE MICROCREDIT

2.5.1 Microfinance institutions

A microfinance institution generally is an organisation that provides credit and other financial facilities to support economically productive initiatives to vulnerable individuals and micro-businesses (Ault & Spicer, 2014; Im & Sun, 2015). These institutions have generally been set up to grant smaller loans and other financial services to the economically active but poor. Shabbir (2016) posits that MFIs include credit cooperatives, private credit institutions, self-help groups, savings and loans, and

credit union companies. The study further indicates that a vast majority of these MFIs provide intermediation services such as savings, deposits, micro insurance, and non-financial benefits such as technical and entrepreneur skills training. It needs to be emphasised that the exponential growth in MFIs worldwide was triggered by the spread and achievements of Grameen Bank (Bruton, Khavul & Chavez, 2011). Generally, MFIs are built and financed by non-profit organisations, government institutions, individuals, the members of the local community, and well-resourced financial institutions. The expectation from MFIs was to advance timely financial products to SMEs.

2.5.2 Microcredit institutions

Microcredit institutions are classified under specialised credit-only and non-deposit collection institutions which extend credit to poor individuals and small or micro-enterprises. They are primarily informal and are recognised as a distinct alternative to formal financial institutions that facilitate new business creation (Banerjee & Duflo, 2011). Consequently, these institutions have assumed prominence as crucial lending institutions in developing economies' economic and social development processes, particularly (Bogan, 2012). Bogan further contends that the proliferation of microcredit institutions emanates from the traditional banks' neglect of the poor in accessing smaller loans which thus, enable them to build sustainable businesses. These institutions have indeed expanded their role and importance as lending institutions in emerging and developing economies.

In addition, MFI's unique features including short-term loans, short repayment schedules, simplified application processes and short processing periods endeared them to the SMEs. Other attributes such as dynamic incentives (clients who pay on time become eligible for repeat loans with higher amounts), little or no collateral loans and tapered interest rates (decreasing interest rates over several loan cycles) serve as incentives for SMEs to repay on time (Yunus, 1999). The focus of microcredit is poverty reduction through a steady increase in accessibility to credit for the financially

excluded, particularly in developing countries who live on less than US\$1 per day (Mahmood et al., 2014; Demirguc-Kunt et al., 2018).

In a related vein, banks and other intermediation institutions in the credit market traditionally ignored the niche comprising the poorest customers until the MCIs emerged. It has been suggested in the literature that, higher operating and administrative costs confronted MCIs in their attempt to serving this market niche due to the low amounts of credit demanded, compared to the demands of richer customers (Kent & Dacin, 2013). As a result, MCIs focused largely on low-income households and SMEs. The MCIs, therefore, became the most preferred financial institutions for SMEs. The International Finance Corporation (IFC, 2016) asserts that the MCI industry has funded almost 130 million clients and invested \$519 million in over 45 MFI projects globally. Underpinning this logic is that without MCIs, funding sources for this market niche is restricted to friends and family members, or loan sharks, which militate against entrepreneurial initiatives with its adverse effect on the standard of living of the customers (Triyowati & Masnita, 2016).

Considering the increasing attention placed on MCIs, it is vital to observe that they are different in character and significance apart from their large numbers. For instance, it was suggested that five types of MCIs exist in Nigeria. They include the MCIs owned by the local community, the private initiated MCIs, the government-funded MCIs, the MCIs owned by non-government organisations, and the foreign-owned MCIs. By extension, available evidence suggests that currently, three types of ownership structures including cooperatives, non-governmental organisations (NGOs), and for-profit institutions dominate the microcredit market (Tchakoute-Tchuigoua, 2014).

2.5.3 Financial Non-Governmental Organisations (NGOs)

It has been surmised in the literature that non-profit NGOs continue to dominate MCIs and represent close to half of the total number of MFIs globally (D'Espallier, Goedecke, Hudon & Mersland, 2017). This observation is consistent with the finding of D'Espallier

et al. (2017) who argued that NGOs constitute 40 per cent of microcredit institutions. Empirical evidence also suggests that operating in less competitive markets may be more convenient for NGOs and cooperatives as they can strongly justify their social argument of bringing microcredit to customers who have been excluded by the commercial banks (Cull, Demirgüç-Kunt & Morduch, 2014).

Financial Non-governmental organisations, on the other hand, are institutions that provide microcredit to the financially excluded individuals that are largely poor to take part in self-economic activities that could create immediate and permanent employment for themselves and others (Sappleton & Lourenco, 2016). It has been established in the literature that the major difference between the FNGOs and other financial institutions is that their focus is on providing microcredit. In addition, they are deeply involved in providing other non-financial services, including basic entrepreneurial training, health education, home management, and financial literacy (Habib & Jubb, 2013). Habib and Jubb further contend that the growing attention in the activities of FNGOs also stems from the fact that they make available adequate funding with flexible terms of payment that are cost-effective compared to other MFIs that are commercially oriented.

It is to be noted that prior research contends that microcredit, in general, is a pro-social lending methodology. Indeed, the not-for-profit MCIs, including FNGOs, hold the most robust allocative view of entrepreneurship. This postulation supports the argument that all the vulnerable and the poor have enterprise expertise. Thus, extending credit to these category of people enables them to create small businesses to reduce their poverty levels.

2.5.4 Microfinance banks

It is worthy of note that even though prior research suggests that microfinance decades earlier was birthed due to the unwillingness of traditional banks to accommodate poor customers, a lot of commercial banks have started drifting into the

microfinance space (Bounouala & Rihane, 2014)). According to Bounouala and Rihanna, two developments favour commercial banks' engagement. Firstly, a couple of MFIs have achieved profitability in providing financial services to the poor. Secondly, some regulators have inspired confidence in the commercial banks to diversify into the informal and turbulent part of the financial space. Today, commercial banks have assumed a prominent place in microfinance. They constitute a significant group of microfinance providers. This development essentially was inspired by the profitability of the microfinance market and the appreciation of the belief that the poor are an exciting market. Examples of such commercial banks in the literature are Banco del Desarrollo in Chile, Banco Agrícola in El Salvador, Centenary Bank in Uganda, and Standard Bank in South Africa.

2.5.5 Rural banks

Rural banks equally constitute a major type of MCI that dominates financial institutions globally, particularly in developing countries. They are public companies registered and licensed as unit banks without branching a mandate. Rural banks are restricted to specific geographical delineations with the mandate to deliver limited banking services such as loans, chequing accounts, savings, and time deposits. According to the Mix Market (2015), rural banks had the highest number of borrowers per loan officer compared to Credit Unions/Cooperatives, the next in line in Africa. Examples of these banks include Bank Dagang Bali in Indonesia, Panabo Rural Bank in the Philippines, BancoSol in Bolivia, and Caja de Ahorro Crédito Los Andes in Bolivia. The impact of rural banks on rural economies in poor economies, particularly in Sub-Saharan Africa, in connection with increased incomes, employment generation, and expansion of education cannot be underrated (Afful, Hejkrlik & Doucha, 2015).

2.5.6 Credit unions

Credit Unions are another dominant type of MCI that advance microcredit to less profitable customers because they can access cheaper and subsidised funds

(Serrano-Cinca & Gutiérrez-Nieto, 2014). These Credit Unions are cooperatives registered under country laws on Cooperatives and subject to regulation by the Credit Union Supervisory Boards, usually a government agency with oversight supervisory mandate by the Central Banks or delegated agencies. Some of the well-managed cooperatives have graduated into savings and loans companies in most of the emerging economies.

2.5.7 Savings and loans companies

The savings and Loans (S&L) concepts have gained currency over the past three decades as an MFI. They are established largely by private individuals and registered and licensed under their jurisdiction laws. They are only permitted to extend financial services such as microloans and deposit mobilisation. Compared to Rural Banks, S&L companies have branching authority with minimum capitalisation requirements at entry points. S&Ls constitute 9 per cent of MFIs, covering 36 per cent of the borrowers because they are bigger in size (Ayele, 2015).

2.5.8 Other deposit-taking institutions

Conservative estimates suggest that other deposit-taking institutions (ODTIs) hold huge deposit accounts and funded over 8 million borrowers with a resultant loan portfolio estimated at \$5 billion in Africa (Castelo & Boike, 2013). SMEs, therefore, rely on MFIs as their predominant source of funding to develop their businesses (Danso-Abbeam, Ansah & Ehiakpor, 2014). For instance, ODTIs hold 10 per cent of deposits but serve almost 40 per cent of depositors in Rwanda, while Nicaraguan MFIs serve 53 per cent of all borrowers in the financial system (CGAP, 2009). The same source suggests that the loan portfolio from regulated non-banks could be bigger than universal banks in some markets like Bangladesh, where MFI's loan portfolios are larger than banks. Similarly, in Zambia, MFI's clients are three times bigger than commercial banks. More so, they may deploy non-financial products to manage the

challenges that consistently push traditional banks out of the developing countries (Ibtissem & Bouri, 2013).

2.6 ROLE OF MICROCREDIT IN ENTREPRENEURSHIP DEVELOPMENT

The extant literature on microfinance suggests that a considerable number of studies have been investigating the complex mechanisms which impact new venture creation in different national, social, cultural, and demographic contexts (Shahriar, Schwarz & Newman, 2016; Newman, Schwarz & Borgia, 2014). It is important to note, also, that about 86 per cent of individuals who have accessed microcredit have ventured into small business activities leading to entrepreneurial development (Alhassan, Hoedoafia & Alhassan, 2016). Contrary to the glowing and compelling cases posited for the positive role microcredit plays in entrepreneurial development (Rooyen, Stewart & Wet, 2012), their findings have been subjected to robust critique.

In line with the critic's arguments, these opponents indeed opined that less than 45 per cent of microcredit fundamentally finance productive enterprises (Bylander, 2015b). Bylander further contends that the expansion of the microcredit landscape in Cambodia, for example, resulted in the creation of significant business-oriented individuals. Furthermore, family debts had increased because clients divert the loans to contain basic necessities, such as food, healthcare and education (Liv, 2013). The evidence, therefore, suggests that regardless of the billions granted by MCIs globally, its impact on clients and business development cannot consistently be positive (Bruton, Khavul, Siegel & Wright, 2015).

Furthermore, in an attempt to address the arguments for why some SMEs grow and others stunt and fail, researchers have examined various elements that may influence business performance (Danso, Adamoko & Domoah, 2016). Indeed, it has been argued by economists and management scholars that microcredit is essential, but rather insufficient to encourage innovation, and create and maintain sustainable growth ventures (Alvarez & Barney, 2014). More so, the literature suggests that credit-

constraint entrepreneurs are largely domiciled in poor settings (Liu, Serger & Tagscherer, 2017). Similarly, firm survival factors, including human and social capital, coupled with efficient institutions promote entrepreneurship (Acemoglu & Robinson, 2012; Karlan & Valdivia, 2011). Prior research contends that a significant number of poor individuals are deficient at identifying opportunities or creating efficient business (Alvarez, Barney & Anderson, 2013), neither had the plausible assumption that a significant number of the poor and vulnerable want to pursue entrepreneurship as a profession can be proven (Davidsson, 2015; Davidsson, Recker & von Briel, 2020).

It is remarkable to note that economic growth and development are hinged on innovative and creative entrepreneurs (Siegel, 2016). However, MFIs shy away from financing that are considered to increase productivity. Unsurprisingly, the credit extended by the Grameen Bank, for example, tend to support micro retail activities or small scale agriculture. This development makes it extremely difficult for the beneficiaries to accrue adequate income which ignites economic growth and development in the economies. Therefore, it has been concluded in the final analysis that MCIs distant themselves from funding economic activities that promote development and the creation of real wealth. (Alvarez & Barney, 2014).

On the contrary, microcredit loans are sometimes used as revolving credit that facilitate the purchase of basic necessities (Roodman, 2012). This orientation, however, negates strategic choice making and entrepreneurship development that trigger growth (McCloskey, 2016). Moreover, the findings of earlier economists are inconsistent with the much touted benefits that can be derived from microcredit loans in terms of venture outcomes (Karlan & Valdivia, 2011).

Recent empirical evidence from development and economics concludes that key entrepreneurial outcomes including new venture creation and growth, performance, and survival (Chliova, Brinckmann & Rosenbusch, 2015) affect development outcomes, particularly poverty alleviation through the deployment of microcredit. Furthermore, it has been theorised that there is no conclusive clarity as to whether the

level of investment made by MCIs in SMEs in reaching its major target of helping the poor to start or expand their businesses, many of whom live on less than US\$2 per day (Cruz, Foster & Quillin, 2015). In the light of the preceding discussions, it appears that the situation in the Greater Accra Region of Ghana may not be different. Informal conversation with SME owners and MCI managers alluded to the fact that the main driving force for engaging in business is survival and poverty reduction instead of growth and expansion. The study, therefore, intends to evaluate the impact of microcredit on SME development and borrower's household wellbeing.

2.7 TARGETING AND SELECTION OF MICROCREDIT BENEFICIARIES

Development interventions require participants' involvement and capacity (Mannarini & Talò, 2013). Identifying the bonafide poor beneficiaries for microcredit delivery involves two major processes, namely, targeting and selection. Targeting entails implementing an intervention aimed at including only a specific target group. It is commonly used in microfinance to deepen outreach (Bandiera, Burgess, Das, Gulesci, Rasul, shams & Sulaiman, 2011). The focus is to avoid mission drift, where more affluent people are often included in poverty intervention programmes (Hermes, Lensink & Meesters, 2011). Targeting interventions and resources towards the poorest are often seen as an imperative means to achieve poverty reduction.

Targeting the poor involves two strands; the first is identifying, attracting and reaching the poor, with the other strand involving the strategies for excluding and discouraging the non-poor from participating in the programme. (Hermes et al., 2011). Standard practical targeting methods include proxy-means tests, geographic targeting, and community-based targeting (Houssou & Zeller, 2011; Alatas, Banerjee, Hanna, Olken & Tobias, 2012; Lang, Barret & Naschcold, 2013).

Key to the successful implementation of a microcredit process is the vital issue of selecting qualified beneficiaries (Earne & Sherk, 2013). The process continues with the classification of poverty levels among the targeted group of the poor. Some of the

key variables used in the categorisation process include family composition in terms of the number of household members; education in terms of school attendance and level attained; housing in terms of the number of rooms, space and type of roofing; and ownership of durable assets such as bicycles, television sets and fans (Lacalle-Calderon, Perez-Trujillo & Neira, 2018). The other variables include ownership of agricultural land and size, nature and quality of food consumption, food sufficiency, seasonality and financial status, as being in deficit or surplus demonstrated clearly in the levels of savings (Sarwosri, Akbar & Setiyawan, 2016).

2.8 THE MICROCREDIT PROCESS AND SOME KEY FEATURES

Microcredit process aims at assessing the performance of MCI's lending process, that is, how well the delivery processes work on the chosen performance indicators (Leyer, Heckl & Moormann, 2015). A standard microcredit process involves identifying, targeting, and separating the poor from the non-poor based on their needs (Dzansi & Atiase, 2014). These needs, therefore, must be satisfied with different products and services. The poor need funds for feeding, health, education, social events, and savings, amongst others. It is imperative to note that microloans are very critical in developing small businesses to accelerate the wellbeing of the vulnerable. However, these loans need to be complemented by other equally essential services such as savings, money transfer services, micro-insurance, access to markets, and entrepreneurial capacity building. Some key features of the microcredit processes are discussed below.

2.8.1 Microcredit transaction amounts and application procedure

Microcredit institutions deploy intermediation initiatives in smaller sizes to poor individuals and firms based on their financial status (Awuah & Addaney, 2016; Quaye et al., 2014). Similarly, the process is also characterised by small transactions involving loans primarily for entrepreneurial activities. This development is attributed to the sizes of the capital of the MCIs. It has been estimated that almost eighty per

cent of MFIs are under-capitalised (BOG, 2017; Ogechukwu, Monday & Ojiako, 2016), hence their inability to finance bigger loan tickets even when the dynamics indicate the capacity of SMEs to pay. Ijaza, Mwangi and Ng'tich (2014) assert that a principal challenges confronting small businesses is inadequate capital to run the firms. However, it is instructive to note that MCIs that are profit-oriented habitually target salaried workers and SMEs with relatively large loan sizes (Tchakoute-Tchuigoua, 2014).

The selection process usually involves concrete investigation techniques that combine formal and informal data sources including the credit bureaus (Afonso, 2015). The establishment of credit bureaus is a current development in poor countries, especially in Sub Sahara Africa. Regrettably subscription to the bureau is optional. Significant theoretical evidence again suggests that simple application processes characterise the microcredit client selection compared to complex appraisal processes that characterise commercial banks' lending (Ruiz, Gomes, Rodrigues & Gama, 2017). Moreover, the process involves accepting collateral substitutes (Hendricks & Budree, 2019) and active client participation in the decision-making process through training on business etiquette, customer service, bookkeeping and financial management prior to loan disbursement to customers.

2.8.2 Microcredit, gender, and interest rates

One unique characteristic of microcredit is the dominance of women, as they are observed to be better in loan repayment (Cozarenco & Szafarz, 2013). Another feature of the process is the charging of market-level interest rates (Mankiw, 2016). Similarly, the microcredit landscape deploys micro-insurance primarily against microenterprises and individual default (Akotey & Adjasi, 2016; Janzen & Carter, 2013). It must equally be noted that clients' loyalty is vital to the success of the process.

2.8.3 Microcredit impact assessment

Impact assessment completes the microcredit process. The assessment aims at exploring the effects of the loans delivered to the clients against the intended indicators. Three major impact ideologies are employed in the evaluation process. These methods include quantitative, qualitative and mixed-method (Oluyombo & Iriobe, 2017). Evidence of repeat borrowing, and high repayments are indicative of an effective programme outcome. On the other hand, high drop-out rates and defaults represent a poor or unsuccessful programme. It is important to emphasise that the continued participation of the poor in the microcredit programme should generate a positive impact on poverty reduction at the individual, household and enterprise levels (Newman, Schwarz & Ahlstrom, 2017). However, it appears that impact assessment of microcredit programmes has not been as recurrent as expected to the best of my knowledge. Therefore, it is crucial to evaluate the impacts of these programmes on the various indicators that have linkages with the ultimate living standards of the beneficiaries in depth and breadth in the Greater Accra Region.

2.9 MICROCREDIT REGULATION

Financial sector regulations predominantly aim at avoiding crises in the banking sector through the protection of depositor's funds, ensuring the stability of payment systems, and the promotion of competitiveness and efficacy (Ayele, 2015). Traditionally, microcredit has been considered a key tool for growth by delivering loans to the poor (Hudak, 2012). As a result of its socially-oriented status, microcredit was earlier ignored in any serious scrutiny and interference by regulatory agencies (Bob, 2011). However, avalanche studies have concluded that the unavailability of standardised regulations for MCIs operations could affect their sustainability (Schicks, 2013; Quaye, Abrokwa, Sarbah & Osei, 2014). This deficit has culminated in operational deficiencies, which resulted in the collapse of some MCIs (Ammar & Ahmed, 2016; Anku-Tsedde, 2014; Makuyana, 2016). Emerging literature asserts that government intervention in MFI's activities, therefore, helps borrowers to surmount challenges confronting them (Jaidka, 2016).

Silva and Chávez (2015) posited that programmes deployed by government institutions to augment MCI operations could facilitate their outreach and sustainability levels. Silva and Chávez further argue that poor institutional interventions in the MCI industry contribute to financial difficulties. Therefore, regulating and supervising MCIs is of much concern to governments and policymakers (Gbandi & Amisah, 2014). It is, therefore, essential to point out that governments institute support programmes for MCIs in their service delivery process for purposes of business sustainability (Gjini, 2014). Supervision bodies of MCIs may be obliged to pass legislation for all MCIs to guide them toward sustaining their operations (Agbemava, Nyarko, Adade & Bediako, 2016).

From the preceding discussion, it is recognised that MCIs are now becoming fully licensed banks. This development has, therefore, opened the industry to private investors. As a result, various governments and their regulatory agencies have made a solid case for closer monitoring and supervision. This deep interest by the regulatory agencies has been due clearly to the microfinance industry being double mission-oriented: economic and social (Hulme & Maitrot, 2014; Estape-Dubreuil & Torreguitart-Mirada 2015; Lebovics et al., 2016).

Consistent with the earlier submissions, several arguments have been advanced for regulating MFIs considering the rapid growth and fast commercialisation, particularly those taking deposits from the public (Cull, Demiguc-Kunt & Morduch, 2011; Pouchous, 2012). This intervention is necessary as customers are sure of being protected against MCIs that engage in unethical behaviours and prohibitive charges to enable them to increase their profit margins (Hulme & Maitrot, 2014). As argued in the literature, appropriate regulation instils financial discipline and speeds up the development of stable MFIs. Besides, it is observed in the literature that regulation promotes the legitimacy of MFIs (Hudak, 2012), primarily because of the negative publicity emanating from the challenges that confronted the sector globally. Therefore, essentially, the call for the regulation of the microfinance sector have originated from governments and the practitioners as well (Hudak, 2012).

Invariably, there has been a heightened interest in the literature on the kinds of and possible influence of microfinance regulation globally (Pouchous, 2012). Regulatory instruments for both MFIs and traditional financial institutions do not differ (Staschen & Nelson, 2013). The evidence further suggests that microfinance regulation is categorised into two forms in several countries: prudential and non-prudential (Christen, Lauer, Lyman & Rosenberg, 2012). Prudential regulation is largely exercised over deposit-taking MFIs to ensure the soundness of licensed financial institutions in connection with the conduct of business to prevent the dissipation of funds of their clients (Christen et al., 2012; Ledgerwood, 2013).

On the other hand, non-prudential regulations relate mostly to policies on formation and operations of microcredit institutions, consumer protection, fraud reduction and prevention, the establishment of credit bureaux, cost of credit ceilings, local content policies, and accounting standards issues, amongst others (Ledgerwood, 2013). Therefore, it is no surprise that preliminary evidence suggests that clients and investors invariably have confidence in regulated MFIs than the non-regulated, albeit the variation in results and countries observed, and experiences of the regulated MFIs (Gohar & Batool, 2015). As a result, it is highly conceivable that scholars are heightening their attention on the significance of regulations and their implications. Yet, there is divided opinions regarding the import of regulations. Some have argued that regulations can either limit or negate the growth of the landscape, while others suggest that differences in outcomes are influenced by context and case (Purkayastha, Tripathy & Das, 2014; Anku-Tsedde, 2014). Essentially, some researchers are concerned that inappropriate regulation can prevent MFIs from concentrating on their poverty alleviation mission as they instead focus mainly on regulatory requirements (Varotttil, 2013).

The central point to the above argument is that suitable regulation and oversight control of MFIs is key to delivering microcredit to the poor and the vulnerable to improve their standard of living (Pouchous, 2012). This normative call is urgent because of the rapid commercialisation of the microfinance environment from a non-

profit orientation to a more formal, profit-oriented businesses (Ly, 2012; Reichert, 2016). To reconcile these two views, researchers argue that regulated MFIs are less viable but more stable than unregulated MFIs (Barry & Tacneng, 2014). Moreover, these authors contend that unregulated MFIs are superior in the accommodation of the poor. In a related vein, Cull et al. (2011) argue that MFIs that are prudentially compliant to supervision react promptly by reducing their outreach to costlier-to-serve clients. However, it is essential to indicate that lack of political stability associated with governments in developing countries adversely affect the implementation of programmes and regulations for efficient management of MFIs (Lash & Batavia, 2016).

Based on the above stream of literature, it appears that regulatory issues need to be thoroughly tackled head-on if MFIs are to deliver on their mandate of financing SMEs. MFIs regulation is necessary because their activities result in welfare maximisation and poverty reduction. However, MFIs in Ghana may not be exempted from the challenges militating against their smooth growth that call for regulation. Therefore, the study shall attempt to explore the efficacy of the various regulatory processes in the market space of MFIs and their impact on SMEs performance.

2.10 MICROCREDIT METHODOLOGY

Available evidence suggests that lending methodologies can be grouped into individual or group lending (De Quidt, Fetzer & Ghatak, 2016). Therefore, the chosen lending methodology significantly influences the product design, customer selection, application and approval process, loan repayment, monitoring, and portfolio management. By extension, lending methodologies may affect the institutional structure and staff requirements, including training and compensation. (Kodongo & Keni, 2013). Group lending has been acclaimed by researchers as the most prominent lending technique (Ibtissem & Bourri, 2013). The same source defines group lending as the arrangement by individuals to set up groups for purposes of obtaining

loans without collateral. The group-lending technique is a practice where every group member is collectively liable for each member's loan.

Invariably, prominent features of the methodology can be enumerated as follows; firstly, should a member default, the entire members would be sanctioned by expulsion from future credit access. Secondly, prospective borrowers are made to form their own group. It is intriguing to note that every customer accesses the credit for her/his personal project in a group-lending contract, but the liability is collective. The joint liability philosophy emboldens group members to self-select one another and provokes peer monitoring. Indeed, some scholars noted that the group-lending policy of the microcredit movement (Armendariz & Labie, 2011) cures the challenge of information asymmetry and enhances consistent loan repayment based on the benefit of perfect knowledge of one another. Similarly, every borrower is inclined to forming a group with reliable borrowers, which invariably prevent the tendency of adverse selection and moral hazard problems (De Quidt, Fetzer & Ghatak, 2016). Further, according to Armendariz and Morduch (2010), the group-lending methodology can shift the entire or part of the due diligence process in the on-boarding stage to the group members. The figure below depicts the dynamics of group lending.

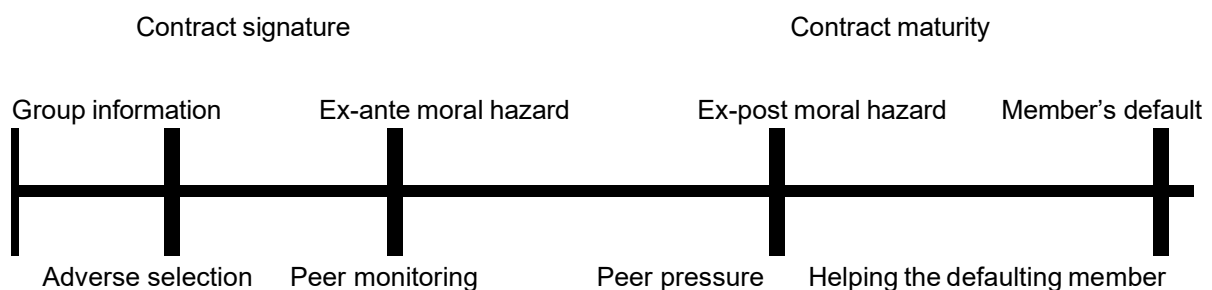


Figure 2.1: The dynamics of group lending

Source: Kaicer and Aboulaich (2014)

It is instructive to note that group lending seems to be more applicable to environments where social networks induce performance in terms borrowing and repayment of loans (Rahman & Nie, 2011). Further evidence suggests that groups with robust social networks promote prompt payment obligations after the removal of joint liability (Gine & Karlan, 2014). Researchers that align with the group lending methodology also identified the cost-reduction benefit of this methodology. However, in spite of its strengths, the group-lending method is criticised for risk of contagion should a member default (Haldar & Stiglitz, 2016).

The second principal lending methodology is individual loans. The individual loan is a collateralised loan extended to a single customer who is solely responsible for its payment (Karlan & Zinman, 2011). Individual lending is presumed to characterise by the conventional lending relationship between the bank and its individual clients. One key element of individual lending under microcredit schemes is that the loan size is lower than the loans granted by the commercial banks. Another characteristic is the application of standard bilateral lending agreement between a bank and a sole borrower (Mokhtar, 2011) that demands a copious appraisal of borrowers and their cash flow followed by frequent direct exchanges of communication with customers within the loan tenure.

Another major characteristic of this lending methodology is that loan approval and loan sizes depend on borrower's suitability and debt capability. Capacity largely depends on other factors, including personal and business features, such as age, gender, reputation, source and amount of income, and the purpose of the loan, amongst others. Similar studies conclude that MFIs that intend to be financially independent without resorting to subsidies or donations charge higher interest rates (Bauchet & Morduch, 2013).

It has also been suggested in the literature that the adoption of a partial group liability that is lesser than full group liability could induce efficient loan repayment (Allen et al., 2016). In the light of the above, a casual observation of the microfinance space in the

Greater Accra Region appears that MFIs adopt both methodologies, with a shift more in favour of individual lending due probably to the difficulty in enforcing the joint liability concept as the borrowers' progress in financial and legal education. Therefore, this study shall attempt to ascertain the most preferred methodology in the microcredit space, taking cognisance of the type of MFI.

2.11 SUSTAINABILITY OF MICROFINANCE INSTITUTIONS

It is critical to note that MCIs emerged to provide varied services to SMEs. The real institution under the microfinance literature that makes the critical impact on borrower's household wellbeing is the microcredit institutions. The microcredit institutions normally operate in line with one of the three different evolutionary modes propounded by Pollinger et al. (2007), namely, bare survival, longer-lasting sustainability, and total self-sufficiency. The bare survival mode of microcredit institutions is characterised by working capital erosion of the start-ups, inability to generate and retain profit for future operations, amongst others. These institutions die off unless they are supported continuously. Further, the sustainability mode relates to achieving a sustainable survival by breaking even. Self-sufficiency is obtained with diversity of quality products and services. Complete self-sufficiency enhances the MCI's capacity to raise capital from multiple sources and control costs.

In the microcredit literature, researchers appreciate the double bottom-line goal of MCIs in enhancing the lives of the poor devoid of external intervention (Armendariz & Labie, 2011). Against the backdrop of Pollinger's proposition, conservative researchers argue that loan repayment is a significant determinant of sustainability. Complete repayment enables MCIs to augment their operations (Moss et al., 2015). MCI sustainability obligates MFIs to formulate techniques to achieve 100 per cent repayment of credit disbursed (Agbemava et al., 2016). Furthermore, stability attainment of MCIs demands the charging of high interest rates on their advances to help them break even (Taiwo, Yewande, Edwin & Benson, 2016).

Nonetheless, emerging literature suggests that loan repayment remains a challenge for many MCIs (Maharana, 2014). Consequently, the failure of MCIs to recover loans has adversely affected the solvency of some of these institutions (Hudon & Meyer, 2016), thus resulting in their collapse (Abdulrahman, Panford & Hayfron-Acquah, 2014). This development affects the profitability of their business (Kristof & WuDunn, 2014). Abdulrahman et al. (2014) further argue that MCIs that are financially-starved, therefore, seek subsidies to sustain their operations.

In light of the above, researchers have succinctly argued that just a few of the MFIs listed on the MIX Market dataset are financially self-sufficient (Hossain & Khan, 2016). Scientific conclusions as to whether outreach orientation supplements organisational sustainability drew mixed results, however. Some findings noted a trade-off between outreach and sustainability (Reichert, 2018; Hermes et al., 2011). Therefore, it can be surmised that MFIs that are viable attain this status by restricting themselves from outreach to the poor. On the contrary, a couple of studies found a positive correlation between profitability and sustainability with outreach to the poor, thus discarding the notion of a trade-off (Adhikary & Papachristou, 2014).

Further, Kar (2013) investigated the impact of profitability and outreach and averred the existence of a positive relationship between the size of MFIs and average loan sizes, thus suggesting mission drift. Eventually, the key subject of balancing financial sustainability and output concurrently remains inconclusive (Reichert, 2018). According to Abdulai and Tewari (2017), no significant relationship exists between sustainability, measured as operational self-sufficiency and breadth/depth of outreach. However, they established a negative relationship between return on assets (ROA) and depth of outreach. Their position has reinforced that of Annim (2012) who also discovered a trade-off between sustainability and outreach. The same source further argues that MFIs funded by owners' equity, bank loans, or deposits do not focus on the poor. Proponents of this narrative succinctly argue that MFI's sustainability can only be achieved when they ignore the very poor.

It is important to note that the type of MFI determines the selection of the specific combination of commercial and welfare performance levels. Similarly, it is instructive to indicate that NGOs concentrate more on their social mission and seek social performance against financial sustainability. However, for-profit MFIs emphasise financial performance against serving the poor. Therefore, it has been observed that the median level of financial sustainability does not differ much between non-profit and non-governmental organisations on one hand and for-profit or MFIs on the other hand (Cull et al., 2016). The remaining group of MFIs consists of smaller, start-up organisations, which are still far from being financially sustainable and heavily dependent on subsidies. Consistent with the above discussion, it has been suggested that just a paltry 20 to 25 per cent of MFIs are not subsidised (D'Espallier et al., 2013a).

There is a paucity of research findings on possible factors and rewards of financial and social performance, and the probability for a trade-off between these two missions in the Greater Accra Region of Ghana, to the best of my knowledge. Adequate knowledge on these plausible matters remains disjointed, resulting from the lack of a comprehensive review of what is known about the financial performance of MFIs and their outreach success determinants. This study shall attempt to precisely ascertain the potential and existing trade-off in sustainability and outreach for policy direction.

2.12 MICROCREDIT, SMES, AND BORROWER STANDARD OF LIVING

Ending poverty in all its forms everywhere is the first of 17 Sustainable Development Goals set by the United Nations. Besides, it has been estimated that the global resources are inching to touch the magical US\$100 trillion mark. However, the undeniable truth is that a whopping 14.5 per cent of the world's population still lives below \$1.25 a day (World Bank, 2015a). Against this backdrop, literature is replete with evaluations of the effectiveness of microcredit as a tool for alleviating poverty and thus improving the wellbeing of the household of the borrower (Banerjee, Karlan & Zinman, 2015). These studies tested the assertion that microcredit could spur poor

households to engage in venture creation or deter them by establishing credit bubbles (Meager, 2019).

Many financial inclusion initiatives have been implemented with different levels of success. Amongst them, microcredit facilities for the poor are the most recent and unique ones. Microcredit has indeed expanded rapidly over the last three decades, reaching over 100 countries (Bateman, 2014). Indeed, earlier studies of the impact of microcredit on enterprise development and its attendant impact on wellbeing of borrower household were glowing (Awaworyi, 2014; Gopalaswamy, Babu & Dash, 2016; Maitrot & Niño-Zarazúa, 2017; Zhang, 2017). During the past two decades, the supply of microcredit to SMEs by MCIs across the globe has contributed to improving the standard of living of borrowers in many counties (Islam, Nguyen & Smyth, 2015; Newman et al., 2014). In placing increasing attention on strategies to improve the standard of living of borrower's household, evidence suggests that microcredit could transform customers' businesses by providing capital that would increase borrower's earnings and ultimately eliminate poverty (Nwibo, Okonkwo, Eze, Mbam & Odoh, 2019).

It has also been contended in the available literature, for example, that the operationalisation of microcredit by MFIs in Tanzania and many other countries in SSA culminated in the proliferation of economic opportunities for low-income earners, and hence contributed to improving the borrower's standard of living (Ammar & Ahmed, 2016; Alhassan, Hoedoafia & Braimah, 2016). Furthermore, MCIs have significantly impacted poverty reduction and assets accumulation (Taiwo et al., 2016). In contrast, later researchers argue that such findings must have been tainted with selection bias (Karlán & Zinman 2011; Morduch, 2011). It is instructive to note that concerns have been raised more recently about the real value and impact of microcredit. It is equally significant to emphasize that recent studies have reported 'microcredit meltdowns' in Morocco, Nicaragua, Pakistan, Bosnia, Mexico, and Lebanon. Most dramatically, in the Indian state of Andhra Pradesh, the entire microfinance industry collapsed in late 2010 (Bateman & Chang, 2012).

Regrettably, the inability of SMEs to repay microcredit loans has also been linked to 'hundreds of suicides' among borrowers in India (Associated Press, 2012) and organ trafficking in Bangladesh (BBC, 2013). Such concerns raised critical questions: does microcredit enable SMEs among impoverished communities to lift them out of poverty? As some critics claim, is it possible that microcredit, instead of alleviating poverty rather serves to exacerbate poverty in particular contexts? (Bateman, 2010). However, it is contended that granted that microcredit does not alleviate poverty, per se, Morduch (2011) and other critics contend that, relatively, it enhances the capacity of the vulnerable to reduce their livelihood difficulties.

In furtherance of the above submission, other opponents found in contrast to the expectation of profitable lending and poverty reduction that, in spite of the low default rates, only a few of these MFIs were profitable. They concluded that there is a trade-off between profitability and serving the poorest of the poor. Their position is consistent with, for example, Mohammad Yunus, the founder of Grameen Bank, who asserts that microfinance is a social business whose sole objective is poverty alleviation. Thus, he does not support the ongoing trend of commercialization of microfinance (Jia, Cull, Guo & Ma, 2016). This social objective is also reflected in the belief that every needy individual can start his or her own business if he or she gets access to financial capital (Nwibo, et al., 2019).

Underpinning the above arguments, one can surmise that of these two contrasting studies, microcredit appears to make the lives of the extremely poor better, but only through consumption smoothing and only if MCIs are highly subsidised. This assertion by many researchers, therefore, suggests that the original promise by MCIs, in addressing poverty through the promotion of sustainable livelihoods must be abandoned. Following the earlier discussion, a casual observation in Ghana appears that the delivery of microcredit to SMEs in the Greater Accra Region results in some appreciable level of poverty reduction. In essence, the lives of SME owners and their dependents have improved. This observation is consistent with the argument that the provision of microcredit promotes small business development that induces

employment and income generation for the poor and the vulnerable. (Okeyo, Gathungu & K'Obonyo, 2014). This study, thus, intends to confirm the poverty reduction role of MCIs or otherwise among SME players.

2.13 SMALL AND MICRO ENTERPRISES

Defining an SME can be challenging, as the term does not lend itself to a single definition. It must be emphasised that the geographical location and country context is a major ingredient to defining SMEs. Again, SMEs connote different things depending on where it is used. In other words, the definition of SME is not uniform but varies across countries and depending on the target region and institutions involved. For example, employment levels, performance measures, legal status, and production methods are some of the defining characteristics employed by scholars. Usually, employee numbers and total assets (Brinkmann, Håkansson & Butiene, 2014) influence the definition of SMEs. Some countries and businesses often use their judgment, including the company's asset value, the number of people employed, and annual turnovers generated. The European Union (EU), for instance, defines a small enterprise as one which has a headcount of fewer than fifty employees and a balance sheet and turnover, each of not more than 10 million Euros.

Small and Micro Enterprises (SMEs) are generally defined as firms employing less than 50 employees that can enhance employment creation and economic growth in developing countries (Ayyagari et al., 2014). In Ghana, it is common to define SMEs by classifying firms into (i) micro-enterprise, with less than five employees; (ii) small enterprise 5-29 employees (iii) medium enterprises, 30-99 employees; (iv) large enterprise, 100 and more employees (Teal, 2002). Similarly, in Ghana, for instance, fixed assets and the number of employees are necessary ingredients for defining SMEs (Hansen et al., 2012) as established by the National Board for Small Scale Industries (NBSI). Again, according to the same author, banks in Ghana have also crafted their own definition of SMEs as businesses with less than \$1 million turnover.

Hansen et al. (2012) further posited that without the fixed assets criteria, SMEs are defined as firms that employ up to 29 employees.

According to Okeyo et al. (2014), the introduction of microfinance products and their subsequent financing of SMEs follows the recognition of the pivotal role of small business development in boosting employment and income generation for the majority of poor and low-income earners. Notably, micro and small enterprise development projects can thus serve four significant objectives: poverty reduction, empowerment of women, employment generation, and enterprise development as an end in itself (Markos, Dugassa, Addis, Yonas & Tigabu, 2015; Brenda & Gregory, 2015). Habtamu, Aregawi and Nigus (2013) also note that SMEs do serve as a means of bringing economic transition by using the skill and the talent of people without requiring high-level training, much capital and sophisticated technology. In developing countries, small and micro enterprises are the sources of income, employment, and skill development (Anney, 2014; Semistatus & Rainer, 2014).

Globally, the creation of structures that promote the growth of SMEs as a policy for comprehensive growth and productive employment has further been boosted by 2030 Agenda for Sustainable Development (United Nations, 2015). Access to finance positively affects firm growth (Aynadis & Mohammednur, 2014; Wang, 2016), as it reduces credit challenges. Lack of financial markets necessitates the emergence of potent financial intermediation that ignites returns on assets, rewarding investment projects, and sustainable growth (Bond, Tybout & Utar, 2015). Available empirical evidence concludes that flexible accessibility to informal credit sources promotes firm investment and growth significantly (Bah, 2015). These latter findings imply that informal finance complements firm investment and development for countries with underdeveloped financial markets. However, the comparative impacts of formal and informal finance sources continue to persist as policy issues for future empirical analyses.

Most notably, SMEs in cities achieve growth rates of close to two-fold of their peers in rural areas, as a result of superior structures and stock of dividends (Cant & Wiid, 2013; Patel & Chavda, 2013). Additionally, business development strategies, including superior technology, cost-effective accessibility to worksites and viable markets promote small enterprises growth (Moyi, 2013). Similarly, efficient institutions (Biswas & Chakraborty, 2016; Shibia & Barako, 2017) have been observed to impact firm growth. Informal conversation with owners of SMEs indicates that adequate financial support and the provision of physical and technological infrastructure to SMEs can contribute immensely to the economy of the Greater Accra Region. As a result, more employment opportunities would be created, thus, generating higher production volumes, introducing innovations, and increasing entrepreneurial skills, which essentially results in human development with its attendant benefits, particularly in the context of the developing world (World Bank, 2014).

2.14 SMES AND SOCIO-ECONOMIC DEVELOPMENT

Evidence is replete on the pivotal role of SMEs in economic growth, job creation, and poverty reduction in the global economy in the entrepreneurship literature (Farja, Gimmon & Greenberg, 2017). According to Ojokuku and Sajuyigbe (2014), SMEs have been recognised globally as the engine of economic growth and development, and providing solutions to slow economic development among developing countries. This conclusion is consistent with the findings of Mahmood, Zahari and Zin (2015). Similarly, others (Rigtering, Kraus, Eggers & Jensen, 2013) observed that SMEs are pioneering the industrial policies of nations based on their contribution to jobs creation, promotion of innovation, and transfer of entrepreneurial knowledge and skills.

Adequate credit is critical to deepening financial inclusion since it facilitates the ability of MCIs to acquire resources for expansion and diversification purposes that inure to the SME clients (Earne & Sherk, 2013). To this end, microcredit is proclaimed as one of the most effective strategies for improving the standard of living of borrowers. Further, evidence in the literature suggests that microcredits significantly reduce the

proportion of the population living below the poverty line and the depth of poverty (Lacalle-Calderon, Perez-Trujillo & Neira, 2018). In the same vein, according to Sachs (2005a), microcredit induces the critically poor to partake in activities that elicit economic development (Bateman 2014b).

Underpinning this economic growth trajectory are MCIs, the main delivery vehicle for the desired economic development. SMEs financed by MFIs are noted in the literature as the ideal and unique vehicle for economic growth and financial inclusion (Bah & Cooper, 2015). The World Bank (2015) noted that enhanced access to financial institutions by SMEs, particularly from MCIs, promotes economic and human development success. Indeed, it is observed in the literature that the microfinance industry has offered small loans to SMEs to establish micro and small-sized businesses. This policy has culminated in more than 25 per cent of the GDP growth in Kenya (Maengwe & Otuya, 2016). Moreover, it has been succinctly argued that well-regulated MFIs serve as avenues for redressing business failure challenges and enabling SME development (Founanou & Ratsimalahelo, 2016). At the international level, MCIs are observed to be vehicles for socio-economic development (Tripathi, 2015). In Albania, for example, advancing small loans to SME borrowers culminated in the development of many registered businesses, which subsequently resulted in a 70 per cent increase of the country's GDP (Gjini, 2014).

Nonetheless, intermediation agencies that sought to engage SMEs observed sharply that information asymmetry and scale challenges made such loans unproductive. Underpinning this conclusion, Gjini (2014) asserts that the high cost of operation, lack of collateral required to secure credit and the inability to obtain information regarding microenterprises as borrowers have made it difficult and costly to extend credit to the vulnerable. According to Fatoki (2011), in South Africa, for example, MCIs focus only on the formally employed people so that their salaries could be tapped as collateral to ensure the repayment of loans. Yet the critically unanswered question is: have these loans actually resulted in socio-economic development and subsequently contributed to the reduction in the borrowers' poverty level?

It is curious to note, however, that to date, research by economists found no consistent benefits from microcredit in terms of venture outcomes that can propel the level of the desired economic development (Karlan & Valdivia, 2011). Invariably, if borrowers fail to repay their loans, MCI staff and local authorities either work to reschedule their loans or coerce borrowers to sell off their properties, particularly land to cover their debt. Similarly, further studies suggest that the rapid growth in the delivery of small loans to SMEs has resulted in debt-driven dispossessions (Bylander 2015b; Mahanty & Milne, 2016). Sadly, while MCIs claim that microcredit supports self-employment, which generates revenue for the owners, a greater part of the money is used to repay loans that come from wages (Bylander, 2015b).

More so, data obtained from the World Bank database suggest that the longer individuals remained in microcredit programmes, the less successful their businesses became and the more significant the negative impact on health and education. Furthermore, extant literature contends that microcredit usually maintains customers in severe debt overhangs which can develop subprime-type crises in the global economy (Bateman, 2014a; Guérin, Labie & Servet, 2015). The study further confirms that facilitating the scaling up of micro enterprises could be detrimental to local social coherence, productivity, and family sustenance (Hickel 2015; Hsu, 2014).

Inferring from the above discussion, it appears, therefore, that the role of SMEs funded by MCIs in the socio-economic growth of the Greater Accra Region may be glowing, mixed, inconclusive, or exaggerated. Casual observation of the standard of living of owners of SMEs compared to non- SMEs owners supports the positive impact. The central objective of this study is to attempt to distinctively explore the case for and against SME's contribution to this much-touted socio-economic development and its sustainability, as demonstrated in the extant literature reviewed.

2.15 MEASUREMENT OF SMES PERFORMANCE

Performance is critical to many firms, and many seek to maximise shareholder wealth and pay good dividends to their investors through high performance (Odhiambo, 2015). Zizlavsky (2015) asserts that we cannot manage what we do not measure. This assertion is consistent with the findings of Leyer et al. (2015), who affirm that measuring the performance process is a precondition for firm analysis and subsequent improvement. Performance may be defined as the assessment of organisations' results of activities over a period under consideration (Fatoki, 2011). Improving a process performance, therefore, requires precision in its measurement. Performance measurement can thus determine the necessary actions needed to improve the organisation, detect problems, and identify achievements and opportunities for the future (Kibera, 2012; Kusrini, Subagyo & Masruroh, 2014).

In essence, two major macroeconomic indicators are usually adopted as control variables in examining the correlation between MFIs and SME performance, namely; per capita income and its growth over time (Gul et al., 2013). According to Soltani, Alam-Tabriz and Sanei (2017), many studies have been conducted to design performance assessment systems, which resulted in the proposal of several performance evaluation methodologies. The performance of firms, particularly SMEs, which is the focus of this study, could be measured in various ways. The most popular SME firm performance indicator identified was sales, followed by employment, assets and profit (Shepherd et al., 2019). Hansen and Mowen (2012) found sales performance to be a popular indicator used to measure SME performance.

It is noteworthy to intimate that as a result of the failure of scholars to reach an agreement on the best elements of the performance of SME, researchers have the option to select a suitable dimension, develop various indicator index, or employ similar dimensions independently. However, a major limitation identified in the literature is that many researchers ignore justifications for the chosen indicators (Wiklund & Shepherd, 2011). This development has contributed to the mixed results in studies related to micro firm growth (Banerjee et al., 2015; Tarozzi, Desai &

Johnson, 2015). Nevertheless, the most frequently suggested indicators in earlier studies include sales, employment, assets, market share, physical outputs, and profits (Akinboade, 2015). Therefore, it suffices to observe that many researchers have corroborated the argument that compared to others, the most appropriate performance measure is sales (Shibia & Barako, 2017). This consensus is compelling since many policy makers consider sales performance as a key ingredient for firm growth and income generation (Asah, Fatoki & Rungani, 2015). More so, policy-makers, similar to entrepreneurs, assess growth performance primarily from data from business sales.

Consistent with the compelling case for sales as the predictor of firm performance, it is noted that variations in periods of assessment affect the research results, since performance is usually hinged on short and long-term variations. This development implies that different factors determine short-term and long-term performance (Leonidou, Christodoulides & Kyrgidou, 2017). Informal conversation with SME owners indicates that the indicators highlighted in the literature are the same indicators they generally use to measure their business performance. In this study, performance shall be considered as a multidimensional construct that engenders the application of multiple indicators including sales growth, profitability growth, employment growth, and household wellbeing of the SME owners through a survey.

2.16 THE IMPACT OF MICROCREDIT ON THE PERFORMANCE OF SMES

It is imperative to note that researchers and the general public have heightened their attention on microcredit as a tool for economic and social growth and development particularly, in emerging economies (Lewin et al., 2016). Existing literature suggests that the increased performance of SMEs is a catalyst for productivity, income, innovation, employment, and economic growth in these emerging economies (Chole, 2017). Therefore, the role of the microcredit sub-sector is considered a catalyst for increasing household wellbeing and enhancing SME performance in developing countries (Demirguc-Kunt & Klapper, 2012; Rooyen, Stewart & deWet, 2012; Omondi

& Jagongo, 2018). Accordingly, as regards the effect of MCIs participation in SME performance, studies have demonstrated that the results are mixed (Augsburg, De Haas, Harmgert & Meghir, 2015; Banerjee et al., 2015; Tarozzi et al., 2015).

It is instructive to note that studies have demonstrated that SMEs that benefit from microfinance access can increase their profits and revenue, thus business performance is enhanced (Crépon et al., 2015; Banerjee et al., 2015). This finding corroborates the study of Rooyen et al. (2012), who concluded that households in Africa are positively impacted by the delivery of microcredit. In this regard, resource acquisition has been recognised as a critical component of any entrepreneurial process (Zhao & Lounsbury, 2016). Therefore, available literature contends that changes in the macroeconomic environment could worsen the existing financial constraints of the SMEs (Christopherson 2015; Lai et al., 2016), as opposed to the assertions of other studies (Mazzucato & Parris, 2015). In echoing this argument, they argued that microcredit delivery has largely been directed to business activities with low entry costs (Ouma & Rambo, 2013).

Therefore, it is highly conceived that the case for government intervention in the provision of public support to SMEs is predicated on market failure and, more recently, systemic failure arguments (Haapanen, Lenihan & Mariani, 2014). Indeed, it has been argued that public support for SMEs is necessary to overcome the growth obstacles such as financing constraints (Nunes et al., 2013b). Although casual observation and informal conversation with the various stakeholders appears that many SMEs financed by MCIs are doing quite well, somewhat paradoxically, a significant number of them are fraught with challenges, including access to adequate finance and inadequate market infrastructure. The study intends to conduct an assessment to unearth the dimensions and the role SMEs in socio-economic development.

2.17 MCROCREDIT AND BORROWER'S HOUSEHOLD WELLBEING

It must be emphasised from the outset that the borrower household's wellbeing approach, a key indicator in analysing the impact of microcredit is premised on the fungibility of resources within the borrowers' families, coupled with the utilisation of the capital, and profits accrued on the consumption of a variety of goods and services (Sebstad & Chen, 1996). Consequently, a number of microcredit institutions have surfaced and expanded their business lines in the provision of microcredit to the SMEs who are predominantly poor, vulnerable and were, therefore, denied access to financial services by the traditional banks globally (Aterido et al., 2013; Molineux & Murinde, 2014; Zins & Weill, 2016). Access to microcredit helps these SMEs to create business ventures (Corrado & Corrado, 2017; Kersten et al., 2017; Quartey et al., 2017) thus necessitating expansion in investments in their enterprises, both new and existing. The resultant effect is improved consumption of both durable and non-durable products, thus culminating in improved borrower's household wellbeing (Banerjee, 2013, Chin & Nor, 2016; Kersten et al., 2017).

On the contrary, literature is replete with several conclusions that fiercely criticised the positive impact of microcredit on poverty reduction and borrower's household wellbeing as "overstated" (Dichter & Harper, 2007; Bateman, 2010a). These authors argued that the given evidence is seriously flawed (Bateman & Chang, 2009; Bateman, 2011a). According to Lont and Hospes (2004), for example, all the evidence showing that microcredit schemes positively impact borrowers' household wellbeing could not be substantiated. Further, Bateman and Chang (2009) in their famous paper on "Microfinance Illusion" strongly argued that microcredit may even constitute a new and very powerful form of the poverty trap. On the same accord, Bateman, (2010a) completely rejects the idea of providing the poor people with credit, arguing that microcredit programmes are based on wrong assumptions that the poorest and the vulnerable who are largely SMEs and potential SMEs wish to be self-employed and that credit is the main financial service they need to survive. Bateman, (2010a) and

the other critics asserted that microcredit's stringent and inimical conditions can increase the debt burden on the SMEs.

