CARDIFF SCHOOL OF MANAGEMENT

A FRAMEWORK FOR UNDERSTANDING MICROFINANCE AS A TOOL FOR POVERTY REDUCTION IN GHANA

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A FRAMEWORK FOR UNDERSTANDING MICROFINANCE AS A TOOL FOR POVERTY REDUCTION IN GHANA

BY

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ABSTRACT

Microfinance has globally dominated the development agenda and debates as a tool for poverty reduction for over two decades. However, the issue of whether or not microfinance is a potent tool for poverty reduction in developing countries in general and Ghana in particular has still not been settled by literature. This study therefore investigates the relationship between microfinance and poverty reduction, microfinance and employment generation, and microfinance and business growth, aiming to develop a framework for understanding microfinance as a tool for poverty reduction in Ghana. Using grounded theory methodology and mixed methods approach, data was collected from 337 clients of microfinance and 10 MFIs through questionnaires and semi-structured interviews respectively. Ordinary Least Square (OLS) regression and Binary Logistic regression were used to analyse the quantitative data. The study found that although factors like high interest rates, inadequate loan sizes and lack of training hinders the growth of some microenterprises, causes some microenterprises to collapse and actually worsens the poverty situation of some clients, the net effect is that microfinance does generate employment and leads to business growth in Ghana. As its contribution to theory and practice, the study found that whilst microfinance creates employment and enhances business growth, it is not a panacea for poverty reduction in Ghana. This study also contributes to the financing constraint theory by Modigliani and Miller (1958) which postulates a positive relationship between favourable credit terms and business growth. This study is the first to combine microfinance, grounded theory and mixed methods to investigate the relationship between microfinance and poverty reduction, microfinance and business growth, and microfinance and employment generation in Ghana. The study contributes to a better understanding of microfinance as a tool for poverty reduction and offers a framework of relevant recommendations for Ghanaian government and policy-makers.

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DEDICATION

I dedicate this thesis to my wife, Mrs. Veronica Addae Korankye, and my children for their love, support and encouragement.

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LIST OF ABBREVIATIONS

ADB	Agricultural Development Bank
APR	Annual Percentage Rates
ASSFIN	Association of Financial NGOs
ARB	Association of Rural Banks
CGAP	Consultative Group to Assist the Poorest
CIA	Central Intelligence Agency
CIDA	Canadian International Development Agency
CSR	Corporate Social Responsibility
CUA	Credit Union Association
DFID	Department for International Development
DRDAs	District Rural Development Agencies
ECOWAS	Economic Community of West African States
ENOWID	Enhancing Opportunities for Women in Development
EU	European Union
FINSSP	Financial Sector Strategic Plan
FINCA	Foundation for International Community Assistance
GCSCA	Ghana Co-operative Susu Collectors Association
GDP	Gross Domestic Product
GPRS	Growth and Poverty Reduction Strategy
GoG	Government of Ghana
GHAMFIN	Ghana Microfinance Institution Network

GRATIS	Ghana Regional Appropriate Technology Industrial Services
GTZ	German Agency for Technical Co-operation
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
ISSER	Institute of Statistical, Social and Economic Research
ITTUs	Intermediate Technology Transfer Units
JICA	Japan International Co-operation Agency
LEAP	Livelihood Empowerment Against Poverty
MASLOC	Microfinance and Small Loan Center
MC^2 (MCC)	Means and Competences of the Communities
MDGs	Millennium Development Goals
MFIs	Microfinance Institutions
MSE	Micro and Small Enterprise
MSMEs	Micro, Small, and Medium Enterprises
NBFIs	Non-Bank Financial Institutions
NBSSI	National Board for Small Scale Industries
NGOs	Non-Governmental Organisations
OLS	Ordinary Least Square
RCBs	Rural and Community Banks
SHG	Self Help Group
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
UNEP	United Nations Environment Programme

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Microfinance has been among the most debated issues or phenomena in the world over the past several decades due to its aims of reducing poverty, creating employment, enhancing both men and female empowerment, stimulating the growth of microenterprises, and hence improving the standard of living of the poor (da Costa, 2017). The potency of microfinance as a strategy or mechanism to alleviate poverty, empower its clients and also enhance the growth of micro- enterprises has attracted a number of debates and controversies around the globe. This is because, whilst some studies assert that microfinance is one of the potent tools to eradicate poverty and enhance the growth of microenterprises (Sawant, 2017), other findings have revealed that microfinance has led to the decline in profit and collapse of some micro-enterprises and has made some people worse off (Kapoor & Vatsal, 2017; Chowdhury, Mosley & Simanowitz, 2004).

According to experts and stakeholders, for example Rahman, Luo, Hafez and Sun (2015) and Ministry of Finance, Ghana (2018), microfinance institutions have brought a number of innovative facilities to benefit low-income earners. These services include loans, savings, insurance, transfer services, etc. targeted at poor families and small scale enterprises (Ministry of Finance, Ghana, 2018). In addition to small loans, the definition of microfinance includes other financial services like savings and credit, insurance and payment services. Otero (1999), however, views microfinance as the provision of financial services to low-income earners and very poor micro-entrepreneurs. Schreiner and Colombet (2001, p.339) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks". This implies that microfinance encompasses the supply of financial services such as micro-savings, micro-loans and micro-insurance to poor people residing in both urban and rural areas who are excluded from accessing financial services from the traditional financial institutions. The Consultative Group to Assist the Poorest (CGAP) of the World Bank in the USA however believes that, to most people, microfinance companies are set up to empower the poor to engage in productive and economically viable activities (CGAP, 2007).

Research conducted by Owusu-Dankwa and Allotey (2014) revealed that micro-loans received by microenterprises lead to the growth of many microenterprises. This implies that, although there are a number of factors that determine the growth of microenterprises, without capital innovation, drive and creativity cannot be transformed into material action. A significant proportion of workers in developing countries are women (CGAP, 2003). For them, their economic life is dependent on self-employment (UNDP, 1997). Among the various economic activities they do for a living and support their families include, but is not limited to, cloth weaving, crafting of pottery and tools, harvesting rice, and sending fruits, vegetables, and food stuffs to the market to sell (UNDP, 1997). Most of them cannot expand and grow their businesses because they are denied access to loans, and again do not have a safe and convenient place to keep their wares or items. Usually with a small amount of capital they can expand or grow their businesses (CGAP, 2003). In developing countries, for example Ghana, a small amount of perhaps $50 buys a bag of fruits and vegetables, food stuffs, a box of merchandise, fertilizer for a large plot of farm land, a few tools etc. from which they can make enough profit to provide for an entire household.

However, a question that arises is who would lend to these people? They lack the collateral usually demanded by the traditional banks, they do not keep records of their business transactions to determine their cash flow position and most of them are illiterates or semi-literates and hence may find it difficult to fill and complete the paperwork involved in the long and cumbersome loan processes and procedures of the traditional banks. Due to the above reasons and their geographic isolation, the high cost of administering small loans, or simply social prejudice, these people are excluded by the formal traditional banks such as the commercial banks Consultative group to assist the poorest (CGAP, 2003).

To respond to the loan demands of the poor and micro-entrepreneurs, who lack the collateral demanded by the traditional commercial banks, highly innovative and non-profit organisations emerged in the late 1970s. These companies, called microfinance companies or microfinance institutions, developed workable strategies to provide loans to the productive poor who are profitable but lack the necessary collateral demanded by the traditional commercial banks. These microfinance companies or microfinance institutions (MFIs) are found all over the developing countries especially in Africa, Asia, and Latin America and are doing very well by providing loans to the poor and the microenterprises. Even though these institutions operate in different countries with remarkable differences in the socio-economic, cultural and political environment, they claim to have similar aims of creating and expanding employment, growing businesses, empowering micro-entrepreneurs, improving the overall standard of living of the poor and microfinance beneficiaries and eventually reducing poverty (UNDP, 1997).

However, according to Stuart (2000), from the ‘agricultural credit era’ (1950s-1970s) through the ‘micro-enterprise era’ (1980-1993) the characteristics and image of the poor as marginal and small farmers formed the basis for institutional arrangements and policies including the design of financial products to the poor. First, the disbursement of agricultural loans, which are often special, governmental and foreign grants and soft loans to the poor were influenced by the special characteristics and image of the poor as small and marginal farmers.

Second, subsequent views of the poor as women entrepreneurs also influenced voluntary organisations to issue increasingly large amount of working capital to poor women who organised themselves into groups offering joint liability (Stuart, 2000). According to Sarumati and Mohan (2011), this happened and is still happening in Bangladesh and other parts of the world. For example, in Ghana, microloans are mostly given to groups, and if a group member defaults, the group members are jointly liable (Asiamah & Osei, 2007). This method of delivering microfinance, which is discussed in detail in chapters 2, 5 and 7 of this thesis, is unfair to those who do not default but are forced to be jointly liable for someone's default of loan. However, that is the reality; someone's failure to pay his/her loan adversely affect another member or other members of the group.

From the above, it is clear that microfinance sector, especially the clients including the micro- enterprises, and even the microfinance institutions themselves face a number of challenges. The clients (individuals and micro- enterprises) complain of exorbitant interest rates charged by the microfinance companies, inadequate loan amounts, the term of maturity of the loans, and many more issues Rashem and Abdullah (2018); Prathap, Mahesh, and Karthik(2018). The microfinance institutions also face the problem of default and sustainability among others. In addition to these, although microfinance has been in existence for more than two decades, many people (including even those in the sector) do not fully understand many of the aspects of microfinance. The current study therefore develops a framework for understanding microfinance as a tool for poverty reduction in Ghana. The methods of delivering microfinance including the Grameen method and the Latin American Solidarity Group method are not able to address the challenges faced by microenterprises and even the microfinance institutions. For example, the Grameen method and almost all the other methods are accused of charging exorbitant interest rates thereby collapsing micro enterprises that they are supposed to grow. It is therefore necessary to develop a framework to understand microfinance as a tool for poverty reduction in Ghana. This framework among other things provides guidelines to address the challenges in the sector to benefit all stakeholders.

1.2 The Concept and Definition of Microfinance

According to Rahman *et al*. (2015), microfinance entails the provision of microcredit, insurance, remittances, health, education, skill training and social awareness to the poor who are traditionally excluded by formal financial intermediaries. Lorenzetti *et al.* (2017), define microfinance as a platform designed to assist poor families, especially females, to enhance their role in productive activities, improve their economic and material well-being, decrease vulnerability to financial shocks, and smooth consumption. To serve the poor and the very poor who require a variety of financial services, and who are excluded by the traditional formal financial institutions, microfinance has, over time, come to increase its range of services to include not only micro-loan, but also micro-savings, micro-insurance etc. (CGAP, 2007; Haupt, 2006). Twumasi (2004) claims that microfinance involves offering micro-credit to those who, because of their inability to provide collateral, are ignored by the formal commercial banks. Furthermore, the World Bank (2003) considers microfinance as the provision of small-scale financial products, especially micro-loans and micro-savings, to fishermen and women, farmers or herdsmen; micro-entrepreneurs who are producers of goods and services, repairers, those who recycle or sell goods or provide services; wages or commission earners; those who receive rent from renting out small amounts of land, draft animals, or machinery including vehicles and tools; and other individuals and groups at the local levels residing in both rural and urban areas in developing countries.

Gyamfi (2012) defines microfinance as very small loans given to low-income clients usually accompanied by the collection of small amounts of savings. According to Christen, Rosenberg and Jayadeva (2004), microfinance should be able to provide as many poor and near-poor families as possible with regular and permanent access to a suitable range of high quality financial products including, but not limited to, micro-credit, micro-insurance, micro-savings, and money transfers. Ndiaye (2005) asserts that microfinance is the offering of varied services (savings and loans, credit, micro-insurance, allowances and transfers, leasing and advisory services, etc.) mainly to the poor by varied professional financial intermediaries (NGOs, Banks, Cooperatives, Credit Unions). It is repeatedly referred to as financial services for low-income earners and poor clients (Ndiaye, 2005; Surbhi, 2015).

Tulchin and Grossman (2006) defines microfinance as the offering of financial services to the 'unbanked' or poor. In the view of Shreiner (2001), microfinance is defined as efforts to enhance the access to loans and savings opportunities for the poor. Sheraton (2004), however views it as a central strategy for advancing poverty eradication and economic growth. Again, Sheraton (2004) describes microfinance to have the ability to effectively address material poverty, coupled with the elimination of goods and services. This is done by committing the income attained through financial services to families who are excluded or underserved by the formal banking sector (Sheraton, 2004).

Khan and Rahaman (2007) assert that microfinance includes the supply of guarantee-free loans to the poor, especially in rural areas, at total cost interest rates that are refundable in recurrent instalments in some cases. Irobi (2008) views microfinance as one of the instruments used in poverty alleviation, which is used as a mechanism to supply credit and other financial products to the poor or low-income earners. She added that it has, however, been designed to overcome the failure of the formal banking industry by offering small loans to the poor to help them engage in some productive activities. Johansen and Nilsson (2007) assert that microfinance is a concept that is used frequently when talking about poverty reducing actions.

The focus of scholars, researchers and authors about microfinance is slightly different from that of practitioners. According to Korlan and Valdivia (2011 cited by Newman, Schwarz & Borgia, 2014), researchers, scholars and authors focus on the level of practical support microfinance providers give to the micro businesses through the lending process. They are interested, among others, in the factors that influence the success of microfinance initiatives in terms of facilitating loan repayment and poverty reduction. Some scholars and authors have the belief that poor people in emerging economies could break out of the poverty cycle if access to bank loans at reasonable interest rates is made possible (Schroeder, 2017).

However, as noted by Hamada (2010), practitioners of microfinance are becoming increasingly convinced of the significance of the financial system. To the practitioners, as small loans are offered to individuals and microenterprises, it should create and expand employment, grow businesses, improve the standard of living of the poor, reduce poverty levels and eventually lead to growth and development of a nation. In support of the above, Newman, Schwarz and Borgia (2014) strongly assert that microfinance refers to the supply of financial products, such as small business loans, to the poor or micro-entrepreneur, with the objective of enhancing economic development through the growth of entrepreneurial activity. In Ghana however, some microfinance institutions serve not only the poor but also the middle income and the rich, they even finance imports and export trade.

Due to the fact that the terms microcredit and microfinance are often used interchangeably and are often confused, it is important to highlight the difference between them. Microcredit is a small amount of money loaned to a low income client by a financial intermediary, which may be a bank or any financial institution; whilst microfinance involves the provision of loans, savings, insurance, and transfer services (UNEP, 2015).

The use of the term 'microcredit' is often associated with an insufficient amount equivalent to savings for the poor. In most cases, the supply of savings products in 'microcredit' interventions simply involves the collection of compulsory deposit amounts that are designed only to collateralise those loans. Even though additional voluntary savings may be collected, the clients who are the contributors have restricted access to their compulsory savings. These savings therefore become the main source of capital in the financial institutions (Bakhtiari, 2006).

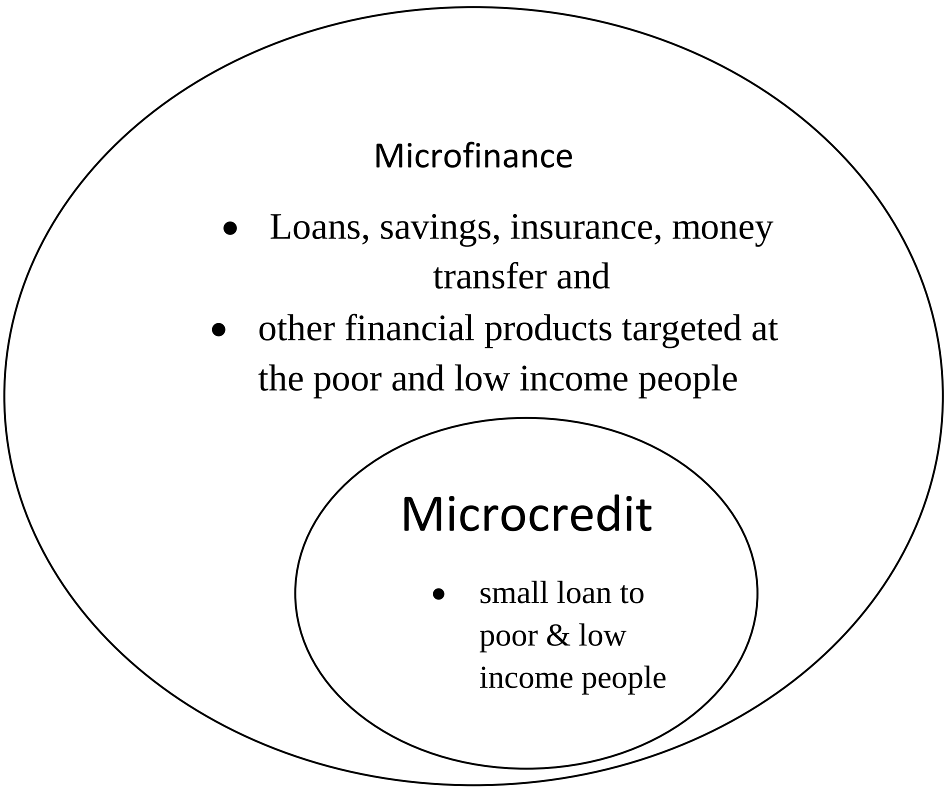

Figure 1: Distinction between Microcredit and Microfinance

The above figure means that microcredit is a subset of microfinance.

Microfinance has emerged or evolved from various stages including microcredit. The concept of microfinance has gone through different historical stages and landmarks, each of which has its own features and characteristics, however always focusing on the needs of the poor (Rahman, 2010, Ashta et al., 2016).

1.3 The Historical Emergence of Microfinance

Middle Ages (15th and 16th Century)

In 1462 the first official community-oriented pawnshop was established in Europe by an Italian monk to offer reasonable and affordable interest rate to needy people to counter the practice of offering loans at unreasonable high rate of interest (usury rates) offered by the informal savings and credit groups (Rahman, 2010). According to Ashta et al. (2016), these pawn shops demanded collateral from the beneficiaries of the small loans. However, in order to cover their operating costs in 1515 Pope Leon X authorised pawn shops to charge adequate interest rates to cover their operating costs (Rahman, 2010).

1700s (18th Century)

In the early 1700s Jonathan Swift initiated the Irish Loan Fund System in Ireland (Rahman, 2010), providing small loans to poor farmers who had no collateral. At its peak, the Irish Loan Fund System was lending to 20 percent of all Irish households yearly. This model, pioneered by Swift, in the eighteenth century, is believed to be the earliest attempt to offer small loans to the poor (Ashta et al., 2016). According to Hollis and Sweetman (2007), by 1840 the Irish Loan Fund System (which has since collapsed due to poor and incompetent management, and competition from banks) was fairly well developed, and had established 300 Loan Funds making thousands of loans annually. The total loan size granted at that time represented an average annual per capita income of the poorer two-thirds of the Irish population of the time (Ashta et al., 2016).

1800s (19th Century)

The concept of the financial cooperative was developed by Friedrich Wilhelm Raffeisen and his supporters in Germany in the nineteenth century (Rahman, 2010). This model was a mutual agricultural credit to support the activity of peasants. From 1865 the cooperative movement spread rapidly within Germany and other countries in Europe, North America and eventually developing countries. The focus of these co-operative financial institutions was mostly on savings mobilisation in rural areas in an attempt to teach the poor farmers how to save (Ledgerwood, 1999). Raiffeisen (one of the founders of credit unions in Europe) believed in a correlation between poverty and dependency, so in order to eliminate or minimise the incidence of poverty one should first of all fight dependency (Seibel, 2005). Based on this philosophy, Raiffeisen developed the three 'S' formula: self-help, self-governance, and self-responsibility (Seibel, 2005). In 1850, Herman Schlez-Delitzsch, established an urban savings bank in Germany to assist the poor access loans (Ashta et al., 2016); whilst . Rochdale Equitable Pioneers, in Manchester in England, started offering loans to those excluded from the traditional commercial banks in 1865 (Ashta et al., 2016).

The 1900s (20th Century)

In the 20th Century different countries and institutions in countries such as Latin America, United States of America, Indonesia, Bangladesh, Kenya and Ghana adapted, modified and refined the above models to suit their respective environments. and peculiar situations. This historical era can be looked at as different phases as follows:

1950-1970

The origin of the contemporary microfinance is traceable to the 1950s in the United States of America during the period of the Cold War, according to Bateman (2014). Those socialist/leftist individuals and institutions who opposed capitalism in the US operated under repressive economic conditions dictated by the American government. As a result of this oppression, most of the socialist/leftist individuals and communities became poor and so there was the need to support them. A strategy therefore was put in place to help provide the basic needs of the people in the form of loans, food aid, infrastructure, technical support, and so on, in the hope that these small gains would be sufficient to accommodate the increasing pressure for more radical change (Bateman, 2014).

At the same time, in many countries institutions including NGOs were making attempts to increase access to agricultural credit using government-owned development finance institutions, or farmers' cooperatives, to channel concessional loans and on-lend to customers at subsidised lending rates (Rahman, 2010). In Ghana, for example, the Government established the Agricultural Development Bank (ADB) in 1965 specifically to cater for the financial needs of the agricultural and fisheries sector (Amoah, 2008). The capital of most or all of these development banks was eroded because their subsidised interest rates could not cover their high operating cost. In addition to the high operation cost, most of the clients defaulted hence the banks could not sustain their operations (Rahman, 2010). The high cost of operation was also due to the fact that most of these institutions provided the small loan in very remote or geographically dispersed areas (Ashta et al., 2016).

1970s

In the 1970s a number of experiments were initiated focusing on women in particular. These experimental initiatives, according to Ashta et al. (2016), advanced small loans to groups of poor women to invest in micro-enterprises, and microcredit was born. Early pioneers include Grameen Bank in Bangladesh, ACCION International in Latin America, and the Self-Employed Women's Association Bank in India (Rahman, 2010). For example, in 1976, Professor Mohammed Yunus, who aimed to help the poor out of poverty loaned $27 from his own resources to 42 female micro-entrepreneurs in Jobra in Bangladesh. This idea later led to the formation of Grameen Bank in Bangladesh. Due to this, Sinha (2013) is of the view that microfinance began in Bangladesh and parts of Latin America in the mid-1970s to grant credit to the poor who were generally ignored by the traditional financial institutions. In Ghana, for example the Government, in 1976, initiated the idea of Rural and Community Banks (RCBs) to offer credits to micro and small enterprises and to lend to the agricultural sector.

1980s

Ledgerwood (1999) believed that microfinance started in the 1980s as an answer to doubts and research outcomes about state delivery of subsidised credit to poor farmers. In the 1980s microcredit programmes throughout the world improved on the original methodologies. Lenders started thinking of cost recovery and hence sustainability so they started charging market interest rates. Typical examples include Bank Rakayat Indonesia, Grameen Bank and many more, which moved away from subsidising the poor and started charging cost-recovery interest rates (Rahman, 2010). The cost-recovery interest rates and high repayment rates have enabled them to reach large numbers of clients and to achieve long-term financial and operational sustainability (Ashta et al., 2016). Bank Rakyat Indonesia, a state-owned, rural bank, defied the conventional wisdom of providing subsidised credit to the poor and took an institutional approach that operated on market principles (Ashta et al., 2016; Rahman, 2010). In particular, the Bank designed an innovative motivational and open set of incentives to staff and clients (small farmers), rewarding on-time repayment and depending on voluntary savings mobilisation as a source of funds (Rahman, 2010).

1990---Today

From the 1990s to today the term 'microfinance', which encompasses not only credit or small loans but also savings and other services such as insurance and money transfers to the poor, has replaced the term 'microcredit' (UNEP, 2015; Rahman, 2010). According to Collins, Morduch, Rutherford and Ruthven (2010), micro-credit alone creates problems; the poor do not only need small loans but also micro-savings and other financial services/products, hence microfinance. In fact, the borders between traditional microfinance and the larger financial system are starting to blur. In some cases one cannot differentiate between the traditional commercial banks and the microfinance institutions (Rahman, 2010). The reason is that, in some countries, banks and other commercial actors are entering microfinance and so one cannot see any clear distinction between microfinance firms and the traditional commercial banks.

Some microfinance institutions have acquired bank licences so they are now banks; for example K-Rep in Kenya, and Grameen Bank in Bangladesh. Increasing emphasis is placed on building entire financial systems that work for the poor. In Ghana many traditional banks have entered the microfinance industry and so are providing microfinance services including the provision of micro-credit to micro and small enterprises.

To conclude, it can be said that some microfinance institutions are doing very well to respond to the needs of the poor. One such MFI is the Grameen Bank, which has achieved an unprecedented feat. Formed in 1983, the Grameen Bank as at December, 2017 served more than 8.9 million borrowers (96.6% of them were female), had 2,568 branches, served 81,400 villages, staff strength of 26,000 employees, disbursed loan of USD23, 596.17 million to clients (USD10,727.75 million to microenterprises), had 1,381,103 groups, 716, 642 houses built with housing loan and a loan recovery rate of 99.24% (Grameen Bank, 2018). In 2013, the number of microfinance borrowers in total in the world was 211million (about 90% of them were women) of which 114 million were the poorest borrowers (Morduch, 2016). Microfinance has significantly evolved from individual credit/loans to group loans, especially for women using social pressure as collateral to its present definition as a broad set of financial and non-financial services tailored to benefit the poor individual, both male and female (CGAP, 2015; Ledgerwood, 2013 cited by Geisser, 2016).

1.4 Statement of the Problem

For the past two decades or so microfinance has been one of the issues or phenomena hotly debated and discussed by scholars, researchers, academicians and practitioners; for example, Cull and Morduch (2018), Yunus (2016) and Rahman et al. (2015). However, the researcher has not as yet come across any framework in the microfinance literature that fully explains microfinance as a tool for poverty reduction in Ghana.

The stakeholders in the microfinance industry, in particular the MFIs, shareholders, and clients including microenterprises all have problems or issues or challenges with the existing microfinance frameworks. Whilst the MFIs complain about loan default, low or no profit and hence sustainability issues; shareholders complain of inadequate returns on their investments; the clients complain about high interest rates, inadequate loan amount, loan maturity among others leading to collapse of their businesses and making some individuals worse off. The microfinance delivery methods, for example the Grameen method, Latin America Group

Solidarity method, Means and the Competences of the Community (**MC²)** method, among others have not been able to address the above challenges of the MFIs and the clients. They have not been able to help stakeholders and the populace understand the phenomenon of microfinance as a tool for poverty reduction, let alone helping to address the numerous challenges facing the industry players and their clients consequentially, the topic "A framework for understanding microfinance as a tool for poverty reduction in Ghana.

1.5 **Research Question**

The research question that framed the study is:

> To what extent does microfinance reduce poverty of microfinance beneficiaries (MFI clients)?

1.6 Aim of the Study

The study aims at developing and recommending a framework for understanding microfinance as a tool for reducing poverty among microfinance beneficiaries in Ghana in order to recommend a policy/regulatory change.

1.7 Objectives of the Study

The objectives of the study are:

1. To critically review literature on microfinance approaches and governance, within the context of empowerment, in order to inform a framework to help reduce poverty among clients of microfinance institutions in Ghana.
2. To determine the extent to which microfinance reduces poverty of microfinance beneficiaries in Ghana.
3. To examine the other outcomes of microfinance apart from reducing poverty.
4. To identify and address the challenges faced by MFIs and their clients in Ghana.
5. To recommend ways, through the development of a framework, by which microfinance can effectively reduce poverty of MFI clients in Ghana.

1.8 Organisation of the Thesis

Chapter One of the thesis is the introduction, which covers the background to the study, history, emergence of microfinance, and the concept and definition of microfinance. It also discusses the statement of the problem, stated the aim, objectives, and research question, and explains the organisation of the study.

Chapter Two is the literature review, which reviews relevant literature related to microfinance. Areas discussed and reviewed include approaches to microfinance, the concept of empowerment, Impact of microfinance on poverty reduction and other outcomes of microfinance, and challenges and obstacles faced by MFIs and their clients.

Chapter Three discusses the microfinance sector in Ghana. It begins with a brief overview of the Ghanaian economy, Evolution of microfinance in Ghana, players in the Ghanaian microfinance sector, microfinance sector and poverty reduction in Ghana, and challenges/obstacles facing the microfinance sector

Chapter Four, the Methodology chapter, starts with the various research philosophies; research methodology and research methods; and the relation among epistemology, ontology and methodology. It also discusses grounded theory, qualitative and quantitative research, mixed methods and triangulation, deductive and inductive approaches, research design, population, sample and sampling procedure, research instruments used, data collection procedure, validity of the data, reliability, data analysis, ethics and limitations of the mixed methods.

Chapter Five presents the qualitative results. It presents the findings from the semi-structured interviews with managers of MFIs whilst Chapter Six presents the quantitative results from questionnaires with beneficiaries of microfinance (microenterprises). Chapter seven then brings both sets of results together into a holistic discussion based on the responses from both the clients and the MFIs. Chapter Eight, the concluding chapter, summarises the thesis and the main findings, draws conclusions, and makes recommendations based on the findings. The chapter outlines the contributions of the thesis to theory and practice, discusses the limitations of the whole research and suggests areas for future study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents and reviews various approaches of microfinance including institutionalist and welfarist views and the methods of delivering microfinance including the Grameen method of Bangladesh, Village banking, the MC² method, Latin America Solidarity Group Lending, and Self Help Group (SHG) method in India. These are discussed and critically reviewed to clear the confusion regarding the main objectives of microfinance and also how best to supply financial services to the poor. Further, since the main clients of microfinance institutions are microenterprises, this chapter also discusses the characteristics of microenterprises and their contributions to society. Since the research question and the aim of the study is on the impact of microfinance, this chapter also discusses and reviews the concept of empowerment distinguishing between economic and social empowerment, and examines the impact of microfinance on business growth, employment generation, and poverty reduction.

2.2 Approaches to Microfinance

2.2.1 Introduction

The concept of micro finance has two schools of thought in the academic literature. More specifically, the issue of how best to supply financial services to the poor, and most importantly the actual objective of microfinance has fuelled intensive debates, which can be summarised into two different schools of thought: the institutionalists (or financial market approach) and the welfarists (also called the direct credit approach) (Brau & Woller (2004). Although both approaches are aimed at poverty reduction, each has a different view of how best microfinance should be delivered to better the lives of the poor (Bangoura, 2012). In other words, the best way to deliver microfinance has attracted considerable attention, sparking debates among groups of people including researchers, scholars, the academia, microfinance experts, practitioners and the media. This growing concern has broadly centred on two approaches: “institutionalist perspective” and “welfarist perspective” (Bisen, Dalton & Wilson, 2012).

2.2.2 The Institutionalist Approach

The institutionalist approach, asserts that, MFIs can only achieve poverty reduction if they achieve financial viability and sustainability (Bangoura, 2012). The institutionalist approach believes that MFIs should not only be able to cover their operational and financial cost through their own business but they should also be able to generate profit to ensure their financial viability and sustainability (Bangoura, 2012).

The institutionalist school of thought asserts that effective and efficient delivery of financial services is very necessary for the MFIs to achieve viability and sustainability. Their main objective is to close the "missing gap" that results from credit market failure due to high transaction cost. Institutionalists believe that the real success of microfinance lies in its inherent attractiveness to donor agencies. Microfinance institutions (MFIs) that are effective, efficient and well-run provide donor organisations an opportunity to support institutions or organisations that will offer financial services to their clients on an increasingly cost-effective basis for 5-10 years, after which they will become financially sustainable (Wright, 2001). According to Copestake (2007), the institutionalist should not only enhance the well-being of the poor and make profit but also improve an organisation’s image and goodwill for its commitment to Corporate Social Responsibility (CSR). It is believed that this approach to delivering microfinance generates jobs or creates employment, increases consumption and changes attitudes towards entrepreneurship and business (Fernando, 2004; Bruck, 2006; Ahlin & Lin, 2006; Gonzalez, 2007). Krauss and Walter (2009) assert that the financial sustainability objective of MFIs claimed by the institutionalists does not only come directly through profit generation but via other benefits; for instance, an investment in microfinance can provide large financial organisations the opportunity for low risk portfolio diversification in volatile economic times.

The institutional perspective of microfinance is characterised by arguments that a successful poverty reduction strategy is dependent upon a massive scale, given the number of poor families and the demand for microfinance. This massive scale requires the availability of financial resources that is far more than the levels supplied by traditional NGOs and aid donors. The institutionalists rather prescribe an approach where microfinance institutions that generate the highest return for investors attract the most capital with which to grow their enterprises, service more clients, and therefore reduce or eliminate most poverty as seen as examples of best practice (Ayayi & Sene, 2010). The microfinance institutions are indeed capitalists and hence they seek to maximise profit. The institutionalists therefore believe that increasing the microfinance movement through integration into the formal financial system is a unique way to reach the vast majority of the poor who lack access to financial services (Bangoura, 2012). Thus, the proponents of this method seek to register microfinance institutions within a market approach concentrating on the will of the establishment of sustainable microfinance systems and on the will of advancing credit (De Briey, 2005). Each MFI should not only seek financial sustainability but should maximise its efficiency and productivity. However, it should be noted that, to achieve financial sustainability, the MFI should seek financial independence. This requires large scale intervention, which is also dependent on financial resources beyond what can be supplied by the donors as said earlier; but the only way to have the needed financial resources is to use private sources, e.g. savings, commercial debt, equity, venture capital etc. (Bangoura, 2012). To access private capital requires strict management, transparency, and efficiency, which normally can be done by a profitable institution. To achieve financial self-sufficiency, the institutionalist have made substantial efforts to try to design a set of "best practices", which refer to practices that improve efficiency, such as systems management, finance and accounting, marketing, service delivery, etc. (Bangoura, 2012).

The CGAP (2004) asserts that microfinance should assist poor people everywhere in the developing countries to have permanent access to a broad range of financial products (credit, savings, insurance, and fund transfers), supplied by different types of financial and non-financial institutions (non-governmental organisations, credit unions, non-bank financial intermediaries and commercial banks) via different kinds of convenient mechanisms (group lending, village banking, individual lending, dynamic lending etc.). However, for large-scale and sustainable microfinance to be realised, financial services should be provided to the poor, i.e., if microfinance is integrated into formal financial systems (CGAP, 2004). The implication is that large-scale and sustainable microfinance is dependent upon the provision of financial services to the poor. The institutionalists are of the view that the value added by donors of financial resources lies in the donors' unique competency to promote innovation through research and development, forge linkages, promote increased transparency and competition among retail providers of financial products, and assist in building capacity at all levels (CGAP, 2004). The emphasis is not just on the provision of large amounts of financial resources but rather on intensive technical input, to allow MFIs to reach both of their goals; financial self-sufficiency and outreach to the poor (CGAP, 2004).

The institutionalists disagree with or do not support the effectiveness of subsidised credit programmes for at least two reasons. First, as was the case with credit programmes in the 1960s and 1970s, subsidised credit can all too often lead to "mis-targeting" (i.e., end up in the hands of families who are not so-poor, who have enough influence and connections to transfer scarce credits to themselves), while depriving the poorest (Gibbons & Meehan, 2000).

Secondly, subsidised credit programmes are more likely to limit the mobilisation of savings at acceptable interest rates, as MFIs can generate capital more cheaply from donors than from deposits. Nonetheless, savings mobilisation makes sense, for both the MFI and its clients. Savings mobilisation provides the MFIs with a relatively cheap source of capital for re-lending, and a pool of clients with whom regular relations become possible, and hence a better knowledge about these clients and the local market.

The Institutionalist approach has been criticised on the following grounds. According to Lewis (2008), despite the enthusiasm for microfinance, an increasing number of experts are of the view that microfinance has lost its way, shifting from the professed social objective of alleviating, or at least reducing poverty in favour of making profit. The scholars argue that the poorest of the poor are not reached by microfinance (Scully, 2004), or that the poorest are intentionally denied access to microfinance programmes (Simanowtz, 2002).

The critiques point to how sharp increases in interest rates and a tendency to grant larger average loan amounts to a more secure clients are signs of widespread mission drift. They make reference to the behaviour and attitudes of some of the world's largest commercial microfinance institutions (MFIs), which operate with double aims or bottom lines of alleviating poverty for the clients and generating profit for the investors. For example, one of Mexico's largest not-for-profit microfinance entities, Compatamos ('Let's Share' in Spanish) became Compartamos Banco, one of the country's largest banks, after the 2007 Initial Public Offer (IPO) that raised over $450 million. According to Lewis (2008), this action by Compartamos has come at the expense of its social mission. The reason being that Compartamos' borrowers routinely pay annual percentage rates (APR) of more than 100% (Lewis, 2008). MacFarquhar (2010) is of the view that Compatamos' exorbitant interest rate has been blamed for excessive loan rates across all Mexican financial institutions.

2.2.3 The Welfarist Approach

The Welfarist approach to microfinance delivery, which is also called direct credit (Credit Directed Approach, Integrated approach or approach of social welfare), regard microfinance as an integrated programme for the fight against poverty, vulnerability and enhancing the welfare or well-being of the poor (Bangoura, 2012). In addition to supplying financial products, this approach also advocates the provision of non-financial services such as training, technical assistance and literacy to micro-entrepreneurs (Bangoura, 2012). The method of social welfare contends that, not only can MFIs be sustainable without being financially self-sufficient, but they should not seek self-sufficiency at any cost. This is because the zeal for financial performance and hence financial independence would inevitably make their social mission unclear. By changing the mission of microfinance from its ideological foundations in favour of financial performance would be a disincentive to innovation and poverty reduction. According to Bangoura (2012), social investors who provide financial resources to fund MFIs are not necessarily motivated by personal search for financial gain, but rather they are driven by the willingness to make contribution towards poverty reduction. For example, most MFIs in Western Europe are either public or the foundation of banks or large corporations, who are primarily motivated to accomplish a social return, which is “intrinsic” in working for the public (Bangoura, 2012).

The critiques of microfinance points out that the arguments for commercialisation put out by the institutionalists are based on conventional economic mechanisms such as markets, individual choice, and supply and demand; however, the welfarists argue it is this same commercialisation of microfinance based on economic mechanisms that eliminated the poor, especially the poorest, out of the financial system (Sinclaire, 2012; Bennett, 2009). The welfarist approach therefore concentrates on the demand side, i.e. the clients. It buttresses the idea of subsidising microcredit programmes in order to reduce the cost for the MFIs so they can offer their loans at affordable and reasonable interest rates (Congo, 2002). The majority of microfinance programmes are financed by grants or low-interest loans from donors or governments and they are heavily dependent on subsidies. Robinson (2001) criticises this fact heavily *"with worldwide unmet demand for micro-credit estimated in the hundreds of millions of people and characterised by requests from creditworthy borrowers for continuing access to loans of gradually increasing size, government, and donor funds cannot possibly finance micro credit on a global scale"* (p. 8). The primary objective of the welfarist programmes is to reach the poor, especially the poorest of the poor, with financial services.

Although microfinance institutions claim to have poverty reduction as their main objective, thereby increasing economic growth and social development, they do not believe achieving full financial self-sufficiency is a condition for them to fulfil their social mission (Woller et al., 1999). There are a few ways of reaching the poor: individual lending approach, Grameen bank solidarity group lending, Latin American solidarity group lending, village banking and self-reliant village banks (Ledgerwood, 2000). According to Woller and Brau (2004), the welfarist approach is very clear in its commitment to first, reaching the very poor while, at the same time, acknowledges the need to fight global poverty on a large scale and to strive for increased financial self-sufficiency.

Ferreira (2004), supporting the view put across by Woller and Brau. (2004), asserted that the welfarists are not very much interested in banking per se, rather their interest is in using financial services as a tool to alleviate directly the worst effects of deep poverty among participants and communities, even if some of these services require subsidies. They fear that the commercialisation of microfinance, more precisely, the need to be financially self-sufficient (profitable) in order to attract private capital, will divert the industry from its paramount goal of poverty alleviation (Woller et al., 2004. Indeed, a microfinance institution achieves financial self-sufficiency by both increasing its efficiency (which both parties view desirable), and by charging sustainable effective interest rates. Welfarists disagree with the institutionists' view that increasing interest rates does not significantly reduce the demand for loans by poor people (Morduch, 2000).

Furthermore, welfarists fear that the motivation to codify and define best practices risks the imposition of a blueprint approach to micro finance that will prevent innovation and experimentation in the design of new products and delivery systems for the very poor (Woller et al., 2004). Finally, welfarists do not agree that donors should focus only on programmes that have attained or seek to attain financial self-sufficiency, regardless of the impact of the actual programmes. They argue that, although most programmes targeting the very poor currently rely on subsidies and will most likely continue to do so in the future, some donors believe that only 5% of micro finance institutions will ever be financially self-sufficient (Morduch, 2000): this does not imply that these very poor are not creditworthy. If social benefits outweigh social costs, there is no reason why donors' finance should dry up in the end (Woller et al., 2004).

Unlike the institutionalists who emphasise breadth of outreach, the welfarists' perspective concentrates on depth of outreach and supports practices that permit microfinance institutions to serve the very poor, often cited as the original goal of the microfinance movement (Chistein, 2001, cited by Bisen et al., 2012). Proponents of the welfarist approach believe that MFIs that can secure a regular stream of subsidies, including untied aid, can also be deemed institutionally viable, according to Bisen et al. (2012).

The welfarists approach has been criticised on the following grounds. According to Bangoura (2012), in addition to maximising financial returns or profit, the players also seek to maximise the welfare of the poor. However, it was this vision that prevailed in the 1980s, which led to the collapse of a significant number of microcredit programmes or institutions (Bangoura, 2012).

Secondly, the welfarist approach has been widely criticised on the basis that it is subjective, costly and has methodological challenges (De Briey, 2005). The approach faces the problem of viability and sustainability induced by subsidies, low reimbursement rates and rising operating costs.

In short there are two schools of thought concerning the ultimate goal of MFIs. These include the view by Welfarist and Institutionalists. Welfarists argue that the essence of establishing Microfinance Institutions is to serve the poor, and hence MFIs should focus on outreach, whereas institutionalists strongly hold the view that MFIs should be financially sustainable, even to serve the poor (Tsegaye, 2009 cited by Wassie, Kusakari, Hitoshi, and Sumimolo, 2019). Arguably, providing financial services to the poor is too costly(Postelnicu and Hermes, 2018, cited by Wassie, et, al, (2019), and so focusing on outreach will be at the expense of the MFI's financial performance and hence sustainability(Abateetal, 2014, cited by Wassie, et, al, 2019). The above implies that there is a conflict between MFIs' social goals and financial goals (Richert, 2018).

The next section critically discusses some of the major methods of delivering microfinance in order to buttress and further explain the approaches of microfinance on the best way to deliver financial services to the poor. The methods discussed include the Grameen method, Latin America Solidarity Group Lending method, Village Bank method, MC² method and Self-Help Group Federation in India.

2.3 Methods of delivering Microfinance

A number of distinguishable methods of delivering microfinance have emerged in developing countries and some developed world. These methods include the Grameen method, Solidarity Group Lending method, Village Bank method and many others (Ledgerwood, 1999).

2.3.1 Grameen Method

Professor Yunus of Bangladesh, who formed the Grameen bank in 1976, indicated that the conventional and traditional banking system is anti-poor, anti-women and anti-illiterate and hence developed the Grameen method to solve the problem (Fotabong, 2011). The method is based on voluntary formation or selection of a group of five who are not related to provide a mutual, morally binding group guarantee in place of collateral demanded by the traditional financial intermediaries (Fotabong, 2011).

Peer groups of five unrelated members are self-formed and incorporated into village "centres" of up to eight peer groups. These members attend weekly meetings where mandatory weekly savings contributions, group fund contributions, and insurance payments are made. The method requires a member to save for four to eight weeks before qualifying for a loan and must continue for the duration of the loan term.

The group fund is managed by the group itself and may be lent out within the group. Group members mutually guarantee each other's loans and are legally held responsible for repayment by other members. No further loans are granted to any group if all members do not repay their loans on time. No collateral is required. At the mandatory weekly meetings building of self-esteem and discipline are enforced. The local credit officer disburses loans at weekly meetings. However, only two members receive loans initially. After a period of successful repayment, two more members receive loans. The final member receives her loan after another period of successful repayment. Pre-credit orientation with minimal technical assistance is provided by the Grameen method. Group members and centre leaders perform loan appraisal. Branch staff verify information and make periodic visits to clients' businesses. Each credit officer usually carries between 200 and 300 clients.

The maturity period of the loan is from six months to one year and payments are made weekly. Loan amounts were initially from US$100 to US$300. Interest rates were initially 20% a year, and savings are compulsory (Ledgewood, 1999) but now according to Fotabong (2011), it's 7% a month. Significant examples include Grameen Bank of Bangladesh, Bangladesh Rural Advancement Committee; Tulay sa Pag-Unlad, Inc. and Project Dunggannon in the Phillippines; Sahel Action in Burkina Faso; and Vietnam Women's Union.

It needs to be mentioned that the Grameen method, although prevalent in Asia, has been replicated in other countries notably in Africa and Latin America. In Ghana, for example, Grameen Ghana, an MFI, replicates the method with modifications to suit the environment and the needs of the community. Grameen Ghana targets rural enterprises owned and managed by women in the northern sector. The main methodology used to disburse loans, according to Al-hassan, Abdul-Malik & Alhassan (2011), is credit with education using the peer or solidarity group lending approach. The maturity period of the loan ranges from 12 to 24 weeks; repayment is weekly/fortnightly; there is absence of a guarantee period, and a sponsorship of children's education.

A number of criticisms are levelled against the Grameen method. In other words, the Grameen method, although replicated in many parts of the world, especially developing countries, has a number of weaknesses. These weaknesses are in the areas of the method's repayment system, and high interest rate, amongst others.

Firstly, Grameen Bank is criticised for being too rigid regarding payments (Farrer, 2008). Fotabong (2011) asserts that the repayment system of 50 weekly equal instalments is impractical because, according to him, the poor do not have stable jobs. Again, in a typical agrarian economy, in lean seasons it will be impracticable for the beneficiaries to repay their loans. This may be the reason why agriculture is neglected in the Grameen method (Fotabong, 2011). The rigid repayment system compels some borrowers to borrow from moneylenders at high lending rates to repay their loans (Fotabong, 2011).