In essence, empirical evidence globally has illuminated quite strongly the fact that poor and vulnerable households are deeply stuck in chronic poverty traps and exhibiting deprivation that largely accounts for problems associated with malnutrition and ill-health, low education, poor housing and infrastructure, and unemployment amongst others (Cruz, Justo & De Castro, 2012; Mamun, Malarvizhi, Wahab & Mazumder, 2011). Consistent with this narrative, the emergence of microcredit has long been hailed as a powerful vehicle in promoting decent livelihoods and reducing poverty through SME business ventures. However, such a notion and intervention is not supported by all scholarly findings and, therefore, contested from the outset (Chliova et al., 2015; Johanisova, Crabtree & Fraňková, 2013; van Rooyen et al., 2012). Against the backdrop of the above arguments, the dimensions of the borrower's household wellbeing adopted by the study are discussed in detail below.

2.17.1 Microcredit, borrower's household nutrition and health

Available literature contends that the analysis of nutrition problems of individuals, particularly in developing countries was linked to protein deficiency, resulting from lack of dietary varieties, nutritional values and amount of food intake (Shaheen, Hussain & Mujtaba, 2018; Chliova et al., 2015). Consequently, the impact of microcredit on the cost of smoothing food shortages has a significant influence on SME growth and development (Emran, Robano & Smith, 2009; Samer et al., 2015). Therefore, it is contended that the basic standard of food consumption should include diverse and sufficient amount of food. Further, the nutritional status of borrowers' households particularly children were noted to be better than that of children of non-client households (Samer et al., 2015). However, the same authors and Erhardt (2017) affirmed that it was largely the female borrowers and not male borrowers who invested in their household's nutrition. It is quite reasonable to argue, therefore, that increased

cumulative provision of microcredit to SMEs enhances the improvement of the diet of their families.

Similarly, food consumption trends impact family health and productivity as well as differences in income and price elasticity of food products bought (Emran et al., 2009). It has been suggested in the literature that expenditure on health services is influenced by participation in microcredit programmes which thus improve the health of the households of borrowers (Adjei & Arun 2009; Brannen, 2010). Further, microcredit programmes are deemed to increase investment in health care in terms of access to health insurance (Lacalle et al., 2008; Akotey & Adjasi 2016). More so, Brannen (2010) for example, posited that children and the entire borrower's households have high propensity to access mosquito nets than non-customers.

However, Adjei and Arun (2009) established that the duration of participation in the microcredit programme does not affect health expenditure in Ghana. It needs to be reiterated that informal conversation with microcredit clients in the Greater Accra Region appears that continuous access to microcredit by SMEs can enable their households to have an adequate balanced diet daily which could reduce their frequency of being taken ill and accessing formal and informal health facilities.

2.17.2 Microcredit, SME borrower and children's education

Investment in human capital is noted to have long-term social and economic impacts on business owners (Khandker & Samad, 2013; Banerjee, 2013; Annim, Dasmani & Armah, 2011). Educational attainments of family members is observed as a major measure of a country's growth, and thus superior formal education is a relevant indicator in the assessment of wellbeing in economies (Khandker & Samad, 2013; Annim, Dasmani & Armah, 2011). Traditionally, the level of child education is an indicator of human capital development, while the level of education and training of the individual SME borrower is also an indicator of skill acquisition. It needs to be

emphasised that superior level of education gives the beneficiary higher competitive advantage in the labour market and wages benefits to individuals in their endeavours (Khandker & Samad, 2013). Logically, well literate individuals tend to be better off in terms of their standard of living.

It is significant to also note that individuals with reasonable level of education tend to grab attractive job opportunities, compared to those with low-education in the job market (Mamun et al., 2011). The skills acquired through higher education predispose these individuals to grabbing attractive jobs, produce quality output, improved productivity and better compete under various circumstances and environments. Thus, multiple studies confirm that greater education achievement leads to quality human capital in society which positively impact productivity and economic growth, as well as individual access to the benefits of economic and social changes (Ismail, 2014).

Similar findings have suggested that the prevalence of access to microloans supports SMEs to diversify their product lines, accrue increased sales that transcends to the ability of the owners to meet self and child education expenses (Annim et al., 2011). Further, income from microcredit can empower borrowers to expand and diversify investment opportunities which facilitate the ability to fund children's education (Alam, 2012). In the same vein, evidence in the literature attests that access to microcredit positively impacts family's expenditure on children's education, enrolment and school attendance (Lacalle et al., 2008; Adjei & Arun, 2009). Specifically, these studies contend that the percentage of borrowers' children in schools was higher than those of the non-borrowers. The study further revealed that microcredit clients were more likely to be able to pay all school fees for their children in schools than the non-borrowers.

Nevertheless, a couple of other studies have suggested that there was no difference between microcredit clients and non-clients in terms of investment in children's education. (Brannen, 2010). This study further revealed that there was no relationship

between participation in credit and savings programmes and household expenditure on education. Furthermore, a study conducted in Ghana established mixed results thus averring that participation in microcredit programmes could have both negative and positive impacts on education expenditure depending on the location (Nanor, 2008). In this study, clients spent more on education in the Manya Krobo district while non-client's expenditure on education was more in the Yilo Krobo district. More so, the study revealed that the length of participation in those programmes did not have a significant impact on children's education expenditure.

2.17.3 Borrower's households and access to accommodation/housing

Several empirical studies averred that access to microcredit has a positive influence on borrower's household's capacity to rent and bonafide ownership of living houses (Lacalle et al., 2008; Nanor, 2008; Brannen, 2010; Adjei & Arun, 2009). Evidence from a study conducted in Zanzibar (Tanzania), for instance, noted that borrowers in a Village Savings and Credit Associations were more likely to own their own homes than non-borrowers (Brannen, 2010; Geleta, 2016). Similarly, microcredit recipients were found to have made more improvements to their homes than non-borrowers. Furthermore, it was noted by these studies that borrowers were more likely to increase the number of rental units owned than non-borrowers.

Invariably, conclusive findings theorised that microcredit borrower's households were more enabled to access household assets of high value (Echarin, 2011; Filmer & Scott, 2012; Harttgen, Kasen & Volmar, 2013). Accordingly, in connection with the acquisition of household chattels and other moveable assets, a study conducted in Ghana (Nanor, 2008; Ismail, 2014) confirmed that borrower's households had improved incomes that facilitated spending on non-food items than non-client households. A similar study of women enterprises in Ghana reinforces earlier findings that a significant relationship exists between microcredit access and ownership of refrigerators and sewing machines (Adjei & Arun, 2009).

Furthermore, evidence in the literature concludes that SME borrowers purchased significantly more clothes than non-clients, as well as household assets like mattresses, radios and television sets, stoves and beds than non-clients (Brannen, 2010; Lacalle et al., 2008; Worku, 2016; Amsi, Ngare, Imo & Gachie, 2017). Paradoxically, the evidence from Zanzibar contends that investing in household assets was more significant among female clients. Consistent with the earlier narrative, casual conversations with SMEs in the Greater Accra Region suggests that recurring access to microcredit could enable their households access to decent rented accommodation, acquire their own homes, improve their homes, as well as increase the number of rental units owned.

2.18 CHAPTER SUMMARY

The above discussions demonstrated some fundamental issues in the microcredit narratives and entrepreneurship development. Specifically, the historical overview of microfinance, microfinance institutions, and the microcredit process have been highlighted. In addition, the microfinance process, microfinance methodology, and regulation were also discussed. The overview of the SME concept, SME sustainability as well as its linkage to the socio-economic development of their owners has been reviewed. It is pertinent to surmise that the relationship between microcredit and entrepreneurship development cannot be divorced from borrower's household wellbeing by researchers. This narrative has ignited the appreciation of MCIs as entrepreneurship enablers for millions globally. Consequently, it was observed that entrepreneurship development through microcredit requires the adoption of a global approach.

This study argues that even though microcredit cannot be the only panacea for entrepreneurship development, it can be a powerful solution to facilitating entrepreneurship development in the context of less developed economies characterised by high vulnerabilities. Reflecting the literature reviewed, it is essentially

logical to painstakingly study the practice of microcredit in the context of Greater Accra Region of Ghana in the next chapter.

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CHAPTER THREE: MICROCREDIT IN GHANA

3.1 INTRODUCTION

The most immediate chapter highlights the overview of microcredit in Ghana as well as the link between microfinance and enterprise development, particularly small, micro and medium enterprises development. The impact of microfinance on SME performance has equally been explored. Many researchers have highlighted the invaluable role of enterprise development as an enabler of economic development and a significant factor in poverty alleviation in the global economy. Firstly, this chapter presents the overview of microcredit and the critical importance of the informal sector credit administration and reforms, as well as the informal credit system and microfinance regulation in Ghana. Secondly, this chapter highlights an analysis of the delivery channels of microcredit to SMEs in Ghana in line with the institutional logic in the Ghanaian context. Finally, the chapter explores the challenges and causes of the collapse of MCIs, the prospects of MCIs and potential sustainability strategies to ensure the realisation of their principal objective of poverty reduction.

3.2 HISTORICAL OVERVIEW OF MICROCREDIT IN GHANA

Evidence in the literature suggests that the delivery of microfinance is not a recent development in Ghana as it opined that it started in Northern Ghana in 1955 by the Canadian Catholic missionaries and deemed to be the first in Africa. Ghanaian smaller firms usually source their working capital finances from self-help groups (SHGs), rotating savings and credit associations (ROSCAs), accumulating credit and savings associations (Nair & Fissha, 2010; Adjei, 2010; Egyir, 2010). Moreover, direct borrowings from relations, friends, and neighbours are significant sources of financing in Sub-Sahara Africa, including Ghana. It has been contended in the literature that microfinance originated from Nigeria and extended to Ghana in the early twentieth century (Asiama & Osei, 2007). Asiama and Osei (2007) further noted that *susu* is one of the commonest microfinance schemes in Ghana.

Presumably, the above informal approaches to financial intermediation was sustainable in the traditional society. However, the increase in the economy's sophistication, technological progress, and the worsening levels of poverty showcase the defects of these approaches. Anecdotal evidence in the literature further suggests that the microfinance sub-sector in Ghana has evolved and flourished into its current state over the years. This development has arguably been attributed to successive governments' various financial programmes and policies since independence to grow this sector (Addae-Korankye, 2012). Addae-Korankye further observed that governments' strategy in the deployment of microcredit as poverty alleviation mechanism started in the early 90s. However, microcredit existed in many ways earlier. He further posited that beneficiaries of microcredit are largely women countrywide that are engaged in various economic activities including petty trading, cash crops production and livestock rearing, transportation, food processing and food vending, provision of services, and farming, among others.

In urban areas mainly, which is the focus of this study, a small number of occupations dominate, such as selling primary products (e.g., fruits and vegetables) on the streets, running small grocery stalls, selling prepared food, artisanship, and tailoring, among others. It is important to note that most of these businesses are female-headed, one-person establishments. MC funded activities are dotted all over the 16 regions of Ghana, and delivered through various vehicles such as the government, donor-assisted programmes, District Assembly projects, MFIs, Community-Based Initiatives (CBI) or by Church-Based programmes (Peprah, 2012). In essence, the delivery of microcredit programmes in Ghana has gone through three distinct stages, namely the informal credit, the private sector MC programmes, and government-sponsored micro credit programmes. The stages are highlighted in detail below.

There has been an appreciable increase in microfinance institutions in the past two decades in the country. Indeed, 249 microfinance companies sprung up and largely dominated by saving and loan companies. Consequently, by March 2014, 394 microfinance institutions were licensed by Bank of Ghana to operate. It is interesting

to note that the number of licenced institutions had soared to 513 microfinance companies (BOG, 2015). Most notably, microfinance institutions experienced tremendous growth and outreach in the 1980s. This development was due to a liberalization policy and relaxed regulatory regimes implemented by the government (Steel & Andah, 2003). Remarkably, 661 members were registered by Ghana Association of Microfinance Companies (GAMC) from all the then ten regions of Ghana by the end of 2015 (GAMC, 2015).

3.3 THE INFORMAL CREDIT SYSTEM IN GHANA

Ghana is characterised by financial dualism. Its financial structure is categorised into three types – formal, semi-formal and informal. The formal sector comprises the Ministry of Finance and Economic Planning (MEP), the Bank of Ghana (BoG), Ghana Stock Exchange (GSE), Universal Banks (UBS), Non-Bank Financial Institutions (NBFIs), and other financial institutions. These institutions were incorporated under the companies' code 1963 (Act 179) that issues them with the legal mandate of limited liability companies. They are also licensed by Bank of Ghana under either the Banking Law 1989 (PNDCL 225) or the Financial Institutions (Non-Banking) Law 1993 (PNDCL 328) for purposes of intermediation under the supervision of the Central Bank. The Semi-formal sector is made up the Credit Unions and FNGOs. The Credit Unions provide credit to its members, who are mostly salary workers. FNGOs, on the other hand, concentrate on the vulnerable class of the Ghanaian society.

The informal financial sector comprises activities such as 'susu'. This category of companies composed of individual savings collectors, salaries and credit clubs, and rotating savings and credit associations. Trade creditors, money lenders, self-help groups and loans from friends and relatives (Adjei, 2010; Nair & Fissaha, 2010). It is worthy of note that Ghana's reasonably large informal finance sector is ascribed to several attributes. They include the dominance of the under-banked or unbanked individuals in rural and peri-urban areas, the avoidance of the uneducated population, high illiteracy levels and low levels of financial literacy, the erosion of public

confidence in the financial system, and lack of other financial institutions in the rural areas (Odoom, Fosu, Ankomah & Amofa, 2019; BOG, 2015).

The most dominant among the types of informal credit in Ghana is the concept of 'susu', which translates as 'small collections' (Steel & Aryeetey, 1994). This susu is characterised by the formation of groups whose members usually meet weekly and pay a set sum into a common pool. This money is then made available for borrowing in rotation by each member to augment their business activities, and to meet other exigencies to reduce their exposure to risk and other vulnerabilities (Adusei & Appiah, 2012). In Ghana, susu collectors are obliged to register under the Ghana Cooperative Susu Collectors Association (GCSCA). At the same time, Individual Money Lenders are licensed by the Ghana Police Service as stipulated under the Banking Act, 2004 (Act 673) and Non-Bank Financial Institutions (NBFI) Act, 2008 (Act 774), respectively (BOG, 2006).

Another component of the informal credit system in Ghana is the credit unions. Interestingly, a modified credit union named Rotating Credit and Savings Association (ROSCA) also emerged and is still very active in Ghana. Savings mobilisation among members remains their key objective mainly among farmers and traders, and other individuals engaged in non-agricultural activities to help them to acquire micro credit for their income-generating activities as well as access other important household resources (Peprah, 2012). Credit Unions are governed by the Non-Bank Financial Institutions Law of 1983 and credit union bye-laws developed by the Credit Union Association (CUA) of Ghana, its apex body. The Bank of Ghana mandates this body to regulate and supervise its activities in line with the Cooperative law (Yeboah, 2010). The Credit Union Supervisory Board is mandated to regulate their operations. This board is exclusively appointed by the government (Peprah, 2012).

The Cooperatives, another component of informal credit in Ghana, undoubtedly, existed particularly among cocoa producers since the 1920s who were given credit to augment their farming activities (Egyir, 2010; Marwa & Aziakpono, 2015). These

success stories culminated in the formation of Gold Coast Cooperative Bank in 1946 by the various cooperative societies. The main objective of this bank was to provide savings and credit facilities to boost their economic activities. The loan facilities were delivered on seasonal basis to help these farmers to produce, store and process their products. The payments of the credit facilities were equally scheduled based on seasonal sales. Therefore, eligibility for subsequent season's facility is usually contingent on good seasonal repayment history (Egyir, 2010). It is unfortunate to indicate, however, that this critical bank became insolvent and collapsed eventually in the late 1990s.

A significant end product of a huge informal sector, however, is their poor management. The experience of Ghana's is no exception. Surprisingly, the various monetary authorities and economic management teams' policies had flopped due mainly to the difficulties in predicting the hostile complexities in the informal sector (Wampah, 2012; BOG, 2013). Aside from the monetary and fiscal management challenges, the successive governments continue to grapple with abject poverty, high unemployment, and under-employment as far back as Ghana's independence in 1957.

3.4 GOVERNMENT-SPONSORED CREDIT SYSTEMS IN GHANA

It is equally instructive to note that poverty alleviation has consistently been one of the key missions of successive governments in Ghana. In essence, the goal as usual has been the encouragement of individuals to create private ventures. Nonetheless, credit deficits continue to plague them. This challenge is due to some drawbacks and complexities. Therefore, successive governments heightened their growing interest in promoting employment generation and further expansion of the rural and urban-poor economies. This drive culminated in implementing the Structural Adjustment Programme (SAP) from the IMF in 1983. This programme was initiated with a clear agenda to reform the Ghanaian economy's critical sectors, including establishing financial institutions to engender economic resilience and compete on the international

market. The programme culminated in the proliferation of many MFIs occasioned by the liberalisation of the financial services sector (Osei-Boateng & Ampratwum, 2011). In addition, this agenda led to the entrance of Women's World Banking and Citi Savings and Loans, whose main goal was to provide credit to most enterprises to promote entrepreneurship and employment generally (Bunyaminu & Bashiru, 2013).

Needless to intimate that, successive governments have implemented many informal financing programmes. Notable amongst them are the Financial Sector Strategic Plan (FINSSP); the Microfinance Project; the United Nations Development Programme (UNDP); the Rural Financial Services Project (RFSP); Agricultural Services Project (ASP); the Social Investment Fund (SIF); the Community-Based Rural Development Programme and the Rural Enterprises Project (REP). The others include the Export Development and Import Finance (EDIF) and Venture Capital Trust Fund (VCTF). In addition, other prominent financing loan schemes such as the District Assembly Common Fund (DACF), initiated in 1992 was to assist in the reduction of poverty programmes in the districts and local levels primarily by groups that are largely dominated by women (Boateng, 2015).

Another development worthy of note under the government-sponsored loan schemes in the 1970s was the introduction of the government's rural banking concept. The government implemented the rural banking concept upon drawing valuable lessons from the Philippines and the Netherlands. The primary objective of these banks was the mobilisation of savings, the provision of credit and other retail services to the rural Ghanaians engaged in various microeconomic activities (Boateng, 2015). Per the law establishing rural banking, the rural banks are mandated to be community-owned and operate within a catchment area of not more than 25 kilometres from their headquarters. In line with Section 28 of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) and Section 11 of the Non-Banking Financial Institutions Act, Act 2008 (Act 774), Rural Banks and Savings and Loans Companies were to increase their minimum capital to GH¢1 million and GH¢15 million respectively (BOG, 2017). The objective is to improve their balance sheets to enable them to

undertake profitable projects with increased profits with its attendant sustainability benefits.

Consequently, in actualising this noble objective by successive governments to facilitate access to funds to microenterprises with more flexibility, available evidence further indicates that the first rural bank in Ghana was established in 1976 in the Central Region town of Agona Nyankrom (Boateng, 2015). As a result of their crucial role and success in rural economic development, many of these banks were set with a current number of 135, who have as their apex body the Association of Rural Banks (ARB Apex Bank). This apex body is duly registered as a commercial bank to represent its collective interest. ARB Apex Bank also provides technical support to these rural and community banks, while the Central Bank exercises direct governance and regulation. These banks can be found in all the 16 regions of Ghana and provide a range of financial services, including savings, microcredit, and money transfer services to rural folks (Addai, 2017).

However, it is imperative to indicate that although modest successes were chalked, especially in micro credit provision, the expansion of the economy instead made credit scarce and the available financial institution's capacity to meet the growing demand was limited. It was, therefore, incumbent on the government to take immediate steps to remedy the anomaly of inadequate working capital for SMEs by the private sector MFIs. This demand thus culminated in the birth of Microfinance and Small Loans Centre (MASLOC), whose primary focus was to engage directly in empowering the vulnerable, women, the physically challenged and the youthful population by delivering microcredit. This initiative was to create new microenterprises and the expansion of existing and struggling ones. MASLOC, as an apex body, is to superintend the implementation of the GoG microfinance programmes. This institution is targeted at alleviating poverty, widening job opportunities and wealth creation, and incentivising SMEs. Although this laudable initiative is still running, its implementation is severely fraught with partisan politicisation and fraud by the administration of successive governments (Boateng, 2015).

3.5 PRIVATE SECTOR CREDIT POLICY AND ADMINISTRATIVE REFORMS

Prior research contends that pre-independence economy of Ghana was heavily dependent on finished products from the British (Ackah, Adjasi & Turkson, 2014). Consequently, developing local businesses was non-existent as more emphasis was instead laid on public enterprises that dominated the business space. However, a paradigm shift towards the private sector from the recent three decades was birthed in response to the malfunctioning public sector that is unable to generate the needed jobs necessary to create the desired prospects needed in the country. It is helpful to define the private sector concept to enable the researcher of this project to situate the context of the study. Di Bella, Grant, Kindomays and Tissot (2013) defined the private sector as organisations that have a core strategy and mission to engage in profit-seeking activities through the production of goods, provision of services, and commercialisation. These include financial institutions and intermediaries, large corporations, micro, small and medium enterprises, cooperatives, individual entrepreneurs, and farmers which operate in the formal and informal sectors. To this end, the private sector is defined in the context of this project work to comprise individuals and organisations engaged in rent-seeking activities that rely on governments to create the enabling environment for its successful operation.

Indeed, the private sector gained more prominence as an engine of growth with the introduction and commencement of the Structural Adjustment Programme (SAP) sponsored by the World Bank and the International Monetary Fund. The programme, which commenced in 1986, relinquished a government/state-controlled economy to support the interaction of the forces of demand and supply. This programme fundamentally involved institutional reforms in privatising state-owned enterprises and promoting private enterprises (Ackah et al., 2014). To this end, effective incentive policies were initiated to achieve this objective. Consequently, the state's role was restricted to the development of broad policies conducive to mobilising private enterprises programmes.

Although insignificant gains were recorded as a result of the prolonged economic decline prior to 1983, some modest achievements were recorded where credit to the private sector scaled up. To sustain the modest gains made, Ghana has continued implementing other initiatives to augment the private sector. Critical amongst them are: (i) Ghana Poverty Reduction Strategy I (2003-2005); (ii) Growth and Poverty Reduction Strategy II (2006-2009); (iii) National Policy on Public-Private Partnerships (2011); (iv) Ghana Shared Growth and Development Agenda II (2014-2017). The GPRS I implemented policies to strengthen the private sector. Among the medium-term policies were the removal of roadblocks to by accessing long-term funding at affordable prices from the African Development Foundation (ADF), an Italian credit facility of 10,000,000 Euros, and \$17 million from the SOFITEL Bank of USA (NDPC, 2005:25). It also culminated in the reduction of institutional and legal bottlenecks and the promotion of entrepreneurship, especially among the youth, women, and vulnerable groups (NDPC, 2005).

The promulgation of Provisional National Defence Council (PNDC) Law 328, in 1993, indeed occasioned the birth of Non-Banking Financial Institutions (NBFIs). This development precipitated the entrance of many NBFIs of different categories (Sandra & Sraha, 2011). The purpose of the NBFi law was to bring on board the private sector to deliver multiple financial services to needy citizens that cannot obtain formal banking services from commercial banks. In addition, this law enables SMEs to engage in entrepreneurial activities and job creation (Annim & Alnaa, 2013). These institutions include savings and loans, mortgage finance companies, building societies, acceptance houses, and FNGOs.

Consistent with implementation challenges mainly associated with governmental development programmes, many MFIs could not meet the minimum capital and other registration requirements, including operating guidelines. However, it is unfortunate that although the enabling environment was created for the opening of more MFIs by the enactment of the law in the financial services landscape, many could not take advantage (Sandra & Sraha, 2011). Same researchers averred that in addition to

PNDCL 328, the NBFBI Business Rules, drafted by the Central Bank, were initiated in June 2000, thus detailing the varied regulations governing the administration of the non-bank financial sector. Among the coverage of these regulations are solvency and capital requirements, loan administration processes, corporate governance, deposit-taking guidelines, operating licenses issue, and suspension and revocation of licensing. However, it is critical to note that most socially-oriented MFIs, including FNGOs, could not meet the conditions due to their incapacity to mobilise equity in line with the minimum requirements.

3.6 MODELS AND SCHEMES OF MICROCREDIT INSTITUTIONS

In the pursuit of delivering microcredit products to the economically active needy, different types of schemes and strategies are mostly deployed by the MCIs. The selection of these schemes and models are premised on the philosophy and strategy of the MCI or the existing external factors in the communities. Below are some of the schemes of MICs.

3.6.1 Rotating savings and credit associations

Rotating Savings and Credit Associations model refers to the structure by which individuals form a group where regular contributions are made in a cyclical order towards a common fund. The lump sum is then given to one of the members in each cycle. This concept was originated by Grameen Bank (2000) and served as an approach to save and lend (Musa & Acheampong, 2015). The apparent assumption under this model is that members of a group are made of friends and neighbours. Thus, this approach engenders opportunity for social interaction among the group and fosters peer pressure and assurance of the repayment of the credit granted (Kedir & Dasgupta, 2011). The groups are usually made up of four to ten people who collectively guarantee the repayment of the loan to a member. Access to subsequent loans to any other member is based on a successful repayment of previous loans taken. Payments are usually made on a weekly or monthly basis. One important point

worth stressing is that solidarity groups have proven to be effective in deterring defaults. This argument is evident in the rate at which loans are repaid, as experienced in set-ups like the Grameen Bank (Amankwah, Gockel, Osei-Assibey & Nubuor, 2019).

3.6.2 Village banking

These are savings accumulation institutions created by mostly NGOs and managed by the communities to improve livelihoods by providing financial services. The savings of group members often make up the entire capital base. This model has been practiced for decades in Ghana (Alhassan, Hoedofia & Braimah, 2016). According to a report from the Grameen Bank (2000), it has been able to help people with low income to improve on their lives based on activities that will enable them to become self-employed. One major characteristic of this model is that the same people who form the bank facilitate the entire operation of the bank by selecting their officers, creating their by-laws, disburse loans to individual beneficiaries, and collecting repayments. Such loans to individual members are backed by moral collateral. Apparently, because of the vulnerability of members, their savings are woefully inadequate. Therefore, the group usually fall on loan capital sponsored by MFIs which is subsequently on-lent to members in the village. In providing for a collective guarantee, all beneficiaries testify to a loan agreement with the village bank.

However, it is often required of members to save up to 20 per cent of the loan amount each cycle. Therefore, savings from members are committed to a loan amount used to finance new loans or collective incomes generated, which are supposed to remain in the village. With this model, savings accrue no interest to contributors. However, portions of the profit from the village bank's re-lending activities are given to members. It is anticipated that participants enhance their social status by engaging in self-employed activities. The significant distinction between this model and that of Grameen's is the aim to accumulate capital to become autonomous from any external source of funds (Amofa, 2018).

3.6.3 Cooperatives

A cooperative is a voluntary association of individuals with similar life situations who elect to contribute into a pool to promote their welfare economically, socially, and culturally. They are founded on the premise that sufficient resources, human and financial, enable every community to manage its financial operations. The owners are engaged in various community sectors, including commerce, agriculture, and small-scale mining, which use the services through a jointly-owned and democratically-controlled enterprise (Nasir, Lyons, Leaung & Moradian, 2013). The Grameen Bank, established by the Nobel Peace Prize winner Prof. Yunus is an ardent advocate of this model. The model comprises about five persons, out of which two are chosen and given loans for the cycle. Loans are released to the other members based on the repayment of the earlier loans.

Further, this model is also characterised by collective responsibility and social collateral. Members are all jointly responsible for the actions of one another (Gebremichael & Gessesse, 2016). Some other features are low transaction cost, no collateral; loans are paid in small amounts within short intervals with little paperwork. A cooperative can equally be formed by a group of middle or upper-class individuals to offer microfinance services to the poor (Amofa, 2018).

3.6.4 Credit unions

Brown (2011) has defined a credit union as a financial cooperative (non-profit) owned and controlled by its members to disburse credits and collect savings. Kumar (2015) suggests that the outreach of credit unions is usually somewhat limited due to their structure which restricts the provision of financial services to members only apparently due to the low level of capital growth. Members are usually people of a common bond as a labour union, social fraternity, and religious group. These are smaller than community banks, and interest rates charged are merely for sustainability (Amofa, 2018).

3.6.5 Non-governmental organisations

Non-Governmental Organisations (NGOs) are institutions that are managed by these organisations themselves instead of the government. They are not-for-profit, and more often than not, they are external organisations working to develop communities. They are indeed external to beneficiaries (Arhin, Kumi & Adam, 2018). The activities of NGOs may include delivering of loans, insurance, and mobilisation of savings. NGOs also deploy interventions including skill and knowledge upgrade on vast areas such as principles and methods of small business funding and survivability management in economic activities. Their activities are usually implemented through workshops, seminars, and training programmes. Donor agencies and other world bodies usually fund these organisations. They sometimes play the role of linking the poor and donor agencies (Reiter & Peprah, 2014). A classic example is ACCION International in the US and Opportunity International.

3.6.6 Group lending methodology

This model is grounded in the philosophy that any shortfalls an individual may face in the repayment of microcredit is overcome by the collective responsibility and security created with the formation of a group (Sudhir, Priti, Kratika & Bhawana, 2017). Some of the benefits of creating a collective body include education and building of awareness, collective bargaining power, and peer pressure, amongst others (Kodongo & Kendi, 2013; Hadi & Kamaluddin, 2015, Dube & Dube, 2016)). Examples of groups that adopt this model include joint liability groups and self-help groups (Rusydiana & Devi, 2016).

3.6.7 Individual lending methodology

The model is a straightforward methodology of lending where microloans are given directly to the borrower. Usually, it forms part of a bigger 'credit plus' programme, in which different socio-economic services, including the development of skills, education, and several outreach programmes are provided (Kodongo & Kendi, 2013;

Amofa, 2018). However, the transaction cost associated with individual lending is very high despite its superiority in clearly understanding the needs of the individual, which ensures that the right products are delivered (Sharma, Singh, Singh & Chauhan, 2017, Shah, Rahman & Khan, 2019).

3.6.8 For-profit banks

These are specialised banks that offer varied microfinance services to the needy and less-privileged in predominantly vulnerable communities. Some of these banks include commercial banks and specialised MCIs. Their principal aim is to gain higher returns on their investments. Unlike other models, while they seek to contribute to social development, they are more committed to progressing financially beyond mere sustainability.

Essentially, microfinance activities are grouped severally in various countries. They may be classified according to ownership, services provided, and lending styles (Amofa, 2018). For instance, in India, microfinance institutions are grouped into four: Joint Liability Group, Self Help Group, Grameen Bank Model, and Rural Cooperatives (Singh, Asrani & Ramaswamy, 2016). In Nigeria, for example, there are five types, and they are grouped according to ownership; Community Banks, Privately-Owned Microfinance Institutions, Government Microfinance Institutions, Non-Government Organisations (NGOs), and Foreign Owned Microfinance Institutions (Zuru, Hashim & Darwina, 2016).

There are four kinds of (tiers) of microfinance institutions that currently operate in Ghana. The first type is Tier 1, which comprises Rural and Community Banks, Finance Houses, and Savings and Loans Companies. Tier 2 institutions include Susu companies, Financial Non-Governmental Organisations (FNGOs) and other deposit-taking and profit-making institutions and Credit Unions. Tier 3 institutions comprise Money Lenders and Non-deposit taking Financial Non-Governmental Organisations (FNGOs). Tier 4 includes Susu collectors whether or not they are registered with the

Ghana Cooperative Susu Collectors Association (GCSCA), and Individual Money Lenders [Banking Act, 2004 (Act 673)] Non-Bank Financial Institutions [NBFI] Act, 2008 (Act 774)].

Further, MFIs delivering microcredit services in Ghana are categorised as private-owned, faith-based, governmental, or non-governmental. These institutions have successfully delivered financial products to the excluded. Consequently, these MFIs have endeared themselves to a significant number of people who cannot provide collateral. In addition, clients only request for small loans which does not warrant a deposit account that the banks can fall on to cushion against potential default. (Allen et al., 2011). Consequently, loans to individual clients and SMEs have increasingly become critical to establishing microfinance institutions in Ghana (Agyabeng, Anomah & Aduamoah, 2014; De Mel, McKenzie & Woodruff, 2011). This development resulted in an appreciable growth in small businesses leading to modest development in contemporary Ghana (Agyabeng et al., 2014; Angko, 2013; Dauda & Nyarko, 2014; Dary & Haruna, 2013).

3.7 PROVISION OF MICROCREDIT TO SMES IN GHANA

Microcredit delivery continue to serve as immeasurable avenue for the excluded to access credit due to the shortage of formidable financial institutions (Boateng, 2015). Research evidence further suggests that venture creation is enhanced with flexible accessibility to credit from banks (Dary & Haruna, 2013). Lack of efficient and sustainable financial intermediation structures in rural and urban environments leaves SMEs particularly with no choice than to start small and extinct small (Anane et al., 2013). Therefore, the urgent call to extend microcredit to individuals and SMEs motivated the creation of many microfinance institutions (MFI) and micro-credit firms (MCIs) globally. Inadvertently, the need for credit facilities for SMEs has been a topical issue for entrepreneurs in the global world (Allen, Otchere & Senbet, 2011).

In Ghana, data suggests that almost 70% of firms are micro, small, and medium enterprises contributing about 40% of Gross National Income (GSS, 2013). These SMEs particularly can thrive due to their location advantages, flexible architecture and technology needs, coupled with their ability to serve relatively small markets. To this end, microcredit delivery in Ghana is largely directed at business sectors with lower cost of entry, and characterised by a great deal of competition (Ouma & Rambo, 2013). It is important to note that SMEs in Ghana are primarily dominated by the service sector, including dressmaking, hairdressing, food vending, sachet water production, baking, carpentry, smithing, and agro-processing. It is equally instructive to emphasise that the service sector is more dominated by SMEs due to access to ready market for products and services, as well as the relatively small working capital required to set up, coupled with the use of simple technology (Anane et al., 2013; GSS, 2012).

In a related vein, it has been succinctly echoed in the literature that four key dimensions of credit access for SMEs exist. They include the availability of physical access, credit affordability, credit features that align with the needs of SMEs, and suitable conditions that ensure enough inclusion of many SMEs (Musamali & Tarus, 2013). By extension, SMEs require various financial services that are appropriate, flexible, and suitably priced. However, it must be noted that SMEs also need savings, money transfer services, and insurance. Microcredit additionally could be supplemented with entrepreneurial training, to upgrade customer's skills and knowledge in the appropriate utilisation of the credit facilities accessed (Quansah, Amankwa & Aikins, 2012).

Two major microcredit philosophies and models undergird the delivery of microcredit loans in Ghana. These are the individual and group lending methodologies. All the others are subsets of these two models. The individual lending methodology discussed earlier is a straightforward lending strategy where microloans are delivered to the borrower directly. It is the most preferred methodology for MFIs in Ghana because it fosters individual responsibility and accountability. However, an apparent

drawback of this methodology is high default rates (Denanyoh, Adjei & Owusu, 2013). On the other hand, group loan model is grounded in the philosophy that individual borrowers may face challenges in the loan usage resulting in default. Therefore, this model promotes group accountability and security through group formation. Group members, therefore, guarantee and ensure that the loan is repaid. However, two critical concerns in the SME space in Ghana is short repayment schedules and high-interest rates.

Reflecting on the invaluable role MFIs continue to play in the delivery of financial services in Ghana, it is essential to note that as of June 2, 2019, 137 Microfinance companies were in good standing after the financial services sector clean-up exercise conducted by the Bank of Ghana (<http://mobile.ghanaweb.com>; BOG, 2019). Furthermore, it has been observed in the literature as well that clients' intention to engage in repeat services from MFI is strongly linked with open communication channels, and contentment with service providers and satisfaction (Belanche, Casaló & Guinalíu, 2013; Bolton & Oliviera, 2011; Kotler & Keller, 2012). Therefore, MFIs in Ghana consistently provide such services to retain their customers, which thus result in the sustainability of these surviving institutions. Key examples among these surviving institutions are the Sinapi Abi Aba Savings and Loans and Opportunity International Savings and Loans.

3.8 THE REGULATORY REGIME OF MFIS IN GHANA

The paucity of funds available for loans limited the outreach efforts by informal financial institutions as alluded to by Bank of Ghana (BoG) and related studies (Nwanyanwu, 2011). Attempt to resolve this nagging limitation compelled GoG to introduce a microfinance policy in 2006 as a preparatory ground for the real policy issues on licensing and regulation of MFIs in Ghana. First, the policy document provided a framework for microfinance to facilitate the capacity of these informal financial institutions to provide various products and services to the poor consistently. Secondly, it was intended to develop a policy to guide the setting up of MFIs, and

finally to enhance the capacity of BoG to efficiently regulate and supervise their performance to engender stability and effective liquidity management in the financial landscape.

The need for regulation to be well designed and focused on serving the poor better cannot be overemphasised (Ahmed, Brown & Williams, 2013). As pertained in many emerging and developing countries, Ghana has transformed its unregulated microfinance sector into a regulated one. The primary driver of this transformation was the prompt feedback to the outburst of the public coupled with the incessant collapse of MFIs (BOG, 2011). Therefore, the key aim of the regulation is to safeguard deposits of customers and to provoke a sound financial space in the microfinance sub-sector. It is worthy of note that the microcredit sub-sector, which is the key provider of microcredit to the Ghanaian SMEs is now fully controlled by the Central Bank.

Taking cognisance of the need for regulation, three main strands of legislation dominate the Ghanaian microfinance landscape; namely, the Non-Bank Financial Institutions (NBFI) Act, 2008 (Act 744); the Bank of Ghana Act, 2004 (Act 612), and the Banking Act, 2004 (Act 673). These legislations establish the supervisory framework for all the MFIs that operate in Ghana (BOG, 2015). Consistent with these new regulatory regimes, since 2011, all new MFIS must be licensed before commencing operations. The existing MFIs were directed to regularise in line with the dictates of the new regulations (Peprah, 2012). To ensure operational efficiency based on size and other important criteria, these new regulations categorised MFIs into four distinct grades: Tier 1, 2, 3 and 4 (Peprah, 2012; BOG, 2015).

3.8.1 Key regulatory requirements

The BOG Notice No. BG/GOV/SEC/2011/04, issued in July 2011, stipulates the types and activities that each type can undertake under each category of microfinance tiers. The Bank of Ghana concluded a complete regulation document for all categories of MFIs christened the new regulatory guidelines in Ghana (Business Rules and

Sanctions for Microfinance Institutions). Reflecting the importance of regulation of all Tiers 1, 2, 3 and 4, the Bank of Ghana finally integrated all the existing guidelines issued since July 2011, and clearly established the differences between deposit-taking and non-deposit taking MFIs.

In pursuit of a sound and disciplined microfinance industry, the above provisions - the Non-Bank Financial Institutions Act, 2008 (Act 774); and the Banking Act, 2004 (Act 673) as amended by Act 738, culminated in Bank of Ghana issuing of the Rules and Guidelines for all businesses that operate in the microfinance space. Among the guidelines are activities that are permissible and non-permissible, form of business, minimum capital issues, and branch opening and closure. The aim is to prevent unscrupulous microfinance institutions from being established, and to help to maintain genuine ones. A few of the critical guidelines are discussed below.

3.8.2 Minimum capital, capital adequacy and solvency requirements

Under these regulations, the Minimum Capital Requirements for Tiers 2 (Microfinance Companies) and tier 3 (Money Lending Companies) were established. Consequently, all Tier 2 and 3 MFIs are currently to maintain minimum capital of 2 million Ghana cedis (the equivalent of US\$ 472813.24) as of April 2017; whereas tier 3 (Financial Non-Governmental Organisations) are to maintain 300,000 Ghana cedis (the equivalent of US\$ 70,921.99 as of April 2017). No minimum capital was required for all tier 4 MFIs by the new law (Individual Money Lenders and Susu Companies). Additional capital for additional branching (1–5) requires additional capital of 100,000 Ghana cedis (US\$ 23,640.66). Further, institutions that have more than five branches were to further contribute additional capital of 200,000 Ghana cedis (the equivalent of US\$ 47,281.32) are required.

Other regulatory requirements include the maintenance of capital adequacy ratio for deposit-taking MFIs, where they must always maintain a capital adequacy ratio of not less than 10% or any other percentage the Bank of Ghana shall determine from time

to time. No minimum capital adequacy ratio is prescribed for tier 3 and 4 MFIs, however. Additionally, gearing for all MFIs should never exceed eight (8) times its net-own. In addition, they must all maintain minimum primary liquidity of 10%, secondary liquidity of 20% and, special liquidity of 20% with a Portfolio at Risk (PaR) of a maximum of 5% non-performing loans as a measure of PaR > 1 day. It is imperative to note that severe sanctions for violations are contained in the provisions in the existing regulatory Acts (BOG, 2018).

Further, the Bank of Ghana regulation on MFIs is anchored on two main examinations. These are off-site and on-site examinations. The off-site involves the monthly submission of financial and non-financial reports by MFIs to the regulator for monitoring purposes. On the other hand, the on-site examination involves actual physical visitation of the staff of the Bank of Ghana to the MFIs to physically confirm and validate the monthly off-site data that are mandatorily submitted. Concerns are raised and weighted to determine performance grades ranging from excellent, very good, satisfactory, unsatisfactory, and critical in descending order. Responses to the concerns raised must be submitted with other corrective measures to be implemented to remedy the concerns. Consecutive breach of the above performance indicators eventually results in the withdrawal of the institution's operating license.

Existing literature contends that MFIs that are regulated can drastically reduce their operational costs (D'Espallier et al., 2017). They further opined that regulatory regimes induce drastic decreases in the instability of borrowing costs and an appreciable reduction in borrower's interest rates, which eventually induce increases in average loan sizes with the resultant improvement in profitability and sustainability of these MFIs. Notwithstanding these positive developments, the Bank of Ghana encounters enormous challenges in exercising their regulatory mandate that empowers them to effectively monitor MFIs and other money lending companies (Tagoe, 2016). Against this backdrop, Peprah and Ayayi (2016) opined that MFIs could take deposits from the poor with adequate regulation and supervision, which provides a valuable avenue for savings and a cheaper source of funds for on-lending to SMEs as compared to

commercial banks. Therefore, this policy improves the funding sources of these institutions.

3.9 THE LOGICS OF MICROCREDIT INSTITUTIONS IN GHANA

Literature is replete with numerous attempts at exploring the concept of logics in line with the perspectives of MCIs. These logics seek to explain how organisations, including MCI's activities and orientation, are geared and shaped, for example, how microcredit is administered to the poor and the extremely vulnerable in the societies (Cobb, Wry & Zhao, 2016). According to Reay and Hinings (2009), "institutional logics provide the organising principles for a field. They are the basis of taken-for-granted rules guiding the behaviour of field-level actors and the belief systems and related practices that predominate in an organisational field. Logics provide individuals with a set of motivations for actions that can be taken up, elaborated, challenged or discarded". Arguably, a high level of ambiguity characterises the identification and classification of the main logics as postulated in the literature (Im & Sun, 2015). This ambiguity has resulted in the exploitation of SMEs by the MCIs (Roodman, 2012).

Similarly, available literature advanced the dominant institutional logics that influence the preferred logic adopted by financial institutions (Almandoz, 2014). In addition, studies contend that different logics characterise for-profit and not-for-profit MCIs, which further determine the choices of lending techniques and policies (Kent & Dacin, 2013). It has been suggested in the literature that the objective and the focus of service products an MCI offers to the poor in the society is largely determined by the institutional logic (Shahriar, Schwarz & Newman, 2016). It is, therefore, highly conceivable that the logic adopted by an MCI imposes on it high expectations from the society in context. Im and Sun (2015) identified three main logics: the social welfare logic, the economic or commercial logic, and the mix or hybrid logics. The two dominant logics; namely the social welfare and commercial logics are highlighted below.

3.9.1 The social welfare logic

The proponents of social welfare logic have echoed poverty reduction as their main focus, contrary to profitability (Im & Sun, 2015). These researchers view microcredit as a social service with the sole aim of poverty reduction. The same researchers argue that if MCIs focus exclusively on profitability, there is a high probability that they would depart from their focus on the very poor. That notwithstanding, these proponents have some level of tolerance for marginal profit as they focus on serving the poor with appropriate products. By extension, institutional sustainability has been upheld by the social welfare proponents while rejecting a compromise in the depth of outreach to the poor in achieving profitability, a view widely held by the advocates of the commercial logic. In furtherance of the discussion, the proponents further argue that commercially-driven MCIs may tend to depart from their social objectives to pursue profitability and end up drifting from poverty reduction mission that focuses on serving the poor with financial services (Serrano-Cinca & Gutierrez-Nieto, 2014).

3.9.2 The commercial logic

Conversely, commercial logic views microfinance as a profit-oriented product whose main objective is to make profit for the investors of the MFIs (Im & Sun, 2015). Therefore, it is logical to indicate that MFIs that adopt this logic focus exclusively on the breadth, which represent the number of clients served, as opposed to depth which constitutes the degree of poverty levels of clients in their delivery of the microcredit (Almandoz, 2014). The adherents of this logic forcefully posit that an MFI's profit-making orientation is a prerequisite to their viability and effective outreach to the poor. Consistent with this proposition, they argue that MFIs should be concerned with breaking even in their lending activities instead of sourcing their operational funding through donations and subsidies as pertained under the social logic. One compelling argument advanced by the proponents of this logic is that only sustainable MFIs can influence poverty reduction compared to MCIs whose main source of funding is donations and subsidies (Rajendran & Raya, 2011).

3.9.3 The hybrid logic

This logic typically integrates the commercial and social welfare logics in administering microcredit to the clients. However, this logic is fraught with the challenge of aligning the outreach mission to the poor as well as achieving profitability for the MCIs (Besharov & Smith, 2014). Thus, it is worth underlining the fact that in furtherance of the interest of the poor, MCIs can adopt either of the above logics (Ayele, 2015). To this end, it has been contended in the literature that profitability drives sustainability of microcredit programmes, which is a direct requirement for realising the depth of outreach expected of MFIs.

In practice, the choice of a particular logic may be linked to the type of MCI. For example, non-profit MCIs are generally influenced by a 'development' logic with a direct focus on poverty reduction. However, a 'banking' logic influences for-profit commercial MCIs which drives them to optimise profit. While NGOs presumably are more focused on their social mission and prioritise social interventions at the cost of optimising profits, for-profit microcredit institutions, may rather prioritise profits rather than outreach to the poor. In essence, the determination of the service design and product delivery is heavily dependent on the institutional logics, taking cognisance of the complexities, convenience, ease of access, and how the poor is impacted (Cobb et al., 2016).

In essence, evidence from the two schools of thought about the two dominant logics suggests multi-dimensional approaches to resourcing the needy with microcredit. According to Morduch (2000:617), this raging debate has been christened as the 'microfinance schism'. According to Ayele (2015), a trade-off between the two orientations exists. However, the complexity associated with the issues of the form, degree and implications of the trade-off remains unresolved. Ayele, therefore, suggests that the resolution of this debate can have a major impact on the delivery of microcredit regarding the concept, goals, and administration. A cursory observation of the microcredit sector in Ghana currently appears that many MCIs have diverted their direction from the welfare objectives to a profit or commercial logic methodology in

their intermediation programmes to the poor (Allison et al., 2015; D'Espallier et al., 2017).

The Ghanaian microcredit landscape is primarily dominated by local MCIs with a few international FNGOs whose central focus is the support for SMEs in the various rural, peri-urban, and urban communities for purposes of income generation and job creation. In addition, a few foreign-owned MFIs that presumably are social welfare-oriented (Xiang et al., 2014; Rajendran & Raya, 2011) also exist in Ghana. Arguably, a trade-off between institutional stability and welfare goals of MFIs in Ghana appears to exist. As a result, MCIs that mobilise their funds rather than rely on donor funds and subsidies are most compelled to be driven towards non-poor clients, making the poverty reduction mission of microcredit more of a mirage. As a result, it appears that a reasonable number of the MFIs in Ghana, particularly deposit-taking institutions, are inclined towards the commercial logic. In contrast, Tiers II and III institutions adopt the welfare logic.

Even though the commercialisation of microfinance in Ghana has substantial benefits, the current trend where many MCIs have adopted the commercial logic in administering microcredit has the likelihood of resulting in mission drift. The resultant effect is the higher propensity to deny the poor access to microcredit (Bateman & Chang, 2012). However, it is imperative to note that Tchakoute-Tchuigoua (2014) addresses the concern of whether better institutional environments could overcome information asymmetries in credit markets, thus subsequently affecting MCI funding policies.

3.10 CHALLENGES FACED BY MICROCREDIT GRANTING INSTITUTIONS

Consistent with the performance of MFIs globally, and particularly in SSA, available literature cited severally in earlier discussions suggests that the microcredit sector grew exponentially over the years. It is perturbing, however, to note that its fortunes have been sadly limited by unbridled expansion, high operational cost, limited capacity

of staff, inadequate investment in communication infrastructure between branches and head offices, and high loan default, amongst others (Boateng, 2015). It is worth underlying from the outset that the failure of successive government's microcredit programmes, such as rural and community banking schemes, were influenced by internal and external drawbacks they encountered. Some of these difficulties consistently limit MCIs at all levels. A few of the mentioned challenges categorised under internal and external challenges are discussed below.

3.10.1 The internal challenges

It is instructive to note that one of the primary challenges that MCIs face that impinge on their ability to deliver on their core objectives is undercapitalisation (Quartey, Turkson & Iddrisu, 2017; Appiah, Possumah, Ahmat & Sanusi, 2018). The majority of the MCIs which were established before the introduction of formal regulation through the enactment of the banking laws, including the provisions of the Non-Bank Financial Institutions Act, 2008 (Act 774) and the Banking Act, 2004 (Act 673), as amended by Act 738, were undercapitalised. To remedy the situation, the Bank of Ghana issued the Rules and Guidelines for all businesses that operate in the microfinance sub-sector. Sequel to this, the paid-up capital was adjusted upwards to GH¢ 500,000 (\$207,500) for deposit-taking and GH¢300,000 (\$124,500) for non-deposit taking MFIs, for example, was implemented, which has inadvertently put undue pressure on smaller MCIs to meet. Somewhat paradoxically, windows of opportunities granted these undercapitalised MFIs to regularise their liquidity and solvency positions were not utilised by many of them. The resultant effect is that they are consistently illiquid and insolvent.

Another strand of literature opined that a basic internal challenge of MCIs in Ghana is steep operational and transaction cost. The costs of operations of MCIs comprise rent payment, utility bills, salaries of employees, and travel and transportation among others (Boateng & Boateng, 2014). Other components of their operational cost are associated with the nature of the business that involves dealing with many small

customers. Incessant utility tariff hikes and fluctuations in their supply compels many MCIs to acquire them at astronomical costs, thus eventually lead to increased operational costs. Other components of the operational costs are mobile and door-to-door selling and collection services which are the most used media for selling microcredit. In addition, the revised operating rules and guidelines with its associated documentation have worsened the unbearable operational costs. These costs influence the charges by the MCIs (Abood et al., 2014; Bouazza, Adjouman & Abada, 2015) and thus threaten their survival.

Another significant internal challenge militating against the efficient performance of MCIs in Ghana is weak human and organisational capacity building (Boateng and Boateng, 2014; Appiah et al., 2018). The weak human capital challenge associated with the microcredit sub-sector in Ghana continue to limit the growth potential of the sub-sector. Inappropriate human resources including lack of staff training and poor conditions continue to plague the industry, thus resulting in lower output. These institutions also suffer from high labour turnover, thus indicating little motivation of personnel and poor work ethics.

A further pervasive challenge facing the MCIs is corruption that features prominently in all the sectors of the economy of Ghana including the microcredit sub-sector. This challenge involves practices such as frauds, forgeries and thievery emanating from inadequate supervision and non-monitoring by management (Asmah, Attuilik & Ofori, 2020). Fraudulent activities by unscrupulous staff facilitated by weak internal controls, outdated accounting software and weak supervision led to the collapse of these MFIs (Owusu-Nuamah, 2014; McMullen, 2011). This sad situation is further exacerbated by weak documentation that facilitates fraudulent practices and thievery in many MCIs that are confronted with poor and weak mobility and communications structures (Kamunge, Njeru & Tirimba, 2014).

Furthermore, those MFIs with susu operators, particularly those with several field staff or “mobile bankers” cannot institute efficient monitoring strategies to curtail fraud.

Similarly, MCIs engage in unbridled imitation of ostly practices of traditional banks and other larger institutions (Abood et al., 2014; Bouazza et al., 2015; Assefa, Hermes & Meeters, 2013). Many management staff of MCI's assumed that MCIs are managed as universal banks and thus run these MCIs on universal bank's institutional culture, philosophy, and failed to appreciate the fact that microcredit thrives on unique strategies, philosophy, and clientele base and, therefore, differs from the management of universal banking. Addo (2014) asserts that MCIs are not couched to perform the duties of universal banks; hence the deviation from their unique duties. These unfortunate practices may be compelling reasons for many MCIs spending huge sums on office complexes, expensive vehicles, clothing and undue competition with universal banks.

3.10.2 The external challenges

A key external challenge confronting MCIs in Ghana is weak infrastructure that reflects in bad roads, unreliable utilities, poor telecommunications, and information technology, especially in rural areas, that limits their outreach (Boateng, 2015). These limitations increase the operational costs of MCIs and makes them uncompetitive (Sarpong, 2018). Prior research further averred that poor financial literacy in environments dominated by the poor also limits the growth of MCIs. Traditionally, these SMEs were financed by friends and relatives without interest charges regardless of loan durations. Payment of high interest rates between 40 –100 per cent on loans of six months' tenor is alien to them (Boateng & Boateng, 2014).

It can equally be gainsaid that the consistent repayment of microcredits boosts the operations of MCIs (Moss et al., 2015; Maharana, 2014). MCI's sustainability requires the owners and management to strive for loans disbursed to be paid. Loan repayment, however, has been a significant challenge for MCIs in Ghana. Therefore, the management of MCIs is obliged to adopt policies to induce 100 per cent loans repayment (Agbemava et al., 2016). Abdulrahman et al. (2014) contend that many MFIs have failed due to loan default by clients that led to their insolvency (Hudon &

Meyer, 2016). A cursory observation of the default rate on individual and business loans revealed a 20 per cent and 30 per cent respectively in Ghana (Oduro-Ofori, Anokye & Edetor, 2014). Regrettably, microloans are characterised by short tenors and high interest rates, which trigger high default rates (Denanyoh, Adjei & Owusu, 2013; Awunyo-Vitor, 2012).

Another recent event that has worsened the plight of the microcredit landscape in Ghana is the loss of trust by victims of failed banks (Odoom et al., 2019; Otoo, 2015; BOG, 2015). MFIs that operate in localities that experienced the collapse of banks have difficulties to convince potential clients of their stability. The resurgence of wonder or 'mystic' banks also dents the image of the MCIs industry (Obour, 2013). Patrons of these banks lost their investments to these scams. These victims subsequently lost confidence in the banking sector thus blurring the distinction between the magic banks and the resilient and regulated MCIs. Indeed, more than four hundred and thirty-five (435) licensed MFIs were established by the end of 2015. Paradoxically, as of June 2019, 347 of these institutions had their licenses revoked, with only 137 companies now in good standing (<https://mobile.ghanaweb.com>). The sudden withdrawal of licenses of many MFIs in 2019 has surged the lack of public confidence in the microcredit sub-sector. Prospecting for customers has, therefore, become extremely difficult.

3.11 CAUSES OF MICROCREDIT INSTITUTIONS COLLAPSE IN GHANA

The deepening of financial inclusion and profitability is hinged on unencumbered accessibility to external funding. Flexible access to external funding could lead to the delivery of sufficient loan amounts to the underserved market (Garmaise & Natividad, 2013). Similarly, Hermes and Lensink (2011) revealed that about 8% of MFIs were close to being profitable, while 70% of them still depend on donors and government support. D'Espallier et al. (2013a) argue that a paltry 23 per cent of MFIs are sustainable globally. Since the introduction of microfinance regulation in Ghana, many MCIs continue to collapse due to high loan defaults and poor recoveries.

It is pertinent to note that by March 2014, 344 Microfinance Companies (Tier 2) have been licensed and regulated by the Bank of Ghana under the Non-Bank Financial Institutions Law. However, it is significant to emphasise that about 30 of these licensed MFIs collapsed because of their failure to improve their operations. Indeed, critical scholarship on microfinance has explored the negative impact of regulatory requirements on the outreach of MCIs, although there are positive sides (Ayayi, 2012). The study further revealed that regulation by the Central Bank of Ghana requires larger deposit reserves, increased operational and administrative costs emanating from supervisory fees, and stringent licensing requirements. Further, the 30 per cent reserve requirement means that MCIs can only lend out 70 per cent of their loanable funds. This limitation reduces their loanable funds particularly to the poor and provokes the apparent charging of high interests to cover their operational and regulatory costs, which eventually leads to loan default (MicroCapital, 2014).

Underpinning the slow growth and sustainability of MCIs is an inadequate supply of qualified staff with managerial and technical expertise (Osei-Fosu & Osei-Fosu, 2017). Many owners of MCIs either received little or no training in finance and administration, leadership, and corporate governance, amongst others (Owusu-Nuamah, 2014). A cursory observation of the microcredit sector in Ghana appears that there is an unbridled and over-concentration of management mandate directly in owners and lack of board independence (Boateng, 2015). The majority of these owners consider microfinance as a trade where people move on to establish their businesses. These owners become arrogant, refuse to listen to senior staff on technical issues and, therefore, go ahead to make decisions that later hurt these companies.

Underscoring the invaluable contribution of MCIs to the sustainability of SMEs in Ghana, many researchers have found that another major problem leading to their extinction relates primarily to the taking of undue and uncalculated risk (Addo, 2014; Bateman, 2010; Owusu-Nuamah, 2014). Common amongst these risks is overtrading stemming from unbridled branch expansion leading to misapplication of working capital. The lack of consideration for due diligence in branch opening means an

increase in expenditure on utility, salaries, and other overhead expenses (Aveh, Dadzie & Krah, 2013). Related to the above is the canker of mismanagement and disregard for working capital management principles. Many of these MCIs engaged in over-investment in fixed assets and other long-term investments thus limiting their ability to meet borrower's requests timely. These commissions have resulted in liquidity problems which compel the MCIs to exceed their borrowing limits coupled with slow repayment of borrowed funds and trade payables (Ayeh, 2015). This challenge pushes the risk tolerance levels of MCIs beyond their capacity to manage, leading to their extinction.

Arguably, low capital financial portfolios coupled with lack of avenues for syndications to exploit bigger clients and tickets apparently due to weak balance sheets of the MCIs have caused many to die (Osei-Fosu & Osei-Fosu; 2017). Creditors of microcredit are greatly affected by their collapse, thus adversely impacting funds mobilisation and investment programmes in the microcredit sector (Acemoglu & Robinson, 2012).

MFIs typically pay higher interest rates on deposits to attract many more customers to beat the competition without due regard for a balanced and acceptable asset and liability management practices (Owusu-Nuamah, 2014). He noted further that some of these investments have eroded their bottom lines. Another intriguing research finding confirms that deficient credit delivery and administration is a key factor in the failures of many universal banks and MFIs in Ghana (Boateng et al., 2015). The failure of credit officers to appropriately assess the viability of loan proposals of borrowers is a contributory factor to loan defaults (Serrano-Cinca, Gutiérrez-Nieto & Reyes, 2016). Many credit appraisal processes are laced with a high degree of subjectivity of the credit officers (Baklouti & Baccar, 2013). Extending this argument further, some MFIs rely exclusively on information supplied by borrowers in their lending judgments (Aveh et al., 2013), resulting in defaults.

Loan recovery by MFIs is, therefore, characterised by extreme pressure. Sometimes, specific coercive recovery tactics employed by MFIs lead to distress and sometimes

suicide attempts. Therefore, the poor rate of recovery of loans is a bane in the financial services sector resulting in a non-performing loan rate of 20 per cent in the microfinance sector, which is far above the acceptable industry average of 5 per cent. Moreover, it is remarkable to indicate that the write-offs as prescribed by the regulator further deepen the woes of these institutions leading to their eventual collapse by the regulator.

3.11.1 Prospects of MFIs in Ghana

Extant research evidence advanced strong arguments in favour of the contribution of MFIs to improving the well-being of borrowers through uninhibited access to external funding which facilitates micro-enterprises development (Becchetti & Castriota, 2011; Rai & Ravi, 2011). Access to funding alleviates the micro business financing constraints of the economically active but excluded people from the conventional banking sector. Further evidence in the literature suggests that SMEs in rural, peri-urban, and urban communities can trigger increases and diversification of incomes, and reduction in the vulnerability levels and poverty (Anane, Cobbinah & Manu, 2013). Unarguably, the microcredit sub-sector serves as a major funding vehicle in Ghana. Many researchers concur on the existence of the unexploited MFI market in Ghana. This point is underscored by the fact that almost 80% of the businesses are dominant in the informal sector (Osei-Boateng & Ampratwum 2011). The source of funding for these sectors is the MCIs. Consistent with the country's population of about thirty-two million, it can be surmised that almost eighteen million individuals are engaged in this informal sector.

The above scenario is indicative of a large market MFIs can tap. The argument on this largely unexploited market is further strengthened on the premise that over 70% of the total population of Ghana is financially excluded (Akuffo, 2014; www.business.myjoyonline.com). This deficit created more opportunities for existing MFIs to scale up their operations while they ignite entry processes into the landscape. Reinforcing the above narrative, it was maintained that the development of MFIs has

become a critical enabler in the growth of African economies (Allen et al., 2011). They further contended that some countries in Africa, including Mozambique and Ghana, have achieved significant growths in the MFI sub-sector particularly in rural and urban areas.

3.11.2 The way forward

The instability in the microfinance sector in Ghana has provoked stricter regulatory structures to safeguard depositors. The government's enhanced regulatory regime in the microfinance sub-sector can augment the development and survival of MFIs (Mikoyan, 2016). From all indications, the regulation of microfinance sector serves as an impetus for the growth. Available literature reinforces the suggestion that well designed regulatory devices promote smooth financial services delivery by MFIs and the protection of customers' investments without deviating from their outreach mission (Ammar & Ahmed, 2016; Anku-Tsedee, 2014). In pursuing the above objective, the government and Central Bank implemented capacity building programmes for key actors including the regulator, owners and practitioners (Andah, 2008). This intervention is the way to engender financial literacy of all the stakeholders in the microfinance sector.

Fundamentally, MFIs should have other reliable funding sources to reduce high-interest rate charges associated with borrowed funds from commercial banks and other financial institutions (Periera & Muraao, 2012; Aveh et al., 2013). The government of Ghana may consider establishing a bond market to enable financial institutions to access capital at competitive costs (Owusu-Antwi, Antwi, Owusu-Peprah & Barnoh, 2016). Compulsory savings by clients associated with MFI's lending can provide the space for these institutions to commence accumulating their internal funds to ameliorate their vulnerability to crisis and susceptibility to the challenges of external funding sources. These savings equally serve as security in times of default and a buffer to support lending activities particularly in the context of depleted grants and subsidies.

Extant literature contends that non-defaulters generally more literate than defaulters (Haile, 2015; Ofori et al., 2014; Shu-Teng, Zariyawati, Suraya-Hanim & Annuar 2015). Further, clients with large family sizes and low financially literate borrowers as well as inadequate business experience, coupled with those on sole source of income are prone to default on loan repayment (Haile, 2015; Wongnaa, 2013). MFIs are predisposed to lower the risk of default on clients' appreciation of the ramifications of loan defaults (Ashta et al., 2015). This appreciation provides a better understanding of the negative impacts of non-payment, thus influencing the attitude of clients toward prompt repayment. It is, therefore, incumbent on MFIs to deliver advisory services and training to sharpen their expertise on good business practices associated with promotional and marketing skills (Hadi & Kamaluddin, 2015; Anane et al., 2013, Joseph, 2019).

Undoubtedly, there is growing literature attempting to explain the prerequisites of customer attraction to MFIs. For instance, Ganu and Boateng (2012) averred that SMEs in the informal sector in Ghana are not motivated to access loans due to high interest rates and their inability to provide collateral, coupled with the shortage of financial institutions in their localities. Therefore, it is important to observe that MFIs can only be sustained when customers continue to patronise these loan products (Agyabeng et al., 2014). This intervention will inevitably enable these organisations to design policies that align with customer needs (Dauda & Nyarko, 2014; Dary & Haruna, 2013). Routine market surveys are central to the success of this agenda on repeat services and customer retention.

3.12 CHAPTER SUMMARY

The chapter highlighted some basic fundamentals in the microcredit discourse and practices in Ghana. Firstly, the overview and the development of the informal credit system with its delivery methodologies and schemes were discussed. Secondly, the provision of the regulatory regimes, the challenges faced by MCIs, the causes of failure and the subsequent collapse of these institutions were equally examined.

Finally, sustainability strategies and the prospects of microcredit in the context of Ghana have been discussed. It is critical to emphasise that microfinance as a concept in general and its institutions and mode of delivery need to be understood as an entrepreneurship enabler for millions of the vulnerable in Ghana. Taking stock of the extant discussions in the above chapter, it is logical to argue that institutions do not operate in isolation. These institutions, including the microcredit sub-sector are influenced by their locational stimuli. These institutional frameworks are discussed in the next chapter.

CHAPTER FOUR: THEORETICAL FRAMEWORK FOR THE STUDY

4.1 INTRODUCTION

The preceding chapter focused primarily on MCIs and its unique duty of delivering microcredit in Ghana. Further, the chapter highlighted the regulatory policy in line with the institutional logic and the role of MFIs in SME development in Ghana. It is observed from the earlier discussions that SMEs in Ghana are saddled with many challenges such as inadequate finance, human capital inadequacies, entrepreneurial skills deficiencies, inadequate technology, unavailable markets, and physical infrastructural deficits. It has been asserted from the discussion that microcredit can only elicit the targeted impact on SME's performance and borrower's household wellbeing if the MFIs supply adequate funds and extend other non-financial services such as training and financial management to them. The current chapter will focus on a detailed assessment of the theoretical framework that undergirds the study. The theoretical framework is discussed in relation to the study of MCIs in their delivery of microcredit to SMEs in Ghana.

4.2 OVERVIEW OF THE THEORETICAL FRAMEWORK

Extant literature contends that the variations in economic growth, venture creation, and the quality of entrepreneurship architecture is determined by institutional and environmental factors (Sheriff & Muffatto, 2015). Institutions, therefore, play a crucial part in creating the impetus for the financial services space of nations. Entrepreneurship in Ghana cannot thrive without focusing on SMEs (Atiase, Mahmood, Wang & Borchie, 2018) as they constitute 92 per cent of firms and supply 85 per cent of jobs in the manufacturing sector, and account for 70 per cent of GDP (GSS, 2017).

In an institutionally unstable and resource-constrained context, such as Ghana, many SMEs are unable to progress. For instance, regulatory uncertainties can limit firms' access to financial resources, thus affecting SME's capacity to fund critical activities

efficiently. As a result, creative and productive programmes are weakened by organisational environments (Castellacci, 2015). To counter these defects, businesses must incorporate mutually exclusive measures, such as forming partnerships, joint ventures, insourcing and mergers and acquisitions (Drees & Heugens, 2013). These actions can optimise resource utilisation, facilitate risk sharing, and create new sources of competitive advantage, which are not accessible to single firms.

Institutions serve as the levers for firm birth, growth, and sustainability, and, therefore, need to be appropriately defined. Evidence from the literature contends that many scholars have defined the concept 'institutions'. North (1990), for instance defined an institution as "the basic rules of the game, such as legal regimes and the way they are enforced, widely held norms that constrain behaviour and organising principles of economic activity". This definition resonates well with this study. Therefore, in the light of the above developments, the study accordingly aligns with the definition of North (1990), particularly on the bases of the unique characteristics of the Ghanaian institutional environmental structures.

It is instructive to note that management scholars have adopted various theories to explain the environmental factors that impact entrepreneurial development with particular reference to MCIs and SMEs globally. Prominent amongst these theories with similar institutional contexts in Ghana are the resource-based theory, the resource dependency theory, and the institutional theory. Although the researcher is at liberty to apply the three theories enumerated in the study, the institutional theory is adopted based on the critical roles the external environment, both formal and informal, plays in developing SMEs in Ghana, which cannot be overstated. Indeed, the institutional theory connects more appropriately with the direction and scope of this study.

The Institutional Theory (IT) has been espoused throughout the years to explore the evolution of social enterprises in furtherance of their institutional goals, coupled with

environmental factors that hugely influence their development, performance, and how they deliver services to their customers (North, 1990; Scott, 1992; Sambharya & Musteen, 2014). This theory strongly argues that unique institutional settings impact firms' dispositions in different markets, and thus influence how these institutions metamorphose over time in these settings (Bruton et al., 2015). In essence, the institutional theory influences researchers' examination of how varying institutional environments impact attitudes in different spaces and how these systems evolve within these environment (Bruton et al., 2015).

Shane (2003), in furtherance of entrepreneurship development, conceived the conditions for effective venture creation as a function of three dimensions categorised under economic, political, and socio-cultural factors. According to Shane, the components of economic factors are the society's natural resource endowments, financial system stability, as well as access to working capital. Furthermore, he affirms that the political environment encompass freedom to operate, effective property rights, and decentralised political mandate, while the socio-cultural environment relates to social and cultural norms and societal beliefs. These environmental factors are noted to be embedded in the formal and informal institutions and, therefore, shape the direction of political, social, and economic initiatives, thus limiting the types of choices that can be made by individuals and institutions (DiMaggio & Powell, 1983; Roy, 1997). Against this backdrop, Ghana as an emerging economy proffer a unique milieu in studying the effects of the environment on MCIs while delivering microcredit to SMEs.

Evidence in the literature suggests that the exploitation of business opportunities is influenced by the universal stimuli and establishes an individual's entrepreneurial behaviour in line with the existing rules and norms (Alvarez et al., 2015). By extension, Bruton et al. (2015) noted that these environmental factors impact the behaviour of individuals and firms by either hindering or helping them to establish, manage and grow business ventures. It is observed that MFIs, in their quest to deliver microcredit to SMEs, are indeed influenced by a multiplicity of factors that have the potential to

change their focus and intervention strategies. MCIs and SME development are often facilitated or hindered by broader social, economic, political, and institutional milieu beyond their control. The normative call, therefore, is by adopting an integrated framework to analyse these environmental factors conducive to MCIs in pursuit of their peculiar commercial and social welfare logics in delivering microcredit services to SMEs (Gnyawali & Fogel, 1994).

In the same vein, evidence in the literature contends that environments that develop flexible rules and regulations and provide incentives to businesses, and offer entrepreneurial training to entrepreneurs provoke the emergence of new businesses (Atiase et al., 2018), which in the Ghanaian context are predominantly small businesses. It is pertinent to indicate that formal and informal institutions are embedded in practices or rules of social interaction that are diffused in societies, particularly, in small business environment where the choice of alternative practices becomes costly (Kaufmann, Hooghiemstra & Feeney, 2018). The formal institutional environment helps enforce business rights, thus establishing certainty and the achievement of stability in an economy (Ngo, Janssen, Leonidou & Christodoulides, 2016).

On the other hand, informal institutions representing the shared social rules that are largely unwritten are also rooted in societies (Helmke & Levitsky, 2004; Krasniqi & Desai, 2016) and exemplified in the acceptable and non-acceptable norms, values and beliefs of the individual and businesses as well (Denzau & North, 1994). Consistent with the distinction. In Ghana, institutions have been categorised under formal and informal institutions. These formal and informal organisational factors affect entrepreneurial capacities through their regulatory obligations in promoting or impeding entrepreneurial growth. In the pursuit of their goals of delivering microcredit to SMEs, MFIS in Ghana are more often impacted by many institutional factors.

In furtherance of the institutional theory, DiMaggio & Fogel (1994) classified environmental institutions into coercive, normative, and mimetic environments. Their

study contends that these institutional systems influence the types of developments that take place in an organisational setting with their precursors. On the other hand, Scott (2001) classified the environmental factors into regulatory, normative, and cognitive environments. Having critically analysed the earlier contextual application of the classifications, DiMaggio and Fogel's classification is adopted for the context of this study, based on two factors. First, MCIs, in pursuing their core mandate, undergo various structural modification in policy direction, methodology and the development of microcredit products due to the different environmental factors ranging from coercive, normative, and mimetic institutions in Ghana. Consequently, these impacts have the tendency to affect the commercial and social logics orientations that drive their operations.

Second, such influences can potentially induce changes in the operation of MCIs in their delivery of microcredit to SMEs in Ghana. It must be noted that service delivery alternatives of MFIs to SMEs could experience variations in terms of operational guidelines and requirements for licensing of MFIs ascribed to policy directives from the Central Bank of Ghana, for instance. Thirdly, as MCIs transcend across the 16 regions of Ghana in their delivery of microcredit to SMEs, it becomes imperative that they appreciate the principle of legitimacy acquisition for their operations. The essence of this policy is to be predisposed to managing the variations in coercive, normative, and mimetic architecture across the various regions, thus demanding unique adaptations for the effective delivery of microcredit.

Although there have been widespread analyses of internal designs of an organisation, recent studies in organisational structures tend to be analysed through the lenses of the environmental factors under which these organisations operate, grow and adapt (Mizruchi & Fein, 1999). Therefore, it needs to be emphasised that the goal of the institutional theory is to determine how external institutions ensure compliance to acceptable behaviour patterns within the society (Scott & Meyer, 1984; Scott, 1992). It is equally logical to argue that the capacity of individuals and businesses to engage

in economic ventures in their environment is influenced by the environmental factors that promote or hinder their business engagements (North, 1990; Scott, 1992).

Consequently, entrepreneurial characteristics can either be positively or negatively influenced by these factors (Wright & Zammuto, 2013). Unsurprisingly, organisational research in contemporary management focus primarily on the types of environments that can influence a variation in their operations, direction, goals, and structural alignments. As a result, it is common to observe coercive, normative, and mimetic institutions influencing MCIs in their delivery of microcredit services to SMEs in Ghana (DiMaggio & Powel, 1983). In view of these environmental influences, access to critical institutional resources for entrepreneurial activities is determined by legitimacy. Legitimacy can refer to the opinions of the society on an institution's practices conformity to acceptable behavioural patterns in their field of operation (Deephouse, Newbury & Soleimani, 2016).

In essence, legitimacy is conferred on an organisation in the context of its field of operation. The field refers to a "community of organisations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside of the field" (Scott, 1995, p. 6). Again, Alvarez, Urbano, Coduras and Ruiz-Navarro (2011) argue that socio-cultural dynamics including beliefs, values and attitudes influence an organisational strategy in a given society. Accordingly, research evidence contends that varied institutional factors implicitly determine entrepreneurs' behaviour and exploitation of business development opportunities (North, 1990; Scott, 1992; Naude et al., 2019).

Recounting the consensus in the literature, the institutional theory proposed two fundamental policies for resolving institutional asymmetry. These are disincentives (sticks) to curtail socially legitimate but inimical engagements or incentives (carrots) to engender desirable and legally acceptable activities (Mathias, Lux, Crook, Autry & Zaretzki, 2015; North, 1990). It is worth noting that the three isomorphic classifications discussed above can overlap to some extent. However, the particular prominence is

situated in the institutional implementation of gaining legitimacy from the institutional isomorphic types (King, Coldwell, Joosub & Mclelland, 2015). These institutions are potent enough to influence organisations such as MCIS. In essence, MCIs in this context are legally mandated to provide specific financial services to SMEs with varied limits as dictated by the Non-Bank Financial Institutions Act, 2008 /9Act 744.

It is important to note that the focus of coercive dimension concerns the extension of microcredit to SMEs, as opposed to the normative and mimetic propositions that orient principally toward the provision of non-financial services to SMEs. Nonetheless, with the provision of non-financial services to SMEs, MCIs fall under the radar of normative and mimetic issues rather than coercive institutions. The three isomorphic institutions are discussed in detail below.

4.2.1 Coercive isomorphic institutions

MCIs in the process of delivering microcredit to SMEs are impacted by coercive institutions whose mandates are regulatory (DiMaggio & Powel, 1983). Prominent amongst the coercive institutional environments are the government, trade associations, educational institutions, professional associations, and market systems (Scott & Meyer, 1984). Coercive isomorphic institutions employ formal and informal rules in regulating MFIs to effect attitudinal changes and structural realignment in consonance with the expectations of society (McGaughey et al., 2014; King et al., 2015). It is significant to note that two types of coercive powers exert pressure on MFIs (Shughart, Thomas & Thomas, 2014). The top-down approach which reflects the imposition of rules of engagement and the exertion of force on MFIs to abide by established regulations and structural principles in order to obtain institutional acceptance, which is the main focus of coercive isomorphic institutions. This approach denotes the first type of conceive power.

In Ghana, for instance, the conceive power is the regulatory powers exercised by the Central Bank on MFIs to enforce compliance to licensing requirements, failure of which

they risk losing their operating license. In the same vein, the Registrar General Department requires all businesses operating to be registered. In default, SME's business activities will be limited so far as access to specific public resources is concerned. In essence, all MCIs and SMEs are legally required to register their businesses formally. The second type of coercive power has to do with wilful acceptance of rules and norms by which MCIs agree to comply with rules that restrict their organisational culture and choices. A common example is the wilful acceptance of MCIs to willingly belong to umbrella associations such as Ghana Microfinance Network (GHAMFIN), Association of Financial Non-Governmental Organisations (ASFFIN), and Association of Money Lenders (AML).

Against these backdrops, umbrella bodies are mandated to regulate members' operations in line with the policy guidelines of the regulator. In essence, coercive power is usually exercised by formal and informal institutions that are empowered by the regulatory regime in Ghana. Thus, coercive institutions mainly exercise their powers through a regulatory framework of the country where compliance to regulations, rules and laws represent the criterion for legitimacy (Smith, Judge, Pezeshkan & Nair, 2016). Therefore, MCIs that do not comply with the various financial laws, including the Bank of Ghana Act 2002 (Act 612), the Banking Act 2004 (Act 774) and the Companies Code, Act 179, 1963 that regulate their performance, risk closure and subsequent revocation of their operational license (BOG, 2015). With particular reference to SMEs, a typical example of coercive power is their exclusion from foreign and offshore engagements by the Banking Act 2002 (Act 612). A breach of this law could result in the closure and withdrawal of their operating license.

Similarly, the coercive dimension of powers features prominently in rules governing market entry, health and safety rules, bankruptcy laws, environmental pollution laws, product regulation laws, and labour market regulations. These regulations bear on MFIs and SMEs in attaining their goals (Ntayi & Mutebi, 2013; McQuarrie, Kondra & Lametz, 2013). Accordingly, MFIs in the execution of the core business of financing SMEs must be vigilant not to violate any of the rules by funding SMEs engaged in

illegal activities regarding safety and environmental and labour laws. The Central Bank, the regulator of all MCIs, appears now to be well resourced in terms of the human capacity to perform its inspection mandate to streamline the operations of MCIs to prevent irregularities that could result in the insolvency of these institutions. In the same vein, MFIs with commercial and social welfare logics must abide by the supervisory institutions to obtain legitimacy in their operations, particularly in penetration, operations, and outreach services consistent with their mandate (Trapczynski & Banalieva, 2016).

The above argument is consistent with DiMaggio and Powell (1983:150), who argued that organisations could be confronted with coercive power as a "force or "persuasion" to gain legitimacy for their continuous right of existence. Therefore, it is prudent to indicate that achieving legitimacy for service provision is a crucial stride every MFI and SMEs must make. With particular reference to MFIs, the Bank of Ghana has instituted licensing requirements detailing, for instance, equity capital, locational requirements, lending and borrowing rights, portfolio management requirements, and assessment of performance, amongst other prudential requirements (BOG, 2015). This data must be submitted monthly to the Bank of Ghana as part of their prudential inspection mandate. Maintaining minimum capital requirements by MFIs as prescribed by the Bank of Ghana must be complied with by the latter to avoid sanctions.

For instance, Savings and Deposit-Taking Institutions (SDIs) must maintain 15 million Ghana Cedis but deposit-taking MFIs are required to maintain 2 million Ghana Cedis while Financial Non-Governmental Organisations (FNGOs) and Money Lenders are to hold 300 thousand and 50 thousand Cedis, respectively. To gain and maintain this unique legitimacy, MFIs must comply with these prudential requirements. Failure by MFIs to abide by these directives could lead to various sanctions with serious negative consequences on SMEs financing. The overwhelming evidence in the literature suggests that state institutions exert the most coercive powers with severe consequences for the existence, operations, continuity, and performance of other social functions (Fainshmidt, Judge, Aguilera & Smith, 2016). Umbrella bodies

under which MFIs and SMEs operate can sometimes whip these institutions in line with desirable behaviour through coercive pressure with consequences of severe sanctions. These sanctions may include expulsion from the association with its attendant loss of recognition, reputational damage, and other benefits by those umbrella bodies that are well structured and resourced.

4.2.2 Normative isomorphic institutions

The normative isomorphic institutions have to do with the forms of coercion exerted by external institutions to elicit compliance with standardised rules of engagement from professional peers and networks. These institutions exert a high level of desirable activities and appropriate ways that MFIs and SMEs should exhibit in line with typical expectations defined by societal obligations, which are either role or goal oriented (Brundin & Wigren-Kristoferson, 2013). In furtherance of the above discussion, the principles of normative isomorphism require MFIs to abide by requisite behavioural standards associated with gaining acceptance (McQuarrie et al., 2013). Indeed, the normative process is induced by requesting MFIs in the process of delivering microcredit to SMEs to perform a unique duty in conformity to specific level of expectation (DiMaggio & Powell, 1983). Therefore, it is incumbent on MFIs to consider Ghana's values and normative frameworks to successfully deliver microcredit to SMEs (Agbenyo, Appiah & Ampeah, 2019).

Inferring from the above discussion, in Ghana, for instance, multiple communities frown on certain practices of client mobilisation, such as grouping men and women together in group loan delivery methodology. Therefore, there is an urgent need to seek permission and acceptance from spouses to engage their wives, particularly. Moreover, to ensure communal approval, local authorities must be fully involved by the researcher. MCI practitioners cannot gloss over these issues in their quest to gain legitimacy. In essence, cultural sensitivity plays a significant role, particularly in SSA, including Ghana, where citizens and enterprises demonstrate great abhorrence to patterns of behaviours inconsistent with respected norms and values (Rubach,

Bradley & Kluck, 2015; Ault, 2016). Thus, the non-adherence by MFIs and SMEs respectively to such societal expectations elicit strong resistance from these groups (Kshetri, 2010).

Similarly, normative institutions also denote some social systems, behaviours and standards which influence how MFIs deliver services to their clients (Ali & Frynas, 2017). For instance, Ghana's standard formal entrance into community practices, such as seeking approval from community leaders including chiefs and other key stakeholders in specific communities for client mobilisation, cannot be taken for granted. Non-conformance certainly will elicit resistance. In addition, the Ghanaian context is characterised by wider cultural differences within the 16 administrative regions, which MFI practitioners must appreciate, value and practice. Critical among some of these values is language. To be successful in a given community with the delivery of microcredit services that demand prior orientation, for instance, proficiency in the language must be high to elicit significant patronage.

Another key normative institution in the delivery of microcredit to SMEs by MFIs is trade and professional associations have the power to enforce societal obligation requirements to elicit specific acceptable behaviour for purposes of compliance by MFIs. As a result, MFIs and SMEs attempt to conform to the behaviour patterns of peers to gain legitimacy in order to avoid sanctions for deviations from existing preferred standards of behaviour (DiMaggio & Powell, 1983). For instance, the choice of the methodology of the delivery process of microcredit must meet stakeholder's expectations. Consequently, MFI and SMEs practices must, thus, be consistent with the Ghanaian culture and value systems that constitute the foundation of acceptable business practices in their catchment areas.

4.2.3 The mimetic isomorphic institutions

This dimension refers to the tendency of institutions to imitate another organisation's structures because of the belief that the latter's structure is more strategic and

beneficial. The normative dimension is symptomatic of institutions whose goals are unclear. By extension, it has to do with the adoption and adherence to extrinsic values, traditions, and technologies that may be alien, albeit it thus can alter the structure, process, and values of their institution (Mizruchi & Fein, 1999). More fundamentally, it is observed that an institution's legitimacy is primarily derived from constituents when they align with socially presented behaviours which are more often external to the organisation (Meyer & Rowan, 1977). Therefore, MFIs in their quest to delivering microcredit to SMEs may be primarily persuaded to mimic, adjust, or learn from competing MFIs. Typically, in the face of a contemporary shift in paradigm from the social welfare logic to commercial logic by MFIs as a result of the depletion in donor financing, they may adopt and imitate the operational strategy, guidelines, procedures and practices of other MFIs (King et al., 2015) with contrasting logics.

It is noteworthy to point out that mimetic institutions do not continuously exact useful change in organisations structure and strategy through imitations (Meyer & Rowan, 1977). Similarly, the adoption and wholesale importation of structures and rules from competitors which are not in sync with their internal mechanisms may cause a considerable change in organisational behaviour. Emerging literature, therefore, suggests that clarity of purpose and goal driven MFIs avoid lousy imitation of foreign rules and cultures (DiMaggio & Powell, 1983) to their detriment. Another significant scenario that characterises mimetic isomorphism is the situation where institutions face environmental uncertainties and are, therefore, compelled by circumstances to imitate their peers and abandon their culture and structures (King et al., 2015).

Surprisingly, from the narrative, peer networks are capable of invoking both positive and negative impacts on institutional development and performance (Mizruchi & Fein, 1999). It follows, therefore, that the uncertainty of MFIs on their goals and strategies, ends and means amongst others induces them to copy other MFIs they deem to be doing well. The same dynamics apply to SMEs that more often suffer dire consequences due particularly to resource constraints. However, it is perturbing to note that these developments are typical scenarios in the Ghanaian MFI and SMEs

landscapes. As a result, the mimetic isomorphism tends to be largely negative, resulting in their sudden extinction.

It is worth underlining that the institutional theory's framework has serious connotations for the operations of MFIs and SMEs, respectively. Thus, reinforcing the arguments advanced above; MFIs in delivering microcredit to SMEs may be affected by coercive, normative, and mimetic institutions for varied motives. These may include introducing new regulations, the pressure exerted from varied values throughout the regions in Ghana, or the unpredictability of events that may compel them to imitate blueprints, principles, and management guidelines amongst others from sister MFIs and SMEs (Siwale & Okoye, 2017). As such, any untimely and unguided changes in structure, strategy policy and values of MFIs and SMEs, induced by other isomorphic institutions in the delivery of microcredit could be fraught with associated dire consequences for both sectors in general.

4.3 EXISTING INSTITUTIONAL STRUCTURES AND SME DEVELOPMENT

The institutional climate of an organisation is a significant determinant of its success or failure. Therefore, it is imperative to elucidate the Ghanaian context, which is the main focus of the discussion. The entrepreneurial climate refers to "a set of tangible and intangible environmental factors that shape the growth and performance of small businesses in a country" (Fogel, 2001). The study's adoption of this definition is premised on the uniqueness of the Ghanaian socio-cultural dynamics. It is significant to note that the factors that determine the business climate of the entrepreneur equally limits as well as provide opportunities for business owners. The promotion of the private sector can reduce social inequities through the development of integrated and sustainable business systems (Van Zanten & Van Tulder, 2018). Therefore, the role of government in creating differential legislation and policies for SME's development cannot be overstated (Niska & Vesala, 2013; Soto-Rodríguez, Maíz-Vázquez & Edgar, 2016).

In line with this development, various attempts were made to build institutions to encourage the informal sector fundamentally dominated by the SMEs sub-sector. These institutions' core mandates are to exercise control, foster, and assist private sector institutions in Ghana. In furtherance of this agenda, for example, the GoG has set up the Private Sector Advisory Group. In line with this, the Export Development and Investment Fund (EDIF) was established in 1997 to promote industrial and export growth value chains, including SMEs. In furtherance of the goal of providing flexible sources of finance, the Venture Capital Trust Fund (VCTF) was also set up by Act 2004 (Act 680) to provide seed capital for SMEs. Similarly, in creating the enabling environment for SMEs to operate effectively, the Government of Ghana (GoG) has reinforced the SME sector competitiveness. This policy framework establishes the National Board for Small-Scale Industries, Ghana Standards Board, Regional Technology Transfer Centres, and the Rural Enterprise Project.

Several initiatives were made to close the skill gap in the MFI space and small business sector by the successive governments through policies directed at skills training. The Bank of Ghana, for instance, had organised some level of financial and management training to MFIs on various management themes exclusively and in collaboration with other consultants to sharpen the skills of MFI staff. In addition, entrepreneurs particularly, SMEs, for instance, have been encouraged to enroll for non-fee skill training in the skills training institutes such as the National Vocational and Training Institutes free of charge. This initiative indeed sharpened the innovative capacities of SMEs with its attendant positive financial performance (Donkor, Donkor, Kankam-Kwarteng & Aidoo, 2018). As a result, the Ministries of Trade and Industries and Private Sector Development and the Ministry for Special Initiatives have all initiated various programmes and projects to cushion and incentivise the SMEs sector. In isolated cases, beneficiaries of the training programmes were also given special funding to support their businesses. These initiatives appear to revitalise the private MFI sector as well as the SMEs sector, which successive governments often tout as the "engine of growth".

4.4 INSTITUTIONAL VOIDS

It has been suggested in the extant literature that negative societal perceptions, attitudes, and norms directly influence the intention to start a small business (Jumamil, Depositario & Zapata, 2017). Curiously, a strand of institutional theory made a compelling argument that informal entrepreneurship is deemed to have resulted from institutional failures (Sutter et al., 2017). Unsurprisingly, consistent with this position, the argument that government's failure to assist MFIs and SMEs is undisputable in various emerging economies (Atiase et al., 2017). It is equally significant to stress that the quality of governance in these institutions impacts entrepreneurship development and SMEs growth. Therefore, corporate governance is very relevant for exploiting business opportunities and development (Munemo, 2012). Formidable government frameworks and the effective management of the institutions could facilitate business development which assists enterprises to exploit these opportunities in developing countries, including Ghana (Rotberg, 2018).

Available literature concludes that a higher proportion of small businesses are dominant in the private sector (Ketchen et al., 2014; Siqueira et al., 2016; Williams et al., 2017). Coincidentally, many Ghanaians view owning a small business, which is predominantly associated with the informal sector, as a path to self-employment and income generation (Alvarez et al., 2011). Nonetheless, the institutional theory duly emphasises the prevalence of institutional voids. The voids imply that institutional systems mandated to promote the development of MFIs and SMEs through the creation of structures and resource advancement are either non-existent or defective (Sutter, Webb, Kistruck & Bailey, 2013) in developing economies, including Ghana. The institutional environment of a state is assumed to be defective if it does not have the requisite capability to manage the various sectoral ecosystems to function effectively, or if the commissions or omissions of institutions undermine these institutions and markets, and thereby limit the structures (Kistruck et al., 2015). Informal observation and conversation with these actors confirmed that this development appears to be the case in Ghana.

Relatedly, a multiplicity of institutional barriers thwart the efficient functioning of the existing structures. On the same tenets, emerging scholarship concludes that governments, as the external advisors, do not impact SME's development significantly (Xiang & Worthington, 2017) due primarily to lack of the apparent mistrust of the larger society of government-sponsored programmes especially in developing countries (Niska & Vesala, 2013; Wyrick et al., 2013). Agency agreements and contract enforcement for Ghanaian businesses, for instance, are expensive (Atiase et al., 2018; Rodríguez-Pose & Zhang, 2020). The case of exorbitant legal charges and undue delays in court proceedings is a significant disincentive to both MFI and SMEs development because they lack the financial muscle and necessary resources for such contract enforcement. For example, the legal system in Ghana is deemed unreliable compared to the UK and North America (Audretsch, Seitz & Rouch, 2017). Paradoxically, enforcing legal contracts in Ghana is characterised by inconsistencies and hinges largely on personal relations with the legal actors and one's association with state machinery (Acs, Estrin, Mickiewicz & Szerb, 2018).

Unarguably, these institutional challenges militate against the efficient functioning of the systems. Consequently, the core barriers to doing business in Ghana emanate from the same formal and informal rules meant to smoothen the Ghanaian SME business space. By extension, evidence in Ghana suggests that most legislations and regulations for business development are skewed in favour of corporate businesses (Wyrick et al., 2013; Yong, 2014) instead of MFIs and SMEs. This development thus impacts the development of MFI and SME businesses negatively (Sutter et al., 2013). In the same vein, most of these institutions, codes and policies are weak and suffer from implementation inertia, thus negatively affecting the performance of the SMEs (Breviglieri, do Sol Osório & Oliveira, 2018).

Furthermore, weak institutions worsen the cost of transacting business for small firms which slows down the urge for venture creation (Canitez & Çelebi, 2018; North, 1990). Other challenges including weak protection of property rights, the inadequate application of the rule of law, and poor labour regulations escalate environmental

uncertainty and extends the impediments in small business formation with particular reference to SMEs (McMullen, 2011). In furtherance of the arguments on the enormous challenges related to MFIs and MSE development, Anderson (2017), for instance, identified complex regulation as one of the constraints to firm growth.

Similarly, the business registration procedures have been burdensome in Ghana as it takes over 60 days to complete business registration (Kasser-Tee, 2020), compared to two business days in Canada, for instance (Rand & Torm, 2012). This development confirms the narrative that two-thirds of global start-up businesses are not registered (Autio & Fu, 2015). Similarly, a half of all businesses worldwide are unregistered (Acs et al., 2013). Indeed, the World Bank (2017) confirmed multiple institutional difficulties in business development initiatives in Ghana. These barriers can hamper MFI and SMEs intercourse in the promotion of small businesses (Adomako, Danso & Ampadu, 2015).

Unarguably, it is critical to intimate that access to credit influences the market entry choices, and the kind of associations firms join in pursuing their business goals (Asiedu et al., 2013; Basti  a et al., 2016; Barako, 2017). Access to finance represent one of the key enablers of SME development (Abdulsaleh & Worthington, 2013; Price et al., 2013). Despite the fact that SMEs' access to funding is a global challenge, the extent of the impediment in SSA is more significant, which hampers business development (Van Klyton & Rutabayiro-Ngoga, 2017). Indeed, SSA recorded the least financial penetration in the world, as the percentage of the population that is bankable in SSA stands at less than 20 per cent (Demirguc-Kunt, Klapper, Singer & Van Oudheusden, 2015).

It is significant to illuminate the point that many African governments made insignificant progress at availing cost-effective credit for business development (Shibia & Barako, 2017). It is projected that the existing credit deficit ranges between \$80billion-\$100billion and \$30billion-\$40billion respectively within SSA and South Asian regions, (IFC, 2010), which is generally referred to as the "missing middle"

(Beck et al., 2010). Indeed, credit access remains one of the significant institutional impediments confronting the SMEs in developing countries, including Ghana.

In the same vein, current scholarship averred the high cost of funding for MFIs, emanating from the depletion of reliable sources of financing with flexible terms, which militate against customers' ability to honour loan obligations subsequently ascribed to the extremely expensive interest rates charged by MCIs (Fatoki, 2011; Taiwo et al., 2016, BOG, 2017). According to Zhang, Wu and Liang (2018), this high loan interest rate has resulted in poor loan repayment, culminating in the ballooning of the bad loan portfolios of MFIs rising to 69.1% of net loans. Thus, the cost of credit has remained the single most crucial barrier to entrepreneurship growth in Ghana (Deb & Suri, 2013). Again, loan sizes from MCIs are equally presumed to be meagre to meet the working capital requirements of SMEs (Bauchet & Morduch, 2013). By extension, loans from Ghanaian MCIs have short repayment terms, which derails the efforts of the clients in the repayment of the loans (Denanyoh, Adjei & Owusu, 2013). In addition, demand for solid collateral capacities by lending institutions, especially from SMEs, is a barrier to their development (Klonowski, 2012). These developments inhibit MCIs efforts at making profits in their business (Kristof & WuDunn, 2014).

Fundamentally, an appreciable level of technology and research are crucial drivers of entrepreneurial growth. Suitable and efficient technology for MFI and SME development purposes and geopolitical antecedents cannot be underrated (Ahmed & Nwankwo, 2013). Private research institutions do not exist, while public-funded institutions and laboratories are usually isolated for productive businesses albeit seldom utilised by SMEs in Ghana, compared to most developed economies where research is integrated into most of their productive processes. Another significant void in SME operations is their reliance on external actors for advisory, mentorship, and other special expertise necessary for their effective growth (Yusoff & Fakhrul, 2012).

More so, weak public governance and corruption play a significant role in Ghana's poor economic performance. The narrative on corruption is consistent with prior

research that posited that state institutional programmes for SMEs is low in Ghana. In cases where these exist, such support programmes remain under-utilised (Fatoki, 2014; Berg & Fuchs, 2013; Padachi, Howorth & Narasimhan, 2012) as they are fraught with political interference and selection of cronies as managers who ultimately under-perform as opposed to the existence of strong and resilient regulatory institutions in economies such as Brazil (Correa, Melo, Mueller & Pereira, 2019). In sum, the above developments suggest that government business support policies and programmes in terms of policies and codes in advancing the agenda of making funding available to Ghanaian SMEs through the vehicle of MFIs are not potent and friendly enough for the pursuit and realisation of this goal.

4.5 ADDRESSING THE INSTITUTIONAL VOIDS IN GHANA

A perusal of literature indicates that the institutional environment influences the rate of business creation of a country (Williams & Vorley, 2014). Unarguably, some of the key institutional factors that influence entrepreneurial decisions include government relations, political influence, and reputation (Chang & Wu, 2014; Madsen & Walker, 2015). Given the above development, it follows, therefore, that the practices of a given society to a large extent influence the business attitudes of citizens, and the satisfaction of their needs (Alvarez, 2011). Consequently, regulatory structures, which supply relevant business systems are fundamental for growing SMEs (North, 1990; Scott, 1992).

It is perturbing to note that, MCIs which are SME's primary external financier, are characterised by high rejection rates of loan applicants attributed to high risks and the turbulence in the SME business sector (Bauchet & Morduch, 2013). In light of this, financial institutions, including, MFIs should be enabled, particularly in Ghana, to support these SMEs to create jobs and contribute to the economy. It has been highlighted in the literature that SME debt financing is higher in countries with more efficient bankruptcy environments by way of lower capital regulatory requirements for banks and other smaller banks, including MFIs (McNamara et al., 2016). In advancing

this discussion further, Aveh et al. (2013) suggest that MCIs should have alternate funding sources to escape from the high-interest rate charges.

Conservative scholars have equally argued that the government of Ghana could set up a bond market to enable MCIs and other financial institutions to raise debt at very competitive rates (Owusu-Antwi et al., 2016; Pueyo, 2018). Expansion in inclusiveness and credit control by MCIs is deemed to have enormous potential to provoke positive outcomes by delivering microcredit to SMEs to thrive. Reflecting the compelling evidence of the very high passion for venturing into petty trading for survival in Ghana, especially for the non-literate and semi-literate class of citizens, all the stakeholders should invest in incentives for MCIs to deploy quality products and services at affordable prices to achieve their goals (Quaye et al., 2014).

Given this deficiency, it is critically important for the government to create awareness about the bouquet of funding alternatives through MMDAs, MDAs, private investors, and the banks (Quaye & Mensah, 2018). Consequently, this will result in lower transaction costs that inevitably will culminate in the timely payment of loans that subsequently helps MFIs to expand their operation (Moss et al., 2015). Accordingly, Carroll and McCann (2016) recommend that MFIs embrace uniform interest rate across the MCI industry to enhance easier access to loans and repayment for borrowers. Similarly, Field et al. (2013) revealed that microfinance significantly impacts business creation when clients are granted grace period for loan repayment as well as reduction of requirement for collateral.

Proponents of good governance in SSA conclude that the creation and strengthening of the right national institutions responsible for enforcing the rule of law, property rights, contract enforcement, and good corporate governance are prerequisites for enterprise growth (Naude, 2019), particularly in small businesses. Unsurprisingly, the ability to enforce agreements varies across countries depending on the legal system. Therefore, it follows that the capacity of businesses to enter into a valid contract for the supply or purchase of goods or services is crucial for SMEs in Ghana (Seitz &

Watzinger, 2017). Therefore, institutions that supply critical utilities such as electricity, telecommunications, and water must be fast in delivering such vital services to these MCIs and SMEs.

According to Atiase et al. (2018), the standard of political governance significantly impacts the quality and depth of the business environment in Africa. Therefore, the complete review and overhauling of the Ghanaian legal system cannot be overstated. Sutter et al. (2013) confirmed that in the absence of potent institutional systems, informal or illegal institutions surface to advance the missing support. It is, therefore, incumbent on governments to create friendlier institutions, laws, and policies to sustain the existence of MCIs who essentially facilitate SME business growth through microcredit delivery. This position is consistent with the regulative environment dimension of the institutional theory that emphasises the establishment of institutional structures such as laws, policies and programmes whose enforcement could be helpful in the survival and growth of MFIs (Koepl et al., 2014; Scott, 2013). The multiplier effect ensures that MFIs and SMEs are enabled to thrive by enhancing their confidence barriers (Khavul et al., 2013; Koepl et al., 2014; Adomako, Danso & Ampadu, 2015).

4.6 CHAPTER SUMMARY

The discussion in this chapter covered the institutional theories which underpin this study. It is imperative to argue that the institutional theory has ramification for the study. Unarguably, MCIs are impacted by a litany of coercive systems which instigate isomorphic variations in their operational strategies and policies (DiMaggio & Powell, 1983; King et al., 2015) in the process of delivering microcredit to SMEs in Ghana. Relatedly, MCIs are affected by numerous normative and mimetic institutions in Ghana in their adoption of commercialisation and social welfare logics, which goes a long way to impact microcredit delivery to SMEs. Therefore, it is critically essential to painstakingly evaluate the nature and extent of the impacts of these institutions on MCIs' delivery of microcredit, particularly in the light of scarce funding resources

available to MCIs. The conceptual framework and hypothesis relating to the impact of microcredit on the performance of SMEs and borrower's household wellbeing would be highlighted in the next chapter.

CHAPTER FIVE: CONCEPTUAL FRAMEWORK AND HYPOTHESES

5.1 INTRODUCTION

The previous chapter examined the institutional theory underpinning this study. These theories are crucial because, in delivering microcredit to SMEs, MFIs are affected by multiple institutional stakeholders, such as coercive, normative, and mimetic isomorphisms. Further, MCIs continue to be competitive and significantly dominant in the Ghanaian microfinance market by providing microcredit to SMEs which undoubtedly enhances their performance in various dimensions (Deb & Suri, 2013; Newman et al., 2014). Therefore, the significance of this current chapter is categorised into two. Using a theoretical argument, the chapter highlights an engagement on the conceptual framework regarding the MCs impact on SMEs performance. Similarly, the impact of microcredit on borrower's household wellbeing would be elucidated. Further, in line with the conceptual framework to be deployed, the hypotheses underpinning this study would be outlined.

5.2 BACKGROUND TO THE CONCEPTUAL FRAMEWORK

Upon a thorough review of literature, there is no indication of a concrete, multi-disciplinary logical, and consistent conceptual model for investigating MCI services impact on the performance of SMEs concerning the extension of micro credit particularly in the Greater Accra Region of Ghana. In view of this, the conceptual model proposed by the study, and the hypotheses developed as regards how micro credit impacts the performance of SMEs are explored below. The conceptual framework is crafted based on the in-depth review of literature for this study, which thus illuminated ample empirical and theoretical evidence relating to the impact of micro credit on the performance of SMEs. Extant literature contends that providing financial resources to SMEs at flexible terms could enhance their performance and sustainability (Crépon et al., 2015; Lewin et al., 2016). Similarly, many researchers have argued that making available financial capital to SMEs engenders strategic

decision making that impacts their sales and profitability (Asah et al., 2015; Shibia & Barako, 2017; Amakom & Amagwu, 2020).

On the contrary, access to financial capital by SMEs in Africa in general and Sub-Saharan Africa, particularly, remains an impactful drawback to their development and survival. Two important reasons were proffered for this challenge in the literature. First, the evidence suggests that the financial ecosystem in Sub Sahara Africa is fragile, defective, ineffective, and the non-existent architecture to incorporate the dominant informal sector of SMEs into the mainstream financial systems (Kistruck et al., 2015; Demicug-Kunt et al., 2018). Further, some state financial institutions, which are especially coercive in nature, most notably the central banks, enact financial and prudential regulations that are somewhat inimical. Therefore, this situation repels the SME sector from actively taking part in the formal financial system in Sub-Saharan Africa (Banerjee & Duflo, 2011; Kwakyi, 2012).

Secondly, literature is replete with evidence that SMEs in Africa are characterised by poor internal structures, deficient management processes and practices and inefficient leadership. This development limits their attractiveness to formal financial institutions for support (Agbemava et al., 2016). Relatedly, these deficiencies manifest in challenges associated with information asymmetry, lack of credit history resulting in inaccessibility to markets and suppliers, and inadequate skilled labour in the SME landscape, which support the justifications for their challenges relating to obtaining funding from commercial banks (Kaicer & Abonich, 2014; Haag & Henschel, 2016; Pathak & Varshney, 2017).