Secondly, there are criticisms of how well the method addresses poverty reduction. Since the method allows members to select their own group members, often the poorest members of the community are excluded. A field study in Malawi of a group-lending MFI revealed that certain women were being systematically excluded from groups: namely, women living with HIV or AIDS. Upon closer inspection, a practical reason for this overt discrimination became evident. Since the MFI was set up so that no member could leave the group during the term of the loan, most women did not want to include a woman with HIV or AIDS in the group because they believed she could die and jeopardise their existing loan and access to future loans. This highlights a general criticism of both Grameen Bank and other MFIs, namely, that these programmes do not reach the poorest of the poor (Farrer, 2008).

In the third place, it is clear from the above that the poor are being pushed into a cycle of multiple borrowings through a rolling of cash. That is, the poor or members keep on borrowing to repay previous loans, and so the cycle never ends. In addition to the exorbitant or usurious interest rate and the repayment rigidities the poor is pushed below the poverty line, thereby making the poor worse off (Farrer, 2008; Fotabong, 2011).

Fourthly, the sustainability of the programme is questionable because the bank depends largely on external subsidies. Thus, if the donors withdraws their assistance the bank will not be self-sufficient and hence the method will not be sustainable since it has not been able to mobilise enough resources from members (Fotabong, 2011).

2.3.2 Village Banking Method

The village banking method was developed first in Bolivia in the mid-1980s by the Foundation for International Community Assistance (FINCA). According to Fotabong (2011), the method was developed by John Hatch. Village banks are credit and savings associations that are formed, managed and controlled by the community with the aim of providing financial products to its members who are usually resident in rural areas (Fotabong, 2011). In addition to the above, village banks also establish community self-help groups, and assist and encourage members to save (Fotabong, 2011). Bangoura (2012) is also of the view that village banks that are community-managed cooperatives and financed by microfinance institutions (MFIs) are established by members with the objective of providing credit and savings services to its members. Membership in a village bank, which mostly consists of women, usually has a minimum of 30 and maximum of 50 people. Village banks, whose membership is based on self-selection, consist not only of members but also a management committee. Bangoura (2012) again stated that, in addition to receiving funding in the form of loan from a microfinance institution (MFI), a village bank is also funded by members' internal mobilisation of savings.

The funding Microfinance Institution (MFI) does not only grant loans or seed capital called 'external account' to the bank for on-lending to its members, but also offers training to the members (Fotabong, 2011). To qualify for a loan, a village bank requires all members to sign the loan agreement to offer a collective guarantee and collective collateral (Bangoura, 2012). The loan amount an individual member receives is dependent on the total amount of loans all members have requested at that particular moment. Bangoura (2012) further indicated that, despite the fact that the loan amount differs from country to country, first loans are usually long-term ranging from four to six months with a small amount of weekly instalment payments. Again, the savings a member has accumulated during the first loan period through weekly contributions determines the amount of the second loan.

The policy of a village bank requires that, at the time of requesting the loan, a loan applicant should have contributed a minimum of 20% of the loan amount in his/her internal account per cycle (Fotabong, 2011; Bangoura, 2012). If the loan is to be financed from the internal account (member savings, interest earnings) members determine their own terms, which are generally shorter, and their own interest rates, which are generally much higher. Loans to the village banks are generally and usually granted in a series of fixed cycles, usually 10 to 12 months each, with lump-sum payment at the end of each cycle. Subsequent loan amounts demanded by an individual is dependent upon the accumulated savings made by individual members. A high degree of democratic control and independence is practised by the village banks. At the regular weekly or monthly meetings administrative issues are attended to or addressed, savings deposits are collected, loans are disbursed and, if necessary, a microfinance officer offers training to the members.

Members' savings, which are tied to loan amounts, are used to finance new loans or collective income-generating activities. Although village banks do not pay interest on members' savings, members receive dividends from the bank's profits derived from re-lending or investment profits. The dividend earned by each member is directly proportional to the amount of savings each individual member has contributed to the bank.

Loans generally attract commercial interest rates of 1 to 3 percent and if the loan is from an internal account a higher rate is charged. Some village banks have widened their scope of service delivery to include health, nutrition and education about agricultural innovations.

In short, the village bank method, which is mostly found in Latin America and some African countries, involves an implementing agency establishing individual village banks with between 30 and 50 members and provides capital (called the "external account") for on-lending to individual members. Individual loans are repaid at weekly intervals over 16 weeks, at which time the village bank returns the principal with interest to the implementing agency.

To qualify for or be eligible for a second and hence subsequent loan, a bank should repay the previous loan in full. The amount or the size of the subsequent loan depends on the accumulated savings by the village members. Peer pressure is applied to ensure full repayment, thus attracting further injections of loan capital, and also encourages savings. Savings accumulated in a village bank can be loaned out to members (the "internal account"). The village banking method motivates or encourages individual banks to become autonomous institutions. The individual village banks are advised, motivated and encouraged to accumulate enough capital in their internal accounts through individual members' savings for them to graduate and become autonomous after three years.

The clients of village banks who are usually from rural or sparsely populated areas are sufficiently united. Although they have very low incomes, they have the ability and capacity to save: they are predominantly women although the programme is also for men or mixed groups. FINCA in Mexico and Costa Rica; CARE in Guatemala; Save the Children in El Salvador; Freedom from Hunger in Thailand, Burkina Faso, Bolivia, Mali, and Ghana; and Catholic Relief Service in Thailand and Benin are significant examples of this method. The original method has been adapted and replicated in a variety of ways in many countries in the developing world to suit their individual country's environment.

According to Quattara, Gonzalez-Vega, and Graham (1998), one challenge for village banks is that their policies may motivate some older members to graduate, become autonomous and hence quit the organisation when they meet the maximum loan (ceiling) set for its members. If village banks can secure the larger loans and provide the needed collateral, and are willing to adapt to the growing demands and wealth of their membership, they can transform themselves into a sustainable organisation. It is not clear if these changes are in agreement with the overall village banking technology or with efforts to minimise costs.

Secondly, the village bank method of FINCA depends greatly on external funding, and so if the source ceases, the method is at risk of collapsing (Fotabong, 2011). Again, the mandatory contribution of 20% of the loan amount by the beneficiaries put a stress on the members during the loan repayment. This is because, in effect, the loan amount reduces to 80% meanwhile interest is paid on the whole loan amount (100%); the interest rates are therefore much higher (Bangoura, 2012)

Furthermore, according to Bangoura (2012), the original village bank method loans were exclusively limited to trading and microenterprises and the maximum loan granted was $300. This presupposes that other areas like agriculture, and artisans are neglected; meanwhile most economies of developing countries are agrarian, hence the village bank method does not fully address the needs of the poor who form the bulk of the population in developing countries.

2.3.3 The MC² Method

Developed and promoted by Dr. Paul K. Fokam, the MC² method is a rural development micro-bank formed and managed by a community in accordance with the community's local values, traditions and customs. This approach is based on Einstein's formula: Victory over Poverty (VP) is a function of Means (M), and the Competences (C) of the Community (C). Hence the equation VP =M * C * C = **MC²** (Fotabong, 2011).

The **MC²** is a community banking approach formed by people (mostly the poor) to create wealth, improve their living conditions and eventually become self-reliant (Fotabong, 2011). There are two versions of this approach, namely the rural version (**MC²)** and the urban version (MUFFA). The MUFFA, the second version, is for females only because, according to the founder, females residing in the urban areas are those who, due to poverty, are more vulnerable. According to Fotabong (2011), through MUFFA, women in the urban areas receive loans, which enable them to establish micro enterprises, create employment and hence wealth.

The **MC²** method rests on five main pillars: the local population, the non-governmental organisations (NGOs), Appropriate Development for Africa (ADAF), AfrilandFirst Bank Group and some national and external partners (Fotabong, 2011).

The objectives of the method

- The first objective of the method is the achievement of financial and economic sustainability from the perspective of the micro-bank, the individuals and group members.

- The second objective has a social dimension. In addition to targeting the poor, micro and small scale enterprises, the method also seeks the restoration of the beneficiaries' dignity to recognise the importance of being master of their destiny.

The Five Stages of the Method

Stage One involves raising the awareness of the community and sensitising the poor on:

- The significance of saving in their struggle to achieve economic and financial self-sufficiency accomplished through discussions and brainstorming at community meetings, association gatherings and empowerment forums;
- The relevance of relying on oneself before expecting external assistance; and
- The importance of feeling proud of being the sole master of their own destiny.

Stage Two is the resources mobilisation. This entails ensuring the commitment of stakeholders, raising the start-up capital, paying individual shares, subscription and fees, registering the micro-bank, and opening of individual accounts. The resources mobilised in stage two will help the micro-bank start the lending functions in the third stage of the micro-bank development.

Stage Three deals with the provision of finance for the individuals' micro-enterprises. Here the micro-bank commences disbursing loans to individuals to operate their enterprises using the resources mobilised in stage two. The micro-bank at this stage completes the intermediary role of facilitating resources transfer from surplus units to deficits units.

Stage Four is the stage where common interest economic projects are financed. At this stage the micro-bank becomes involved in the community's economic development. This includes building hospitals, schools, and community halls among others. It must be noted that the micro-bank is advised that the best time to get involved in the economic development activities is two to three years after achieving administrative and financial autonomy. That is when the bank can meet its obligations regarding salaries, electricity bills, telephone bills and expenses.

It is believed that, at this stage, any **MC²** should have the capability to raise enough money from loans and other facilities offered to pay off fixed charges and even show a surplus that can be regarded as profit. These surpluses should be built for at least two years. It is at this stage that the impact of **MC²** micro-banking approach is deeply felt. For example, imagine a community capable of generating its own financial resources to fund the construction of a small hydro project.

Stage Five, the last stage, involves carrying out social development projects. At the final stage of the **MC²** micro-banking approach, the bank finances the community's social projects with the resources raised in Stages Three and Four.

This method has been criticised on the following grounds:

To begin with, Fotabong (2011) believes that, based on the stages outlined above, it will take not less than four years for the method to achieve financial sustainability, and another four to five years to mobilise and accumulate resources. The presumption is that it will take about ten to fifteen years for the method to achieve its social dimension objective.

Secondly, the method pays 2.5% interest on savings. This relatively low rate of interest on savings might be a disincentive to resource mobilisation. This means that the method might not be able to mobilise and hence accumulate the needed resources to achieve its twin objectives of financial sustainability and the social dimension.

In the third place, the method does not specify the amount of savings each member should make a month. To finance a project like hydropower, construct hospitals etc. requires a huge sum of money. The implication is that the method or the bank should have a lot of money; meanwhile members of this bank are supposed to be poor. This is a serious contradiction and hence a weakness of the method.

2.3.4 Latin America Solidarity Group Lending

The Solidarity Group Lending method is a group lending methodology that grants loans to individual members in groups of four to seven (Fotabong, 2011; Bangoura, 2012). The members do not provide physical collateral when they apply for a loan, instead members cross-guarantee each other's loan. Clients who receive micro-loans for short-term capital are commonly female market vendors. This method was developed by ACCION International in Latin America and has been adapted by MFIs in many parts of the world, especially the developing world.

Clients of this method who are traders or merchants and who usually operate informal micro-businesses/enterprises need some amount of working capital to grow their businesses. As stated earlier group members co-guarantee loan repayment, and access to subsequent or repeat loans is dependent on successful repayment by all group members (Fotabong, 2011). The method requires members to make weekly repayment at the programme office (Bangoura, 2012). The method, in addition to providing loans to members, also incorporates minimal technical assistance to borrowers, such as organisational capacity building and training. Credit officers who do not normally get to know their clients very well carry a load of between 200 and 400 clients (Fotabong, 2011).

After minimal economic analysis of each loan request, credit officers approve a loan, after which loan disbursement is made to the group leader at the branch office who immediately distributes the loan to each individual member. Credit officers occasionally and briefly visit the individual clients (Bangoura, 2012). Normally, group members receive equal loan amounts, with some flexibility provided for subsequent loans. That is, when a client demonstrates the ability to handle a bigger amount of debt she/he is granted a bigger loan amount and flexible loan terms. From the above, it can be said that the Latin America Solidarity Group lending method has a simple loan application process that are reviewed quickly. Although savings are usually required, it is not a condition for accessing a loan rather they are often deducted from the loan amount at the time of disbursement. They are used to guarantee a portion of the loan amount, serving primarily as a compensating balance.

According to Bangoura (2012), subsequent and repeat loans have no upper limit or ceiling, however the amount of the first loan generally varies between US$100 and US$200. The method, which offers very few voluntary products, charges service fees and high interest rates. Savings are usually required as a portion of the loan; some institutions encourage establishing intra-group emergency funds to serve as a safety net (Bangoura, 2012).

From the method of delivery, Latin American Solidarity method is not without criticisms.

First, the high interest rate charged on loans granted to microenterprises may lead to the collapse of their clients' businesses, and this will defeat the purpose of the method. If the aim of the method is to enhance the growth of microenterprises, and eventually lead to poverty reduction, then the high interest rate on loans granted to the clients should be reduced. Meanwhile, there is no mention of interest paid on clients' savings. Clients' savings must attract interest, but the method is silent in this regard.

Coupled with the above is the burden of mandatory weekly repayment. If, in a particular week or period, sales drastically fall, the client will not be able to make the payment. This leads to some enterprises borrowing from other sources to repay the loan causing a vicious cycle of multiple borrowing that will eventually lead to the collapse of the business and a spiralling cycle of default. This may lead to the collapse of the method.

Another weakness of the method is the fact that there is no upper limit or ceiling on the amount of any subsequent loan to clients. This, if not properly and carefully managed, can cause huge sustainability challenges, especially when clients continuously default. In situations where there are no credit bureaux, there will be multiple borrowing to repay loans, and this cycle will continue which may collapse the system or method.

The following are significant examples of the method: ACCION affiliates: PRODEM, BancoSol Bolivia; Associati'on Grupos Solidarios de Colombia; Genesis and PROSEM in Guatemala; Bank Rakyat Indonesia (BRI); and the Association for Social Progress in Bangladesh (Bangoura, 2012).

2.3.5 Self Help Group (SHG) Federations in India

Self Help Group (SHG) methodology, which is one of the most potent tools for female empowerment and poverty reduction, is the most dominant form of microfinance in India. This method consists of a group of women who are organised around thrift and credit. According to Reddy and Prakash (2004), in India, the Self Help Group (SHG) was first promoted and pioneered by NGOs in the late 1980s, and since then, a significant number of NGOs across India continue to show interest in its promotion and strengthening. From the late 1990s to date, government has dominated in the promotion and strengthening of SHGs, especially in the south of India through government corporations including the District Rural Development Agencies (DRDAs), and externally sponsored programmes (Reddy & Prakash, 2004).

Andhra Pradash's (AP) women's savings and credit movement which started in 1995 in the Nellore district, as a post anti-liquor campaign by women, led to the formation of Self Help Groups in every district of Andhra Pradash (AP). The movement, which began with the slogan "save a rupee a day", motivated almost all the groups consisting of 15 women each to begin monthly individual savings of Rs30.

A serious challenge of this method is that the financial services provided by the SHGs do not fully satisfy the need of members and so many of them fail to pay their loans on time. Group members complain that the loan terms do not match their needs and cash flows (CGAP, 2007). Members do not use SHGs as a savings vehicle. Another challenge is that SHGs are not able to mobilise large amounts from members' savings. This is due to the fact that the mandatory savings that members make are not because they want to save, but because the deposits are required as a condition to get a loan. A small number of SHGs offer voluntary savings possibly because the institutions or SHGs do not want to entangle themselves with the complexities or issues involved in managing peoples' money. For instance liquidity management, recruitment and management of more staff, and more record keeping, (CGAP, 2007). Other reasons may be that group members have other more satisfactory and profitable alternatives for savings or consider savings with SHGs as risky (CGAP, 2007).

In summary, notwithstanding the shortcomings of the methods, if an environment that encourages frequent meetings, training and interaction among borrowers is created, the group lending methodology facilitates the development of relational trust and expansion of the size of micro-entrepreneurs' networks (Ojong & Simba, 2018). This, according to Ojong and Simba (2018), will be a better strategy to assist the poor entrepreneurs and move them out of poverty.

Again, whilst methods of microfinance concentrate on the method of delivering microfinance, approaches to microfinance critically question the actual and ultimate objective of microfinance in addition to examining the best way/method of providing microfinance to the poor (Brau & Woller, 2004).

Table 1: Methods delivering Microfinance

Method	Method of Delivery	Weaknesses
1. Grameen Method	• Groups of 5-8 unrelated members are formed • Attendance of weekly meetings, savings contribution, insurance payment are mandatory • Group members mutually guarantee each other's loan and are legally held responsible for repayment • No further loans will be granted until all members pay their loans • Maturity period of the loan is between 6 months to 1 year. • No collateral is required • Repayment is weekly • Credit officers carry a load of 200-300 members • The fund is managed by the group • Loan amount is from \$100-\$300	• Loan repayment is too rigid • High interest rate • The poorest are often excluded because group members select their own members • It perpetuates the poverty circle • It worsens the poverty situation and leads to collapse of businesses • Sustainability is questionable

2. Village Banking Method	• It is a community-managed credit association, self-help group that helps members to accumulate savings; membership ranges from 30-50 people; the bank is financed from internal mobilisation of funds as well as loans from MFI. • Members receive training sponsored by MFIs; the Village bank consists of its members and management committee. • All members collectively guarantee members' loan request; First loans are typically long term, weekly instalment payment; Loans have commercial rates of interest of 1 to 3 percent and higher rates if from an internal account. • In short, it involves an implementing agency (MFI) establishing individual village banks with between 30 and 50 members and provides capital (called the "external account") for on-lending to individual members. • Individual loans are repaid at weekly intervals over 16 weeks, at which time the village bank returns the principal with interest to the implementing agency. • The methodology expects that the members' minimum savings will be 20 percent of the loan amount per cycle (internal account); village banks have a high degree of democratic control and independence. Regular weekly or monthly meetings are held to collect savings for deposits, disburse loans, attend to administrative issues and, if applicable, continue training with the Microfinance officer. No interest is paid on savings, rather members receive a dividend proportional to their savings.	• The maximum loan amount ceiling may compel some older members to quit the bank/organisation. • The village bank model depends on external funding, and so if the fund ceases, the model risk collapsing. • Loans from Village banks are limited to trading and microenterprises and a maximum amount of $300.

<table>
<tr><td></td><td></td><td></td></tr>
<tr><td>3. The MC² Method</td><td>The method believes that Victory over Poverty (VP) is a function of Means (M), and the Competences (C) of the Community (C)
The method has five stages:
Sensitizing the poor and raising their awareness on the importance of savings in their struggle for self-reliance, the importance of relying on oneself before expecting external funding, the pride of remaining the sole master of their own destiny.
Mobilising resources to set up their own micro-bank
Financing (granting loans to) individual members' businesses
Financing common interest economic projects, e.g. building hospitals, schools, etc.
Carrying out social development projects</td><td>The presumption is that it will take about ten to fifteen years for the model to achieve its social dimension objective, which is a very long period of time
The relatively low rate of interest (2.5%) on savings might be a disincentive to resource mobilisation
The model does not specify the amount of savings each member should make in a month</td></tr>
</table>

4. Latin America Solidarity Group Lending	• Groups of 4 to 7 are formed; members co-guarantee each other's loan to substitute for collateral; • Clients are micro-entrepreneurs; access to loan is dependent on successful repayment of loans by all group members; repayment of loans are made weekly at the programme office; • The programme offers technical assistance to clients such as training and organisational building to clients; loan disbursement is made to the group leader who immediately distributes it to individual members; savings are usually deducted from the loan amount. • First loan ranges from \$100-\$200, and subsequent loan have no limit or ceiling; interest is high and service fees are also charged; some organisations encourage setting up of an intra-group emergency fund to serve as a safety-net. Credit officers work with between 200-400 clients	• High interest rate may lead to the collapse of their clients' businesses • No ceiling on the amount of loan. This will adversely affect the sustainability of the programme, especially when default occurs • The weekly repayment is a serious burden on the micro-enterprises, especially when sales are not good in a particular period • No mention of interest on clients' savings.
• **Self Help Group (SHG) Federations in India**	• Each group consists of 15 women • Each woman saves 30 Rupees a month • Savings are required to secure loans from the SHG • A limited number of SHG do voluntary savings • Due to cash flow problems, the SHG is not able to fully provide for each member's needs	• Members save because they want to secure loans, not because they want to save therefore the model faces cash-flow or liquidity challenges. Only a few members voluntarily save. • Group members pay their loans late. This is a serious challenge that aggravates the cash flow problem.

The various methods of delivering microfinance discussed above have both similarities and differences but whether it is Grameen method, MC² method, Latin American solidarity group lending, Village banking etc each of them aims at empowering the clients, thus microenterprises. The next section therefore discusses empowerment because one of the outcomes of microfinance is empowerment of its clients.

2.4 The Concept of Empowerment

Empowerment (both economic and social) of microenterprises and clients in general is one of the outcomes of microfinance (Hussain & Mahmood., 2012; Afrane, 2002). This supports a study conducted in Bangladesh by Vik (2017), which revealed a positive correlation between microfinance on one hand and female empowerment on the other hand. Since the fifth objective of this thesis is on outcomes of microfinance including poverty reduction, it is important to understand the concept of empowerment. Secondly, micro, small, and medium enterprises rely on microfinance because microfinance empowers them both economically and socially hence the need to understand the concept of empowerment.

Empowerment, which is widely agreed and recognised as a multidimensional and interdependent process involving social, political, economic and legal change, when understood and promoted in the context of development and poverty reduction, will enable people living in poverty and marginalisation to participate meaningfully in shaping their own futures (e.g. Alsop, Bertelsen & Holland, 2006; Eyben, Kabeer, & Cornwall, 2008). Pettit (2012) emphasised that for the benefits of participation in any form (i.e. as a means of maintaining power relations) to be fully realised there should be genuine empowerment. He further stressed that, without meaningful participation, empowerment can remain an empty, unfulfilled promise. The implication is that there is an extreme complementarity between empowerment and participation, which can, no doubt, be considered both as a means and an end, a process and an outcome (Pettit, 2012). Empowerment does not only expand poor people's assets and capabilities and widens their freedom of choice and action, but it also enables them to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives. This corroborates a research conducted in India by Samiti and Bhati (2017), which found that microfinance has financially empowered financially weaker people in the society.

Farooq (2015) defines empowerment as the mechanism by which the ability of an individual, or a group of people is enhanced to make choices, and to change those choices into outcomes and desired actions. Eyben *et al*. (2008) believes that empowerment is primarily about power, the power that comes from working alongside others to claim what is rightfully theirs, the power to differently define our possibilities and options and to act on them, the power that enables people to be courageous to do things they never thought themselves to be capable of. Csaszar (2005) also emphasises that, because empowerment includes the processes that motivate people to perceive themselves as capable and entitled to make decisions, it is more than participation in decision making. Empowerment, according to Malhotra (2002 cited by Addae-Korankye *et, al.*, 2017), has various meanings in different cultural, social, and political contexts. It encompasses freedom of choice, life of dignity, self-strength, self-power, self-reliance, and control, in accordance with one's values, independence, ability to fight for one's rights, own decision making, being free, capability and awakening. The World Bank (2007) likewise asserts that empowerment is not only the process of improving people's ability to make choices but, more importantly, to change those choices into desired actions and outcomes.

In support of the World Bank's definition, Krishna (2003) stated that empowerment involves the enhancement of the capability of individuals or groups to make effective development and life choices and to positively translate these choices into desired actions and results. This implication of the above definitions is that empowerment is, by nature, a process and/or outcome. Further, according to Khan (2007), empowerment is a process of improving the social, political, economic and spiritual capability of individuals and communities. Kabeer (2012) defined empowerment as the expansion of people's abilities to make strategic life choices. It entails the power to take control of resources, a means of gaining confidence of one's abilities and potential and shows the decision making capacity of an individual (Akram, Imrab, Safina 2015).

Akram *et al.* (2015) further asserted that empowerment involves the degree of control over certain matters, and the choice to make independent decisions made possible by starting a new venture and becoming one's own boss. According to Vasanthakumari (2012), female empowerment is, for instance, a necessary condition for the development of the family and community. Governments, who are among the sources of empowerment, may initiate such income generating and developmental projects, which enhance the empowerment of women. Empowerment that is determined by behaviours and attributes and that may vary from situation to situation or place to place is a context specific factor (Akram *et al.,* 2015).

2.4.1 Economic Empowerment versus Social Empowerment

Some approaches to empowerment, according to Pettit (2012), concentrates on improving or enhancing an individual's capability to have access to information, choices, opportunities, and assets, so that they are able to enhance their own well-being. This is usually accompanied by a liberal emphasis on individual rights and responsibilities. Among other concerns, this approach has the ability or capability to enable some groups and individuals to better adjust to a fundamentally unfair situation, without firstly dealing with the causes of poverty. This liberal perspective of empowerment was contrasted by Sardenberg (2009) with the liberating view that originated in feminist and social movements. The assumption is that to gain access to resources or even achieve the legal or economic rights and equalities that might facilitate such access will inevitably translate into a greater ability to act. Liberating empowerment is pedagogical and political, supporting changes in changing individual and group consciousness that can enable people to be more aware of themselves and their situation, and to use this awareness to act collectively. To Kabeer (1999) cited in Sardenberg, (2009), empowerment, which is regarded as a mechanism through which those who have been denied the ability to make strategic life choices acquire such an ability, is not a means to achieve development goals, but an end in itself.

Economic empowerment, as defined by Eyben *et al.* (2008), is the ability of an individual or group of individuals to participate or be involved in, and gain from growth processes in ways which not only honour their dignity and make it possible to negotiate a fairer distribution of the benefits of growth, but which also identifies and acknowledges the value of their contribution. Eyben *et al.* (2008) asserted that economic empowerment is having the ability to recognise and exercise agency and choice, which implies thinking beyond immediate survival needs. Safaricom Foundation (2011) opined that activities that are connected to economic empowerment offer opportunities for effective and efficient utilisation of resources.

Economic empowerment, according to Pettit (2012), concerns females' capacity to contribute to and gain from productive activities on terms that appreciate the worth of their contribution, respect their dignity and have the possibility to negotiate a fairer distribution of returns. He further asserted that it is also about changing norms that hinder females' economic participation, such as attitudes about childcare or the type of work normally done by females.

Social empowerment, on the other hand, concerns transforming society (e.g. gender norms) such that the poor, the excluded, or the marginalised within it are respected and recognised, not on terms dictated by others but on their own terms (Pettit, 2012). A sense of freedom and self-recognition is necessary for someone to participate in politics, demand a fair return on their work, preserve their bodily integrity, and take full advantage of public services, such as education and health (Pettit, 2012). He further indicated that education is the basic requirement and the most effective instrument of social empowerment.

According to Eyben *et al*. (2008), social empowerment is achieved when a society, a group of people or even an individual takes steps that lead to changing society such that one's own place within it is recognised and respected not on terms prescribed by others but on terms dictated by individuals themselves. It needs to be acknowledged that structures and relations of power determine the degree to which any individual or community can determine for themselves who they are and how they choose to relate with others, and that through institutions and discourses power from this perspective is manifested and experienced.

Clear and distinct differences between particular social classes or groups indicate the operation of power working through these institutions and discourses (for instance, parliamentarians. Although the effect individual actions may have on others is unconsciously done, it is people, thus actors who are continuously reproducing or transforming these institutional and discursive structures and relations. This is where empowerment comes in as a mechanism by which individuals develop capacity for and a sense of agency. Individuals develop capacity within and collective power with others to secure respect, dignity and freedom from violence and enhance the quality of their social relationships. This leads purposively or otherwise to changes in the institutions and discourses that are keeping them in poverty. This process can be assisted by donors by (a) ensuring that they themselves are not helping to strengthen and perpetuate the institutions and discourses that disempower the people; and (b) giving assistance and encouragement to people's own efforts. The damage done to individuals or groups of people who are discriminated against on the basis of tags given by society and entrenched ideas about their inferiority or societal taboos around dirt, sex, and death goes well beyond that of lack of political voice and economic deprivation. Kabeer (2012) believes that, if because of the colour of their skin, their sex, what they do for a living, and where they live, people are discriminated against or excluded, they can come to internalise it as a sense of lack of worth that profoundly affects their sense of what they can do and what they are due by society. Empowerment of the poor, according to Verma and Agarwa (2015) and Quaye *et al.* (2014), is one of the reasons why the poor, and microenterprises rely on microfinance. However, it must be mentioned that, whilst microfinance has empowered some people and businesses, it has also made some people and businesses worse off; in fact it has even led to the collapse of some businesses. Whether the net effect is positive (favourable) or negative (unfavourable) is not clear.

Since the main clients of Microfinance Institutions are microenterprises, and as long as the study investigates the impact of microfinance on the poverty situation of their clients, it is necessary to understand and appreciate the characteristics of microenterprises, and their contributions to economic growth and development. The next section therefore talks about microenterprises.

2.5 Microenterprises

There is growing recognition of the contribution of microenterprises to economic development. Microenterprises form a large percentage of enterprises and employment in the economies of most developing countries (Parinduri, 2014). For example, in Sri Lanka 80% of the businesses are microenterprises (Pallegedara, 2017). Abor and Quartey (2010) often described them as efficient and prolific job creators, the seeds of big businesses and the engine of growth to economies. Even in the advanced industrial countries, it is the microenterprise sector rather than the multinationals that is the largest employer of workers (Abor & Quartey, 2010). In Ghana, for example the Microenterprise sector which is dominated by females contributes significantly not only to employment but also to overall economic growth and development (Akugri, Bagah, & Wullifan, 2015). In Kenya, however, according to a study by Nyang'au (2014) microenterprises sector is dominated by males (62%) and most of these enterprises are more than 10 years old.. Most of these microenterprises (94%) are sole proprietorship businesses (IFC, 2012). Asare, Akoffobea, Quaye, and Atta-Antwi (2015) conducted a study and found that 90% of microenterprises in Ghana are owned by one person. A number of reasons are given for establishing microenterprises. These include to achieve self-dependence or to be self-reliant and economic freedom, increase ones income among others(Rahman & Alam, 2013, Tende, 2014). These reasons or motivations are also found by Reynolds (2013), and Yahaya, Geidan & Usman, (2016) in separate studies. Again, Rahman & Alams(2013) found that the microenterprise sector is dominated by entrepreneurs aged 31-40 years.

To Lukacs (2005), the definition of microenterprises differs from country to country, region to region and sector to sector. These definitions are based on employment, assets, employment and assets, shareholders' funds and employment, and finally sales revenue and employment. The most widely used of these, according to Lukacs (2005), is employment and assets. A number of different statistical definitions were adopted by the Bolton Committee Report of 1971, which recognised that size is important to sector. Thus, a business organisation of a given size could be micro in relation to one sector where there are many competitors and a large market whereas an enterprise of a similar size could be regarded as large in another sector with fewer competitors and/or generally smaller business enterprises within it. Again, the report recognised that whilst it may be more appropriate to use turnover to define size in some sectors, in others the number of employees will be more appropriate instead. According to Lukacs (2005), the number of full-time employees or their equivalent is usually used to determine size across governments. For instance, the British government in the Companies Act of 1985 states that a company is 'small' if it satisfies at least two of the following criteria: employee strength of not more than 50 workers, a turnover of not greater than £5.6 million, and a balance sheet total of not more than £2.8 million. A medium sized company must satisfy at least two of the following criteria: a turnover of not greater than £22.8 million, not more than 250 employees and a balance sheet total of greater more than £11.4 million (Small Business Service, UK).

Countries across the globe use one, two or three of the above statistical or technical definitions in categorising companies or enterprises as micro, small or medium. According to Syed, El-Gohary & Hussain (2015), even though employment is the most common criterion, the number of employees determining the size of micro, small, and medium enterprises differs or varies among countries. The following definitions are usually used by governments within the European Union (EU) and the Department of Trade and Industry in the UK: Micro firm: 0 - 9 employees; Small firm: 10 - 49 employees (includes micro); and medium firm: 50 - 249 employees (Lukacs, 2005).

In May, 2003, the European Commission revised its definition of microenterprise in the EU as shown in the table below.

Table 2: Definition/characteristics of Microenterprise by EU

Enterprise category	Number of employees	Turnover/Balance sheet total
Micro	Less than 10	Less than Euro 2 million

Source: European Union, 2003

Since microcredit and microfinance are most of the time interchanged, there is the need to clearly distinguish between the two concepts. It must be noted that though the two concepts, that is microcredit and microfinance are related they are not exactly the same. There are both conceptual and functional differences which need to be understood hence the next section discusses the differences between microcredit and microfinance.

2.6 Differences between Microcredit and Microfinance

Differences between microcredit and microfinance can be seen from conceptual and functional perspectives.

To begin with, one of the fundamental differences between the two concepts is the profit motive. In most cases if not in all cases microcredit programmes are run by Non – governmental organisations (NGOs) who by definition do not seek to make a profit. Most micro-credit organisations are run by NGOs, which are by definition voluntary, non-profit private ventures. In other words profit-making is not the objective of micro-credit programmes, their main objective is social, seeking the welfare of their clients leading to poverty reduction. On the other hand microfinance is for profit private organisations whose main objective is making profit. That is microfinance programmes seek to generate enough profit for self-financing (Remenyi, 2000). Since microcredit organisations are mostly NGOs and hence are funded by international organisations their motive is not profit-making but to seek the welfare of the clients. On the other hand microfinance institutions are private organisations and hence according to Remenyi(2000) are obliged to make profit to finance their programmes, to be competitive and also satisfy their shareholders and investors hence apart from their poverty reduction objective microfinance institutions also seek to make profit.

The second conceptual fundamental difference between microfinance and micro-credit concerns the means by which the operations are financed. Micro-credit programmes that are run by NGOs (not-for-profit organisations) depend upon external finance. Microfinance programmes on the other hand are not financed by neither national nor international donor agencies. Due to their profit motive different national and international agencies cannot fund MFIs for on-lending to their clients. They therefore depend on own fund, investors' fund and shareholders' fund. This is why microfinance institutions charge relatively higher interest rate than the NGOs who run microcredit programmes in order to make profit to pay interest and dividends to their investors and shareholders. For example in Ghana, traditional moneylenders use their own money to do their business, they do not approach either national or international donor agencies for investment funds, hence national and international development agencies cannot and do not help them to pursue their lending ventures.

The third difference which is functional concerns the type of service they provide. Micro-credit programmes provide mainly one kind of service; thus loan distribution, collection or recovery, financial, and organisational activities associated with such operations. This is linked to group formation and compulsory savings. Microfinance programmes, on the other hand provide a range of financial and organisational services, including micro-credit, savings, insurance, and community development, training, and business advisory services (Manimekalai, 2004). It presupposes that microcredit is a subset of microfinance. It can therefore be said that micro-credit is a necessary, but not sufficient element of the new financial sector that seeks to cater for the credit needs of the poor who do not have access to formal sources. This is perhaps the reason why the micro-finance movement is described as the second revolution in credit theory and policy (Woller, 2002). The first revolution according to Woller (2002) concerned micro-credit, and was focused on overcoming the structural barriers including information asymmetries, lack of collateral, high cost, high risk, and systematic market bias to providing savings and credit services to the poor.

Furthermore, micro-credit programmes provide "product –centred" services, as they find customers to match the demands of their products (small loans), rather than developing products to match the demands of their customers. The key methods used in micro-credit schemes include standardised and limited set of products and services, group lending, social collateral, forced savings, small initial loan size, loan size tied to savings, standardised loan repayment and disbursal schedules, and frequent repayments. The proponents of the microfinance revolution recommend to replace the product-centred approach with customer-centred approach (Khandakar and Rahman, 2006). This new approach-(microfinance) involves developing and providing financial services that the customers want.

Evidence suggests that product-centred approach is becoming increasingly dysfunctional (Woller, 2002) and that the microfinance landscape is changing fast, in terms of both time and geography. One consequence is that micro-credit organisations are losing monopoly over the market to non-institutional sources of credit.

Having discussed the differences between micro-credit and microfinance, it is now time to discuss the impact or outcome of microfinance. Whether microcredit or microfinance, their impact on poverty reduction is very critical, therefore the next section discusses the impact of microfinance on poverty reduction.

2.7 Impact of Microfinance

2.7.1 Impact of microfinance on poverty reduction

In recent decades Sub-Saharan African countries have been discussing poverty reduction (Sembene, 2017), because the number of poor people in Africa south of the Sahara is increasing (World Bank, 2016). The implication is that the majority of Sub-Saharan African countries and hence the majority of Sub-Saharan Africans are living in poverty: some living in extreme and others moderate poverty. Extreme poverty is defined by the World Bank as living on less than US$1.90 per day (World Bank, 2015). In Latin America and the Caribbean however, due to the level of economic development, extreme poverty and moderate poverty are defined as living on less than US$2.50 per day and US$4.00 per day respectively (World Bank, 2015). Further, according to Lansley and Mack (2015), when a nation's citizens begin to queue for food and when there is an increasing shortfall in children's basic needs then there is poverty in that country. A World Bank report (2017) revealed that, at the global level, there are 768.5 million people representing 10.7% of the world's population living in extreme poverty (i.e. below US$1.90/day) in 2017. Out of this number, 390.2 million live in sub-Sahara Africa (World Bank, 2017). Available figures, again from the World Bank, indicate that, in 2012, about 896 million nationals in emerging economies survive on $1.90 or less a day (World Bank, 2016). The report went on to indicate that 12.7% of people in developing countries lived on or below US$1.90 a day in 2011, down from 37% in 1990, and 44% in 1981 (World Bank, 2016).

The Millennium Development Goals have brought some improvement though it is not very significant yet. This is because there has been a reduction, albeit small, in poverty levels for those countries south of the Sahara earning less than USD 1.90 daily (World Bank, 2016). The evidence is that, according to the World Bank (2016), the number of people in Sub-Saharan Africa who were living in poverty reduced by 4.0 million with 389 million people earning less than US$1.90 a day in 2013 (World Bank, 2016). Unfortunately, as indicated above, the figure has increased to 390.2 million as at October, 2017 (World Bank, 2017). According to Greenaway & Milner, 1991 cited by Mosley(2015), 'many of the poorest countries including Ghana have inherited, almost unaltered from colonial times, a structure of taxation which is highly dependent on foreign trade in primary commodities, and this is prohibitive of development, both because this category of expenditure does not grow so fast as world trade or expenditure as a whole, and because commodity trade is subject to violent and unexpected fluctuation than other tax bases' p107. In search of a solution to poverty in Africa and developing countries one of the tools that has come up strongly is microfinance (da Costa, 2017; Sawant 2017). However, the issue of whether or not microfinance is an effective strategy for alleviation of poverty compared to other alternative tools has engaged the attention of not only development economists but also the world at large (Brau and Woller 2004).

According to Devinck (2013) poverty alleviation is the main aim of microfinance. The poverty alleviation objective of microfinance is also supported by Irobi (2008) and Jegede, Kahinde & Akinlabi (2011) who in separate studies in Nigeria, found that microfinance indeed has a positive impact on poverty alleviation. The concept of microfinance promises poverty reduction and economic growth (Lopatta & Tchikov, 2016). Poverty reduction should be seen as an economic problem rather than a technological one; therefore to understand the poverty alleviation process requires thinking through problems of exchange, coordination and governance (Matin & Peterson, 2018). Lopatta and Tchikov (2016) revealed in a study that microfinance directly impacts economic growth by increasing purchasing power of beneficiaries, and indirectly through an improvement in capital accumulation and employment generation. UNCDF (2004) indicates that microfinance has a very crucial and significant role to play in development. It states that researches have shown that microfinance plays three important roles in development.

- It enables very poor families to meet basic necessities of life and protects them against risks;
- It enhances the economic welfare of households; and
- It promotes gender equity because it empowers females by supporting female's economic participation.

Hussain et al. (2012) conducted a study on the impact of microfinance on poverty reduction amongst female entrepreneurs in Pakistan and concluded that, after accessing microfinance, women's income, expenditure, assets, political participation and health significantly improved. This is consistent with a similar study in Bangladesh conducted by Vik (2017), which revealed a positive correlation between poverty level, female empowerment, income, and household consumption and expenditure on one hand, and participation in microfinance programme on the other hand. In addition to the above, there was a positive change in the quality of life for women. This is buttressed by a study conducted by Madhani et al. (2015), which found that female's mental health improves with their participation in microfinance programmes. Again, in a study of the Malawi Mudzi Fund (MMF), Hulme and Mosley (1996) found evidence of a positive relationship between access to loans and an increase in incomes. For example, the average increases in incomes of those who participated in the MMF credit programme expressed as a percentage of the average income change of the control group (non-participants) was 117 percent. However, the rise in participants' incomes were higher (9.1 percent) in households above the poverty line compared to a decrease (-0.1 percent) among households below the poverty line. This supports the findings of the study by Karsh & Deek (2019) in Palestine which found that the primary source of income of 88% of respondents is microfinance; 74% indicated that microfinance has impacted positively on their lives, 80% declared that microfinance has enabled them to increase their spending on food, education, clothing, etc, 82% indicated that microfinance has created jobs and as a result reduced their poverty levels. The study among other things concluded that microfinance is the best resource for economic stability, growth and development.

This implies that microfinance enabled them to achieve both economic and social empowerment. Since the clients' income, assets, expenditure and quality of life improved, there is economic empowerment; again it likewise gave them social empowerment because their political participation significantly improved. This is confirmed by Chen, Chang & Bruton (2017) who found that microfinance supports entrepreneurship and leads to economic growth and development. This may be because a number of the microfinance institutions do not require physical collateral (Nasrin, Baskaran, & Rasiah, 2017). This confirms the Welfarists approach to microfinance.

A study conducted by Prathap, Mahesh, and Karthik (2018) on the impact of microfinance on poverty alleviation in Karnakata in India concluded that there is a noticeable and positive impact of microfinance activities on the living standards, empowerment and poverty alleviation among the poor. This is consistent with the findings of the study conducted by Jolaoso and Asirvatham (2018) and Gupta and Gupta (2019) which reported that there is a positive relationship between microfinance and poverty reduction. The study by Jolaoso and Asirvatham (2018) further indicated that education plays a very crucial role in the success of microfinance in poverty alleviation. The results of the logistic regression revealed that it was more likely for respondents with at least primary education to reduce their poverty levels with microfinance than those without even primary education. A similar study conducted by Elhadidi(2018) using logistic regression revealed that with an odd ratio of 2.7, access to business training increases household income by 1.7. According to Elhadidi (2018) microfinance has been widely recognised as a crucial tool for poverty reduction and socio-economic well-being. His study on the impact of microfinance on poverty reduction in Egypt revealed that compared to new borrowers, microfinance has a positive effect on the household income of women borrowers who have been microfinance beneficiaries for at least three years. This supports the study by Agnes (2012) who found that microfinance has a positive impact on the average income of microfinance beneficiaries' more than the average income of new clients or non-clients. Kamel and Jalel-Eddine (2018) asserted that microfinance institutions and hence microfinance is beneficial not only to the poor but also to the poorest. Their study on " Can Microfinance Reduce Poverty? A review of Evidence for Developing Countries, investigated the impact of microfinance on poverty reduction in developing countries, using cross-sectional and panel data, and found that a country with higher MFI gross loan portfolio per capita tends to have lower levels of poverty headcount ratio and vice versa. The implication is that an increase in the degree of gross loan portfolio per capita significantly reduces, and hence improves the poverty ratio.

Khanam, Mohiuddin, Hoque, and Weber (2018) found that in Pakistan micro-loans given to micro-entrepreneurs have a statistically significant positive effect on poverty reduction index and consequently improve the living standard of beneficiaries by increasing their level of income. This corroborates the finding of Viswanath (2018) who also indicated that microfinance reduces poverty levels of micro-loan beneficiaries in Southern India. Dahir

(2018) also found that in Mogadishu, MFIs impact positively on poverty alleviation among the poor, however they face a number of challenges including financial support from government, donor funding among others which hinder the growth. Furthermore, responding to the extent to which microfinance has contributed to poverty reduction in Ghana, the study by Ntim (2019) revealed that 41.7% of the respondents indicated average, 7.5% indicated very high, 40% said high, whilst 10.8% responded low. Hussain, Mahmood, and Scott (2019) assert that there is an inverse relationship between the size of micro-credit and women's financial poverty. Their study on Gender, Microcredit and Poverty Alleviation in a developing country, the case of Women Entrepreneurs in Pakistan found that larger families experience higher rates of poverty reduction than smaller families. This is consistent with a study by Tafamel (2019) who found that the relationship between microfinance and poverty reduction is positively significant.

Evaluating the efficiency of MFIs in Vietnam and the impact of this efficiency on poverty reduction, Kim (2018) found that the efficiency of MFIs in Vietnam is considerably high and so their impact on outreach and hence poverty reduction is significantly positive. This agrees with a study by Abdelkader,(2019) who concluded that Arab MFIs exhibit high efficiency and have the ability to help reduce poverty. There is a significant positive relationship between financial inclusion with microfinance and poverty reduction, however for financial inclusion to be more robust in the rural areas and to make microfinance more effective means of poverty reduction other services such as educational loan, technological support loan, skills training, and housing appliances loan should be included in the microfinance services (Hussani & Casmir, 2018), and the processes in accessing microfinance should be flexible (Hannan & Ashta, 2017). Hannan & Ashta(2017) indicate that customer satisfaction is influenced by a number of factors including flexibility of processes and so flexibility of microfinance processes is a factor that attracts clients.

Notwithstanding the positive impact of microfinance on poverty reduction, other researchers believe that microfinance's impact on poverty reduction is minimal or negative and so it cannot be a panacea for poverty reduction. For example according to Awojobi (2019) microfinance as an anti-poverty programme in Nigeria has a weak positive relationship with welfare and quality of life of beneficiaries in seven states, strong positive impact in two states, however it has a negative impact on welfare and quality of live in four states in Nigeria.