As discussed above, consistent funding challenges faced by SMEs make compelling reasons for the creation of microfinance delivered by socially-oriented institutions such as MFIs. These MFIs serve as avenues through which SMEs could access financial resources such as micro credit, which directly impacts their performance (Chole, 2017). Similarly, the emergence of MCIs provides avenues for SMEs to acquire credit to augment their trade which positively impacts their performance (Rooyen, 2012;

Sherpherd et al., 2018). However, reflecting the overwhelming support for MCIs' core business of providing micro credit to SMEs in Ghana, they have unarguably been limited by a multiplicity of coercive and supervisory regimes, which affect their policies and product offerings. Typical amongst these challenges is the incessant upward adjustment in the minimum paid-up capital for the various categories of MCIs.

This above situation can negatively affect the delivery of micro credit to SMEs in Ghana since MCIs that cannot meet the minimum capital requirements risk the withdrawal of their license by the Central Bank of Ghana. In view of the ensuing discussion, the conceptual model undergirding this study has one major factor: micro credit. Invariably, it is anticipated that the delivery of micro credit will positively impact the performance of SMEs in sales growth, profitability growth and employment growth, as well as borrower's household wellbeing improvement (Newman et al., 2014; Boateng et al., 2014). However, rigorous literature reviewed on micro credit delivered to SMEs has mixed views and inconclusive findings in terms of their impact on SMEs performance (Augsburg et al., 2015; Tarrozi, Desai & Johnson, 2015; Banerjee et al., 2015). Similarly, to date, there still exists a deep controversy on the impact of micro credit on SMEs performance (Chliova et al., 2015). The divergent views held by many studies on the impact of micro credit are ascribed to the different strategies deployed in its delivery.

Reflecting the consensus in the literature, micro credit can be more supportive of SMEs' performance through effective delivery. In view of this, this study conceptually posits that the adoption of a dynamic and purposive approach in delivering micro credit has the tendency to positively impact SME's performance in terms of improving sales and profitability, creating skill and unskilled employment, and improvement in the borrower's household wellbeing. Similar studies proposed conceptual models that established the impacts of micro credit on the performance of SMEs. Amongst these models are those of Akinbola et al. (2013) and Al-shami et al. (2014). Therefore, to facilitate a deeper understanding of the model, the study painstakingly reviewed the conceptual models associated with the micro credit approach in the performance of

SMEs as discussed earlier. Following the review, the following significant findings have been established.

Firstly, Akinbola et al. (2013) attempted to decipher the relationship between micro credit and entrepreneurship development in Nigeria. The study result demonstrates the significant role that micro credit plays in creating employment in Nigeria that culminated in the development of various kinds of SMEs. In the same vein, the conceptual model of Al-shami et al. (2014) corroborates the existence of a positive relationship between micro credit and SMEs growth. Again, the findings of Al-shami et al. (2014) and Akinbola et al. (2013) are consistent with the study's proposed model. The only variation, however, is the fact that these researchers have incorporated savings in the delivery of microfinance to SMEs in Malaysia and Yemen. Thus, these researchers have adduced a positive impact of micro credit on SMEs, which thus influence the development of the SMEs and the resultant improvement in the borrower's household wellbeing.

It is important to note that a thorough review of the above models shows that they failed to identify the type of microfinance institutional logic they deployed in testing (whether social welfare or commercial logic) their studies. This weakness has driven the model proffered in this study distinctive and different from the earlier models discussed above. This study proffers to bridge this gap by explicitly studying all the categories of MFIs in Ghana which adopt either the social welfare logic or the commercial logic or the mixed logic in the delivery of micro credit to SMEs in in the Greater Accra Region of Ghana. This observation is vital because of the well-established narrative that the mission of an MFI influences its strategy, products, and impact on SMEs (Shahriar et al., 2016). Therefore, MFIs which align with social and commercial missions appear to be satisfactory tools in delivering the proposed impact on SMs performance.

Pursuant to this, it needs to be emphasised that the model proposed by Al-shami et al. (2014) apparently has excellent characteristics. The model also adopted unique

variables such as capacity development of management, saving products, loan amount, and purpose of loan, business age, and level of education of borrower in the assessment of the performance of SMEs. Similarly, their model included gender, level of education of borrower and the age of business as its control variables. It is significant to note that a key strength of their model is the incorporation of other variables such as the borrower repayment ability as well as the viability of the MCI. Nonetheless, this model has some defects as well. First, the model is unable to demonstrate the method the study used to determine the performance of SMEs. Indeed, assessing the performance of SMEs is a critical attempt to determining the impact of micro credit. Essentially, unique variables such as sales, profitability and employment growths are vital dimensions of SME's performance (Fatoki, 2011; Blackburn et al., 2013; Raven & Le, 2015) that impact borrower's household wellbeing ultimately. A critical analysis of the above model lends credence to the fact that the various dimensions excluded from the previous models would be incorporated and expanded by the current study.

In view of the above narrative, the study clearly extended the model of Al-shami et al. (2014) and determined the impact of micro credit on the performance of SMEs in three main growth areas. These are sales, profitability and employment. Further, the study engages to determine the impact of microcredit on borrower's household wellbeing in three growth areas including nutrition and health, education and housing. This study is critical because it stresses on the justification to measure the impact of micro credit. Moreover, the impact of micro credit, a component of microfinance exclusively on SMEs has not generated heightened research interest in Ghana. Therefore, this study seeks to fill this gap by studying this impact and launch an in-depth exploration into the premise on which micro credit is conceptualised as a policy augmentation for the growth of SMEs in the Greater Accra Region of Ghana.

5.3 CONSTRUCTS DEVELOPMENT FOR THE STUDY

Having reviewed multiple microfinance models extensively (Al-Shami et al., 2014; Bos & Millone, 2015; Toindepi, 2016; Atiase, Wang & Mahmood, 2019), the study crafted a conceptual model that adopts the strategy of micro credit delivery to elicit the anticipated impact on the performance of SMEs. Furthermore, literature abounds with conclusions that proposed a strong relationship between micro credit and SME performance and borrower's household wellbeing (Omondi & Jagongo, 2018; Roy & Mohanty, 2020; Amakom & Amagwu, 2020). In line with the proposed model, the study has identified and developed the following constructs.

5.3.1 Identification of micro credit constructs

SMEs are usually denied access to traditional funding to augment their economic projects (Allison et al., 2013; Kimmitt, Scarlata & Dimov, 2016). Consistent with the consensus in the literature, micro credit thus, facilitates the business development processes of the financially excluded, who are primarily poor (Chliova, Brinckmann & Rosenbusch, 2015). The primary thrust of micro credit is the provision of the requisite financial resources to SMEs that have shown greater potentials for nurturing basic jobs and relevant resources that improves the borrower's household wellbeing. As a result of the inability of SMEs to access funding from formal financial institutions, micro credit has become vital in reinforcing their development strategies in Ghana (Addae-Korankye, 2012; Dzansi & Atiase, 2014). Consistent with the literature and the proposed conceptual model, the following elements of the micro credit construct were developed:

- i. Loan amount
- ii. Loan cost
- iii. Flexibility of loan repayment method
- iv. Loan accessibility.

A brief description of each variable is presented below.

5.3.1.1 *Loan amount*

This variable highlights issues of adequacy of the loan size of the venture, borrower satisfaction with the loan size, and issues of under-financing or over-financing. The others are whether the loan amount approved is less than the applied amount and whether the loan amounts approved were based on the size of the SME business (Nunes et al., 2013b; Ijaza et al., 2014; Donou-Adonsoua & Sylwester, 2016).

5.3.1.2 *Loan cost*

These include issues of loan interest charged, processing fees and loan deposit required by MCI. The rest are physical loan collateral required, the cost incurred by SME owners on loan processing and costs associated with loan repayment (Taiwo et al., 2016, Zhang, Wu & Liang, 2016, Mankiw, 2016).

5.3.1.3 *Flexibility of loan repayment*

The loan repayment flexibility construct includes issues on the enjoyment of grace period, repayment schedule acceptability and reasonable loan repayment amount (loan instalment). Others include loan repayment duration, payment location convenience in line with the business needs (Nguta & Guyo, 2013; Denanyoh, Adjei & Owusu, 2013; Adoyo, 2013; Naude & Chiweshe, 2017).

5.3.1.4 *Loan accessibility*

The components include the MFIs and their location, the ability to understand loan application requirements and easy accessibility of loan documentation. The rest are open communication channels pending loan approval and timely approval of loans (Pasha & Ngese, 2014).

5.4 MEASURING THE PERFORMANCE OF SMES

Assessing and measuring firm performance is vital since businesses constantly seek effective and efficient results (Taouab & Isso, 2019). However, attempts at crafting a definition and designing measuring standards of organisation's performance continue to be complicated resulting from the lack of agreement by researchers on the right definition and appropriate evaluation standards and instruments to be deployed in the assessment process (Saunila, 2016). This disagreement has made SME performance research to be consistently laborious. In essence, performance refers to attainments resulting from the activities of an institution over a period of time (Fatoki, 2011). Two main approaches to measuring performance have been established. These are objective and subjective measurements parameters. First, performance can be measured by researchers objectively on dimensions encompassing the level of profit accrued, firm competitiveness, improved cost effectiveness and performance (Bachimeg, 2017; Obadeyi, Ogbeide & Adesuyi, 2020).

In contrast, firm performance could also be measured subjectively with set standards such as stakeholder satisfaction, consistency, and mix of human resources (Raymond et al., 2011; Hansen & Mowen, 2012). For example, Gopang, Nebhwani, Khatri and Marri (2017) identified various indicators in describing SMEs performance. They include employee satisfaction, profits, sales, prompt order delivery, adequate working capital, product quality, targets achievement, clientele base, flexible supervision, and simple diversification of products amongst others.

Most importantly, firm performance measurements, particularly, SMEs need to be multi-dimensional. It must encompass measuring standards such as profit growth, sales growth, return on assets, share of the market, returns on equity, and non-financial elements that include owner's satisfaction, employment growth, customer and employee satisfaction, loyalty of the staff and customers, and brand awareness amongst others (Blackburn et al., 2013; Raven & Le, 2015). Similarly, four key methods suitable for measuring performance were identified by Chong (2008). These approaches include the goal approach, the system resource approach, the

stakeholder approach, and the competitive value approach. Firstly, the goal approach is deployed to measure the capacity of the SME to achieve targeted objectives.

Further, the system resource approach measures the capacity of the SME to access critical resources for the functionality of the business operations. The measurement of the performance of the SME by its capacity to satisfy the demands of clients and suppliers, is ascribed to the competitive value and the stakeholder approaches. It is noteworthy to note that SME performance measuring elements such as firm profitability, organisation competitiveness, efficiency dimensions, and productivity factors abound in the entrepreneurship literature (Raymond et al., 2011).

Given the heightened research interest generated on firm performance measurement, the literature confirms the measure of social performance by four indicators prominently deployed by studies in the microfinance literature (Brière & Szafarz, 2015; Tchakoute Tchuigoua, 2012). These are average loan size per borrower, outreach (measured by the number of active borrowers), the interest rate charged on loans (proxied by the real yield on a loan portfolio) and share of female borrowers (measured by the percentage of women borrowers). Following the evidence in the literature and the proposed conceptual model, indicators of the performance construct (P) were developed and summarised below.

- i. Sales growth
- ii. Profitability growth
- iii. Employment growth

5.4.1 Sales growth

This construct refers to an expansion in sales from one year to another (Hansen & Mowen, 2012). Sales growth represents a vital conduit for cash flow into a business in realising financial and non-financial objectives of the SME. Therefore, when an SME generates adequate sales from its products and services, it demonstrates efficient performance and growth (Kibera, 2012; Asah et al., 2015; Shibia & Barako, 2017).

Literature is replete with conclusions corroborating sales growth as a vital indicator of SME performance. For instance, Paglia and Harjoto (2014) identified sales growth as an enabler of firm growth and employment generation. This observation is consistent with the conclusions of similar studies on SME performance (Gupta & Batra, 2016; Gopang et al., 2017)

Therefore, it is suggested that resources, including flexibility in accessing credit, product design expertise, publicity and marketing skills, and superior management skills, are extended to SMEs to augment their capacity to sell their products (Fatoki, 2011). Similarly, the five-stage growth model for small businesses developed by Scott and Bruce (1987) concluded that SME's sales growth is a fundamental indicator of performance. This position is further confirmed in the study by Kibera (2012). It is noted, however, that a fundamental defect of sales growth indicator of SME performance is its non-reliability as a formidable measure of performance (Ribau, Moreira & Raposo, 2017). Despite its flaw, sales growth has been universally adopted as one of the effective measures of SME performance in the entrepreneurship literature. As a result, this study deployed sales growth to assess the performance of SMEs. Again, the study would measure sales growth by itemising actual sales data from SMEs for a period of four years (2015-2019).

5.4.2. Profitability growth

Profitability has generally been defined as the degree to which a business or activity yields profit or financial gain (Barbosa, 2016). Profitability is widely adopted as one of the SME growth indicators particularly for profit-oriented organisations (Raymond et al., 2011; Zimon, 2018). According to Ibrahimi and Naym (2019), a firm's sales and return on assets are critical growth indicators, especially for public institutions and SMEs where access to credit is scarce. Therefore, it is incumbent on SMEs to make strategic choices regarding cost-effective asset deployment, sales growth, and market share and positioning which could positively impact their profit levels (Batchimeg, 2017). Pursuant to increasing their profitability, Crépon et al. (2015) contend that

SMEs must adopt both market and entrepreneurial orientations to engender their competitiveness and continuity. In line with the compelling evidence adduced above, the profitability indicator was adopted to measure the performance of SMEs and borrower's household wellbeing. The study measures profitability growth from profitability data of SMEs over four years' span (2015-2019).

5.4.3 Employment growth

Evidence suggests that the growth in employment of SMEs is considered as one of the major reliable measures used to assess their performance of SMEs (Magableh et al., 2011; Fatoki, 2011; Kumar, 2017). Furthermore, a stream of literature asserts that the creation of employment by SMEs measures the efficacy of an micro credit programme because of the assumption that one of the primary goals of delivering micro credit to clients is to generate employment (Banerjee & Jackson, 2016). In essence, the employment growth of SMEs is crucial because one of the unique purposes of microfinance is the supporting of SMEs to generate skilled and unskilled labour to engage in economic activities that lead to poverty reduction (Chliova et al., 2015). Invariably, the capacity of an SME to generate units of employment measures its financial stability (Magableh et al., 2011). Therefore, one can safely argue that SMEs that are able to generate self-employment for their owners and provide employment for citizens suggests growth and, and therefore, represents a key means of measuring performance (Lorenz & Pommet, 2017).

In view of the above discussion, this study has adopted employment growth as a key dimension to measuring the performance of SMEs and borrower's household wellbeing. Relevant studies contend that this indicator demonstrates explicit and pragmatic technique to assessing the performance of SMEs because the authenticity of the employment figures can be established (Chole, 2017; Lewin et al., 2016). The study measures employment growth by recording employment data from SMEs over a period of four years (2015-2019).

5.5 MICROCREDIT AND BORROWER HOUSEHOLD WELLBEING

Among the critical performance yardsticks usually adopted in investigating the impact of SMEs is their ability to positively transform borrower's household wellbeing (Adomako et al., 2015). In the context of SMEs, the measurement of the transformation in the borrower's household wellbeing over a period has been considered as a key measure of SME growth (Asiedu et al., 2013; Quraissy et al., 2017). With improved wellbeing of the SME borrower and his household, the consumption of non-durable and durable products accelerates, which results in increased revenues and serves as a vehicle for the financing of reinvestments in microenterprises (Banerjee et al., 2018; Fink et al., 2017).

Thus, it is surmised that the ability of the SMEs to generate enough revenues over cost to meet additional costs in terms of a balanced diet, basic health care, decent accommodation, improved sanitation facilities and the ability to acquire essential household chattels indicates financial growth. Therefore, the ability of an SME to generate significant revenues for the borrower resulting in improved lifestyles of their households, and the community at large is a pointer to growth and denotes an efficient indicator of micro credit performance (Saunila, 2016). Thus, the cycle is endless with the resultant improvement in the borrower's household wellbeing. (Fink et al., 2017).

Therefore, this study has advanced improved borrower's household wellbeing as one of the key impacts of the delivery of microcredit. This indicator represents a practical standard to determine the impact of micro credit on SME borrowers' households since the quality-of-life figures can reasonably be proven (Wiklund et al., 2018). The study would measure borrower's household wellbeing dimensions by capturing real standard of living indicators including access to balanced diet, decent accommodation and housing, access to improved basic education, access to health care, and improved sanitation by SME owners over a period of loan access of a maximum of four years (2015-2019).

5.6 CONTROL VARIABLES

Contrary to the well-established external factors influencing the provision of micro credit to SMEs, both SME and individual characteristics impact their performance through the interaction of these factors (Eddleston, Ladge, Mitteness & Balachandra, 2014). According to Atiase and Botchie (2018), individual and firm characteristics such as the level of owner education, owner gender, owner managerial competencies, industry specific knowledge, market access, and sector of industry are important to the development of SMEs. Similarly, the internal business factors, the external milieu, and the attitudes of the entrepreneurs are relevant dimensions that influence an SME's performance (Moukhtar, 2017). Attempting to further advance and build on the critical functions of the owner in the performance of the SMEs, Covin and Miller (2014) argue that firm and individual characteristics, including the readiness of the firm to spot opportunities and take risks, the high desire for achieving independence, and the level of influence, play an important role in the performance of SMEs.

Similarly, studies in the literature established that the levels of growth of a growing SME differ in three key indicators. These are the onset circumstances at birth, the owner's attributes and management competences, as well as the tactics for developing and garnering superior technological capacity (Roy et al., 2017). These researchers further contend that the technological advancement of a firm largely determines the level of its growth and performance. More so, conservative viewers contend that the ownership structure of the SME impacts its performance. For example, Woldie et al. (2012) concluded that because SMEs are largely family-owned and sole proprietorships, they are capable of accessing equity financing from personal resources than firms funded from debt. Presumably, one-man-businesses are devoid of agency conflict and undue control from their counterparts. Consistent with the literature, SME owner-managers propel their businesses to higher performance than non-owner managers. This development is premised on the fact that the owners can drive performance by considerably reducing agency costs (Vanaker, Collewaert & Zahra, 2017). Therefore, cognisance of the conclusions in the reviewed literature and

the conceptual model highlighted above, the below itemised characteristics are used as control variables for this study.

- i. Gender
- ii. Level of education of Managers
- iv. Age of business.

The study selected these variables because gender (Cozarenco & Szafarz, 2018), the level of education of the SME manager as well as the age of the SMEs have been observed to influence the use of micro credit to achieve performance goals (Hussain, Mahmood & Scott, 2019). Therefore, a summary of these variables are presented below.

5.6.1 Gender

It has been established in the microfinance literature that women micro credit clients are more successful in SME enterprises than men (Alam et al., 2019). This observation is attributed to the fact that women are deemed more dominant in business activities that lend themselves to welfare enhancement of their families than men (Guérin, Kumar & Agier, 2013). Similarly, women are equally assumed to develop satisfactory creditworthiness in loans repayment than men (Satyajit, Tripathy & Tripathy, 2017). Therefore, gender could influence the access and impact of financial resources in the delivery of micro credit to SMEs by MCIs.

5.6.2 Age of business

The age of an SME influences its performance. The present and future policy direction of an SME is contingent on its age (Awartani & Millis, 2018). Recent studies have noted that younger and older firms are confronted with different problems demanding different redress approaches (Cantamessa et al., 2018). As a result, there is the need for MFIs to appreciate the peculiar demands of SMEs on the basis of their age when

extending micro credit. Therefore, gender could influence the access and impact of financial resources in the delivery of micro credit to SMEs by MCIs.

5.6.3 Level of education

The level of the educational and skills background of an SME owner impacts the performance of the SME (Shibia & Barako, 2017). Empirical evidence suggests that managers with broader educational backgrounds with set skills and knowledge, particularly in marketing, basic accounting, negotiation, and numeracy have a profound level of impact on their SMEs than those without (Donga et al., 2016). Further, the entrepreneur's characteristics, including his educational background, influences the fortunes or failures of the SME (Salifu et al., 2018). Therefore, the level of education of the SME manager influences SMEs' general output (Quartey et al., 2017). Similarly, gender could influence the impact of financial resources in the delivery of micro credit to SMEs by MCIs.

5.7 IMPACT OF MICRO CREDIT FACTORS ON SME PERFORMANCE

Working capital has been observed in the literature as a vital ingredient for SME survival and growth. The primary sources of access to these funds are traditional banks, owner's savings, or non-traditional avenues including relatives and friends (Allison et al., 2015). It is noteworthy to appreciate a basic understanding of financial capital. Financial capital, in essence, has to do with the flexible availability and accessibility of working capital, which trigger the entrepreneur to exploit business opportunities (Kuzilwa, 2005). In spite of the fact that successive government administrations in Sub Sahara Africa attempt to ignite the development of SMEs especially, in their employment generation obligations and GDP growth initiatives, a significant number of these SMEs cannot access the needed funding for growth and survival (Nunes et al., 2013b). The fact is that SMEs, deemed to be the key vehicle for growth in Sub Sahara Africa due to their overwhelming numbers are restricted by the scarcity of credit needed to sustain their operations (Carrol & McCann, 2016).

It is perturbing that lack of funding has unarguably made the task of sourcing credit for business creation challenging, prohibitive and more often than not reverses the clock of entrepreneurship. Similarly, current scholarship has heightened the challenge of lack of affordable finance for entrepreneurship development in Africa, particularly for the SME sub-sector (Asiedu et al., 2013; Alhassan et al., 2014). Empirical evidence observed that globally, the lowest financial penetration occurs in Africa, except South Africa (Klapper & Singer, 2014). Similarly, it has been noted that a very low percentage of individuals in Sub Sahara African countries can easily obtain financial services. It is equally perturbing to emphasise the flagrant denial of funding to SMEs by commercial banks in Africa in their intermediation processes but rather focused their activities on corporate businesses who have the muscles of providing the requisite collateral (Hendricks & Budree, 2019).

It is reckoned, therefore, that traditional banks are more predisposed to stunting SME growth. According to Fatoki (2011), many SMEs lack financial capital for their businesses due to information asymmetry as well as moral hazard issues, thus precipitating the institution of extremely prohibitive loan conditions by the commercial banks. Nonetheless, Salifu, Tofik-Abu, Rahman and Sualihu (2018) also asserted that the creation of flexible trade credit systems in Africa could ginger the growth of SMEs. Fundamentally, attractive credit is essential for SMEs development as it reduces their operational cost.

However, the most consistent and critical challenge confronting the growth of SMEs in Sub Sahara Africa is the cost of credit (Moss et al., 2015). From the conclusions drawn in the literature, finance remains the cushion for capital investment for younger firms or expansion purposes for existing firms (Nguyen & Nguyen, 2016). Further, it is concluded that the promotion of economic growth in developing countries is hinged on a sound financial system with attractive loan acquisition requirements (Farja et al., 2017). More so, SME's policies and business decisions, as well as their financial goals are heavily dependent on access to credit (Bastiéa et al., 2016). Therefore, credit

could be viewed as a crucial resource in the venture development and management endeavour (Xavier-Oliveira, Laplume & Pathak, 2015).

In sharp contrast, SMEs in Ghana, compared to large organisations, lack the required financial resources that facilitate profitable and competitive business development (Yang & Konrad, 2011; Aldén & Hammarstedt, 2016). This inertia on the part of commercial banks to fund SMEs may be linked to challenges associated with the availability of credit history, the supposed risk associated with SMEs, poor creditor protection structures and the unavailability of collateral to protect these loans (Allison et al., 2013; Dzansi & Atiase, 2014; Chliova et al., 2015). By extension, challenges of distance from markets, unreliable and irregular suppliers, and deficient business architecture amongst others makes them vulnerable and this largely account for SMEs unattractiveness to traditional banks (Pathak & Varshney, 2017).

Having underscored the extent of funding challenges in Ghana, most SMEs are compelled to rely on non-traditional channels such as money lenders, close family relations and friends thus militating against their sustainable operations. Due to the scarcity of financial resources for SMEs, the emergence of micro credit bridges the access gap as their loan conditions are friendly coupled with the fact that their products are structured to meet their needs (Guha & Chowdhury, 2013; Baland et al., 2013). In their study, Falco and Haywood (2016) posited that the appropriate application of micro credit could positively impact the performance of SMEs. In effect, the ensuing conclusions are vital because flexible and adequate funding of SME's operations positively impact employment generation as well (Karlan & Zinman, 2012). Consequently, in the process of providing micro credit to SMEs, the loan amount, loan cost, flexibility of loan repayment, and accessibility of such financial services are crucial factors that need to be considered by MCIs (Fatoki, 2011; Deb & Suri, 2013). These elements of the micro credit delivery as well as some of the study's control variables are discussed below.

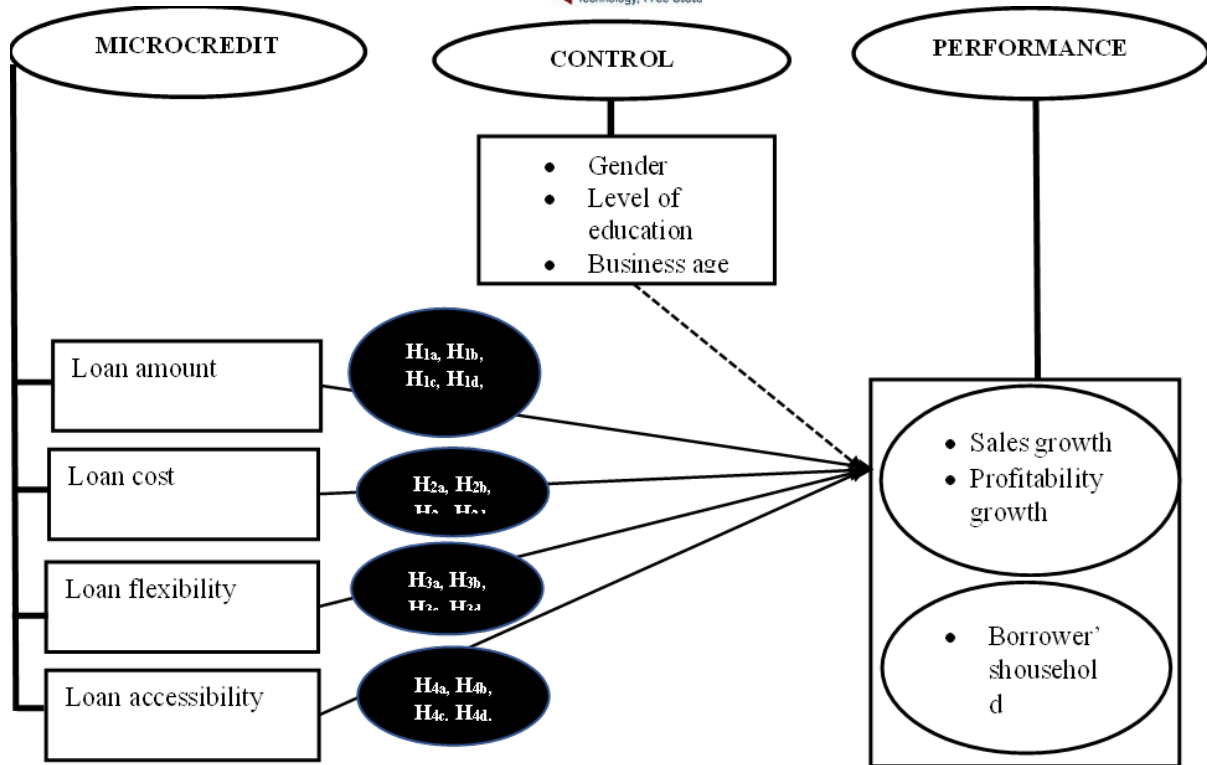


Figure 5.1: The hypothesised relationships among variables

5.8 EXPLANATION OF THE PROPOSED RESEARCH MODEL

The research model underpinning this study has one central construct, thus, micro credit. It needs to be emphasised that micro credit is delivered by MCIs exclusively. Firstly, micro credit's constituents, such as the loan amount, the cost of the loan, the repayment flexibility, and accessibility to the loan, are vital factors that make micro credit's delivery exact the desired impact on SME's performance and borrower's household wellbeing. It is anticipated that these micro credit factors impact positively the performance of SMEs in three key growth dimensions. These are sales, profitability and employment as well as borrower's household wellbeing after controlling for firm and individual factors which include gender of the owner, manager's level of education and business age as discussed independently and in detail below.

5.8.1 Loan amount and SME sales growth

Fundamentally, the loan size and SME performance nexus can be attributed primarily to the size of the capital of the MCIs. Larger MCIs are more efficient and demonstrate better financial performance, thus enabling them to grant adequate micro credit to SMEs that positively impact their performance (Gohar & Batool, 2015). It has been observed that MCIs are more predisposed to granting reasonable loan amounts to SMEs to meet their needs (Ijaza et al., 2014; Gohar & Batool, 2015). Further, adequate loan sizes help SMEs to increase their operations and avail them the benefits of economies of scale. According to Alhassan, Hoedoafia and Alhassan (2016), about 86 per cent of patrons who accessed microcredit have started small business activities leading to entrepreneurial development that impact sales and profitability.

However, a perusal of the literature indicates that microcredit is characterised by graduated loans system whereby the beneficiaries of the loans are started on small loan amounts, after which they get higher amounts when the repayment is made creditably. Against this backdrop, microcredit amounts from MCIs in Ghana are presumed to be insufficient to meet the working capital requirements of SMEs (Bauchet & Morduch, 2013; Rahman et al., 2016a). Nonetheless, it is noted that bigger SMEs can negotiate with well-capitalised MCIs for reasonable credit terms as regards larger loan sizes (Cenni et al., 2015). Therefore, the size of the loan amount for SMEs in Ghana restricts the sector's growth. In addition, available evidence asserts that many SMEs engage in multiple borrowing as a result of the inadequacy of the loan amount advanced by their main MCIs who are equally plagued with weak capital base (Baklouti & Abdelfettah, 2013).

In a related vein, the risk of lending to the SMEs in the Ghanaian environment is very high given their weak structures and the deplorable conditions of the SME owners (Donou-Adonsoua & Sylwester, 2016). More so, their survival rate is very low. As a result, most MFIs are not prepared to advance adequate loans to facilitate their funding and expansion needs. This situation is further exacerbated by the fact that many MCIs fail to appreciate critical underlying issues such as business size and loan

purpose in the loan appraisal stage (Kwakyi, 2012). Consequently, MCIs typically reduce loan amounts without due cognisance to the above factors thus under financing the needs of the SMEs. In addition, funding institutions in Ghana often justify their actions on difficulties in identifying the borrower, wrong attitudes of the borrower, and defective procedures of recovering loans from the SMEs (Kwakyi, 2012).

Nevertheless, in attempts to reduce the risk, MCIs adopt robust and appropriate credit risk management strategies that can provide some level of cushion to both the MCIs and the SMEs (Ayayi, 2012). Further, MCIs are expected to adopt pro-poor risk management procedures such as providing entrepreneurial training, effective strategies on loan monitoring, and group lending methodology to reduce these risks linked to SMEs (Ayayi, 2012). The above risk reduction strategies could give some level of trust to MFIs to extend the needed credit to SMEs. Consequently, in the process of delivering micro credit to SMEs, the size of the loan amount should be critically considered in line with the size and funding needs of the SMEs.

Not surprisingly, available evidence documents that microcredit amounts from MCIs in Ghana are presumed to be too small to meet the credit requirements of SMEs (Bauchet & Morduch, 2013; Awuah & Addaney, 2016; Rahman et al., 2016a). It may be reasonably argued that microloans inevitably turn out to finance borrower's domestic consumption instead of trade expansion. This unfortunate narrative badly defeats the rationale for these loans in augmenting business ventures of clients (Haag & Henschel, 2016; Pathak & Varshney, 2017). Inferring from the above discussions and findings from extant literature, the following hypothesis is proposed.

H1a: Loan amount is positively related to the sales growth of SMEs and borrower's household wellbeing.

5.8.2 Loan amount and SME profitability growth

Profitability is often used as a performance indicator for the development of profit-oriented institutions (Raymond et al., 2011; Zimon, 2018). The turnovers of firms and return on assets are essential profitability growth indicators for SMEs landscape that is plagued with inadequate access to financial resources (Ibrahimi & Naym, 2019). Therefore, strategic choices which could positively drive their profitability levels need to be made. Ideally, such choices must be made in connection with turnover growth, market positioning and effective asset mobilisation, which have the tendency to positively impact SME profitability (Batchimeg, 2017). Further, Crépon et al. (2015) contend that one of the effective ways of driving the profitability of firms is that SMEs must adopt both market and entrepreneurial orientation to elicit their competitiveness and continuity.

Relatedly, adequate microcredit delivery has a greater positive impact on innovative SMEs in profitability and business growth (Mensah-Bonsu & Jell, 2011). Further, Quaye et al. (2014) contend that MFIs can grant loan amounts that are adequate to meet the requirements of SMEs in terms of expanding their sales so as to meet future investment demands with the resultant increase in profitability. However, assertions of significant impacts and profits have been deemed to be overstated (Cull & Morduch, 2017). Similarly, loan inadequacy is surmised to constitute a huge challenge to SMEs in the Greater Accra Region, which encourages multiple borrowing from financial institutions, and poses repayment difficulties eventually over the loan cycle (Buachet & Morduch, 2013). Therefore, it can be argued that granting adequate, timely, and availing cheaper funding sources to SMEs could improve their business activities and cash flow with a positive rippling effect on profitability growth. Premised on the above discussions and findings from extant literature, the below hypothesis is proposed.

H1b Loan amount is positively related to the profitability growth of SMEs and borrower's household wellbeing.

5.8.3 Loan amount and SME employment growth

It is observed that the expansion in employment units of SMEs is considered a key standard of determining growth hence its capacity to assess the performance of SMEs (Magableh et al., 2011; Fatoki, 2011, Kumar, 2017). In the SMEs space, employment generated over a period is largely dependent on the adequacy of the loan amount accessed as it is crucial for expansion that requires the employment of additional labour (Akande, 2014). Indeed, it is widely conceived that the capacity of the SME to cover additional wage expense suggests liquidity growth. Furthermore, employment creation is deemed to be a measure of the efficiency of an micro credit programme considering the fact that one of the primary objectives of advancing micro credit to SME borrowers is employment generation (Banerjee & Jackson, 2016).

Akinbola et al. (2013) noted that adequate loan amounts of micro credit contribute significantly to employment generation of various kinds of SMEs. In essence, the employment growth of SMEs is crucial because one of the unique purposes of microfinance is supporting SMEs to generate competent labour to engage in economic activities to reduce poverty (Chliova et al., 2015). Therefore, one can safely argue that the propensity of an SME to create employment for the owner and the community members portends growth and represents one of the best ways of assessing performance (Lorenz & Pommet, 2017). Therefore, in view of the above discussion, employment growth represents one of the dimensions for measuring the performance of SMEs. Studies contend that this indicator represents a dynamic approach to evaluating the performance of SMEs since employment figures can be authenticated (Chole, 2017; Lewin et al., 2016).

Therefore, the study argues that the provision of adequate loan amounts to SMEs could lead to improved sales with its attendant higher profits and eventual expansion that demands additional employment of labour (Aynadis & Mohammednur, 2014). The cumulative effect is that this could lead to poverty reduction, which is one of the core missions of micro credit (Meager, 2019). Based on the above discussions and findings from extant literature, the below hypothesis is proposed.

H1c Loan amount is positively related to the employment growth of SMEs and borrower's household wellbeing.

5.8.4 Loan amount and SME borrower's household wellbeing

The available evidence suggests that enabling conditions such as adequate loan amounts for SMEs positively impact the borrower's household wellbeing and employment generation that ultimately result in economic growth (Adomako et al., 2015). This position is corroborated by related studies that contend that a well financially-resourced SME could significantly impact employment generation and improved consumption leading to the improvement of the borrower's household wellbeing (Asiedu et al., 2013; Quraisy, Hamzah & Razak, 2017). However, it is succinctly established that SMEs are denied adequate financing as a result of the high default rate (Ayayi, 2012; Multhoni, 2016). Apart from the micro credit delivered by a few MCIs, loan amounts for SMEs in Ghana have primarily been a great challenge among borrowers. MFIs, in their efforts to reduce the risk level of SMEs, lower the loan amounts requested by SMEs due to their anticipated and actual risk of failure.

Further, the Central Bank's regulatory policies stipulate that loan amounts to the SME sector should be regulated to reduce the default risk (Pouchous, 2012; Anku-Tsedee, 2014). Reflecting the consensus in the literature, a number of financial institutions fail to consider fundamental factors such as the business size and the loan purpose in their appraisal stages (Baklouti & Abdelfettah, 2013; Odongo, 2014). Consequently, considering the teeming unemployed youth and graduates in Ghana, resourcing and developing the SME sector with adequate funding is highly imperative (Swamy, 2014). Inferring from the above discussions and findings from the literature reviewed, the below hypothesis is proposed.

H1d Loan amount is positively related to the borrower's household wellbeing of SME borrower.

5.8.5 Loan cost and SME sales growth

As observed in previous discussions, the loan cost of SMEs has been a contributory factor to the poor performance of SMEs in Ghana (Taiwo et al., 2016; Subeyr & Muturi, 2017). The high-interest rates charged on SME loans has adversely affected loan repayment, thus resulting in increased loan default portfolios of MCIs (Chaibi & Ftit, 2015; Zhanget al., 2018). Prohibitive loan cost influences the level and form of impact micro credit has on the performance of SMEs. It is pertinent to note that most MCI's charges per month in Ghana range from 6% to 8% (Osei-Assibey & Asenso, 2015). Indeed, SMEs in Ghana obtain credit that is expensive, which adversely impact their operational cost and profitability. This challenge results in poor performance in many SMEs thus culminating in losses, which negatively affect their profitability. As a result, SMEs eventually fail due to their inability to make reasonable sales and profits, which are their primary sources of funds to repay loans.

Invariably, to stimulate SME growth in the Greater Accra Region of Ghana and propel significant sales and being profitable to engender employment, access to flexible and low-cost credit with more robust institutional business enhancement mechanism is critical (Ghosh & Tassel, 2013). These interventions demand that the Central Bank of Ghana, being the most financial coercive institution in Ghana charged with regulating the financial services industry, may have to proffer conducive regulatory systems for MCIs to provide easy access to credit for SMEs (Shirokova & Tsukanova, 2013). The Central bank can implement this policy through the deliberate reduction of minimum capital requirement for MCIs. Considering the ensuing discussions and findings from the literature, the below hypothesis is proposed.

H2a Loan cost is negatively related to the sales growth of SMEs and borrower's household wellbeing.

5.8.6 Loan cost and SME profitability growth

Drawing from earlier discussions, the cost of credit contributes mainly to the weak performance of SMEs in Ghana (Taiwo et al., 2016; Subeyr & Muturi, 2017). The inimically high-interest rate charged on SME loans thus result in increased loan default portfolios of MCIs (Chaibi & Ftiti, 2015; Zhang et al., 2018). As a result, low sales and profit performances are recorded by these SMEs. Similarly, as a result of the high cost of credit in the money market, inaccessibility to reasonably priced credit hamper the development of SMEs in Ghana. Further, the slow pace of developing a robust bond market by state actors militates against the capacity of MCIs to raise debt at very comparable rates and on-lend to SMEs to positively impact their sales growth (Owusu-Antwi et al., 2016; Pueyo & DeMartino, 2018). Consequently, the study argues that high interest charges on loans adversely affect the ability of SMEs to generate enough sales revenues and profit margins which facilitate repeat borrowing and expansion, and ultimate improvement in the borrower's household wellbeing. Based on the above discussions and findings from the literature, the below hypothesis is proposed.

H2b Loan cost is negatively related to the profitability growth of SMEs and borrower's household wellbeing.

5.8.7 Loan cost and SME employment growth

Most notably, it is suggested that the capacity of SMEs to contain additional expenses on employing one more unit of labour typifies financial stability in containing their business needs. However, working capital cost continues to be one of the serious difficulties confronting the development of the SME sector in Ghana (Carrol & McCann, 2016). Further, the formal financial sector has neglected the informal sector, which encompasses SMEs, making sourcing for entrepreneurial finance prohibitive for the SME owner (Dzansi & Atiase, 2014). Indeed, one other reason advanced for the expensive borrowing cost, especially for the SME sub-sector in Ghana, is the failure of SMEs to provide acceptable collateral to lending institutions as a cushion against

loan default and high uncertainty of their survival (Donou-Adonsoua & Sylwester, 2016).

More so, SMEs are more prone to being denied credit since it is laborious for MCIs to authenticate their credit history (Brancati 2015; Ferri & Murro, 2015). From the foregoing discussion, it is reasonable to argue that the expected growth and its attendant expansion that facilitates employment generation is severely limited. In pursuit of a deliberate employment policy in an economy such as Ghana, it is expected that MCIs could be supported to institute collateral substitutes for SME borrowers to engender easy access to funds to promote expansion which eventually leads to employment opportunities (Hendricks & Budree, 2019). The non-existence of a deliberate friendly policy on cost of funds for SMEs in the Greater Accra Region negatively impacts employment generation which could adversely impact borrower's household wellbeing. In the light of the foregoing discussion and findings, the below hypothesis is proposed.

H2c Loan cost relates negatively to the employment growth of SMEs and borrower's household wellbeing.

5.8.8 Loan cost and SME borrower's household wellbeing

Consistent scholarship documents that entrepreneurs in poor settings are more credit constraint (Liu, Serger & Tagscherer, 2017). Reflecting this credit rationed consensus narrative, it appears that credit is costly and prohibitive to SMEs in Ghana as well (Deb & Suri, 2013). The loan charges of MFIs in terms of interest are higher than their counterparts in the commercial banks. Robust studies in Ghana suggests that, on average, MCIs fees in terms of interest range between 6% to 12% per month, running within 72% and 144% annually. Similarly, administrative fees relating to loan processing ranges from 5% to 10% of the borrowed amount approved (Gaul, 2011). Relatedly, many MCIs withhold between 10% to 30% deposit as collateral of the amount approved. The above developments limit SMEs' opportunity to invest the total

amount borrowed. In essence, consumption smoothening which is one of the cardinal objectives of microcredit delivery is challenged. Consequently, the borrower's household wellbeing is compromised in terms of nutrition, health, children's education and housing amongst others.

On the contrary, it must also be emphasised that some few MFIs usually advance long-term loans to SMEs with long-standing credit track record and provide finance for investments of lengthy completion periods (Xiang et al., 2014). The study strongly argues that pursuant to the agenda of the growth of SMEs with borrower household wellbeing maximisation mission, MCIs could institute cost-effective credit delivery strategies which could significantly reduce the risk of cost of funds and its associated default debacle in the SME space (Warue, 2012). Drawing from the foregoing discussion and findings, the below hypothesis is proposed.

H2d Loan cost is negatively related to SMEs and borrower's household wellbeing.

5.8.9 Loan repayment flexibility and sales growth

Presumably, access to flexible loan products well-tailored to the needs of SMEs impacts their performance and borrower's household wellbeing in Ghana. It has been observed that SMEs, especially the start-ups who are provided with micro credit with flexible repayment terms do better in job creation than their counterparts who lack flexible terms of credit (Worokinasih & Potipiroon, 2019). The availability of flexible credit products trigger borrowing requests which results in improved micro credit borrower retention rates. Extant literature contends that rigid conditions and other hidden charges burdensome to SMEs are usually associated with microcredit in Ghana (Adoyo, 2013). This observation corroborates the argument that the unavailability of flexible loan product designs militates against the development of SMEs (Bawuah et al., 2014).

In the same vein, stringent loan conditions such as long orientation periods for group loans, for instance, leads to delayed disbursement. As a result, most of these SMEs

in the process get frustrated and abandon the loan application process. Similarly, short loan repayment durations for micro credit, for instance, pushes SME borrowers unduly to make earlier payments against their cash cycles. These developments especially serve as barriers to SME development (Klonowski, 2012). More so, it has been argued that there is a significant relationship between credit terms and loan repayment performance among clients of MCIs (Ssekiziyivu, Bananuka, Nabeta & Tumrebaze, 2018). The uncertainty of attractive loan conditions for SMEs adversely affect liquidity planning to counter externalities such as decreases in sales, hardcore receivables and unstable product prices. These developments demand funding sources which are flexible and adequate.

Further, higher application costs, reduced loan size and interest rates negatively influence loan repayment (Salifu et al., 2018). Meyer (2002) strongly opposes the provision of loan products to SMEs with fixed conditions because it adversely impact their growth. A critical intervention was suggested by Tsuruta (2014), who highlighted factoring as an alternate funding source of SME's liquidity management. This study, therefore, argues that if MCIs in Ghana could advance flexible loan products with relatively more simplified administrative procedures, coupled with flexible repayment terms to SMEs, the sales margins of these SMEs could increase with the resultant increases in profits and employment generation to facilitate their growth and expansion. This intervention could result in improved borrower household wellbeing. Drawing on insights from the above discussion and findings, the study proposed the below hypothesis.

H3a Loan flexibility relates positively to the sales growth of SMEs and borrower's household wellbeing.

5.8.10 Loan repayment flexibility and SME profitability growth

An important factor influencing the profitability of SMEs is the loan cost and unfriendly repayment terms from MCIs. Distilling the evidence, it is possible to argue that

advancing accessible and flexible micro credit to SMEs with extended loan tenors has the tendency to impact their survival and profitability in the context of financially-constrained economies (Ammar & Ahmed, 2016). In sharp contrast, microcredit delivery in Ghana has been unduly commercialised such that SMEs are overburdened with charges (Adoyo, 2013). Most regrettably, micro credit payment durations in Ghana are overly short ranging from 3 to 6 months. This development severely impacts sales revenues and profit generation capacities of the SMEs. It must be emphasized that it is only on rare occasions that SME loans are given for twelve months, exclusively by commercial banks (Donou-Adonsoua & Sylwester, 2016). The study argues that MCIs could consider the lending cost of micro credit and institute flexible repayment terms to elicit the desired result on the profitability of SMEs with its attendant borrower's household wellbeing. Based on insights from the above discussion and findings, the study proposed the below hypothesis.

H3b Loan flexibility is positively related to the profitability growth of SMEs and borrower's household wellbeing.

5.8.11 Loan repayment flexibility and SME employment growth

It is worth noting that recent empirical evidence corroborates earlier studies that contend that a strong relationship exists between flexibility in micro credit repayment and the promotion of employment growth (Al-shami et al., 2014). It is often the case that stringent conditions and other hidden charges inimical to SMEs are usually associated with microcredit in Ghana (Adoyo, 2013). Largely, SME loan portfolios in Ghana are characterised by short repayment terms without due consideration of the cash flow of the SMEs and project durations for the loan (David et al., 2014). Consequently, these developments reduce SME's working capital resulting in repayment challenges which culminate in loan defaults. As a result of these developments, the SME owner cannot forecast his loan repayment easily to enable him to meet his instalments timely to build excellent credit history with its attendant

benefits in repeat loans which could promote expansion to induce increases in employment generation.

To this end, strategic loan repayment structuring by MCIs could afford SMEs the capacity to meet the working capital needs, which could culminate in the improvement in their cash flow from high turnovers to reduce and prevent loan default. Consequently, SMEs could expand their businesses which promote employment generation with its consequential consumption smoothening and subsequent improvement in the borrower's household wellbeing. To reduce SME loan default, MCIs could institute robust credit risk management and loan monitoring strategies (Baklouti & Abdelfettah, 2013). The study, therefore, argues that flexible loan repayment terms facilitates repeat borrowing leading to SME expansion which generates employment opportunities. Thus, employees smoothen their consumption resulting in improved borrower's household wellbeing. Against the backdrop of the above discussion and findings, the study proposed the below hypothesis.

H3c Loan flexibility is positively related to the employment growth of SMEs and borrower's household wellbeing.

5.8.12 Loan repayment flexibility and borrower's household wellbeing

Fundamentally, it is extremely difficult and daunting especially for new SMEs to access bank credit, largely due to information asymmetry limitation and hostile credit terms (Osano & Languitane, 2016). The non-flexibility of loan repayment is deemed as a serious challenge to SME's growth and expansion in Ghana which limits consumption smoothening, which is a dimension of borrower household wellbeing improvement. Regrettably, while the processing fees charged on approved loans are payable upfront, the interest is payable monthly. Relatedly, the structuring of micro credit to SMEs in Ghana appears to have been skewed which eventually results in repayment difficulties.

Therefore, in view of the ensuing discussion, the study argues for the urgent need of a holistic effort at alleviating the above obstacles by all the relevant actors, including the MCIs themselves, the state, the private sector, and the consumer public in Ghana. This policy could foster a superior appreciation of the crucial role of the SME sub-sector and the utmost repositioning of the SMEs through adequate financing with friendlier repayment options. This development has the potential to positively impact borrower's household wellbeing (Armendariz & Labie, 2011). In line with the above discussion and findings from the literature, the study proposed the below hypothesis.

H3d Loan flexibility is positively related to SME borrower's household wellbeing.

5.8.13 Loan accessibility and SME sales growth

A systematic review of literature suggests that the availability of credit is positively related to the sales performance of SMEs, coupled with the enormous potential for their survival and growth (Stucki, 2014; Omondi & Jagongo, 2018). Similarly, microcredit improves individual and business incomes resulting in reinvestment and expansion (Rahman, Khanam & Nghiem, 2017). Relatedly, prompt negotiation of loans and delivery is critical since it enables SME clients to use the loans for their intended purposes at the right time to avoid diversion (Yang, Li, & Luo, 2019).

Nonetheless, these arguments have often been robustly rejected. Indeed, the traditional banks in Ghana are hesitant in extending loans to SMEs due to uncertainties surrounding their survival rate, collateral challenges, and unavailability of excellent credit history (Haag & Henschel, 2016). Similarly, SMEs lack audited financial statements, which formal financial institutions often demand in the loan appraisal process. Due to the above barriers prevalent in the traditional financial institutions, SMEs are severely constrained in accessing working capital finance (Mahmood et al., 2014).

Consequently, SMEs tend to depend on informal funding such as trade credits and family borrowing that relies on information advantages or an altruistic relationship (Allen, Qian & Xie, 2018). In surmounting the challenge of accessing credit by SMEs in Ghana, Kwakyi (2012) suggests that the government should institute direct intervention by creating a special purpose funding vehicle to support the development of SMEs. Further, because many MCIs have adopted the commercial logic in their lending policies on SMEs, FNGOs, for instance, could be incentivised by the government to advance micro credit to SMEs with friendly terms and conditions. This package could go a long way to lessen the funding constraints that characterise the financial system in Ghana.

Further, the adoption of lending technologies critical to ensuring access to finance for businesses, including SMEs (Berger & Black, 2011; Motta & Sharma, 2019) goes a long way to improve their sales performance. Such lending technologies tend to reduce information asymmetry and mitigate the challenge of adverse selection, which eventually facilitates trust between the lender and the borrower (Godlewski & Weill, 2011). The study thus argues that the institution of less cumbersome policies aimed at granting credit to SMEs could engender increased sales with its attendant effects on borrowers' household wellbeing. Inferring from the above discussions and findings from the literature, the below hypothesis is proposed.

H4a Loan accessibility is positively related to sales growth of SMEs and borrower's household wellbeing.

5.8.14 Loan accessibility and SME profitability growth

micro credit access helps SMEs to contain their cost of upscale which positively impacts their profitability (Bond, Tybout & Utar, 2016) and general wellbeing, which reduces poverty ultimately (Frimpong & Ngerenomo, 2014). Clients who have successfully accessed micro credit have ventured into small business activities leading to entrepreneurial development with its attendant improved sales and

profitability (Alhassan, Hoedoafia & Alhassan, 2016). Casual observation of the SME market space in Ghana suggests a profitable industry, albeit the collapse of a few which were not well managed. However, the prevailing situation in Ghana is that the SME sector is plagued with inaccessible and expensive credit.

Similarly, it has been noted that MCIs are hesitant in granting credit to SMEs as their survival rates are lower than that of older and bigger firms (Dierkes et al., 2013; Cantamessa et al., 2018). Consequently, the intervention by MCIs in the comity of financing ecosystem in Ghana is premised on the inability of the traditional financial sector to incorporate SMEs into the financial space as a result of their typical difficulties. MCIs, therefore, step in by supplying seemingly flexible credit products to supplement SME projects. However, since reliable and quality financial data is difficult to obtain from SME clients, MCIs mostly fall back on using return on assets (ROA) or return on equity (ROE) to measure their financial performance. Other indicators include operational self-sufficiency and financial self-sufficiency. Operational self-sufficiency particularly provides information on the ability of MCIs and SMEs to cover costs with revenues, thus showing the extent to which, they break even. Similarly, basic bookkeeping needs to be maintained to facilitate the assessment of the standard returns in terms of return on assets (ROA) and Return on Equity. With a complete update of these data, the firm becomes attractive to MFI multiple financing until self-sustainability results in increased sales and profitability growths.