This is also consistent with the findings of Chatterjee, et, al,(2018) who indicated that microfinance has a positive impact with poverty alleviation index though the impact is low. This is because their research revealed that an increase of 'one taka' in loan improves poverty alleviation index by 0.002 (0.2%); the implication is that though micro-credit has a positive role in poverty alleviation, the extent or degree is very low. The participants of the study indicated that the impact could be stronger, but for the challenges of high interest rates, weekly instalment among others. This is buttressed by Dutta and Banerjee (2018) who indicated that microfinance might help the borrowers to avoid the abject poverty trap, but cannot sustain it in the long term implying that the extent of poverty reduction caused by microfinance is very low.

A study conducted by Geleta (2015) in northern Ethiopia challenged the common claim that microfinance leads to poverty reduction, by revealing that, in some cases, microfinance worsens the poverty situation of the poor. This supports the view of Morduch (2008) who argue that the impact of micro-credit on poverty reduction is minimal because it rather supports borrowers to create basic incomes instead of driving fundamental economic shifts. Gerald and Johnson (2019) also argue that there is limited evidence that demonstrate that microfinance is a tool for poverty reduction because in many cases it has made the poor, poorer. Further, a study by Oni, Paiko, and Ormin (2012) also found that there is a low outreach of MFIs in Nigeria. This may imply that the rural areas where the poor live suffer. However, the poor are the target of MFIs, so if for some reason they are not reached by the MFIs then, to what extent can we say that MFIs reduce poverty? Again, Wright (2001) is of the opinion that much of the scepticism of MFIs emanates from the argument that microfinance projects do not reach the poorest; generally have a negligible impact on income; worsens the income situation of women and hence increases their dependence on their husbands; and fails to provide additional services urgently or extremely needed by the poor. This contradicts the welfarist approach to microfinance; implying that microfinance does not seek the well-being of the poor, but rather the MFIs themselves. This confirms the institutionalist view of microfinance. Further, in addition to diverting funds from more pressing or important interventions such as health and education, Wright (2001) believes that many development practitioners find microfinance inadequate as a tool for poverty alleviation. This is corroborated by Navajas (2000), who asserted that there is a danger that microfinance may divert funds from other projects that have the potential of helping the poor more. There is now a challenge to governments and donors on the issue of whether the poor gain more from microfinance than from health care or food aid, for example. Therefore, there is a need for all involved in microfinance and development to ascertain the actual contribution of microfinance in combating poverty (Navajas, 2000).

Chowdhury, Mosley and Simanowitz (2004) contend that a considerable debate remains as to whether or not microfinance is an effective mechanism for directly reducing poverty and hence making the poor better-off. It is extremely difficult to measure the actual effect of microfinance programmes on poverty argues Sinha (1998). The reasons are that some may not use the micro loan for the exact purpose for which it is granted and therefore it is difficult to separate the impact of the credit or loan granted. Besides, the definition of ‘poverty’, its measurement and who constitute the ‘poor’ are fiercely contested issues (Sinha, 1998).

From the above literature, it is highly debatable to conclude that microfinance leads to poverty reduction; because whilst some studies report positive relationship between microfinance and poverty reduction, others found negative relationship. It is therefore not clear whether the net effect is positive or negative. Is it country specific? What is the situation in Ghana? It is this gap that the current study seeks to find, hence the hypothesis: there is a positive relationship between microfinance and poverty reduction in Ghana.

Microfinance does not only impact poverty, it has other outcomes as well. For example impact on employment, business growth, empowerment, standard of living among others. The next section discusses the other outcomes of microfinance in particular impact on employment generation and impact on business growth.

2.7.2 Other Outcomes of Microfinance

Microfinance does not only impact on poverty but also on children's education, health, empowerment of women in particular, business growth, and employment generation among others. A study by Viswanath (2018) on Microfinance and decision to invest in children's education in Southern India found that when microfinance creates wealth or reduces poverty levels investment in children's education increases and vice versa. A research conducted by the IFC revealed that microfinance has created 2.5 million direct and indirect jobs in 2011 cumulatively in Ghana, Jordan, Sri Lanka and Tunisia (Radmila, Dejan, & Milan, 2015). Their main results show that increasing access to finance can assist firms expand their operations, which can have further positive effect not only on employment generation but also on the quality and number of jobs created. The implication is that access to microfinance gave them economic empowerment and this again supports the welfarists view. Similarly, Banerjee, Duflo, Glennester, Kinnon (2010) and Crepon, Devoto, Duo, Parient (2011) in separate studies on the impact of microfinance on business growth and employment in India and Morocco respectively concluded that microfinance increased the levels of business activity and hence employment in both countries. This confirms the study by Karsh & Deek(2019) in Palestine which found that microfinance has increased employment and also enhanced women's empowerment. This is a clear Welfarists objective as it enhances the welfare of the clients, and again supports the notion that access to microfinance leads to economic empowerment. Gichuru et, al(2019) assert that microfinance interventions increase contraceptive use, improve female empowerment, and enhance children's nutrition; however they indicated that any conclusion about direct causation must be done with caution because, according to them it is only 6 out of 27 studies that support this finding. Whereas microfinance enhances female empowerment, persistent financial exclusion, gender discrimination and conservative religious values adversely affect women's empowerment (Hussain, et al, 2019).

A study conducted in Bahawalpur district in Pakistan by Awan and Ibrahim (2015) buttressed the above result by concluding that microfinance is a significant determinant of self-employment. Their study clearly indicated that microfinance has a positive relationship with business growth and hence employment creation. This corroborates the findings by Tafamel (2019) and Awojobi (2019) who found that microfinance impact positively on business growth and employment creation. Tawiah et al. (2013) studied the impact of microfinance on the growth of microenterprises in Ghana, and concluded that 86% of the respondents asserted that microfinance institutions contribute positively to business growth and hence employment creation. A study by Makorere (2014) on the role of microfinance in promoting microenterprises in Tanzania, revealed that microfinance increases employment levels, increases sales volume, increases business outlets, increases wealth of business, and finally improves business management situations in businesses. He further revealed that microfinance increased employment in Tanzania by 31%. Another study conducted by Zohir and Matin

(2004) found that a number of MFI loans are used for trading, transport and agricultural production, leading to a rise in the use of agricultural inputs and, consequently, an increase in agricultural production. This, according to the researchers, leads to an increase in employment opportunities in these sectors for the wider community and a decrease in the prices of such produce due to increased supply. Their research also found that trading activities financed by MFIs could help increase the income of traders and establish new marketing links, which can lead to reduced migration as a result of increased employment, economic opportunities, increased income and hence economic growth. Therefore, from a social perspective, the reduced migration increased family cohesion and greatly contributed towards improving child-upbringing. Imp-Act (2004) provides a number of instances where the impact of microfinance projects goes beyond clients. Their research referred to studies on CERUDEB, an MFI in Uganda, which revealed that, as a result of loans granted to small farmers, there have been significant increases in part-time and permanent wage labour of non-clients. Even though the clients themselves were usually above the poverty line, the employees were not; so even if the poorest were not targeted, the microfinance intervention clearly showed a positive effect. All the above imply an improvement in economic and material welfare or well-being of the people leading to their economic and social empowerment. This is consistent with the findings by Prathap, et, al(2018) which indicated that microfinance not only leads to improvement in standard of living and poverty reduction but also empowerment of the poor. These studies also revealed that microfinance leads to economic empowerment of the clients and hence buttress the view of the welfarist approach.

The findings of the study conducted by Idowu (2010) in Nigeria on one hundred small and medium enterprises revealed that, even though only a few of the microenterprises were capable enough to secure the required amount needed, many of them gained from the MFIs loans. The study found that the majority of the microenterprises acknowledged positive contributions by microfinance institutions towards achieving market excellence, increasing their market share, enhancing product innovation, and the overall economic company competitiveness. This is a clear indication of economic empowerment and hence supports the Welfarists stance.

Wang (2013) studied the contribution of microfinance to the development of small and medium enterprises in Taizhou, China and found that those firms that benefitted from microfinance experience growth in revenue and profit and consequently business growth and employment. According to Wang (2013), credit increases employment, augments income levels, and thereby reduces poverty leading to economic empowerment of the beneficiaries. This is supported by the findings of Gupta and Gupta (2019) which reported that access to microfinance increases income, savings, employment, improves financial situation and standard of living of beneficiaries. If the poor get access to credit it enables them to overcome their liquidity challenges and hence undertake some investments such as the improvement of farm technology inputs, which consequently lead to an increase in agricultural production (Hiedhues, 1995).

Nembo and Ngehneve (2010) conducted a study on the impact of MFIs on the development of enterprises in Cameroon. It was realised from the findings that CamCCUL (a microfinance institution) impacted positively on the development of the programme participants' businesses. CamCCUL provides its members or clients with financial as well as social intermediation services to help grow their enterprises. The stage or the level of development of microenterprises determines whether or not the firm qualifies for the micro-loan. Although the main criteria used to access a loan were the ability to pay back and to meet the set requirements, businesses that were expanding had it easy when obtaining a loan facility.

Fixed tangible assets such as land were used as the main collateral requirement for accessing loans. A microfinance impact assessment conducted in Ghana and South Africa by Afranie (2002) found that, in both Ghana and South Africa, microfinance interventions have achieved remarkable improvements in terms of increased business incomes, improved access to life-enhancing facilities, and empowerment of people, particularly female. Another study conducted by Bhasin and Akpalu (2001) on the impact of micro-finance enterprises on the efficiency of micro-enterprises in Cape Coast, Ghana also found a positive correlation between microfinance and efficiency of microenterprises. Similarly, Zeller and Sharma (1998) and Dahir (2018) contend that microfinance can assist households to improve or establish a family enterprise, which has the capacity to make the difference between reducing poverty and an economically secure life. Burger (1998), however, asserts that microfinance tends to preserve rather than create jobs, and tends to stabilise rather than increase income. There is enough evidence in the literature to counter Burger's assertion. Although, according to the literature, microfinance has led to the collapse of some enterprises, and made some people worse off, there is considerable evidence in the literature presented above to indicate that microfinance increases income and creates jobs. Therefore, the assertion by Burger (1998) that microfinance tends to preserve rather than create jobs and stabilise rather than increase income is highly debatable; besides, there are no studies in the literature to support it.

Odebiyi and Olaoye (2012) examined the role of microfinance banks on the development of a small and medium acquaculture enterprise in Ogun State, Nigeria. The study found that microfinance and small and medium scale aquaculture development are positively related as the yield and hence revenue of the farmers increased, rural-urban migration reduced and employment was created. This means that the farmers were economically empowered through microfinance and this supports the welfarists view. Again in Nigeria, another study conducted by Oni, Paiko, and Ormin (2012) on the assessment of microfinance institutions to sustainable growth of small, and medium scale enterprises (SMEs) revealed that MFIs contribute positively to sustainable growth of MSMEs. However, the study also found that there is a low outreach of MFIs in Nigeria. This may imply that the rural areas where the poor live suffer. However, the poor are the target of MFIs, so if for some reason they are not reached by the MFIs then, to what extent can we say that MFIs reduce poverty?

In Malaysia and Yemen many microfinance impact assessment studies on clients' well-being, their empowerment and micro and small enterprise development have been conducted. For example, various researches conducted separately by Nawai and Shariff (2011), Mokhtar (2011), Hamdan, Othman and Hussain (2012), Mamun, Adaikalam, Wahab (2012) and Omar, Noor, Dahalan (2012) buttress the earlier fact that, in Malaysia, microfinance clients not only experience improvement in their well-being but also in their micro and small enterprises performance. This impact has manifested in income generation at the family level, micro and small enterprises level, empowerment level and has increased the clients' asset acquisition. In contrast to Malaysian MFIs, very few studies have been conducted to explore the impact of the Yemeni microfinance institutions on their clients' micro and small businesses performance and their well-being. This corroborates the findings of Chatterjee, et al,(2018) that group- based financial services to micro-entrepreneurs empower women borrowers and translate into economic up-liftment. The implication of the results is that microfinance empowered the beneficiaries both economically and socially. This is because, according to the study, there was improvement in the economic and material well-being of the beneficiaries: they were able to educate their children, participate in decision-making, increase their expenditure, expand their businesses, invited to social gatherings, among others.

It was asserted by Ahmad (2012) and Burjorjee and Jennings (2008) that the Yemeni microfinance institution is an important tool for alleviating poverty and enhancing the economic welfare of many poor as well as their micro and small enterprises. The authors reiterated that, by increasing the income of the poor, microfinance service helps to increase educational enrolment of their children and improve the quality of their lives. In addition to that, microfinance and the performance of micro and small businesses are positively related; that is, microfinance helps the poor to enhance their income and hence the growth of their micro and small enterprises.

Although a number of microfinance studies conducted in Malaysia and Yemen corroborate the remarkable impact of microfinance on the clients' economic welfare, they had some weaknesses (Al-Shami et al., 2013). In the first place, many of the studies conducted in Malaysia and Yemen have paid considerable attention to the outcomes of microfinance rather than inputs and outputs. Second, few of those studies centred on loan in particular and financial intermediation services in general. Nonetheless, the factors that determine social intermediation and non-financial services, have not received very much attention. Third, economic performance such as household and micro and small businesses' income and expenditure was largely used to measure microfinance performance. Notwithstanding, determinants of uneconomical performance, for instance, household improvements, empowerment, health and nutrition were almost excluded (Al-Shami et al., 2013).

Hussain and Nargis (2008) conducted a welfare economic analysis study on the impact of microfinance in Bangladesh over the period 1998-2004 and came up with the following findings: First, there was an improvement in the overall well-being of the rural families. Secondly, the reallocation of labour resources from farming to non-agricultural self-employment opportunities brought about an increase in income and productivity and, consequently, a reduction in poverty across all groups by MFI participation status. Again, it was found that, on the average, yearly household income grew at an annual compound rate of 3.88%.

After studying and analysing field summary data from Malawi, Ghana and Kenya, Buckley (1997) concluded that fundamental structural changes in socioeconomic conditions such as the status of women in society, marginalisation of women, employment level, infrastructure and the structure of those economies (for example, agrarian to industrialisation) and a deeper understanding of the informal sector behaviour are necessary conditions for microfinance to prove effective.

In contrast, after assessing the microfinance companies, Woller & Brau (2004) concluded that there is a significant distinction between the failed rural credit agencies of the 1960s and 1970s, and so it is not perfectly valid to compare the two movements. To partially agree to the above assertion, Woller and Woodworth (2001) contend that, to date, top-down macroeconomic policies on poverty reduction and development have likewise experienced significant failures.

After assessing the different poverty reduction strategies of microfinance Otero (1999) stated that microfinance enables the poor to have access to productive capital that, when combined with human capital, addressed through education and training, and social capital, achieved through local organisation building, enables the poor to overcome poverty. This strategy of providing material capital to a poor community, according to Otero (1999) enhances their sense of dignity and empowers them to contribute meaningfully to the society and economy.

The impact of microfinance programmes and projects was traditionally evaluated by the changes in the income or well-being of the clients. According to Mansell-Carstens (1995 cited in Rogaly, 1996), because respondents may give false information such a focus is flawed. Since it is not easy to find out or determine all the sources of income of a client, a causal effect is difficult to establish. Again it is difficult to determine what would have happened if the loan was not given. Therefore, according to Rogaly (1996), it is necessary for a broader economic impact analysis to be conducted.

Again, according to Kabeer (2003), when analysing the impact of microfinance, social impact must be assessed because poverty and livelihood security consist of not only economic but social conditions as well. Kabeer (2003) is of the view that a broader social impact assessment is necessary for an organisation's internal learning process, as an MFI should be aware of the full range of changes associated with its efforts and uses these to improve its performance. She asserts that there is a relationship between social impact and human capital such as nutrition, health, education, and social networks (2003). This is because according to Waithaka *et al. (*2014) some microfinance institutions provide services such as skills training, marketing, book-keeping, and production to develop enterprises. Therefore for a true picture of the impact of microfinance to be realised, it is necessary to conduct an impact assessment on each of these issues.

It is asserted by Kabeer (2003) that, in evaluating the effect of microfinance, we should go beyond individual or household level to the impact on community, market/economy and national/state levels. She is of the opinion that societies consist of different institutional domains each with their own practices, norms, and rules that can be influenced by microfinance programmes or interventions in different ways. Kabeer (2003) did not only refer to domains of impact but also emphasised aspects of change that should be assessed. These include material change, relational change, behavioural change, institutional change and cognitive change, as dimensions of change that need to be taken into account if a holistic impact of microfinance interventions are to be fully understood.

Zohir and Matin (2004) confirmed this when they stated that the effects of microfinance interventions is being under-estimated by conventional impact studies that do not consider the probable positive externalities on spheres beyond households. They accordingly proposed that the impact should be examined from political, cultural, and social domains at household, individual, and business levels. McGregor et al. (2000) are of the view that broader economic and social impacts can occur through production linkages, through clients' participation in social and political processes, through the labour market, the capital market, and commodity market. Furthermore, it is necessary to know the extent to which its broader effect contributes to poverty reduction if microfinance is to fulfil its social objectives of bringing financial services to the poor (Chowdhury, Mosley & Simanowitz, 2004).

It must be noted that the objective of microfinance is not just about extending or supplying loans or credit to the poor to fight poverty on an individual level, it also has a role at an institutional level, according to Otero (1999). It seeks to create institutions that provide financial resources to the poor who are continuously excluded by the formal banking sector. According to Shu and Oney (2014), microfinance is seen as the main tool for extending financial assistance to the poor with the purpose of reducing poverty and promoting development within poor communities. It is believed by Littlefield and Rosenberg (2004) that the poor are generally unserved by the traditional financial intermediaries, for example commercial banks so the duty of MFIs is to address this market failure. Otero (1999) asserts that, if MFIs address this challenge in the market in a financially sustainable manner, they can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to significantly increase the number of poor people they can reach. Referring to various case studies, Littlefield, Murduch and Hashemi (2003) demonstrated how microfinance has played a role in eradicating poverty, empowering women, improving health and promoting education.

As was found in Ghana by Boateng et al. (2016), when MFIs collapse, especially unlicensed ones, individuals and MSMEs lose their working capital, savings, and their sources of livelihood leading to the collapse of businesses; so in this way, instead of microfinance reducing poverty, it could rather make individuals and businesses worse-off. This confirms the study conducted by Radmila et al. (2015), which found that, even though microfinance creates employment, it causes unemployment because it leads to job losses, because it has led to the collapse of some microenterprises in some countries, for example Ghana. This contention is likewise supported by Banerjee & Jackson (2017) whose findings revealed that, although microfinance promises employment creation, grows business and hence reduces poverty, it increases the indebtedness among already impoverished communities and worsens economic and social vulnerabilities in the poor.

According to Sinha (1998), because poverty has various dimensions, it is a complex issue and hence difficult to define. There is a relationship between poverty on one hand, and income as well as the proportion of people who live below a fixed amount of money, such as one dollar US$1 a day (the index used as a measure of poverty) on the other hand (World Bank, 2003). There have been several debates about whether or not impact assessment of microfinance projects is necessary (Simanowitz, 2002). The argument is that, if there is enough evidence in the market to show the impact (for instance, if clients are very happy to pay for a service) assessments are a waste of resources, according to Simanowitz (2002). However, this argument and hence rationale is too simple because the market proxies do not only reveal the responses of clients, but also what is beneficial to the MFI. In other words, impact assessment of microfinance interventions is important, not just to show to donors that their interventions are impacting positively on clients, but also to allow for learning within MFIs so that they can improve their services and the impact of their projects (Simanowitz, 2002).

Commenting on the limitations of concentrating solely on increased income as a measure of the impact of microfinance on poverty, Wright (2001) believes that by increasing the income of the poor, MFIs are not necessarily decreasing poverty. He stated that it depends on what the poor uses the money for. For example, if the money is spent on alcohol or gambled away (which is often the case), it does not lead to any positive impact, hence concentrating only on increasing income is not enough (Wright, 2001). The emphasis must be on assisting the poor to maintain a specified level of standard of living (Wright, 2001). This can be realised by providing them with different kinds of financial products tailored to their needs so that their income security can be improved and net wealth can likewise be increased. Studies conducted by Mosley (2001) on four programmes in Bolivia revealed an increase in income and assets, which was commensurate with initial poverty levels, but cautioned that the services of microfinance institutions (MFI) may make the poor poorer if borrowers over-leverage.

In Indonesia, Bolnick and Nelson (1990 cited in Brau & Woller, 2004) found that the micro, and small enterprises that were labour-intensive and participated in microfinance programmes, experienced a positive impact although the impact was not uniform across sectors and target variables. It is asserted by Khan and Akther (2017) that microfinance helps the poor establish their own small business, create employment, and hence promote economic growth. It was found in Zambia that, compared to a control sample, profits and household incomes of clients who were able to obtain repeat or two loans tremendously increased, however those who never qualified for the second loan were actually worse off as a result of MFIs' collection strategy (Copestake, Bhalotra, Johnson & Susan, 2001). Wydick (1999) found that access to micro-loans significantly increases the upward class structure mobility of microfinance clients. Another study conducted by Wydick (2002) using the same Guatemala data set, revealed that rapid gains derived from employment generation after the initial loan access were followed by prolonged periods of stagnant employment generation. In terms of fixed assets, employment and profits, Dunn (2001) declared that businesses of microfinance clients performed better than non-clients' businesses. From a study conducted in post-conflict Kosovo by Ahmeti, (2014), it became clear that microfinance is an opportunity for reconciliation.

After examining 147 MFIs Anderson, Leigh & Nugent(2002) concluded that environmental awareness and common pool resource stewardship of those who participated in microfinance programmes increased. This implies that microfinance has a positive effect on environmental awareness, increases common pool resource stewardship and hence reduces poverty. Khandker, Samad & Khan (1998), after conducting a study in Bangladesh found that, in the rural non-farm sector in particular, there is a positive relationship between microfinance and household income, production, and employment. He also indicated that the growth in self-employment was realised at the expense of wage employment, which implies a rise in rural wages. Again research conducted by Woller and Parsons (2002) revealed that a microfinance programme in Portoviejo, Ecuador contributed $480,000 per year in induced and direct economic benefits to the local economy.

Wydick (1999) did a study in Guatemala and found that, in some states, access to microcredit increases the probability of attendance in schools by children; however, during certain states of moral hazard, the cost of schooling may outweigh the benefits of child labour. Kevane and Wydick (2001) found that directing microenterprise credit to poor female entrepreneurs appears to imply a trade-off between economic growth in favour of poverty alleviation and well-being of children. In particular, male entrepreneurs significantly create more employment than female entrepreneurs of childbearing age. It can be said that given the necessary socio-economic environment (for instance, good infrastructure, subsidised interest rates, inclusion of female in decision making, in addition to training that provides proper business skills, information and technologies, advisory services, innovative business practices etc.) for microfinance clients, microfinance will lead to economic and social empowerment and hence produce significant positive impact on poverty levels (Mittah, 2016; Ferdousi, 2015). This, therefore, agrees with the welfarist approach to microfinance. If these conditions do not exist or they partly exist, microfinance will make the poor worse off (social and economic disempowerment) or will not positively impact significantly on poverty levels.

In their study of various projects in Bangladesh, Indonesia, India, Uganda, and Zimbabwe, Littlefield, Murduch and Hashemi (2003) concluded that microfinance has a positive impact in reducing poverty. For instance, a report on a SHARE project in India demonstrated that seventy-five percent of clients experienced significant improvements in their economic well-being and that fifty percent of the clients graduated out of poverty (Littlefield, Murduch & Hashemi, 2003).

The research carried out by Dichter (1999) similarly confirmed that microfinance is a mechanism for poverty alleviation. While arguing that the record of MFIs in microfinance is generally well below expectation, Dichter (1999) conceded that some positive impacts occur. The report from a study of a number of MFIs states that signs of redistribution of wealth, influence within the household and consumption smoothing effects, are the most common impact of MFI programmes.

Masanjala (2002) surveyed 93 non-participants and 359 microfinance participants in the FINCA in Malawi, and found that significant differences exist between business expenditure and savings of participants and non-participants, with the latter having a higher average. The dissimilarities in the average business expenditure however, seem not to have translated into increases in food consumption expenditure. Two reasons were suggested by Masanjala (2002) regarding the weak relationship between microfinance and food consumption expenditure. In the first place, it was observed that the FINCA programme experienced a high drop-out rate, with village bank members rarely going beyond the third loan cycle (equivalent to 48 weeks), with 50% transition rate between the third and fourth cycle while over 50% of those that had not dropped out at the end of the third cycle dropped out at the end of the fourth cycle. The implication of this high attrition rate is that the majority of the participants in the village banks were relatively new, and considering the short-period of participation it is difficult to clearly observe a significant variation in the impact variable. Secondly, participants were not allowed to freely withdraw their savings for consumption purposes during the clients' membership tenure in the village bank, although savings rate among participants were high due to their compulsory nature. Although, there is evidence of the positive relationship between microfinance, and social welfare and hence poverty, the empirical studies suffer from the problems of attribution and exchangeability of loan funds, the non-randomness of programme placement and non-randomness of borrower selection.

According to Wright (2001), the few studies that have been conducted on the impact of microfinance interventions on education, health and nutritional indicators seem to improve where microfinance institutions have been effective and efficient. Again a study on the Grameen Bank indicates that members are statistically more likely to use contraceptives than non-members thereby impacting on family size. Furthermore, it was confirmed by Littlefield, Murduch and Hashemi (2003) that there has been scanty specific evidence of the impact of microfinance on health; however, where studies have been conducted they conclude that, compared to non-client families, microfinance clients including their families seem to have better health, nutrition, and health practices. A Ugandan microfinance institution called FOCCAS is an example of a MFI whose clients received health care instructions on family planning and breastfeeding. Compared to non-clients, the clients of FOCCAS were seen to have much better health care practices according to Littlefield, Murduch and Hashemi (2003). They found that, as opposed to 72% of non-clients, 95% of clients engaged in practices that led to better health and nutrition for their children. Furthermore, a study conducted in rural Cambodia revealed that a micro-credit loan was used in purchasing latrines; specifically 68% of households preferred using the loan for toilets and water and sewerage connections and, as a result, improve sanitation (Geisser, 2016).

The effect of microfinance on the education of clients' children was evident. As asserted by Littlefield, Murduch and Hashemi (2003), when poor people receive new income from activities of micro-businesses, investment in their children's education is one of the first things they do. Research has shown that, compared to children of non-clients, children of microfinance clients are more likely to go to school and stay longer in school (Littlefield, Murduch & Hashemi, 2003). Again, in their study of FOCCAS, client households were found to be investing more in education than non-client households. Similar findings were reported for microfinance projects in India, Bangladesh, Zimbabwe, and Honduras. Robinson (2001) revealed in a study of 16 different microfinance institutions from all over the world that clients who have access to microfinance services experience enhancement in their standard of living, an improvement in their self-confidence, and it enables them to diversify their livelihood security strategies and hence increase their income.

The above was confirmed by Kabeer and Noponen (2005) who, after studying 906 out of 60,000 clients of ASA17 an MFI in Tamil Nadu, India for three years, indicated that the microfinance programme impacted positively on the beneficiaries. Kabeer and Noponen

(2005) found that the programme had positive effects on social status, livelihoods, consumption standards, treatment in the home and community, and living conditions. When compared with new members, some of the results indicated that there is a higher probability of long-term members to have lower incidence of child labour, to have a higher percentage of their children in school, to live in tile roofed and concrete houses, to make their own decisions regarding major purchases and to be the largest income provider or joint provider in the home (Kabeer & Noponen, 2005). It was evidently clear that clients' ownership of livelihood assets such as land, equipment, and livestock significantly increased.

In Bolivia, FINRURAL, a microfinance networking organisation, conducted a study on eight of its partner MFIs that focused on economic and social impacts at both an individual and household level and found a positive impact of microfinance on the less poor, and a negative impact on the poorer clients (Marconi & Mosley, 2004). This, according to Marconi and Mosley (2004), should not be surprising because poorer clients were more risk adverse and less likely to invest in fixed assets and so are more vulnerable to sell productive assets when a shock occurs. The study however revealed that social networks played a significant role in assisting clients escape from poverty. Access to social networks helped clients to defend themselves against having to sell physical and human assets and so protected family assets.

A study was conducted by Chowdhury and Bhuiya (2004) on BRAC's poverty reduction programme in Bangladesh and focussed on seven dimensions of people's standard of living. The study, which included the provision of microfinance and training on human and legal rights to clients, revealed that the programme led to higher nutritional status, improvement in the basic level of education, increased networking in the community, and better child survival rates. Further, according to the results of the study, children of BRAC clients compared with children of non-clients or non-members experienced better educational performance, and suffered from far less protein-energy malnutrition. Again, it was found that families of BRAC's members or clients had a significantly higher per capita calorie intake and, furthermore, spent significantly more on consumption of food items than poor non-members did. A study conducted by Nukpezah and Blankson (2017) in Ghana found that microfinance interventions improves access to loans, enhances business performance, and improves economic welfare of not only entrepreneurs but also their households. The study concluded by recommending that poverty reduction programmes in developing countries should stress on social and human development aspects of microfinance.

A research conducted in Mexico by Cervantes and Miguel (2015) revealed a number of outcomes of using microfinance. The study found that 81.8 percent of the participants revealed that it was for growing their enterprises; 24.4 percent indicated that the aim or objective of the loan was to increase their family income; improving the nutrition level of their children was declared by 13.7 percent of the respondents; 4.0 percent stated that the loan was for improving the relationship with their partner; to use it for improving their relationship with the family was indicated by 9.4 percent of the respondents; 10.3 percent wanted to use it to enhance their relationship with the credit group members; and 2.8 percent claimed the loan was to assist improve the relationship with their community in general. Further, 39.0 percent wanted to apply the loan to assist in building their money-management skills, 38.5 percent indicated that the loan would be used to improve the productivity of their micro-enterprises, and 25.9 percent wanted to apply the loan to service their debt.

Granting loans to females benefits their families but not necessarily the females themselves, according to Garikipati (2012). Garikipati (2012) contends that this is a paradox because it is a mistake to consider females´ empowerment as an outcome alone and ignore the processes. She recognises that micro-entrepreneurs run successful businesses and make timely weekly payments, families and communities have benefited, and women also gain confidence.

Due to their good credit history, women are rewarded by most microfinance institutions, and so they are given loans more than men (Corsi & Angellis, 2017). Garikipati (2012) studied the impact of microcredit on female's empowerment in rural India and found that, while microcredit has a little effect on women's time use, it enables their husbands to stop working for wages and establish their own micro-businesses. The reason is that women's loans are particularly used to enhance male ownership of the household's productive assets. Secondly, the study found that it was only the women who invest the loans in self-managed enterprises who are motivated to allocate more time to self-employment. According to Garikipati (2012), if the purpose of a loan is to increase the value of women's work time, it follows that it is not the access to loans but the use of loans that matters. Garikipati (2012) therefore concluded that there must be a critical policy objective that ensures women's control over loan-created assets.

Apart from those who do not have collateral, the traditional commercial banks found illiterates and farmers (and the agricultural sector in general) to be highly risky so they are excluded from accessing their loans (Langat, 2013). They claim that illiterates cannot even fill in a simple form let alone manage a business, hence most commercial banks do not lend to them because lending to them is very risky. Farmers are also excluded by most traditional commercial banks because the commercial banks claim that farmers are at the mercy of the weather and natural catastrophes like fire outbreak, flood etc. The gestation period of their crops most of the time is at variance with the maturity terms of the loans, so the likelihood of loan default is very high.

According to Khavul (2010), one outcome of microfinance apart from poverty alleviation is the expansion of clients' businesses, and enhancing economic growth through entrepreneurial initiatives. The clients of microfinance believe that microfinance programmes will take them out of poverty, improve their businesses, and hence make profit. The reality, however, is that microfinance has made some people and businesses worse off; it has even led to the collapse of some businesses (Hussain & Nargis, 2008; Chowdhury, Mosley, & Simanowitz, 2004) although some businesses have expanded with the help of microfinance. What then is the net effect? This is what should concern scholars, authors and practitioners. So far, the available literature is silent on it. A comprehensive study should be conducted to establish whether the net effect of microfinance is beneficial to the clients or not. True advocates of microfinance assert that both the clients and the microfinance institutions will benefit; the win-win situation espoused by Devinck, Van and Schoors (2013). Quaye et al. (2014) support the claim by adding that MFIs are not only established for poverty alleviation but also female empowerment. It is asserted by Korth et al. (2012) that access to microcredit for the poor will, in the long-run, impact positively on health and education and also increase financial wealth. Microfinance theory states that access to credit will lead to increased investment. These investments, among others, can include productive assets, health and nutrition improvements and expenses in education. Korth et al. (2012) went on to say that those investment then will enable the poor to come out of poverty; this is due to the fact that the impacted households become more financially resilient, and hence the risk to return to poverty is tremendously reduced. This investment objective is buttressed by Khavul (2010) who added that to make the investment that stimulates economic growth one needs access to financial capital that comes from either savings or borrowing, which is difficult in environments where the formal means of either savings or borrowing are non-existent. Korth et al. (2012) and Khavul (2010) fail to recognise that the success of investment depends on a number of factors including savings rate, what one invests in, how one diversifies, the environment within which one operates and also sticking to a plan. For instance, if the saving rate is very small or low, leading to low or small investment, investment will not enable the poor to come out of poverty because the returns may be very small. Even if it is positive the effect on poverty reduction will be insignificant or may in some cases have no effect at all on poverty. The point to note is that it is not always true to say that investment will always bring the poor out of poverty. What type of investment and within which environment? All these are factors to consider before jumping to any conclusion.

To buttress the assertion by Korth et al. (2012), another study by Mosley and Rock (2004) using six African MFIs revealed that services offered by microfinance institutions often improve the quality of human capital through increased spending on education and health that may extend to poor families through intra-household and inter-generational effects.

Bibi, Hatice, Matthews, and Tripe (2018) and Muntambanadzo, Bhiri, and Makunike (2013) opined that MFIs play a very important role in the provision of services to the financially excluded population, particularly the poor and the micro and small enterprises sector. According to Bibi et al. (2018), in addition to providing financial services, MFIs also provide social services. These services include but are not limited to provision of capital, employment generation and empowerment, especially of women, among others. Rossel-Cambier (2008) also supports this view by saying that microfinance provides three main services namely microcredit, microsavings, and microinsurance. Okezie, Bankoli, Ebomuche (2014), Bishnoi (2015), and Muhammad (2010 cited by Antwi, 2015) asserted that microfinance provides capital to the poor who are normally excluded by the traditional banks. In many countries in the developing world, for example Pakistan, the MFIs' agenda of financial inclusion has effectively bettered the lives of the poor (Zulfiqar, 2017). The provision of the micro loans and other social intermediation services like training, empower the poor to be able to manage business enterprises.

Employment generation is one of the objectives or reasons why clients use microfinance. In other words, it is believed by clients of microfinance institutions that the use of microfinance will create employment for them and the larger community. According to Antwi (2015), MFIs in Ghana through the provision of microcredit to microenterprises play a significant role in employment generation. He explained that the beneficiaries of microcredit are able to create jobs that serve as employment for themselves and others they employ. This is the reason why Boateng, Boateng, & Bampoe (2015) asserted that microfinance is a financially sustainable tool capable of supplying loans for and ensuring growth and sustainability in the private informal sector excluded by formal financial institutions.

Microfinance also improves the standard of living, and increase business income, among others. Chirwa, Mvula, Namata, & Zgovu (1999), for example, found that in Malawi those who participated and benefited under the Social Dimensions of Adjustment Project's credit schemes experienced positive impact not only on food consumption but also on affordability of basic necessities. A similar research conducted by Mvula, Chirwa, & Kadzamira (2000) on the WID credit guarantee fund of the MoGYCS in Malawi revealed that 73.7 percent of the sampled beneficiaries experienced growth in household income whilst 62.3 percent of the sampled beneficiaries reported a positive impact of participation in microfinance on expenditure on food. However, the studies failed to isolate the effects of other factors and the conditions under which the loans were granted. Can all the positive results be attributed to the microfinance loan? What about the economic and business environment in the country at the time? The point is that it may be possible that the impact of microfinance may be negligible, insignificant or even negative but because of other favourable factors, for example a very conductive business and economic environment, there may be positive impact on beneficiaries' income, standard of living, poverty etc.

Hussain and Mahmood (2012) conducted a study in Pakistan on the impact of microfinance loans on poverty reduction amongst women entrepreneurs and found that, after accessing microfinance loan and investing it in their businesses, the beneficiaries' political participation, assets, income, expenditure, health, and education significantly improved. Minnitie et al.

(2005, cited by Hussain & Mahmood, 2012) believe that female economic activity is key in accelerating growth prospects of world economies. It is therefore necessary for all countries, especially the emerging ones, to provide the economic and financial environment for females to establish their own businesses (Hussain & Mahmood, 2012), hence microfinance. Akram et al. (2015) argue that living standards in low-income developing countries will always remain a very important issue to be dealt with. Microfinance has been used as a strategy to improve the living standard of poor people in many developing countries, like Bangladesh. Ojo (2009) also believes that microfinance provides access to financial and non-financial services to low-income people, who wish to access a loan for starting or developing a business. A study by Joddar and De (2019) on the sustainability of Indian women's microenterprises and its impact on the standard of living concluded among others that NGO-led microfinance makes women's microenterprises more sustainable compared to privately owned microfinance. Further, the study revealed that microfinance programmes have positive and significant impact on households' standard of living.

Theoretical and empirical literature suggest that microfinance can be used to support and increase savings and investment., consumption smoothing, and food security, agricultural activities, non-farm activities, enterprise development and social cohesion (Mago, 2019). However, whether microfinance will increase investment or not depends on the savings rate, what one invests in, how one diversifies, the environment within which one operates and, moreover, sticking to a plan. In addition to the investment objective, the microenterprises claim that, in the long-term, microfinance does not only improve financial wealth, but it also impacts positively on health and education. The researcher believes this is possible only if microfinance improves income and reduces poverty.

By expanding businesses of the clients, the MFIs also help to expand and generate employment. This point has been criticised by some researchers, scholars and even practitioners like Chowdhury, Mosley and Simanowtz (2004) and Hussain and Nargis (2008) on the grounds that some enterprises have collapsed or their profits and employment reduced due to their participation in the microfinance programmes. So it is highly debatable to say that MFIs help to expand businesses and create jobs. In fact, what is not clear is whether the net effect is positive or negative. This is yet to be established. So far the researcher has not come across a study in the Ghanaian literature which has established this. The reason for this situation is not clear. However, in Ghana there is no motivation to conduct such a longitudinal tracking study due to the difficulty in securing funding.

Micro-entrepreneurs also claim that MFIs, and hence the loans, enable them to improve productivity, increase family income, and offer their children better nutrition. Other outcomes of using microfinance includes improving the relationship between the clients and their partners, help build their money-management skills, enable clients to service their debt and help some move from wage employment to self-employment. Microfinance helps businesses to increase their profit margins, expand businesses, create and expand employment, empower clients, enhance their well-being and thereby reduce poverty. Poverty is a function of growth, per capita income and others (Mosley, 2015), and so if microfinance leads to business growth, expand employment and increases income then it stands to reason that microfinance leads to poverty reduction.

Notwithstanding the positive correlation between microfinance and poverty reduction, wealth creation, employment generation, business growth etc. other impact assessment studies, however, did not find significant positive impacts. In his assessment of Thai MFIs, Coleman (1999) found that, if the programme impact is assessed by inexperience people who fail to control for self-selection and internal programme placement, the impact is significantly over-estimated. He generalised this finding to other impact assessments, arguing that most impact studies do not take into consideration the issues of self-selection and internal programme placement thus leading to systematic overstatement of programme impact. This supports the view of Morduch (2008) who argue that the impact of micro-credit on poverty reduction is minimal because it rather supports borrowers to create basic incomes instead of driving fundamental economic shifts. Gerald and Johnson (2019) also argue that there is limited evidence that demonstrate that microfinance is a tool for poverty reduction.

Again, a study conducted by Geleta (2015) in northern Ethiopia challenged the common claim that microfinance leads to poverty reduction, empowers women and builds social capital by revealing that, in some cases, microfinance causes disintegration of pre-existing relationships and worsens the poverty situation of the poor. To buttress the assertion by Geleta (2015), a study by Rahman (2015) found that, although many studies establish a positive impact of microfinance with respect to poverty reduction, female empowerment, increased individual and household income, access to health, education, and sanitation, other studies do not find any direct link. Further although a considerable number of people consider microfinance as a strategy for poverty reduction, it is not clear whether microfinance delivers on its promises of employment generation, ensuring business growth, empowering the poor, and hence reducing poverty (Ahmeti, 2014). Furthermore, a field study conducted in Tanzania by Lindvert et al. (2018) concluded that microfinance can cause conflict between the obligation towards business needs and economic obligation towards family. They went on further to say that microfinance can increase income but it must be accompanied by innovative business practices or else it can worsen the plight of individuals and enterprises.   A study conducted by Salia, Hussain, Tingbani and Kolade(2018) in Ghana also reported that though theoretically microfinance helps women to come out of poverty and achieve better economic opportunities, women's economic empowerment often leads to or worsens incidence of polygyny, family conflicts and negative impacts on young girls' education and well-being. The study found that women's success with microfinance threatens their husbands due to their independent decision making leading to family conflicts. In addition to that, the traditional role of men is challenged and so they resort to a second marriage or divorce as a means to regain the authority and power (Salia, et, al, 2018). According to Hussain and Nargis (2008), there is evidence to disproof the popular belief that microcredit is a potent tool or strategy to uplift the rural poor to a higher economic status. Their study revealed that microcredit would have reduced poverty at a faster rate if it were accompanied by income and productivity growth with greater employment opportunities and bridge the inequality gap. In short, the study found that microcredit's contribution to poverty reduction and enhancement of economic well-being though positive, is insignificant and negligible.

Not all commentators are as enthusiastic about the role of microfinance in development and it is necessary to recognise that microfinance is not a panacea or a sufficient condition for alleviating poverty. Hulme and Mosley (1996), while confirming the role microfinance can play in helping to combat poverty, found from their study that most contemporary schemes are less effective than they might be. They reiterated that microfinance is not a panacea for poverty-alleviation and that, in some cases, it has worsened the standard of living of the poorest. Rogaly (1996) criticises microfinance on the following grounds:

- Microfinance supports a single-sector method to the allocation of resources to combat poverty;
- Microcredit is insignificant or not important to the poorest people;
- Microfinance uses an over-simplistic idea of poverty;

- Microfinance over-stresses on scale; and
- Not enough learning and change take place.

Hermes (2014) believes that, although microfinance reduces income inequality, the effect is very small, therefore microfinance should not be regarded as a panacea for significantly reducing income inequality. Microfinance is not the solution to poverty but rather jobs are the solution (Yaidoo and Vishwanatha, 2018). Whiles practitioners and development experts grapple with microfinance as a tool for poverty reduction, it is clear that today's challenges, often of high client indebtedness, require a new approach beyond mere inclusion and or standalone (Yaidoo and Vishwantha, 2018). This assertion is supported by Banerjee and Jackson (2018) who found that microfinance has led to increasing levels of indebtedness among already impoverished communities and aggravated several dimensions of vulnerability; economic vulnerability, social vulnerability, and environmental vulnerability. According to Banerjee and Jackson (2018), microfinance undermines women empowerment. Their research found that it is men who generally use the loans provided and simply use women as front to obtain them. However, most of the time when there is default, the women are placed at the position of blame. Women or females therefore find themselves scapegoated, rather than empowered.

Abra(2019) asserts that MFIs should have a trade-off between financial performance(financial sustainability) and their social objectives. By achieving operational sustainability, they can cut down their lending interest rates and fulfil their social mission of reducing poverty, otherwise there is no difference between MFIs and conventional/ traditional banks, if they ignore their social mission and just focus on their financial performance and hence achieving financial sustainability (Abra, 2019). This notion is supported by Ghalib (2017) who report that the main aim of MFIs is not only for profit but poverty reduction, thus social mission. However, most MFIs today and banks transforming their business model to MFIs have profit motive not social. Their strategy impacts positively on profitability but no significant impact on operating cost efficiency. MFIs should therefore be more operating cost efficient so as to be able to reduce lending rate to benefit their clients and hence reduce poverty.

Another study by Rooyen et, al(2015) and cited by Elhadidi(2018) found a positive as well as negative relationship between microfinance on one hand and health, nutrition, food security, education, child labour, women's empowerment, housing, job creation, and social cohesion impact. The study concluded that microfinance can have both positive and negative effect on income, health, education, business, empowerment, etc. Chowdhury, Mosley, & Simanowitz, (2004) reported that microfinance has made some people and businesses worse off; it has even led to the collapse of some businesses. This was buttressed by Hussain & Nargis (2008) who also found that microfinance has dwindled and in some cases led to the collapse of some microenterprises.

From the above, it is evidently clear that the assertion that microfinance creates employment and expands or grows businesses is not established. What is clear from the literature is that some studies claim microfinance creates jobs and grows microenterprises, whilst others found and believe that microfinance causes unemployment, and collapses microenterprises. There is therefore a gap created in the literature regarding the actual impact of microfinance on employment and business growth. Is the impact of microfinance on employment and business growth positive or negative? Is it country specific? What is the situation in Ghana? It is this gap which led to the formulation of the following hypotheses that this study seeks to test in Ghana.

1. There is a positive relationship between microfinance and employment generation
2. There is a positive relationship between microfinance and business growth.

Again, from the literature and the studies conducted by authors and writers, Table 3 is the summary of major impact or outcomes of microfinance. The findings of this current study seeks to explore these in the Ghanaian context.