Presumably, potent loan risk administration and loan surveillance policy can be introduced to lessen the default levels particularly of SMEs (Blackburn et al., 2013). This policy could engender adequate microcredit delivery to SMEs that could positively impact innovative SMEs in profitability and business growth (Mensah-Bonsu & Jell, 2011; Amakom & Amagwu, 2020). To surmount the challenge of inaccessibility to flexible funding by SMEs in Ghana, the study argues that the state could intervene to create a special purpose fund with attractive terms to propel their growth (Agbemava et al., 2016). In the light of the above discussions and findings from the literature, the below hypothesis is proposed.

H4b Loan accessibility is positively related to profitability growth of SMEs and borrower's household wellbeing.

5.8.15 Loan accessibility and SME employment growth

SMEs dominate the private sector globally and account for over 50 per cent of jobs (Kumar, 2017; Lorenz & Pommet, 2017). Similarly, well-capitalised SMEs have created employment for many individuals as well as facilitate employment generation for business owners (Banerjee & Jackson, 2016; Adama & Agbim, 2015). Through MCIs' programmes, many women and men who were hitherto unemployed have been actively engaged and contributing to household income particularly in developing countries (Chant, 2014). Underpinning this growth and expansion trajectory to create more jobs is the support of microcredit.

Consistent with the earlier discussion is the fact that one of the cardinal missions of MCIs is the provision of access to credit facilities to SMEs for venture creation and employment generation (Yunus, 1999). Promoting easy access to working capital to SMEs motivates them to make key decisions that positively affect their sales, profitability, and employment generation (Falco & Haywood, 2016). Evidence in the literature posits that through MCIs' programmes, many unemployed women in developing countries have started trading activities to contribute to household income (Chowdhury & Amin, 2011; Chant, 2014; Adjei & Denanyoh, 2016). Casual observation of the labour market in the Greater Accra Region suggests that self-employment has soured and instigated women to engage in trading activities (Adjei & Denanyoh, 2016). It is worth noting that financially-resourced microenterprises experience growth and expand with a multiplier effect on creating jobs for their immediate families and others with basic requisite skills, knowledge and attitudes.

However, a major challenge militating against job creation is the failure of commercial banks to grant credit to SMEs as their survival rates are lower than that of older firms

(Dierkes et al., 2013). It, therefore, behoves on MCIs to introduce micro-insurance, primarily against potential failures of microenterprises and households. This policy could reduce the unattractiveness of SMEs to MCIs (Akotey & Adjasi, 2016; Janzen & Carter, 2013). Thus, delivering microcredit on flexible terms to SMEs can positively impact sales growth which necessitates expansion with its attendant employment creation of permanent and casual jobs for the teeming youth of Ghana. In line with the above discussions and findings from the literature, the below hypothesis is proposed. *H4c Loan accessibility is positively related to employment growth of SMEs and borrower's household wellbeing.*

5.8.16 Loan accessibility and borrower's household wellbeing

One crucial question in entrepreneurial literature has to do with whether microcredit really contributes to improving the wellbeing of the household of the borrower. The available evidence suggests that creating the enabling credit environments for SMEs positively impact the borrower's household wellbeing and employment generation that ultimately result in economic growth (Adomako et al., 2015). Further, prior research amply demonstrates that access to microcredit improves borrower's standard of living by ensuring a consistent income that increases their households' welfare (Haag & Henschel, 2016) with the ultimate reduction in their poverty levels (Frimpong & Ngerenomo, 2014). Similarly, a well financially-resourced SME can significantly impact employment generation and improved consumption of goods and services, thus resulting in enhanced wellbeing of the borrowers (Asiedu et al., 2013; Quraisy, Hamzah & Razak, 2017).

Subsequently, microcredit beneficiary households accelerate the consumption of non-durable and durable products that serve as vehicles for financing reinvestments of microenterprises (Banerjee et al., 2018; Fink, Yogev & Even, 2017). Thus, the cycle is endless with the resultant improvement in the household wellbeing of the owners. However, a bigger challenge confronting the SME sub-sector is the unavailability of

working capital finance (Laetitia et al., 2015). This development militates against the realisation of their goals of engaging in economic ventures with wellbeing results at the enterprise and household levels (Naegels et al., 2017). It is crucial to indicate that a deliberate strategy of delivering microcredit with a direct focus on the social welfare logic, albeit the preference for commercial logic supersedes that of socially-oriented MCIs in Ghana.

Similarly, the adoption of pro-poor credit risk administration policies such as group lending methods, the provision of entrepreneurial education and regular loan supervision (Kaicer & Aboulaich, 2014) by MCIs to manage this risk associated with SMEs could go a long way to reduce challenge to the barest minimum. Moreover, MCIs could adopt lending technologies critical to ensuring access to adequate finance for businesses, including SMEs (Berger & Black, 2011; Motta & Sharma, 2019). The study, therefore, argues that creating the enabling environments in terms of easy access to micro credit for SMEs, particularly to younger firms at flexible terms could positively impact sales growth, profitability growth, and employment growth thus resulting in the borrower's household wellbeing, which facilitates general economic growth (Adomako et al., 2015). Based on the above discussions and findings from the literature, the below hypothesis is proposed.

H4d Loan accessibility is positively related to borrower's household wellbeing.

5.9 FIRM AND INDIVIDUAL CHARACTERISTICS, SME PERFORMANCE AND BORROWER'S HOUSEHOLD WELLBEING

5.9.1 Gender, access to microcredit and SME performance

Gender issues are mainly related to female applicants. Women access to MCI funding is more prevalent under the group loan delivery methodology. Studies have found that female owners are deemed more restricted to loans than men globally (Hussain et al., 2019; Cozarenco & Szafarz, 2018). Paradoxically, it has been observed that women are more credit worthy than men (Alam et al., 2019). However, women are also

considered more likely to default (Mijid, 2014), coupled with the fact that tailored lending to women is less profitable and efficient (Alhassan & Hoedofia, 2016). Therefore, these developments increase the "discouraged borrower effect", thus discouraging women from applying for loans as they presume that their loan applications would be rejected. For instance, in the context of the Ghanaian land tenure system, women are not allowed to inherit property, hence their inability to access credit due to a lack of assets to secure the loans.

Against this backdrop, microcredit terms tend to be unfriendly to women. This attitude of the MFIs is intended to cushion the MCIs against women possible non-payment risk, incidentally rated as high. Therefore, these risk reduction strategies transcend into smaller loan sizes, short repayment duration, higher interest rate charges, and other prohibitive pre and post disbursement conditions. These developments significantly affect SME performance in terms of predetermined indicators such as sales growth, profitability, employment, and the general household wellbeing of SME owners. The situation in Greater Accra is not different. This development ultimately affects SME business performance in Ghana. It is highly anticipated that a reduction in the biases and prejudices against women's access to microcredit can positively impact SME performance on sales growth, profitability growth, employment growth as well as borrower's household wellbeing. This expectation is especially justified on the account of women constituting the highest population and their immense role in family sustainability and living standards.

5.9.2 Owner education level, access to microcredit and SME performance

Financial and entrepreneurial management skills and knowledge are fundamental to the survival of SMEs. The relationship between easy access to adequate and flexible financial resources at competitive pricing tends to be significantly positive for owners with high educational levels than low financial literate SME owners. According to Al-Adwani, (2014), well-educated and sufficiently trained employees and managers positively impact the performance of the SME firms. By extension, managerial

competencies acquired through education and training positively impact small firms' performance (Oozthuizen, 2011). In sharp contrast, SMEs in Sub Sahara Africa are characterised by poor and weak financial management skills, lack of plausible business plans, and defective human capital management practices amongst others (Donga, Ngirande & Shumba, 2016). These challenges of SMEs in Ghana appear to negatively impact their performance on significant indicators such as sales growth, profitability growth and employment growth which adversely affect the borrower's household wellbeing.

In essence, the above narrative reinforces the views of MCIs by allotting their loans in line with the managerial competencies of firms to reduce selection biases. However, a casual observation of the SME space in Ghana suggests that the majority of SME owners fail to avail themselves for tailor-made training programmes blamed on shortage of funds to partake, ignorance of the programmes, inaccessibility of training programmes and locations, and uncertainties over the importance of the programmes (Quartey et al., 2017). To this end, the study argues that the delivery of primary and intermediate entrepreneurial training for SME beneficiaries can positively improve their sales, profitability, employment, and general borrower's household wellbeing in the Greater Accra Region of Ghana.

5.9.3 SME age, access to microcredit and performance

Literature opined that information asymmetry challenges and unfriendly credit terms constitute a major impediment to young and existing firms amongst other factors (Osano & Languitane, 2016). Similarly, new SMEs are presumed to be generally more predisposed to business failure compared to older firms (Cantamessa, Gatteschi, Perboli & Rosano, 2018). These developments increase banks' reluctance, including MCIs, to provide SMEs with adequate loans at reasonable prices and flexible repayment terms such as grace periods and longer durations. This narrative makes economic and business sense as older firms can exhibit superior expertise, credible credit and viability history, and capacity to present collateral than younger firms. As a

result, young firms (less than four years) rely more on internal financing as well as informal financing sources than bank financing (Woldie, Mwitta & Saidimu, 2012). This situation appears to be the case in the Greater Accra Region of Ghana as these young SMEs are not attractive to many well-managed MCIs due to the high opacity and other limiting factors discussed above.

5.10 CHAPTER SUMMARY

This chapter highlighted the conceptual framework that undergirds the study. Precisely, the extent to which micro credit impacts the performance of SMEs was explored. Indeed, micro credit is one of the core resources that MCIs provide to support the growth of SMEs in the Greater Accra Region of Ghana (Fatoki, 2011). Further, the impact of microcredit delivery to SMEs has significant implications for sales growth, profitability growth and employment growth. Further, microcredit delivery indeed appears to have a direct impact on the borrower's household wellbeing of SMEs in of Greater Accra Region Ghana. It is surmised that consistent access to microcredit by SMEs can result in improved business performance which ultimately leads to improved wellbeing of their households. The model developed tests the impact of the micro credit indicators on the performance of SMEs in three growth areas: sales growth, profitability growth and employment growth in the conceptual framework. More so, the impact of micro credit dimensions on the borrower's household wellbeing has also be tested. The research design and methodology underpinning the study's objective of determining the impact of micro credit on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region of Ghana shall be discussed in the next chapter.

CHAPTER SIX: RESEARCH METHODOLOGY

6.1 INTRODUCTION

The previous chapter explored the conceptual framework for the study, having outlined the research problem and reviewed the related literature in the earlier chapters. Following Polit and Beck (2012), the main issues to be covered in this chapter six include the research philosophy, the research design, the methods and procedures for data collection and analysis, as well as steps to assure reliability and validity of the study. In addition, ethical considerations in this study would be discussed. To procure a deeper understanding of the methodology chapter, the discussion below commences with the research philosophy.

6.2 RESEARCH PHILOSOPHY

Research philosophy is the belief system and primary presumptions underpinning knowledge development (Tuckman & Harper, 2012; Saunders, Lewis & Thornhill, 2016). It includes directions, assumptions held, and research strategy (Burns et al., 2008). In other words, research philosophy is concerned with the kind of knowledge and how the new knowledge is derived (Saunders et al., 2009). The philosophy of the researcher about the research is crucial since it influences the selection of the research design and methods, adopted in conducting the study. Further, it is significant to note that philosophical knowledge positions denote a set of basic assumptions held by the researcher about the world. Denzin and Lincoln (2000) contend that the principles that are important to the research philosophy include, being (ontology), knowing (epistemology), and acting (axiology). This position is affirmed by Bryman and Bell (2011) who noted that the most critical dimensions of research philosophy relevant for any effective study include the ontological, epistemological and axiological stances adopted.

Similarly, these three philosophical dimensions depict the communal and vital relationship among the major elements fundamental to a philosophical framework (Lee, 1991). It highlights the linkages that demonstrate how one sees and views the world and reality (ontology), and how one thinks about the world (epistemology), and how one acts in the world (axiology). This connection reflects and influences how the researcher thinks about and consequently sees the world that enables him to act in inquiry and practice within the ontological and epistemological orientations. There are three main philosophies that are significant in the research process. However, the choice of research philosophy is defined by the type of knowledge being investigated in the research project (May, 2011). Following Saunders et al. (2016), and Bryman and Bell (2011), the above philosophical dimensions are discussed in detail below.

6.2.1 Ontology

This element concerns the question as to "whether or not a social reality exists independently from human conceptions and interpretations, and closely related to this, whether there is a shared social reality or only multiple, context-specific ones" (Ormston et al., 2014:4). According to Bryman and Bell (2011), ontology involves studying the classifications of the reality and verifies objectively or subjectively the existence of these body of knowledge. Similarly, ontology is the opinions held on the kind of reality and what actually exists (Richards, 2003). Thus, ontological issues are generally concerned with questions on the kinds of things that exist within a society. It is significant to note that Bryman (2008) introduced the concept of 'social ontology', which he describes as a philosophical assumption on the nature of social entities. The objective of social ontology is to assess the distinctiveness of social entities from the social actors, or rather, they are social constructions themselves emanating from the perceptions, actions, and interpretations of the individuals in society. Simply put, ontology relates to our beliefs about the type and form of reality and the social world, that is, what exists.

6.2.2 Epistemology

It is generally described as the presumptions made about the kind of knowledge (Richards, 2003), or the feasibility of investigating the world (Snape & Spencer, 2003:28). According to Turri (2014), epistemology aims at establishing the means of ascertaining the truth. Furthermore, Bryman (2008: 281) defines epistemology as "an issue that concerns the question of what is (or should be) regarded as acceptable knowledge in a discipline". Essentially, the available evidence stresses the correlation between the kind of epistemological assumptions held about knowledge and the evaluation of these knowledge of social behaviour. Underpinning these assumptions are the decisions the researchers make on the kind of method(s) to adopt in their research considering their epistemological assumptions. Inferring from this, if knowledge is assumed as hard, objective and tangible, the researcher then plays an observer role and aligns with the methods of natural science involving data collection, testing, and measuring. On the other hand, if knowledge is seen as personal, subjective, and unique, then the researcher must be deeply involved with his subjects.

6.2.3 Axiology

Axiology relates to the study of research methods employed in a piece of inquiry (Stenbacka, 2001). Axiology interrogates the various methods deployed in research and poses the question as to how to acquire valid knowledge. It is important to note that research methodologies relate directly with the ontology on which the research is premised (Olsen, 2004). The axiological perspective of a research paradigm depicts the consistency and reliability levels, or instead refine or extend the earlier held assumptions or constructions (Neuman, 1998). More importantly, axiology posits consonance between ontological and epistemological assumptions (Mittman, 2001). It also establishes the standards and prerequisites of acceptable research techniques for a study. An explicit clarity of the axiology helps to direct the rigour in the research.

Relatedly, axiology thus helps the researcher to appreciate the impact of values and opinions of the research subjects on the collection and analysis of the data. Silverman (2013) opined that a full grasp of the methods helps the researcher to understand the impact that people's orientations have on the research process. In essence, axiological contentions cannot be underrated in the process of carrying out research. Most notably, numerous factors influence the choice of a research methodology. These include the researcher's orientation of the external truth and the objective of the research study in view of peoples' perspectives in a virgin setting (Gray, 2007).

Similarly, the researcher's view about the nature of the social world, the anticipated knowledge to be acquired and techniques of securing that knowledge constitute the research method (Creswell & Clark, 2007). These considerations are relevant since the research methods selected must align with the underlying assumptions (Gray, 2007). Further, the researcher's predisposition to a positivist or interpretivist orientation significantly influences the choice of research method (Gray, 2007). To this end, researchers categorised social and organisational research into different paradigms. Consequently, Schultze and Leidner (2002) highlighted four separate paradigms; (positivism, interpretivism, radical structuralism and radical humanism). Further, three major epistemological narratives are documented by Saunders, Lewis and Thornhill (2007). These are positivism, interpretivism and realism. These epistemological positions are elucidated below:

6.2.3.1 Positivism

As an epistemological assumption, positivism stresses objectivity and evidence in assessing the truth devoid of the researcher's interference. Besides, positivism emphasises the vitality of facts and values that enhance the conduct of an objective inquiry (Snape & Spencer, 2003). Further, positivists contend that meaning and realities are dominant in objects pending discovery, far distinct from any form of people's perceptions (Crotty, 1998). Therefore, epistemology recognises objects around us and requests the researcher to simply find these meanings. Furthermore,

positivism/objectivism paradigm argue that the truth is constant and objective. Therefore, this truth is basically 'objectified' in the study subjects, such that this objective truth can be 'discovered' with the right method identified as the careful and direct observation, as opposed to deductions from abstract presumptions (Ormston et al., 2014).

It is instructive to note that the essence of objectivism is derived from the acceptance of natural science as a paradigm to study human knowledge. Thus, the researcher must necessarily employ means and methods for data collections and data interpretations like those used in natural sciences, including hypothesis testing, causal explanations and modelling. Finally, in this tradition, all knowledge about the world originates in one's experiences and is derived through his senses. As such, only phenomena and knowledge, which the senses can confirm, can genuinely be regarded as knowledge (Bryman, 2008; Ormston et al., 2014). According to Wellington (2000), positivist knowledge is deemed objective, value-free, generalisable and replicable. As a result, positivism has often been perceived as synonymous with the 'scientific method'.

Nevertheless, the positivist and objectivist traditions and thinking have been subjected to criticism since the early twentieth century. The rejection of the positivist thinking and tradition was based on the ground that if rules and laws are only derived from observation, it is also quite possible that a future observation may prove an exception to a current rule or law (Ormston et al., 2014). This view then gave rise to the second version of positivism, known as post-positivism. The proponents of this view argue that knowledge of the world is produced through testing propositions rather than based on careful observation and hypotheses that are to be derived first from theories and then tested empirically against observations, that is, deductive reasoning. Finally, while positivism advocates that reality is established accurately, the post-positivist approach maintains that reality can rather be known approximately by researchers.

In a related vein, positivism has been criticised for its failure to consider the ontological differences between studying a social event, which is mainly humanistic and scientific research in the natural sciences. Social sciences concentrate on human behaviour and demands investigations on behaviour of the object and its impact on the research results (Gill & Johnson, 2002). In summary, the positivist philosophy in research values causality, objectivity, applies the deductive approach, values the independence of the researcher, and the use of the scientific method. However, due to the above criticisms, the interpretivist's research paradigm has emerged as a redress.

6.2.3.2 Interpretivism and Constructionism

In a total rejection of the positivist and objectivist traditions, opposing views of the world and knowledge then appeared, known as interpretivism and constructionism (Bryman, 2008; Crotty, 1998). The opponents of the positivists argue that there are ways of learning about the world. Some are through our perceptions and interpretations of the world around us other than direct observation. The underlying assumption in this philosophy is that people's perceptions influence their interpretation of the reality. Therefore, knowledge of the world is premised on subject's 'understanding, which is derived from reflections on events, rather than lived experiences only (Ormston et al., 2014). Further, interpretivism and constructionism approaches postulate that knowledge is procured through exploration and comprehension in contrast to the discovery of the social world of the subjects with a direct focus on their meaning and interpretations. Thus, it is observed that meanings are socially constructed by the social actors in their context.

It was observed in the earlier orientations that reality is unaffected by the research process and that the researcher has to distance himself from the findings. In this opposing tradition, researchers also construct meanings and interpretations based on those of their participants. Besides, the research process is considered essentially 'inductive' because the aim is to generate a theory from the data collected rather than use the data to test an already existing theory. Another important distinction between

the former and latter approaches is that facts and values in interpretivism and constructionism approaches are not distinct and objective, such that value-free research is impossible. In other words, the researcher cannot detach himself from the study; they inevitably become personally engaged in the study. As such, findings are influenced by their perspectives and values.

Finally, in interpretivist and constructivist traditions, the methods used in studying the natural sciences are not suitable for the study of the social world, and that social reality cannot be captured or portrayed accurately because there are different perceptions and understandings of reality (Bryman, 2008; Cohen, Greenberg, Uri, Halpin & Zweben, 2007; Crotty, 1998; Ormston et al., 2014; Snape & Spencer, 2003). A major criticism against interpretivism is that the results reflect researcher's views instead of reality because this philosophy permits researchers' active involvement in the research process (Zikmund et al., 2013). The research, therefore, lacks the characteristics of verifiability and replicability. A further weakness of the interpretivist philosophy is that the likelihood of generalising the results to a larger population is limited by differences in contextual meanings and implications which can rarely be avoided by the researcher (Bryman & Bell, 2011). Simply put, interpretivism proposes subjectivity, employment of the deductive approach, as well as stakeholder direct engagement in the research process.

It is imperative to note that current scholarship has highlighted the fact that impact assessments are multi-dimensional as neither the positive paradigm nor the interpretivism paradigm can exclusively address a research problem of this nature. Consequently, even though quantitative studies consider multiple contextual real and imagined narratives associated with several studies in microfinance projects (Addae-Korankye, 2012; Natamba, Peter, Zulaika, Akankunda & Esther, 2013; Daowd, Kamal, Eldabi, Hasan, Missi & Dey, 2020), Nawai and Shariff (2012) they have endorsed a quantitative philosophy by dispassionately assessing different areas of microcredit and their impact on borrower's household wellbeing.

More fundamentally, this study is underscored by the positivist's orientation in investigating and assessing the model developed (Saunders et al., 2009; Creswell, 2014; Westerman, 2014), as highlighted in Chapter 5. In essence, this stance stems from the seeming supremacy of the positivist approach to the interpretivist approach. Simply put, the epistemological and ontological presuppositions set out in this study, which in turn forms the bases upon which my philosophy of the world and its phenomena on the subject of the impact of microcredit on SME performance and borrower household wellbeing is positivism. This approach presents a solid justification for evaluating the impact of microcredit on SME performance and borrower household wellbeing in the Greater Accra Region of Ghana. The choice of adopting the positivist approach is to quantitatively measure the performance of SMEs by examining the various hypotheses in respect of the impact of microcredit on the performance of SMEs and borrower's household wellbeing.

6.2.3.3 Realism

Realism embeds the existence of distinct and unfettered knowledge that is dissimilar to the researcher's knowledge, assumptions, and perspectives (Bryman, 2012). Realists argue that the inquirer must identify, assess and appreciate this reality and avoid diluting it with his personal values and experiences (Saunders et al., 2009; Bryman & Bell, 2011). This proposition suggests that the collection of data, analysing and interpreting same must strictly follow the hypothesis and be subject to predictability (Bryman & Bell, 2011). Similarities exist between realism and positivism. Apparently, the two philosophies appreciate the use of the same designs, data collection methodology, data analysis and drawing of conclusions (Bryman & Bell, 2011). Further, the two philosophies gladly accept the assumption that an external reality exist which the researcher must undertake to evaluate independently devoid of interference whatsoever during the research (Saunders et al., 2009). Realism has been categorised into empirical and critical realisms.

Empirical realism concludes that the researcher could appreciate reality by using the right procedures to arrive at the truth independently of the research design (McWherter, 2015). Critical realism on the other hand asserts the existence of the natural order, unique developments and narratives in connection with the social world, which can only be appreciated and varied by searching for the hidden constructs to elicit the noticeable developments and narratives (Scott, 2005; Johnston & Smith, 2010). Therefore, the researcher must orderly select the components that provoke the occurrence of an event to trigger the correct results (Scott, 2005).

6.2.3.4 Pragmatism

Pragmatism stipulates that the selected research paradigm in a research project has to be appropriate and pertinent (Baert, 2005; Saunders et al., 2009). Invariably, pragmatism assumes that the cardinal principle in the selection of either positivism or interpretivism underpinning a study is of less relevance. Indeed, these choices more often than not may occasionally be irrational and unreasonable that the results derived may be misleading. (Baert, 2005; Morgan, 2007; Saunders et al., 2009). This defect demands of the researcher to select a robust research philosophy, strategy, and methodology to undergird the study by deploying key and pragmatic ones in the study. From the narrative, the researcher has the option to either adopt one or integrate the strategies, approaches, and methods in investigating an event or occurrence to engender accurate findings.

Considering the existence of diverse designs, strategies and techniques in an inquiry, the researcher needs to identify the various appropriate techniques that are impracticable for a sole method of inquiry to completely redress the research problems observed (Denscombe, 2007; Saunders et al., 2009; Creswell, 2014). It is particularly pertinent to note that the researcher in an inquiry process should spot the right research designs, paradigms, methodologies, and techniques to promote impeccable understanding of the subject being investigated (Rossman & Wilson, 1985; Creswell, 2014).

6.3 RESEARCH DESIGN

The research design generally serves as the framework that is used to analyse the research question or a set of research questions to elicit concrete evidence (Bryman & Bell, 2011). Polit and Beck (2012) defined a research design as the general roadmap for advancing answers to a study's research questions. The design is dependent on the philosophical stance adopted. Therefore, researchers must select the appropriate research design based on the research philosophy to thoroughly analyse the data, obtain answers to the research questions, and draw reliable conclusions (Ioannidis, Greenland, Tibshirani et al., 2014; Azzi, Battini, Faccio, Persona & Sgarbossa, 2014; Yazan, 2015).

Kolb (2012) categorised research designs into descriptive, exploratory, and explanatory designs while Creswell (2009) on the other hand delineated research design under approaches, strategies, and methods that are usually used within the course of the inquiry. Therefore, it is essential to note that the researcher must be guided to select the appropriate research design that is capable of answering the research question in the study (Bono & McNamara, 2011). From the presentations explored in the above discussion, a research design for this study can simply be described as the blueprint to be used in answering the research question.

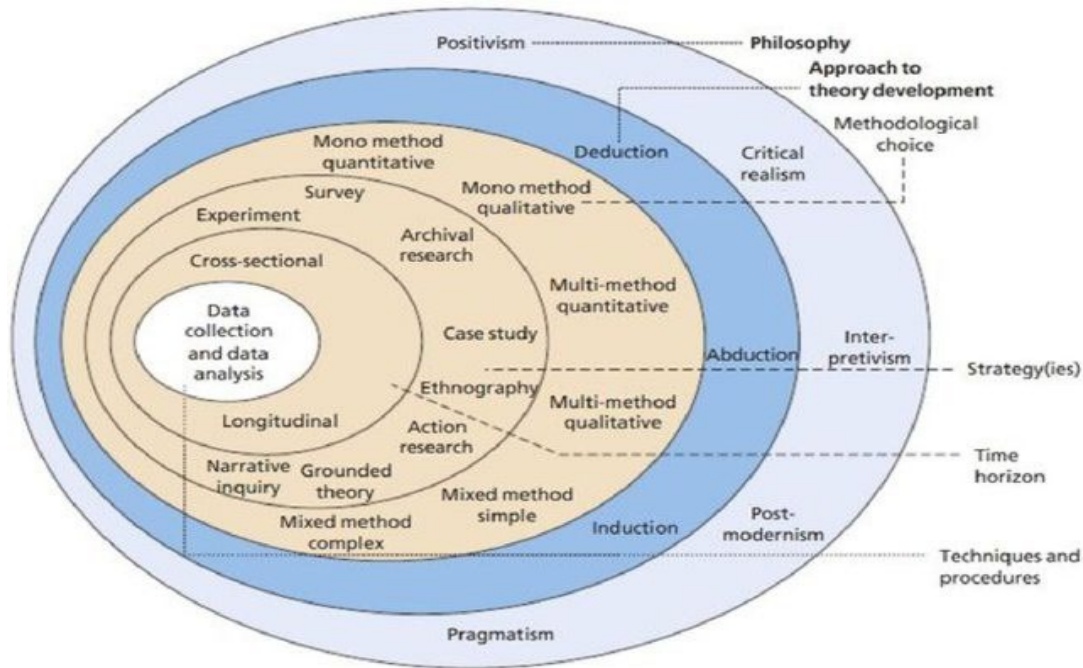


Figure 6.1: The Research Onion

Source: Adapted from Saunders et al. (2016)

The research onion as depicted above shows the phases of a valid research work Saunders et al, (2007). The layers in the onion show the phases of a research process that supports a smooth sequence for designing a research methodology that can be adapted to the contexts of various kinds of research methodologies (Bryman, 2012). Saunders et al. (2016) suggest that by applying the research onion principles, the researcher must commence from the outer layer to the inner layer as every layer of the onion illustrates an in-depth component of the research process. Same authors further contend that the research process should be viewed as the dismantling of an onion layer by layer such that to be able to see the inner layer, the outer layer must first be unfolded. This narrative indicates that the research goal can only be achieved if the right processes are strictly observed.

Similarly, Saunders et al. (2016) further noted that the research onion framework dictates that the research process must begin from the research philosophy followed

closely by the methodology. The research strategy depicts the third step while the fourth layer denotes the time horizon, followed by the fifth stage that involves the data collection methodology. The research onion thus demonstrates the sequence of stages by which a methodological study can be undertaken. Further, according to Bryman and Bell (2007), five research design types can be identified, namely, experimental, cross-sectional, comparative, longitudinal and case studies. The study adopts the cross-sectional survey design. These surveys can be used to measure the prevalence of an event or problem within a population (Prince, 1998). Findings from the population-base of cross-sectional designs can be generalised to the base survey for that population, and to some extent to other populations with similar characteristics. Further, this survey design may be useful for planning purposes and awareness creation. The above strengths justify its adoption by the study. A major criticism of the cross-sectional survey, however, is that its usage in the analysis of behaviour over time is limited.

More fundamentally, the research approach is a major component of the research design. A research approach is the generation and testing of theories and models in social science inquiries (Gill & Johnson, 2002; Saunders et al., 2009). According to Bryman and Bell (2011), the research approach is the broad signpost to be followed in the process of building a theory and conducting a research. Research can broadly be designed to be inductive, deductive and adductive. The inductive approach is strictly qualitative and largely employed for theory building as opposed to the deductive approach which is quantitative and basically employed for testing theories. Bryman and Bell (2011) identified two approaches that can be combined as supplementary to each other in a research piece, and described it as the adductive approach. These designs are discussed in detail below.

6.3.1. The inductive approach

By nature, this approach is navigatory in nature and characterised by surveys, description of events, and detailed analysis of data to demonstrate the ability of the

inquiry to observe unique trends to explain a research phenomenon. It needs to be emphasised that the deductive approach is a bottom-up approach that follows the trend of developing a theory from the earlier phase of the data observation process so as to fully grasp the explanation of the theory (Burns & Burns, 2008; Bryman & Bell, 2011). Inferences are substantially drawn from the data observed in the deductive approach (Hall & Hall, 1996). A significant strength of this approach is that it allows for making inductive inferences (Bryman, 2012). Therefore, it is vitally relevant to decipher the inductive inference concept. The concept refers to the process where broad conclusions are drawn on the basis of partial observations under the presumption of generalising what is conclusive for the phenomenon observed to the larger population (Bryman & Bell, 2011). Nonetheless, a basic defect of the approach is that it does not lend itself to generalisation because inferences drawn are not premised on any solid basis.

6.3.2. The deductive approach

This approach commences with an established theory and continues to propose hypotheses, then the collection and analyses of the data follows to confirm the theory through testing (Bryman, 2012). This approach is the opposite of the inductive approach discussed above. The developed hypotheses are then confirmed or rejected on the basis of the test result (Burns & Burns, 2008; Saunders et al., 2009). A significant advantage of the approach is its capability of determining valid or invalid conclusions. However, the major drawback of this approach is that it lacks the capacity to engender a clear and precise appreciation of the complexities of the characteristics of the respondents in a study (Bryman & Bell, 2011).

6.3.3 The abductive approach

The abductive approach combines both the inductive and deductive approaches in one study. This approach builds theory by recognising trends in an observed data by exploratory research and support or reject a hypothesis through testing (Saunders,

Lewis & Thornhill, 2016). Further, extant literature points out that the abductive approach is characterised by moving back and forth with the combined approaches in one piece of study (Saunders et al. 2012) in sharp contrast to the deductive approach which is characterised by moving from theory development to data collection or from data collection to theory (as in the case of an inductive approach). Further, some studies posit that the two approaches could be combined in a single study by researchers to neutralise the weaknesses associated with each other (Dubois & Gadde, 2014). Table 6.1 illustrates the differences associated with the three approaches.

Table 6.1: Differences among deductive, inductive and abductive research

	Deduction	Induction	Abduction
Logic	In a deductive inference, both the premises and conclusions must be true	In an inductive inference, untested conclusions are generated by known premises	In an abductive inference, testable conclusions are generated by known premises.
Generalisation	Generalising from the general to the specific	Generalising from the specific to the general	Generalising from the interactions between the specific and the general
Use of data	Data collection is used to evaluate propositions or hypotheses related to an existing theory	Data collection is used to explore a phenomenon, identify themes and patterns and create a conceptual framework.	Data collection is used to explore a phenomenon, identify themes and patterns, locate these in a conceptual framework and test this through subsequent data collection and so forth

Theory	Theory falsification or verification	Theory generation and building	Theory generation or modification; incorporating existing theory where appropriate, to build new theory or modify existing theory
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(Source: Adapted from Saunders et al. (2016))

Following the research philosophy deployed in the discussions above, the study employed the deductive design. It is imperative to note that although Saunders et al. (2016) argued strongly for the abductive approach, which unarguably strengthens the research process, this study adopts the deductive approach. This approach is deemed to be a time-tested and more standardised scientific approach to theory confirmation. Furthermore, evidence in the literature suggests that studies in microfinance have multi-dimensional and varied impacts on borrowers and their businesses, thus defying any a one-fit-all approach to eliciting consistent result. More importantly, adopting the deductive approach is more suitable and appropriate in testing the itemised hypothesis in chapter 5 relating to the impact of microcredit on the performance of SMEs and borrower's household wellbeing.

Another crucial component of the research design is the research strategy. There is no standardised approved technique for investigating a research question as various factors influence the strategy or method to adopt for a study. For example, ontology, the concept that explains the existence of exclusive knowledge and what exactly can be observed about this knowledge and the kind of knowledge the researcher seeks coupled with how it can be acquired (epistemology). Other factors worth considering include the study's aims and goals, the features of the study's environment, the philosophy alignment of the researcher, resource availability for the inquiry; and the education level of the researcher (Creswell, 2003). It is instructive to note that selecting a research strategy is critical to lay out the research path (Denzin & Lincoln, 2000a). More so, the chosen research strategy must link the researcher to distinct strategies and techniques most appropriate for data gathering and interpretation

(Saunders et al., 2007). Similarly, a research strategy outlines the broad pathway to deriving concrete responses to the research question(s) posed.

A research strategy thus connotes the inquirer's philosophical alignment toward a quantitative or qualitative study, or a mixed strategy. (Bryman & Bell, 2011). The quantitative strategy engages the processes of quantifying, measuring, and analysing empirical data while qualitative strategy involves the descriptive report and experiences of the research actors. A research strategy may also be classified as quantitative, qualitative, or multi-methodology (Saunders et al., 2007). Researchers often combine both strategies in a single research piece to generate reliable results and sometimes for purposes of confirmation. This strategy is known as the mixed strategy. The mixed strategy is justified because the qualitative and quantitative strategies have strengths and weaknesses that combined creatively to play complementary roles (Denscombe, 2007; Denzin & Lincoln, 2011). The adopted strategy for a specific inquiry must proffer a pathway to the relevant techniques available for deployment to collect and analyse the data (Saunders et al., 2009; Creswell, 2014).

Further, an overarching necessity of a piece of research under the research design is the research methodology which stipulates the specific strategies, approaches, and systems that can be adopted in a research piece with respect to the collection of data, the analyses of the data collected and the communication of the research findings (Creswell, 2009). It is an essential part of all credible research activities. The normative call is that the selected strategies or methods must follow the scientific process to facilitate research replicability as depicted in Saunders et al., (2016) research onion. The review of the above discussed methods is presented below.

6.3.4. Qualitative strategy

The qualitative strategy is an investigation technique used for collecting varied data from media such as interviews, observations, individual opinions, and introspection,

amongst others, to elicit a broader discernment of a subject under investigation (Saunders et al., 2012). This strategy explores individuals' complex and extensive perceptions on events unique to their environment (Denzin & Lincoln, 2011). Similarly, Burns and Grove (2003:19) define qualitative strategy as "a subjective approach used to describe life experience and situation to give them meaning". Further, Denzin & Lincoln (2011) suggest that this approach is contingent on subject's knowledge and the distinctiveness of the subject of study. A significant advantage of the qualitative strategy is that it focuses on a unique environment to exact the contextual understanding of respondent's knowledge in elucidating their opinions on the subject of investigation (Christensen, 2008).

However, qualitative research has been criticised on the basis of its limited scale of application (Bryman 2004) as it concentrates on a few individuals in a specific area. Thus, the conduct of qualitative research on larger scales is limited and, therefore lacks the critical feature of generalisability of findings to multiple environments. Secondly, the strategy has been criticised for lacking standardised methods and procedures in the conduct of a research, thus rendering it very difficult for practice. Therefore, the researcher adopting the qualitative technique has to apply imaginative and ingenious techniques to the research strategy. Clearly, the strategy is difficult to be replicated (Bryman & Bell 2007).

Furthermore, the opponents of qualitative research argue that it is too suggestive and biased (Bryman & Bell 2007). The critics contend that qualitative research rests exclusively on the enquirer's disjointed experiences on relevant phenomenon (Bryman & Bell, 2007). They further argued that replication is limited due to the non-availability of standard procedures to be followed. The qualitative research has been flawed for being biased because the inquirer remains the major tool in the data collection process and, therefore, decides what to concentrate his attention on in the course of the observation.

6.3.5. Quantitative strategy

A quantitative strategy has been defined as a methodical inquiry involving the application of quantitative analysis that advances precise description of research variables (Muijs, 2011). This method aligns with the propositions of the natural sciences and premised on the positivists' assumptions of the social world (Adams et al., 2007). By extension, Saunders et al. (2009) pointed out that quantitative strategy explores human and social phenomena by testing and proving of theories with statistical variables to determine the truth or otherwise of the theory. This type of study adopts the positivist approach to research on the basis of scientific strategy and proposes that phenomena could be studied in a systematic and objective way (Polit & Beck, 2012; O'Dwyer & Bernauer, 2014). The proponents of quantitative methods assert that subjects respond to external stimuli in their surroundings through their conduct as a consequence of these stimuli (Creswell et al., 2007; Reid et al., 2007) based on the fundamental presumptions of quantitative methods to human beings. Against this backdrop, quantitative methods regard human behaviour as conclusive and predictable (Creswell et al., 2007; Reid et al., 2007).

Further, the prediction of trends and variations in social phenomena that stresses on variable analysis has been noted as the major goal of quantitative methods. Under this approach, quantifiable data is collected objectively to explain the causal relationships between concepts that can be generalised to the population (Curral & Inkpen, 2002). More so, quantitative research aims at corroborating a theory in contrast to developing one through the deployment of deductive reasoning philosophies. Similarly, quantitative methods emphasise on the generalisation that enhances theory building (Creswell et al., 2007). A key strength of the quantitative strategy is the generalisability of research results to a larger population (Punch, 2005). The implication of this narrative is that the findings of the study can be applied to the bigger society. Secondly, as this method uses standardised measuring tools, the results tend to be more objective, reliable, valid, thus facilitating the replicability of the studies (Creswell et al., 2007). Lastly, the quantitative strategy advances ample

explanatory statistics about the study phenomenon (Creswell et al., 2007; Reid et al., 2007).

6.3.6. Mixed strategy

The mixed strategy combines both the qualitative and quantitative methods in a sole study. It is also defined as a planned, scientifically meticulous research process that includes qualitative and quantitative key constituents that propel the theoretical agenda, with numeric and narrative complementary parts (Morse, 2003). The mixed strategy stems from the realisation that the two methods have benefits and defects that the researcher can integrate ingeniously to play a reciprocal role (Onwuegbuzie & Johnson, 2006; Denscombe, 2007; Denzin & Lincoln, 2011). This approach aims to illustrate and validate methods and results. Fielding (2012) opined that applying the mixed strategy facilitates the validity of the findings as a result of the integration of the various supplementary data in the study. Moreover, Abro, Khurdish and Aamir (2015) also note that a major strength in combining quantitative and qualitative research is that one strategy can make up for the drawbacks of another.

Further, the validity of the findings is assured as doubts associated with the interpretation of the results are significantly minimised by the multiple exclusive methodological approaches (Imran & Yusoff, 2015). This advantage is surmised by Guba and Lincoln (2005: 201) in a question, "is it possible to blend elements of one paradigm into another, so that one is engaging in research that represents the best of both worldviews? Three main strategies have been formulated to adopt the mixed strategy (Creswell, 2014). These are concurrent triangulation, explanatory sequential triangulation, and exploratory sequential triangulation strategies.

The concurrent triangulation deals with collecting the qualitative and quantitative data concurrently (Morgan, 2007; Creswell, 2014). This strategy aims at integrating observations from the analysed results. The explanatory sequential triangulation approach has to do with the methodical collection and analyses of quantitative data in

the first stage while the second stage involves the collection and analyses of qualitative data. Stage two ostensibly confirm the results of the quantitative study from stage one. A significant challenge of this type of triangulation is the uneven sample sizes deployed at each stage (Morse, 1991; Creswell, 2014). The sequential triangulation approach adopts the strategy of the collection and analyses of qualitative data at stage one, after which quantitative data is collected and analysed at stage two. Its major objective is to investigate a research phenomenon and afterwards test the model in order to generalise (Morse 1991; Morgan, 2007). Similarly, sample size differences at the various stages remain a major drawback of the strategy.

Indeed, the performance of SMEs can generally be better understood from a quantitative standpoint so far as cost-effectiveness, financial performance, productivity, and market size are concerned (Anggadwita & Mustafid, 2014). Therefore, the study has adopted the quantitative design to determine the impact of microcredit on the performance of small and micro enterprises in the Greater Accra Region of Ghana. This decision is to confirm the impact of microcredit on the performance of SMEs of similar studies in the extant literature that adopted the quantitative strategy. Some of these studies include Chowdhury et al. (2005); Mayoux (2005); Coleman (2006); Hermes and Lensink (2007); Kim et al. (2007). These studies were conducted with the use of quasi-experimental research, surveys, and experimental designs, all of which are quantitative oriented and employ cross-sectional or longitudinal data studies.

However, a major criticism of the quantitative methods, including econometric analysis in the study of most microfinance impacts, is that they failed to consider the context and dynamics of the microfinance programme (Besley & Coate, 1995; Armendáriz & Morduch, 2005). In attempts to cure this weakness, other studies adopted the qualitative strategy in the conduct of same studies (Goetz & Gupta, 1996; Schreiner & Woller, 2003; Zapalska et al., 2007; Kanak & Liguni, 2007). Regrettably, these studies have equally been criticised for tending to examine some segments of the programmes; thus, the results were inaccurate because of their inability to analyse

microfinance programmes comprehensive (Armendariz de Aghion & Gollier, 2000). Therefore, the quantitative method is most suitable as the study focuses on large numbers coupled with the fact that multiple statistical tools exist to facilitate the analyses of the data.

In order to have a balanced view of impact studies, a mixed strategy has been proffered by some researchers in addressing the research problem (Mahmood, 2013). This approach is preferred to the others because microfinance studies are largely focused on poverty reduction. Traditionally, the role of SMEs and poverty issues regarding the standard of living can be complex and multi-dimensional in nature. This opinion thus necessitates the adoption of a mixed method. However, the quantitative strategy is suitable in appreciating the complexities in connection with running SMEs in under-developed economies like the Greater Accra Region of Ghana. Therefore, the study employed the cross-sectional data because of limitations with time, and used the quantitative research approach to investigate the extent to which micro credit impacts SMEs' performance and borrower's household wellbeing in the Greater Accra Region Ghana.

Further, the quantitative approach is adopted to facilitate the testing of the proposed model that relates to the impact of microcredit on the performance of SMEs in line with the most acceptable standardised strategy for a deeper comprehension of how microcredit impacts the performance of SMEs administered by MCIs. Similarly, following the intricacies of microfinance studies, the quantitative approach is most suitable in extracting answers for the research questions posed in chapter one. The researcher anticipates that future qualitative studies could be crucial to confirm the quantitative data collected by adopting the qualitative study approach (Fielding, 2012).

The study's quantitative data was collected with self-administered questionnaire in December 2020 from 455 SMEs in the Greater Accra Region of Ghana. To engender a seamless and appropriate testing of the model developed to undergird this study,

the quantitative study was chosen. This position stems from the fact that there is an avalanche of literature from which the researcher developed the study's conceptual framework and hypotheses. The hypothesised assumption for this study, which necessitated the adoption of the quantitative strategy, is stated as “effective delivery of microcredit provided by MCIs to SMEs impacts their performance and borrower household wellbeing”. It is noteworthy that the study established the relationship between microcredit and the performance of SMEs in the areas mentioned above from the adoption of the quantitative method. The quantitative strategy was thus used to test the proposed model. The quantitative strategy was, therefore, justified as most suitable for this study.

Essentially, the quantitative strategy assisted tremendously in eliciting responses to the question, "what is the relationship between microcredit and SMEs' performance in terms of sales growth, profitability growth and employment generation? Secondly, the strategy adduced responses to the question "what is the relationship between microcredit and borrower's household wellbeing?" Simply put, the design adopted for this study is quantitative, which exclusively used the deductive approach through a survey. The main instrument employed to collect the data is the questionnaire. This data was subsequently analysed with quantitative data analysis techniques by the researcher.

6.4 THE RESEARCH PROCESS

6.4.1 The research problem

The research problem as well as its background were succinctly echoed in chapter one by the researcher. As a recap, the study determines the extent to which microcredit impacts SME performance and borrower's household wellbeing in the Greater Accra Region of Ghana. Following this problem statement, the main research question is capped as: *"to what extent does microcredit impact the performance of small and medium enterprises and borrower's household wellbeing in the Greater Accra Region of Ghana?" Alternatively, one may ask, what is the extent of the impact*

of microcredit on SME performance as well as borrower's household wellbeing in the Greater Accra Region of Ghana?

6.4.2 Research questions

In answering the main problem of the study, the following eight subsidiary research questions emerge.

1. How does microcredit (loan) amount impact the performance of SMEs and borrower's household wellbeing in the Greater Accra Region?
2. How does microcredit (loan) cost impact the performance of SMEs and borrower's household wellbeing in the Greater Accra Region?
3. How does microcredit (loan) flexibility of payment impact the performance of SMEs and borrower's household wellbeing in the Greater Accra Region?
4. How does microcredit (loan) accessibility impact the performance of SMEs and borrower's household wellbeing in the Greater Accra Region?
5. How does gender influence the loan amount of SMEs and borrower's household wellbeing in the Greater-Accra Region?
6. How does gender influence loan accessibility of SMEs and borrower's household wellbeing in the Greater Accra Region?
7. How does the age of business influence the loan cost of SMEs and borrower's household wellbeing in the Greater-Accra Region?
8. How does the level of education of the SME owner influence loan repayment flexibility of SMEs and borrower's household wellbeing in the Greater Accra Region?

6.4.3. Subsidiary research objectives

1. The impact of microcredit (loan) amount on the performance of SMEs and borrower's household wellbeing in the Greater-Accra Region.
2. The impact of microcredit (loan) cost on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region.

3. The impact of microcredit (loan) flexibility on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region.
4. The impact of microcredit (loan) accessibility on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region.
5. The influence of gender on loan accessibility of SMEs and borrower's household wellbeing in the Greater Accra Region.
6. The influence of age of business on loan cost of SMEs and borrower's household wellbeing in the Greater Accra Region.
7. The influence of level of education of SME owner on loan flexibility of SMEs and borrower's household wellbeing in the Greater Accra Region.
8. To develop, test and propose a framework in delivering microcredit to SMEs in the Greater Accra Region of Ghana.

6.4.4 Methodological process

6.4.4.1 *The research setting*

Greater Accra Region remains the smallest among the sixteen administrative regions in Ghana in terms of land area occupying 3,245 sq km with a total population of 4,010,054 (GSS, 2011). It is bordered by the Eastern Region to the north, Volta Region to the east, the Gulf of Guinea to the south and Central Region to the west. According to the 2010 population and housing census, the highest percentage of the urban population of 16.3% is domiciled in the Greater Accra Region. Further, the population and housing census suggests that about 31.6%, 14.8%, 9.0% and 5.2% of the people in the region are actively engaged in wholesale and retail trade, manufacturing industry, accommodation and food industry and agricultural sectors, respectively. More females (69.3%) are self-employed than males (30.7%).

A vital starting point in a research study is the familiarity of the inquirer with the study area. Further, the researcher's familiarity with the research area enables him to get a deeper appreciation of participants' perceptions (Berger, 2015). Further, a researcher

is deemed to be more confident and comfortable if he is familiar with the research area (Bryman, 2015). Again, researcher's knowledge of the area and professional experience gained was an incentive that has helped him to elicit a deeper appreciation of the data collected. With fourteen years of practical work expertise in his roles as a loan officer, head of operations, credit risk officer and chief executive officer in a predominantly SME financing landscape in the Greater Accra Region of Ghana, the researcher has observed, experienced, and was well-abreast with the challenges MFI owners, as well as SMEs, face to keep up with business sustainability. Similarly, the researcher is very familiar with the research location, having been resident in the Greater Accra Region for the last two decades.

Furthermore, this study was structured to assess the impact of microcredit on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region of Ghana, being one of the sixteen (16) regions of Ghana. Another reason justifying the selection of the Greater Accra Region is that recent surveys in Ghana suggest that although Accra represents the capital city of Ghana, the Greater Accra Region is among one of the poorest in Ghana. Data from the 2014 Ghana Living Standard Survey assert that nearly all the peripheral districts in the region have poverty levels above the national average of 24.2% (Adjasi & Osei, 2007). Shai Osudoku District, for instance, is highest in the incidence of poverty (55.1%), with Ningo Prampram District (31.2%) following correspondingly with poverty depth levels of 23.2% and 10.1%, respectively (GSS, 2014). The report further indicates that a sizeable number of the Districts in the Greater Accra Region rank among the bottom of the national poverty ranking.

It must be pointed out that regardless of the fact that this study is not connected with poverty implicitly, the issue of poverty alleviation has never been wholly detached from all microfinance projects (Boateng & Boateng, 2015; Agbola, Acupan & Mahmood, 2017). The high poverty levels in the region justifies the assertion that the major goal of delivering microcredit to SMEs is to lower their poverty levels through their businesses nonetheless. The selection of this region for the study is influenced by

poverty-related facet of MCIs activities. In a related vein, the potency of MCI programmes is highest in the Greater Accra Region of Ghana. A significant number of the largest MCIs in Ghana have their head offices and the largest branches in this region, delivering a bouquet of products to SMEs.

The availability and magnitude of MCIs programmes across the region justifies their declaration as the most attractive financial services providers to SMEs in the region, hence the best decision of the region as the choice of the study area. Lastly, the Greater Accra Region hosts many natural resources, such as the coast, and significant physical infrastructure, making the region the gateway to the mostly landlocked West African economies. As a result, various governmental and private entrepreneurial activities abound in the region, whose fallout is the proliferation of MCIs to bridge the finance gap between corporate and SMEs finance. For instance, several SMEs dominate the regional capital because the city hosts the biggest market centre and businesses in Ghana. These SMEs whose activities include trading, hospitality services, transport and distribution services, and the sale of building materials, are located in the Region. The region apparently offers the best opportunity to investigate the performance of these SMEs in relation to the microcredit advanced by MCIs. In view of the formidable justifications highlighted in the discussion, this study finds it very apt to determine the impact of microcredit on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region of Ghana.

6.4.4.2. The research population

A research population is described as the sum of the constituents from which data is collected for a study (Fowler, 2014). It also denotes the sum of all participants with same features that align with a study's conditions (Denzin, 2013). Polit and Hungler (1999) define a population as the aggregate objects, subjects or members that align to unique characteristics. Therefore, reflecting the backdrop of the above definitions, the study's population for the study includes all owners of small businesses classified under the SME sub-sector in the Greater Accra Region of Ghana. Therefore, the

study's total population is 2800 owners, who constitute all SME clients in the four municipalities selected from the ten municipalities in the Greater Accra Region at the time of this study. By extension, registered and non-registered SME owners from the SME sub-sector in the Greater Accra form the population of this study. The study deems this population suitable for this study; hence the researcher was fully convinced of their predisposition to provide the required data for the study. The Ghana Statistical Service noted that SMEs constitute 90.5% of businesses under the SME sector and contribute 62% of total employment in Ghana.