Table 3: Outcome and Impact of Microfinance as evidenced in the literature

1. **Employment creation and expansion**
2. **Business growth**
3. **Increase in income and profit**
4. **Improvement of standard of living**
5. **Empowerment of individuals and businesses**
6. **Social impact: education and health**
7. **Poverty reduction**

However, in some cases microfinance:

8. **Has made some people and businesses worse-off**
9. **Has led to the collapse of some businesses.**

Having discussed the outcomes of microfinance, specifically impact on poverty reduction, impact on employment generation, and impact on business growth, it is necessary to examine the challenges or obstacles faced by the Microfinance Institutions and their clients who are players in the microfinance industry. The next section (section 2.8) examines the challenges faced by both the MFIs and their clients.

2.8 Challenges and Obstacles of Using and delivering Microfinance (Challenges faced by MFIs and their Clients)

A study by Rashem and Abdullah(2018) on the factors influencing the growth and penetration of microfinance institutions in Egypt revealed that high interest rate, political and economic conditions, corruption, customer outreach, competition and technology are challenges, obstacles or hurdles militating the growth of microfinance institutions. The study found lack of appropriate technology to manage internal affairs and clients as a major challenge affecting the growth of MFIs in Egypt. Secondly the study revealed customer outreach as a major hurdle. Customer outreach which is crucial for poverty reduction and sustainability of MFIs is costly and hence poses a threat for the growth of MFIs. This is supported by Wassie, Kusakari, Hitoshi and Sumimolo(2019) who confirmed in their study that providing financial services to the poor(outreach) and attaining financial sustainability are dual challenges faced by MFIs. Rashem and Abdullah(2018) further asserted that the managers of MFIs misuse the powers by attending unproductive conferences and seminars which incurred heavy cost for the institution. Again, according to the findings of the study the high interest rate charged by the MFIs coupled with short –term of repayment impose a burden on the clients leading to inability of repayment and hence high rate of default. To buttress this Sanz-Fernandez (2015) asserts that absence of credit bureaux lead to multiple borrowing which consequently lead to default. Microfinance institutions(MFIs) face the challenges of inadequate infrastructure both physical and financial, unsupportive policy environment, limited institutional capacity, inadequate investment in rural areas, inadequate social capital development, microfinance misconception, among others(Mago, 2019).

Another study conducted by Prathap, Mahesh, and Karthik(2018) on microfinance and poverty alleviation in India found lack of education, method of repayment and high interest rate as obstacles or challenges confronting the microfinance industry. This is buttressed by Elhadidi(2018) who also found that high interest rates, lack of business training and short maturity period of loan are factors that hinder the growth of MFIs and hence worsen the plight of microfinance clients. Elhadidi further asserted that unwillingness of clients to invest their loans in their microenterprises but rather use them on consumption is an obstacle to the growth of MFIs leading to loan default. According to Khavul (2010), it is very expensive and risky to serve the poor because they have no official histories/credit bureaux, are illiterates, have limited or no collateral and are often dispersed across rural areas. Moreover, their micro-enterprises are not registered and hence not taxed and they operate in the informal sector of the economy (Sirmon, 2009). This leads to agency and transaction cost challenges which is extremely difficult to overcome. The challenge of high transaction cost involved in providing loans to the poor, given the smallness of the loan size coupled with the geographic dispersion of the rural borrower is a very serious obstacle which adversely affect the growth of the microfinance sector. This is because it leads to high interest rate, may reduce profitability (Ahlin et al., 2011) which may consequently cause scarcity of loanable funds to MFI clients (Burlando & Canido, 2017).

Another study by Cervantes and Montoya (2015) in Mexico found that the clients of microfinance faced a number of obstacles or challenges including but are not limited to, term of maturity of the loan re-payments, sicknesses caused by stress, unbearable responsibility, child neglect as a result of loan terms, problems with family, challenges caused by sentimental partners, and debt related issues. Another hidden challenge was the inability of many of the respondents to definitively declare their source of loan repayments. A greater percentage of the respondents (77.8 %) indicated that their source of repayment was the micro-enterprises themselves. They claimed that the microenterprises are capable of generating enough or sufficient money for repayments, whilst the remaining respondents (24.2%) had to repay or settle their debt obligation with money from other different sources.

High interest and hence high interest payments has been a major concern and a challenge to microfinance clients. In their study on outreach and performance analysis of MFIs in Cameroon, Shu and Oney (2014) found that MFIs in Cameroon, like many MFIs in developing countries, are more focused on profit maximisation rather than reaching out to the poorest of the poor: as a consequence, they charge high interest rates. According to DFID (2006) the demand for micro-credit does not change much when interest rates increase, and so microfinance institutions do not lose clients or change their missions. This argument is buttressed by Dehejia, Montgomery & Morduch(2005) who opined that micro-credit beneficiaries are not sensitive to increases in interest rates because they earn more than enough profit to pay the high interest rates. Studies conducted in India, Kenya and the Philippines, and cited by Yeboah (2010), found that the average return on investments by micro-enterprises ranged from 117% to 847%. Again Morduch (2008) found that profit in retail businesses owned by males in Mexico ranged from 20% to 33% per month and profit were even found to be higher (70% to 75% per month) for businesses identified as financially constrained.

However, other studies revealed that, due to high interest rates charged by microfinance institutions, some micro-enterprises have collapsed or are not doing well. For instance, Del Mel, McKenzie & Woodruff (2008) indicate that for female-owned businesses the average returns to capital was almost zero. Considering the fact that most microfinance clients are women, high interest rates on loans is a challenge or obstacle to their growth. This is confirmed by Schindler(2010) cited by Salia, Hussain, Tingbani, and Kolade (2018) in their article; Is women empowerment a zero sum game? Unintended consequences of microfinance for women's empowerment in Ghana; who asserted that inefficiency and cost of microfinance is a hindrance to women's ability to come out of poverty. This is a moral issue. This is because, if microfinance institutions (MFIs) claim their aim (among others) is to deliver the poor out of poverty, and help expand microenterprises, thereby create and expand employment why then should they charge exorbitant interest rates to kill microenterprises and make the poor worse off? The MFIs also claim their operating costs, including the cost of capital is high, hence to be sustainable they should charge market interest rates. For the MFIs to charge affordable interest rates, their loanable funds should come from a source with concessionary interest rates, so that both the clients and MFIs will benefit. If their sources of loanable funds come from, say, NGOs, the government or an International Development organisation like UNDP at concessionary interest rates for on-lending to the poor and microenterprises then they can charge affordable interest rates to benefit both the clients and themselves. According to Rashem and Abdallah (2018) and buttressed by Dahir (2018), MFIs should be financially supported by donors and governments for them to offer adequate loan amount to their clients at affordable interest rates, and come up with standardised reporting and monitoring systems, rules and regulations to prevent default. In this case, the poor may come out of poverty, microenterprises may grow, and employment may be created and expanded leading to economic growth and development. Even this will depend on some factors including how the loan is used, among others. For example, if the loan is diverted by the clients, in spite of the concessionary interest rate, poverty will not reduce, microenterprises will not expand, employment will not be created and there will be no economic growth. Furthermore, Dehejia et al.'s (2005) study in the slums of Dhaka in Bangladesh, which assessed sensitivity of borrowers to increases in interest rates on loans, found that the sensitivity levels of the less poor microfinance clients to changes in interest rates is less than that of the poorer borrowers. A field survey conducted by Karlan et al. (2007 cited by Yeboah, 2010) in urban Accra, Ghana, to assess people‘s sensitivity to interest rate changes showed that micro-entrepreneurs were more likely to apply for loans at lower interest rates than at higher interest rates. A study by Ntim (2019) on microfinance and poverty reduction in Ghana also revealed that lack of collateral, high interest rates, and lack of track record are challenges faced by clients from accessing loans from the MFIs. The results of a study by Dahir(2018) in Mogadishu on challenges faced by microfinance institutions indicate that loan default, inadequate donor funding, insufficient support from governments, improper regulations, lack of standardised reporting and performance monitoring system for MFIs are among the challenges facing the microfinance industry. Lack of well-trained staff, lack of monitoring system and inadequate loan size are obstacles or challenges faced by MFIs (Khanam, Mohiuddin, Hoque and Weber, 2018).

In addition to the interest rate, the other charges, fees, and deductions demanded by the microfinance institutions also serve as another obstacle or challenge to microfinance clients. MFIs deduct processing fees from the loan, and the clients are usually required to make compulsory deposits etc., which obviously reduces the net cash they receive as loans (Rosenberg, Gonzalez & Nahrain 2009). According to Rosenberg et al. (2009) all these are termed hidden cost, which increases the effective interest on the loan. A study conducted in Ghana Addae-Korankye & Abada, (2017) on Microfinance and female empowerment revealed that female microfinance beneficiaries encounter a number of challenges including exorbitant interest rates, access to credit, inadequate loan sizes, lack or inadequate training, access to market, high taxes/market tolls charge by the assemblies, high prices of inputs including utility bills and frequency of loan repayment (maturity, loan terms). Salia, et, al.(2018) reported in their study that some husbands of women microfinance beneficiaries marry their maids leading to spousal disputes and family breakdown. The reason is that the husbands claim their wives leave home very early for their shops by 6.00am and come home after 7.00pm, and so the women are not able to satisfy their husbands' domestic or physical needs. Others include inadequate supply of inputs, lack of storage facilities, transportation, and difficulty in collecting their debts among others. These obstacles adversely affect the growth of their businesses and some businesses have even collapsed.

In summary, the main challenges faced by microenterprises in using microfinance includes high interest rates and hence huge interest payments. Most microfinance institutions charge high interest rates on the loans granted to their clients. This contradicts the poverty reduction objective of microfinance because the high interest rates and hence huge interest payment is a hindrance to the growth of microenterprises; it has made some worse-off and in fact some microenterprises have even collapsed.

In addition to the above, other charges and deductions (for example, processing fees) are obstacles to the growth of microenterprises. The processing fees directly reduces their loan amount and hence is indirectly seen as another interest rate that swells up the overall interest rates. Some microenterprises complain of inadequate loan amounts, frequency of loan repayment, short maturity period of the loan and lack of training.

In spite of the successes achieved by some efficient MFIs, a considerable number of them face challenges in attaining both operational and financial sustainability (Rahman, et al., 2015). According to Yimga (2016), most empirical studies on microfinance have concentrated on the downstream; that is the effect on borrowers, ignoring how the MFIs are affected in the process. Shu and Oney (2014) studied MFIs in Cameroon and concluded that MFIs in Cameroon and in most developing countries do not manage their risk very well. They are proned to high default risk among others. Some MFIs complain about loan default by some microenterprises and individual borrowers. Some clients of MFIs fail to repay their loan amount on time and some also do not pay at all. This is partly due to the absence of a credit bureaux (Sainz-Fernandez, 2015). A study conducted by Sainz-Fernandez (2015) using a sample of 832 MFIs from 74 countries on crises of MFIs indicated that excess liquidity, excess of deposits over loans, and absence of a credit bureaux increases the probability of crises and is hence a challenge to MFIs. Loan default is a serious challenge, which adversely affect their sustainability. They went on further to say that a company's positive performance, a country's economic growth, political stability, and existence of a private credit bureaux reduces the probability of crises. The MFIs also borrow their loanable amount at commercial interest rates, so if they experience huge default rates some of them will collapse; in fact, some MFIs have collapsed due to the high default rate and high cost of capital. The cost of delivering small loans to micro-clients is very high. In addition to the above, the provision of training and advisory services offered to the microenterprises add to their cost and hence negatively affect their sustainability and lead to collapse of MFIs (Cull et. al., 2018). To reduce the probability of default and to ensure sustainability MFIs whether State-owned or privately-owned resort to credit rationing at certain times (Diaz-Serrano & Sackey, 2018). MFIs that provide social services in addition to the financial services have greater depth of outreach and higher repayment rates and so reduces the risk of default (Lensink et al., 2018). However, provision of social services like training, business development, access to market and health care increases cost of operation to MFIs, hence poses a challenge. To increase the income of the clients and hence minimise loan default, Ferdousi (2015) recommends that MFIs should do careful screening of clients and effective monitoring to ensure that the loans are effectively utilised and used for the purpose for which it is granted. To minimise and protect against default risk Heather and Howard (2019) also assert that micro-insurance and hence insurance premium should be paid. This will enable MFIs to better manage default risk, and thereby provide sustainable and accessible microfinance assistance to small and micro businesses. Begun, et, al(2018) also asserted that Islamic MFIs often reschedules the time of repayment for clients especially if they found that the client genuinely has a problem. Boateng and Oduro (2018) showed that micro-credit default is a function of the educational level of the client, number of dependants, type of loan, adequacy of loan, term of maturity of the loan, number of years in business, and the period within the year the loan was acquired. Based on their findings, they recommended that, to minimise loan default, the group-lending methodology should be used as the main mode of delivering microfinance to suitable applicants. In India as asserted by Prabhjot (2016), the poor are losing confidence in the MFIs due to the high interest rates they charge on loans granted to their clients. Their clientele base is dwindling, which if not addressed will lead to the collapse of many of the MFIs. Further, loan default if not checked will reduce the lending ability of the MFIs, as the flow of repayment breaks or declines leading to rejection of some loan applicants (Lilay, 2015). Some MFIs also face legal, regulatory and licensing challenges, inadequate infrastructure, and competition from commercial banks, high illiteracy rates of their clients, a huge work load, and inadequate skilled personnel (Kenubeh, 2015).

From a study on the efficiency and competency levels of MFIs, Riaz and Gopal (2015) found the efficiency and competency levels of MFIs in Pakistan to be low, unstable, and shows no specific trend. The study revealed that almost all the MFIs are not fully utilising their resources; none of them has 100% resource utilisation. Other challenges faced by MFIs include panic withdrawals by clients, mismanagement, and disregard to due diligence, macroeconomic instabilities, and unethical and illegal practices (Boateng et al., 2016). In addition to the above, MFIs lack skilled personnel (because most of them do not recruit skilled employees), and high operational cost(Asiamah, and Osei, 2007), there is no institutional capacity building and hence capacity enhancement in the sector, lack of funding and basic infrastructure like good roads, electricity, telecommunication services, lack of reliable information for effective planning and decision making, and lack of regulation and supervision (Gyamfi, 2012; Boateng, et, al. 2015).

From the literature and the studies conducted by authors and writers, Table 4 is the summary of major challenges faced by MFIs and their Clients. The findings of this current study seeks to explore these in the Ghanaian context.

Table 4: Summary of Major Challenges of Using and delivering Microfinance

Clients	MFIs
1. High interest rates and high interest payments	**1. Loan default**
2. Other fees and charges	**2. Registration and licensing requirements**
3. Inadequate loan amount	**3. Training to MSMEs**
4. Frequency of payment	**4. High cost of loanable funds**
5. Lack of training	**5. Sustainability issues**
6. Loss of deposits	**6. Lack of an efficient and effective credit bureaux**

2.9 Summary of Literature:

First, the literature reviewed approaches to microfinance. There are two approaches of microfinance namely Institutionalist Approach and Welfarist Approach. Institutionalist approach believes that for poverty to be reduced the microfinance institutions (MFIs) should be viable and sustainable, so viability and sustainability of the MFIs is their major concern. On the other hand the welfarist approach seeks the welfare of the poor. According to the welfarist approach microfinance institutions should first seek the welfare of the poor hence all activities of the MFIs should be directed towards poverty reduction.

Second, the various methods of delivering microfinance were also reviewed. These include Grameen method, Village banking method, The MC^2 method, Latin America Solidarity Group Lending, and Self Help Group(SHG) Federations in India. The literature discussed how each method delivers microfinance including the advantages and disadvantages of each method.

The concept of empowerment was also reviewed. The literature distinguished between economic empowerment and social empowerment. Economic empowerment refers to the capacity of the poor to contribute to and gain from productive activities on terms that appreciate the worth of their contribution, respect their dignity and have the possibility to negotiate a fairer distribution of returns. On the other hand social empowerment concerns transforming society such that the poor, the excluded, or the marginalised within it are respected and recognised, not on terms dictated by others but on their own terms. Microfinance claims to achieve both economic and social empowerment for the poor, however it was revealed by other studies that in some cases microfinance makes the poor, poorer.

The study also reviewed the outcome of microfinance including poverty reduction, employment generation and business growth. Microfinance claims to reduce poverty, generate employment, and enhance business growth, however other studies have reported that though microfinance generates employment, leads to business growth, and hence reduces poverty, it also creates unemployment, collapses businesses and worsens the plight of the poor. What then is the net effect of microfinance? Is it negative or positive? The available literature so far is silent on it. This is a gap which is addressed by the current study.

Finally, the literature has reviewed the challenges and obstacles of using and delivering microfinance. The Clients face the challenge of high interest rates, inadequate loan amount, lack of training, loss of deposits, among others, etc; the MFIs on the other hand face the challenge of loan default by clients, sustainability issues, and lack of effective and efficient credit bureaux, etc.

From the literature and studies on the impact of microfinance conducted by experts, authors, researchers and writers reviewed and discussed above, the following hypotheses are framed:

1. There is a positive relationship between microfinance and business growth
2. There is a positive relationship between microfinance and employment generation.
3. There is a negative relationship between microfinance and poverty levels. Stated differently there is a positive relationship between microfinance and poverty reduction.

The next chapter examines the contributions of the microfinance sector to the economic growth and development of Ghana. Since the study investigates the impact of microfinance on poverty reduction in Ghana, it is necessary to examine the contribution of the microfinance sector since its integration in the development agenda of Ghana more than two decades ago.

CHAPTER THREE

COUNTRY CONTEXT

MICROFINANCE SECTOR IN GHANA

3.1 Introduction

Microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people. It is argued that microfinance can facilitate the achievement of the Millennium Development Goals (MDGs) as well as National Policies that target poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living (Asiamah, 2007). In Ghana microfinance has been part of the development agenda for more than two decades. The purpose of this chapter therefore is to examine the contribution of the microfinance sector to the economic growth and development of Ghana and also discusses the country's position regarding the effectiveness of microfinance.

3.2 Overview of Ghanaian Economy

Ghana was the first African country south of the Sahara to gain independence from British colonial rule in 1957 and became a republican state in 1960. According to Ghana Population Clock (2017), Ghana's population is estimated to be 28.5 million as at March, 2017. With a total Gross Domestic Product (GDP) of US$45.46 billion in 2016 the country's economy is ranked the 89th largest in the world (CIA, 2018), and second largest in the Economic Community of West African States (ECOWAS) sub-region, accounting for 10.3% of total GDP of the sub-region (World Bank, 2013). GDP per capita of Ghana increased from $4400 in 2015, to $4500 in 2016, and increased further to $4600 in 2016 (CIA, 2018). Notwithstanding the global recession, Ghana's economic growth remains fairly resilient although the rate has been decreasing (ISSER, 2013). Available statistics from the IMF show that, in 2011, Ghana's GDP growth was 14% (IMF, 2016); this declined to 4% in 2014 and 3.9% in 2015 (Ghana Statistical Service, 2016), declined further to 3.5% in 2016 and increased to 5.9% in 2017, whilst inflation rate dropped from 17.5% in 2016 to 11.8% in 2017 (CIA, 2018).

The end-of-year inflation rate was 8.8% in 2012; this increased to 13.5% in 2013, 17.0% in 2014 and 17.7% in 2015 (Bank of Ghana, 2016; IMF, 2016; Ghana Statistical Service, 2016). The Cedi, which is the official currency of Ghana, depreciated by 28.2% and 23.3% in 2014 and 2015 respectively (Bank of Ghana, 2016). The relatively poor performance of the Ghanaian economy in 2015 was due to poor performance of the industrial sector, which has been attributable to the erratic power supply or power crisis Ghana experienced.

The real economy of Ghana is formally classified into three sectors, namely agriculture, industry, and services. The service sector, where microfinance sector belongs is the largest sector accounting for more than 50% of the Ghanaian economy, grew by 5.7%, in 2015, followed by agriculture, 2.4% and lastly industry 1.2% (Ghana Statistical Service, 2016). If the service sector accounts for more than 50%, what is the contribution of the microfinance sector alone to the economy of Ghana?

3.3 Contribution of Microfinance Sector to the growth of Ghanaian Economy

Despite the importance of the Microfinance Sector to Africa's economy, historically, the continent's governments have not prioritised microfinance in their discretionary spending programmes. They have not integrated microfinance in their policies in creating employment, growing businesses and hence reducing poverty. Consequently, many MFIs have been underperforming and so have not been or are not able to create the positive impact expected of them (Amoah, 2019).

The role of microfinance institutions in building the Ghanaian financial sector and the socio-economic development of the country cannot be overemphasised (Ashley, 2017). According to Ashley, (2017) that microfinance institutions in Ghana fill the lending gap created by the financial sector. He posits that the presence of microfinance institutions in Ghana allows individuals, micro, and small businesses to access loans for sustainable growth. Micro-Finance Institutions (MFIs) in Ghana play an important role in making services available to the financially excluded masses, especially the needy and the informal sector including microenterprises. A study conducted by Odoom, et, al.(2019) revealed that microfinance institutions in Ghana, provide financial capital to the microenterprises, create employment, contribute to income generation and provide support to the growth of microenterprises. Again, as study by Oduro-Ofori, et, al(2014) on 96 micro and small enterprises indicated that loans from Microfinance and Small Loans Centre have contributed to increasing the beneficiary micro and small enterprises' working capital by 120.6%.

Unemployment has been a major challenge for the government of Ghana over the years but has been reduced by the operations of Microfinance Institutions (Takyi, 2014). Microfinance Institutions have helped and continue to help in the area of savings mobilisation through their savings scheme that has made savings more accessible to various individuals and small businesses. They have enhanced the savings habit of low income earners who did not have access to the traditional banks and have offered them the opportunity to save. This has helped them to raise capital for their businesses. Microfinance Institutions have also provided credit facilities to small businesses who do not qualify to take loans from the traditional banks. These small businesses have been able to expand their businesses with the loans they receive from the Microfinance Institutions. Others have also been able to establish new businesses with the help of Microfinance Institutions (Takyi, 2014).

For example with the help of Microfinance Institutions savings mobilisation in Ghana increased from Ghc22,154 million in 2012 to Ghc60, 830.45 million in 2016 (Bank of Ghana, 2017), and within the same period Loans and Advances granted to microenterprises increased from Ghc13, 778.4 million to Ghc36, 555.37 million. The tables below demonstrate it.

Table 5: Savings Mobilisation

Year	Savings(Ghc million)
2012	22,154
2013	26, 992.4
2014	37, 072.1
2015	47, 231.48
2016	60,830.45

Source: Senzu, T; Bank of Ghana Annual Report (2017)

Table 6: Loans and Advances granted by MFIs

Year	Loans(Ghc million)
2012	13,788.4
2013	18,639.3
2014	26, 539.72
2015	31, 421.74
2016	36, 555.37

Source: Senzu, T; Bank of Ghana Annual Report (2017)

The presence of MFIs in Ghana has made it possible for individuals and microenterprises who are excluded from the traditional banks to access loans for sustainable operations, development and growth of their businesses; and the growth of the Ghanaian economy as a whole (Odoom, et al 2019). For instance, in 2011, 198 MFIs had a total of 300, 875 active customers and advanced total loan of $224.6m to them, and in 2013, 560 MFIs reached a total of three million active customers, with a total loan portfolio of $461m(Effah,2017) These small businesses dominate the African business environment because they account for almost 90 percent of all businesses in Africa (Muriithi, 2017) and they are the engine of growth through their ability to generate employment, increase income and hence increase the Gross Domestic Product (GDP) of countries. In Ghana, for instance, the small businesses account for 90 percent of the business market, they employ 85 percent of the Ghanaian workforce and contribute about 70 percent of the country's Gross Domestic Product (GDP). These small businesses have been able to employ 85 percent of the Ghanaian labour force, and contribute 70 percent of the country's Gross Domestic Product due to the loans and other assistance offered them by the Microfinance Institutions. The implication is that microfinance institutions in Ghana have helped and continue to assist in job creation or employment creation, expansion or growth of businesses, and contribute immensely to economic growth and development of Ghana (Effah, 2017). According to Oduro-Ofori et, al(2014), some Microfinance institutions and hence the microfinance sector has been and continues to provide Business advisory services to micro and small enterprises, promoting women entrepreneurship, improving standard of living and helping in the fight against poverty.

3.4 Evolution of Microfinance in Ghana

According to Asiamah and Osei (2007) and Amoah (2008), the concept of microfinance is not new in Ghana. The people of Ghana have traditionally saved with individuals/groups and contracted loans from individuals and groups within the concept of self-help to set up enterprises or farming ventures. The available literature dictates that in 1955 the first credit union in Africa was established in Northern Ghana by the Canadian catholic missionaries.

Further, according to Amoah (2008) and Asiamah and Osei (2007), *Susu*, one of the microfinance methodologies, is believed to have started in Nigeria and spread to Ghana in the early 1990s.

According to Amoah (2008), the evolution and development of the microfinance sector in Ghana have been through the following:

- Supply of subsidised credits in the 1950s;
- Formation of Agricultural Development Bank (ADB) in 1965 specifically to address the financial challenges of the fisheries and agricultural sector;
- Establishment of Rural and Community Banks, and the promulgation of regulations such as commercial banks being required to reserve 20% of their total portfolio to promote lending to agricultural and small scale industries in the 1970s and early 1980s;
- Moving from a restrictive financial sector regime to a liberalised regime in 1986;
- Promulgation of PNDC Law 328 in 1991 to permit the setting up of different categories of non-bank financial intermediaries, including savings and loans companies, and credit unions.

Asiamah and Osei (2007), on the other hand, are of the view that, like microfinance world-wide, microfinance in Ghana has evolved or developed through four (4) distinct phases. These phases, according to Asiamah and Osei (2007), are described below:

– **Phase One**: The supply of subsidised credit by Governments beginning in the 1950's when it was assumed that the lack of money was the ultimate obstacle to poverty alleviation.

- **Phase Two:** This phase involved the supply of micro-credit mainly through NGOs to the poor in the 1960's and 1970's. During this period sustainability and financial self-sufficiency were still not considered relevant.

- **Phase Three:** In the 1990's the formalisation of Microfinance Institutions (MFIs) began.

- **Phase Four:** Since the mid 1990's the commercialisation of MFIs has gained importance with the mainstreaming of microfinance and its institutions into the financial sector.

Sustained growth and significant poverty reduction over the recent decades have made Ghana an African success story. According to the Ghana Statistical Service (2013), notwithstanding the fact that the private informal sector is the largest employer of the working population in Ghana, for a greater number of micro and small scale entrepreneurs, the lack of access to financial services is a critical hindrance or obstacle to the growth of viable micro-enterprises (Adjei, 2010). Accordingly, the emergence of the microfinance revolution brought about the processes required to democratise capital and allowed diversification and expansion of economic activities by micro-entrepreneurs (Robinson, 2001).

From very humble beginnings of church and NGO led microfinance, the microfinance sector has grown to occupy a prominent place in the development agenda of Ghana. At the close of December 2014, MFIs in the country had a total of over 8 million clients of which 62% were women; contributed between 13-15% of total banking assets; and employed 31,071 of the labour force in Ghana (Gyamfi, 2016). Currently (2019) there are 137 microfinance institutions in Ghana after Bank of Ghana (Central Bank of Ghana) revoked the licenses of 347 microfinance institutions for insolvency and non-compliance of laws and regulations. This reduces the number of suppliers of microfinance but at the same time cleaning the microfinance sector of inefficient and fraudulent suppliers. The implication is that clients will have more confidence in the microfinance sector.

According to Bank of Ghana, the microfinance sector in Ghana can be categorised into four main groups: formal, semi-formal, informal and public programmes.

3.5 Players **in the Microfinance Industry/Sector**

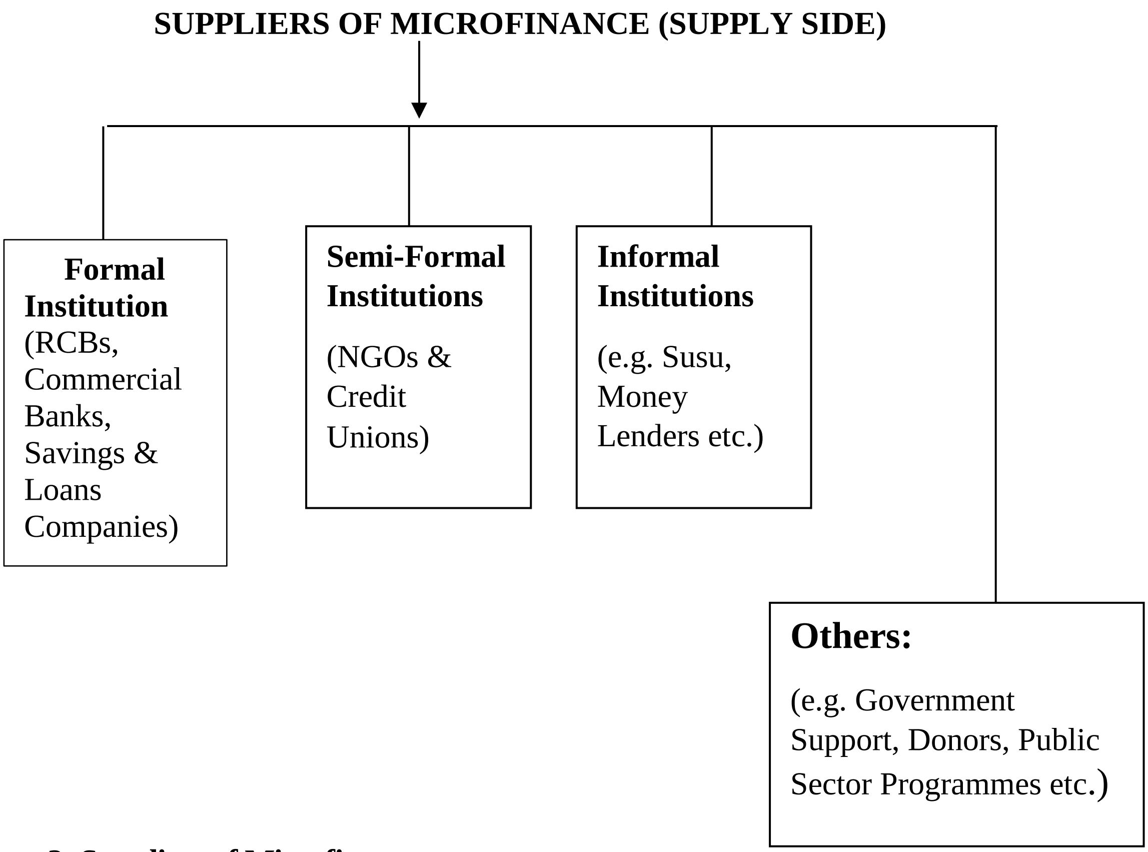

Figure 2: Suppliers of Microfinance

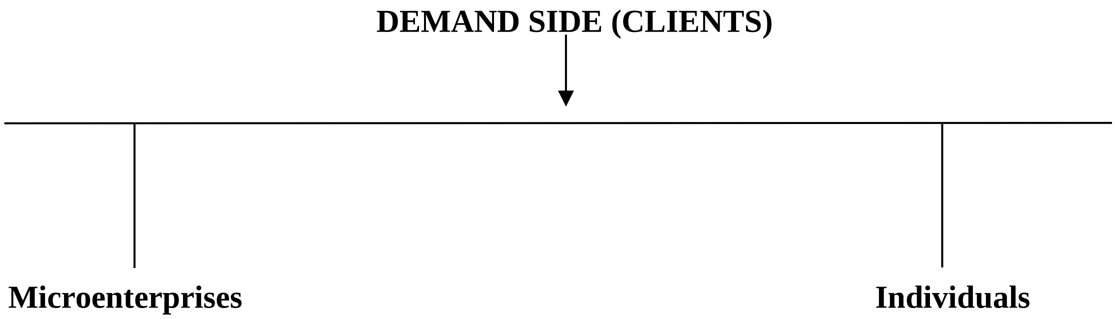

Figure 3: Clients of Microfinance (Demand side)

Other Stakeholders

- Central Bank of Ghana – Regulator and Supervisor of Financial system

Apex Bodies

- Association of Rural Banks(ARB)
- ARB Apex Bank
- Association of Financial NGOs(ASSFIN)
- Ghana Cooperative Credit Unions Association(CUA)
- Ghana Cooperative Susu Collectors Association

Supporting Institutions

- Microfinance and Small Loans Center(MASLOC)
- The Ghana Microfinance Institutions Network(GHAMFIN)
- Development Partners
- Universities, Training and Research institutions, etc.

3.5.1 Formal Institutions

The formal institutions are mainly institutions with a relatively large asset base authorised to operate as limited liability financial companies under the Companies' Code 1963, the Banking Law (1989) and the Financial Institutions Law (1993). Formal microfinance institutions in Ghana include: Commercial Banks, Savings and Loans Companies (S & Ls), and Rural and Community Banks (RCBs).

According to Amanor (2012), RCBs are formed with the sole objective of mobilising rural and community capital resources. Rural and Community banks are classified as unit banks owned solely by the community to perform such functions as to finance agricultural activities, finance micro and small enterprises, and individuals within the catchment area. A unit rural bank, according to IFAD (2000), serves within a range of 53 000 km^2; however recent development show that a greater percentage of the rural banks are operating outside their catchment areas and, more or less, performing the functions and duplicating the structure of commercial banks. The activities of RCBs are not only crucial to national development but also the growth of microfinance in the country as well. For example, as at the end of 2006, the total loans disbursed by all rural banks totalled GH₵115.10 million (Asiama & Osei, 2007). From 2004-2006, in absolute terms, RCBs increased the breadth of their outreach by 61% thereby serving a larger clientele than any other category of MFI (GHAMFIN, 2008).

Commercial banks are the next category classified under this broad type of MFIs. These are made up of the traditional banking institutions including development banks (Amanor, 2012). There are 24 commercial banks that are also called universal banks operating in the country (Ghana Banking Survey, 2013; Frimpong, 2010). These universal banks are mainly concentrated in the urban and peri-urban areas. A peri-urban area is classified as an interaction or transition zone, where rural and urban activities are juxtaposed or interact, and where human activities influence the rapid modifications of landscape features (Douglas, 2006). In Ghana, examples of urban areas include Cape Coast and Koforidua while peri-urban areas include Agona Swedru and Akim Oda. The commercial banks mainly target the rich and the urban middle income households as their clientele (Amanor, 2012). A research conducted by UNDCF (2008) revealed that only about 5% of households are reached and hence served by the commercial banking system, with most of the population excluded due to their inability to satisfy the high minimum deposit requirements. With 60% of the money supply outside the commercial banking system, the semi-formal, informal financial systems, the rural banks, and savings and loans companies, play a particularly significant role not only in Ghana's poverty reduction strategies but also private sector development.

Savings and Loans Companies (S&Ls) are also categorised as formal suppliers of microfinance services. They form a very vital component of the microfinance sector in Ghana even though they are restricted on the number of services they can provide. At the close of 2014 there were 24 S&Ls in Ghana, up from 14 in 2007 (Gyamfi, 2016). The money value of total assets of all savings and loans companies in Ghana by the end of 2008 exceeded $167m, which forms about 2% of the money value of the total assets of all commercial banks in the country at that time. In addition to the above, savings and loans companies mobilised total savings to the tune of $88m and disbursed a total of $96m as credit to clients. According to Adjei (2010) aside from the rural banks which perform well in the microfinance sector, the savings and loans companies are equally increasing their performances; as at the end of 2008, the 14 S&Ls and 128 RCBs together had an outstanding loan portfolio of GH₵345.8m and a total savings deposit of GH₵471.02m (representing about 70% of the total savings portfolio).

3.5.2 Semi Formal Institutions

These are companies that are registered to provide welfare services to their members and beneficiaries but are not licensed by Bank of Ghana. The implication is that, in case of bankruptcy or collapse of these institutions, customers may not have their deposits returned to them, because Bank of Ghana will not pay. The reason is that these institutions are not required by law to deposit a percentage of their cash with Bank of Ghana, so they do not have any deposit with Bank of Ghana. This is not good for the customers. They include: Non-Governmental Organisations (NGOs) and Credit Unions. There are two categories of NGOs: those that supply financial services and those that supply non-financial services such as advocacy on issues of sanitation, rights of the vulnerable and environmental protection (Amanor, 2012). NGOs are mainly established with the aim of reducing poverty levels; and since they do not have the licence to mobilise savings deposits from clients, they depend mostly on donor support or external funds to perform these activities effectively (Steel & Andah, 2003). They are typically localised and are mostly found in the northern part of Ghana where the number of the formal banking intermediaries is marginal or in some areas non-existent. On the contrary however, a limited number of NGOs, especially the financial NGOs, are widespread. These financial NGOs mainly adopt the group solidarity methodologies centred on already existing Community-Based Organisations (CBOs) formed on the basis of friendship, family ties, gender, occupations or location to serve a social purpose at the community level (Chord, 2000). A significantly high percentage of women clients are involved in the activities of NGOs (95% in 2004; 88% in 2005; and 90% in 2006). It is asserted by GHAMFIN (2008) that the above is as a result of their social orientation and also the sources of their loanable funds, which tend to have a high social content and target women to achieve their social objectives. They concentrate on women and the poor and so do not provide greater opportunities for a wider cross-section of society.

Credit Unions, on the other hand, are workplace-based where the majority of employees (if not all) are members. They have the legal backing to take or accept deposits and grant loans but only to their members: they are therefore more exclusive. Non-members cannot be granted loans. Unlike most forms of microfinance institutions, the services of Credit Unions are not opened to the general public. They are registered by the Department of Cooperatives and are governed by the apex body, Ghana Cooperative Credit Unions Associations. There were 555 credit unions in Ghana and they employed 2,516 people as at the close of 2014 (Gyamfi, 2016).

3.5.3 Informal Sector

The informal sector under the microfinance industry mainly consists of the Susu system, the activities of money lenders, self-help groups, trade creditors and family loans (Fosu, 2008). The Susu system is made up of Susu companies, Susu collectors, Susu clubs, and Susu associations. Susu system is an informal financial institution where members are required to make small deposits daily for at least three months before one qualifies for a loan (a multiple of one's total deposit at the time of applying for the loan). They are regulated by an apex body called Ghana Co-operative Susu Collectors Association (GCSCA).

Indeed, irrespective of the type of MFI, the Susu system is the most widespread and perceptible methodology used across the landscape of microfinance institutions in Ghana. Also, in Ghana the susu system is one of the most corrupt and exploited systems of microfinance delivery. For example, a number of Susu companies and collectors have been reported to have absconded with people's deposits on countless occasions; more than GH₵150,000 of mobilised savings has been lost to embezzlement through the fraudulent practices of unregulated Susu collectors (GCSCA, 2017). The regulated Susu collectors are highly monitored, supervised and controlled by Ghana Co-operative Susu Collectors Association (GCSCA) so will find it difficult to abscond with clients' deposits even if they have the intention. GCSCA, which is one of the apex associations in the microfinance sector in Ghana regulates, supervises, monitors, develops and promotes the business of all Susu collectors in a manner that safeguards the interest of collectors, clients and other stakeholders. Even though this displays the need for stringent supervision and control, it also exposes the capacity of the Susu collection system as an effective mechanism for the mobilisation of resources at the informal sector level. At the close of 2016, GCSCA had a membership of 628, a clientele base of 323,516 (65% female, 35% male), and in 2016 alone contributed Ghc202million representing 0.12% of 2016 GDP of Ghana (GCSCA, 2017). It is convenient for the clients because the Susu collectors go to the clients wherever they may be to collect their deposits, send them the loan and also send them their total contribution less a day's contribution as commission at the end of every 31 days. Due to its contribution to the Ghanaian economy, the Government, through GCSCA, is putting in mechanisms to properly streamline their activities to safeguard the interest of clients, collectors, and all stakeholders.

Another category of MFIs, which also plays a significant role in the business of microfinance at the informal sector, are the money lenders. The basic difference between Susu and money lenders is that, whilst with Susu deposits are required before one qualifies for a loan, with money lenders no deposit is required. In actual fact, money lenders do not accept deposits. Literature has it that moneylenders in Ghana are largely traders and wealthy farmers (a large percentage being cash crop farmers) who have easy access to bank loans or own huge assets. Usually, they grant loans based on trust or sometimes through the witness of third parties usually friends, relatives or family heads. Credits, which normally have three months maturity with high interest, are made against secured collateral (Amanor, 2012).

3.6 Existing Interventions

Microfinance activities are found in the rural and urban areas of every region in Ghana. These microfinance activities are delivered through Government of Ghana (GOG) programmes, donor assisted programmes, microfinance institutions (such as rural banks, savings and loans companies, credit unions, NGOs, etc.), District Assembly initiatives, Community-based initiatives, Church-based programmes, etc.

The existing interventions can be classified under the following broad headings:

- Government support
- Donor interventions
- Public sector programmes
- Private financial institutions

3.6.1 Government Support

Government recognises that its commitment to poverty alleviation, particularly among the rural poor and women as well as vulnerable groups, can be met in part if access to credit for these groups is improved. Some initiatives by Government of Ghana to strengthen institutions in the sector are:

i. The government through the Microfinance and Small Loans Centre (MASLOC) disbursed an amount of Ghc 8,415, 855.50 to 4,592 beneficiaries (Office of Government Machinery, 2016). In 2018 alone Government through MASLOC will disburse loans to 41, 188 beneficiaries, procure 1530 tricycles, and 482 vehicles to micro-entrepreneurs (Ministry of Finance, 2018).

ii. The Ministry of Gender, Children, and Social Protection have enrolled 93,000 households onto the Livelihood Empowerment Against Poverty (LEAP) programme (Ashiagbor, 2018).

3.6.2 Donor Interventions

Donor support for Microfinance programmes have been primarily from the World Bank, European Union, UNDP, African Development Bank, CIDA, GTZ, IFAD, JICA, USAID, DANIDA etc.

The support has been in the areas of:

i. Providing grants to finance institutional development costs of MFIs with the objective of building capacity within these institutions to enable them to improve outreach to the rural and urban poor.
ii. Financing the purchase of fixed assets such as equipment, vehicles, and logistical support to enhance the mobility and institutional capacity for improving outreach, monitoring, supervision and general management of microfinance operations.
iii. Funding for Revolving Loan Funds (RLF) as a strategy for improving access to the rural and urban poor to loanable investment funds for investing in their micro /small scale and informal sector enterprises.

Both donor interventions and Government of Ghana support in the microfinance sector have positively impacted on poverty. This is because they make loans accessible to micro-enterprises at a relatively low interest rate, thereby expanding employment, increasing income and profit of micro-entrepreneurs leading to a reduction in poverty levels in many cases (Antwi, 2015).

However, some records also indicate that the intervention of donors and government in microfinance has negatively affected some MFIs. Indeed it has even led to the collapse of some of them. This is because the interest rate ceilings imposed by the donors and government undermine the ability of MFIs to cover their costs. It makes competition very keen and so the inefficient MFIs are competed out of business. In an attempt to compete strongly with the donors and governments, some MFIs offer high returns on clients' deposits, reduce their interest rates, open more branches leading to over-trading, and other strategies that eventually lead to collapse, slow growth, and negative growth of some MFIs (Antwi, 2015).

3.6.3 Public Sector Programmes

These are policy programmes run by the government and its development partner agencies aimed at reducing poverty and achieving the Millennium Development Goals (MDGs). Public sector programmes include, but are not limited to, Agricultural Services Investment Project (ASSIP), Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD), Financial Sector Strategic Plan (FINSSP), and the Financial Sector Improvement Project (Amoah, 2008; GHAMP, 2006). Politicisation of the programme, wrong public perception, misconduct of management and staff, and improper appraisal of projects are the main obstacles of public programmes (Amanor, 2012).

According to Steel and Andah (2003), of the many intervention schemes under the governance of the National Board for Small Scale Industries (NBSSI), only Enhancing Opportunities for Women in Development (ENOWID), which falls under PAMSCAD, was operationally successful and recorded a more than 70% recovery rate. Adjei (2010) and Quansah, Amankwah & Aikins (2012) reported that, as at mid-2009, the Government of Ghana's Micro and Small Loan Center (MASLOC) had only a 25% repayment rate.

Examples of public sector programmes include National Board for Small Scale Industries (NBSSI), Ghana Regional Appropriate Technology Industrial Services (GRATIS), and Enhancing Opportunities for Women in Development (ENOWID):

i. National Board for Small Scale Industries (NBSSI) is the apex governmental body for the promotion and development of the Micro and Small Enterprises (MSE) sector in Ghana. It was created by an Act of the Parliament of the Third Republic of Ghana (Act 434 of 1981) and became operational in 1985 because government views the sector as having the potential to contribute substantially to reducing poverty levels, the high unemployment, and contribute significantly to the growth of the economy of Ghana. Among the objectives of NBSSI is the linking up of micro and small enterprises to microfinance schemes (Amanor, 2016).

ii. Ghana Regional Appropriate Technology Industrial Services (GRATIS) project was established in 1987 by the Ministry of Industries, Science and Technology to promote small-scale industries in Ghana. To accomplish its goal, GRATIS was established and operates through a network of Intermediate Technology Transfer Units (ITTUs) now designated Regional Technology Transfer Centres (RTTCs). It currently operates in nine regions of Ghana to transfer appropriate technologies to small-scale industrialists through training, manufacturing, and the supply of machines, tools, plants and equipment. Among its objectives is the provision of credit facilities to support its clients (Asiedu, 2016).

iii. Enhancing Opportunities for Women in Development (ENOWID) Foundation was developed and implemented in 1991 as a UNDP project to provide technical and financial support to increase women's production, improve their management skills and the marketing of their products. Its main aim is to create opportunities for poverty reduction and empowerment through financial and technical support to rural women (World Bank, 1999).

The microfinance delivery component of the projects aims to increase the income of women through the facilitation of savings mobilisation and the provision of credit.

3.6.4 Private Financial Institutions

Private capital has been invested in microfinance activities through the services provided by MFIs, savings and loans companies, NGOs, and some commercial banks. Almost every month a new microfinance institution is established: of course some are licensed and hence have the legal right to operate whilst others are not. Bank of Ghana has mounted an operation to arrest and close down all the unauthorized microfinance institutions in the country.