6.4.4.3 *The unit of analysis*

The unit of analysis is the specific elements chosen from a sample for a research study (Burns & Burns, 2009). Also, a unit of analysis refers to the specific constituents chosen from a study sample for purposes of research (Kumar, 2014). It constitutes the essential element from which data is obtained for an investigation. Therefore, it is very critical for researchers to identify subject eligibility to facilitate quality data collection (Yin, 2014). Adopting eligibility criteria enables researchers to choose knowledgeable and skillful subjects to help generate concrete data (Latiffi, Brahim & Fathi, 2016). Besides, the researcher must ensure that the subjects chosen are well vexed in the research topic (Sowman, Sunde, Raemaekers & Schultz, 2014). Therefore, the unit of analysis for this study are the SME owners with at least three years of uninterrupted micro and small businesses who have accessed microcredit, and located in the Greater Accra Region of Ghana. Various prerequisites of SMEs to access microcredit, including ease of obtaining microcredit, reasonable credit cost, loan sufficiency, and repayment flexibility of the microcredit were measured and analysed by the study. Similarly, other SME performance indicators such as sales, profitability and employment were assessed. In addition, dimensions of borrower household wellbeing were equally assessed and analysed.

6.4.5 Sampling criteria and selection

Sampling refers to the technique of selecting adequate number of subjects from a population for purposes of in-depth studying of the sample to fully comprehend the characteristics of the sample to enable the inquirer to generalise the features of the sample to the population (Polit & Hungler, 1999). The sampling criteria succinctly indicates the distinct features that the subjects in the population must have to be considered in the study (Denzin, 2013). Further, criterion sampling identifies specific criterion of importance, articulates these criteria, and orderly review cases that conform to the criterion. The need for conducting criterion sampling is to spot key structural defects for improvement. More fundamentally, the essence of the sampling criteria is to delineate population of interest to the research. To achieve the aims and objectives of the study and to be selected to participate in the study, an SME must satisfy the four criteria:

- i. Should be operating in the Greater Accra Region of Ghana.
- ii. Should be registered with an MFI and be a client who has accessed microcredit from the MFI for a minimum of two consecutive years.
- iii. Should be operating the business for at least two years.
- iv. Should be registered with the District/Municipal Assembly or the Registrars General's Department.

In pursuance of this study, the section below explains the sampling frame, sampling technique, sampling procedure and the sample size employed for this study.

6.4.5.1 Sampling frame

A sample frame is a subgroup of the entire population from which the researcher selects his sample size for a study (Kumar, 2014). Further, a sampling frame is a structure that forms the basis for sampling. It includes lists, demarcation devices, and materials that foster access to the population to be surveyed. It is essential to emphasise that choosing a sample for a study depends primarily on major factors. These include the study's population size, the features of the population, the cost

outlay, and the expected level of accuracy (Salant & Dillman, 1994). Further, a prerequisite for selecting a sample in a study is to delimit the population under investigation. An estimated 1.5 million businesses have registered with the Registrar General Department and Metropolitan/Municipal/District assemblies, out of which about 38 per cent are estimated to be SMEs.

Data suggests that about 18000 SMEs are in the Greater Accra Region and distributed amongst the ten sub-metropolitan Assemblies, with each sub-metro hosting at least 1800 SMEs. Four (4) Municipalities-Accra Metro (Central Business District/Circle); Okaikoi South (Kaneshie/Abbosey Okai); La Nkwantanag (Madina), and Okaikoi North (Abeka Lapaz), hosting large market centres in the Greater Accra Region constitute the population from which the researcher estimated the sample frame. Therefore, the sample frame was 18000 SMEs, out of which 455 surveys had been conducted in the four sub-metros by the researcher.

6.4.5.2 Sampling technique

The researcher employed the stratified sampling technique in selecting the sample of the study. The stratified sampling technique involves the process of categorising the target population into subgroups (strata), where the subjects selected randomly from every subgroup serve as a representative of the total population (Parsons, 2017). By extension, the stratified sampling procedure has to do with grouping the target population, thus the total SME borrowers of MCIs in Ghana into similar and distinct stratum of each MCI. With the Greater Accra region of Ghana being our primary focus, the study identified four strata (4 sub metros) from which the respondents were selected through the stratified random sampling technique (Lapko & Lapko, 2014). The four (4) Municipalities included are Asiedu Keteke, Okaikoi North, Ablekuma Central and La-Nkwantana from a total of 10 sub-metros in the Accra Metropolis. The constituents of these sub-metros include Central Business District, Kaneshie, Abosey Okai, Circle, and Madina, respectively. These municipalities were selected because

they constitute the main commercial hubs with a corresponding intensity of SMEs and MCIs activities in the Greater Accra Region. Based on the above criteria, all SME clients in the respective strata had to be separated into four categories conveniently as representatives of the strata created.

6.4.5.3 Sample size determination

A number representing a selected constituent from whom the researcher collects data for a study constitutes a sample frame. In essence, the sample size and the way it is selected have dire implications for the level of confidence of the data to be analysed and the extent to which the findings can be generalised (Corty & Corty, 2011; Saunders, Lewis & Thornhill, 2009; Kim & Seo, 2013). Regarding this study, a sample size for the SME clients was determined by applying De-Vaus (2002:32) formula developed for determining a sample size.

$$\text{Sample Size} = S = \frac{NN}{1+NN(aa)^2}$$

Where n = sample size, N = population, a = confidence interval. A confidence level of 0.05 (5%) has been selected for the study. The estimated population for each of the four municipalities is 632 at a confidence level of 0.05 (5%)

Table 6.2: Sample size determination for the study

Accra Central	Kaneshie/Abossey Okai	Madina	Abeka Lapaz
$S = \frac{703}{1+703(0.05)^2}$	$S = \frac{245}{1+245(0.05)^2}$	$S = \frac{171}{1+171(0.05)^2}$	$S = \frac{142}{1+142(0.05)^2}$
$S = \frac{703}{704(0.0025)}$	$S = \frac{245}{246(0.0025)}$	$S = \frac{171}{172(0.0025)}$	$S = \frac{142}{142(0.0025)}$
$S = \frac{703}{2.7575}$	$S = \frac{245}{1.6125}$	$S = \frac{171}{1.4275()}$	$S = \frac{142}{1.355}$
S=255	S=152	S=120	S=105

On the basis of the sample size determination formula (Table 6.2) above, 632 SMEs were derived to form the sample size for the data collected. Out of the 632 self-administered questionnaires in December 2020, a total of 455 were fully completed and collected, producing a significant rate of response of 72%. The reasonably high rate of response was recorded because of the concentration of the data collection in the selected markets in the Greater Accra Region, where most of the MCIs adopt primarily group lending methodology, which triggered referrals from group members. In addition, the researcher met some of the participants at group meetings for the survey.

6.4.5.4 Sampling procedure

The researcher generated random numbers for every stratum which promoted the chances for each SME to be selected. The SMEs were then selected in the sequence in which they emerged on the basis of the sample frame of every stratum. For example, in Accra Central, the first 255 from the 708 SMEs were picked to be engaged in the study. The study applied similar procedure for each sub-metro, until the total sample size of 632 SMEs were selected for engagement in the actual collection of the data. Further, the study adopted the stratified sampling technique as a result of the homogeneous character of the MCI clients coupled with the fact that the critical focal point of MCIs engagements in the Greater Accra Region of Ghana is trading. In essence, a crucial advantage of the stratified random sampling technique is that it promotes clarity, efficiency and superior inclusion of the research population (Lapko & Lapko, 2014).

Moreover, the simple random sampling method adopted is justified based on its capacity to select more and significant participants from a larger unit of population coupled with the commonalities associated with the SME sub-sector. Businesses targeted included mini caterers, hairdressers, street hawkers, lotto kiosk operators, licensed drug stores, mobile phone shops, printing and photocopying shops, stationery shops, computer shops, internet cafes, second-hand clothing shops, mini

grocery shops, artisans, electrical gadgets shops, and mobile money operators amongst others in the study area.

6.5 DESIGNING RESEARCH TOOLS

In the study's attempt to explore the relationship between the variables selected, it is crucial to fashion a strategy to facilitate the answering of the research questions posed in chapter one and five. In creating the study's design, key decisions had to be taken to ensure that the methodology, aim and type of analysis adopted are in sync. The elements of the design are discussed briefly below.

6.5.1 Sources and type of data

Data collection sources have been categorised into primary and secondary data (Kuada, 2012). Primary data lends themselves to investigating new research problems. Saunders et al. (2007) observed that primary sources constitute the events from which the actual data for a study are generated. Therefore, the study's data was obtained from the 455 SMEs in the Greater Accra Region through questionnaires that were self-administered by field officers.

6.5.2 Research instruments

Data collection represents an indispensable activity in all research processes. However, any flaw in the data collection process invariably generates invalid conclusions. The research instrument relates to mechanisms and tools deployed in collecting primary data for a study. In essence, these instruments are developed to test opinions, knowledge, and expertise in an inquiry (Fowler, 2014). Therefore, appropriate data collection instruments are critical to generating reliable findings. In view of this, the study deployed the questionnaire exclusively in collecting the data.

6.5.2.1 The survey questionnaire

A questionnaire refers to a number of questions administered to seek information from respondents by the researcher to promote the independence and objectivity of an empirical analysis (Polit & Beck, 2012). Also, a questionnaire is a tool for collecting data from respondents through the administration of a set of questions in a paper form or digitally. Questionnaires are noted to be a major instrument for collecting data (Yin, 2009; Rowley, 2014). The absolute reasoning for using the questionnaire is that it helps to collect relevant data from many respondents in the sampled locations. Secondly, they ensure that quality and acceptable data is collected from similar questions instead of face-to-face engagements. It is cost-effective as well.

In view of the above justification, the questionnaire was used to seek the opinions of SME loan beneficiaries on the impact of microcredit on SME performance and borrower's household wellbeing in the Greater Accra Region of Ghana. The questionnaire was designed cognisance of the main research objectives. A set of questionnaires was designed for the selected loan beneficiaries. These questionnaires composed of mainly closed-ended questions. It was segregated into three major parts. Section 'A' represented the personal data of the participants, while section 'B' explored the degree of the loan amount, availability, cost, and flexibility of access to microcredit. Lastly, section 'C' explored the extent to which microcredit impacts their SME business performance regarding sales growth, profitability growth, and employment expansion. Further, the impact of micro credit on the general borrowers' household wellbeing was also included in section 'C'.

The 5 Linkert Scale was employed to measure the respondents' views on the impact of microcredit on SME performance: Insights from the Greater Accra Region of Ghana. The 5-Linkert Scale used the indicators 1=Strongly Disagree, 2=Slightly Disagree, 3=Not Sure, 4=Slightly Agree and 5=Strongly Agree. The open-ended questions afforded the subjects the chance to express their own views and choice of words. Further, it facilitates the search for various views that the researcher may not have anticipated to capture through close-ended questions. Nonetheless, the close-ended

items enabled the participants to select from a number of multiple responses hinged on a Likert scale between 1 (strongly disagree), and 5 (strongly agree) that allowed subjects to indicate their opinions on the impact of microcredit on the performance their individual SMEs.

6.5.2.2 Survey questionnaire items

The questionnaire items employed to measure the micro credit and P constructs are presented in Tables 6.3 and 6.4.

Table 6.3: Questionnaire items for microcredit

SN	Questionnaire Item
1	Loan amount (LOAM) (Kwakyi, 2012; Bauchet & Morduch, 2013; Gohar & Batool, 2015; Ijaza et al., 2014; Donou-Adonsoua & Sylwester, 2016; Rahman et al, 16a). The loan amounts I have acquired have not been sufficient for my business (13a) Satisfied with the loan amounts granted to my business (13b) The loan amounts granted were less than the amounts applied for (13c) The loan amount granted was more than I requested for my business (13d) Loan amounts acquired were not based on the total cost/size of my business stocks (13e)
2	Loan cost (LOCOST) (Ghosh & Tassel, 2013 Deb & Suri, 2013; Wanambisi & Bwisa, 2013, Taiwo et al., 2016; Subeyr & Muturi, 2017, Pueyo & DeMartino 2018) The interest charged on the loan is affordable for me (14a) Processing fees charged are bearable to me (14b) Loan deposit required is affordable to me (14c) Loan physical collateral required is affordable to me (14d) Costs incurred on loan processing are reasonable to me (14e)
3	The flexibility of loan repayment method: (LOFLEX) (Naude & Chiweshe, 2017, Adjei & Owusu, 2013, Adoyo, 2013) I have always enjoyed grace periods before I start repayment (15.) The loan repayment schedule is very flexible to me (15b) The loan repayment amount is affordable to me (15c) The loan duration is convenient for my business needs (15d) Loan repayment locations are accessible at reasonable cost to me (15e)

4	Loan accessibility (LOACC): (Godlewski & Weill, 2011; Stucki, 2014; Haag & Henschel, 2016; Omondi & Jagongo, 2018). Adequate information on available lending MFIs and their location (16a) Application processes were flexible to me (16.b) Documentation over the past three (3) years were easily accessible for me (16c) Open channels of communication existed at every stage of loan processing (16d) Loan applications made to your MFI were timely approved (16e)
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Table 6.4: Questionnaire items for SME performance (P)

Questionnaire item						
SME performance (P) (Asiedu et al, 2013; , Frimpong & Ngerenomo 2014 Adomako et al, 2015; Rahman, Khanam, & Nghiem, 2017; Kumar, 2017; Lorenz & Pommet, 2017; Quraisy, Hamzah & Razak, 2017)						
Sales (19)	2015	2016	2017	2018	2019	2020
Profitability (20):	2015	2016	2017	2018	2019	2020
Employment (21)	2015	2016	2017	2018	2019	2020
Owner Wellbeing (22):						
22.a. Access to Microcredit and three balanced square meals a day affordability						
Access to microcredit and decent clothing affordability (22b).						
Access to microcredit and water and decent sanitation facility (toilet) affordability (22c).						
Access to microcredit and decent and adequate shelter affordability (22d).						
Access to microcredit and health care affordability (22e)						
Access to microcredit and payment of school fees at the Basic level affordability (22f)						
Access to microcredit and reduction on dependence on spouse (husband/wife) (22g)						
Access to microcredit and acquisition and consumption of basic household chattels (22h).						
Access to microcredit and active contribution towards social events (22i)						

6.6. DATA COLLECTION PROCEDURE

In collecting the data for this study, the Greater Accra Region was delineated into four sub-metros on the basis of operational zones of the SMEs chosen for the study. Accordingly, six data collection and two entry clerks were recruited and trained intensively for two days on data collection processes for deployment in the formation of 2-2-2 (i.e., two assistants) to one sub-metro for the data collection. Earlier, letters

of

introduction from the Central University of Technology were dispatched to the CEOs of selected MCIs located in the Greater Accra Region to facilitate access to their clients. This step unarguably contributed immensely to the response rate. The MCIs detailed their staff to help the researcher and his team to contact the managers of the SMEs on their daily routines. The team visited the clients individually. However, a few of the SME clients were met at the respondent's group meetings where the questionnaire were administered. A greater part of the questionnaires was completed immediately. The team had to revisit respondents who were too busy to fully complete their questionnaire and those respondents who could not fill the questionnaires immediately were allotted eight days to complete the questionnaire which were subsequently picked by the research team.

6.6.1 Pilot Study

Establishing reliability is essential because it facilitates consistency across the parts of assessment tools (Huck, 2007). The commonest applied internal consistency measure is the Cronbach Alpha coefficient. This tool employs scales in its measurement. A scale has high internal consistency reliability when the questions of a scale "hang together" and measure the same construct (Huck, 2007, Robinson, 2009). Therefore, the Cronbach Alpha coefficient is observed as best assessment of reliability when using Likert scales (Robinson, 2009).

The study ran a pilot study using 35 SMEs who were excluded from the original SMEs chosen for this study two months before the researcher collected the main data. Brink et al. (2012) describe a pilot study as a prototype of a key research which primarily pre-tests the study questionnaire to elicit essential data for fine-tuning the feasibility of the study. In the process of conducting the pilot study, words, clauses, and phrases identified as ambiguous by the survey were subsequently amended by the researcher before the original study commenced. The pilot study undeniably shaped the fluidity of the main questionnaire.

Further, the pilot study measured the internal consistency of the questionnaire. Therefore, the study assessed the findings of the pilot study for purposes of internal consistency with Cronbach's alpha in SPSS. The pilot study suggests that a significant number of the constructs were below the Cronbach's $\alpha > 0.7$ levels, although some were above the 0.65 thresholds, which is considered reasonable. However, constructs with very low reliability were restructured while the researcher in the main questionnaire introduced additional items.

6.7 DATA ANALYSIS METHOD

An objective data analysis exercise places a huge responsibility on inquirers to evaluate data to facilitate rational conclusions (Yin, 2014). Data analysis involves a critical observation of the composition of the information collected to select, organise, and process data for use (Derobertmeasure & Robertson, 2014; Guo & Guo, 2016). According to Elo, Kääriäinen, Kanste, Pölkki, Utriainen and Kyngäs (2014), data analysis relates to producing, organising, and communicating information obtained from research findings. Also, data analysis refers to summarising, categorising, and arranging data in an orderly manner to engender comprehension (Burns & Grove, 2007). Yin (2009) proposes four techniques for data analysis. These include:

- i. reliance on theoretical propositions
- ii. case description development
- iii. application of qualitative and quantitative data
- iv. assessing alternate conclusions.

Descriptive statistics, inferential and regression analysis were tools used to analyse the data collected in consonance with the research objective. The Statistical Package for Social Science (SPSS) statistical software is most preferred statistical package when the objective of the research is comparative analysis. In essence, this software package can execute both parametric and non-parametric comparison analyses and further allows for checking the tests' propositions such as the normality test and

outliers test. Moreover, this statistical package permits the conduct of frequency analysis. The above compelling benefits justified the adoption of the SPSS software.

The study used the SPSS version 27 in processing the data. The results obtained were organised and presented visually using tables and graphs to comprehend the analysed data better. The SPSS software thus facilitated the recognition of the critical correlations and variations in the data (Antonius, 2003). To assess the relationships between microcredit, which was designated as the independent variable and SME performance (sales, profitability and employment), and borrower's household wellbeing, which were equally selected for dependent variables, the multiple linear regression was deployed by the study in analysing the data. Based on the fact that the study is considered to conform to the assumptions of the multiple linear regression model, the study opted for it. The study controlled for gender, manager's level of education and business age, and deployed the Pearson's correlation coefficient to identify the association between the microcredit variables (loan amount, cost of loan, loan repayment flexibility, and accessibility of the loan), and SME performance (sales growth, profitability growth and employment growth) variables as well as the borrower's household wellbeing variable.

6.7.1 Regression analysis

The study deployed multiple linear regression in testing the itemised hypothesis advanced in chapter 5. This model was employed as the study is predicated on the assumption that the seven prerequisites of a standard linear regression model have been met. According to Poole and O'Farrell (1971) and Berry (1993), the seven assumptions as stated below may apply if a multiple linear regression is denoted as: $Y = a + \sum_{i=1}^k b_i X_i + u$. Where Y denotes the dependent variable; $X_1, X_2 \dots X_i \dots X_k$ are k independent variables; ' a ' and ' b_i ' represents the coefficients of the regression, the specification of the model concerning a definite population; while u represents the error term which could arise as a result of the influence of an unknown variable of predictor (s) or just a typically random component in the relationship:

- Value 'Xi' and of 'Y' must be observed accurately in the measurement independently.
- A linear form relationship should exist between 'Y' and each of the predictor variables.
- u as a zero mean should be distributed conditionally.
- A homoscedasticity assumption should be present such that the conditional distribution of u should be constant.
- Serial independence of the values of 'u' of each other with an expected covariance of zero.
- Linear independence of each of the independent variables.
- Normal distribution of the error term and normal distribution of the dependent variable 'Y'.

6.7.2 Justification for employing multiple regression

The conceptual model supporting the study demands a robust statistical measuring tool to measure the relationships between the various variables. Therefore, multiple regression has been deployed to analyse the variables because it is considered as one of the most suitable methods for assessing varied independent variables in the model proposed by the study (Liebscher, 2012). Further, multiple regression analysis promotes the assessment of the impact of several independent variables on the dependent variable (Pallant, 2015). The adoption of microcredit variables and the control variables (CV) (owner and firm characteristics) explains the employment of multiple regression analysis in testing the correlation. It is worthy of note that there is a high level of possibility in predicting a future impact of the independent variable on the dependent variables once the association between the two variables is spotted from the multiple regression analysis.

6.7.3 Model specification

This study developed six (6) different regression models (equations) from the conceptual model. The impact of SME features (gender, manager's level of education, and age of business) on SME performance (sales, profitability and employment) as well as borrower's household wellbeing were evaluated by the first three models while the effect of microcredit on SME performance and borrower's household wellbeing were measured by models 4 to 6. Table 6.5 below depicts these equations.

Table 6.5: Model specification for dependent variables

No.	Regression equations	Item measured
1	$SALES = \alpha + \beta_1 GEN + \beta_2 EDU + \beta_3 AGE + \varepsilon$	Sales growth*
2	$PROFIT = \alpha + \beta_1 GEN + \beta_2 EDU + \beta_3 AGE + \varepsilon$	Profitability growth*
3	$EMP = \alpha + \beta_1 GEN + \beta_2 EDU + \beta_3 AGE + \varepsilon$	Employment growth*
4	$WELB = \alpha + \beta_1 GEN + \beta_2 EDU + \beta_3 AGE + \varepsilon$	Borrower's household wellbeing growth*
5	$SALES = \alpha + \beta_1 GEN + \beta_2 EDU + \beta_3 AGE + \beta_4 LOAM + \beta_5 LOCOS + \beta_6 LOFLEX + \beta_7 LOACC + \varepsilon$	Sales growth*
6	$PROFIT = \alpha + \beta_1 GEN + \beta_2 EDU + \beta_3 AGE + \beta_4 LOAM + \beta_5 LOCOS + \beta_6 LOFLEX + \beta_7 LOACC + \varepsilon$	Profitability growth*
7	$EMP = \alpha + \beta_1 GEN + \beta_2 EDU + \beta_3 AGE + \beta_4 LOAM + \beta_5 LOCOS + \beta_6 LOFLEX + \beta_7 LOACC + \varepsilon$	Employment growth*
8	$WELB = \alpha + \beta_1 GEN + \beta_2 EDU + \beta_3 AGE + \beta_4 LOAM + \beta_5 LOCOS + \beta_6 LOFLEX + \beta_7 LOACC + \varepsilon$	Borrower's household wellbeing growth*

1. *Sales is generated by the constant term (α) in addition to gender, education and age of SME and the error term (ϵ)
2. *Profitability is generated by the constant term (α) in addition to gender, education, and age of SME and the error term (ϵ)
3. *Employment is generated by the constant term (α) in addition to gender, education and age of SME and the error term (ϵ)
4. *Borrower's household wellbeing is generated by the constant term (α) in addition to gender, education and age of SME and the error term (ϵ)
5. *Sales is generated by the constant term (α) in addition to gender, education and age of SME, loan amount, loan cost, loan flexibility, loan accessibility, and the error term (ϵ).
6. *Profitability is generated by the constant term (α) in addition to gender, education and age of SME, loan amount, loan cost, loan flexibility, loan accessibility, and the error term (ϵ).
7. *Employment is generated by the constant term (α) in addition to gender, education and age of SME, loan amount, loan cost, loan flexibility, loan accessibility, and the error term (ϵ).
8. *Borrower's household wellbeing is generated by the constant term (α) in addition to gender, education and age of SME, loan amount, loan cost, loan flexibility, loan accessibility and the error term (ϵ).

Table 6.6: Explanation of model symbols

	Symbol	Explanation
1	SALES	Sales growth
2	PROFIT	Profitability growth
3	EMP	Employment growth
4	WELLB	Borrower's household wellbeing growth
5	α	Constant term
6	β_1 to β_4	Regression coefficients
7	GEN	Gender
8	EDUC	Owner/Manager's level of education
9	AGE	Age of business
10	LOAM	Loan amount
11	LOCOS	Loan cost
12	LOFLEX	Loan flexibility
13	LOACC	Loan accessibility

6.7.4 Reliability and validity

The credibility of the findings of a research study are heavily dependent on reliability and validity (Anney, 2014). The two most crucial standards in ensuring a research study's rigour are reliability and validity (Gheondea-Eladi, 2014). Patton (2012) argues that two main elements that a study should take cognisance of in the design, result analyses and measuring the quality of data are reliability and validity. Research design validity is essential in conducting any standard research work (Creswell, 2009, 2014). The reliability and validity of a study relates to trustability, integrity, assignability, and conformability strategies (Cronin, 2014; Yin, 2014). More so, the authentication of a study's rigour, integrity of the research results is by reliability and validity measurement (Anney, 2014; Gheondea-Eladi, 2014). The process adopted by the study to measure and establish the reliability and validity as advocated by Yin (2014) is discussed below.

6.7.4.1 Reliability measurement of microcredit constructs

Researchers achieve dependability from audit trail of instinctive and functional memos (Shirazian et al., 2015; Kihn & Ihantola, 2015). Dependability refers to the process of corroborating study results to guarantee the regularity of the study, and to engender replication (Battisti, Dodaro & Franco, 2014; Webster et al., 2016). Polit (2014) notes that researchers strive for dependability to minimise mistakes in their study. Pursuant to realising validity in a study, it is equally fundamental for the researcher to attain prior reliability (Menold, Bluemke & Hubley, 2018). As indicated by Lincoln and Guba (1994), the validity of a study cannot be attained without reliability. Therefore, testing for reliability is an essential feature in any research process. Reliability on the other hand relates to ensuring stability across the components of an assessment tool (Huck, 2007).

Similarly, it is vital to note that replicability is a critical element of any research piece. Constructs constitute the essential ingredients of the research which are replicated to confirm the findings of earlier research work. Therefore, the ability to replicate the design of a research to arrive at the same results is termed as construct reliability.

(Blumberg et al., 2008). In testing the internal consistency of constructs developed in a research study, the statistical reliability analysis is typically adopted (Kanyongo & Schreiber, 2009). The Cronbach Alpha Coefficient, observed to be the most accurate assessor of reliability when using Likert Scales is most often adopted as internal consistency measure (Robinson, 2009). In line with Robinson (2009), the study, therefore, executed a reliability test on the microcredit constructs by deploying the Cronbach's ' α ' to test the variables' reliability and internal consistency (Mcneish, 2018) using SPSS version 27. Results procured suggest that three out of the four microcredit constructs had Cronbach's Alpha that is greater than 0.70, which is an indication of higher reliability (Hair et al., 2011).

6.7.4.2 Validity measurement of micro credit constructs

The guarantee of data accuracy improves the study's validity (Gonzalez, Rowson & Yoxall, 2015; Shekhar et al., 2014). Elo et al. (2014) and Yin (2014) postulated that researchers secure validity of the study by certifying that the study results are uniform and flawless.. One of the crucial prerequisites in an ideal research programme is validity (Creswell, 2014). Blumberg et al. (2008) contend that validity is a research strategy's ability to assess what it is expected to evaluate precisely. As noted by Yin (2009), four primary tests assess the standard of a research design, namely, construct validity, internal validity, external validity, and reliability. First, construct validity has to do with the selection of accurate measuring criteria for the proposition being studied. Second, internal validity spells out the causality of relationships, while external validity ideally selects the study's specific area of a research project.

In line with Yin (2014), the study achieved validity by content and construct validities. Under content validity, frantic efforts were made by the researcher to certify that the research tools deployed for the data collection captured all the distinct variables of the study being assessed. In view of this, the study designed the questionnaire in cognisance with the set objectives after a rigorous review of related literature. Furtherance to this, the questionnaire was pre-tested with 35 SME participants to

determine their propriety. Table 6.7 illustrates the outline of the reliability test for microcredit below.

Table 6.7: Summary of reliability test for micro credit constructs

Factors	Cronbach Alpha	Cronbach Alpha Based on Standardised items	No. of Items	Cronbach Alpha if item is deleted
Loan Amount	0.962	1.125	5	
Items	1. Insufficient loan amount			-.998
	2. Satisfied with loan amount			.353
	3. Loan amount less than applied for			-.224
	4. Loan amount more than applied			-.508 ^a
	5. Loan amount not based on cost of business			-2.635 ^a
Loan Cost	-0.814	-0.821	6	
Items	1. Interest charged is affordable to me			0.812
	2. Processing Fees charged are affordable to me			0.795
	3. Loan deposit affordable for me			0.74
	4. Loan physical collateral affordable to me			0.827
	5. Reasonable loan processing fees			0.778
	6. Cost of loan repayment affordable to me			0.751
Loan Flexibility	0.813	0.812	5	
Items	1. I always enjoy grace period			0.861
	2. Loan repayment schedule is flexible			0.736
	3. Loan repayment amount affordable			0.737
	4. Loan repayment duration convenient			0.719
	5. Loan repayment location accessible at reasonable cost			0.801
Loan Accessibility	0.727	0.736	5	

Items	1. Have adequate information on available MFIs			0.691
	2. Flexible loan application processing			0.687
	3. Accessible loan application documentation			0.656
	4. Open channels of communication on loan processing			0.65
	5. Timely approval of loans			0.716

6.7.4.3 Exploratory factor analysis

In line with the views of Lloret, Ferreres, Hernandez and Tomas (2017), the study executed a factor analysis to measure the factorial component of each construct. The standard proposition is that factors whose loadings are low (< 0.50 for new models, < 0.60 for existing models) must be discarded first for data to be recalculated until a value of 0.7 and above that is accepted to be higher is derived (Izquierdo, Olea & Abad, 2014; Kim et al., 2016). The exploratory factor analysis for the microcredit constructs is discussed below. In the process of evaluating the components of microcredit, the study executed a principal component analysis with varimax rotation. Six (6) factors were examined out of which three (3) factors with Eigenvalues greater than 1.000 emerged and thus, conforms to the proposed constructs denoting loan amount, loan cost, loan repayment flexibility, loan accessibility, loan usage and loan constraints (Kaiser-Meyer-Olkin statistic: Bartlett Test of Sphericity: $\chi^2 = \text{df} =$, $p = 0.000$). These six factors generated a sum of 69.985 per cent of the variance. LOCOST topped as the most significant factor with an Eigenvalue of 9.196, representing 42.744% of the variance in microcredit, and LOAM is the least significant factor with an Eigenvalue of 0.27 and depicting 1.255% of the variance in microcredit.

Constructs are assumed loaded perfectly by achieving a loading of 0.200 or above on a factor and observing the variance between the main loading and other cross-loadings of 0.300. The results suggest that a correlation existed among the construct variables, thus achieving construct validity. The Bartlett Sphericity Test from the results pointed out that significant correlations existed ($\text{sig} = 0.000$; $\text{df} > 0.7$) between

the entire variables (Burns & Burns, 2008). Further, the study generated Kaizer-Meyer-Olkin (KMO) values that are greater than 0.6 from the factor analyses which surpassed the standardised least value of 0.50 (Hair et al., 2011). More so, the PCA integrated for inspection in the scree plot equally indicates the number of factors to be included in the analysis. It is noteworthy that the study used items exclusively with significant loadings in the regression analysis to test the study's hypotheses. In line with the above discussion, Tables 6.8 and 6.9 below depict the items of the microcredit construct, their loadings, and cross-loadings for each item on the factors coupled with the explained total.

Table 6.8: Rotated component matrix

	Component					
	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
Costs incurred on loan processing are reasonable	.838					
Bearable processing fees	.828	-.143	-.179			
Affordable loan repayment amount	.806	.289				
Affordable cost on loan repayment	.771	.267				
Affordable loan deposit	.769	.334				
Flexible application processes	.762		-.288			
Open channels of communication on processing	.727				-.105	
Accessible loan repayment locations	.707	.112	-.222		-.144	
Convenient loan duration for business needs	.680	.434		-.143		
Adequate information on lending MFIs and locations	.636					.296
Flexible loan repayment schedule	.599	.503		-.122		
Loan acquired used to pay employee salaries	.580	-.447		-.128		-.161
Satisfied with loan amount over past three years		.862		.103		

Insufficient loan amount over past three years		-.837		-.130		
Affordable interest charges over past three years	.253	.780				
Affordable physical loan collaterals	.169	.754	.200			
Insufficient loan amounts granted past three years	.108	-.739	-.306	-.221		
Number of times loans approved over past three years	.273	.717				
Grace periods enjoyed over past three years		.642	.167	.399		
Accessible loan documentation over past three years	.431	.468				
Had book keeping constraints to access loans		.109	.904			-.101
Collateral constraints to access microcredit	.101	-.122	.902			
Credit history constraints to access microcredit		.156	.862			
Information constraints on credit availability			.757	.236		
Bureaucratic loan processing constrains	-.310	.236	.728			
Competition constraints to loan access	-.176	.250	.715			
High interest rate constraints to loan access	.104	-.270	.691		-.125	.171
Deficit entrepreneurial skills constraints to loan access	-.378	.450	.659	.135	.105	
Deficit business experience constraints loan access	-.491	.502	.586	.126		
Loan amounts approved not based on total operating cost of business			-.160	-.645		-.351
Amount approved more that requested		.390	.202	.567		
Approved loan invested in business rent	.294	-.271	-.123	-.441	.113	.189
Approved loan invested in fixed assets			.117	.277	.789	-.265
Approved loan invested in business stock	.110		.111	.257	-.750	-.315
Approved loan invested in paying business debts		.110				.836
Eigenvalues	9.196	5.536	6.323	0.27	-0.75	0.299

% of Variance Explained	42.744	25.746	29.406	1.255	-0.54	1.390
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.917					
Bartlett's Test of Sphericity						
Approx. Chi-Square	11394.285					
df	595					
Sig	0.00					

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 21 iterations.

Table 6.9: Factor extraction for microcredit

	Total variance explained								
	Initial Eigenvalues Loadings			Extraction Sums of Squared			Rotation of Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative	Total	% of Variance	Cumulative	Total	% of Variance	Cumulative
1	8.209	23.454	23.454	8.209	23.454	23.454	7.428	21.223	21.223
2	7.758	22.165	45.619	7.758	22.165	45.619	6.218	17.767	38.99
3	3.777	10.792	56.411	3.777	10.792	56.411	5.724	16.353	55.343
4	1.309	3.741	60.152	1.309	3.741	60.152	1.525	4.356	59.7
5	1.258	3.594	63.746	1.258	3.594	63.746	1.311	3.747	63.446
6	1.109	3.17	66.916	1.109	3.17	66.916	1.215	3.47	66.916
7	0.916	2.618	69.534						
8	0.848	2.421	71.956						
9	0.823	2.351	74.307						
10	0.743	2.124	76.431						
11	0.666	1.904	78.335						
12	0.592	1.692	80.027						
13	0.568	1.623	81.65						
14	0.521	1.489	83.14						
15	0.518	1.48	84.62						
16	0.478	1.366	85.985						
17	0.443	1.267	87.252						
18	0.423	1.208	88.46						
19	0.391	1.117	89.577						

20	0.36	1.027	90.604							
21	0.352	1.005	91.608							
22	0.323	0.923	92.531							
23	0.312	0.892	93.423							
24	0.297	0.849	94.272							
25	0.285	0.814	95.086							
26	0.256	0.732	95.818							
27	0.237	0.679	96.497							
28	0.222	0.634	97.131							
29	0.203	0.581	97.712							
30	0.169	0.484	98.196							
31	0.162	0.463	98.659							
32	0.15	0.428	99.087							
33	0.127	0.362	99.45							
34	0.112	0.319	99.769							
35	0.081	0.231	100							

Extraction Method: Principal Component Analysis.

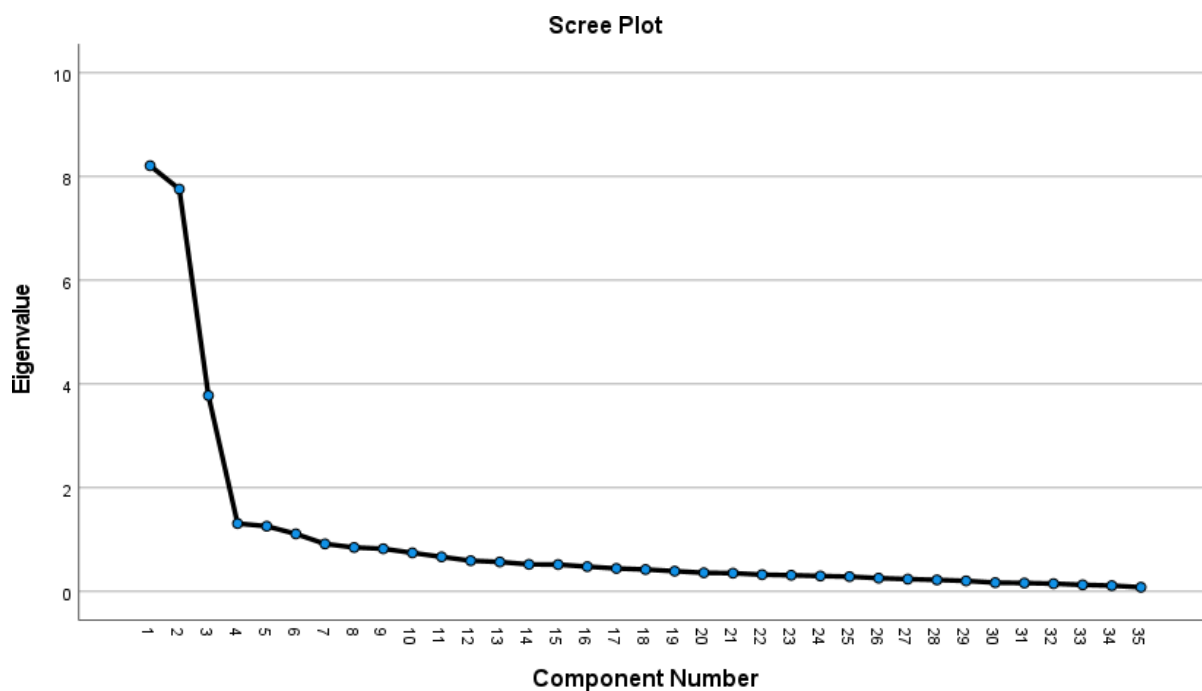


Figure 6.2: Scree plot of micro credit factors

6.8 RESEARCH ETHICS

Research ethics establishes the acceptability of the researcher's conduct relating to the rights of participants and others affected by the research (Saunders et al., 2007). Therefore, in upholding and maintaining ethical considerations in this study, the following attributes were exhibited.

Free from harm: Gray (2007) suggests that in undertaking a survey, one of the key principal ethical considerations should be the protection of participants from harm or damage in any way by the research. In essence, the study should be devoid of any physical or psychological harm. As such, the respondents should be allowed to participate in the study at their own volition, convenience and safety. In view of this, the items were designed in simple words to facilitate comprehension. At the same time, the respondents were given the opportunity to make their opinions without the researcher's inhibition.

Consent to participate: As noted by Gray (2007), an essential ethical consideration in the conduct of a survey is informed consent. To ensure that the research strictly follows the acceptable ethics of a study, participant's consents were sought in writing, thus to assure them of the privacy of the data they provided. Again, the right of the research participants to exclude themselves from the study were also granted.

Confidentiality: According to Saunders et al. (2007), participants' confidentiality and anonymity preclude divulging information provided by respondents to third parties. The researcher assured the participants that the information he procured for this study would be treated with utmost confidentiality. Further, the participants were assured that their information would not be used for any financial benefit. Indeed, accessing data from SMEs is laborious because owners/managers are more often than not unwilling to provide such information due to competition and taxation challenges. In maintaining confidentiality and anonymity, apart from individual information such as age, level of education, marital status and gender, the researcher avoided details that would disclose their identity.

Academic credibility: The study made the necessary acknowledgements in referencing where the researcher used other researchers' views, materials, theories and knowledge. Aligned with Denscombe (2007), ethical issues relating to seeking consent in collecting sensitive information, maintaining confidentiality and anonymity, refrain from bias, restriction from incorrect reporting, deploying standardised research method, and the correct usage of the research data were strictly adhered to within the course of this study and will be upheld in perpetuity. The research was conducted with the highest form of ethical considerations and standards. Further, the researcher undertakes to not disclose respondent's identities in academic exercise such as journal publication.

6.9 CHAPTER SUMMARY

The chapter discussed the methodology employed in collecting data for the study in general. Specifically, the study established the research philosophy, research design, the research process, and the design of research tools. Also discussed in the chapter were data collection procedures, data analysis, and method as well as research ethics. Having articulated the significance of the methods and the design employed in the conduct of this research, the next chapter will focus on presenting and discussing the research findings methodically.

CHAPTER SEVEN: FINDINGS AND DISCUSSION

7.1 INTRODUCTION

The previous chapter highlighted the research philosophies, research design, the research process and the methodology. It further discussed the findings of the factor analysis and reliability tests ran on the microcredit constructs. More so, the hypotheses that were tested were also detailed. This present chapter throws the spotlight on the presentation and discussion of the regression results based on the proposed conceptual model. This chapter's primary goal is to comprehensively elucidate on the effect of microcredit on SMEs' performance and borrower's household wellbeing. Precisely, the chapter endeavours to highlight results on the extent to which microcredit impacts SME performance in three critical growth areas, namely, sales, profitability and employment, as well as borrower's household wellbeing.

7.2 DEMOGRAPHIC PROFILE

7.2.1 Gender distribution

Table 7.1 below demonstrates that females constitute the majority of the SMEs assessed in this study. Among the 455 participants, 244 constituting 53.6% were females while 211 representing 46.4% were males. The findings concurs with the conclusion of Aggarwal et al. (2015) who posited that the concentration of MCIs on female owners is largely ascribed to the credibility of female borrowers and their social impact. D'espallier et al. (2011) corroborated the earlier finding that 73% of microfinance borrowers are women. Similarly, Chowdhury and Chowdhury (2011) noted that women dominate the SME sector. This development creates avenues for employment and subsequent improvement in the borrower's household wellbeing as they become more empowered (Addai, 2017).

Table 7.1: Gender distribution

Frequency	Valid percent	Cumulative percent	
Male	211	46.4	46.4
Female	244	53.6	100
Total	455	100	

Microfinance thrives with women than men especially in a developing country context where many women are more marginalised (Mahmood et al., 2014). More so, microcredit facilitates women empowerment globally (Rahman, Khanam & Nghiem, 2017) through employment generation for themselves to improve their wellbeing, and reduce their vulnerability to poverty (Chliova et al., 2015; Rehman, Moazzam & Ansari, 2015). Available literature noted that women are noted to be more credit-disciplined than males (Cozarenco & Szafarz, 2013). The study used gender as a controlled variable that moderates the impact of microcredit on the performance of SMEs and borrower's household wellbeing. Gender would later be examined in this chapter.

7.2.2 Age of respondents

Table 7.2 Age of respondents

Age	Frequency	Valid %	Cumulative %
Under 25	32	7.0	7.0
26 – 35	172	37.8	44.8
36 – 45	156	34.3	79.1
46 – 55	59	13.0	92.1
55+	36	7.9	100.0
Total	455	100.0	

The results in Table 7.2 above suggests that most of the respondents (172) were between the ages of 26-35 years representing 37.8%, while 156 (34.3%) had ages between 36 – 45 years. It was also shown that 59 (13.0%) of the respondents had

ages from 46–55 and 36 (7.9%) were above 55 years while 32 (7%) fell under 25 years. The findings show that most borrowers are from a relatively younger group (26–45) which could impact the microcredit operations of MCIs. Borrower's age constitutes one of the key elements in microcredit delivery. However, older borrowers of microcredit are noted to be more skillful in the effective use of credit facilities for productive activities than younger ones (Onyina & Turnell, 2013; Maliranta & Nurmi, 2018). Conversely, other strands of literature assert that the borrower's age negatively influences firm performance (Kimosop, Korir & White, 2016). The findings above affirm that younger MCI customers are more innovative, aggressive risks takers, and engage in modern marketing and technological trends which attract them to MCIs (Ramadani, 2015).

7.2.3 Marital status of clients

Table 7.3: Marital status of clients

Marital status	Frequency	Valid %	Cumulative %
Married	198	43.5	43.5
Single	227	49.9	93.4
Divorced	8	1.8	95.2
Widowed	22	4.8	100.0
Total	455	100.0	

In connection with the marital status of the participants, the results in Table 7.3 shows that 227 clients constituting 49.9% of the respondents were single, 198 (43.5%) were married, and 22 (4.8%) were widowed while 8 (1.8%) were divorced. These results suggest that the majority of these SME clients of the MCI are single. This could imply that beneficiaries can support themselves and their families as well because of the financial assistance they receive from MCIs without which it would have been extremely difficult to manage their families without financial support from spouses and family members, who may also be vulnerable. Consequently, the result could mean that borrower's household wellbeing for single parents and their children could be improved as a result the accessibility of microcredit from MCIs to engage in ventures

that generate income. Indeed, microcredit has among its core objectives the improvement in the wellbeing of SME owners and their households (Habib & Jubb, 2013; Adomako et al., 2015; Fink et al., 2017).

7.2.4 The role of respondents in the business

Table 7.4: Role in business

Role in business	Frequency	Valid %	Cumulative %
Owner/ Manager	404	88.8	88.8
Owner	10	2.2	91.0
Manager	41	9.0	100.0
Total	455	100.0	

Table 7.4 above indicates that 404 respondents constituting 88.8% were owner-business managers while that 41 (9 %) were owners who have delegated management to others. Further, 10 (2.2%) were delegated managers of the SMEs. The results suggest that most (88.8%) of the subjects personally administer their business operations and partake in fundamental roles in strategic choices including sourcing of funding for their businesses. Further, the result is consistent with other related studies (Dzansi & Atiase, 2014) who strongly argued for the immense benefits that accrue to owner-managers in small business management. According to Fatoki (2011), owner-manager SMEs dominate the small business space in Africa particularly. Unarguably, owner-managers of SMEs occupy other social positions in their environment and accumulate immense social capital which facilitates access to alternate resources and key opportunities (Boohene, 2018).

7.2.5 Educational level of respondents

Table 7.5: Level of education of respondents

Level of education	Frequency	Valid %	Cumulative %
No formal Education	67	14.7	14.7
Primary Education	170	37.4	52.1
Secondary School	147	32.3	84.4
Undergraduate Degree	50	11.0	95.4
Postgraduate Degree	10	2.2	97.6
Junior High School	11	2.4	100.0
Total	455	100.0	

As detailed in Table 7.5, 67 respondents constituting 14.7% do not have formal education and 170 (37.4%) of the respondents had primary education. Further, 147 (32.3%) had secondary education and 50 (11%) were undergraduates while 11 representing 2.4% had Junior High School education with 10 respondents (2.2%) having a postgraduate education. The level of education of SME owners may significantly impact the performance of their firms and their household wellbeing. The results suggest that a greater number of the MCI borrowers have basic education only, and this has the potential of impacting negatively on the management of their firms. Moreover, the findings indicate that just a few had higher education in terms of undergraduate and postgraduate certificates. Related studies argue that the level of education of the managers impacts operational success or failure of SMEs (Donga et al., 2016; Shibia & Barako, 2017). It is imperative to indicate, however, that MFIs target mostly the poor who are largely illiterates and semi-literates. Respondent's educational levels is a component of the control variables adopted to moderate the effect of microcredit on the performance of SMEs and borrower's household wellbeing. This variable would be later examined in this chapter.

7.3 BUSINESS PROFILE

Business profiles of the SME respondents included in this study need to be examined after the earlier discussion of their demographic characteristics. This analysis will foster detailed appreciation of the milieu of the SMEs. Included in the business profile

to be discussed are the types of registrations, ownership type, working capital invested, business age and category of industry.

7.3.1 Business registration

Table 7.6: Business registration

Business registration	Frequency	Valid %	Cumulative %
Registrars' General Department	32	7.0	7.0
District/Municipal Assembly	423	93.0	100.0
Total	455	100.0	

Sampled SMEs that operate in the Greater Accra Region of Ghana are predisposed to two alternatives to register their firms. These businesses could register with the District/Municipal Assemblies that are closer to their business locations or the Registrar General's Department. However, registration with the Registrar General Department is not compulsory, particularly for SMEs. As depicted in Table 7.6 above, among the 455 SMEs subjects in the study, 32 respondents accounting for 7% were able to register with the Registrar's General's Department (RGD) while 423 SMEs representing 93% registered with the Metropolitan, Municipal and District Assemblies. The results, therefore, established that the majority of the SMEs (93%) were registered with the District/Municipal Assembly.

The above observation could be attributed to bureaucratic challenges and the cost associated with registration with the Registrar General's Department. However, it is worthy of note that registering a business has several benefits that inure to these SMEs. For instance, it has been noted in related studies that firms that are formally registered provide consistent employment avenues and contribute immensely to GDP (Klapper et al., 2015). Nonetheless, in predominantly informal economies such as Ghana, SME owners are unwilling to formalise their operations by registering their businesses for fear of being taxed (Demenet et al., 2016). Furthermore, existing coercive institutions of the government including Registrar General Department and

Ghana National Revenue Authority tasked to formalise business registration for taxation appear to lack the impetus in executing their mandate (Sutter, Webb, Kistruck & Bailey, 2013). The introduction of reduced tax policy and the simplification of registration procedures for SMEs could increase registration significantly (Bruhn & Loeprick, 2015).

7.3.2 Ownership structure

Table 7.7: Legal structure of SMEs in Ghana

Legal Structure	Frequency	Valid %	Cumulative %
Sole Proprietorship	415	91.2	91.2
Partnership	39	8.6	99.8
Limited Liability Company	1	.2	100.0
Total	455	100.0	

The legal form of the SMEs included in this study is examined in this section. Table 7.7 above indicates that 415 SMEs accounting for 91.2% were sole proprietorships while 39 (8.6%) were partnerships. The results further indicate that only 1(0.2%) were limited liability companies. This is an apparent indication that majority of the SMEs in the Greater Accra Region are sole proprietors which is consistent with the SME space. However, a related study observed that other forms of business structures such as partnerships, cooperatives, and companies out-perform sole proprietorships (Lucas, 2017) because sole proprietorships may lack robust control measures required for effective management. Similarly, Naegels, Mori and D'Espallier (2017) assert that sole proprietorships are usually confronted with challenges in sourcing more funding for business expansion. This challenge could account for the reasons for which sole proprietors have limited access to finance, thus necessitating their over reliance on MCIs for their funding needs.

7.3.3 Capital investments in SMEs

Table 7.8: Amount invested

Amount invested	Frequency	Valid %	Cumulative %
GHC500 - GHC2,000	142	31.2	31.2
GHC2,001-GHC5,000	215	47.3	78.5
GHC5,001 - GHC10,000	57	12.5	91.0
GHC10,001 - GHC20,000	35	7.7	98.7
Above GHC20,001	6	1.3	100.0
Total	455	100.0	

In terms of start-up capital amount injected in their SMEs, the findings in Table 7.8 indicate that 215 (47.3%) of the SMEs who constitute the majority have injected between GH¢2,000-GH¢5,000 while 215 representing 31.2% invested between GH¢500 - GH¢2,000 as initial capital. These results demonstrate that the majority of the SMEs have injected lower amounts as capital considering the higher capital outlays needed to start a decent business. As a result of this deficit, only basic managerial competencies are required to organise such businesses to engender the anticipated impact on their performance.

7.3.4 Sources of capital for SMEs in Ghana

Table 7.9: Sources of capital

Source of capital	Frequency	Valid %	Cumulative %
Savings	159	35.0	35.0
Microcredit	166	36.4	71.4
Family and Friends	130	28.6	100.0
Total	455	100.0	

The results in Table 7.9 relating to sources of capital invested in these SMEs indicate that the majority of the SMEs representing 166 (36.4%) sourced their capital from

microcredit while 35.0% were financed from personal savings. SMEs that were financed from friends and family and other sources constituted 28.6%. These results suggest that the major avenues of SMEs finance in the region is microcredit which could be attributed to the non-attractiveness of SMEs to commercial banks. The result corroborates the findings of Naegels et al. (2017) who asserted that cut-throat collateral requirements, interest rates and collateral requirements associated with commercial bank loans make their loans unattractive to SMEs.

7.3.5 Business age

Table 7.10: Age of business of SMEs in Ghana

Age of business	Frequency	Valid %	Cumulative %
11 to 15 years	87	19.1	19.1
More than 15 years	368	80.9	100.0
Total	455	100.0	

In connection with the age of the SME businesses studied, Table 7.10 shows that a huge number 368 (80.9%) of the SMEs have existed for more than 15 years. This result concurs with the conclusions of Cantamessa et al. (2018) who argue that new firms are prone to business failure than older firms. In a related vein, the acquisition of important entrepreneurial expertise through considerable years of operation in business is fundamental to gaining the necessary administrative skills to manage an SME efficiently (Behrens et al., 2012). It is pertinent to observe that the value of social capital of a small business firm owner increases with an increase in the firm's age (Stam et al., 2014; Pratono, Surya & Pudjibudojo, 2016). Therefore, the age of the business constitutes one of the variables the study has adopted as a control variable to moderate the impact of microcredit on the performance of SMEs. This variable would later be examined in this chapter.