In summary, the microfinance sector in Ghana is a thriving sector with lots of potential for growth and a lucrative market for investors and organisations who seek to diversify their assets into low risk, high yielding portfolios - the reason for the current commercialisation in the sector. Hence, practitioners should strive to minimise waste and be efficient producers for the sector to maintain its commercial viability and to continue to attract more investments for growth (Amanor, 2012).

3.7 Ghana's position on the effectiveness of microfinance

Notwithstanding the contributions of MFIs, the sector is bedevilled with a number of challenges including loan default, high cost of capital leading to high lending rates, lack of skilled personnel/management, among others (Boateng, et, al, 2015). Due to the challenges in the sector, some MFIs have gone bankrupt and hence collapsed, and some microenterprises have also collapsed due to high lending rate etc.

In other words, despite the above contributions of MFIs, there are a number of criticisms levelled against them and hence against the microfinance sector. While microfinance is viewed as a tool for improving access to finance and contributing to the growth of micro and small enterprises, others perceive it as just a means to exploit the deprived by charging high interest rates, thereby making the poor poorer, and the rich, richer(Sultan & Masih, 2016). This implies that in some cases, the activities of some microfinance institutions have caused unemployment, collapsed some microenterprises and hence made some individuals and microenterprises worse off (Sultan & Masih, 2016).

In Ghana, (as in some developing countries like Kenya) the activities of Microfinance institutions have been criticised as discriminatory. The sector discriminates against the poor and in favour of the rich, and in some cases if not in most cases, it has made the poor, poorer (Nyarondia, 2014). This is buttressed by Copestake (2002) who asserted that microfinance discriminates in favour of the richer clients who have benefited from better access to credit, and the exclusion of poorer people in society. If one of the aims of microfinance is to assist the "poorest of the poor" then microfinance is not always the most appropriate intervention in poverty reduction. This is also in line with Sultan & Maish (2016) who state that microfinance is not a cure for poverty alleviation because in some cases the poorest people have been made worse- off by microfinance.

Another criticism against microfinance and hence the microfinance sector in Ghana is that due to lack of monitoring, and poor quality staff some clients of microfinance use and are using micro-credit for consumption and not for business; it is also a means to settle the existing debt, leading to loan default which eventually entails debt accumulation(Odoom, et al.2019). This leads to collapse of not only the micro and small enterprises but also the MFIs themselves. In

Ghana as asserted by Navajas et al (2000), microfinance siphons funds from other projects that might help the poor more like health and education. Critics argue that Microfinance sector in Ghana has not increased incomes of clients, but has driven poor households into debt trap in some cases even leading to suicide. They add that the money from loans is often used for durable consumer goods instead of being used for productive investments, and so it fails to empower the poor, and that it has neither improved health nor education. In Ghana microfinance has achieved much less than what its proponents said it would achieve. Hulmes & Mosley(1996) argued that the poor households do not benefit from microfinance, it is only the middle class borrowers with incomes above poverty lines who can do well with microfinance and enjoy sizable positive impacts.

According to Mahajan (2005) microcredit is a necessary but not a sufficient condition for micro-enterprise promotion. Other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages for inputs and outputs, common infrastructure and sometimes regulatory approvals. In the absence of these, micro-credit by itself, works only for a limited familiar set of activities – small farming, livestock rearing and petty trading, and even those where market linkages are in place. For large numbers of micro enterprises to be successful, they also need access to decent roads and affordable means of moving their products to markets. They need marketing support to reach customers. This is important for people to note that microfinance alone without other factors in support may not necessarily lead to poverty reduction, instead it will increase poverty rate. As a matter of fact, most promoters of microfinance do not fully disagree that microfinance alone cannot do. Daley-Harris, (2007) reports that microfinance is not the solution to global poverty, but neither is health, education, or economic growth, there is no one single solution to global poverty. The solution must include a broad array of empowering interventions and microfinance when targeted to the very poor and effectively run becomes one of the powerful tools in reducing poverty. Yunus(2003) emphasised that micro-credit or microfinance is not a miracle cure that can eliminate poverty in one fell swoop, but it can reduce poverty for many and end its severity on others, if micro-credit is combined with other innovative programmes that unleash people's potential; micro-finance is an essential tool in our search for a poverty-free world. There is broad agreement about the need for complementary factors for microfinance to have some positive impact on poverty reduction. The supply of microcredit does not necessarily ensure the availability of complementary factors in adequate quantities and quality. Some microfinance institutions and non-governmental organisations (NGOs) seem to have understood the need for such factors and, therefore, also offer training to build management and entrepreneurial skills. There are also NGOs which provide basic education in rural areas using innovative methods. These are all potentially positive developments for poverty reduction efforts. The underlying reasons are perpetual cycle of debt, inability to reach the poorest of the poor, the infrastructural problem, overlapping, disbursing credit or use of credit to unproductive sector, extreme attention to loan recovery, ignorance of human capital, higher rate of interest and limited access of poor to the economic stream among the important factors.

The current government or administration of Ghana has recognised the benefits MFIs can bring to the economy in terms of employment generation, positive contribution to business growth, poverty reduction and hence economic growth of the country and so has taken positive steps to support and address the challenges in the Microfinance sector. In other words, the government of Ghana has recognised and concluded that when the challenges in the microfinance sector are addressed, microfinance will be able to generate employment, grow businesses, reduce poverty and enhance achieve economic growth and development of the country (Amoah 2019).

In the past, MFIs in Ghana have been inefficient and ineffective in collecting their debts from clients, and so were not able to honour their repayment obligations deterring many government institutions from supporting them. Additionally, in an attempt to reduce overheads, many MFIs have employed unqualified managers and failed to train them adequately. The resultant effect has been poor appraisal of loan request, financing high risk applicants, poor risk management leading to low loan recovery, bad debts and defaults.

To put things right, during the time frame of this PhD the government of Ghana, undertook a wide-reaching regulatory overhaul leading to the revoking of licences of 347 MFIs by Bank of Ghana due to their failure to meet certification and other requirements. This move has allowed the government to focus its effort on MFIs that are operating according to Bank of Ghana's regulatory requirements, as well as focusing on its own microfinance body, the Microfinance and Small Loans Centre (MASLOC) to help the microfinance sector. However, the withdrawal of licences of 347 MFIs has attracted criticisms from a section of the Ghanaian populace as causing unemployment because more than 4000 workers lost their jobs, leading to worsening of the poverty situation in the country (Ghamfin, 2019).

In summary, Ghana's position is that microfinance can be an effective tool in creating employment, and eventually reducing poverty if the microfinance sector is given the necessary support. The sector's challenges include but not limited to loan default, high interest rate, high operational cost, lack of skilled personnel, lack of training, lack of adequate infrastructure (good roads, telecommunication services, and electricity), lack of defined area of operation, Capacity enhancement and funding, lack of information on MFIs, issues of regulation and supervision, etc.(Boateng, et al, 2015).

Therefore, the government of Ghana has taken positive steps to support and address the sector's challenges in order to achieve its objectives of creating employment, enhancing business growth, growing the Ghanaian economy and consequently reducing poverty in Ghana.

3.8 Challenges facing Microfinance Sector in Ghana

Generally, since the beginning of government involvement in microfinance in the 1950s, the microfinance sub-sector has operated without specific policy guidelines and goals (Bank of Ghana, 2007). This partially accounts for the slow growth of the sub-sector, and the apparent lack of direction, fragmentation and lack of coordination. There has not been a consistent approach to dealing with the constraints facing the sub-sector. Such constraints include - inappropriate institutional arrangements, poor regulatory framework, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital, Loan default by clients, bad infrastructure, High operational cost, ineffective and lack of well-trained staff, fraud etc.

For example, better coordination and collaboration among key stakeholders including development partners, government and other agencies, could help to better integrate microfinance with the development of the overall financial sector. Traditional commercial banking approaches to microfinance delivery often do not work. According to traditional commercial banking principles, the credit methodology requires documentary evidence, long-standing bank-customer relationship and collateral, which most micro and small businesses do not possess. The commercial banking system, which has about twenty-three (23) major banks, reaches only about 5% of households and captures 40% of money supply. Therefore there is room for expanding the microfinance sector in Ghana.

The Susu programme by the Barclays Bank of Ghana (BBG) Ltd is one of the ways to reach those who are excluded from the traditional commercial banking system. BBG launched a micro-banking scheme in December 2005 which establishes a formal link between modern finance and susu (one of Africa's most ancient forms of banking) collection in an unconventional mobile initiative across the country. The scheme aims to extend microfinance to some of the least affluent in Ghana, like the small trader at the market or the micro-entrepreneur selling from road-side stalls. Though their individual income is apparently too small for 'high street' banking, collectively it estimated at about a $150 million economy thriving below the traditional banking radar. Ghana's 4,000-strong Susu Collectors offer basic banking to the needy. For a small fee they personally gather the income of their clients and return it at the end of each month, providing greater security for their client's money. In addition, with finance from Barclays the Susu Collectors are able to provide their clients with loans, helping them to establish or develop their business. This approach by Barclays bank Ghana Limited has drastically reduced the amount of money which was outside the banking system, and hence has increased the number of microfinance clients (improved outreach).

It is gratifying to note that the Government of Ghana has adopted microfinance as one of the important strategies for poverty reduction and wealth creation. Recognising the role various institutions and individuals can play to ensure the achievement of this national vision of achieving the Millennium Development Goals (MDGs) and also sustaining the middle income status, there is the need to quicken the pace of reforms in the microfinance sector in order to unleash its full potential for accelerated growth and poverty reduction.

Finally, while Ghana has a reasonably diversified and supervised regulatory framework for formal financial institutions licensed by Bank of Ghana, there is concern that appropriate regulation needs to be extended to other institutions operating in the microfinance sub-sector (for example the legal framework for credit unions) in order to improve the outreach, sustainability and efficiency of savings, facilitate credit delivery, and institutional arrangements. If this is achieved, microfinance institutions will be efficient, sustainable, offer more loans to their clients and hence help reduce poverty in Ghana.

The specific challenges facing the industry are categorised into internal challenges and external challenges.

3.8.1 Internal Challenges.

One major challenge is loan default of clients. This challenge adversely affect MFIs profitability and sustainability and also blocks other clients' chances of receiving loans from them (Boateng, et, al.,2015). MFIs also face the challenge of high operational cost in the form of staff salary, electricity bills, rent, and travel and transportation cost, among others to reach clients in remote places to collect repayment, and take deposits. . Other operational costs revealed by the study conducted by Boateng et, al., (2015) include mobile service, and door to door service which is the most used medium for advertising MFIs products. This small units of services pose the challenges of high operating cost, several loan applications to be processed, numerous accounts to be managed and monitored, and repayment collections to be made from several locations in near and remote places especially in rural communities.

Another challenge faced by MFIs is that some staff of MFIs abscond with clients' deposits, under record deposits and repayments of clients, whilst some steal from the MFIs. Further, a staff with a questionable character can be employed by another MFIs unknowingly and this perpetuates the fraudulent activities leading to loss of confidence in the MFI sector by clients and potential clients.

Another challenge faced by MFIs is lack of skilled personnel in most cases (Asiamah and Osei, 2007). Most MFIs are not able to attract high level staff with requisite skills to execute the needed functions. This leads to poor performance of the sector. This is due to poor or low salaries and compensations given to staff by MFIs leading to high turnover in the microfinance sector. In addition to this, there is no or limited human and institutional capacity building in the sector (Gyamfi, 2012; Boateng, et, al., 2015). The sector, do not recruit appropriate and quality staff and at the same time do not train them at all or inadequately train them (Boateng, et, al., 2015). The MFIs also face the challenge of inadequate and irregular supervision and monitoring of both staff and clients' activities, lack of frequent visits to clients' shops and business centres, poor record keeping and many more leading to fraud, theft and loan default in the industry. The main objective of microfinance is to provide resources for the poor and as a result reduce poverty levels. However, the MFIs do not have adequate, reliable and acceptable methods for classifying clients into various poverty levels to identify their needed forms of support that may be more appropriate for different groups of people.

3.8.2 External challenges

Microfinance plays important roles in the economy of Ghana in terms of creation of employment, enhancing business growth, and eventually reduce poverty. However, according to Asiamah and Osei, (2007) cited by Boateng, et al.,(2015), the sector lacks basic infrastructure in the form of good roads, telecommunication services, electricity especially in rural areas and this makes it difficult to reach majority of the rural folks who need their services most. This problem leads to high operational cost and hence makes the microfinance institutions highly uncompetitive in the financial sector.

Another challenge is the lack of defined areas of operation. This is because the roles, responsibilities, and operations of various stakeholders which is supposed to be complementary currently overlap in some cases according to Bank of Ghana (2004). The overlap is also due partly to the fact that organisational and institutional hierarchy and reporting relationships among all the stakeholders are not clearly defined. The role of Bank of Ghana(Central Bank), Association of Microfinance institutions, Ghana Microfinance Institutions Network(GHAMFIN), etc are not clearly defined hence the overlap. There is the need therefore to clearly define relationships and roles to enhance effective implementation and delivery of services.

Capacity enhancement and funding is also one of the challenges facing the microfinance industry (Boateng et, al., 2015). Despite the fact that training programmes are often organised by stakeholders, the sector still lacks the requisite skills and staff with the right competencies needed to make the sector competitive in the financial industry. For instance, the capacity of some key stakeholders and institutions including Microfinance and Small Loans Centre (MASLOC), GHAMFIN, MFIs, relevant Ministries, and technical service providers etc. needs to be enhanced for microfinance operations. Also, the current microfinance Apex bodies do not have enough in-house trainers and/or facilitators as well as in-house monitoring and evaluation units to continually measure progress of their activities consistently over time. Further, funding for the microfinance sub-sector has been another challenge for the sector. The sector can conveniently boast of only three sources of finance – the microfinance institutions themselves, government, and development partners. The challenge is that available funding for the MFIs has not been sufficient, and secondly, the different sources come with their associated conditions, and thus distort the market in some cases (Bank of Ghana, 2007). There is the need therefore for a central microfinance fund to which MFIs can apply for on-lending and/or capacity building support.

Lack of information on microfinance institutions, their operations and clients in the country is another challenge faced by the sector (Steel and Andah, 2004). There is no uniform methods, procedures and data and information gathering at the national level, making it difficult to centrally monitor progress of the sub-sector. Secondly, a well –defined reporting system by both the government and development partners with regards to their interventions is lacking leading to insufficient database for planning and decision making. At the institutional level, data/information gathering and dissemination are weak within and between institutions. Thus, lack of reliable and sufficient data and information on outreach in terms of its depth and breadth remains one of the most challenging issues in the sub-sector. This lack of information has adversely affected targeting of clients and ultimate poverty reduction.

Furthermore, regulation and supervision is and has been one of the serious challenges in the microfinance sector. The Central Bank of Ghana is the overall regulator of the financial system of Ghana and hence microfinance institutions. The players in the industry advocate that to ensure consistency and efficient approaches to regulation across different types of microfinance institutions, there should be dialogue on the formulation, implementation and review of regulatory and supervisory policies and procedures. This is necessary to ensure that depositors funds are protected, customers/clients are fed with the right, adequate and timely information, to facilitate the evolution of a variety of institutions providing microfinance products and services, and coordinate expansion and regulation of different segments of the market. Recently (July-August, 2019) Bank of Ghana has revoked the licences of 347 microfinance institutions due to lack of compliance of regulation. This was done to protect customers' deposits according to Bank of Ghana (Bank of Ghana, 2019). Finally, the other apex bodies, like CUA, GCSCA, ASSFIN etc do not have well defined guidelines for operations leading to uncoordinated activities which invariably hinders the performance and outreach of their member institutions. To worsen the situation, there is no formal body charged with the responsibility of coordinating all activities associated with microfinance, neither is there a forum for stakeholders to dialogue on policy and programme issues concerning microfinance. The result of these is that there is fragmentation, duplication and inadequate collaboration between and among stakeholders including clients who are the end users. The current institutional structure of the microfinance sector should be redesigned to include all the relevant stakeholders.

When the above challenges are addressed the microfinance sector in Ghana will be viable, efficient, and sustainable and have the ability and capability to offer loans to individuals and microenterprises at affordable interest rates and hence help reduce poverty in Ghana. To achieve the objectives of the study and hence address the research question of this study, the next chapter (Methodology) has the right approach/methodology to help achieve the objectives and as a result address the research question.

CHAPTER FOUR

METHODOLOGY

4.1 Introduction

This chapter presents and justifies the methodology used in the study. It discusses research philosophies, research methodology and research methods, qualitative and quantitative research, mixed method and triangulation, grounded theory, deductive and inductive approaches. The chapter also discusses and justifies the research design, population, sample and sampling procedure, data collection instruments, data collection procedure, validity and reliability of data, data analysis procedure, ethical considerations and limitations of the mixed method approach. .

4.2 Research Philosophies

Saunders, Lewis & Thornhill (2009, p.5) define research as something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge. According to them, there are two important phrases in this definition, namely: “systematic way”, which suggests that research is based on logical relationships and not just belief (Ghauri & Gronhaug, 2005 cited in Saunders et al., 2009, p. 5) and “to find out things”, which suggests a multiplicity of possible purposes that include describing, explaining, assessing, evaluating, criticising and analysing (Ghauri & Gronhaug, 2005, cited in Saunders et al., 2009, p. 5). Research is a diligent enquiry and careful investigation for new knowledge through a systematic, scientific and analytical approach in any branch of knowledge (Kumar, 2002).

Research philosophy, according to Saunders et al. (2009), is an over-arching term relating to the development of knowledge and the nature of that knowledge in relation to the research. It is a belief about the way in which data about a phenomenon should be gathered, analysed and used. As indicated by Remenyi, Williams, Money & Swartz (1998), there are a number of key questions that need significant consideration by researchers such as ”How to research?” and “What to research?” The issue at the centre of the researcher’s answers is their perspective on “Why research?” There are a lot of practical reasons why a researcher has chosen to engage in research and, in a number of cases, they may have already decided upon their methodology - either qualitative (such as case studies or focus groups), quantitative (such as a mail or telephone survey), or a combination of both.

In a similar way, a number of reasons such as a researcher’s own academic interests may have accounted for the choice of what to research on. However, as the philosophical literature is critically reviewed by a researcher, it is asserted and appreciated by Holden and Lynch (2012) that the choice of a research methodology (that is, the how of research) entails something much deeper than practicalities: it necessitates a philosophical solution to “Why research?” For instance, as asserted by Holden and Lynch (2012), an extreme post-modernist’s response would be that “truth“ does not exist, hence research is redundant as the meaning of anything is not exactly determined. In developing a philosophical stance the researcher needs to make a number of key assumptions about the nature of society and the nature of science (Burrell & Morgan, 1979). Crotty (1998) posits that, in any research process, the following questions must be addressed:

- What methods should be used?
- What methodology governs the choice and use of methods?
- What theoretical perspective lies behind the methodology in question?
- What epistemology informs this theoretical perspective?

In this study Ontology and Epistemology philosophies are discussed.

4.3 Epistemology

Epistemology concerns what constitutes an acceptable level of knowledge in a field of study (Saunders *et al*., 2009). Kuada (2015) also holds the view that epistemology describes the nature of knowledge and the means of knowing. That is, how we know what we know or what we conceive as the 'truth'. It examines the different methods of knowing or figuring out the truth. Epistemology also examines the correlation between the nature of reality or other persons and that reality. It makes an attempt to understand what it means to know. It provides a philosophical background for deciding what kinds of knowledge are adequate and legitimate.

According to Easterby-Smith, Thorpe & Lowe (2002), having an epistemological perspective is important for several reasons. To begin with, it can help to clarify issues of research design. This means more than just the design of the research; it means the over-arching structure including the kind of evidence that is being gathered, from where, and how it is going to be interpreted. In the second place, a knowledge of research philosophy will help the researcher to recognise which designs will work for a given set of objectives, and which will not. Some writers, for example Kuada (2015), believe that it is possible for them as external observers to know the truth about a specific world. However, others maintain that the social world can only be understood by occupying the frame of reference of the individual actor whom the researcher seeks to study. That is, the social world must be studied "inter-subjectively" (Kuada, 2015, p. 43).

In relation to this study, the notion of epistemology, helps to investigate the relationship between microfinance and poverty reduction, microfinance and employment generation, microfinance and business growth. What is the acceptable relationship between microfinance and poverty reduction in Ghana? What is the truth about the relationship between microfinance and employment generation, and between microfinance and business growth in Ghana? To know the truth about the impact of microfinance on poverty reduction, microfinance and employment generation, and microfinance and business growth in Ghana different methods such as questionnaire and interview guide were used to collect data from microfinance beneficiaries, and microfinance institutions respectively.

The two aspects of Epistemology discussed in this study are Postivism and Interpretism.

4.3.1 Positivism

"If your research reflects the philosophy of Positivism then you will probably adopt the philosophical stance of the natural scientist. You will prefer working with an observable social reality and that the end product of such research can be law-like generalisations similar to those produced by the physical or natural scientists" (Remenyi *et al*., 1998, p. 38). Those who hold this view believe that only phenomena that you can observe will lead to the production of credible data. To generate a research strategy to collect these data you are likely to use existing theory to develop hypotheses. These hypotheses will be tested and confirmed, in whole or part, or refuted (rejected), leading to the further development of theory, which must be tested by further research.

The above implies that positivists are concerned with facts rather than impressions. Such facts are consistent with the notion of 'observable social reality' similar to that employed by the physical and natural scientists. Another important component of the positivist approach to research is that the research is undertaken as far as possible, in a value-free way. The assumption is that the researcher is independent of and neither affects nor is affected by the subject of the research (Remenyi *et al*., 1998, p. 33). For example, the fact that a microfinance institution has 5 cars and 30 computers cannot be changed by the researcher.

It may be argued, according to Saunders *et al*. (2009, p. 114), “that if a researcher is collecting data on the feelings and attitude of respondents, he is part of the data collection process”. It would be normal for at least part of the process of data collection on feelings and attitudes of microfinance beneficiaries towards the microfinance institutions to include the personal involvement of the researcher with those microfinance beneficiaries. For instance, in the case of a personal interview, the researcher frames the questions to ask and interprets the respondents’ examples (Saunders *et al.*, 2009). They asserted that it is normally impossible for the researcher to ask each respondent the same questions in exactly the same way and interpret every response with computer-like consistency.

It is argued, of course, that complete freedom from the inclusion of our own values as researchers is impossible. Even the researcher seeking to adopt a decided positivist stance exercising choice in the issue to study, the research objectives to pursue and the data to collect. Indeed, it could be argued further that the decision to adopt a seemingly value-free perspective suggests the existence of a certain value position (Saunders *et al*., 2009).

It is frequently advocated that the positivist researcher is likely to use a highly structured methodology in order to facilitate replication (Gill & Johnson, 2002). Furthermore, the emphasis will be on quantifiable observations that lend themselves to statistical analysis.

It is perfectly possible to adopt some of the characteristics of positivism in most research; for example, hypotheses testing using data originally collected in in-depth interviews.

This study on the impact of microfinance on poverty reduction, employment generation, and on business growth, partly employed the positivist stance because three hypotheses were formulated and tested. These hypotheses are:

1. There is a positive relationship between microfinance and business growth in Ghana.
2. There is a positive relationship between microfinance and employment generation in Ghana.
3. There is a positive relationship between microfinance and poverty reduction in Ghana.

Data were collected from microfinance clients or beneficiaries through questionnaire, and with the help of binary logistic regression and OLS regression, the above hypotheses were tested, and conclusion drawn. Two of the hypotheses were confirmed whilst one was rejected. This implies that this current study partly used the positivism approach.

4.3.2 Interpretivism

According to Saunders *et al*. (2009), one may be critical of the positivist tradition and argue that the social world of business and management is far too complex to lend itself to theorising by definite "laws" in the same way as the physical sciences. Those researchers critical of positivism argue that rich insights into this complex world are lost if such complexity is reduced entirely to a series of law-like generalisations. Any researcher who sympathises with such a philosophical view is likely to be nearer to that of the interpretivist.

Interpretivism advocates that it is necessary for the researcher to understand differences between humans in our role as social actors. This emphasises the difference between conducting research among microfinance beneficiaries and /or MFIs rather than objects such as trucks and computers. As humans we interpret our everyday social roles in accordance with the meaning we give to these roles. In addition, we interpret the social roles of others such as microfinance beneficiaries in accordance with our set of meanings (Easterby-Smith, et, al., 2002).

The heritage of this strand of interpretivism comes from two intellectual traditions: phenomenology and symbolic interactionism. Phenomenology refers to the way in which we as humans make sense of the world around us. In symbolic interactionism we are in a continual process of interpreting the social world around us in that we interpret the actions of others with whom we interact and this interpretation leads to an adjustment of our own meanings and actions (Saunders *et al*., 2009). For instance, the way in which the researcher makes sense of the microfinance industry is referred to as phenomenology. Since the micro and macro environment changes, it might lead to changes in the actions of MFIs and /or the beneficiaries and so in interpreting their actions, the researcher took this into consideration.

Crucial to the interpretivist philosophy is that the researcher has to adopt an empathetic stance. The challenge here is to enter the social world of our research subjects and understand their world from their point of view. It is argued that an interpretivist perspective is highly appropriate in the case of researches in business and management (Saunders *et al.,* 2009).

In conducting this study on the impact of microfinance on poverty reduction, employment generation, and on business growth the researcher also used structured interviews to collect data from the microfinance institutions. This is because as a social actor, the researcher needed to understand the microfinance managers, officers, and Chief executive officers and make sense of their behaviour, interpret their actions and where necessary make adjustments in his meaning and actions. This was done in addition to the hypotheses testing in order to draw meaningful conclusion. For this reason, the study also employed the interpretivism in arriving at conclusions

4.3.3 Researcher's Philosophical Stance

The researcher adopted the interpretivist view of epistemology. This is because, as Saunders *et al*. (2009) put it, "the social world of Business and Management is far too complex to lend itself to theorising by definite "laws" in the way as the physical sciences". The study's aim was to develop a framework to understand microfinance as a tool for poverty reduction; and since it involves the actions and behaviour of human beings (microfinance beneficiaries, and microfinance practitioners) but not mere objects, the interpretivist stance of epistemology was most appropriate. As humans our everyday social roles are interpreted in accordance with the meaning we give to these roles. In addition, as Easterby-Smith et, al., (2002) asserted, human beings interpret the social roles of others in accordance with our set of meanings; and so since the subjects of the study were microfinance clients (who are humans) the interpretivism philosophy was deemed most appropriate.

4.4 Ontology

Ontology is concerned with the nature of reality (Saunders *et al*., 2009), i.e.: what is the truth about what the researcher wants to investigate or seeks to know? According to Kuada (2015), some scholars view the social world as real and external to an individual human being and therefore imposes itself on his consciousness. Others also hold the view that every individual creates his own social world. To them the social world is subjectively constructed and therefore a product of human cognition. In relation to this study on the relationship between microfinance and poverty reduction, microfinance and employment generation, and microfinance and business growth; the question that arises is what is the truth about the relationship between microfinance and poverty reduction in Ghana? What is the truth about relationship between microfinance and employment generation and what is truth regarding the relationship between microfinance and business growth in Ghana? Or how do people view those relationship?

The above implies that there are two main aspects of ontology, namely objectivism and subjectivism.

Objectivism

Objectivism holds that social entities exist in reality external to social actors. In other words, those who hold this view believe that the social world is real and external to an individual human being and therefore imposes itself on his consciousness, as asserted by Kuada (2015).

Subjectivism

The subjectivist view is that social phenomena are created from the perceptions and consequent actions of social actors (Saunders *et al.,* 2009). In other words, the scholars who hold this view believe that every individual creates his own social world, and so the social world is subjectively constructed and therefore a product of human cognition (Kuada, 2015). Kuada (2015) is of the view that the process is continuous in the sense that, through the process of social interaction, these social phenomena are in a constant state of revision.

Remenyi *et al.* (1998, p. 35) stress the necessity to study 'the details of the situation to understand the reality or perhaps a reality working behind them'. This is often associated with the term constructionism or social constructionism. Following from the interpretivist philosophy it must be noted that, in order for the researcher to be able to understand these actions, it is extremely important or necessary to explore the subjective meanings motivating the actions of social actors. Social constructivism holds the view that reality is socially constructed. Social actors such as microfinance beneficiaries the researcher studied may give various and different meanings and interpretations to the situations in which they find themselves. So individuals, like microfinance beneficiaries, microfinance practitioners, and researchers will perceive varying situations in different ways as a result of their own view of the world. These varying interpretations are likely to influence their actions and the nature of their social interactions with others. As a researcher I see myself to be more objective, but studying more subjective people (microfinance beneficiaries and practitioners). In this sense, the individuals (say microfinance beneficiaries) who are the subjects of this study not only relate with their environment, but also seek to make sense of it through their interpretation of events and the meanings that they draw from these events (Saunders *et al*., 2009).

The individuals' own actions in turn may be seen by others as being meaningful in the context of these socially constructed meanings and interpretations. Therefore, it is the duty of the researcher to understand the subjective reality of the subjects of study (e.g. microfinance beneficiaries) in order to be able to make sense of and understand their motives, actions and intentions in a way that is meaningful.

This study on microfinance and poverty reduction, microfinance and employment generation, and microfinance and business growth used both questionnaire and interview guide to collect data. Questionnaire was used to collect data from the Clients, and interviews were conducted to collect data from MFIs. The interviews in particular and even the questionnaire enabled the researcher to understand the subjective reality of the microfinance officers and their clients, and this helped the researcher to make sense of and understood the motives, actions and intentions of MFIs and their clients in a meaningful way. To make a meaningful conclusion therefore, the researcher combined the results from the questionnaire (Clients) and that of the interviews (MFIs). By combining hypotheses testing and analysis of interviews to draw conclusions, it can be said that the study was not only subjective but also objective to some extent so the two aspects of ontology, i.e objectivism, and subjectivism were employed.

4.4.1 Researcher's Philosophical Stance

The researcher's philosophical stance in this research was more subjective than objective. This is because, he is studying more subjective people (microfinance beneficiaries, and practitioners) so the study explored the subjective meanings motivating the actions of the microfinance beneficiaries and the MFIs. In other words, in order to understand the actions of microfinance beneficiaries and practitioners, the researcher needed to adopt the subjectivist stance. In relation to this current study on a framework for understanding microfinance as a tool for poverty reduction in Ghana, the relationship between the researcher and the researched has been very cordial, especially with the officials of the microfinance companies. This is because the researcher, being a microfinance consultant, has been in contact with some of the microfinance companies and so knew some of the officials. However, the researcher was very analytical and very careful in interpreting their responses because some people may not like to say any bad thing about themselves or their companies. On the other hand, it was the first time the researcher had an encounter with the clients. Although some of the clients were objective in their responses, in interpreting their responses, the researcher was again very careful and analytical.

4.5 Research Methodology and Research Methods

Research methodology is defined by White (2002) as the selection of strategies and mechanisms for gathering and analysing data for the subject under investigation. He further emphasised that research methods are the particular techniques used to collect data and information while methodology is the philosophical basis on which the research is founded. According to Rajasekar, Philominathanet & Chinnathambi (2013), research methodology is not only a science of studying how research is to be carried out; it is also a systematic way to solve a problem. Research methodology is essentially the procedures by which researchers go about their work of explaining, predicting and describing phenomena. It is also defined as the study of methods by which knowledge is gained. The objective of research methodology is to give the work plan of research.

Research methods, on the other hand, are the various schemes or plans, algorithms and procedures employed when conducting research (Gogoi & Goowalla, 2015). They are of the view that all the methods researchers use to conduct a research study are referred to as research methods. They are essentially scientific, value-neutral, and planned and include theoretical processes, numerical schemes, statistical approaches, and experimental studies, among others (Gogoi & Goowalla, 2015).

According to Rajasekar *et al.* (2013), research methods enable researchers to collect samples, data and find a solution to a problem. Scientific research methods, in particular, require not only explanations based on collected facts, measurements and observations but also on reasoning (Rajasekar *et al.,* 2013). The explanations must be verified by experiments (Gogoi, & Goowalla, 2015; Rajasekar *et al.*, 2013).

Further, Kuada (2015) asserts that, whilst research methods is used to describe all those methods and techniques that a researcher uses during the course of studying the research problem, methodology is used to describe the reasons underlying the choice and use of specific methods in the research process; that is, how a researcher goes about gaining the knowledge he/she desires. However, Polit and Hungler (2004, p. 233), define methodology as "ways of obtaining, organising and analysing data". According to Burns and Grove (2003, p. 488), "methodology includes the design, setting, sample, methodological limitations, and the data collection and analysis techniques in a study". Henning, Van Rensburg & Smith (2004, p. 36) also defines "methodology as a coherent group of methods that complement one another and that have the ability to fit to deliver data and findings that will reflect the research question and suit the researcher purpose". According to Holloway (2005, p. 293), 'methodology means a framework of theories and principles on which methods and procedures are based'.

Saunders *et al*. (2009) view methodology as the theory of how research should be conducted or undertaken, including philosophical and theoretical assumptions upon which the research is based and the implications of these for the method or methods adopted. The techniques and procedures used to obtain data, including questionnaires, observation, interviews, and statistical and non-statistical techniques is the method. This study on developing a framework for understanding microfinance as a tool for poverty reduction in Ghana used a survey design involving a mix of qualitative and quantitative methods. This is because the weaknesses of one method is overcome by the strengths of the other. In addition to that using both the qualitative and quantitative methods ensures confirmation or otherwise of results. A questionnaire and interview guides were the data collection tools used.

4.6 Relation among Epistemology, Ontology, and Methodology

The relationship or the link among epistemology, ontology, and methodology is summarised by Taylor and Edgar (1999, p. 27) as: 'the belief about the nature of the world (ontology) adopted by an enquirer will affect their belief about the nature of knowledge in that world (epistemology) which in turn will influence the enquirer's belief as to how that knowledge can be uncovered (methodology)'. It is likewise asserted by Teddlie and Tashakkori (2009) that in the discussion of epistemology, in terms of the relationship between 'the knower and the known' (in other words, the researcher and what the researcher is researching), whereas in the qualitative approach, they are interactive and inseparable, in the quantitative approach, the researcher and what is being researched are viewed as independent of each other.

Further, whereas qualitative researchers view reality as constructed and hence multiple, Teddlie and Tashakkori (2009) reported that, in terms of ontology, quantitative researchers believe that reality is single and tangible. These differences in ontology and epistemology imply that different research methods have been used: qualitative researchers employing inductive approaches and quantitative researchers using deductive approaches.

4.7 Grounded theory

4.7.1 Introduction

The classic approach to grounded theory according to Greon, Simmons, & McNair (2017) primarily reflects the objectivist/positivist worldview of Glaser merged with the pragmatist worldview of Strauss. Grounded theory, developed by two sociologists, Barney Glaser, and Anselm Strauss in 1967, in their book *The Discovery of the Grounded Theory* from real life observations is one of the various methods employed by qualitative research (Rahman, 2017).

Grounded theory is a qualitative research methodology that was initially developed by Barney Glaser and Anselm Strauss in 1967 as a way to merge quantitative and qualitative research approaches in social research (Glaser & Strauss, 1967; Charmaz, 2014; Bryant & Charmaz, 2007 cited in Greon, Simmon & McNair, 2017). In particular, grounded theory provides researchers with a systematic and flexible constant comparative approach for theory-constructing inquiry Charmaz (2014); Bryant & Charmaz (2007) and is typically used when a theory is not available to understand or explain a process that occurs over time (Greon, Simmon & McNair, 2017).

Grounded theory is a method or approach to theory development grounded or rooted in the data rather than empirical testing of the theory. In other words, data are collected and analysed, and then a theory is developed which is grounded in the data (Glaser & Strauss, 1967). Glaser and Strauss defined grounded theory as theory that was derived from data, systematically gathered, and analysed through the research process (Strauss & Corbin, 1998).

Linking the above to this current study regarding relationship between microfinance and poverty reduction, microfinance and employment generation, and microfinance and business growth, data was collected from both microfinance clients, and MFIs. The data were analysed and conclusion drawn. After analysing the data, it was concluded that there is a positive relationship between microfinance and employment generation in Ghana; microfinance and business growth are positively correlated, however, microfinance is not a panacea for poverty reduction. Ghana. These conclusions according to Glaser & Strauss(1967) is grounded in the data because data are collected and analysed.

Qualitative research has a dual purpose. On one hand, it tries to reveal what reality may be, while on the other hand it determines how that reality has been arrived at (Rosenbaum, More, and Steane, 2016). This dual process provides opportunity for the application, as well as the adaption, of various methods. These according to Rosenbaum, et al.,(2016) enable interpretation of wide-ranging data and information, sourced from multiple perspectives, and assessed through multiple methods to be applied, enabling researchers to understand meaning in the context of life setting scenarios. A key outcome of such research is to understand the what, the why, and the how within research settings, and to apply this to the broader research agenda of both extant and emerging theory.

The idea of grounded theory was taken from symbolic interactionism which means that meaning is constructed through the use of signs, languages, and symbols. In other words, the philosophical underpinning of grounded theory is traced to the works of "symbolic interactionism", a social theory based on the work of George Herbert Mead (1863-1931) and his student Herbert Blumer(1900-1987). Symbolic interactionism holds that human behaviour is understood as social behaviour made up of ‘social acts’. Advocates of social interactionism believe that meaning is socially constructed, negotiated and changes over time through the reflexive interaction of individuals” (Graham & Thomas, 2008, p.116). This implies that reality is experienced individually, and meaning results from interaction with the objects of that experience. Grounded theory focuses on behavioural patterns that shape social processes as people interact together in groups. Researchers like Kuada (2015) and Atkinson (2001) believe that grounded theory may use both inductive and deductive approaches to theory development, however Glaser (1992) insists that it uses only inductive approach rather than deductive approach of inquiry.

In conducting this current study on the relationship between microfinance and poverty reduction both inductive and deductive approaches were used to draw conclusions or to develop a theory hence it is consistent with the view of Kuada (2015), and Atkinson(2001) who assert that grounded theory may use both deductive and inductive approaches. This is because in conducting this current study the researcher in addition to analysing interviews, also tested the following hypotheses: there is a positive relationship between microfinance and employment generation; there is a positive relationship between microfinance and business growth; and there is a positive relationship between microfinance and poverty reduction in Ghana. By employing both inductive (analysis of interviews) and deductive (hypotheses testing) approaches, the study concluded that there is a positive relationship between microfinance and employment generation; there is a positive relationship between microfinance and business growth, but microfinance is not a panacea for poverty reduction in Ghana.

According to Walcott (2009) grounded theory is an appropriate method to study human behaviour on a sensitive topic even in a different cultural context. It is totally based on data rather than trying to emerge theory from data (Khan, 2014). In the development of grounded theory, various data collection techniques particularly interviews and observation are used. The aim of grounded theory is to develop substantive theory which emerges from data through a set of highly developed procedures (Glaser, 1998). Walia (2015) stated that the main aim of grounded theory is to generate theory from field by using observation. According to Creswell (2009), in grounded theory the researcher attempts to derive a general, abstract theory of a process, action, or interaction grounded in the views of participants in the study.

Grounded theory is an approach in research based on available data collected in variety of ways. According to Kuada (2015), grounded theory sees data collection, data analysis and theory development as an iterative process that must be repeated until the researcher is satisfied with the description and explanation of the phenomenon being investigated. If done well, the resulting theory will fit the data set quite well and provide convincing insights into the phenomenon (Kuada, 2015). Grounded theory identifies a range of essential elements that, when combined, offer a consolidated framework within which wide-ranging data are gathered, assessed, and subsequently used in developing a theory, based on what has been observed. "These essential elements include the coding and categorisation of data, concurrent data collection and analysis, the writing of memos, theoretical sampling, constant comparative analysis using inductive and abductive logic, the application of theoretical sensitivity, the development of intermediate coding practices and routines, the selection of core categories from the data, and the application of theoretical saturation" (Rosenbaum, More, and Steane, 2016 p.1).

In conducting this current study, a number of elements were combined. These include categorisation of data (data was categorised in terms of age, nature of business, status of the person, number of years one has benefited from microfinance, etc), concurrent data collection and analysis(data from MFIs and their clients were concurrently collected and analysed), memos were written and inductive and deductive approaches were used to conclude that microfinance is not a panacea for poverty reduction; though microfinance leads to business growth and employment generation. This means that the study followed grounded theory approach.

4.7.2 Basic Principles of Grounded Theory

The basic principles of grounded theory include Categories, Coding, Constant comparative analysis, Negative case analysis, Theoretical sensitivity, Theoretical sampling, Theoretical saturation, and Memo –writing. Theoretical sensitivity, Theoretical sampling, and Theoretical saturation are discussed below.

Theoretical Sensitivity

Theoretical sensitivity is one of the numerous fundamental practices of grounded theory process which Glaser and Strauss, (1967) described as "the conceptual ability of the researcher to have theoretical insight into his area of research and make something of his insights" (p. 46). Strauss and Corbin 1998) defines it as a process where a researcher becomes aware of the quality and details (subtleties) of the data in order to understand and give meaning to the data. This conceptual awareness of the researcher is increased by a number of sources including disciplinary training and associated general ideas from outside of the researchers disciplinary domain (own experience) and being steeped in the literature (Weed, 2009; Schreiber, 2001; Nwanji, 2006). Indeed, it is necessary to "challenge our assumptions, delve beneath our experience, and look beyond the literature if we are to uncover phenomena and arrive at new theoretical formulations" (Strauss and Corbin, 1990, p. 76). It is expected that researchers approach the research situation with some background knowledge of the phenomena under investigation. This must be bracketed or set aside during the research process (Nwanji, 2006;

Goulding 2002; Ng and Haze, 2008, Weed, 2009). According to Glaser and Strauss (1967) in order to conceptualise and formulate a theory, grounded theory requires that the researcher avoids preconceptions and be open minded as this enable the researcher to be theoretically sensitive. Thus Strauss, (1987) argued that pre-conceptions are inevitable, otherwise how could a researcher decide what particular fields were of interest to him or her?

However, Glaser and Strauss (1967), point to the researcher's own subjective experience as a dimension of credibility achieving a sense of conviction about theorising. They argued that the result of this conviction is not only the researcher's presence in the setting and "systematic collection and analysis of the data, but also because the analysis has been emergent. Glaser and Strauss stress that "initial decisions are based on a preconceived theoretical framework" (Glaser and Strauss, 1967: p. 45).

The researcher approaches the problem or the situation with an open mind and allows the evidence to accumulate to dictate the emerging theoretical agenda. This will provide the necessary "theoretical sensitivity to conceptualise, formulate and discover substantive grounded core categories (Glaser and Strauss, 1967). This serves as the basic requirement to undergo transition from description to higher levels of abstraction in the substantive theory building process.

In short, Theoretical sensitivity is what moves the researcher from a descriptive level to an analytical level. In grounded theory, the researcher constantly interacts with the data. That is the researcher asks questions about the data, which are in turn modified by emerging answers. Each emerging category, idea, concept or linkage informs a new look at the data to elaborate or modify the original construct. The researcher interacts with the data by asking questions, making comparisons and looking for opposites. This may involve going back to source to collect further data. Data collection and coding are both part of the process of grounded theory analysis.

Theoretical Sampling

Theoretical sampling involves collecting further data in the light of categories that have emerged from earlier stages of data analysis. Theoretical sampling means checking emerging theory against reality by sampling incidents that may challenge or elaborate its developing claims. While the earlier stages of grounded theory require maximum openness and flexibility to identify a wide range of predominantly descriptive categories, theoretical sampling is concerned with the refinement and, ultimately saturation of existing, and increasing analytic, categories.

Theoretical Saturation

In the ideal situation, the process of data collection and data analysis in grounded theory continues until theoretical saturation has been achieved. In other words, the researcher continues to sample and code data until no new categories can be identified, and until new instances of variation for existing categories have ceased to emerge. At this point, a set of categories and subcategories captures the bulk of the available data. However, theoretical saturation functions as a goal rather than a reality. This is because even though one may (and ought to) strive for saturation of categories, modification of categories or changes in perspective are always possible.

4.7.3 Grounded theory Research Process

Unlike most other research methods, grounded theory merges the processes of data collection and analysis. The researcher moves back and forth between the two in an attempt to 'ground' the analysis in the data. The aim of this movement is theoretical saturation. As a result, grounded theory does not provide the researcher with a series of steps, which, if followed correctly, will take him or her from the formulation of the research question through data collection to analysis and, finally, to the production of a research report. Instead, grounded theory encourages the researcher to continuously review earlier stages of the research and, if necessary, to change direction. Even the research question is no permanent fixture in grounded theory. Simply serving to identify the phenomenon we wish to study at the outset, the research question becomes progressively focused throughout the research process. Alternatively, it can change altogether in the light of emerging categories.

Research question

Grounded theory researchers need an initial research question to focus their attention upon the particular phenomenon they wish to investigate (Strauss and Corbin 1990: 37–40). The initial research question should serve to identify, but not make assumptions about, the phenomenon of interest. This is difficult, if not impossible, to achieve. The initial research question in grounded theory should be open-ended and should not be compatible with simple 'yes/no' answers. It should identify the phenomenon of interest without making (too many) assumptions about it. It should never employ constructs derived from existing theories. It is also recommended that the question orientates the researcher towards action and process (e.g. 'How do people do y?') rather than states and conditions (e.g. 'What do people want?' or 'Why do people do y?') (Strauss and Corbin 1990: 38). As the research progresses, the researcher is able to focus the research question more narrowly. Theoretical sampling and theoretical sensitivity facilitate this process. By the time theoretical saturation has been achieved, the initial research question may have changed almost beyond recognition.

Data Collection

Grounded theory is compatible with a wide range of data collection techniques. Semi-structured interviewing, participant observation, focus groups, even diaries can generate data for grounded theory. In addition, existing texts and documents can also be subjected to grounded theory analysis. However, it is important to differentiate between the full implementation of the method, which requires the researcher to move back and forth between data collection and analysis, and an abbreviated version that involves the coding of data only.