7.3.6 Industry category

Table 7.11: Industry category

Category	Frequency	Valid %	Cumulative %
General services	69	15.2	15.2
Trading	386	84.8	100.0
Total	455	100.0	

Analysing the types of businesses that were captured in the study, Table 7.11, indicates that trading (84.8%) dominate, and followed by general services that constitute 15.2% of these SMEs. Arguably, the sector that the SME is engaged has a significant effect on its profitability (Müller, Fay & vom Brocke, 2018). It is observed from the data that other sectors including manufacturing, agriculture, transport and distribution, and food and tourism sectors did not attract funding from the MFIs. It can be gainsaid that, manufacturing is one of the major impetuses to economic development due to its huge potential to generate increased sales, profitability and employment coupled with its attendant improvement in the borrower's household wellbeing.

Regrettably, the manufacturing sector has not been attractive to MCIs financing. Indeed, it has been surmised that economies that concentrate solely on trading and commerce to the neglect of manufacturing stagnate (Li, 2018). Therefore, the normative call for the MCIs is to diversify their credit products to include the manufacturing sector. Same sentiments can be raised on the agricultural sector because agriculture remains the mainstay of many developing countries. To reinforce the sector to assume its role as a growth and development enabler, increased investments in savings and innovative investments by government and individuals should be sustained in the sector (Shitu, 2017). Therefore, to facilitate stable job creation to lower the huge unemployment rates in Ghana, MCIs have to diversify and channel some significant funding to the manufacturing and agricultural sectors particularly.

7.4 DESCRIPTIVE STATISTICS

Table 7.12 below illustrates the descriptive statistics relating to the mean, standard deviations, minimum and maximum values, skewness, and kurtosis of both the dependent and independent variables. A careful observation of the values of the mean of the dependent variables (sales = 7.250, profitability = 6.640, employment = 1.460 and borrower's household wellbeing = 6.274) indicates that microcredit impacts the performance of SMEs and borrower's household wellbeing. The values for skewness for the dependent variables suggest that they are not negatively skewed. The values of skewness for the other variables, including the controlled variables, are positive. This result demonstrates that the data is evenly spread. More so, the findings suggest that the mean values of the entire independent variables have significantly influence the dependent variables. Loan flexibility, for instance, obtained the highest mean (6.154), while the lowest mean is loan profitability (4.328).

Table 7.12: Descriptive statistics for variables

					Skewness		Kurtosis	
Variables	Minimum	Maximum	Mean	Standard deviation	statistics	Standard error	statistics	Standard error
Microcredit amount	5.000	7.000	5.124	0.255	0.511	0.114	-118	0.228
Microcredit cost	4.000	6.000	4.328	0.312	0.519	0.114	-183	0.228
Microcredit flexibility	3.000	5.000	6.154	1.446	0.427	0.114	-512	0.228
Microcredit accessibility	4.000	6.000	5.253	0.918	0.595	0.114	0.35	0.228
Gender	1.000	2.000	1.540	0.499	0.146	0.114	-1987	0.228
Age of business	1.000	5.000	2.770	1.027	0.523	0.114	-208	0.228
Level of education	1.000	6.000	2.580	1.089	0.812	0.114	1.002	0.228
Sales	5.00	7.00	7.250	0.257	1.113	0.114	0.96	0.229
Profit	4.00	6.00	6.640	0.152	1.199	0.114	1.85	0.229
Employment	3.00	4.00	1.560	1.394	3.363	0.114	11.95	0.231
Borrower's household wellbeing	6.00	9.00	6.274	0.326	2.502	0.114	1.30	0.287
Valid (listwise)	455							

7.5 CORRELATION ANALYSIS

The correlation analysis was run to evaluate the correlation between the independent, control and the dependent variables, as depicted in Table 7.13. This analysis also suggests significant correlations and otherwise. Further, the essence of the correlation analysis is to assess multicollinearity, which describes the state of affairs in which two or more predictor variables tend to be extremely correlated in a multiple regression model ($\alpha \geq 0.80$). The result in Table 7.13 suggests that a variable can be directly predicted by many variables with a null level of accuracy (Dormann, Elith & Bacher, 2013). From Table 7.13 above, the Variance Inflation Factors (VIF) show that all the VIF values are below 4, an indication that this study has not been affected by multicollinearity (Jensen & Ramirez, 2013; Dupuis & Victoria-Feser, 2013).

More so, the results show that both the predictor variables (microcredit) and control variables (gender, manager's level of education, and business age) do not correlate significantly with the dependent variables (P); therefore, eradicating any problem of multicollinearity. The implication of this situation is that two predictor variables are fundamentally incapable of predicting identical dependent variables accurately (Osborne & Waters, 2002; Mukaka, 2012). In this regard, the focus is rather directed at the extent to which the linear regression model could assess the impact of microcredit on P. In order to demonstrate the robustness of the relationships among the variables in the conceptual model, the study, deployed the correlation coefficient model (Schober, Boer & Schwarte, 2018).

The correlation coefficient's direction and values may be positive or negative ($-1 < r < +1$), where $+r$ and $-r$ are positive and negative linear correlations, respectively (Schober et al., 2018). In essence, the correlations may either be positive or negative, perfect, strong, moderate or weak (Miles & Shevlin, 2001; Greenland, Senn, Rothman & Carlin, 2016). The correlation coefficient can be described as very strong or perfect when $r = 0.8 \leq 1.0$; strong, when $r = 0.6 \leq 0.8$; moderate, when $r = 0.4 \leq 0.6$; weak, when $r = 0.2 \leq 0.4$; or very weak or no relationship, when $r = 0 \leq 0.2$ (Miles & Shevlin,

2001). From the Table 0.22, the dependent variables (sales, profitability, employment, and borrower's household wellbeing) correlate positively with all the independent variables in exception of loan cost, which is negatively correlated. From the Table above, profitability has a correlation coefficient of $r = 0.392$ with loan amount and correlates negatively with loan cost ($r = -0.955$).

Further, loan flexibility registered a correlation coefficient of $r = 0.402$, with loan accessibility having a correlation coefficient of $r = 0.366$ with profitability, respectively. More so, sales and profitability are positively correlated with all the microcredit variables. The implication of this result is that all the dependent variables are positively correlated with the controlled variables. Simply put, the findings demonstrate a weak correlation (thus $r \leq 0.4$) among most of the dependent, independent and control variables. Focusing on the correlations with the dependent variables, the findings highlight positive correlation with one another. From the results below, borrower's household wellbeing correlates positively with a coefficient of $r = 0.087$ with sales, $r = 0.104$ with profitability and $r = 0.001$ with employment respectively. In assessing the performance of SMEs, a lot of studies corroborate the state of positive relationship among sales, profitability, employment, and borrower's household wellbeing (Bond et al., 2015; Semistatus & Rainer, 2014; Addai, 2017).

Table 7.13: Correlation matrix of variables

		1	2	3	4	5	6	7	8	9	10	11
	Sales	1										
	Profitability	0.000	1									
	Employment growth	0.453	0.249	1								
	Household wellbeing	0.087	0.104	0.001	1							
	Gender	0.242**	0.128*	0.086	0.747**	1						
Pearson Correlation- 2 Tail	Education level	0.193**	0.216*	0.004	0.001**	0.000	1					
	Business age	0.811*	0.661**	0.379	0.184*	0.021**	0.000	1				
	Loan amount	0.472**	0.392***	0.000	0.145***	0.000	0.090	0.957**	1			
	Loan cost	-0.238	-0.955**	-0.045	0.000	0.090	0.957***	-0.372	0.218	1		
	Loan flexibility	0.903**	0.402	0.589***	0.000	0.72	0.301	0.433**	0.088***	0.000	1	
	Loan accessibility	0.967**	0.366	0.019**	0.000	0.098**	0.016	0.494	0.956***	0.000	0.000	1
The levels of significance are * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$												

Table 7.13 above, showing the correlation matrix containing 11 variables justifies the employment of the multiple regression analysis in predicting the relationships between the dependent and independent variables.

7.6 REGRESSION ANALYSIS AND HYPOTHESES TESTING

In testing the hypotheses presented in Chapter 5, the researcher runs a multiple linear regression on all variables, as illustrated in Table 7.14 in two stages. Model 1, representing the first stage comprises four distinct regressions carried out with the three control variables (gender, managers' educational level, and business age). The study further ran the regression on each of the three SME dependent variables separately (sales growth, profitability growth and employment growth), as well as borrower's household wellbeing. The model 2 had three regressions executed with the three control variables, the four independent variables (loan amount, loan cost, the loan flexibility and loan accessibility) and the four dependent variables differently.

Based on the proposed model, the study ran a total of seven regressions to test the relationship among all the variables. It is significant to note that the R² and its adjusted values, P-values, F-values, and the β -values from the regression result are essential. The R² tests the overall fitness of the regression model. The adjusted R² values ranging between 0 and 1, on the other hand, identifies the variances in the dependent variables (sales growth, profitability growth, employment growth, as well as borrower's household wellbeing growth) due to the independent variable. The regression model posits that the closer the adjusted R² values are to 1, the higher the variations demonstrated by the independent variables. Similarly, the closer the values are to 0, the lower the variations espoused in the dependent variable.

The inspected R² values of model 2 of the study are sales (0.167), profitability (0.492), employment (0.349), and borrower's household wellbeing (0.295) thus, demonstrating a solid model. The adjusted R² values are sales (0.156), profitability (0.376), employment (0.325), and borrower household's wellbeing (0.267). The

findings from the full regression model can interpret the variances in sales growth, profitability growth, employment growth and borrower's household wellbeing growth by 6.586%, 23.577%, 6.876% and 9.491%, respectively. A comparison of the adjusted R² values of model 2 to that of model 1 reveals a higher variance in the adjusted R² values. In essence, the adjusted R² values for model 1 are sales (0.140), profitability (0.298), employment (0.312), and borrower's household wellbeing growth (0.239). A close observation of the result indicates that sales growth has improved from 14% to 16.7%. Further, the growth in profitability has also improved from 29.8% to 49.2%. Again, employment growth has equally moved from 31.2% to 32.5%. Finally, the growth in borrower's household wellbeing has changed from 23.9% to 26.7%. These indicated changes show that the variances in the dependent variables can significantly be ascribed to the independent variables. In essence, the percentage changes of 2.7%, 48.90%, 0.3%, and 2.8% in sales growth, profitability growth, employment growth, and borrower's household wellbeing growths respectively were observed.

Further, the F-values assess the capacity of the independent variables to significantly explain the dependent variables. ANOVA F-values of the full regression model were evaluated to test the entire robustness of the model. The F-values obtained are sales (15.478), profitability (10.441), employment (7.684) and borrower's household wellbeing growth (10.439), which are all significant at a 1% level ($p=0.000$). Similarly, the p-values of the F-statistic also determine the level of significance. Further, a variable is said to be significant if the p-value is less than 0.01, 0.05, or 0.1. Moreover, the value of the unstandardised coefficients (β) of the regression model shows the robustness and the effect of the independent variables on the dependent variable. These β -values may be positive or negative, thus suggesting the location of impact.

Table 7.14: Multiple regression analysis for SMEs

Multiple regression analysis of SME performance, firm/individual characteristics and microcredit																																
Sales Growth								Profitability Growth								Employment Growth								Household Wellbeing								
	Model 1				Model 2				Model 1				Model 2				Model 1				Model 2				Model 1				Model 2			
	β	St. Err.	Sig.	VIF	β	St. Err.	Sig.	VIF	β	St. Err.	Sig.	VIF	β	St. Err.	Sig.	VIF	β	St. Err.	Sig.	VIF	β	St. Err.	Sig.	VIF	β	St. Err.	Sig.	VIF	β	St. Err.	Sig.	VIF
Gender	0.100	0.200	0.002	1.05	0.137*	0.059	0.027	1.101	0.112	0.086	0.093	1.054	0.092**	0.082	0.017	1.105	0.101	0.101	0.068	1.054	0.197**	0.098	0.046	1.103	0.186	0.086	0.074	1.05	0.154*	0.179	0.049	1.083
Manager's Educational Level	0.107	0.018	0.001	1.06	0.106**	0.095	0.079	1.455	0.199	0.091	0.047	1.034	0.144*	0.241	0.093	1.466	0.134	0.457	0.003	1.033	0.202**	0.051	0.056	1.474	0.143	0.397	0.000	1.029	0.166**	0.367	0.001	1.083
Business Age	0.175	0.279	0.003	1.05	0.197*	0.242	0.051	1.065	0.196	0.084	0.057	1.053	0.091**	0.045	0.042	1.115	0.247	0.128	0.033	1.054	0.234*	0.227	0.44	1.067	0.121	0.134	0.028	1.071	0.162**	0.143	0.052	1.083
Loan Amount					0.076*	0.218	0.034	1.241					0.019*	0.022	0.039	1.242					0.027**	0.204	0.018	1.244					0.070*	0.157	0.065	1.232
Loan Cost					(0.034**)	0.219	0.038	3.738					(0.025*)	0.018	0.086	3.668					(0.019*)	0.168	0.002	3.695					(0.160***)	0.137	0.024	3.364
Loan Payment Flexibility					0.196*	0.133	0.018	3.395					0.186	0.02	0.017	3.307					0.145*	0.190	0.061	3.317					0.148**	0.172	0.039	3.164
Loan Accessibility					0.074*	0.216	0.047	2.851					0.124**	0.021	0.078	2.835					0.079*	0.201	0.029	2.854					0.042**	0.16	0.008	2.688
R ²	0.150				0.167				0.312				0.492				0.324				0.349				0.253				0.295			
Adj. R ²	0.140				0.156				0.298				0.376				0.312				0.325				0.239				0.267			
ANOVA F	18.231				15.478				10.07				10.441				9.657				7.684				10.357				10.439			
Sig. F	0.000				0.000				0.000				0.000				0.000				0.000				0.000				0.000			
N	452				455				455				455				455				455				455				455			

* $P < 0.1$, ** $P < 0.05$, *** $P < 0.01$

7.7 FIRM AND INDIVIDUAL CHARACTERISTICS AND SME PERFORMANCE

This study's strongest assumption is that microcredit's impact on the performance of SMEs is mainly dependent on borrower and SME characteristics, and the utilisation of scarce resources. Although this study conceives microcredit as an essential factor in measuring the extent to which microcredit impacts SME performance and borrower's household wellbeing, owner and firm characteristics equally moderate the impact assessment (Hussain, Mahmood & Scott, 2019; Alam, Moir & Boamah, 2019). As a result, the study controlled for the firm and individual characteristics in using microcredit as an essential factor in measuring the impact on SME performance and borrower's household wellbeing. In assessing this relationship, the degree of influence of these characteristics on performance in sales, profitability, employment, and borrower household wellbeing growth is determined. Therefore, the study runs three regression models in assessing the effect of SME and individual features (gender, level of education of the manager, and age of business) on performance.

7.7.1 Firm and individual characteristics and SME sales growth

Table 7.14 (Model 1) depicts three items: gender, level of education of the manager, and age of business, as statistically significant at 1%. Thus, the recorded values are gender ($p = 0.002$, $\beta = 0.100$), manager's level of education ($p=0.001$, $\beta = 0.107$), and business age ($p= 0.003$, $\beta = 0.157$). Further, holding all other variables constant, gender influences sales growth by 10%, while the level of education of the manager determines sales by 10.7%, and age of business influences sales growth by 15.7%. The result indicates that firm and individual characteristics could predict sales growth significantly at a confidence level of 99%. The result depicted in Table 7.14 demonstrates that the R^2 is 0.150, and its adjusted value of 0.140 is a clear indication that firm and individual features could interpret the variance in sales growth by 10.0%. Further, the F statistic 18.231 (Table 7.14) is statistically significant at the 1% level ($p=0.004$). The above result clearly suggests that individual and firm features are significant in predicting the sales growth of SMEs in Ghana.

The above findings affirm the conclusions of other related studies (Alam et al., 2019; Quartey et al., 2017). For instance, Hussain, Mahmood and Scott (2019) argue that microcredit programmes are more successful with females. Consequently, gender has a higher propensity to impact microfinance programmes delivery on SMEs. Similarly, Cantamessa et al. (2018), in their study, conclude that the age of business could positively impact superior performance outcomes including profitability and employment growths. As a result, enterprises gain experience in identifying business opportunities and threats to fashion out strategic policies that trigger superior business performance.

Similarly, Wang et al. (2013) observe that older businesses have more resources than younger ones particularly in developing countries. This position aligns with the results of a similar study which posited that the level of a firm's performance depends particularly on quality of the firm's resources (Vanaker, Collewaert & Zahra, 2017). According to Al-Adwani, (2014), well-educated and sufficiently trained employees and managers positively impact the performance of the SME firms. By extension, managerial competencies acquired through education and training positively impact small firms' performance (Oozthuizen, 2011; Rambe & Makhalemele, 2015).

7.7.2 Firm and individual characteristics and SME profitability

Table 7.14 (Model 1) indicates that gender, education level of manager, and age of business are statistically significant at 1% level at impacting profitability. The figures are gender ($p = 0.093$, $\beta = 0.112$), education level of manager ($p=0.047$, $\beta =0.199$), and age of business ($p= 0.057$, $\beta = 0.196$). Indications from the determination coefficients imply that while gender impacts profit growth by 11.2%, the manager's educational level determines it by 19.9%, and age of business influences it by 19.6%. Table 7.14 (Model 1) shows that the R^2 is 0.312, and its adjusted value is 0.298. From the adjusted R^2 , firm and individual elements can interpret the variance in profitability growth by 7.165%. The F-change for the regression model is 10.069, and it is statistically significant at the 1% level ($p=0.003$). The result demonstrates that the regression model can accurately

predict profitability growth. As a result, firm and individual elements can reasonably predict profitability growth among SMEs in the Greater Accra Region of Ghana.

Gender is observed to positively determine the profitability performance of SMEs (Nadeem, Suleman & Ahmed, 2019). Other empirical studies (Arráiz, 2017) support the assertion that gender impacts profitability, particularly in trades dominated by males or females. The education level of the manager also relates positively to profitability growth. Donga et al. (2016) noted that the education level of the SME manager is critical for firm growth. Further, Woldie et al. (2012) argue that SME age tremendously impacts the strategic use of dynamic capabilities to engender superior performance. One unique characteristic of the microcredit sector in Ghana is the dominance of women in its programmes since they are noted to be better in loan repayment (Cozarenco & Szafarz, 2013).

7.7.3 Firm and individual characteristics and SME employment generation

The regression results from Table 7.14 (Model 1) demonstrate that while gender ($p = 0.068$, $\beta = 0.101$) is statistically significant at 10%, that of the educational level of the manager ($p=0.003$, $\beta = 0.134$) and age of business ($p= 0.332$, $\beta = 0.247$) are statistically significant at 5% level. The determination coefficients show that while gender determines employment growth by 10.1% and educational level of the manager determines employment growth by 13.4% that of business age determines employment growth by 24.7%. Observing Table 7.14 (Model 1), the R^2 is 0.324, and its adjusted value is 0.312. From the adjusted R^2 , firm and individual characteristics can justify the variance in employment growth of SMEs by 3.7%. The F-change for the regression model is 9.657, and it is statistically significant at the 1% level ($p=0.000$). These figures imply that the regression model can forecast employment growth of SMEs in the Greater Accra Region of Ghana. Indeed, Roy, Tripathy and Tripathy (2017) asserted that gender moderates the effect of profitability of SMEs. Same authors concluded that SMEs owned and run by females are more profitable than businesses controlled by males. Alternate firm and individual characteristics like the educational level of the manager and age of business impact the employment growth of SMEs (Awartani & Millis, 2018).

7.7.4 Firm/ individual characteristics and borrower's household wellbeing

The regression results from Table 7.14 (Model 1) show that while gender ($p = 0.074$, $\beta = 0.186$) is statistically significant at 10%, that of the educational level of manager ($p=0.000$, $\beta = 0.143$) and business age ($p= 0.028$, $\beta = 0.121$) are statistically significant at 5% level. The coefficients determination indicates that while gender determines borrower's household wellbeing growth by 18.6%, and educational level of manager determines borrower's wellbeing growth by 14.3%, the age of business determines borrower's wellbeing growth by 12.1%. Table 7.14 (Model 1) shows that the R^2 is 0.253, and its adjusted value is 0.239. The results imply that individual and firm characteristics can explain the variance in borrower's wellbeing growth of SMEs by 5.53%. The F-change for the regression model is 10.357, and it is statistically significant at the 1% level ($p=0.000$). From the result, the regression model can forecast borrower's household wellbeing growth among SMEs in the Greater Accra Region of Ghana. This finding concurs with similar studies that argue that gender plays a moderating role on profitability and borrower's household wellbeing of SMEs as well (Širec & Močnik, 2016). Relatedly, individual and firm features such as the level of educational of the SME borrower and age of business equally impact borrower's household wellbeing of SMEs (Agyei, Adam & Agyemang, 2019; Wubet & Mmopelwa, 2020).

7.8 IMPACT OF MICROCREDIT ON SME PERFORMANCE

This section assesses the impact of microcredit on SME performance and borrower's household wellbeing in the Greater Accra Region of Ghana. In congruence with the hypothesis advanced, the study argues that microcredit impacts SME performance and borrower's household wellbeing positively. Consequently, the study subjected the hypothesis to a rigorous test so as to evaluate the impact of microcredit on SME performance and borrower's household wellbeing on SME's performance in three major growth areas (sales, profitability and employment), as well as borrower's household wellbeing in this section. In investigating how microcredit impacts SME performance, four regression models involving each performance indicator, the independent and the control variables were assessed in the study. The findings of this regression analysis as regards the

effect of microcredit, being an essential factor in measuring the impact on SME performance and borrower's household wellbeing is discussed in the sections below.

7.8.1 Impact of microcredit on sales growth of SMEs

Sales growth represents a key indicator for evaluating SME's performance (Danso, Adamoko & Domoah, 2016). This argument is based on the business' capability to increase revenues from sales to efficiently contain the associated expenses in the business (Yazdanfar & Öhman, 2015). Therefore, in this section, the impact of microcredit as an essential factor in measuring the impact on SME performance and borrower's household wellbeing on the sales growth of SMEs in the Greater Accra Region of Ghana is explored. In examining the impact of microcredit as an essential factor in measuring the impact on SME performance and borrower's household wellbeing on sales growth, the microcredit factors had been regressed against sales growth by controlling for SME and individual characteristics.

As shown in Table 7.13, in exception of loan cost, all the micro credit variables correlate positively with sales growth. Loan amount ($r = 0.472$), loan cost ($r = -0.238$), loan flexibility ($r = 0.903$), and loan accessibility ($r = 0.967$). Further, the regression results from Table 7.14 indicate that while loan amount ($\beta = 0.076$, $p = 0.034$) and loan accessibility ($\beta = 0.074$, $p = 0.047$), and loan cost ($\beta = -0.034$, $p = 0.038$) are significant at 5% with a confidence level of 95% at predicting sales growth, that of loan payment flexibility ($\beta = 0.196$, $p = 0.018$) is significant at 1% with a confidence level of 99% at predicting sales growth. From the results, H1a, H2a, H3a and H4a are supported.

First, as regards how the loan amount relates with sales growth, the result shows that loan amount correlates positively with sales growth and statistically significant at a 5% level in predicting sales growth. From the results, a unit increase in loan amount increases sales growth by 7.6% ($\beta = 0.076$, $p = 0.034$). This result suggests that MCIs advance sufficient loan amounts in line with the demands of SMEs. Generally, MCIs are posited to be less restrictive in delivering reasonable loan

amounts to SMEs (Ijaza et al., 2014; Gohar & Batool, 2015). The reasonably bigger loan amounts assist SMEs to scale up their operations to benefit from economies of scale. It is important to note also that about 86 per cent of individuals who have accessed microcredit have begun small business activities leading to entrepreneurial development that impacts sales and profitability (Alhassan, Hoedoafia & Alhassan, 2016). Conversely, microcredit amounts from MCIs in the Greater Accra Region in Ghana are presumed to be insufficient to meet the working capital requirements of SMEs (Bauchet & Morduch, 2013; Awuah & Addaney, 2016; Rahman et al., 16a). As a result of the small loan sizes, it could be argued that microloans are essentially diverted to consumption smoothening instead of business expansion. This development usually defeats the rationale for delivering microcredit to propel ventures that generate income for borrowers (Haag & Henschel, 2016; Pathak & Varshney, 2017). Therefore, it is conceived that SMEs could negotiate with well-capitalised MCIs for reasonable credit terms regarding larger loan sizes (Cenni et al., 2015).

Secondly, in connection with the relationship between loan cost and sales growth, loan cost correlates negatively with sales growth ($r = -0.238$) and is statistically significant at a 5% level in predicting sales growth. Thus, sales growth ($\beta = -0.034$, $p = 0.038$) decreases by 3.4% upon a unit increase in loan cost. As observed in previous discussions, working capital cost limits the performance of SMEs in Ghana (Taiwo et al., 2016; Subeyr & Muturi, 2017). The prohibitive interest rates charged on SME loans create challenges in loan repayment, thus resulting in increased loan default portfolios of MCIs in the Greater Accra Region (Chaibi & Ffifi, 2015; Zhang et al., 2018). When the loan cost is repressive, the kind of effect microcredit has on the performance of SMEs is negative affected. Similarly, costlier microcredit provokes multiple borrowing, which worsens the challenges of SMEs (Wanambisi & Bwisa, 2013). It is important to note that the interest rate charged by a large number of MCIs in Ghana range between 6% to 8% per month (Osei-Assibey & Asenso, 2015) which are beyond the average SMEs. However, this development is solely attributed to the cost of credit in the finance market. The assertion of prohibitive microcredit charges confirmed by the result implies that stakeholders should explore accessible but flexible funding alternative sources.

Establishing a robust bond market by state actors would enable MCIs to obtain debt financing at very competitive rates and on-lend to SMEs to positively impact their sales growth (Owusu-Antwi et al., 2016; Pueyo & DeMartino, 2018).

Further, as regards the relationship between the loan repayment flexibility and sales growth, loan repayment flexibility correlates positively with sales growth ($r = 0.903$) and it is statistically significant at a 1% level as revealed by the result. Therefore, sales growth ($\beta = 0.196$, $p = 0.018$) increases by 19.6% upon a unit increase in loan repayment flexibility. The results suggest that MCI loans are characterised by flexible loan repayment conditions conducive to sales growth in the Greater Accra Region of Ghana. It is noted in that flexible loan repayment conditions on SME loans trigger their engagement in multiple turnovers to generate significant levels of revenues (Denanyoh, Adjei & Owusu, 2013). The resultant benefit to the SME owners is that it improves their cash flows and financial performance of their businesses (Newman, Schwarz & Borgia, 2014). However, it is often the case that the SME landscape in Ghana does not enjoy loans of long-term duration. SME loans are usually for short-term durations in Ghana. This challenge pushes SME borrowers unduly to make earlier payments against their cash cycles. This development primarily serves as a barrier to SME development (Klonowski, 2012). Invariably, even state-sponsored loans to SMEs as well hardly go beyond six months. This development adversely affects the liquidity of SMEs (Naude & Cheweshe, 2017). It is expected that SME start-ups especially are granted longer repayment terms to lessen the stress on their financial resources (Quatey et al., 2014).

Finally, Table 7.13 and Table 7.14 indicate that loan accessibility is statistically significant at a 5% level and correlates positively with sales growth. A unit increase in loan accessibility to SMEs increases sales growth by 7.4% ($\beta = 0.074$, $p = 0.047$). The finding demonstrates that flexible accessibility to funding relates positively with sales performance of SMEs which further ensures their survival (Stucki, 2014; Omondi & Jagongo, 2018). The results suggest that accessibility of loans by SMEs from MCIs is simple thereby culminating in increased sales activities that eventually improve their performance. Conversely, SMEs in inaccessible rural areas and the

peripheries of cities without the presence of MCIs face funding challenges. Similarly, the unavailability of alternate funding sources including trade credit and leasing to SMEs restrict their expansion programmes (Fatoki, 2011). Consequently, the provision of microcredit by MCIs in supporting SMEs has been timely as the commercial banks in Ghana have failed to fully integrate SMEs into the traditional financial space because of their peculiarities. It is expected that direct government intervention is urgently needed to alleviate the inaccessibility of funding challenge faced by SMEs in Ghana, through the creation of a special-purpose fund (Agbemava et al., 2016). It is critical to highlight that while the most predictor of sales growth is loan flexibility (19.6%), the least predictor is loan cost (3.4%).

7.8.2 Impact of microcredit on profitability growth of SMEs

Results from Table 7.13 (loan amount $r = 0.392$, loan cost, $r = -0.955$, Loan repayment method flexibility, $r = 0.402$, and loan accessibility, $r = 0.366$) show that in exception to loan cost, all the variables of micro credit correlate positively with profitability growth. Further, the regression result (Table 7.14) shows that flexibility of loan repayment method ($\beta = 0.020$, $p = 0.017$) is statistically significant at 1%, with loan amount ($\beta = 0.019$, $p = 0.039$) being statistically significant at 5% at a confidence level of 95% at predicting profitability growth. Also, loan cost ($\beta = -0.025$, $p = 0.086$) and loan accessibility ($\beta = 0.124$, $p = 0.078$) are statistically significant at 10% at a confidence level of 90% in explaining the profitability growth of SMEs. From the results, H1b and H3b are supported while H2b and H4b are partially supported.

The result suggests that loan amount is positively related to profitability growth and significant at a 5% level in connection with the relationship between the loan amount and profitability growth. An increase in the unit of the loan amount increases profitability growth by 1.9% ($\beta = 0.019$, $p = 0.039$). This result signifies that SMEs can access sufficient loan amounts from MFIs for their expansion programmes to generate reasonable profits for long-term projects. (Quaye et al., 2014). Nonetheless, loan inadequacy remains a challenge to SMEs in the Greater

Accra Region, and this encourages multiple borrowing by SMEs from financial institutions, which eventually result in defaults (Buachet & Morduch, 2013). Given this, availing sufficient and cheaper credit sources to SMEs could improve their investments to promote sales and cash flows that could have a positive rippling influence on profitability growth. The expectation is that there should be the creation of that enabling environment where SMEs could negotiate with well-capitalised MCIs for reasonably larger loan sizes (Cenni et al., 2015; Alhassan et al., 2016).

Secondly, the result shows that the cost of loan is negatively correlated with profitability growth and statistically significant at 10% regarding the relationship between loan cost and profitability growth. An increase in loan cost unit decreases profitability growth by 2.5% ($\beta = -0.025$, $p = 0.086$). The cost of doing business by SMEs is highly regressive resulting from unfriendly loan cost components such as the astronomical interest rate, higher administrative charges and loan deposit collaterals, particularly for start-ups. It is significant to note that a number of studies corroborate the assertion repressive loan costs badly affect the profitability of the enterprises (Bawuah et al., 2014). Ghana is no exception so far as the cost of loans is concerned since the marginal profits made by these SMEs are virtually consumed by the high-interest costs (Gosh & Tassel, 2013). According to Boateng and Boateng (2014), the cost of microcredit ranges between 40 –100 per cent on loans spanning six months to one year while financial institutions pay three to six per cent on savings per annum. Therefore, the loan cost hurts the businesses' cash flows for expansion purposes (Deb & Suri, 2013). The expectation is that the Board of Directors and Management of MCIs could explore alternative competitive sources of funding to reduce considerably their loan transaction cost that is subsequently transferred to SMEs in high-interest rate charges which negatively impact their performance (Aveh, Krah & Dadzie, 2013).

Moreover, loan repayment flexibility is positively correlated with profitability growth, and significant at a 10% level statistically in predicting the growth in profitability of SMEs. Therefore, a unit increase in loan repayment flexibility will increase profitability growth by 2.0% ($\beta = 0.020$, $p = 0.017$). Even though the result depicts

flexibility in loan repayment from MCIs, this revelation does not result in profit for SMEs in Ghana. The cost of microcredit from CFIs is believed to militate against the profitability of SMEs. Microcredit delivery in Ghana is characterised by the profit-oriented philosophy which is associated with high cost of credit (Adoyo, 2013). It is perturbing to note that the micro loan payment duration ranges between 3 to 6 months. It is only on rare occasions that SME loans are given for twelve months' duration, primarily by commercial banks (Donou-Adonsoua & Sylwester, 2016). Invariably, the availability of flexible microcredit by SMEs with long tenor coupled with reasonably lower interest cost could positively impact their profitability despite the fact that they are already resource-challenged (Ammar & Ahmed, 2016). It is expected that MCIs could consider the cost of microcredit and repayment terms to ginger the profitability of SMEs.

Finally, in connection with the relationship between loan accessibility and profitability growth, the result demonstrates that the two variables positive correlate. Similarly, loan accessibility is statistically significant at a 10% level at predicting the profitability of SMEs. An increase in the unit of loan accessibility increases profitability growth by 12.4 % ($\beta = 0.124$, $p = 0.078$). The result is an indication that MCI borrowers can access microcredit for expansion purposes, which positively impacts their profitability (Bond, Tybout & Utar, 2016). It is observed from the results that the most predictor of profitability growth is loan accessibility (12.4%), while the least predictor of profitability is loan amount (1.9%). Borrowers who have accessed microcredit are engaged in micro business activities leading to entrepreneurial development with its attendant improved sales and profitability (Alhassan et al., 2016). However, the prevailing situation in Ghana is that SMEs lack access to credit that is affordable. The expectation is that MCIs could scale up their credit risk administration and modify the monitoring of loans to lower the default rates associated with the sector (Blackburn et al., 2013). This policy could engender adequate microcredit delivery to SMEs that could positively impact innovative SMEs in profitability and business growth (Mensah-Bonsu & Jell, 2011; Amakom & Amagwu, 2020).

7.8.3 Impact of microcredit on employment growth of SMEs

A key standardised indicator employed in evaluating the performance of an SME is employment growth (Bwisa & Wanambisi, 2013; Akande, 2014). In the process of evaluating how employment growth of SMEs is impacted by microcredit in the Greater Accra Region of Ghana, the variables of microcredit were regressed against employment growth while controlling for SME and individual characteristics. The results of the study show that microcredit factors positively correlate with employment growth. A close observation of Table 7.13 suggests that apart from the loan cost, all the microcredit variables correlate positively with employment growth (loan amount, $r = 0.000$, loan cost, $r = -0.045$, flexibility of loan repayment method, $r = 0.589$ and loan accessibility, $r = 0.019$). Further, the results from the full regression model (Table 7.14), indicate that loan amount ($\beta = 0.272$, $p = 0.018$), loan cost ($\beta = -0.019$, $p = 0.002$) loan flexibility ($\beta = 0.145$, $p = 0.061$) and loan accessibility ($\beta = 0.079$, $p = 0.029$) are statistically significant in predicting employment growth. Therefore, from the results, H1c, H2c and H4c while H3c is partially supported.

Firstly, as regards the relationship between the loan amount and employment growth, the result suggests that a positive correlation exists between the loan amount and employment growth. Further, the loan amount is statistically significant at a 10% level at predicting employment growth. Employment growth increases by 27.2% on a unit increase in loan amount ($\beta = 0.272$, $p=0.018$). This result shows that MCIs extend marginally sufficient loan sizes to meet the needs of SMEs. The result, therefore, is consistent with the argument that credit supplied to SMEs and individuals is relatively insufficient and worse of all not based on the size of their businesses (Awuah & Addaney, 2016; Quaye et al., 2014). Akinbola et al. (2013) demonstrated that adequate microcredit impacts job creation in Nigeria. The employment growth of SMEs is fundamental because one of the unique purposes of microcredit is to help SMEs to generate employment to partake in economically productive activities to alleviate poverty (Chliova et al., 2015). Invariably, the generation of units of employment by SMEs is an indicator of financial stability (Magableh et al., 2011). It is expected that the provision of adequate loan amounts to SMEs could lead to improved sales with its attendant higher profits and eventual

expansion that demands additional employment of labour (Aynadis & Mohammednur, 2014). The cumulative effect is that this could lead to poverty reduction, which is one of the core missions of microcredit (Meager, 2019).

Secondly, the result in connection with the relationship between the loan cost and employment growth, shows that loan cost correlates negatively with employment growth. It is also statistically significant at a 1% level. The results further indicate that a unit increase in loan cost will decrease employment growth by 1.9% ($\beta = -0.019$, $p = 0.002$). Thus, the ability of SMEs to reasonably contain the cost of employing an additional workforce demonstrates liquidity adequacy. However, working capital cost continues to be one of the grave difficulties confronting the growth of the SMEs in Ghana (Carrol & McCann, 2016). The formal financial sector has neglected the informal sector, which encompasses SMEs, thus making sourcing for entrepreneurial finance prohibitive for the SME owners (Dzansi & Atiase, 2014). Drawing from insights in Ghana, one other reason adduced to justify the high borrowing cost, especially for the SME sector, is their inability to meet the collateral requirements of the financial institutions which serve as a cushion against loan default and their high attrition rate (Donou-Adonsoua & Sylwester, 2016). Similarly, SMEs are confronted with scarcity of funding from because it is difficult for MCIs to determine their credit worthiness (Brancati 2015; Ferri & Murro, 2015). It is expected that MCIs could introduce collateral substitutes to facilitate easy access to funds to engender expansion which ultimately leads to employment opportunities (Hendricks & Budree, 2019).

Moreover, loan repayment flexibility is positively correlated with employment growth, and significant at a 10% level statistically. Therefore, a unit increase in loan repayment flexibility will increase employment growth by 14.5% ($\beta = 0.145$, $p = 0.061$). Consistent with the result, a related study by Al-shami et al. (2014) corroborated the strong relationship between flexibility in microcredit repayment in promoting employment growth. Traditionally, stringent conditions and other hidden charges burdensome to SMEs are usually associated with microcredit in Ghana (Adoyo, 2013). The bulk of the loan books in Ghana have short tenors and fail to take cognisance of the liquidity trends of the SMEs, and particularly the life span of

the projects being financed by the loans (David et al., 2014). These developments deplete SME's working capital leading to repayment challenges. The expectation is that strategic loan repayment structuring by MCIs could help SMEs to meet an appreciable level of their business needs, which can improve their cash flows to reduce and lower loan defaults to the barest minimum (Baklouti & Abdelfettah, 2013). The SMEs eventually can easily forecast their loan repayment schedules.

Finally, the result in connection with the relationship between loan accessibility and employment growth indicates that a positive correlation exists between the two variables. Again, loan accessibility is statistically significant at a 5% level. A unit increase in loan accessibility will increase employment growth by 7.9 % ($\beta = 0.079$, $p = 0.029$). While the most predictor of employment growth is loan amount (27.2%), the least predictor is loan cost (1.9%). MCIs have as one of their missions the provision of credit facilities for business creation and the generation of employment (Yunus, 1999). Similarly, an adequate supply of credit to SMEs helps them to make decisions that positively affect their sales, profitability, and employment (Falco & Haywood, 2016). More so, well-capitalised SMEs have created jobs for many individuals facilitated the employment generation of firms (Adama & Agbim, 2015; Banerjee & Jackson, 2016). Through MCIs' programmes, many previously unemployed women in developing countries are actively engaged in trading activities and contributing to household income (Chowdhury & Amin, 2011; Chant, 2014; Adjei & Denanyoh, 2016). However, it has been observed that MCIs are often hesitant to extend credit to SMEs as their survival rates are slimmer than that of older firms (Dierkes et al., 2013). The expectation is that the MCIs would introduce micro-insurance, primarily against potential failures of microenterprises and households. This policy could reduce the unattractiveness of SMEs to MCIs (Akotey & Adjasi, 2016; Janzen & Carter, 2013).

7.8.4 Impact of microcredit on borrower's household wellbeing

The results depicted in Table 7.13 and Table 7.14 respectively suggest that, having controlled for firm characteristics, a positive correlation exists between all the micro credit factors and owner wellbeing growth except loan cost (loan amount, $r = 0.145$,

loan cost, $r = 0.000$, flexibility of loan repayment method, $r = 0.000$ and loan accessibility, $r = 0.000$). The results from the full regression model (Table 7.14) are loan amount ($\beta = 0.070$, $p = 0.065$), loan cost ($\beta = -0.160$, $p = 0.024$) loan flexibility ($\beta = 0.148$, $p = 0.039$) and loan accessibility ($\beta = 0.042$, $p = 0.008$). Therefore, while H1d is partially supported, H2d, H3d, and H4d are all supported.

First of all, Table 7.13 shows that the loan amount correlates positively with borrower's household wellbeing growth, and statistically significant at a 10% level in predicting borrower's household wellbeing growth. The result suggests that at a confidence level of 90%, the loan amount can significantly predict borrower's household wellbeing growth, as depicted in Table 7.14. Therefore, an increase in the unit of loan amount increases borrower's household wellbeing growth by 7.0% ($\beta = 0.070$, $p = 0.065$). This result implies that loan amounts provided by MCIs are adequate to improve the borrower's household wellbeing in Ghana. The result is consistent with related studies that concluded that a well financially-resourced SME could significantly impact employment generation and improve consumption of goods and services, leading to the improvement in borrower's household wellbeing (Asiedu et al., 2013; Quraissy et al., 2017). However, the fear of default that is associated with SME financing limits the size of loan amount they can access from financial institutions (Ayayi, 2012; Multhoni, 2016). MCIs, therefore, reduce the high risk by reducing the loan amounts requested by SMEs as a result of the anticipated and actual risk of failure that characterise their operations. Similarly, the Central Bank's regulatory policies equally require that loan amounts to the SME sector deemed to be risky should be regulated to reduce the default risk (Pouchous, 2012; Anku-Tsede, 2014). The expectation is that considering the teeming unemployed youth and graduates in Ghana, resourcing and developing the SME sector with adequate funding is highly imperative (Swamy, 2014).

Secondly, regarding the relationship between the loan cost and borrower's household wellbeing growth, the result shows that the loan cost correlates negatively with borrower's household wellbeing growth and attained the statistical significance at 5% level. The result means that the loan cost can predict the borrower's household wellbeing growth at a 95% confidence level. An increase in

the units of the loan cost decreases borrower's household wellbeing growth by 16.0% ($\beta = -0.160$, $p = 0.024$). Consistent with this result is the documented evidence that businesses that operate in inaccessible environments where the SMEs are more dominant experience more funding challenges (Liu, Serger & Tagscherer, 2017). As a result, credit is costly and prohibitive to SMEs in Ghana (Deb & Suri, 2013). MFIs charge high interests on their loans than their sister universal banks. On average, interest charges of MCIs range from 6% to 12% per month, running from 72% and 144% per annum while administrative fees range from 5% to 10% of the loan amount granted (Gaul, 2011). In the same vein, cash collateral from the approved loan amounts ranges between 10% to 30% within the loan tenor. These developments deny the SMEs the chance to invest the full amount accessed. It is expected that in pursuit of the agenda of the growth of SMEs with welfare mission, the institution of a cost-effective credit delivery strategy by MCIs must be of significant necessity (Warue, 2012).

Moreover, loan repayment flexibility correlates positively with borrower's household wellbeing growth, and achieved statistical significance at a 5% level and 95% confidence level at predicting wellbeing growth. Therefore, a unit increase in loan repayment flexibility will increase borrower's household wellbeing growth by 14.8% ($\beta = 0.148$, $p = 0.039$). This finding affirms that microcredit loan repayment terms are flexible for SME clients. Contrary to this result, start-ups are typically credit-constrained, as a result of information asymmetry challenge as well as unfriendly credit terms (Osano & Languitane, 2016). The harsh and inflexibility of repayment condition of the loans disincentivises SMEs in Ghana. While the processing fees charged on approved loans, for instance, are payable upfront, the interest is payable monthly. On the same tenet, the designing of microcredit to SMEs in Ghana has been skewed against them and eventually drives them into repayment challenges. This unfortunate development justifies the urgent call for a concerted effort by key actors in Ghana, comprising but not limited to the state, the private sector, and the MCIs, to trigger an engagement on SME financing, which has as one of its ultimate objectives the improvement of the household wellbeing of borrowers (Armendariz & Labie, 2011).

Finally, the result in connection with the relationship between loan accessibility and borrower's household wellbeing growth indicates a positive correlation between the two variables, with loan accessibility being statistically significant at 1% at a confidence level of 99% in predicting wellbeing growth. A unit increase in loan accessibility increases borrower's household wellbeing growth by 4.2 % ($\beta = 0.042$, $p = 0.008$). While the highest predictor of borrower's household wellbeing growth is loan cost (16%), the lowest predictor of borrower household wellbeing growth is loan accessibility (4.2%). The result amply demonstrates marginal access to microcredit by SMEs. It affirms the findings of related studies that access to micro credit from MCIs positively impacts owners' income and the general household wellbeing, ultimately reducing poverty (Frimpong & Ngerenomo, 2014). More so, access to microcredit, as evidenced by current research, indicates its ability to improve on borrower's standard of living by ensuring a consistent income that increases their households' welfare (Haag & Henschel, 2016).

However, accessing credit from traditional banks and other profit-oriented MFIs remains a problem to the SME owners in Ghana (Laetitia et al., 2015). It is expected that creating the enabling environments in terms of easy access to microcredit for SMEs could positively impact the borrowers' household wellbeing, ultimately resulting in economic growth (Adomako et al., 2015). This strategy could involve the adoption of lending technologies that are critical to reduce the cumbersome access to adequate finance for businesses, including SMEs (Berger & Black, 2011; Motta & Sharma, 2019). Similarly, MCIs could adopt friendly and cost-efficient risk administration methods such as group and solidarity lending policies, offering entrepreneurial education and proactive monitoring of credit (Kaicer & Aboulaich, 2014) to manage this risk associated with SMEs.

Table 7.15: Results of hypothesis testing and statistical analysis

Objective <i>To determine the impact of microcredit on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region of Ghana</i>					
Hypothesis	Dependent variables	Descriptive statistics	Hypothesis testing	Sig	Result
<i>H1a. Loan amount is positively related to sales growth.</i> <i>H1b. Loan amount is positively related to profitability growth.</i> <i>H1c. Loan amount is positively related to employment growth.</i> <i>H1d. Loan amount is positively related to borrower's household wellbeing growth</i>	<i>Sale growth</i> <i>Profitability growth</i> <i>Employment growth</i> <i>Borrower's household wellbeing growth</i>	<i>Frequency distribution</i>	<i>Multiple Linear regression</i>	5%. 5%. 1% 10%	<i>H1a= Supported.</i> <i>H1b=Supported.</i> <i>H1c=Supported.</i> <i>H1d=Partially supported</i>
<i>H2a. Loan cost is negatively related to sales growth.</i> <i>H2b. Loan cost is negatively related to profitability growth.</i>		“	“	5% 10%. 1%.	<i>H2a=Supported.</i> <i>H2b=Partially supported.</i> <i>H2c=Supported.</i>

<i>H2c. Loan cost is negatively related to employment growth.</i> <i>H2d. Loan cost is negatively related to borrower's household wellbeing growth</i>				5%	<i>H2d supported</i>
<i>H3a. Loan repayment flexibility is positively related to sales growth.</i> <i>H3b. Loan repayment flexibility is positively related to profitability growth.</i> <i>H3c. Loan repayment flexibility is positively related to employment growth.</i> <i>H3d. Loan repayment flexibility is positively related to borrower's household wellbeing growth</i>		“	“	1% 1%. 10%. 5%	<i>H3a=Supported.</i> <i>H3b=Supported.</i> <i>H3c=Partially Supported.</i> <i>H3d= Supported</i>

<i>H4a. Loan accessibility is positively related to sales growth.</i>		“	“	5%	<i>H4a=Supported.</i>
<i>H4b. Loan accessibility is positively related to profitability growth.</i>				10%.	<i>H4b=Partially supported.</i>
<i>H4c. Loan accessibility is positively related to employment growth.</i>				5%.	<i>H4c=Supported.</i>
<i>H4d. Loan accessibility is positively related to borrower's household wellbeing growth</i>				1%	<i>H4d =Supported</i>

Finally, inferring from the regression models and the findings from the stream of literature, the study generated four regression equations in validating the hypothesis depicted in the previous chapters which is further broken down in the next chapter. The results and their eventual discussion demonstrate that the microcredit's independent variables comprising loan amount, loan cost, loan flexibility, and loan accessibility variables, also denoting LOAM, LOCOST LOFLEX, and LOACC are significant in predicting sales, profitability, employment, and borrower's household wellbeing growth of SMEs in the Greater Region of Ghana. Finally, the results are consistent with the proposed conceptual framework depicted in chapter 5 for the extent to which microcredit impacts SMEs' performance and borrower's household wellbeing in the Greater Accra Region of Ghana in this chapter. Therefore, predicated on the findings, *H1a, H1b, H1c, H2a, H2c, H2d, H3a H3b, H3d, H4a and H4c* are all supported while *H1d, H2b, H3c and H4b* are partially supported.

7.9 MODELLING THE PERFORMANCE OF SMES THROUGH MICROCREDIT

The conceptual model depicted below is a feedback to a research gap seeking a validated model for administering microcredit to SMEs in the Greater Accra Region of Ghana. In the microfinance ecosystem in Ghana, this is the first kind of such surveys that has been administered in the Greater Accra Region, so far as this study is concerned. This study has narrowed this yawning gap by advancing the literature on entrepreneurship and developing a rigorous theoretical model that establishes that the delivery of microcredit by MCIs to SMEs impacts the performance of SMEs in sales, profitability, employment, and borrower's household wellbeing growths. The study expects all MCIs and other government-sponsored microcredit programmes to be delivered to their clients by adopting this novel model. Analysis of the results provides relevant discernments and indicators that highlight the relationships so as to appreciate the elements that affect the performance of SMEs and borrower's household wellbeing through the use of microcredit.

Microcredit access by SMEs fosters business expansion thus culminating in their capacities to meet the financial demands of their enterprises (Bastiéa et al., 2016). Extant literature contends that access to credit by SMEs impacts performance outcomes including employment, sales and profitability (Boateng et al., 2014). Similarly, Obadeyi, Ogbeide and Adesuyi (2020) posited that the appropriate investment of microcredit could positively impact the performance of SMEs and borrower's household wellbeing. The arguments advanced above demonstrate that financial credit is crucial for SMEs' growth and sustainability. However, to empower SMEs to invest microcredit judiciously, microcredit cost, repayment flexibility, loan amount, and general accessibility issues need to be adequately addressed.

Therefore, the study's conceptual framework has validated the impact of microcredit on SME performance and borrower's household wellbeing in the Greater Accra Region of Ghana. In the provision of microcredit to SMEs, it is noted that various institutional isomorphisms, including coercive, normative, and mimetic institutions (DiMaggio & Powell, 1983) influence MCIs. The call for MCIs to elicit legitimacy for their products and services provided, makes them susceptible to being influenced in the delivery of microcredit to SMEs. Most notably, this model presents major factors which can influence the use of microcredit by SMEs. The model thus corroborates the findings of previous studies that noted that gender, education level of manager, and age of business are key determinants of SME performance and borrower's household wellbeing (Cozarenco & Szafarz, 2013, Osana & Languitone, 2016).

Finally, three key SME performance indicators: sales, profitability and employment, as well as borrower's household wellbeing growth were deployed by this model to determine the performance of SMEs. Although several alternate ways of assessing SME performance and borrower's household wellbeing narratives in the entrepreneurship literature abound, the study selected these three performance dimensions as well as the wellbeing dimensions in line with the objective approach (Tarfasa, Federe, Kebede & Behailu, 2016; Bibi, Balli, Mathews & Tripe, 2018). The validated conceptual model for this study is presented in Figure 7.1 below.

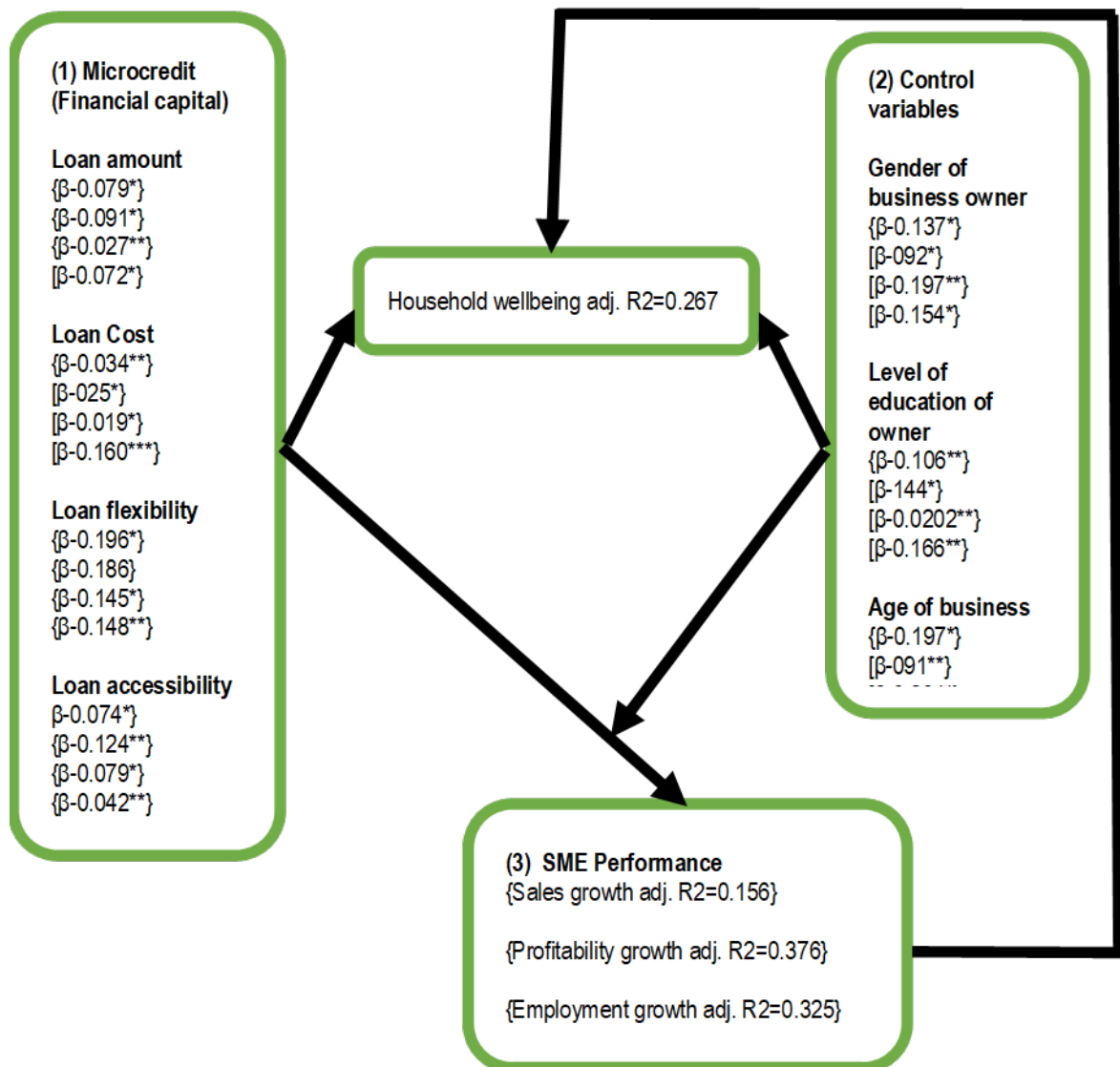


Figure 7.1: Validated model of impact of microcredit on SME performance and borrower's household wellbeing

7.10 CHAPTER SUMMARY

In summary, this chapter discussed the research findings that centred on determining the impact of microcredit on SME's performance relating to sales, profitability and employment, as well as the impact of microcredit on borrower's household wellbeing through regression analysis. The discussion commenced with individual and firm characteristics analysis of the SMEs. The objective was to underscore a deeper appreciation of the impact of microcredit on SME's performance on three key dimensions as well as selected borrower's household wellbeing dimensions in the Greater Accra region of Ghana as stated earlier. More so, the study determined the impact of firm and demographic characteristics on SME performance and borrower's household wellbeing. The analysed results have been very discerning, particularly regarding how these factors as well as firm and demographic characteristics impact the performance of the SMEs and borrower's household wellbeing.

CHAPTER EIGHT: CONCLUSIONS AND RECOMMENDATIONS

8.1 INTRODUCTION

The most immediate chapter illustrated the research results that concentrated on determining the impact of microcredit on SME's performance in terms of sales, profitability, and employment, as well as the impact of microcredit on borrower's household wellbeing through regression analysis. The current chapter has six sections and summarises the data analysis results and the hypotheses that were supported by the results. The contributions advanced to the literature in small business finance in connection with MCIs and the impact of microcredit on SME performance and borrower's household wellbeing in this study would be highlighted in this chapter. Moreover, policy implications as well as practice and researchers' implications will equally be advanced by this current chapter. Lastly, the study limitations and future research suggestions will also be underscored.

8.2 BACKGROUND TO THE CONCLUSIONS AND RECOMMENDATIONS

This study explored the impact of microcredit administered by MCIs on SMEs' performance in connection with sales growth, profitability growth, and employment growth, as well as borrower's household wellbeing in the Greater Accra of Ghana. The institutional theory was employed to support this study, coupled with the adoption of the quantitative research technique in investigating the sampled SMEs from the Greater Accra Region of Ghana. Accordingly, 632 SMEs in the Greater Accra Region of Ghana were sampled by the study in October 2020, but 455 SMEs eventually participated in this study, gaining a 72% response rate. Cognisance of the objectives of the research enumerated in chapter 1; the following specific objectives of the study have been achieved.

1. To determine how the factors of microcredit (loan amount, loan cost, the flexibility of loan repayment, and loan accessibility) impact the performance of

SMEs in connection with sales, profitability, and employment in the Greater Accra Region of Ghana.

2. To determine the extent to which microcredit elements (loan amount, loan cost, the flexibility of loan repayment, and loan accessibility) impact borrower's household wellbeing in the Greater Accra Region of Ghana.
3. Propose a conceptual framework for the delivery of microcredit to SMEs in the Greater Accra Region of Ghana.

8.3 RESEARCH FINDINGS SUMMARY

The results of this study discussed in chapter six are summarised in this section. These findings are premised on the tests executed on the hypotheses as advanced in chapter 5 that explored how the evidence adduced concerning the impact of microcredit on the performance of SMEs and borrower's household wellbeing corroborates the hypotheses.

8.3.1 MICROCREDIT'S IMPACT ON SME PERFORMANCE

Invariably, the key objective of this study is to examine the impact of microcredit on SME performance and borrower's household wellbeing in the Greater Accra Region of Ghana. Upon thoroughly examining the data, the study revealed that microcredit significantly impacts SMEs at 1 % significant levels (sales, $p = 0.001$; profitability, $p = 0.001$; employment, $p = 0.000$ and borrower's household wellbeing, $p = 0.000$). Table 8.1 depicts the results detailing the significance levels of all the independent variables of microcredit. From the results, 12 hypotheses are supported; whiles four are partially supported.

Table 8.1: Results of hypotheses testing

Hypotheses	Sig	Result
H1a. Loan amount is positively related to sales growth of SMEs	5%	Supported
H1b. Loan amount is positively related to profitability growth of SMEs.	10%	Partially supported
H1c. Loan amount is positively related to employment growth of SMEs	1%	Supported
H1d. Loan amount is positively related to borrower household wellbeing	10%	Partially supported
H2a. Loan cost is negatively related to sales growth of SMEs	5%	Supported
H2b. Loan cost is negatively related to profitability growth of SMEs	10%	Partially supported
H2c. Loan cost is negatively related to employment growth of SMEs	1%	Supported
H2d. Loan cost is negatively related to borrower household wellbeing	5%	Supported
H3a. Loan flexibility is positively related to sales growth of SMEs	1%	Supported
H3b. Loan flexibility is positively related to profitability growth of SMEs	1%	Supported
H3c. Loan flexibility is positively related to employment growth of SMEs	5%	Supported
H3d. Loan flexibility is positively related to borrower household wellbeing	5%	Supported
H4a. Loan accessibility is positively related to sales growth of SMEs	5%	Supported
H4b. Loan accessibility is positively related to profitability growth of SMEs	10%	Partially supported
H4c. Loan accessibility is positively related to employment growth of SMEs	5%	Supported
H4d. Loan accessibility is positively related to borrower household wellbeing	5%	Supported

The result equally suggests that after controlling for firm and demographic characteristics (gender, the educational level of the manager, and age of business), microcredit has been able to influence sales by 15% ($R^2 = 0.150$); profitability by 31.2% ($R^2 = 0.312$), employment by 32.4% ($R^2 = 0.324$) and borrower's household wellbeing by 25.3% ($R^2 = 0.253$). Further, the result established that microcredit from MCIs impacted sales, profitability, employment, and borrower's household wellbeing through the funding of MFIs. As a result, these SMEs have equally been smarter in taking advantage of business opportunities, upgraded their businesses, upscale

funding from MCIs, and improved their managerial capabilities associated with the firm and individual characteristics as discussed earlier.

8.4 CONTRIBUTION TO KNOWLEDGE

It is noteworthy to emphasise that this study has advanced four key contributions to knowledge, as highlighted below. First, this study has immensely contributed to the literature on entrepreneurial finance by originating and testing empirically, a conceptual framework (Figures 5.1 & 7.1). The result from the framework underscores the fact that SMEs are impacted by microcredit factors in three core dimensions of performance: sales growth, profitability growth and employment growth respectively. Further, the result from the framework indicates that microcredit factors significantly impact borrower's household wellbeing growth. Given these developments, a robust model has been developed for evaluating microcredit impacts on SMEs. The model can be applied particularly in developing countries contexts by all MCIs, which largely adopt the mixed logic in providing microcredit to their clients.

Further, this study has also contributed to the documented evidence as regards the delivery of microcredit, which is steadily gaining heightened research interest in the small business financing literature. The findings reveal the significant correlation between microcredit and SME's performance in the Greater Accra Region of Ghana in three critical scopes, namely sales growth, profitability growth, and employment growth. Additionally, the result establishes a positive relationship between the delivery of microcredit and borrower's household wellbeing.

Thirdly, the study result has affirmed the dominant preference for adopting the quantitative technique to the study of microfinance delivery in the Ghanaian microfinance space. A couple of earlier studies of this nature have adopted triangulation and qualitative methods. The study involved 455 SME owners from the Greater Accra Region of Ghana. The validation of the quantitative strategy justifies a

methodological contribution in this study which is largely consistent with the preference for microcredit impact assessments globally.

Lastly, this study contributes to understanding the unique characteristics, needs, nature, operation, and contribution of SMEs to small venture creation with its attendant economic development literature. This development heightens the appreciation of venture creation and the significance of SMEs in emerging countries contexts. Consequently, SMEs could become strategic to the development agenda in furtherance of job creation and improvement in productivity of developing countries to boost economic development (Boateng et al., 2014, Appiah et al., 2018; Shepherd et al., 2019).

8.5 POLICY AND PRACTICE IMPLICATIONS

Essentially, the conclusions of this study have implications for policymakers, microfinance professionals and SME venture development by adopting microcredit as an effective avenue for promoting the development of SMEs in the Greater Accra Region of Ghana. Policy implications and implications for practice are discussed below.

8.5.1 Implications for policy

A vital starting point is that successive governments in Ghana from 1957 to date have developed and executed national development policy frameworks with the overarching objective of creating employment and improving its citizens' living conditions and social wellbeing. The expected benefits of these policies were poverty reduction. This effort has indeed begun from the Greater Accra Region of Ghana. Consistent with the consensus in the literature, some progress was made in stabilising the economy that culminated in the setting up of businesses that further created jobs through the various initiatives directed at supporting the SME landscape in the Greater Accra Region of Ghana (Kwakyi, 2012; Quartey et al., 2017). On the contrary,

economic challenges still exist, including low productivity, lower revenues, and endemic underemployment and unemployment in the Greater Accra Region. This development underscores the urgent call in adopting a holistic approach to dealing with the development. This robust research evidence concludes that microcredit can assume a potent vehicle to enhance the performance of SMEs, which are unarguably deemed to improve the wellbeing of the households of the borrower in the Greater Accra Region of Ghana.

Further, the study concluded that microcredit has a significant impact on SME sales, profitability, employment, and borrower's household wellbeing. Therefore, it is incumbent on stakeholders to formulate viable and time-tested policies. In essence, the government's small business funding initiatives such as the Microfinance and Small Loans Fund, and the Poverty Alleviation Fund (PAF) should be realigned (Ntiamoah, Li, & Kwamega, 2016). These policies could help achieve the desired goal of creating the enabling environments that lend themselves to improved sales revenues, employment, and improved borrower's household wellbeing.

Reflecting on the immense contribution of the SME sub-sector to the Ghanaian economy, the government's policy regarding regulatory mechanisms for SMEs should be more accommodating and flexible to facilitate cost-effective access to funding in the Greater Accra Region. Crucially, the Bank of Ghana that regulates microfinance institutions should promote policies and directives that lend themselves to reducing the challenges that impede SMEs' efforts at obtaining credit from the mainstream commercial banks. Undeniably, MCIs alone cannot exclusively supply adequate financial resources to SMEs, taking cognisance of the vast number of SMEs in the Greater Accra Region which incidentally hosts the capital city of Ghana. To this end, the Central Bank needs to be realigned to promote that unique and enabling hubs for financial institutions, mainly commercial banks, to create units and departments to encourage and nurture SME development in these institutions. This strategy can augment the policies of MCIs in providing funding to SMEs in the Greater Accra Region.

8.5.2 Implications for practice

Inferring from this study's policy implications, it is also crucial to underscore the need to proffer robust practitioners implications in the microcredit sub-sector in the Greater Accra Region of Ghana. More importantly, this study has developed an efficient and robust framework that can be adopted in the operations of MCIs in the Greater Accra region. Fundamentally, the issue of the negative impact of the cost of credit was revealed in the findings. Therefore, MCIs should ensure that microcredit must be relatively accessible and primarily characterised by friendly loan repayment conditions, sufficient loan amount, and competitive administrative fees, loan deposits and interest charges.

Further, MCIs must explore the adoption of more creative and innovative credit management strategies to facilitate SMEs' access to reasonably larger loans in the Greater Accra region. This policy could facilitate the expansion of SME entrepreneurial activities in line with robust credit risk control structures. By extension, aggressive investments in sales programmes and related business expansion programmes would create the streams of revenues that engender profitability and employment generation which could ultimately result in improving the borrower's household wellbeing in the Greater Accra Region.

8.5.3 Implications for future research

It is imperative to point out that this study on MCIs and SMEs has advanced profound insights that researchers in the future can explore in the entrepreneurial space. Reflecting the Ghanaian context that is typically characterised by resource constraints, collecting primary data of this kind can be cumbersome, especially in some unique environments such as the Greater Accra Region. Therefore, it is incumbent on the researcher to navigate his radar through the MCIs and other actors such as market queens, as well as team leads in reaching their clients for data collection purposes. Remarkably, a reasonable majority of MCIs that adopt the group lending technology

can quickly organise and assemble their clients as participants for research purposes. Same principle characterises individual loans.

8.6 STUDY LIMITATIONS

Characteristic of any research activity, this current research has limitations. Firstly, the conclusions of the research highlighted theoretical and methodological challenges which necessitate future studies. The absence of qualitative design to consolidate the results of the quantitative strategy creates some level of deficit. The study suggests that future studies of this nature could combine the quantitative and qualitative methods to improve the understanding gained from this particular study. Lastly, this study only covers a single region that focused exclusively on the Greater Accra Region of Ghana, thus limiting its generalisation. A future cross-regional study could afford a superior appreciation of the impact of MCI products on SMEs performance in Ghana

8.7 FUTURE RESEARCH DIRECTION

Further research could be directed at navigating the savings effects of selected tiers of MFIs on the performance of SMEs and borrower's household wellbeing in the Greater Accra Region of Ghana. It is recommended that the various institutional types can be deployed as mediating or moderating variables. This is to make comparative analyses of MFIs that advance savings to their customers and those that do not, so as to establish the impact of savings on SME performance and borrower's household wellbeing in the Greater Accra region.

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APPENDICES

Appendix 1: Introductory Letter



APPENDICES

Appendix 1: Introductory Letter

TO WHOM (MFI) IT MAY CONCERN

INTRODUCTORY LETTER-MR. JOHNSON KWESI AMEH

Mr. Johnson Kwesi Ameh is studying for the Doctor of Philosophy degree in Entrepreneurship in the Central University of Technology, Free State, South Africa. His study is titled: The impact of microcredit on the performance of SMEs and borrower household wellbeing in the Greater Accra Region.

We, Prof Dennis Yao Dzansi of the Central University of Technology, Free State, South Africa, and Dr. Victor Atiase of De Montfort University, Leicester, U.K are the supervisors of this study.

I would be very grateful if you could grant him access to your loan clients to respond to the survey questions.

All research ethics obligations would be observed without compromise including but not limited to informed consent, anonymity, confidentiality etc.

Yours faithfully,



Professor Dennis Yao Dzansi

Appendix 2: Questionnaire for SMEs in Ghana

 CENTRAL UNIVERSITY OF TECHNOLOGY FACULTY OF MANAGEMENT SCIENCES DEPARTMENT OF BUSINESS SUPPORT STUDIES QUANTITATIVE QUESTIONNAIRE FOR SMEs IN GHANA					
Dear Sir/Madam					
I am Johnson Kwesi Ameh , and I am studying for the Doctor of Philosophy degree in Business at the Central University of Technology, Free State, South Africa.					
I am now collecting data for my thesis titled: Assessing the impact of microcredit on the performance of SMEs in the Greater Accra Region					
This survey collects data on your perception about the impact of microcredit on the performance of your business over the past three(3) years.					
Dr. Victor Atiase of De Montfort University and Prof Dennis Dzansi of the Central University of Technology are supervising this study.					
I would be very grateful if you could spare 15 minutes of your time to respond to the following questions. Please you are advised not to write your name on this questionnaire as it is completely anonymous, used purposely for academic endeavour and shall be treated strictly confidential as much as possible.					
If you would like to receive an executive summary of the research report, please tick the appropriate box.		Yes	☐	No	☐
If you would like to participate further in this research, please tick the appropriate box.		Yes	☐	No	☐
Thank you very much for your time and contributions.					
FOR INTERNAL USE ONLY Questionnaire Code:..... Date Administered:..... Date of Retrieval:..... Contact of Respondent:..... Business Location:.....					
INSTRUCTION					
You are kindly requested to tick the box that best represents your biographic nature or perspective. Please specify where appropriate.					
SECTION A: PERSONAL PROFILE					
1. Gender:	Male	[1]	Female	[2]	
2. Age	Under 25	[1]	26 – 35	[2]	36 – 45 [3] 46-55 [4] (e) 55+
3. Marital Status	Married	[1]	Single	[2]	Divorced [3] Widowed [4]
4. What role do you play in this business?	Owner Manager	[1]	Owner	[2]	Manager [3] Other(Please specify) [4]
5. Highest level of education?	No formal education	[1]	Primary school	[2]	Secondary school [3] Undergraduate degree [4]
	Postgraduate degree	[5]	Other (specify)	[6]	
SECTION B: BUSINESS PROFILE					
6. Business Name:					
7. What is the nature of your business registration?					
a.Registras' General Department	Yes	[1]	No	[2]	
b.District/Municipal Assembly	Yes	[1]	No	[2]	
8. Please categorise the legal form of your business by ticking the appropriate box		[1]	Sole proprietorship	[2]	Partnership [3] Limited liability company
9. What is the total capital invested into your business?	Ghc 500-Ghc 2000	[1]	Ghc 2001-Ghc 5000	[2]	Ghc 5001-Ghc 10,000 [3] Ghc10,001-Ghc 20,000 [4] Above Ghc 20,000
10. What are the main sources of your invested capital?	Savings	[1]	Microcredit	[2]	Family and Friends [3] Government assistance [4] Others (specify)
11. What is the age of your business?	Less than 2 years	[1]	2 – 5 years	[2]	6 – 10 years [3] 11 – 15 years [4] More than 15 years
12. Which of the following industry is your business classified?	Agriculture	[1]	Manufacturing	[2]	Construction [3] General services [4] Trading
	Hotels and restaurants	[6]	Education	[7]	Transport and distribution [8] Others(Please specify)

SECTION C: THE PROVISION OF MICROCREDIT TO SMEs

13. How would you agree to the following regarding the amount of loan granted to you by your MCIs for your business by rating on a scale between 1 and 5, where 1=Strongly disagree, 3=Neutral, and 5=Strongly agree?

Loan Amount	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
13.a. The loan amounts I have acquired have not been sufficient for my business	[1]	[2]	[3]	[4]	[5]
13.b. Over the last three years, I am satisfied with the loan amounts granted to my business	[1]	[2]	[3]	[4]	[5]
13.c. The loan amounts granted were less than the amounts applied for	[1]	[2]	[3]	[4]	[5]
13.d. The loan amount granted was more than I requested for my business	[1]	[2]	[3]	[4]	[5]
13.e. Loan amounts acquired were not based on the total cost/size of my business stocks	[1]	[2]	[3]	[4]	[5]

14. How would you agree to the following regarding the cost of loan granted to you by MCIs for your business by rating on a scale between 1 and 5, where 1 = Strongly disagree, 3 = Neutral, and 5 = Strongly Agree ?

Cost of Loan	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
14.a. The interest charged on the loan is affordable for me	[1]	[2]	[3]	[4]	[5]
14.b. Processing fees charged are bearable to me	[1]	[2]	[3]	[4]	[5]
14.c. Loan deposit required is affordable to me	[1]	[2]	[3]	[4]	[5]
14.d. Loan physical collateral required is affordable to me	[1]	[2]	[3]	[4]	[5]
14.e. Costs incurred on loan processing are reasonable to me	[1]	[2]	[3]	[4]	[5]
14.f. Cost incurred on loan repayment is affordable to me.	[1]	[2]	[3]	[4]	[5]

15. How would you agree to the following regarding the flexibility of repayment of the loan granted by MCIs for your business by rating on a scale between 1 and 5, where 1 = Strongly Disagree, 3 = Neutral, and 5 = Strongly Agree ?

Flexibility of Loan Repayment	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
15.a. I have always enjoyed grace periods before I start repayment	[1]	[2]	[3]	[4]	[5]
15.b. The loan repayment schedule is very flexible to me	[1]	[2]	[3]	[4]	[5]
15.c. The loan repayment amount is affordable to me	[1]	[2]	[3]	[4]	[5]
15.d. The loan duration is convenient for my business needs	[1]	[2]	[3]	[4]	[5]
15.e. Loan repayment locations are accessible at reasonable cost to me	[1]	[2]	[3]	[4]	[5]

16. How would you agree to the following regarding the accessibility of the loan given to you by your MCIs by rating on a scale between 1 and 5, where 1 = Strongly disagree, 3 = Neutral, and 5 = Strongly Agree ?

Loan Accessibility	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
16.a. I had adequate information on available lending MCIs and their locations	[1]	[2]	[3]	[4]	[5]
16.b. The application processes were flexible to me	[1]	[2]	[3]	[4]	[5]
16.c. Loan application documentation over the past three(3) years were easily accessible for me	[1]	[2]	[3]	[4]	[5]
16.d. Open channels of communication existed at every stage of loan processing	[1]	[2]	[3]	[4]	[5]
16.e. Over the past three (3) years, loan applications made to your MCIs were timely approved	[1]	[2]	[3]	[4]	[5]

17. How would you agree to the following regarding the usage of the loan for your business by rating on a scale between 1 and 5, where 1 = Strongly Disagree, 3 = Neutral, and 5 = Strongly Agree ?

Loan Usage	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
17.a. The loan acquired was used to purchase raw materials/stock/inventories	[1]	[2]	[3]	[4]	[5]
17.b. The loan granted was used to acquire fixed assets	[1]	[2]	[3]	[4]	[5]
17.c. The loan acquired was used to pay employee salaries	[1]	[2]	[3]	[4]	[5]
17.d. The loan acquired was used to pay for business rent	[1]	[2]	[3]	[4]	[5]
17.e. The loan acquired was used to pay for other business debt	[1]	[2]	[3]	[4]	[5]

SECTION D: SME PERFORMANCE

19. Indicate in the table below the sales growth between 2015 and 2019

Sales Growth	2015		2016		2017		2018		2019
	GH¢		GH¢		GH¢		GH¢		GH¢

20. Indicate in the table below the profits between 2015 and 2019

Profitability Growth	2015		2016		2017		2018		2019
	GH¢		GH¢		GH¢		GH¢		GH¢

21. Indicate in the table below the number and type of jobs created between 2015 and 2019

Employment Growth	2015		2016		2017		2018		2019
21.a.Number of full- time skilled employees									
21.b.Number of Full- time unskilled employees									
21.c. Number of part-time skilled employees									
21.d. Number of part-time unskilled employees									

22. How would you agree to the following regarding the impact of microcredit for your business on your household wellbeing by rating on a scale between 1 and 5, where 1 = Strongly Disagree, 3 = Neutral, and 5 = Strongly Agree ?

Improved household wellbeing	Strongly disagree		Disagree		Neutral		Agree		Strongly agree
22.a. Access to microcredit has enabled me and my family to afford at least three balanced square meals a day	[1]		[2]		[3]		[4]		[5]
22.b. Access to microcredit has enabled me and my family to afford decent clothing	[1]		[2]		[3]		[4]		[5]
22.c. Access to microcredit has enabled me and my family to afford water and decent sanitation facility (toilet)	[1]		[2]		[3]		[4]		[5]
22.d. Access to microcredit has enabled me and my family to afford decent and adequate shelter	[1]		[2]		[3]		[4]		[5]
22.e. Access to microcredit has enabled me and my family to afford basic health care	[1]		[2]		[3]		[4]		[5]
22.f. Access to microcredit has enabled me and my family to afford payment of school fees at the Basic level	[1]		[2]		[3]		[4]		[5]
22.g. Access to microcredit over the years has helped to reduce my level of dependence on my spouse(husband/wife)	[1]		[2]		[3]		[4]		[5]
22.h. Access to microcredit over the years has enabled me to acquire and consume basic household chattels-TV, radio, refrigerator, pressing iron, home theatres etc.	[1]		[2]		[3]		[4]		[5]
22.i. Access to microcredit over the years has enabled me to contribute actively towards events such as funerals, outdooring's, church donations etc.	[1]		[2]		[3]		[4]		[5]

Appendix 3: Model summaries and charts

Table A1.1: Model summary (Sales total)

				Change Statistics				
R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
.378	.167	.156	.32093	.156	15.478	11	438	.000

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.256	11	3.510	15.478	0.000
	Residual	65.267	434	1.238		
	Total	89.523	445			

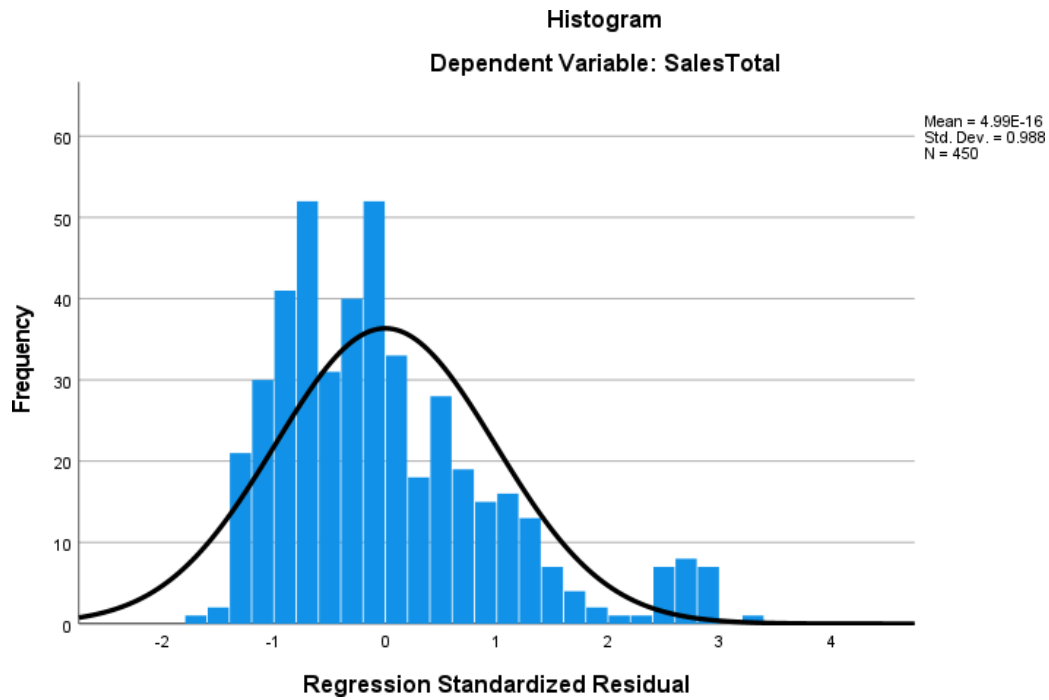


Figure AA 1.1: Histogram of Regression Standardized Residual (Sales total)

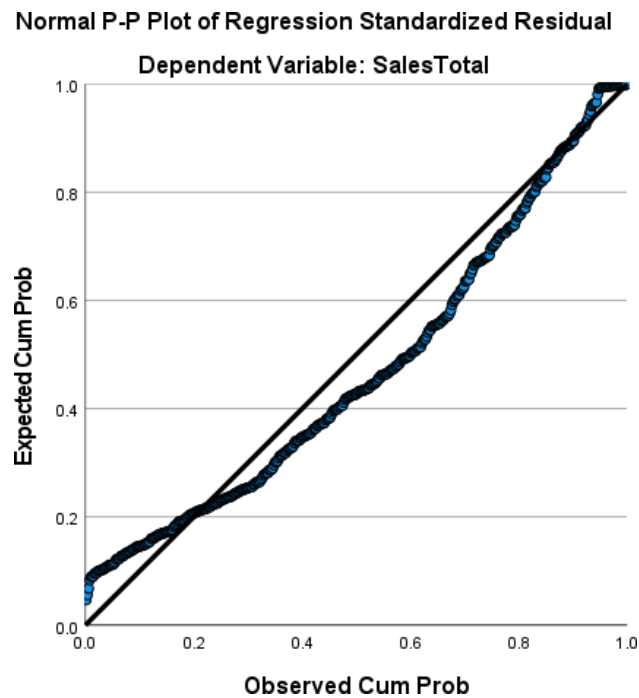


Figure AA 1.2: Normal P-P Plot of Regression Standardized Residual (Sales total)

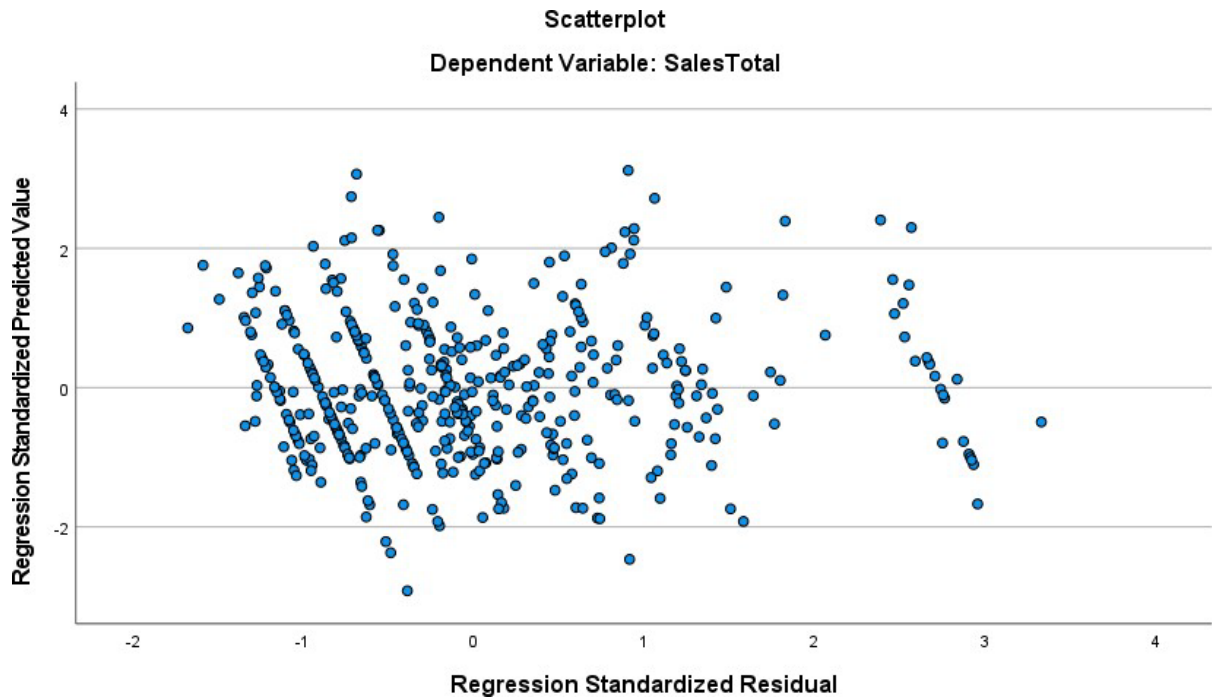


Figure AA1.3: Scatter Plot of Regression Standardized Residual (Sales total)

Table A1.2: Model Summary (Profit Total)

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.186a	.0492	.376	.17412	.376	10.441	11	434	.000

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.615	11	4.783	10.441	.151 ^b
	Residual	72.105	434	2.538		
	Total	100.720	445			

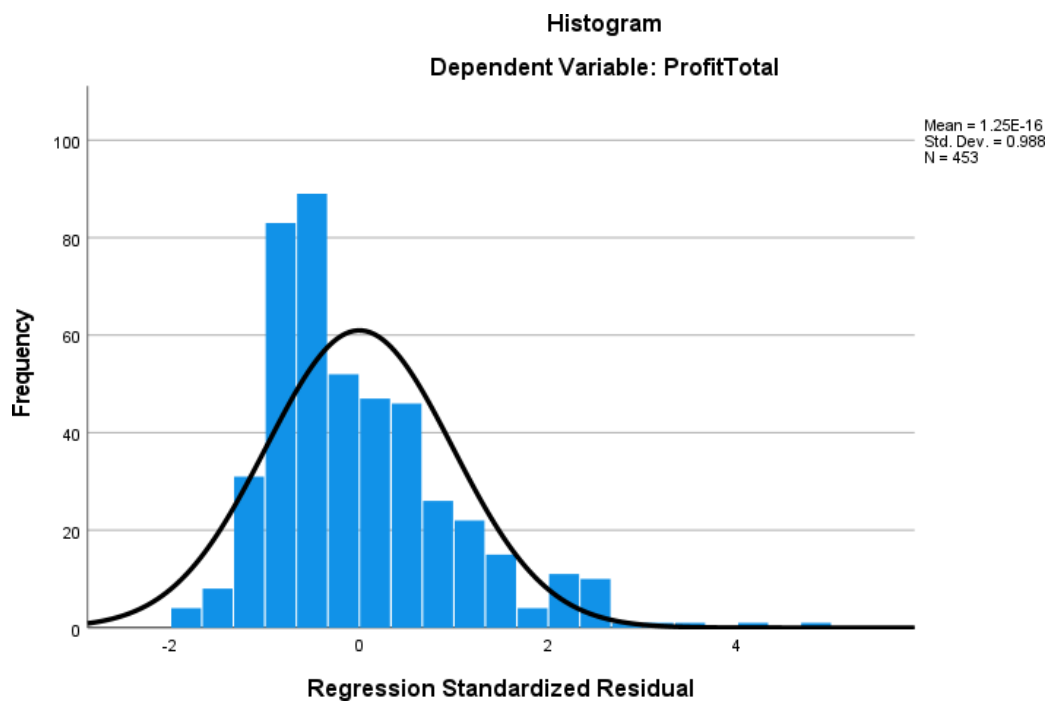


Figure AA1.4: Histogram of Regression Standardized Residual (Profit total)

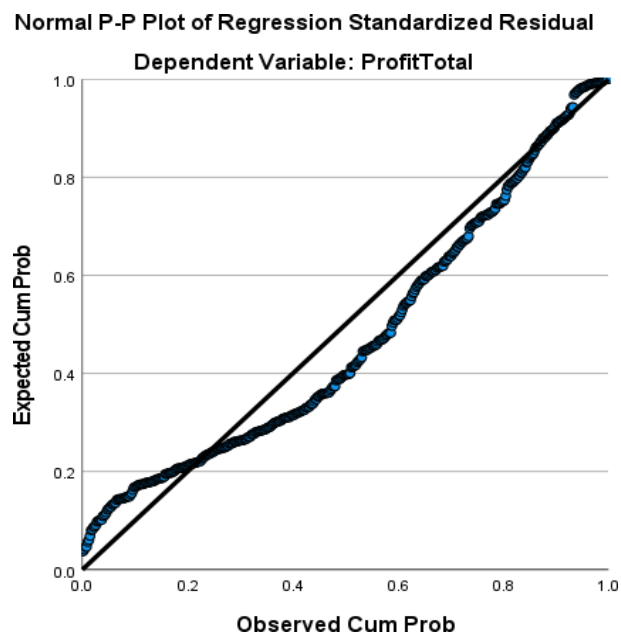


Figure AA1.5: Normal P-P Plot of Regression Standardized Residual (Profit total)

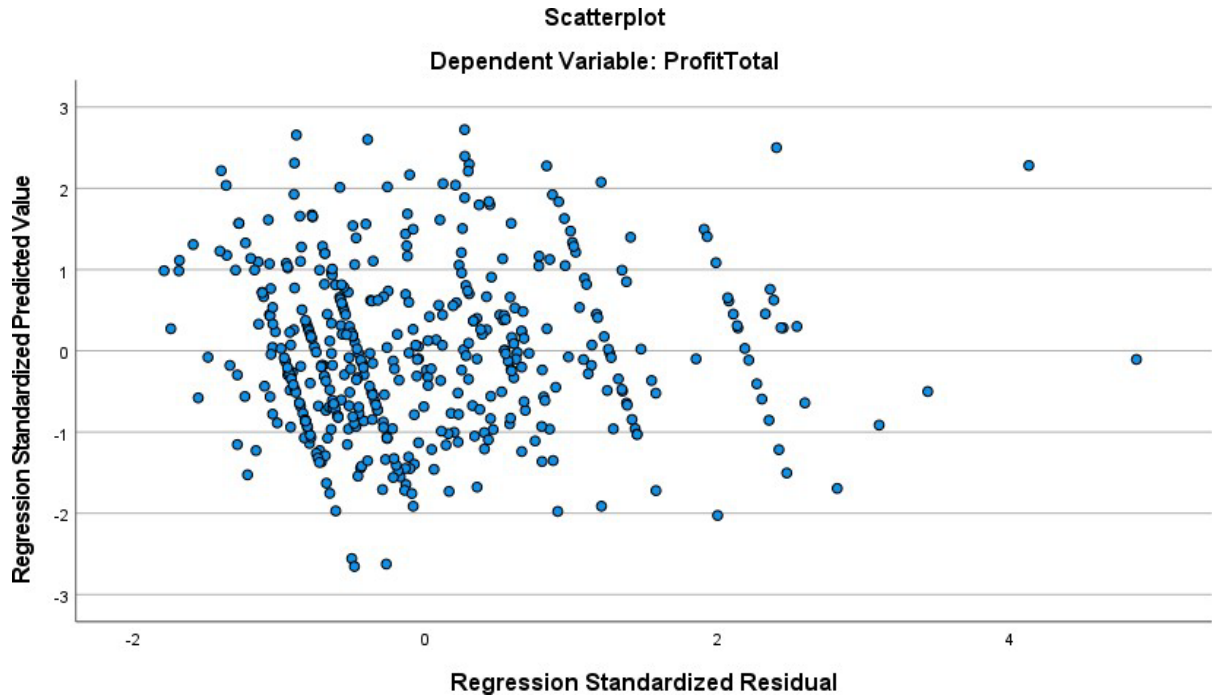


Figure AA.1.6: Scatterplot of Regression Standardized Residual (Profit total)

Table A1.3 Model Summary (Employment Total)

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.405 ^a	.349	.325	1.84080	.249	7.684	11	434	.000

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.125	11	4.102	7.684	.000 ^b
	Residual	38.582	434	2.841		
	Total	123.707	445			

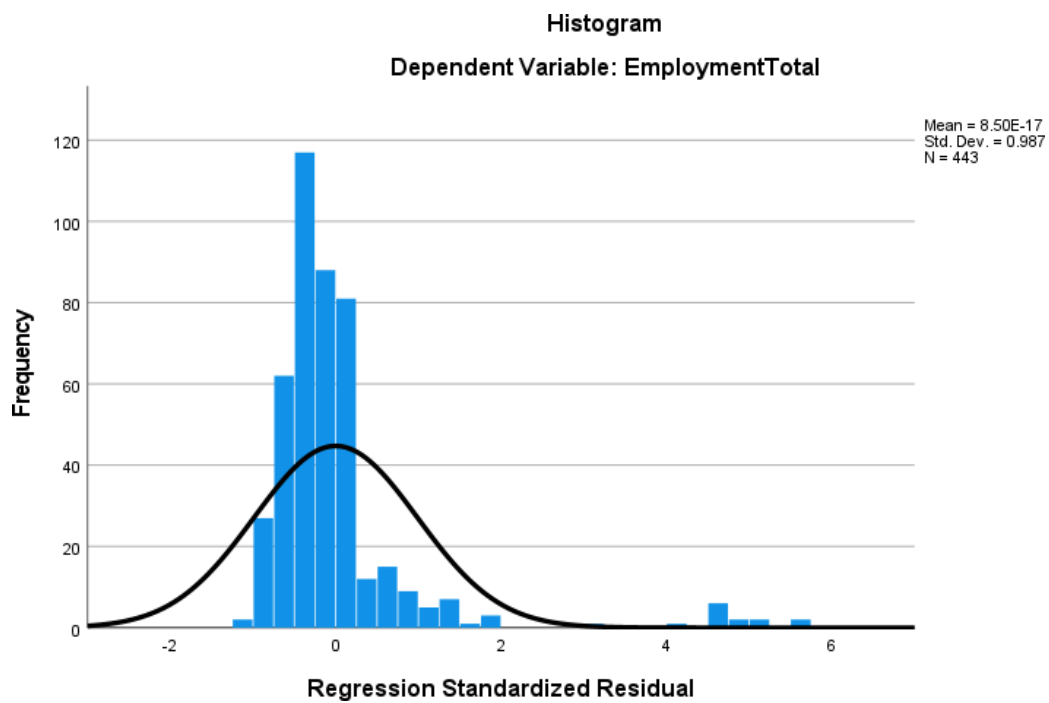


Figure AA1.3 Histogram of Regression Standardized Residual (Employment total)

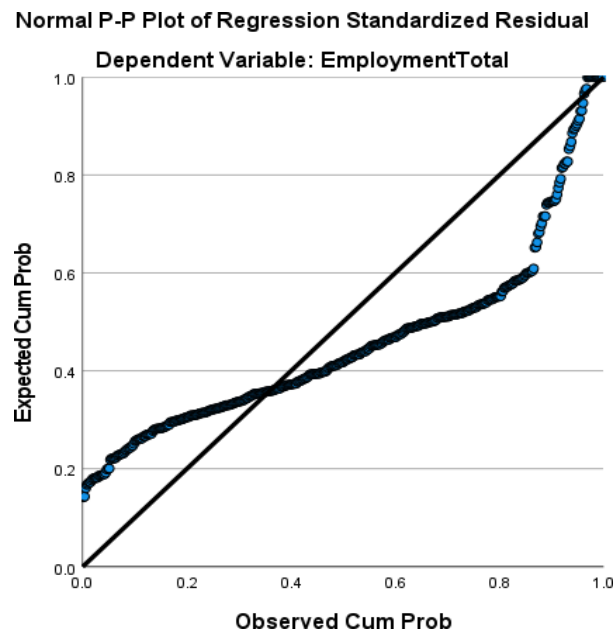


Figure AA.1.8: Normal P-P Plot of Regression Standardized Residual (Employment total)

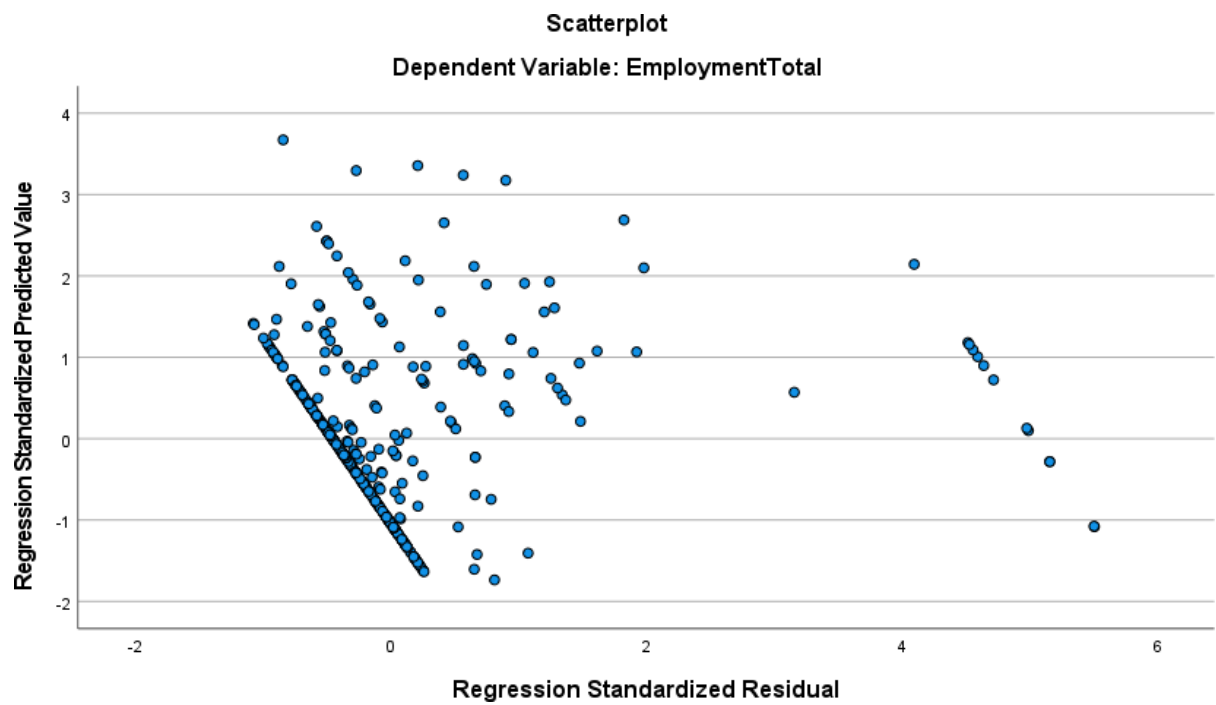


Figure AA 1.4: Scatterplot of Regression Standardized Residual (Employment total)

Table A1.4: Model Summary (Owner's household wellbeing total)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.543 ^a	.295	.267	6.25417	.295	10.439	11	434	.000

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	91.515	11	3.320	10.439	.000 ^b
	Residual	67.397	434	1.115		
	Total	158.912	445			

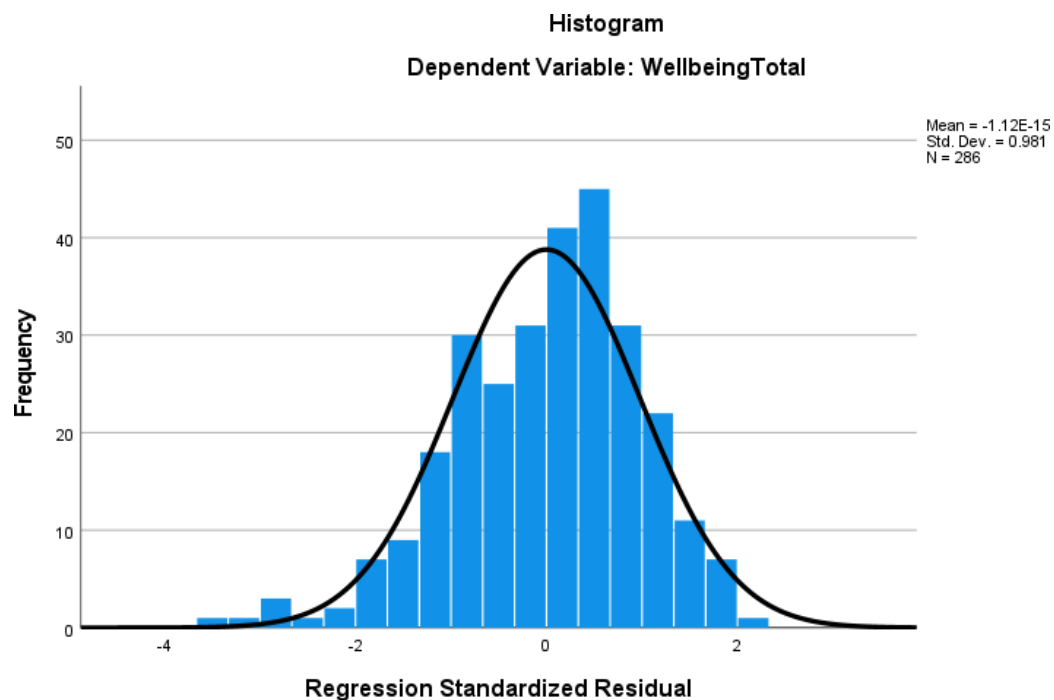


Figure AA1.10: Histogram of Regression Standardized Residual (Owner's household wellbeing total)

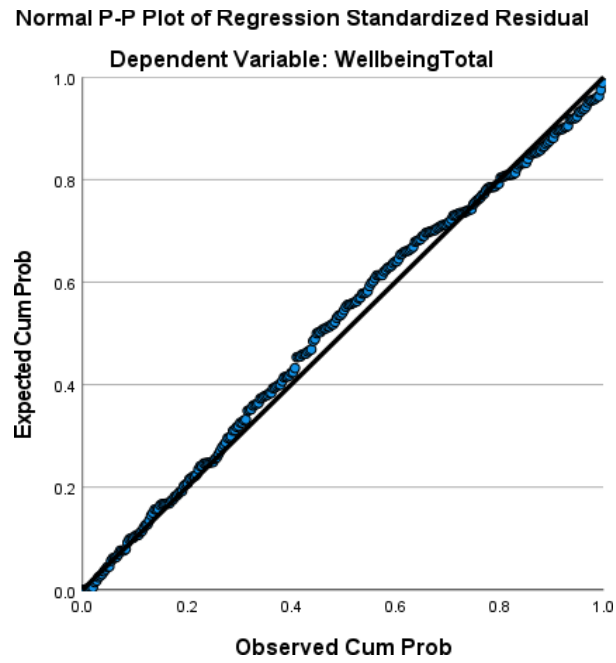


Figure AA1.11: Normal P-P Plot of Regression Standardized Residual (Owner's household wellbeing total)

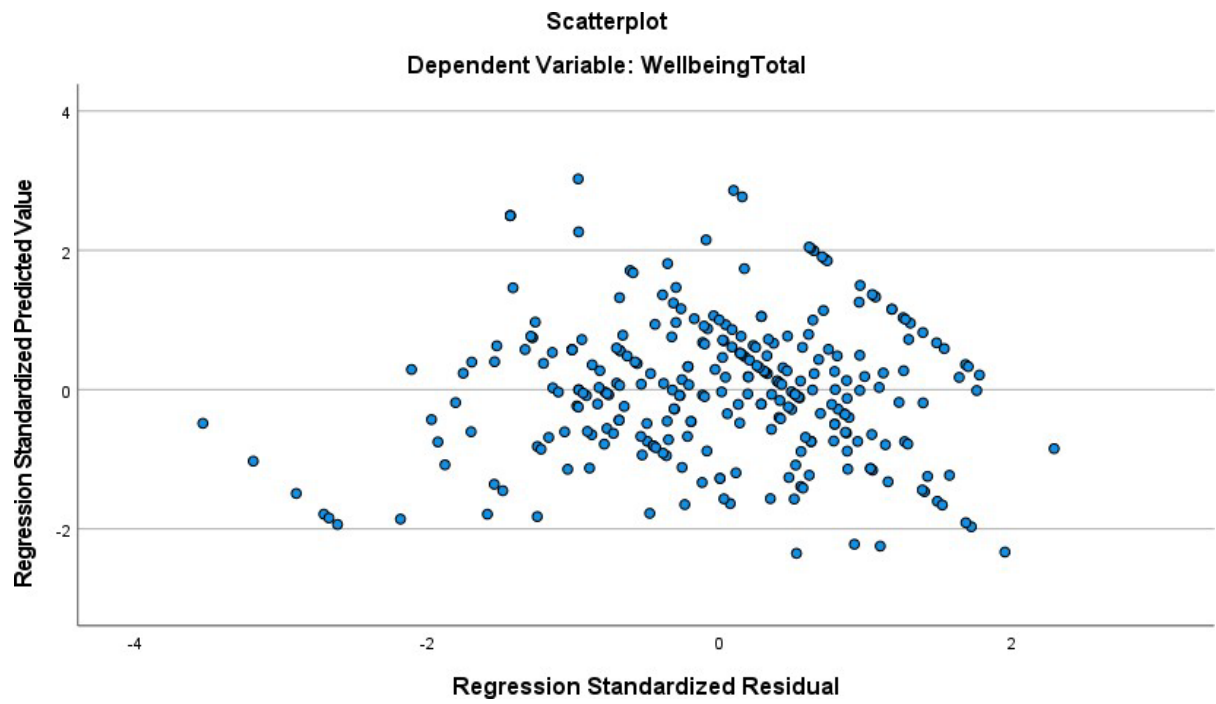


Figure AA.12: Scatterplot of Regression Standardized Residual (Owner's household wellbeing total)