In the full version, the researcher collects some data, explores the data through initial open coding, establishes tentative linkages between categories, and then returns to the field to collect further data. Data collection is progressively focused and informed by the emerging theory. In this version, the researcher is able to triangulate; that is, (s)he can draw on different data sources and use different methods of data collection. For example, in a study of eating habits, initial coding of a transcript of a group discussion among office workers may lead to the identification of the category 'context' with the subcategories 'work' and 'leisure'. This may lead the researcher to carry out a semi-structured interview with a professional cook to further explore the relevance of context to the experience of eating. The full version of grounded theory allows the researcher to push outwards, to seek out manifestations of categories, negative cases and opposites, until category development is dense, detailed and differentiated. This provides confidence to the researcher that theoretical saturation is being approached. The abbreviated version of grounded theory, by contrast, works with the original data only. Here, interview transcripts or other documents are analysed following the principles of grounded theory (i.e. the processes of coding and constant comparative analysis); however, theoretical sensitivity, theoretical saturation and negative case analysis can only be implemented within the texts that are being analysed. The researcher does not have the opportunity to leave the confines of the original data set to broaden and refine the analysis. Consequently, the abbreviated version of grounded theory in the view of Pidgeon and Henwood (2004) should never be the first choice; it should only be used where time or resource constraints do not allow the implementation of the full version of grounded theory.

Data Analysis

Coding constitutes the most basic as well as the most fundamental process in grounded theory. Coding can be carried out line-by-line, sentence-by-sentence, paragraph-by-paragraph, page-by-page, section-by-section, and so on. The smaller the unit of analysis (e.g. one line of text), the more numerous the descriptive categories that emerge initially. Later stages of analysis will integrate a lot of these into higher-level analytic categories. Line-by-line analysis ensures that our analysis is truly grounded and that higher-level categories and, later on, theoretical formulations, actually emerge from the data, rather than being imposed upon it. If a researcher codes larger chunks of text, such as a whole page, his attention may be captured by one particularly striking occurrence. As a result, less obvious but perhaps equally important instances of categories, whose true significance has yet to emerge, can be missed. If there is sufficient time available, line-by-line coding should always be carried out. This is particularly important when the abbreviated version of grounded theory is used; here, the depth of analysis generated by line-by-line coding is needed to compensate for the loss of breadth that accompanies the researcher's dependence on the original data set. There are differences in the ways in which grounded theory researchers approach the coding process. For most grounded theorists, initial open coding involves the generation of largely descriptive labels for occurrences or phenomena. Such labels give rise to low-level categories. To establish linkages between such categories and to integrate them into higher-order analytic categories, a researcher can use a coding paradigm. A coding paradigm sensitises the researcher to particular ways in which categories may be linked with one another. It helps a researcher to arrange categories in a meaningful and hierarchical way, with some categories constituting the 'core' and others the 'periphery'. It is here that grounded theory researchers disagree with one another. Some (e.g. Strauss 1987; Strauss and Corbin 1990) propose the use of a coding paradigm that explicitly focuses upon, and thus alerts the researcher to, manifestations of 'process' and 'change' in the data. This is done by asking certain questions of the data. These include questions about the context within which a category is embedded, the interactional strategies used by participants to manage the category, and the consequences of such interactional strategies. Strauss and Corbin (1990) refer to this process as 'axial coding'. Others (e.g. Glaser 1978, 1992) caution against the use of a coding paradigm that presupposes the relevance of particular constructs (such as 'process' or 'change') to the data. Instead, they argue that any kind of coding paradigm should only be used when it is indicated by the data. Glaser (1978) identifies a wide range of theoretical codes that could potentially come into play when low-level categories are integrated. However, according to this view, the data themselves are the best source of relevant theoretical codes.

According to Strauss, (1987), there are three types of coding in the data analysis; open coding, Axial coding, and Selective coding. Open coding is the first step in the data analysis.

It is a way of identifying important words, or group of words, in the data, and then labelling them accordingly. Axial coding is needed at the latter stages of open coding as major categories emerge from the data. In this step researchers can explain phenomenon of the study. In selective coding Strauss explained that researchers find out a core category, and relate it with the other major categories for generating a theory. Researchers are encouraged to draw on their own theoretical backgrounds to inform analysis. For example, a researcher collects data from Microfinance institutions (MFIs) who are unwilling to grant repeat loans to their defaulted clients, and develop a theory to explain how and why this phenomenon occurs, ultimately develops a theory of Loan default.

Report

Qualitative research can be written up in a variety of ways; qualitative researchers are much less constrained by convention than quantitative researchers when it comes to the presentation of their work. A qualitative research report should contain information about the rationale of the study (including references to relevant literature), about how it was carried out (including both data collection and analysis), what was found and what these findings may mean (including their implications for theory and practice). As long as the report contains this information, it does not matter precisely how, and in what format, it is presented. Leedy & Ormood, (2001) indicated that a grounded theory report incorporates the following five aspects: i. It describes the research question, ii. Literature review iii. describes the methodology iv. data analysis that explains the theory, and v. discussing the implications.

- Hancock, et al (2009) summarised the whole process by indicating the key features or characteristics of grounded theory as follows:
- Sampling is based on theoretically relevant constructs.
- It supports constant comparative method which is a useful formulation of how to do qualitative analysis, and can be used separately from the other elements of grounded theory.
- Data analysis should occur at the same time as data collection to allow researchers to refine the research question, and data collection procedures in the light of new findings.
- It needs theoretical sensitivity, that is, the ability to recognise what is important in the data so that a researcher can give meaning.

In conducting this current study regarding microfinance and poverty reduction, grounded theory process was followed. First, the study; a framework for understanding microfinance as a tool for poverty reduction in Ghana, has a research question; to what extent does microfinance reduce poverty of microfinance clients in Ghana? As in all researches, the research question enabled the researcher to focus his attention, or to investigate the impact of microfinance on poverty reduction.

Secondly, data collection was done through semi-structured interviews and questionnaire. Semi-structured interviews was used to collect data from microfinance officers, whilst questionnaire was used to collect data from the microfinance clients. Thirdly, thematic analysis, and regression analysis were used to analyse the data. Data from the interviews (MFIs) was analysed thematically, whilst regression analysis was used to analyse the data from the questionnaire (Clients). After carefully analysing the data, report was written which indicated that microfinance is not a panacea for poverty reduction in Ghana; however microfinance leads to business growth, and generate employment. Other findings include the challenge of high interest rates, inadequate loan sizes on the part of microfinance clients, whilst MFIs face the challenge of loan default.

From the above, it can be concluded that this study followed the grounded theory process.

4.7.4 Limitations of Grounded theory

As with all research methods, grounded theory methodology does have a number of limitations. One of the most widely raised criticism of grounded theory method concerns its epistemological roots. According to Stanley and Wise (1983) grounded theory has been criticised for not adequately and satisfactorily addressing the question of reflexivity; this is because it does not satisfactorily address the question of “What grounds grounded theory?, the grounded theory remains a form of inductivist positivism. Again, grounded theory extensively focuses on middle-range theories and not really producing theories which are more general (Bryman, 2001); third, it causes context and narrative flow loss due to the coding process (Coffey and Atkinson, 1996); It also over emphasis on analysis at the expense of the respondents' description of their experience which constraints clarity of understanding (Conrad, 1990; Riessman, 1990).

Notwithstanding the above shortcomings, grounded theory is heralded as the most influential methodology for phenomenological research and for making qualitative social science research method systematic and scientific (Denzin and Lincoln, 2005). This is because of its iterative and analytical process of data analysis and the subsequent development of a new theory grounded in data (Charmaz, 2006; Bryman, 2001) which cannot be divorced from the process by which it is developed". Grounded theory uses mainly inductive logic; however, Strauss and Corbin (1998) argue that since it uses conceptualisation or interpretation, it is also deductive. In grounded theory, the researcher is encouraged to develop some level of abstraction, objectivity and sensitive to words and statements throughout the research process (Patton, 1990). It is therefore worth considering grounded theory methodology for examining managerial phenomena, what Locke (2001, p.95) labels as "linking well with practice".

4.7.5 Constructivist Grounded Theory

Charmaz (2014) defines constructivist grounded theory as a contemporary version of grounded theory that adopts methodological strategies such as coding, memo-writing, and theoretical sampling of the original statement of the method but shifts its epistemological foundations and takes into account methodological development in qualitative inquiry. Charmaz's (2014) constructivist grounded theory draws on analytical frameworks of both

Glaserian and Straussian traditions, but honours the flexibility of researchers co-constructing theoretical explanations of phenomenon with participants.

The systematic, flexible and emergent nature of grounded theory fit with a number of paradigms of enquiry and "takes a middle ground between postmodernism and positivism (Mills et al., 2006; Charmaz, 2003, p. 250). Constructivism approach to grounded theory was proffered by Charmaz (2003, 2006) as an alternative to classic (Glaser 1978, 1992, 2003, 2005) and Straussian grounded theory (Strauss and Corbin 1990, 1994, 1998; Corbin and Strauss, 2008). Charmaz (2006) appeared to value the inductive creativity of the classic methodology, and also resonated with the current popularity of constructivism within social research. According to Charmaz (2008) constructionist grounded theorists attend to *what* and *how* questions. They emphasise abstract understanding of empirical phenomena and contend that this understanding must be located in the studied specific circumstances of the research process.

From the point of view of epistemology, constructivism asserts that reality is constructed by individuals in a form of multiple, intangible mental constructions as they assign meaning to the world around them (Appleton and King, 2002; Guba and Lincoln, 2005). These constructions are socially and experientially based in nature. Thus, meaning does not lie dormant within objects waiting to be discovered, but is rather created as individuals interact with and interpret these objects (Howell, 2013; Crotty, 1998).

Constructivist grounded theory facilitates the continuous interplay between the researcher and the participant, and the incorporation of multiple perspectives in writing the emerging theory (Graham and Thomas, 2008; Strauss and Corbin, 1994). The researcher and researched interact "so that the 'findings' are literally created as the investigation proceeds" (Graham and Thomas, 2008:111). That is, to observe and understand behaviour from the participant's point of view, learning about participants' worlds, learning about their interpretation of self in the context of given interactions, and learning about the dynamic properties of interaction. Consequently, constructivist questions the belief that there is an objective truth that can be measured or captured through research enquiry (Crotty, 1998). This version of constructivism of grounded theory: "assumes the relativism of multiple social realities, recognises the mutual creation of knowledge by the viewer and viewed, and aims toward an interpretive understanding of subjects' meanings" (Charmaz, 2003 p 250).

From this viewpoint, whereas classic grounded theory seeks to identify and conceptualise one main concern and its continual resolution, constructivist grounded theory seeks to construct a "picture that draws from, reassembles and renders subjects' lives" (Charmaz, 2003, p. 270). The author further proposed that data and analysis are created through an interactive process whereby the researcher and participant construct a shared reality.

However, constructivist grounded theory is criticised for contradicting the openness of the original methodology by predetermining one particular lens through which to analyse data (Glaser, 2002). Rather, grounded theory is presented as a general method, which can use any type of data and is not attached to any one theoretical perspective; it is ontologically (what we believe about the world) and epistemologically (how we can come to know what we know) neutral. In response to the criticism, Bryant (2009) argued that this assertion is non-committal and naïve.

4.7.6 Justification for / Relevance/Application of Grounded Theory

According to Charmaz (2006) the development of grounded theory was based on the condemnation of qualitative research as imprecise, unsystematic, prejudiced and disordered.

The use of grounded theory as a qualitative research methodology, although not by any means a methodology with as long a history as others, is one of the most appropriate methodologies for social research. With a process that involves data collection and concurrent analysis in a cyclical motion to produce concepts from which a theory will evolve, it produces an end result that is embedded in the data from which it has been extricated. This is perhaps what makes grounded theory most appropriate for social research, that the theory or relationship, which is not assumed by the researcher at the beginning, evolves out of data given by a sample of people and is then refined for use for work with those same people.

For the above reasons among many, grounded theory was employed to examine the relationship between microfinance and poverty reduction. This study employed grounded theory because the researcher among other reasons desired to use iterative process in his data collection, data analysis and interpretation to examine the relationship between microfinance and employment generation, microfinance and business growth, and microfinance and poverty reduction in Ghana. Due to the repeated processes involved in the data collection and data analysis in grounded theory, the study convincingly concluded that microfinance is not a panacea for poverty reduction though microfinance creates employment and leads to business growth.

Secondly, since the study of microfinance and poverty reduction is about peoples' behaviour (behaviour of clients), and as long as grounded theory is helpful in predicting and explaining behaviour, the use of grounded theory was instrumental in concluding that microfinance is not a panacea for poverty reduction even though it generates employment and leads to business growth.

Thirdly, grounded theory is very useful in studying the relationship between microfinance and poverty reduction because of its focus on gathering insight into the true meanings related to clients' and MFIs' responses, and experiences in using and delivering microfinance. This enabled the researcher to examine the relationship between microfinance and poverty reduction, microfinance and business growth, and microfinance and employment generation. In a study of this nature MFIs and their clients were expected to provide honest responses that reflect the true and accurate situation so grounded theory facilitated it due to its iterative process.

This study is the first research regarding the application of grounded theory in examining the relationship between microfinance and poverty reduction in Ghana. Hence, it is concluded that grounded theory design was instrumental in concluding that microfinance is not a panacea for poverty reduction in Ghana. The emphasis in using the axial coding process in grounded theory to facilitate a deeper meaning of responses of MFIs and their clients creating relationships and connections with the coded information resulted in the conclusion that there is a positive relationship between microfinance and employment creation, and positive relationship between microfinance and business growth. Further, the process also resulted in the conclusion that microfinance is not a panacea for poverty reduction in Ghana. Again, dwelling in the data promoted the understanding of MFIs and their clients' words and intent, which aided in understanding the relationship between microfinance and poverty reduction, microfinance and business growth, and microfinance and employment generation. Furthermore, the consistent and repetitive review of the interview transcripts in grounded theory enabled the researcher to accurately conclude that microfinance leads to business growth, creates employment but is not a panacea for poverty reduction in Ghana.

Summary

In summary one could argue that grounded theory is perhaps the best means of discovering truthful relationship from real source of knowledge and hence it is useful to be applied in examining the relationship between microfinance and poverty reduction in Ghana.

Secondly due to its cyclical motion of data collection, immediate analysis and further collection that forms its very basis, grounded theory is unique in the vast array of possible research methodologies for social research. It produces theory or relationship that is grounded in the data, which is explored. Thus, the nature of grounded theory makes it applicable and valid as a means of generating relationship, which can then be used for work with the very people from whom the data was collected. Thirdly, since this study was not focused on testing existing hypothesis taken from existing frameworks, but rather open to establishing a new relationship grounded in empirical data collection, grounded theory was useful. Further, since this current study aimed to discover relationships for practice in which people are the core business, grounded theory was beneficial.

4.8 Qualitative Research

Every research according to Mohajan (2018) must involve an explicit, disciplined, and systematic approach to find out most appropriate results. Qualitative research for centuries has been used in the realm of social sciences including management to examine and investigate experiences, perspectives, and perceptions of people (Jameel and Majid, 2018).

Jameed and Majid (2018) assert that qualitative research, seeks to document not only individuals' perspectives but also their experiences, thoughts, and behaviours. Qualitative research generates the narratives of individuals and groups by interacting with them, observing their behaviour, and consider how the nuances of a context may influence their perspectives and experiences. This paradigm of research may be employed to explore the expressed needs of certain communities or ethnic groups, clarify the perspectives of individuals about a specific event or idea, and improve clients' experience in the delivery of microfinance for instance.

Qualitative research is inductive in nature, and the researcher generally explores meanings and insights in a given situation (Levitt et al., 2017). Qualitative research consists of a set of interpretive material practices that makes the world visible. It is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter (Mohajan, 2018). It is a type of social science research that collects and works with non-numerical data that seeks to interpret meaning from these data that help us to understand social life through the study of targeted populations or places (Punch, 2013). Gentles et al., (2015) believe that qualitative research involves observations and interpretations of people's perception of different events, and it takes the snapshot of the people's perception in a natural setting. It investigates local knowledge and understanding of a given programme, people's experiences, meanings and relationships, and social processes and contextual factors that marginalise a group of people. It is less structured in description, because it formulates and builds new theories (Mohajan, 2018). It focuses on words rather than numbers; this type of research observes the world in its natural setting, interpreting situations to understand the meanings that people make from day to day life (Walia, 2015).

Zohrabi (2013) is of the view that qualitative research is a form of social action that emphasises on the way people interpret, and make sense of their experiences to understand the social reality of individuals. It makes the use of interviews, diaries, journals, classroom observations and immersions; and open-ended questionnaires to obtain, analyse, and interpret the data content analysis of visual and textual materials, and oral history. It is exploratory, and seeks to explain 'how' and 'why' a particular social phenomenon, or programme, operates as it does in a particular context. It tries to help us to understand the social world in which we live, and why things are the way they are. It has gained more and more area in the social domain. It aims to provide a detail understanding into human behaviour, emotion, attitudes, and experiences (Tong et al., 2012, cited by Mohajan, 2018).

The main paradigms within the qualitative research are interpretivist, and critical paradigms (Punch, 2013). It is used to explore the behaviour, perspectives, feelings, and experiences of people, and what lies at the core of their lives. The basis of it lies in the interpretive approach to social reality, and in the description of the lived experience of human beings (Atkinson et al., 2001). Qualitative research has a profound impact on the research area of education, health care, nursing, sociology, anthropology, psychology, management, information systems, etc. (Mohajan, 2018).

According to Jameel and Majid (2018) qualitative studies may be conducted for the following purposes:

- If the answer to a research question cannot be quantified,
- If the research question is primarily concerned about opinions and beliefs of individuals,
- If the investigators desire for a complex and detailed understanding of an issue,
- If the investigators do not know what information they need to answer their research questions,
- If the emphasis is on exploration and explanation instead of effectiveness, accuracy, and validity, the research topic is sensitive in nature and requires emotional depth,

- If the investigators seek to merge activism and empowerment in their research by engaging participants in the design, conduct, and analysis of the study,
- If the investigators seek to explain why interventions shown to be effective in a clinical trial are not effective in the real world.

Jameel and Majid (2018) indicated further that purposive sampling is the most commonly employed sampling approach in qualitative research. Unlike sampling in quantitative research, the objective of purposive sampling is to seek information-rich cases that are able to provide individual perspectives and experiences that are relevant to the research questions. Qualitative research makes use of a number of methods including: ethnography, discourse analysis, interview, participant observation, grounded theory, focus group, etc. (Cibangu, 2012, Kuada, 2015, Jameel and Majid, 2018).

4.8.1 Advantages of qualitative research

Qualitative research approaches and methods have a number of benefits or advantages.

Firstly, according to Rahman (2017), qualitative research approach produces detailed description of participants' feelings, opinions, and experiences; and interprets the meanings of their actions. Chalhoub-Deville and Deville (2008), too, argued that qualitative approaches are employed to achieve deeper insights into issues related to designing, administering, and interpreting issues. According to Eyisi (2016) the methods employed in data collection give full description of the research with respect to the participants involved. The participants' observation and focus group nature of qualitative research approach create wider understanding of behaviour. Hence, qualitative research approach provides abundant data about real life of people and situations (De Vaus, 2014; Leedy and Ormrod, 2014).

Secondly, there are some who argue that qualitative research approach (interpretivism) holistically understands the human experience in specific settings. Denzin and Lincoln (2002) and Rahman (2017) for example, mentioned that qualitative research is an interdisciplinary field which encompasses a wider range of epistemological viewpoints, research methods, and interpretive techniques of understanding human experiences. From the perspective of epistemological position, any impact assessment for instance assessing the impact of microfinance on the standard of living of clients cannot be set apart from context, culture and values of where it was used (McNamara, 2001); and researchers began to employ qualitative research methodology for focusing on the issues that need an analysis of content-related variables (Tsushima, 2015).

Thirdly, the system through which data are retrieved in qualitative research approach is regarded as being unique. This is because according to Johnson and Christian, (2012) and cited by Eyisi, (2016), the reliance on the collection of non-numerical primary data such as words and pictures by the researcher who serves as instrument himself makes qualitative research well-suited for providing factual and descriptive information.

Fourthly, interpretivism research approach is regarded as an ideographic research, the study of individual cases or events Kelin & Myers (1999); and it has abilities to understand different peoples' voices, meanings and events. So the source of knowledge in this approach is the meaning of different events (Richardson, 2012). In microfinance impact assessment for example, the qualitative research techniques analyse the client's behaviour, interviewer behaviour, interlocutor behaviour, and cross-cultural influences on behaviour during the assessment/interview (Lazaraton & Taylor, 2007).

Fifthly, in this research approach, theory emerges from data. Different authors use different words or phrases such as: 'investigative, do-it-yourself and bottom-up' to explain the originality and independent nature of the qualitative research approach (Maxwell, 2013; Shank and Brown, 2007; Johnson and Christensen, 2012). The emergence of theory from data allows the researcher to construct and reconstruct theories where necessary, based on the data he generates, instead of testing data generated elsewhere by other researchers. Expressions and experiences of the participants are easily understood even when there are little or no information about them (Leedy and Ormrod, 2014)

Furthermore, a qualitative research approach views human thought and behaviour in a social context and covers a wide range of phenomena in order to understand and appreciate them thoroughly. Human behaviours, which include interaction, thought, reasoning, composition, and norms, are studied holistically due to in-depth examination of phenomena. The close relationship that exists between the researcher and the participants in this approach makes it easy for the participant to contribute to shaping the research. This however account for significant understanding of experiences as its participants understand themselves and also understand experience as unified (Sherman and Webb, 1990, Lichtman, 2013,)

Moreover, the qualitative research admits the researchers to discover the participants' inner experience, and to figure out how meanings are shaped through and in culture (Corbin & Strauss, 2008). Such as, in terms of assessing the impact of microfinance on poverty levels of clients, "positive", "negative", " reduction in poverty levels", " worsen their poverty situation" are used by the assessors, an investigation might be made in order to understand the meaning of "positive" or "negative" or to find out the meaning of " worsen their poverty levels" (Leung, 2012). So, the studies using qualitative approach can help us understand the researcher's working assumption about what is to be assessed, and the meaning of the responses.

Another advantage or strength is that qualitative research methods such as participant-observation, unstructured interviews, direct observation, describing records are most commonly used for collecting data (Cohen, Manion, & Morrison, 2011). During the data collection, the researchers interact with the participants directly such as it happens with data collection through interviews. Rumsey, Thiessen, Buchan and Daly (2016) reported that, data collection in qualitative research though may be subjective, it is very detailed.

Lastly, qualitative research design (interactive approach) has a flexible structure as the design can be constructed and reconstructed to a greater extent (Maxwell, 2012). Thus, the thorough and appropriate analyses of an issue can be produced by utilising qualitative research methods, and therefore the participants have sufficient freedom to determine what is consistent for them (Flick, 2011). As a result, the complex issues can be understood easily. For example, researchers such as Flick(2011) and Maxwell, 2012) acknowledged that, because microfinance clients' behaviour may be affected by numerous factors, a qualitative research approach was required to capture these dynamics. Furthermore, as the nature of Microfinance impact assessment is also complex, Mohan (2012) advocates employing a qualitative research methodology. Thus, the qualitative research can contribute to the understanding microfinance as a tool for poverty reduction.

4.8.2 Limitations of qualitative research

Notwithstanding the above advantages or benefits, qualitative research has a number of limitations.

First, Silverman (2010) argues that qualitative research approaches sometimes leave out contextual sensitivities, and focus more on meanings and experiences. Phenomenological approach, for instance, attempts to uncover, interpret and understand the participants' experience (Wilson, 2014; Tuohy et al., 2013). Similarly, according to Cumming (2001) qualitative research may focus on the participants' experience rather than any other imperative issues in the context, for example the influence of culture on the behaviour of the participants.

Second, policy-makers may give low credibility to results from qualitative approach. Sallee and Flood (2012) found that stakeholders frequently use quantitative research when research is called upon. In terms of educational practice in many parts of the world including United States, national and state policymakers sought to quantify the performance of a particular policy Ravitch (2010), and in many social sciences, quantitative orientations are frequently given more regard (Berg, 2009). In addition, purely qualitative research may neglect the social and cultural constructions of the variables studied (Richards & Richards, 1994).

Third, in terms of research method, smaller sample size raises the issue of generalisability to the whole population of the research (Harry & Lipsky, 2014; Thompson, 2011). Having studied employed qualitative methods, Lam (2015) admitted that due to the small sample size the study results do not wish to claim wider generalisation to other contexts. Then, data interpretation and analysis may be more difficult/complex (Richards & Richards, 1994). Berg and Howard (2012, p. 4) also commented that, “qualitative research is a long hard road, with elusive data on one side and stringent requirements for analysis on the other.” Along with the data interpretation and analysis issue, Darlington and Scott (2003) claimed that developing the undeveloped question into a researchable form is harder, and the refining question in qualitative research may be continuous throughout a whole study. In the research paper of Rumsey, Thiessen, Buchan and Daly (2016), it has appeared that the primary research data collection was not focused on the research topic, language testing or language requirement, rather focused on the thematic analysis. But in the secondary data analysis, the collected data were again used for investigating a new question that was not explored in the primary research. It seems that the data analysis and developing the research question using the same data, which is previously collected, is likely to be a harder and continuous process of conducting a qualitative research.

Christensen and Johnson (2012) found that qualitative researchers view the social world as being dynamic and not static. In view of this, they limit their findings to the particular group of people being studied instead of generalising (De Vaus, 2014).

However, replicability is another problem associated with a qualitative research approach. Critics of this approach argue that the constructivist has abandoned the scientific methods and procedures of enquiry and investigation (Cohen, 2011). The users of the approach are said to write fictions because they have no means of verifying their true statements. Since the approach is characterised by feelings and personal reports, it is believed that the approach cannot give reliable and consistent data when compared to using quantifiable figures (Atkins and Wallac, 2012). The analysis of the cases take a considerable amount of time, and one can generalise the results to the larger population in only a very limited way (Flick, 2011). For example, if a legislator needs to vote an issue, she/he cannot wait for three months for a qualitative study to be administered (Sallee & Flood, 2012). Similarly, in impact assessment research, in order to devise a new policy within a short period of time, the policy makers may demand quantitative research instead of qualitative research.

Again, the subjective method employed by the qualitative approach users may be wrong, inaccurate and misleading, as suggested by Bernstein (1974 cited in Cohen and Morrison 2011, p21). The authors' criticism was based on ontological and epistemological paradigms, that is, how the researchers understand and negotiate the situation. Researchers impose their meaning and understanding of a situation to a given time and place to other people. Denzin and Lincoln (2005), stated that constructivists' approach is a multidisciplinary field, therefore their research is only exploratory.

Finally, non-use of numbers by qualitative researchers makes it difficult and impossible to simplify findings and observations. Qualitative researchers believe that the social world (phenomena and experiences) has many dimensions, hence explanations are based on the interpretations of the researcher (Leedy and Ormrod, 2014, De Vaus, 2014). In view of this, proper explanation cannot be given because the result depends on the explanation of the researcher at that time of which different researcher may give a different explanation. So, the research cannot be repeated by another researcher at another place and still get the same results (Williams and May, 1998).

However, despite these shortcomings, the qualitative research becomes prominent in many impact assessment research as it is a regular accompaniment with quantitative data analysis to which reports of standard setting are generally confined (Manias & McNamara, 2015). Moreover, the generalisability seems not to be a problem as Darlington and Scott (2003, p. 18) pointed out that, "If one considers the unit of attention as the phenomenon under investigation, rather than the number of individuals, then the sample is often much larger than first appears." Thus, in the studies of microfinance impact assessment, the number of interactions or contacts investigated would have been infinitely larger than the individuals or families involved. Moreover, Labaree (2004) suggested that no educational research (either quantitative or qualitative) ought to be regarded as generalisable, because too many contextual variables can shape the findings.

4.9 Quantitative research

Quantitative research is defined by Bryman (2012) as a research strategy that emphasises quantification in the collection and analysis of data. This research method according to Rasinger (2013) attempts to investigate the answers to the questions starting with how many, how much, to what extent, etc. This means that quantitative research lays heavy emphasis on measuring something or variables in the social world. Quantitative methods (normally using deductive logic) seek regularities in human lives, by separating the social world into empirical components called variables which can be represented numerically as frequencies or rate, whose associations with each other can be explored by statistical techniques, and accessed through researcher-introduced stimuli and systematic measurement (Bryman, 2012).

The implication is that quantitative research focuses on those aspects of social behaviour which can be quantified and patterned rather than just finding out them and interpreting their meanings the people bring to their own action. Quantitative research is an inquiry into an identified problem, based on testing a theory, measured with numbers, and analysed using statistical techniques. The goal of quantitative method is to determine whether the predictive generalisations of a theory hold true. Kuada (2015) holds the view that quantitative data collection methods allow one to test hypotheses derived from theories one has read about; the issues he/she is investigating.

Another aspect of quantitative research worth mentioning is that it is underpinned by positivism. According to Weber (2004 cited by Rahman, 2017) in positivism, person and reality are separate; objective reality exists beyond the human mind; research methods are statistics and content analysis; validity-data truly measures reality; reliability-research results can be reproduced; research object has inherent qualities that exist independently of the researchers. Additionally, Bryman (2012) identified positivism as a nomothetic research (which yields law-like or general actions); in positivism, knowledge is obtained from empirical testing (Richardson, 2012). However, interpretivism in qualitative research seems to be opposite to the positivism when the researchers argue that interpretivism is an ideographic research (the study of individual cases or events) (Kelin & Myers, 1999), and knowledge is derived from the meaning of events (Richardson, 2012).

4.9.1 Advantages of quantitative research

First quantitative findings are likely to be generalised to a whole population or a sub-population because it involves the larger sample which is randomly selected (Carr, 1994). Powers and Powers (2015), reported in their research that quantitative research involves larger sample size and so helps make the study truth-worthy. The use of scientific methods for data collection and analysis make generalisation possible with this type of approach. Interaction made with one group can be generalised. Similarly, the interpretation of research findings need not be seen as a mere coincidence (Williams and May 1998). For instance the study of problem-solving instruction in secondary school science education within one particular area or zone can be reflective of the wider society in terms of samples, contents and patterns (Shank and Brown, 2007, Cohen and Morrison, 2011).

Secondly, besides sampling, data analysis is less time consuming as it uses the statistical software such as SPSS (Connolly, 2007). Connolly (2007) is of the opinion that the first advantage of this quantitative research approach is the use of statistical data as a tool for saving time and resources. Bryman (2001) argues that quantitative research approach is the research that places emphasis on numbers and figures in the collection and analysis of data. Imperatively, quantitative research approach can be seen as being scientific in nature. The use of statistical data for the research descriptions and analysis reduces the time and effort which the researcher would have invested in describing his result. Data (numbers, percentages and measurable figures) can be calculated and conducted by a computer through the use of a statistical package for social science (SPSS) (Gorard, 2001; Connolly, 2007) which save lot of energy and resources.

Thirdly, quantitative research is based on positivist paradigm of measuring variables (Kauber, 1986). A study conducted separately by Carroll and Bailey (2016) and Préfontaine, Kormos and Johnson (2016) show that there are different variables in quantitative research.

However, replicability is another benefit derivable from the use of this research approach. Since the quantitative research approach basically relies on hypotheses testing, the researcher need not do intelligent guesswork, rather he would follow clear guidelines and objectives (Lichtman, 2013). The research study using this type of research tool is conducted in a general or public fashion because of its clear objectives and guidelines, and can therefore be repeated at any other time or place and still get the same results (Shank and Brown, 2007).

Moreover, Eyisi (2016) asserts that this research approach gives room for the use of control and study groups. Using control groups, the researcher might decide to split the participants into groups giving them the same teaching for example, but using different teaching methods, bearing in mind the factors that he is studying. At the end of the teaching, the groups can be gathered and the researcher can then test the problem-solving ability of the students and be able to access the teaching method that best impacts the problem-solving abilities amongst the students (Johnson and Christensen, 2012).

Finally, Denscombe (1998) describe quantitative research as "researcher detachment" research approach. When looking at the "researcher detachment", it may be seen as a strength of quantitative research approach from one angle, yet from another angle it may be seen as its weakness. The issue of researcher being bias with either his data collection or data analysis will be highly eliminated when the researcher is not in direct contact with the participants, that is, he collects his data through either telephone, internet or even pencil-paper questionnaire. There is full control for alternatives such as interpretations, explanations, and conclusions. In other words, the objectivity of the researcher will not be compromised. Additionally, this may perhaps guarantee respondent anonymity (Muijs, 2004, Litchman, 2006; Bryman, 2012, ; Creswell, 2009).

4.9.2 Limitations of quantitative research

In spite of the above strengths, quantitative research has a number of limitations.

The positivism research paradigm leaves out the common meanings of social phenomenon (Denzin & Lincoln, 1998). It also fails to ascertain deeper underlying meanings and explanations (Bouwer, Béguin, Sanders and van den Bergh 2015) Another limitation of quantitative research is that the positivism cannot account for how the social reality is shaped and maintained, or how people interpret their actions and others (Blaikie, 2007; Katzenberger and Meilijson ,2014). A further weakness of quantitative research approach is that it has tendencies of taking a snapshot of a phenomenon: It measures variables at a specific moment in time, and disregards whether the photograph happened to catch one looking one's best or looking unusually disarranged (Schofield, 2007, Fidalgo, Alavi and Amirian, 2014). Therefore, it has not been possible to take information deeply; rather, it has given the overall picture of the variables. Hammersley (2007) pointed out that the criticism of unresolved problems in "positivist" research is also apparent, such as the difficulties of measuring of educational significance. Quality and quantity are very important in any educational research since research is an instrument of change. Those two words cannot be neglected when explaining phenomena (Dabbs, 1982 cited in Berg and Howard, 2012, p3). In the quantitative research approach, the participants have no room to contribute to the study. The researcher is at the "driver's seat" (Bryman, 2001, p286). The linear and non-flexibility nature of a quantitative approach demands that the researcher follows a certain order. He starts by setting the research question and hypotheses, conducts a literature review, collects data, analyses the data and summarises the result (Litchman, 2006, Creswell, 2009). For educational studies such as problem-solving instruction for secondary school science students, the researcher may decide to observe the teaching methods first and see how the method affects students. Following his initial observation, he may repeat the visit for another observation, if necessary, before planning the main research. Input made by the participants can help form researchers' point of orientation. This process is not possible within a quantitative research approach wherein its liturgical order of study does not support several ways of knowing. This is predicated through the use of variables to search for the meanings instead of patterns, as argued by Shank and Brown (2007).

A quantitative research approach is characterised as being structured with predetermined variables, hypotheses and design (Denscombe, 1998; Bryman, 2012; Creswell, 2009; Christensen and Johnson, 2012). As a result of using predetermined working strategies, the approach does not require or encourage imaginative, critical and creative thinking (De Vaus, 1996). Any data collected is geared towards supporting or rejecting the predetermined paradigms. This, however, shows that the tool is effective for studying what is already known instead of assisting in unravelling the unknown and revamping the known. Perhaps, findings from the studies with this tool may lead to propounding laws and facts that can stand on their own regardless of it being true or not (Shank and Brown, 2007).

When considering the existence of social differences in the society and schools in particular, a quantitative research approach is not well suited to examine the complex and dynamic contexts of public education in its forms, sites and variations (Denzin and Lincoln, 2005), even though Gorard(2001 believe that there is no true experiment in educational research.

Lastly, the quantitative research paradigm overlooks the respondents' experiences and perspectives in highly controlled settings (Ary, Jacobs, Sorensen, & Walker, 2013) because there lacks a direct connection between researchers and the participants when collecting data. As a result, the data obtaining method becomes objective Gu (2015). Researcher detachment from the participants is also a weakness within the quantitative research approach. Researcher detachment means that he is an “observer” or an “outside looking in”. With this type of researcher/participant relationship, it will be extremely difficult to get the in-depth study of the phenomena within its natural settings (Eyisi, 2016). He will neither understand the group or individuals working with him nor appreciate them (Shank and Brown, 2007; Berg, 2007 ; Christensen and Johnson, 2012). In studying problem-solving instructions for science education in secondary schools, the researcher need not be an observer nor detach himself from the participants. It is dehumanising as well as undermining life and mind (Cohen, 2011). The experiences gathered may not be that of the participants mind and opinion (Berg and Howard, 2012).

Although the above drawbacks exist with the quantitative research, a considerable amount of research is being conducted by employing quantitative research methods and approaches due to its numerous advantages.

4.10 Mixed Method and Triangulation

As stated earlier, this study - a framework for understanding microfinance as a tool for poverty reduction in Ghana - used a survey design involving a mixed method of quantitative and qualitative approaches. Some of the objectives/issues were analysed quantitatively whilst others were addressed qualitatively. For example the challenges faced by MFIs and their Clients, and the extent to which microfinance reduces poverty or improves standard of living of the clients were analysed qualitatively whilst the hypotheses (there is a positive relationship between microfinance and employment generation; there is a positive relationship between microfinance and growth of business, and there is a positive relationship between microfinance and poverty reduction) derived from it were quantitatively analysed. The outcome of using microfinance was both analysed qualitatively and quantitatively. In addition to the above, mixed method was used because the weaknesses of one of them (qualitative or quantitative methods) were overcome by the other method. In other words the study employed mixed method to overcome the limitations or the weaknesses of both qualitative and quantitative research approaches. Truscott et al (2010 cited in Kuada, 2015) emphasised that the goal of mixed methods is not to replace quantitative or qualitative approaches, but to draw from their strengths and minimise their weaknesses or limitations. According to Kuada (2015) the underlying rationale for using mixed method is that individual methods are flawed in one way or the other, but the flaws in each are not identical. Therefore, mixed method is used not only to gain their individual strengths but also to compensate for their particular faults and limitations. Thus, by tackling a research problem with two or more methods that have non-overlapping weaknesses, one is able to reinforce and enhance the quality of the overall knowledge produced by the study. The research findings are therefore accepted with a greater degree of confidence according to Kuada (2015).

Mixed method research, according to Johnson, Onwuegbuzie, & Turner (2007), is the type of research in which a team of researchers or a researcher combines elements of quantitative and qualitative research approaches (e.g., use of quantitative and qualitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of corroboration and understanding. Johnson and Onwuegbuzie (2004) define mixed method research as the class of research that involves the combination of quantitative and qualitative research concepts or language, approaches, techniques and methods.

Creswell and Garrett (2008) and Tashakkori and Creswell (2007) are of the view that a study can be termed mixed method research when it uses qualitative and quantitative approaches at any stage including research questions development, data collection approaches, sampling strategies, data analysis methods, or conclusions. Mixed method designs can be easily distinguished from mono-method studies, which make use of a single approach. Integration, according to Teddlie and Tashakkori (2009), is the primary or main criterion for classifying a method of research as mixed method research.

In addition to the above, Creswell (2009) differentiated between six strategies of the mixed method approach. First is the sequential explanatory strategy, which collects and analyses quantitative data as a first phase followed by the collection and analysis of qualitative data in the second phase that builds on the results of the initial quantitative results. Second is the sequential exploratory strategy, which is the reverse of the sequential explanatory strategy. This mixed method strategy involves the collection and analysis of qualitative data, followed by a second phase of quantitative data collection and analysis that builds on the results of the first qualitative phase. The next is the sequential transformative strategy, which is also a two phase project but unlike the first two (sequential explanatory strategy and sequential exploratory strategy), the sequential transformative strategy has a theoretical lens. That is, it has a theoretical perspective to guide the study. For example, either a conceptual framework, a specific ideology, or advocacy is used to guide the study instead of using the method alone. The fourth type is the concurrent triangulation strategy. This strategy, according to Creswell (2009), involves collecting both quantitative and qualitative data concurrently, and compares them to assess whether there is convergence, differences, or some combination. The fifth strategy is the concurrent embedded strategy. Like the concurrent triangulation, it collects both quantitative and qualitative data in one phase simultaneously. However, unlike the concurrent triangulation approach, the concurrent embedded approach has a primary method that guides the project and a secondary database that provides a supporting role in the procedures.

The last strategy is the concurrent transformative strategy, which is guided by the researcher's use of a specific theoretical perspective or model as well as the simultaneous collection of both quantitative and qualitative data.

The study used the concurrent triangulation strategy of the mixed method approach. The concurrent triangulation strategy involves simultaneously collecting both quantitative data and qualitative data, and compares both data bases to determine whether there is convergence, differences, or some combination.

Related to the mixed method approach is triangulation, which is the process of verification that enhances validity by incorporating several viewpoints and methods (Yeasmin & Rahman, 2012). Yeasmin and Rahman (2012) further asserted that in the social sciences triangulation refers to the combination of two or more methods, theories, investigators or data sources in one study of a single phenomenon to converge on a single construct, and can be used in both qualitative (inquiry) and quantitative (validation) studies. They went on to indicate that triangulation is a process by which a researcher verifies a finding by showing that independent measures of it agree with or, at least, do not contradict it. Guion (2002) is of the view that triangulation is a method employed by researchers to examine, check, or assess and establish validity in their studies.

By using the mixed method, the weaknesses, challenges or intrinsic biases that are associated with a single-method are overcome (Jakob, 2001). Further, Yeasmin and Rahman (2012) argued that shortcomings or weaknesses of any one method can be overcome by combining methods and thus capitalising on their individual strengths. Rossman and Wilson (1985) cited in Johnson *et al*. (2007) proposed three reasons for combining qualitative and quantitative research. To begin with, combinations enable confirmation or corroboration of each other through triangulation. In the second place, combinations are used to enable or to develop analysis in order to provide richer data. Thirdly, combinations are used to initiate new modes of thinking by attending to paradoxes that emerge from the both qualitative and quantitative data.

Mixed method research design has many benefits. According to Leech and Onwuegbuzie (2006), in addition to having logical and intuitive appeal, the mixed method also provides a bridge between the quantitative and qualitative paradigms. Further, mixed method has the ability to match the purpose of the method to the need in the study. For example, having a feel for the main issue on a subject before embarking on further development in a study can be very useful (Migiro & Magangi, 2011). The ability to triangulate the data and assure its validity and degree of difference can likewise be extremely useful. Other advantages of the mixed method include the complimentary relationship between qualitative and quantitative data, with one approach clarifying the other throughout the study. This addition of a supplemental data set supports and strengthens the effectiveness of the research (Migiro & Magangi, 2011). White (2002) and Kuada (2015) among others have given other examples or beneficial uses of this methodology.

Furthermore, Driscoll *et al.* (2007) indicated that other articles attribute the ability to explain complex or contradictory survey responses as a merit or an advantage of employing mixed methods research. Creswell (2009) opines that combining methods offers a better or an enhanced understanding than using either the quantitative or qualitative method alone. Using a combination of methods can furthermore lead to unexpected or emergent themes and information that would not have otherwise come to light (Driscoll *et al.*, 2007).

According to Greene *et al*. (1989 cited in Johnson *et al*., 2007), there are five purposes or rationale of combining methods. These include:

a) Triangulation- This involves finding convergence and corroboration of results from different methods studying the same phenomenon.

b) Complementarity- This includes an attempt to search for illustration, enhancement elaboration, or clarification of results from one method with results from the other method.
c) Development- This entails using the results from one method to help inform the other method.
d) Initiation- This involves discovering paradoxes and contradictions that lead to a reframing of research question.
e) Expansion- This means seeking to expand the breadth and range of inquiry by using different methods for different inquiry components.

The concurrent triangulation strategy of the mixed method approach that this study used enabled the researcher to confirm and corroborate results from both the qualitative and quantitative data. For example, both the quantitative and qualitative results agree that microfinance makes some clients worse off and lead to the collapse of some microenterprises. In some cases there was a lack of consensus, for example, whilst the qualitative results indicate that microfinance leads to poverty reduction, the quantitative results revealed that microfinance does not directly lead to poverty reduction. Again, it enabled the researcher to offset the weaknesses inherent within one method with the strengths of the other or the strengths of one strengthens or adds to the strength of the other.

4.10.1 Justification for employing mixed method

From the above, it is evidently clear that mixed method minimises if not entirely eliminates the weaknesses of a single-method approach (either quantitative or qualitative method).

To begin with, mixed method approach has an advantage of complementarity which is a weakness or a challenge of a single method approach. Complementarity is an attempt to search for illustration, enhancement, elaboration, or clarification of results from one method with results from the other methods. In other words complementarity addresses different aspects of the same question. The small sample size which raises an issue of generalisability under qualitative research is complemented by the relatively large sample size under quantitative research, so the issue of generalising findings is overcome by mixed method approach. For example, the current study used both qualitative and quantitative methods to address the question of whether or not microfinance leads to business growth, creates employment, and reduces poverty. Using qualitative method (interviews) alone will have been very difficult to conclude whether or not microfinance leads to business growth, generates employment and reduces poverty. This is because whilst some clients claimed microfinance has expanded their businesses, created employment for them, and reduced their poverty levels others complained their businesses have either dwindled or collapsed, and have been made worse off as a result of their participation in microfinance programme. Again it would have been very difficult to draw an accurate conclusion because of the small sample size-10MFIs. The quantitative methods revealed more evidence (with more sample size) which led to the conclusion without no doubt that microfinance leads to business growth, generates employment but does not lead to poverty reduction. It provided more evidence to complement and hence enhance the findings from the qualitative results that microfinance leads to business growth, creates employment but does not lead to poverty reduction. Each type of data analysis enhances the other. Together the data analyses from the two methods (qualitative and quantitative) were juxtaposed and generated complementary insights that together created a bigger picture, which led to the conclusion that indeed microfinance leads to business growth, creates employment, but is not a panacea for poverty reduction.

Secondly, mixed method approach is used for Confirmation. This is where the results of two methods converge. In this study, the quantitative method was used to confirm the results of the qualitative methods and vice versa. One very serious limitation of qualitative research is the issue of subjectivity which may lead to wrong, inaccurate and misleading results according to Cohen & Morrison (2011). Qualitative research has been criticised for lacking objectivity (Nagel, 1986) and generalisability (Gelo, Braakmann, & Benetka, 2008), Quantitative research on the other hand is more objective, so mixing methods in this current study confirmed the results of either research methods (qualitative or quantitative). In this current study for example, the qualitative research found that microfinance leads to business growth and creates employment; the quantitative research was used to confirm the qualitative findings and that made the findings more credible, that generally microfinance grows businesses and generates employment.

Thirdly, mixing methods has the purpose of elaboration and expansion. For example qualitative data analysis may exemplify how patterns based on quantitative data analysis apply in particular cases. Here the use of one type of data analysis adds to the understanding being gained by another. This means seeking to expand the breadth and range of inquiry by using different methods for different inquiry components. One limitation of qualitative research is that it deals with peoples' feelings and experiences, which makes it difficult to verify their true statement which may lead to unreliable and inconsistent data and hence results. Quantitative data on the other hand ignores respondents' experiences and perspectives. Mixing the two methods makes it possible to expand the breadth and range of inquiry and using different methods. For example using the qualitative method alone, it would have been very difficult to conclude that microfinance is not a panacea for poverty reduction. This is because whilst some claim microfinance has reduced their poverty levels, others complained that microfinance has made them worse off. However, the quantitative results made it clear and hence gave a better elaboration and expansion to the findings which led to the conclusion that indeed microfinance alone cannot reduce poverty in Ghana, and hence it is not a panacea for poverty reduction.

In summary, mixing methods (qualitative and quantitative methods) has the advantage of solving, overcoming or at worst minimising the weaknesses of either method. By employing mixed method in this current study enabled the researcher to conclude that microfinance, creates employment, grows businesses but is not a panacea for poverty reduction in Ghana.

4.10.2 Limitations of the Mixed Method

Although the mixed method (concurrent triangulation strategy) has a number of advantages, as has been outlined, it has many limitations as well. Firstly, although one of the main advantages of qualitative research is its flexibility and depth, when one uses qualitative data both the flexibility and depth are lost, according to Johnson and Onwuegbuzie (2004). This happens because qualitative codes have many dimensions (Bazeley, 2004). In contrast, Driscoll *et al*. (2007) posit that quantitative codes are fixed and uni-dimensional, so basically changing rich qualitative data to dichotomous variables brings about uni-dimensional immutable data. If a researcher decides to avoid quantifying qualitative data, it can become a complex process as well as very time-consuming since it requires analysing, coding and integrating data from unstructured to structured data (Driscoll *et al.*, 2007).

Another challenge of the mixed method design is that, when qualitative data is quantified, it becomes very vulnerable to collinearity (Roberts, 2000). Further, when collecting and analysing data researchers may reduce their sample size for the design to be less time-consuming and doing so can affect statistical procedures like t-tests and analyses of variance. This, according to Driscoll *et al.* (2007), is a serious challenge for the mixed method approach as the researcher may lack adequate statistical power to support their research. They further indicated that this challenge can be avoided if the researcher decides not to conduct a mixed method research that involves quantification.

The limitations, challenges or shortcomings of the mixed method approach to research come mainly from: data manipulation or reduction; the combination the two types of data; the compromises in sample size; the time and resources required; duration of the study; and money needed in order to make it possible to conduct the studies using these methods (Driscoll *et al.*, 2007). Other researchers, including Lieber (2009), have identified limitations in the generalisability of the data, timing of the sampling, and the difficulty in compiling and analysing the data. Lieber (2009) believes that perhaps the most unresolved challenges to mixed method research relate to questions of data processing, analysis, and management. In order to make the process more effective and efficient, more time and money are required to facilitate it (Lieber, 2009).

Onwuegbuzie and Johnson (2004) summarised the weaknesses or limitations of mixed method research as follows:

- Mixed method approach is time consuming and expensive.
- It is not easy to find a researcher with experience in both quantitative and qualitative research.
- The researcher has to learn multiple methods and be able to know how to mix each method effectively.
- Methodological purists believe that a researcher should either pick the qualitative or quantitative paradigm and not both.

- Finally, how to interpret conflicting results and analysing quantitative data qualitatively still needs to be figured out.

In conclusion, it must be emphasised that a mixed method approach to conducting research can be an effective design to use but only if the researcher is well versed in both quantitative and qualitative research methods and has the skills to overcome the major challenges of the design (e.g. collinearity). Some researchers may be discouraged from using the mixed method to conduct any research because it is very expensive and time-consuming to learn and be able to understand all these different methods and approaches.

4.11 Deductive and Inductive Approaches

In research there are two categories of reasoning, namely inductive and deductive approaches (Trochim, 2006). According to Trochim (2006), while deduction begins with the general and ends with the specific, he defines induction as moving from the specific to the general. Trochim (2006 cited in Soiferman, 2010) posits that, while arguments based on laws, rules, or other widely accepted principles are best expressed deductively, arguments based on experience or observation are best expressed inductively. ‘A researcher who believes in deductive approach works from the “top-down”, from a theory to hypotheses to data to add to or contradict the theory’ (Creswell & Clark, 2007, p. 23); while those researchers who believe in an inductive approach work from the “bottom-up”, using the participants’ opinions to construct broader themes and generate a theory inter-linking the themes.

Quantitative (deductive) and qualitative (inductive) approaches are the two main types of analysis typically used in research, according to Soiferman (2010). Soiferman (2010) asserts that, when conducting research and gathering data, there seems to be some disagreement among researchers regarding the best method to use although these two methods (quantitative and qualitative) are not mutually exclusive and often address the same question using different methods.

4.12 Research Design

A research design refers to the overall strategy that a researcher chooses to integrate the different component of his study in a coherent and logical manner. The research design therefore becomes the blueprint for the collection, measurement and analysis of data (De Vaus, 2001). A research design, according to Bryman and Bell (2007), provides the framework for the collection and analysis of data. Burns and Grove (2001) buttressed it by asserting that designing a study enables the researcher to plan and implement the study in a way that will help the researcher obtain intended results, thereby enhancing the chances of getting information that could be associated with the real decision. Sarangi (2010) asserts that research design is a comprehensive plan of the sequence of operations that a researcher intends to embark on to accomplish the research objectives. It entails choosing the most appropriate methods and techniques to solve or address the problem under investigation. Further, research design, according to Blanche and Durrheim (2002), is a strategic framework that serves as the bridge between research questions and the execution of the research.

This study employed a survey design involving the mixed method of quantitative and qualitative approaches including grounded theory. It combined relevant aspects of quantitative and qualitative methods within the framework of impact assessment techniques. The quantitative method dealt mainly with economic indicators such as income levels, employment, turnover, etc., whilst the qualitative approaches examined social and other issues; for instance, a research question - “What are the outcomes of using micro-financing in Ghana including poverty reduction”? This is more quantitative although it may also be answered qualitatively; whereas a research question “what are the main obstacles and challenges of using microfinance by the institutions?” requires a qualitative approach.

In social research, several options such as survey mono-method (either quantitative or qualitative) or the mixed method (a combination of quantitative and qualitative) are available but the choice of approach depends on the objectives of the study. A study of this nature demanded a comprehensive and empirical enquiry into the lives of businesses and individuals. It is in this vein that the survey method (involving both quantitative and qualitative approaches) was used to assess the impact of microfinance on poverty.

The survey method, according to Alford (2011), is a measurement process that involves asking respondents questions and collecting information from a small number of people to be representative of a larger number of people. Shaughnessy, Zechmeister, & Zechmeister(2011) are of the view that a survey is often used to assess thoughts, opinions, and feelings. Surveys basically use questionnaires as the main data collection instrument. Alford (2011) believes that surveys typically collect three types of information. The first type is descriptive information, which describes respondents on issues like income levels, age, marital status, etc. The second type of behavioural information looks at respondents' behaviour like mode of transportation, amount of loan required, and the associated term of maturity. The third type of information is preferential information and this looks at respondents' opinions or preference for things like cars, colours, choice of foods, etc. (Alford, 2011).

The survey as a research design has a number of advantages. They are relatively inexpensive compared to other methods like clinical studies, have a very small cost per respondent, and can be used extensively. Surveys are helpful and very important in describing the characteristics of a large population. Other research methods are not able to provide this broad capability of ensuring that large samples are gathered and targeted results are used to draw conclusions and make important decisions. The survey is a flexible method as it can be administered in many modes like online survey, email survey, telephone calls, pen and paper or face-to-face interviews. In the end, surveys tend to be more confidential as the anonymity of the respondents is preserved.

Respondents can provide open and honest responses as they are assured that their personal information shall be treated confidentially. Saunders *et al.* (2009) report that a survey allows the collection of a sizeable volume of data from a large population in a highly economical manner. Further, generally people perceive survey strategy as authoritative and is both comparatively easy to explain and to understand. In addition to the above, a survey allows the use of very large samples thereby making the results statistically significant even when analysing multiple variables. A survey has the advantage of ensuring high reliability by presenting all subjects with standardised stimulus to greatly eliminate observer subjectivity. Since surveys are connected with the deductive approach, the researcher was able to make more accurate generalisations.

Despite these advantages, surveys have some weaknesses. Surveys do not permit researchers to develop a close understanding of individual situations or the local culture that may be the root cause of respondents' behaviour. Researchers normally go to a place, administer a questionnaire or conduct an interview and leave. Thus, they do not develop an understanding of the issues at hand. Again there is a growing challenge of low response rates in survey research (Kelley *et al.*, 2003; Kuada, 2015). This may be because respondents do not see the benefits they will derive from the survey and feel reluctant to respond. As the data is collected from primary sources, a lot depends on the willingness and co-operation of the respondents. As surveys are mostly based on samples, there is the possibility of sampling errors. Again to ensure that the sample is representative, a considerable amount of time is required to design and pilot the data collection instruments and to ensure a good response rate (Saunders *et al.*, 2009).

It must be mentioned that, due to the method used to collect the data (that is, where the microfinance institutions assembled their clients and the researcher went to their offices to administer the questionnaire), the response rate was very high (96%) being 337 of the sample size of three hundred and fifty (350) respondents. The sample size represents 38.88% or 39% of the total population of 900 Microenterprises. Again the challenges or limitations with the questionnaire and the semi-structured interview guide as data collection instruments were minimised if not entirely eliminated.

4.13 Population

Population is the complete set of individuals (subjects), objects or events having common observable characteristics in which the researcher is interested (Agyedu, Donkoh & Obeng, 1999). The population of this study consisted of all registered and licensed microfinance institutions in Ghana that have been in existence for at least five years, and all microfinance clients who have benefited from microfinance services for at least two years. In all, the population included fifty (50) MFIs and nine hundred (900) microfinance clients/beneficiaries.

4.14 Sample and Sampling Procedure

Both systematic sampling and purposive sampling procedures were used to choose the sample size. Systematic sampling is a type of probability sampling method in which sample members from a larger population are selected according to a random starting point but with a fixed, periodic interval. This interval, called the sampling interval, is calculated by dividing the population size by the desired sample size. First, purposive sampling procedure was employed to choose ten (10) MFIs in Ghana that have been in business for at least five years. A purposive sampling method was employed to choose the MFIs because the chosen MFIs have been in existence for at least five years and so would best enable the researcher to answer the research questions and meet or achieve the research objectives. Thereafter, a systematic sampling technique was used to select the sample size of three hundred and fifty (350) out of a total of nine hundred (900) beneficiaries of microfinance. All microfinance beneficiaries from the selected ten (10) microfinance institutions who have been microfinance beneficiaries for at least two (2) years formed the sampling frame for this study. The sampling frame for the study consisted of nine hundred (900) microfinance clients. In the selection of the sample size of three hundred and fifty (350), consideration was given to the size of the population in the sampling frame, the confidence level required by the researcher, the margin of error that could be tolerated, and the type of analysis that would be undertaken.

Furthermore, it must be noted that, in the choice of the sample size, there was no discrimination in terms of religion, race, gender, ethnicity, etc. Every microfinance client from the ten selected microfinance institutions, who has been a beneficiary of microfinance for at least two years and is aged eighteen years or above, qualified to be part of the sampling frame. A sampling frame, according to Saunders *et al.* (2009) is a complete list of all the cases in the population from which a sample is drawn.

In using a systematic sampling technique to select the sample size, the researcher is required to select the sample at regular intervals from the sampling frame (Saunders *et al*., 2009). The following are the steps the researcher should go through in selecting the sample size; he/she should;

1. Number each of the cases in the sampling frame with a unique number. The first case is numbered 0, the second 1, the third 2, and so on.
2. Select the first case randomly.
3. Calculate the sampling fraction.
4. Select subsequent cases systematically using the sampling fraction to determine the frequency of selection.

(Saunders *et al*., 2009, p. 226)

The researcher accordingly assigned each of the clients with a unique number. The first pone was assigned 0, the second 1, the third 2, and so on until all the 900 clients were assigned their unique numbers. The implication is that the unique numbers were from 0 to 899. After this the sampling fraction was computed by the formula; actual sample size divided by the total population (cases in the sampling frame) =350/900 = roughly 1/3 or 900/350= about 3. Here the total population was all the cases in the sampling frame.

Since the sampling fraction was 1/3, the researcher selected one in every three cases; which implies that the sampling interval was 3. This also meant that the starting point should be one of the first three cases or clients. A random sampling technique (lottery method) was used to select 2. The first three unique numbers were written on small and identical slip of paper folded and mixed together and put in a flat container. A blindfolded selection was done and the number 2 was selected. Since the interval was 3, the clients who were selected to form the sample size bore the numbers 2, 5, 8, 11, 14, 17, 20, 23 --------- till the sample size of three hundred and fifty (350) beneficiary clients were selected.

A systematic sampling technique was chosen to select the clients because it is very easy to operate, checking can be done quickly, and since randomness and probability features are present in this method it makes the sample representative (Sarangi, 2010). However, it needs to be cautioned that this method works well only if the complete and up-to-date sampling frame is available and if the units are randomly arranged as it is in this study. Another demerit of systematic sampling is that, if there is any hidden mistake in the list, it will adversely affect the representativeness of the sample. Fortunately for me as the researcher, a complete and up-to-date sampling frame was available, and again the list was rechecked and cross-checked a number of times to ensure that there were no hidden mistakes anywhere.

4.14.1 Determination/Calculation of Sample Size

Slovin's formula, which was formulated in 1960 was used to determine the sample size (Tejeda & Punzalan, 2012)

$$\mathbf{n = \frac{N}{1 + Ne^2}}$$

where n = sample size, N = total number of clients in the sampling frame, and e = margin of error.

N = 900 and a margin of error of 5%, (e) = 0.05. That is, the researcher's confidence level was 95%.

$$n = \frac{900}{1 + 900(0.05)^2} = 277$$

$$\mathbf{n = 277}$$

The above means that the minimum sample size is 277 clients, so the sample size of 350 clients was appropriate.

4.15 Research Instruments

The instruments used to collect data for the study were a questionnaire and semi-structured interviews. In the design of the questionnaire and the semi-structured interviews simple and easy to understand language was used, and so participants or respondents did not have any difficulty in understanding and hence answering the questions. While the questionnaire was designed for the microfinance clients, the semi-structured interview guide was designed for the MFIs.

Questionnaires were used to collect the primary data for the following reasons. To begin with, a questionnaire as a research instrument permits respondents the time to consider their responses without interference from the researcher (Kumar, 2005). Thus, data collected are the independent opinions of the respondents. Secondly, questionnaires enable the researcher to reach a larger number of people simultaneously. Therefore, large amounts of information can be collected within a short period of time at a cheaper cost. Thirdly, questionnaires are very cost effective when compared to face-to-face interviews (Kumar, 2005). This is especially true for studies involving large sample sizes and large geographical areas. Written questionnaires become even more cost effective as the number of research questions increases. Fourthly, questionnaires are easy to analyse. Data entry and tabulation for nearly all surveys can be easily done with many computer software packages. Another advantage is that questionnaires are familiar to most people. Nearly everyone has had some experience completing questionnaires and they generally do not make people apprehensive.

Further, questionnaires reduce bias (Yin, 2003). This is because there is uniform question presentation and no middle-man bias. Again, there are no verbal or visual clues to influence the respondent. Questionnaires are less intrusive than telephone or face-to-face surveys. When a respondent receives a questionnaire in the mail, they are free to complete the questionnaire in their own time-table. Unlike other research methods, the respondent is not interrupted by the research instrument.

With closed questions, responses are standardised. This ensures uniformity of responses. Therefore, the results can be analysed more scientifically and objectively. This means it removes emotions and personal feelings (Neuman, 2006). The results of the questionnaire can also be quickly and easily quantified. As questionnaires are designed so that answers can be scored, the results can be analysed with limited effect to its validity and reliability (Trochim, 2005). In short, the objective of designing the questionnaire was to obtain accurate, relevant information and to maximise the response rate of the researcher. Guided by these parameters, attention was paid to ensure that individual questions were not only relevant but also appropriate, intelligible, precise and unbiased. The questions were short and simple, generally less confusing and void of ambiguity.

A disadvantage of questionnaires is the difficulty of obtaining a good response rate. Some respondents may refuse to fill the forms. However, because the microfinance institutions assembled the microfinance beneficiaries in their offices, 337 out of the 350 responded, the researcher therefore did not encounter this challenge so there was a very good (96%) response rate. Moreover, questionnaires fail to bring out the changes in emotions, behaviours and feelings of the respondents. Trochim (2005) asserts that questionnaires cannot be used to tell how truthful a respondent is. There is no way to tell how much thought a respondent has put in to the answer.

With complex and badly designed instruments, questionnaires can be misleading (Yin, 2003). This is more so if there are no follow-up questions to a previous one. The use of a questionnaire does not allow the researcher to conduct an in-depth or intensive study of the feelings, reactions and sentiments of the respondents. As the researcher may not be in the field, rapport cannot be established with the respondents. According to Yin (2003), with this lack of interaction, the researcher cannot probe into the details of the respondents. As a research instrument, the questionnaire is not suitable for delicate issues. Some research areas are so sensitive and confidential in nature that it becomes difficult to frame questions on them. Many respondents may find it difficult to put down certain personal issues in writing. The questionnaire centred on background information of the clients, for example gender and age of the clients; information about the business, for instance the nature of the clients business, how old is the business, the motivation for starting the business; microfinance demands, for instance how frequently the client accesses loan from the MFI, the interest rate, the lowest and the highest amount of loan granted, whether the MFI is able to provide the amount requested etc.; and the impact of microfinance on poverty, clients business, employment etc. The impact of microfinance on poverty was measured by the level of income and profit of beneficiaries before and after microfinance intervention, expansion or otherwise of the clients' businesses, and the number of employees before and after microfinance intervention.

For this research, both open-ended and closed questions were used. The closed questions dealt with the background of the clients, and general business information while the open-ended questions were on the challenges faced by MFIs, clients and the impact of microfinance on poverty.

Semi-structured interviews were used to collect data from the MFIs. The semi-structured interview guide was also made up of both closed and open-ended questions. The closed questions were on the general background information about the MFIs, while the open-ended questions centred on challenges they face, their contributions to the clients, Ghana as a whole and poverty reduction and other outcomes of microfinance. The results from the interviews on the outcomes of microfinance buttressed the results/findings from the questionnaire on the impact of microfinance.

There are three types of interviews, according to Saunders *et al*. (2009), namely structured, semi-structured, and unstructured (in-depth) interviews. Structured interviews are questionnaires based on a pre-determined and standardised or identical set of questions. On the other hand, semi-structured and in-depth interviews are non-standardised (Saunders *et al.,* 2009).

This study used a semi-structured interview to collect data from the respondents (Microfinance Institutions). The same questions were read out to the MFIs one after the other and the responses were recorded. In order to avoid bias the researcher read the questions to the MFIs exactly as they are written and in the same tone of voice. Each MFI had a specific day/date, and time for the interview. In other words, the researcher presented the same set of questions/themes and noted down answers of the participants according to prescribed rules. The questions asked included all the research questions. Some of the questions were: What factors do you (MFI) consider before approving a loan facility? What are the challenges you (MFI) face in lending to the clients? What are the reasons for rejection/refusing a loan application? What are the motivation and objectives for clients to apply for a loan facility? Do you (MFI) offer training and advisory services to your clients? What is your contribution to the client in terms of growth in profit, growth in investment, improvement in standard of living etc.? Finally a question was asked regarding the MFI's contribution to the economy in terms of employment creation, business growth, economic growth, and poverty reduction.

An interview guide was used because it has some advantages. Firstly, the researcher was able to probe and ascertain perspectives; respondents can influence the topic so unexpected issues emerge, it follows a set of topic guide that ensures that the main questions are asked and depth of information can be obtained (Robson, 2002; Hofsi & Mago, 2014). Again, interviews are ideal for investigating personal, sensitive, or confidential information that is unsuitable to cover in a group format. Another advantage is that interviews are valuable for researching people with busy lifestyles who would be unlikely to attend a focus group discussion; for instance, senior business people, or simply for those who cannot practically attend like farmers or single parents with young children, etc. Furthermore, interviews are used to determine individuals' perceptions and opinions, facts and forecasts, and individuals' reactions to initial findings and potential solutions (Teijlingen, 2014). Interviews have an advantage of being used to determine the spectrum of insights and biases that exist about the programme, product, or service. This initial exploration assists in formulating the problem to be solved.

The disadvantages in using interviews are that: the analysis of findings are difficult; the researcher has to avoid bias in analysis; analysis is time consuming and the researcher must be knowledgeable about the environmental culture to capture the interviewee's real meaning; and the respondents may be less willing to open up than in a relaxed atmosphere of a group (Baker, 2002; Rapley, 2001).

4.16 Data Collection Procedure

A letter seeking permission to collect data was sent to the MFIs; in addition to this, consent was sought from the MFIs/Interviewees via a consent form detailing the purpose of the study and the benefit thereof before the main study commenced. The interviewees/respondents were made aware that participation in every aspect of the research process was entirely voluntary, and that they had the right to withdraw from the research at any stage without any penalty or adverse consequences.

The researcher booked an appointment with each microfinance institution for an interview with either a Manager, Credit/Loan officer, or Chief Executive Office/Managing Director, and was granted interviews with all of them or two out of the three.

A combination of primary and secondary data was used for the study. Secondary data were sourced from journal articles, books, reports, published/unpublished thesis and dissertations, etc. Before the main survey, a pre-test/pilot study was conducted on fifty (50) beneficiary clients of microfinance institutions, and five (5) MFIs. The results of the pilot- test revealed that, although microfinance reduces poverty, it makes some individuals and microenterprises worse-off. It has even led to the collapsed of some microenterprises. The pilot-testing revealed that microenterprises are reliant on microfinance because they get access to loans without physical collateral, they access quick and repeat loans, and offer them training, among others. The objectives of using microfinance by microenterprises revealed by the pilot-testing include expansion of business, creation of jobs, increase in income, empowerment promotion, among others. The results of the pilot-testing also indicated that the microenterprises face some challenges in using microfinance. These include but not limited to high interest rates, and an inadequate loan amount. The challenges encountered by the MFIs include loan default by the MSMEs, and registration and licensing requirements. Finally, the pilot-testing revealed the outcome of microfinance to include creation and expansion of employment, business growth, and poverty reduction. The pilot testing enabled the researcher to refine the questionnaire, and the interview questions to ensure that the questions were unambiguous, clear, addressed the main issues, simple, and understood by the respondents. Both the questionnaire and interview guide passed the validity and reliability test.

Validity is the extent to which a test measures what it is supposed to measure, while reliability is the degree to which a test consistently measures what it is supposed to measure (Saunders *et al.*, 2009). The reason is that they measured the impact of microfinance and poverty reduction, and this was consistent for all the clients and the MFIs.

This study used semi-structured interviews to collect data from the respondents, the supply-side of microfinance; that is, the microfinance institutions. Before the commencement of each of the interviews the researcher once again defined the scope of the study and explained the purpose of the interview to the MFIs, and the benefits they will derive from it. The same questions were read out to the MFIs one after the other and the responses were recorded. In order to avoid biases the researcher read the questions to the MFIs exactly as they are written and in the same tone of voice.

Each interview lasted for an average of 45 minutes. The data collection through both the questionnaire and interview guide were concurrently done from August to September 2016 and lasted for a period of eight weeks (two months). In other words the interviews for the ten (10) MFIs and questionnaire from the clients of MFIs were completed in eight weeks from August 2016 and ended in September, 2016. The data was gathered concurrently as the questionnaire was used to gather data from the microfinance beneficiaries (the demand side), and the semi-structured interview guide was used to gather data from the microfinance institutions (the supply side). The data was gathered concurrently over a condensed timeframe because changes in the microenvironment and macro-environment in Ghana could impact on the data gathered from the demand and supply side, thus affecting the currency of the data and the potential for triangulation in the overall analysis. As was done for the MFIs, before the questionnaire was administered to the clients, the purpose and the benefits were explained to microfinance beneficiaries as well.

To ensure confidentiality and anonymity of the clients, the MFIs assembled their clients (respondents) at specific times and invited the researcher to come and administer the questionnaire. This was done in turns. That is, the respondents (clients) from each MFI were given specific dates and times for the meeting or to assemble for the questionnaire to be administered. All those clients who were literates were given the questionnaire to answer independently, and asked questions where clarity was needed. However those who could neither read nor write were assisted by the researcher to answer the questions. The researcher read the questions, and then explained/interpreted it in the local language for the clients to answer. The researcher remained neutral in asking the questions in order to avoid leading a respondent to answer the questions in a specific way. In other words, the researcher asked the questions in a manner that did not imply, contain, or suggest a particular response. Quotes from clients were anonymised, and references to any participants were coded to ensure that identification was impossible. Due to the approach or method adopted to collect the data the response rate was 96%. Data collection both from the clients and MFIs lasted for two months, and as stated earlier the data collection (field work) ended in September, 2016.

The secondary data was obtained from the review of literature relevant to the subject matter of this research. Secondary data, which forms part of the literature, were obtained from journals/articles, theses, dissertations and textbooks; while those that inform the research questions were sourced from manuals and annual reports of the microfinance institutions. The results or findings from the field were compared with the literature to confirm or disconfirm it. These manuals and annual reports were in the form of policies and procedures of the MFIs, their financial statements, and Central Bank's (Bank of Ghana's) report on MFIs, among others.

4.17 Data Analysis Procedure

Data analysis is a set of methods or procedures that can be applied to data that has been collected in order to obtain one or more sets of results (Academy of Educational Development, 2006). According to Emery and Couper (2003), raw data obtained from a study is useless unless it is transformed into information for the purpose of decision making. The researcher reduced the raw data into a manageable size, developed summaries and applied statistical inferences. The data was edited to detect and correct possible errors and omissions that were likely to occur, and to ensure consistency across respondents. Logistic regression was used to analyse the data from the questionnaire, while thematic analysis was done for data from the semi-structured interviews.

The findings/results from the field on each of the themes was analysed, and discussed to bring out the implications and to indicate whether the results/findings confirm or disconfirm literature. In other words, the findings from the themes were compared with the literature to find out whether or not they confirm or disconfirm literature. In addition to this, implications were deduced from the findings.

This study used Ordinary Least Square (OLS) regression and binary logistic regression analysis to examine the relationship between Microfinance and Poverty levels; Microfinance and Business growth; and Microfinance and Employment generation. OLS regression is a modelling technique where a dependent variable is predicted based on one or more independent variable (Kumari & Yadav, 2018). It examines the relationship between a dependent variable and one or more independent variables, and since this current study examines the effect or impact of microfinance on employment, Business growth, and Poverty levels, the use of OLS regression is appropriate.

The econometric equation used was: $\mathbf{Y = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \varepsilon_i}$

Y represents either **business growth, employment generation or poverty reduction**

$\mathbf{X_1}$ represents Access to credit, that is availability of credit.

$\mathbf{X_2}$ represents Availability of favourable credit terms

$\mathbf{X_3}$ represents MFI training programmes

$\mathbf{X_4}$ represents MFI advisory services

i represents or refers to individual microenterprises in the sample.

$\boldsymbol{\beta_0}$ represents the constant; that is the value of the dependent variables (business growth, Employment generation, Poverty level) when Microfinance (Availability of credit facility, availability of favourable credit terms, training, advisory services) is zero.

$\boldsymbol{\beta_1}$, $\boldsymbol{\beta_2}$, $\boldsymbol{\beta_3}$, $\boldsymbol{\beta}_4$ are parameters to be estimated for respective variables in the model.

Specifically;

β_1 represents the change in the dependent variable (Business growth, Employment generation, Poverty reduction) when there is a unit change in availability of credit, the independent variable, when all the other microfinance variables are assumed constant.

β_2 represents the change in the dependent variable (Business growth, Employment generation, Poverty reduction) when there is a unit change in availability of favourable credit terms, the independent variable, when all the other microfinance variables are assumed constant.

β_3 represents the change in the dependent variable (Business growth, Employment generation, Poverty reduction) when there is a unit change in training programmes(independent variable) when all the other microfinance variables are unchanged.

β_4 represents the change in the dependent variable (Business growth, Employment generation, Poverty reduction) when there is a unit change in advisory services(the independent variable), when all the other microfinance variables remain unchanged.

ε_i represents the error term; that is all the variables the equation is not able to capture. For example the education level of the clients, other government policies, the health of the clients, etc.

Binary Logistic regression was also used to confirm or buttress the findings of the OLS regression results or otherwise. Generally, logistic regression is well suited for describing and testing hypotheses about relationships between a categorical outcome variable and one or more categorical or continuous predictor or independent variables (Chao-Ying, Lee & Ingersoll, 2012), and when the dependent variable has only two values (binary), such as 0 and 1 or Yes and No as in the case of this study.

In general regression analysis is a statistical method used to investigate relationships between independent variable(s) and dependent variable. If there is only one independent variable, it is called simple regression but if the independent variables are more than one it is multiple regression (Jeon, 2015). Regression analysis performs three main functions, namely:

a) Finding out the influence or the impact of the independent variable (e.g. microfinance) on dependent variables (e.g. poverty, business growth, or employment).

b) Providing a relationship between the independent variable and dependent variables; that is, when one unit of the independent variable changes, a researcher can ascertain the amount of change in the dependent variables.

c) Estimating the dependent variables according to the changes of a set of independent variables.

In short when the goal or objective of the research is to understand (including predicting and explaining) the causal influence on a population outcome, regression analysis can be a powerful tool (Jeon, 2015). The current study, "A framework for understanding microfinance as a tool for poverty reduction in Ghana" examined the impact of microfinance on poverty reduction, business growth and employment generation.

As stated earlier binary logistic regression was used to analyse the relationship between microfinance and poverty levels; microfinance and business growth; microfinance and employment generation.

4.18 Validity of Data

Validity is defined as the measure of truth or falsity of the data obtained through using the research instrument (Burns & Grove, 2001). In this study, validity is referred to as the measure of truth or falsity that the MFIs and their clients were knowledgeable about microfinance. There are three major classifications of estimating the validity of the data collecting instrument, namely content validity, criterion-related validity and construct validity (Cooper & Schindler, 2008).

According to Saunders *et al*. (2009), content validity refers to the degree to which the measurement questions in the questionnaire provide adequate covering of the investigations. To achieve content validity, the research was evaluated through the reviewed literature and the pilot test. After the review, the questionnaire was sent to five experts in the area of microfinance and poverty reduction with clear guidelines on what was expected of them. These guidelines included the significance of the study, the problem statement, the objectives and the research questions. The questionnaire responded very well to the quantitative data, whilst the interview questions addressed the qualitative data excellently. Their suggestions were taken into consideration and embodied in the questionnaire and the interview guide. For instance, they suggested that some of the questions were very long, some of the questions were too personal, among others. The questionnaire and interview guide were subsequently refined before finally administering them.

To increase the content validity of this study, the researcher tried to follow the causes and effects in different parts of this study. The researcher relied mostly on information from interviews/questionnaire to ascertain the effectiveness of microfinance on poverty reduction, and other outcomes of microfinance interventions and therefore believes that the internal validity of this study is fairly high. Construct validity refers to the extent to which the measurement questions actually measure the presence of those construct the study intended to measure (Saunders *et al*., 2009). It was observed that generalisation of the measurement questions to the construct could be achieved by relating the research to existing theory.

In searching for information, multiple sources of information were used and cross checked in order to remove any subjective judgements. Evidence was established during the research before data was accepted to be a true reflection of the current situation. Therefore, the construct validity is strong.

The conclusions drawn in this study are generalisable in nature because the sample was a representative of the population and hence are likely to be helpful in analysing the effect or impact of microfinance on poverty reduction, and other outcomes of microfinance interventions in Ghana as a whole although each microfinance institution may have its own unique set of features.

4.19 Reliability

Stangor (2007) defines reliability as the degree to which a measure (for instance, income level, poverty level) is free from random errors. In order to increase the reliability of this study, all the interviewees were those who matter as far as microfinance outcomes including poverty reduction are concerned. Again all the clients who participated were those who had benefitted from microfinance for at least two years and hence could testify about the impact of microfinance on their lives, income levels, poverty levels and businesses. Most of the clients and the MFIs repeatedly responded the same to most of the questions. There was therefore consistency in the answers given by the respondents. The researcher therefore deems the reliability of the tools and hence this survey to be reasonably high.

4.20 Ethical Consideration

Ethics refers to the appropriateness of your behaviour in relation to the rights of those who become the subject of your work, or are affected by it (Saunders *et al*., 2009, p. 183).

Wells (1994, p. 3), on the other hand, defines ‘ethics in terms of a code of behaviour appropriate to academics and the conduct of research’. It must be noted that the appropriateness or acceptability of our research will be affected by broader social norm or behaviour (Wells, 1994; Zikmund, 1994).

In this study, which explored a comprehensive model to investigate the phenomenon of microfinance, ethical considerations were upheld. A Research Ethics Application was submitted to Cardiff School of Management Research Ethics Committee and approved in 2016. The clients (respondents) were selected to complete the questionnaire without any conditions attached, like access to loans etc. No client was compelled to complete the questionnaire for fear of not being given loans. They were asked to jointly agree on their own convenient time to assemble at the offices of the MFIs to complete the questionnaire.

First, before the data collection started, the researcher sent the Microfinance Institutions, who were a group of respondents, consent forms to complete to indicate their willingness to participate in the research. Secondly, during the data collection itself, objectivity, confidentiality, and anonymity were observed or adhered to. For instance regarding anonymity, the respondents (the microfinance clients) were given special numbers so no names were indicated on any of the forms and so it was impossible for the researcher to know their identity. It was even indicated on the consent form that the respondents could withdraw from the research at any stage. In the data analysis stage and the reporting stage, ethical consideration was upheld. In the actual findings reported there was no exaggeration at any point in time.

The next chapter (Chapter Five) presents the qualitative results from the interviews, followed by Chapter Six, which presents the quantitative results from the questionnaire, then Chapter Seven, which brings together and discusses both qualitative and quantitative results. Chapter Eight the concluding chapter, presents the summary of findings, draws conclusion, and discusses, contributions of the study including the framework, limitations of the entire study and recommendations for policy direction.

CHAPTER FIVE
QUALITATIVE RESULTS

5.1 Introduction

The main aim of this chapter is to present the findings of the interviews undertaken. Ten (10) microfinance institutions (MFIs) were purposely selected for the interview. All the ten MFIs interviewed had been in existence for at least five years. The youngest MFI is five years and the oldest is more than twenty years; hence, there is a wealth and depth of experience in relation to exploring the phenomenon of microfinance in Ghana.

Those interviewed were twenty in number and included Chief Executive Officers, Directors, Managers, Credit Managers, and Credit and Loan officers of the ten selected MFIs. The questions asked and the responses received and presented centred around: the impact of microfinance on poverty reduction, other outcomes of microfinance, and obstacles and challenges of using microfinance by the clients and MFIs among others. Although this chapter presents the qualitative results, the study, as indicated in the methodology, is a mixture of qualitative and quantitative approaches.

5.2 Results from the Interviews

5.2.1 Motivation for Relying on Microfinance by MFI Clients in Ghana

MFIs are accessible and offer quick loans to all

All the MFIs interviewed asserted that their clients in Ghana rely on microfinance because the MFIs are easily accessible, are very close to the people, offer quick loans and are found in every corner of the Ghana including cities, towns, and even villages. This is confirmed by Burlando and Canido (2017) and by Dutta and Banerjee (2018) that microfinance clients rely on MFIs because of easy and quick access to loans. The following are responses of some of the clients.

> *"A significant percentage of the Microfinance institutions are very close to the people and offer loans within 24 hours"(***Manager, Company, 3 & 8).**
>
> *" Provided the client has all the necessary requirements, it takes less than 2 hours to have the loan***" (C.E.O, Company1).**
>
> *"We are more concerned with those who are excluded by the traditional commercial banks, especially the ordinary people, and illiterates so there are no cumbersome bureaucratic procedures and processes. As soon as we receive loan applications, and the MSMEs meet all the criteria we disburse the loan within one hour"*
>
> (**Credit Manager, Company 9)**

The above quotes from respondents clearly indicate and demonstrate that microfinance institutions are preferred by microenterprises/clients because they are very accessible, offer quick loans, their loan processes and procedures are less cumbersome, and they do not discriminate. Their doors are opened to all provided you satisfy their criteria.

No Physical Collateral

Another reason why Clients of MFIs in Ghana rely on microfinance, according to the MFIs, is that some MFIs require neither physical collateral nor any form of collateral from the Clients who make request for loans. Since a considerable number of the clients do not have the collateral required by the traditional financial institutions they rely heavily on the MFIs for their loan requirements. This corroborates the findings of the research by Quaye et, al.(2014)

which found that microenterprises and individual clients of MFIs rely on MFIs for their loan requirements because MFIs or most of them do not request for physical collateral. This is also supported and hence buttressed by Nasrin, et al.(2017) and Lilay(2015) who revealed that Clients of MFIs are motivated to use microfinance to solve their financing challenge due to a number of factors including absence of physical collateral as a requirement. The MFIs have mechanisms like the group-lending methodology which is taken to be collateral substitute hence individuals and microenterprises are comfortable using microfinance to finance their activities.

Some of the respondents had this to say:

> " *Once a client is a member of a group and is in good standing he/she qualifies for the loan from us. We do not ask for any physical collateral"* **(Chief Executive Officer, Company 2, Credit Manager 6, 9)**
>
> *"The traditional commercial banks demand collateral, guarantors, and take their loan clients through cumbersome and long procedures and processes, but ours is very simple and straight forward; once you are a member of a group and the group can guarantee, you qualify for our loan"(***Manager, Company 8***).*
>
> *" As a client, all what you need to qualify for a loan is fixed physical location, guarantors, and post-dated cheques"(***Officer, Company, 7 & 10).**

The above responses clearly show that microfinance institutions do not rely on physical collateral before a loan is granted to clients. The physical collateral demanded by traditional financial institutions are so demanding that microenterprises do not have. So microfinance institutions have collateral substitutes like group guarantees and once the clients have it they qualify for a loan. This is also one of the reasons or motivations for using microfinance by microenterprises.

Less cumbersome documentation and processes

Another motivation for relying on microfinance by Clients of MFIs in Ghana is the fact that the MFIs (according to the clients) have less cumbersome documentation and loan processes. Compared to the traditional commercial banks, the documentations, and the loan processes of the microfinance institutions are less cumbersome. This is in agreement with the view of Hannan and Ashta,(2017) who asserted that customer satisfaction is influenced by a number of factors including flexibility of processes. This is also evidenced and supported by by the following responses.

"Our clients claim the traditional banks demand a number of things in addition to their numerous documentation and long loan processes. On the contrary, we have less documentation and quicker loan processes"

(**Loan Officer, Company, 3 & 5).**

" The clients attest to the fact that, whilst our loan processes are normally within 48 hours, that of the traditional banks lasts for months" (**Manager, Company 7).**

" Most of the clients say they do not have time to waste at the banks, so they turn to us due to our less cumbersome processes and less turnaround time" (**Manager, Company, 1 & 6)**

From the above quotes, the clients prefer using microfinance to traditional banks because, microfinance institutions have less cumbersome loan processes and procedures. This is partly because most of the clients of MFIs are either illiterates or semi-literates so may not be able to read to understand or write. Again the less cumbersome processes translate into quick loans disbursement which is one of the motivations of using microfinance by microenterprises.

Less cumbersome documentation and processes, however, has its challenges. The clients are not thoroughly and critically appraised; examination of clients' history is not thoroughly done or not done at all; cash flow statements of clients are not checked or not properly checked, among others. This leads to loan defaults and hence reduces the capital base of the MFIs, which will consequently deny other clients access to loans from the MFIs and so will be a hindrance to poverty reduction.

Flexible payment schedule

Flexible payment schedule is one of the reasons or motivations why microenterprises in Ghana prefer using Microfinance to loans from the traditional banks. Most of the microenterprises attested to the fact that the MFIs in Ghana have flexible payment systems such that it does not put repayment pressure on them (clients) because, in some cases, the clients(individuals and microenterprises) discuss and agree with the MFIs on the payment schedule convenient to them. This is consistent with the assertion of Hannan & Ashta,(2017) who claimed that flexibility is a factor that affects customer satisfaction.

"According to our clients (Microenterprises and individuals), though our interest rates are comparatively high, due to our flexible payment system, they prefer using us than the traditional banks." **(Chief Executive Officer, Company 2)**

"Most of our clients, the micro enterprises are enthused about our payment system and so they claim they will always do business with us" **(Manager, Company, 8 & 9).**

"Some of our clients (microenterprises) claim our payment plan is so flexible that it gives them space to plan their activities" **(Manager, Company 4).**

Unlike the traditional banks, MFIs offer their clients flexible payment schedule. From the above it is clear that clients are also motivated to use microfinance because of MFIs' flexible payment schedule. Some of the MFIs even go to the extent of agreeing with the client the best payment plan for him/her; and this offer according to the clients attract them to use microfinance.

The flexible payment system of the Microfinance institutions, although attractive to the clients, has its own weaknesses. It has led to loan default in some of the MFIs, leading to collapse of some MFIs and so has denied other clients from having their loan requests granted due to lack of funds and the fear of default. This again is a hindrance to poverty reduction.

Help keep proper and accurate records

In addition to the above reasons mentioned by some of the MFIs (the interviewees), the MFIs claim they help the Clients keep proper and accurate records. This, according to the MFIs, is one of the reasons why the Microenterprises and individuals use them. Dutta and Banerjee (2018) also agree that microenterprises and individuals are motivated to use microfinance because MFIs offer business advice, capacity building and entrepreneurship development.

The following are some responses:

"*We have been able to help our clients prepare and keep proper books of accounts, and this among others attract them to do business with us."* **(CEO, Company 2)**

"Our policy is to ensure that our clients grow and so we have always been advising and assisting them to keep proper records to enable them prepare accurate accounts." **(Credit Officer, Company 3)**

"We are well aware that for us to make good profit and hence grow, our clients must grow first, so we teach them to keep proper and accurate records and hence prepare accurate accounts." **(Chief Executive Officer, Company 1).**

Success of every business depends partly on good and accurate record keeping. From the above responses, clients are happy to use microfinance because unlike the traditional banks, some MFIs help their clients to keep proper and accurate records, which leads to increase in profit, and hence expansion and growth.

Summary

The above demonstrate why microfinance clients/microenterprises prefer to use microfinance institutions to satisfy their financing needs. Firstly, accessibility and quick turnaround time of receiving their loans is very important to the microenterprises. Unlike the traditional commercial banks, which are found only in the cities and major towns, microfinance institutions are all over, found in every corner of Ghana including the villages, so they are easily accessible to satisfy the needs of the microenterprises. Not only are they accessible they also offer quick loans, their turnaround time on the average is 24 hours, and since these microenterprises need the loans quickly and do not have time to wait they prefer to use the MFIs.

Secondly, since these microenterprises/operators of microenterprises do not have the collateral required by the traditional commercial banks, they are motivated to use the MFIs for their financing needs. The traditional commercial banks require physical collateral in addition to guarantors before a loan facility is granted. However, microenterprises in Ghana do not have these collaterals at all so they are excluded from obtaining loans from the traditional commercial banks, hence resort to MFIs for their loans.

Thirdly, the above quotes from the clients of MFIs, demonstrate that microenterprises prefer loan application processes which are less cumbersome with less documentation. Unlike the traditional commercial banks which have more cumbersome loan application processes, the MFIs on the other hand have less cumbersome loan application processes, and this motivates the microenterprises to use them for their financing needs because most of the operators of microenterprises are illiterates or semi-literates.

Furthermore, it is clear from the above quotes that microenterprises prefer flexible payment schedules, which is non-existent in the traditional commercial banks. On the other hand MFIs in Ghana offer their clients flexible payment schedules, and most of them also reschedule the loan payment to their clients (microenterprises) when they default. This also motivates microenterprises to work with MFIs.

Finally, from the quotes above, it is evident that MFIs in Ghana unlike the traditional commercial banks help microenterprises to keep proper and accurate records. They offer training to microenterprises not only in records keeping but also in other areas like marketing, book-keeping and accounts, and planning. This helps most of them to make profit, expand their businesses, and create employment, leading to economic growth and development of Ghana. This again motivates microenterprises to use and work with MFIs in Ghana.

5.2.2 Objectives of Using Microfinance by microenterprises (clients) in Ghana

Expand businesses, create employment and increase income

All the ten Microfinance institutions interviewed indicated that clients demand microfinance to expand their businesses, create and expand employment, increase income, improve their standard of living and ultimately reduce poverty. That is, Clients are motivated to be beneficiaries of micro-credit because, through microfinance they are able to create jobs, which serve as employment for themselves and those they employ.

Further, all the MFIs interviewed asserted that microenterprises and individuals access microfinance to enable them to increase their business income and, as a result, improve their individual standard of living. Separate studies conducted by Hussain and Mahmood (2012) and Akram *et al*. (2010) in Pakistan and Bangladesh respectively revealed that microenterprises and individuals use microfinance to improve upon their standard of living through an increase in their incomes. This is also supported by a number of studies including those conducted by Nukpezah and Blankson(2017), Antwi(2015), Elhadidi(2018), Karsh and Deek(2019), Joddar and Doe(2019), Tafamel(2019), Gupta and Gupta(2019) and Awojobi(2019) who found that access to microfinance creates employment, expands businesses, increase income and improves standard of living of beneficiaries.

The participants commented as follows;

" ----our clients access the loans to invest in their businesses, and hence expand their enterprises" **(Deputy Director, Company 5)**

"Microenterprises are able to create employment with the help of loans we give them" **(CEO Company 3; Manager Company 2, 4)**

"Those who apply the basic principles in business and adhere to our advice earn good profits, expand their business income, increase the salaries of their employees and hence enjoy improvement in their standard of living" **(C.E.O., Company 1, Manager Company 6).**

" *Creation of employment, expansion and growth of business, increase in profit and income and improving standard of living are our objectives of using microfinance* ***(Companies 7, 8, 9&10)***

Every businessman/woman wants to make profit, increase income, grow his/her business and also create employment in order to be competitive or remain competitive in the industry. From the above quotes, it is evident that clients' purpose or objective of using microfinance is to increase their income, grow or expand their businesses and also create employment. From the above responses microfinance has helped the clients (especially those who apply the loans in the business) make profit, increase their incomes, expand their businesses, enhanced their standard of living, and created employment. So to most of the clients, their objectives of using microfinance are achieved.

Empowerment and financial independence

Eight out of the ten MFIs believe that empowerment of Clients, especially empowerment of female micro-entrepreneurs, is one of the objectives of using microfinance. This is confirmed by a number of studies including those conducted by Elhadidi (2018) and Karsh & Deek(2019) who found that microfinance enhances women's empowerment. This is also buttressed by Gichuru, et, al(2019), Hussain et, al(2019), and Prathap, et, al(2018) who concluded that microfinance leads to empowerment of the poor especially women. In short microfinance leads to empowerment of clients and hence creates financial independence to the poor.

The responses of some of the participants from the interviews are as follows:

> " ----*empowerment of clients, especially female entrepreneurs is one of the objectives of using microfinance. A female micro-entrepreneur told me that these days her husband respects her because she contributes to the upkeep of the house"* **(Manager, Company 8, Officer 3).**

> *"A considerable number of the entrepreneurs attest to the fact that they are now able to send their children to school and pay their fees"* **(Manager, Company 6).**

> *"----our clients now participate in all kinds of decision making be it political, economic or social because they now have money as a result of the loans we grant them"* **(Director, Company 7).**

> *"Some of the clients use microfinance to increase their working capital, and also overcome their liquidity challenges, and eventually become financially independent"* **(Credit Manager, Company 10).**

One of the objectives of microfinance is empowerment of clients. The above quotes demonstrate that by using microfinance, the clients' incomes are increased, profit expands, standard of living has improved and so they are empowered economically. Secondly, they now participate in decision making (be it economic, social, or political) especially women who were hitherto excluded from high level decision making in their communities. This means by using microfinance the clients are economically, socially, and politically empowered, so their aim/objective is achieved.

Summary

The above quotes clearly indicate and demonstrate that microfinance expands businesses, creates employment, increases profit of businesses, increases income of microenterprises, and improves standard of living especially if the loans are not diverted but invested in their businesses. This also implies that those who do not invest the micro-loans into their businesses will not grow and eventually collapse and worsens the poverty levels of individuals and microenterprises.

Secondly, the above quotes succinctly imply and demonstrate that microfinance empowers individuals socially, politically and economically and also provide financial independence for them. By increasing profits of microenterprises, expanding businesses, and increasing income of microenterprises, microfinance empowers individuals and microenterprises and gives them financial independence.

5.2.3 How micro-financing is done (delivered) by MFIs (Methodology of delivering Microfinance)

The microfinance institutions were asked to explain how micro-financing is delivered at the institutions. The MFIs explained that there are basically two main ways of delivering microfinance, namely group lending (group methodology) and individual lending. It was made clear that, although some individual microenterprises are offered the loans through individual methodology, the rest of them use the group lending methodology in accessing the loans.

For the individual methodology, some of the MFIs explained that when an individual applies for a loan he/she or the microenterprise is required to issue post-dated cheques to cover the amount of the loan plus interest and, in addition, a guarantor is required so that, in case of default, the guarantor is contacted to make payment. In some cases, for example, if the client is not a member of any group, and has no cash flow statement, physical collateral (landed property, car) is demanded in addition to the guarantor. Some of the MFIs require the individual to save with them for a minimum of three months before a loan is granted. The deposit is used as a form of collateral in addition to a guarantor. The individuals, at times, are required to make a daily deposit of equal amounts (Susu) for a period of not less than three months before a loan can be granted.

Microfinance is similarly done through the group methodology.

The group lending methodology practised by the MFIs in Ghana is a combination of the Grameen method and the Latin America Solidarity Group lending methodologies with some modifications to suit the Ghanaian environment. These methodologies, according to the MFIs, have characteristics that are similar to the Susu system practised in Ghana. With the Susu system one contributes a small amount of money daily for thirty one days, and the contributor gets the bulk amount less a day's contribution as commission to the Susu collector. Some Susu agents or collectors grant loans to the contributors after contributing for a number of months, normally three months.

With the MFIs serving as facilitators, groups of five to ten members are self-formed. All the MFIs interviewed stated that, to ensure that the credit officers do a very good appraisal, the group should not be large, so in most cases a minimum of five and a maximum of ten members are in a group. Four out of the ten MFIs explained that, in some cases, the group members are allowed to form their own groups without the assistance of the MFIs. No collateral is required but the members of the group co-guarantee each other's loan and are all legally liable for the repayment of other members' loans in case of default. The group will not be entitled to additional or repeat loans until all members have paid their loans plus the interest. Due to this, there is peer pressure on the members to repay their loans. The MFIs disburse the loans individually to each member, the individual member signs and the group likewise signs to guarantee for each member. In other words, the bulk money is not given to the leader of the group to disburse to members. The members are mandated to attend weekly meetings.

Group lending methodology is one of the innovative ways that microfinance institutions use to deal with the challenges of moral hazards, adverse selection, and transaction costs. This is confirmed by Lilay(2015) who opined that in group-lending methodology, there is joint liability which presupposes that individual borrowers co-guarantee each other as a collateral substitute, and some even offer collateral free loans to their clients.

In delivering the microfinance, the MFIs offer advisory services including technical advice, and training to the clients to ensure that they grow, create employment, and eventually become financially independent.

The responses of some of the participants are as follows:

---*"although the group methodology is the main methodology used in delivering microfinance and hence accessing the loan by the Clients, we also accept individual methodology provided the Client is credible"*

(Manager, Company 3, Officer Company 9)

---*"some of the Clients belong to groups, whilst others do not"* **(CEO, Company 1, 4).**

---*whether the Client is a member of a group or not, the most important factor to us is being able to pay the loans with the interest" (***Manager, company 2, 7, 8, 9, 10).**

The above quotes demonstrate that microfinance institutions in Ghana use both individual methodology and group methodology in delivering their services, that is microfinance. The implication is that one should not necessary be a member of a group to qualify for a loan from microfinance institutions. Once you satisfy the criteria, whether you are an individual or belongs to a group, it is immaterial.

Factors MFIs consider before approving a loan facility

One of the questions asked the MFIs was the factors they consider before approving and hence grant loan facilities to the clients. The factors mentioned by the MFIs included whether the client is a member of a group, has collateral, has guarantors, prepares financial statements, including a Cash Flow Statement, have fixed and identifiable location, good credit history, among others.

Four out of the ten MFIs explained that to qualify for a loan facility one must be a member of a group and nothing else, so that the group, in addition to monitoring and applying pressure, will co-guarantee each other to ensure that repayment is made and on time.

One of the Credit Officers of ***Company 3*** said,

> *"The group members co-guarantee each other, it is a form of collateral as well, and the members exert pressure on each other to pay their loans hence membership of a group is a necessary condition for one to access a loan facility"*
>
> **(Credit Officer, Company 1, 2, 3 & 4).**

A manager of ***Company 5*** also stated that

> "*We also accept physical collateral like cars and buildings even when you are not a member of a group for one to access a loan facility."*
>
> **(Manager Company 5).**

Almost all the companies especially officers of companies 1, 4,6, 7, 8, 9, 10 said that "*once the client has physical collateral, good credit history and a fixed location (permanent place of business) these are enough to be eligible for loans"*.

The implication from the above quotes is that MFIs in Ghana do not rely on only one criterion or qualification for a loan. To be eligible or qualify for a loan an applicant should be a member of a group (group guarantee), provide physical collateral, post-dated cheques, has a fixed location, good credit history or has financial statements. In short unlike the traditional banks which demand physical collateral and financial statements in some cases, MFIs in Ghana has a number of collateral substitutes as mentioned above.

Advisory services for the clients

In delivering microfinance to microenterprises and individuals in Ghana, one of the key things the MFI do is to offer advisory services to the clients. Some MFIs indicated that in one way or the other they offer advisory services to the clients any time they visited their clients or whenever clients came to make payments. This is confirmed by Dutta and Banerjee (2018) who asserted that MFIs offer business advice and other services to their clients.

Managers of ***Companies 2, 5, 7, 8, 9*** said

> *"it is the policy of our company to offer advisory services in the form of investments, micro-insurance, keeping proper records, etc. to our clients. Our officers, including myself, have been doing this"* **(Manager 2, 5, 7, 8 & 9).**

> " *--any time the clients came to make payments or came for a repeat loan, or any time I visited a client I asked of how the business was performing, and whether or not there were challenges. I offered advice on how to overcome the challenges or improve on the performance of the business".* **(CEO Company 1, 3, Officer 10).**

“---we offer advisory services to our clients always but I am not sure whether all of the clients implement the advice because whilst some are performing well and hence experiencing positive growth others are not, some are even experiencing negative growth” **(CEO, Company 1, Officer company 6)**

The responses from the above demonstrate that MFIs in Ghana offer advisory services to their clients. According to the MFIs those who implement their advice benefit but those who do not implement their advice do not benefit. The implication is that offering and implementing technical and advisory services impact positively on clients’ businesses.

5.2.4 The Main Obstacles and Challenges of Using Microfinance by Clients and MFIs in Ghana

5.2.4.1 Challenges faced by Clients of MFIs

High interest rate and unfavourable credit terms

All the MFIs contacted asserted that some of the microenterprises and individuals claimed the interest rate, and hence the interest payments are exorbitant and so hinder the growth of their businesses leading to default. Some of the businesses have even collapsed as a result of high interest payments. Regarding the interest rate charged on loans, the MFIs interviewed stated that the interest rate charged by the majority of MFIs in Ghana ranges from 5% to 10% per month, which works out to be roughly 60% to 120% per annum. The loans are mostly short-term having a maturity period of up to one year (12months). They further stated that some MFIs even charge a monthly interest rate of 20% and above. This clearly implies that the high interest rate is a challenge or obstacle to the borrowers and business growth, employment generation and poverty reduction. This is supported by a number of studies including researches conducted by Rashem and Abdullah (2018), Prathap, Mahesh, and Karthik(2018), Elhadidi(2018) and Ntim (2019) who found that high interest rate is a challenge or obstacle to the clients of MFIs because it makes them worse off or in some cases collapse the microenterprises. This is also confirmed by Salia, Hussain, Tingbani and Kolade(2018) who asserted that inefficiency and cost of microfinance is a hindrance to women's ability to come out of poverty. High interest rates therefore adversely affect the clients and hence contradict the motivations of using microfinance by microenterprises in Ghana.

The responses of the participants include the following:

"-- high interest rate according to some of our clients is a barrier to business growth because it increases their cost of production, and hence reduces their competitiveness in their industry" **(Manager, Company, 4, & 5).**

"Some micro-entrepreneurs claim a few of their colleagues are out of business because of the high interest rate" **(Director, Company 3).**

"A number of our loan defaulters attribute the cause to high interest rate and unfavourable credit terms." **(Credit Officer, Company 2, 8, 9)**

The above quotes demonstrate that high interest rate (and unfavourable credit terms) is an obstacle to growth of some microenterprises in Ghana. The implication is that some microenterprises feel that MFIs in Ghana charge exorbitant interest rate which consequently lead to the collapse of some microenterprises. This defeats the aim of microfinance which among others is to grow microenterprises. The above also implies that the growth of microenterprises does not only depend on interest rate because in spite of the high interest rate other microenterprises experience expansion and growth. This point is very important to the study because high interest rate impact on business growth, employment generation, and hence poverty reduction which is the concern of this study.

Other fees and charges

In addition to high interest rates the Clients, according to the MFIs, complain about other charges like processing fees, compulsory savings etc., which reduce the net cash they receive as a loan. This corroborates the findings of separate studies by Rossenberg, et, al.(2009) and Addae-Korankye, et, al.(2017) which concluded that in addition to high interest rates, other hidden cost like processing fees and compulsory deposits are obstacles and challenges to microfinance clients. The following are some of the responses by the interviewees:

> *"Some of our clients claim the processing fee is exorbitant and so drastically reduces the net loan, meanwhile they pay interest on the total amount"* **(Manager, Company 6).**

> *"A number of Clients still do not see the essence of the processing fee since they pay high interest rates"* **(CEO, Company 2).**

> *"The Clients view the processing fee as an addition to the interest rate so complain a lot because, according to them, it is a hindrance to their growth"* **(Credit Officer, Company, 9 & 10).**

Loss of deposit

Another serious obstacle or challenge is the occasional loss of the clients' deposit as a result of the collapse of some MFIs or some MFIs absconding with their clients' deposits. This is a matter of supervision and/or regulation by the Central Bank (Bank of Ghana). As a result of such occurrences Bank of Ghana (Central Bank of Ghana) has increased the minimum capital requirement of the MFIs and intensified its monitoring and supervision of the MFIs, so it is hoped that such things will not occur again. This practice was not common previously, so some people (including microenterprises) lost confidence in the MFIs; some clients were sceptical to do business with some of the MFIs, especially the non-bank MFIs. The MFIs had to work hard to regain confidence with the public. They are vigorously advertising in the newspapers and television convincing the public (clients and potential clients) that they are worthy to do business with and that clients' deposits are safe and so on. Most of the MFIs have now become professional in the way they do business, and so the clients' confidence in them has also increased. One of the strategies Bank of Ghana has been implementing is to advertise the list of licensed MFIs in the dailies periodically for the Ghanaian public to know which MFIs to do business with. The Bank of Ghana has been continually advising the populace and the microenterprises not to do business with unlicensed MFIs; that is, MFIs whose names do not appear on the list. Loss of clients' deposits is an important contribution of the current thesis.

Some of the participants stated the following:

> *"Some of the Clients fear to save with the Microfinance institutions because of the history of loss of deposit due to the collapse of some MFIs"* **(CEO, Company 1).**

"Some purported Microfinance Companies in Ghana have absconded with clients' deposits so some of the Clients are sceptical depositing money with the MFIs"

(Manager, Company 3).

"The history of some of the MFIs absconding with clients' deposits is still in the minds of some of the Clients so are extra careful in doing business with MFIs"

(Loan Officer, Company 5).

The above clearly indicates that loss of clients' deposits is an obstacle to the growth of microenterprises. As demonstrated by the clients some MFIs abscond with clients' deposits. There are a number of causes including collapse of MFIs due to loan default by clients, high cost of capital, officers stealing from the MFIs, and inexperienced and unqualified staff. Other MFIs intentionally abscond with clients' deposit. The central bank has since instituted measures to curb or minimise these occurrences including upscaling the required capital MFI should possess, and ensuring that unlicensed MFIs are closed.

Other obstacles and challenges including unfavourable credit terms

Other obstacles or challenges faced by the borrowers, according to the MFIs, are the short repayment (maturity) period of the loan, frequency of repayment, inadequate loan amount, training and advisory services, among others. This confirms the findings of Khanam et al.(2018) and Addae-Korankye, et, al.(2017) who reported that inadequate loan sizes, lack of well-trained staff, inadequate training, frequency of repayment or maturity period of loan are other challenges that hinder the growth of microenterprises.

The respondents said:

"Our clients complain about unfavourable credit terms, for instance short maturity period of the loan; they claim they need more months to repay the loan plus the interest" **(Officer, Company 6).**

"Some of our clients are not satisfied with the loan amount; they claim it is very small for their businesses, and so it hinders the growth of their businesses" **(Loan Officer, Company 5).**

A Credit Officer said the main things the clients complain about are high interest rates, inadequate loan sizes and short maturity period of the loan. He said,

"the clients mainly complain about high interest rates, inadequate loan amount and short maturity period of the loan" **(Credit Officer, Company 7).**

The above apply not only to female clients but all clients.

Summary

The above quotes by the clients of microfinance institutions demonstrate that in using microfinance, the microenterprises face some challenges, which stifle their growth and lead to collapse of some microenterprises. These challenges include high interest rates and unfavourable credit terms, other fees and charges, loss of clients' deposits, short repayment period, inadequate loan amount, and lack of training and advisory services. High interest rate charge by MFIs is a major challenge and obstacle face by microenterprises (clients of MFIs). Due to the high risk profile of microenterprises, and the high cost of capital, microfinance institutions charge a higher interest rate than the traditional commercial banks. From the quotes, it is clear that high interest rates charge by the MFIs and paid by the microenterprises coupled with inadequate loan amount and other challenges mentioned above are obstacles to microenterprises which not only stifle the growth of some microenterprises but lead to the collapse of some them.

5.2.4.2 Challenges Faced by Microfinance institutions

In addition to the above, the MFIs were asked to indicate the challenges they face in lending to the clients and operating in Ghana. The challenges the MFIs enumerated included default, diversion of funds, absence of efficient and effective credit bureaux in the country, clients accessing loans from multiple MFIs and commercial banks, the Clients owing other MFIs, regulatory requirements, training for the Clients among others. The challenge of loan default is confirmed by Rashem and Abdullah(2018) and Elhadidi(2018) who asserted that unwillingness of clients to invest their loans in their microenterprises but rather use them on consumption implying diversion of loans lead to high rate of default. The absence of credit bureaux is also confirmed by Sainz-Fernandez(2015) who found that absence of credit bureaux is an obstacle and hence a challenge to MFIs. This is because it leads to clients accessing loans from multiple sources because their credit histories are not known by the MFIs and hence increases the probability of crises and consequently loan default. Lensink, et, al.(2018) support the notion that training offered by MFIs to the clients is a challenge. He explained that provision of social services like training, business development, access to market and health care increases cost of operation to MFIs, hence poses a challenge. Begun,et,al.(2018) confirms that MFIs especially Islamic MFIs often reschedules the time of repayment for clients especially if they found that the client genuinely has a problem. MFIs also face legal, regulatory, and licensing challenges. This corroborates the findings of Kenubeh(2015) who reported that some MFIs face legal, regulatory, licensing, inadequate infrastructure, and competition from commercial banks, high illiteracy rates of their clients, a huge work load, and inadequate skilled personnel.

The microfinance sector also faces a number of obstacles/challenges which hinder their effective operation and hence their growth. These include loan default, lack of skilled personnel (because most of them do not recruit skilled employees), and high operational cost(Asiamah, and Osei, 2007), there is no institutional capacity building and hence capacity enhancement in the sector, lack of funding and basic infrastructure like good roads, electricity, telecommunication services, lack of reliable information for effective planning and decision making, and lack of effective regulation and supervision (Gyamfi, 2012; Boateng and Boateng, 2015).

Absence of an efficient and effective credit bureaux

The Credit Manager of one of the MFIs ***(Company 3)*** said,

> "*the absence of credit bureaux in Ghana is a serious challenge to us because it enables some of the clients to access loans from multiple MFIs"* **(Credit Manager, Company 3).**

A Manager of ***Company 8***, is of the view that to curtail clients from accessing loans from many microfinance institution (multiple borrowing), there is the need for efficient credit bureaux. He stated,

> *"--until efficient and effective credit bureaux are established, clients will continue to succeed accessing loans from more than one MFI leading to default"* (**Manager Company 8).**

On the same point a Manager of ***Company 10***, stated,

" ------*existence of efficient credit bureaux is necessary for the success of Microfinance Companies not only in Ghana but the world at large"*

(**Manager, Company 10).**

The above quotes from the MFIs imply that lack of efficient and effective credit bureaux in Ghana is a serious obstacle because it makes it very easy for the clients to borrow from multiple sources leading to default. This has led to the collapsed of some MFIs and consequently negatively impacting the growth of microenterprises.

Loan default

On loan default the following are some of the comments by some participants:

"--diversion of the loans by some of the clients is a major cause of default"

(Manager, Company 5 & 7)

"*Some of the clients take the loan and use it for other purposes leading to default"* **(Director, Company, 1 & 6**

*"Loan default used to be a serious challenge to my company but now after using the group methodology the problem is minimised"***(Officer, Company 9).**

Loan default is obviously a challenge to the MFIs in Ghana. From the quotes above a number of clients take the loan and instead of investing the loan in their businesses use the loan on consumption; thus diverting the loan, leading often to default. As mentioned above loan default is also a result of multiple borrowing caused by inefficient and ineffective credit bureaux; and lack of qualified officers to properly appraise the loan, etc. Loan default is a concern because it impacts negatively not only on MFIs but also on the growth of microenterprises, employment and hence on poverty reduction which is the main concern of the study.

Refinancing and rescheduling

A manager of ***Company 1*** reiterated that refinancing and rescheduling of loan terms are another challenges they face. Refinancing of a loan occurs when a customer/client is unable to pay the loan due to a genuine cause, for example fire outbreak, theft, etc. In such circumstances the MFI may decide to give the clients an additional loan so that the client can work with it and repay all the loans, especially if the client is credit worthy. Rescheduling occurs when the term of maturity of a loan is extended for the client. This is normally done by some financial institutions when as a result of a genuine cause or reason the client cannot pay the loan at the maturity date. A manager said,

> *"----of late refinancing and rescheduling of the loans have been a challenge although they are not a very common occurrences"*
>
> **(Manager, Company 1).**

Another officer commented that,

> " ------- *when a good client has a genuine problem, we reschedule the loan or, in worse case, we refinance the particular client"* **(Credit Officer, Company 4)**

Even though, it is not a frequent occurrence, some MFIs have the policy of refinancing and rescheduling loans to good clients; that is clients with good credit history. This according to some of the MFIs hinder their growth which may also impact negatively on clients as well.

Registration and licensing requirements

To some of the MFIs, registration and, in particular, licensing requirements are a challenge and hence an obstacle to them, however they do not have any option so they must comply. The delays, documentations, technical, financial and other requirements, licensing and registration fees etc. are obstacles to the MFIs.

The Chief Executive Officer of one of the microfinance institutions said:

"Though it's a challenge, I want to be legally recognised by the government hence I cannot do this business without registering with the authorising body. Again, to be legally permitted to be a financial institution, one must be licensed by Bank of Ghana hence my MFI is not only legally registered, but also licensed by Bank of Ghana"

(CEO, Company 1).

Another Chief Executive of one MFI said,

"---- in Ghana and I believe in many jurisdictions, one cannot successfully operate a Microfinance institutions without being registered and licensed by the country's central bank. This is because in Ghana when clients realise that the MFI is not registered and licensed they will cease doing business with you; so it is extremely necessary to be registered and licensed by Bank of Ghana though at times the processes and the money involved are a challenge" **(CEO, Company 2)**

On the same issue the Chief Executive Officer of ***Company 3*** indicated that,

> *"apart from the fact that you will lose clients, Bank of Ghana will close down your MFI hence it is necessary to be registered by the Registrar General's Department and licensed by Bank of Ghana in spite of its attendant challenges"* **(Chief Executive Officer, Company 3, Manager, Company 4).**

The rest of the companies have similar responses.

The above quotes from the MFIs demonstrate that registration and licensing requirements at times is a challenge to them. This is because in Ghana as in other countries, the central bank ensures that all financial institutions and for that matter MFIs are properly licensed before they start their operation. The requirements are both technical and financial. Most of the MFIs do not have the technical competences or expertise (required human resources) and financial resources, that is the capital requirement to operate as an MFI. Bank of Ghana keeps on increasing the capital requirement to protect and safeguard clients' deposit and this is seen as an obstacle to MFIs.

Training for the Clients

According to the MFIs organising training for the clients is one of the challenges they face. When asked whether the MFIs offer training to their clients, the Chief Executive Officer of ***Company 1*** reported,

> " *--we have attempted several times but only a few attended; they (clients) claimed that they could not leave their businesses to attend the training. Due to this we have stopped"* **(CEO, Company 1, 3).**

However, some of the microfinance institutions, in particular ***Company 2, 4,& 5,*** claimed that notwithstanding the poor attendance, they still offer the training to their clients.

> *" the micro enterprises require training to be effective and efficient (especially since some of the operators are either illiterates or semi-literates) hence in spite of the poor attendance still we do the training for the few who are eager to attend"* (**CEO, Company 2, Officers 4 & 5).**

Similarly, a manager of ***Company 7*** stated that,

> *"--before disbursements are made for the first time, a client must have to undergo a training programme organised by us; attendance of our training is a prerequisite for accessing a loan"* **(Manager, Company 7).**

However, some of the MFIs (e.g. companies 10, 8, 6, and 9) claimed they had never organised any training programme for the clients (institutions).

> *"We have never organised a training programme for our clients since the formation of our company because it will add to costs"* (**Manager, Company 6, 8, 9 &10).**

The above responses demonstrate that training offered by some MFIs to their clients is an obstacle or a challenge to them because it adds to their cost and hence impact on their profits which adversely affect their growth. Though the attendance is low some MFIs claim that for them to grow, their clients should grow first, hence the microenterprises need to be trained for their businesses to growth because a number of them are illiterates or semi-literates. Though some microenterprises, do not implement what they learn at the training and so does not impact on their business, the few who implement it experience growth in their microenterprises, so they will continue to train them. Other MFIs also do not train their clients at all because according to them it is costly, and also they claim the clients will not attend.

This lack of training for some of the clients could partly account for the low growth rate in profit and low expansion in their businesses and, as a consequence, not impacting significantly on poverty reduction. This is because, without training, there will be poor customer service, poor planning and decision making, poor financial management, poor or no record keeping, no or improper account preparation and many more issues. Lack of this training will obviously impact negatively on profit, business growth, and employment creation which eventually worsens poverty levels.

In addition to the above the MFIs interviewed enumerated the following as the challenges/obstacles facing the microfinance sector: High operational cost, lack of skilled personnel, lack of capacity enhancement and funding, lack of information or reliable information for effective planning and decision making, lack of defined areas of operation, lack of basic infrastructure, and ineffective regulation and supervision. These confirm literature.

Summary

The above quotes from the MFIs demonstrate that the suppliers of microfinance also face some challenges in delivering microfinance. These challenges also hinder the growth of some MFIs and has even lead to the collapse of some of them. The challenges include absence of an efficient and effective credit bureaux, Loan default, Refinancing and Rescheduling. Registration and Licensing requirements, Training for the clients etc.

One major challenge faced by the MFIs in Ghana in particular, and developing countries in general is absence of efficient and effective credit bureaux making it possible for some clients to borrow from multiple sources leading to loan default. Loan default is another major challenge or obstacle faced by MFIs. From the above, a number of clients default on their loan repayment leading to loss of capital to MFIs which causes collapse of some MFIs. Other challenges mentioned include refinancing and rescheduling of loans, registration and licensing requirements and training of clients leading to increase in operational cost of MFIs, reducing their profit margins and hence stifling their growth. This may affect their capital and hence the amount of loans they can offer the microenterprises (clients of MFIs), which will eventually hinder the growth of microenterprises and worsens poverty.

5.2.5 Impact of microfinance on poverty reduction

The MFIs were asked to indicate the impact of microfinance on poverty levels. Most of the MFIs said there are two categories of microfinance clients. There are those individuals who use the loan on consumption, that is, they spend the loan on consumer items. With such people microfinance will not reduce their poverty level, it will rather worsen their situations because they have to pay the loan with interest. There is a high probability that microfinance will impact negatively on their lives. The second group of microfinance clients are the microenterprises who invest the loan in their businesses. With this group, microfinance increases their incomes, creates and expands employment, leads to business growth, and hence a reduction in poverty level. However, if the micro-loan or micro-credit is not invested in their businesses, but diverted, poverty levels will worsen because employment will not expand, businesses may not grow, incomes will not increase and, in fact, some businesses may even collapse. According to Vik(2017) there is a positive correlation between microfinance and poverty reduction, which presupposes that microfinance reduces poverty levels of beneficiaries in Bangladesh. This is confirmed by Karsh and Deek (2019) who also found that microfinance reduces poverty levels of MFI clients in Palestine. In addition to the above studies Prathap et, al(2018), Jolaoso and Asirvatham(2018), Elhadidi(2018), Tafamel(2019), Gupta and Gupta(2019), Hussain et, al(2019) and many others support the assertion that microfinance leads to poverty reduction.

However, there are other studies which confirm the view that microfinance worsens the plight of the poor, and collapses microenterprises (businesses) of MFI clients. For instance Gerald and Johnson (2019) argue that there is limited evidence that demonstrates that microfinance is a tool for poverty reduction. This is consistent with the assertion by Ahmeti (2014) that it is not clear whether microfinance delivers on its promise of reducing poverty. This is also confirmed by Yaidoo and Vishwanatha(2018) who concluded that microfinance is not a solution to poverty. Galeta(2015), Radmila, et, al(2015) and Banerjee & Jackson (2018) found in their studies that microfinance leads to increasing levels of indebtedness among already impoverished communities and aggravated several dimensions of vulnerability including collapsing microenterprises of MFI clients.

On the impact of microfinance on poverty levels, the participants had said:

"The majority of our clients (micro-entrepreneurs) attested to the fact that microfinance has improved their living conditions and hence their poverty levels"**(Companies 2, 4, 5, 6 & 8)**

"Although the majority of our clients claimed that microfinance loans have positively impacted on the growth of their business and hence their individual poverty levels, some also attested to the fact that microfinance has rather made them worse off"

(Officer, Company1, 3, 7).

"Some microenterprises, which are beneficiaries of our loans record profit every year because we monitor to ensure that they comply with the best practices in business, so the owners as well as their employees experience positive impact on their poverty level. However, a considerable number of them complain bitterly that microfinance has made them worse off" **(Manager, Company 9).**

" *We cannot be very sure of the net effect of microfinance because whilst some clients claim their poverty levels have considerably reduced others say microfinance has made them worse off and hence cannot be a panacea or a tool for poverty reduction*"**(CEO, Company 10**)

Summary

Regarding the impact of microfinance on poverty reduction, the above quotes from the clients clearly demonstrate that whilst some clients/microenterprises claim microfinance has made them better off, implying reduction in poverty or has enabled them create wealth and as result improves their standard of living, a considerable number of clients also complain that microfinance has made them worse off or worsened their poverty situation. The implication is that microfinance is not a panacea for poverty reduction.

5.2.6 **Other outcomes of microfinance**

Employment creation and expansion

The MFIs interviewed agreed that with the right conditions (reasonable interest rates, adequate loan amount, training and advisory services, etc.) microfinance creates and expands employment. Elhadidi(2018), Karsh & Deek(2019) among others confirm that microfinance creates and expand employment. Their studies are consistent with the findings of Tafamel(2019) and Awojobi(2019) who found that microfinance creates and expand employment. However, microfinance also makes some individuals and businesses worse off; in fact it even leads to the collapse of some microenterprises according to the interviewees. This corroborates the findings of Radmila, et al(2015), Boateng, et, al(2016) and Banerjee, et, al(2017) who found that though microfinance creates employment, it also causes unemployment and leads to the collapse of some microenterprises.

Some of the responses of the participants are as follows:

"Beneficiaries of our loans attest to the fact that they have been able to expand employment" **(Manager, Company, 2, 4 & 5).**

"Last year, I had only one employee, but this year I have been able to employ four additional hands due to the loans I got from your institution (MFI, Company). These are the words of one

of our clients. However another clients also complained that microfinance has made her worse off because now she cannot even pay the salary of the one employee she engaged"

*(***CEO Company 1 &, Company 3).**

"Our clients complain bitterly that microfinance has rather made them worse off, and so they had to lay off some of their workers" **(Credit Officer, Company 7).**

The above quotes clearly demonstrate the impact of microfinance on employment generation which is one of the objectives of this study. The responses from the clients clearly indicates that whilst microfinance has created employment, expanded clients' businesses, it has also made some worse off, it has led to the collapse of some microenterprises and hence created unemployment for some. However, it can be concluded from the above that majority of the microenterprises or clients has experienced expansion and so the net effect is that microfinance creates or generates employment in Ghana.

Business growth

MFIs attested to the fact that according to most clients, microfinance leads to business growth. However some clients according to MFIs claim they experience negative growth in their businesses; and in fact some have even collapsed. Tawiah, et al(2013), Tafamel(2019), and Awojobi(2019) found that microfinance impacts positively on business growth. However, other studies for example Chowdhury, et, al(2004), Hussain and Nargis(2008), and Banerjee, et, al(2017) report that microfinance have made some individuals and businesses worse-off; it has even led to the collapse of some businesses.

The following are some of the responses by the participants regarding the impact of microfinance on business growth:

"Whilst some of the microenterprises are enjoying positive business growth because they have been able to rent and are now operating more than one shop, others are worse off due to their participation in the microfinance programme. In fact some of the businesses are on the verge of collapsing" **(Manager Company 9, Loan Officer, Company 10).**

"Some of our clients are experiencing growth in their business because any time I went to visit their businesses, I realised an increase in the stock of goods"

Credit Officer Company 6, Manager, Company 8).

*"The majority of our clients claimed they have and are experiencing positive growth in their businesses; they are able to buy more stock in terms of raw material, and finished goods; their profits are increasing every month and hence see growth in their capital. "(**CEO, Company 1**,* **Manager, Company 4)**

*"About ninety percent of our clients have experienced positive growth in their business in terms of growth in profit, capital and increase in stock, though few of them complain about dwindling businesses." (***Officer, Company 3).**

The above quotes or responses demonstrate the impact of microfinance on business growth. From the responses, it is clear that whilst microfinance has led to the collapse of some and hence made some clients worse off, it has also led to the growth of majority of the microenterprises and made them better off. There is a clear evidence from the above quotes that microfinance impacts positively of business growth in Ghana.

Female empowerment

Microfinance, according to the MFIs, empowers female, though some of the clients think otherwise. Since many microfinance programmes target females, the welfare and hence empowerment of females is key in most if not all microfinance programmes. A number of studies confirm that microfinance leads to or has empowered women or females. For example Quartey, et, al(2014), Joddar and De(2019), Rahman, et, al(2015), Salia, et, al(2018), Banerjee & Jackson(2018) support the assertion that microfinance leads to women empowerment. However, according to Salia, Hussain, Tingbani and Kolade(2018) though microfinance leads to women empowerment, this empowerment often worsens incidence of polygyny, family conflicts and negative impact on young girls' education and well-being in Ghana. Banerjee and Jackson (2018) also report that microfinance undermines women empowerment. This is because it is men who generally use the loans provided and simply use the women as fronts, but many times when there is defaults, the women are placed at the position of blame and so women are made scapegoat rather than empowered. In such situations the women become worse-off instead of being empowered.

The participants responded as follows:

"Most of the female entrepreneurs claimed they are now better able to contribute to the upkeep in the house so they are now invited to participate in decision making in the house" **(Manager, Company 5, Director, Company 3, Loan Officer, Company 4).**

*"Some female entrepreneurs are now self-reliant, and independent, not depending on their husbands for money and so they are now respected by their husbands. For others their microfinance has created problems in the house."(***Loan Officer, Company1 & 2)**.

*"Whilst some of the female entrepreneurs claimed they are empowered economically, some asserted that their situations have worsened with their participation in the microfinance programmes" (***Loan Officer, Company 10).**

One of the outcomes of microfinance is female empowerment. The above quotes demonstrate the impact of microfinance on female empowerment. From the quotes above, whilst some females have been made worse off by microfinance, majority of the female entrepreneurs experience positive growth in their businesses, it has created wealth and increased their profits.

It can therefore be concluded from the above that microfinance empowers females economically, socially, and politically.

Improvement in standard of living

The MFIs were asked to indicate the impact of microfinance on the standard of living of their clients and Ghanaians at large. The responses generally revealed that microfinance enhances the standard of living of the some beneficiaries whilst for others it makes them worse-off According to Prathap, et, al(2018) there is a positive relationship between microfinance and beneficiaries' standard of living. This is supported by Khanam, et al(2018) and Chartterjee, et al(2018) who reported that microfinance has a significant positive effect on beneficiaries' standard of living, implying that microfinance improves the standard of living of beneficiaries. This is also consistent with the findings by Gupta & Gupta(2019) that microfinance enhances the living standards of beneficiaries. In spite of the positive effect of microfinance on beneficiaries standard of living, there is also enough evidence to suggest that microfinance worsens the plight and hence standard of living of beneficiaries. For example the study by Radmila, et, al(2015), Boateng, et, al(2016), Banerjee, et al(2017) and many others confirm that microfinance has made some beneficiaries worse-off.

Responses to the interviews on the effect of microfinance on beneficiaries' standard of living include the following:

"Most of the Clients claimed that microfinance has enabled them to expand their businesses, open many branches and, as a result, the owners and workers are enjoying quality standard of living" **(Manager, Company 8, CEO Company 1).**

*"A significant number of our clients (micro-*entrepreneurs) *asserted they are now enjoying good quality lives. However some claim their economic situation has worsened" (***Loan Officer, Company 3).**

*"Most of our clients indicated that with their participation in the microfinance programmes, their profits, incomes and hence standard of living of the owners have improved, though a few of them said the opposite (***Manager, Company 9, 10)**

The above quotes demonstrate that microfinance make some clients worse-off whilst others are made better-off. A number of them claim that microfinance has increased their profits, expanded their businesses, has increased their wealth, and hence improved their standard of living. On the other hand a few of them also claim that microfinance has made them worse-off. It can be concluded from the above quotes that microfinance leads to improvement in standard of living of clients. The net effect is that in Ghana microfinance has a positive relationship with standard of living of clients.

Summary

On the other outcomes of microfinance, the above demonstrates that whilst some of the clients claim microfinance has enabled them to create employment, expanded their businesses, and hence improved their standard of living, a relatively smaller number also complain that microfinance has dwindled their businesses, created unemployment for them, worsened their standard of living and has led to the collapse of some microenterprises. On the basis of the number of microenterprises who claim microfinance has enabled them grow their businesses and created employment, compared to the few clients who claim microfinance has made them worse off, it can be concluded that microfinance leads to business growth and generate employment. In other words, it can be concluded that the net effect of microfinance regarding business growth and employment creation is positive. Again from the above quotes it is clear that whilst some of the female entrepreneurs claimed they are empowered economically, some asserted that their situations have worsened with their participation in the microfinance programmes. The evidence above clearly demonstrates that microfinance empowers females economically, socially and politically.

CHAPTER SIX

QUANTITATIVE RESULTS

6.1 Introduction

This chapter presents the results of the quantitative data collected from questionnaires administered to respondents(Clients of MFIs) to further investigate the relationship between microfinance and poverty reduction, and other outcomes of microfinance which was partly answered in the qualitative part (by the interviewees, the MFIs). The purpose is to examine the views of the clients of MFIs to either support, buttress, confirm or disconfirm the views or responses of the microfinance institutions (MFIs) on the impact of microfinance on poverty reduction and other outcomes of using microfinance.

A number of studies have been conducted on the impact of microfinance on employment, business growth, and poverty reduction. Some of these studies are presented in the literature review chapter of this thesis. Based on studies such as Abra (2019), Salia et, al,.(2018), Dahir (2018) and Yaidoo & Vishwanatha (2018) it became necessary to develop the following hypotheses and use Binary logistic regression and Ordinary Least Square(OLS) regression to analyse them.

H1: There is a positive relationship between microfinance and employment generation.

H2. There is a positive relationship between microfinance and business growth.

H3. There is a positive relationship between microfinance and poverty reduction.

Together, these provide relevant insight into the study's aim of developing a framework for understanding microfinance as a tool for poverty reduction in Ghana in order to recommend a policy/regulatory change.

This chapter is divided into two sections: descriptive analysis section and Quantitative analysis (Binary logistic regression analysis and Ordinary Least Square-OLS section). Regression analysis in general helps to investigate the relationship between an independent variable and dependent variable. It also helps to examine the extent to which an independent variable influences a dependent variable. For instance, the extent to which microfinance influences poverty levels. It also enables a researcher to determine the change in the dependent variable due to a unit change in the independent variable. For example, in this current study, regression will help the researcher to know the percentage change in employment due to one percent change in microfinance.

Generally, logistic regression is well suited for describing and testing hypotheses about relationships between a categorical outcome variable and one or more categorical or continuous predictor or independent variables (Chao-Ying, Lee, & Ingersoll, 2012), and when the dependent variable has only two values (binary), such as 0 and 1 or Yes and No as in the case of this current study. Some researchers for example Jolaoso & Asirvatham (2018), and Elhadidi (2018) used logistic regression to analyse the effect of microfinance on poverty reduction (the relationship between microfinance and poverty levels). Again since the hypotheses are about the impact of microfinance on employment, business growth, and poverty reduction, or in short the relationship between a dependent variable and independent variables, ordinary least square regression analysis is also well suited or appropriate.

Among other reasons, the hypotheses of this study - the relationship between microfinance and employment, relationship between microfinance and business growth, and relationship between microfinance and poverty levels - cannot be said to be direct. In fact the relationships, in the view of the researcher, are hidden; one cannot be sure whether the relationship is positive or negative hence the use of OLS regression and logistic regression analysis. Although a number of the studies presented in the literature (Chapter Two) revealed positive relationships, some also indicate negative relationships, and some are still unresolved. For instance whilst Vik(2017), Jolaoso & Asirvatham(2018), Karsh & Deek(2019), Awojobi(2019), Gupta & Gupta(2019) found positive relationship between microfinance and poverty reduction; Chowdhury, Mosley and Simanowitz (2004) indicated that microfinance as a tool for poverty reduction still remains debatable and hence unresolved. Hussain and Nargis (2008) conducted a study and found evidence against the popular belief that microcredit is instrumental to uplifting the rural poor to a higher economic status. Wright (2000) is of the view that microfinance is not only inadequate as a tool for poverty reduction, but it actually diverts funds from more pressing or important interventions such as health and education. As argued by Navajas *et al.* (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more. Hulme and Mosley (1996), Banerjee *et al.* (2017) concluded from their researches that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off by microfinance. This corroborates the study conducted by Gerald and Johnson (2019) who argue that there is limited evidence that demonstrate that microfinance is a tool for poverty reduction; Geleta(2015) and Radmila *et al.* (2015), which found that even though microfinance creates employment, it also causes unemployment because it leads to job losses.

The descriptive statistics section examines the demand for microfinance, the services provided by microfinance institutions and beneficiary perceptions of such services including the challenges and obstacles faced by MFIs in delivering microfinance services. The OLS and Logistic regression analysis sections test the research hypotheses to ascertain the impacts of microfinance on employment generation, business growth and, ultimately, poverty reduction.

Overall, a total of 337 usable responses from the field work were used in the quantitative data analysis.

6.2 Results from the Questionnaire

6.2.1 Descriptive Statistics

This section presents results on descriptive analysis of the data collected from the questionnaires administered on the field. These include, sample characteristics, demand for microfinance and services provided by microfinance institutions.

6.2.1.1 Respondents and Microenterprise Characteristics

This section presents characteristics of respondents and participating Clients as summarised in Table 7 below.

Gender of respondents

Out of the 337 questionnaires retrieved, 174 representing 51.63% were female micro entrepreneurs whilst 163 respondents representing 48.37% were males. From the results it can be said that there are slightly more females than males in the microenterprise sector. This runs counter with the findings of a study by Nyang'au (2014), which revealed that, in Kenya, microenterprise sector is dominated by males (62%) as opposed to females (38%). However, it confirms the results of the study by Akugri, Wulifan, and Bagah (2015), that there are more females in the microenterprise sector than males in Ghana. The results are presented in Table 7.

Nature of Business

The result indicated that the informal businesses (that is, those microenterprises who have not registered) make up 51.04% representing 172 businesses, while the formal or registered businesses make up 165 representing 48.96%. The implication from the findings is that the microenterprises sector is slightly dominated by unregistered (informal) businesses. This confirms or agrees with the findings by Kayunula and Quartey (2000) who established that the microenterprise sector is made up of organised (formal, registered) and unorganised (informal, unregistered) ones.

Age of respondents

The age distribution of the clients of MFIs in Ghana, according to the results (Table 5), is dominated by those aged 31-40 years. This is because, out of the 337 respondents, those aged 31-40 years were 143 forming 42.43%. This is followed by 22-30 years age group (23.74%), and 41-50 years (22.85%). This corroborates the finding of the study conducted by Rahman and Alam (2013), which concluded that the microenterprise sector is dominated by those aged 31-40 years who formed 71% of the owners of the micro-businesses.

Education of respondents

From the study 36.25% of the owners of microenterprises hold tertiary certificates, Vocational/Technical certificate holders (19.09%), Senior Secondary school certificate holders (12.30%), holders of Ordinary and Advanced level certificate (11.65%), Junior Secondary School certificate holders (0.97%), holders of primary/basic certificates (2.91%), and no formal education (16.83%). From the results it can be concluded that the majority of the clients of MFIs are holders of Tertiary certificates. This challenges the results of the study by Rahman and Alam (2013), which established and concluded that the majority of the owners of the microenterprises are secondary school leavers (62%), while those who hold tertiary certificates (29%) come second. Nyang'au(2014) similarly disagrees with the finding because his study found that the majority (61%) of the owners of microenterprises were secondary school/college leavers.

Motivation for setting up businesses

The clients were asked to indicate the motivation for owning or establishing businesses. The following were their responses: continuing family business (12.95%), to be my own boss (19.28%), to secure additional income (24.40%), no alternative for earning income (5.42%), to be financially independent (35.54%), and peer influence (2.41%). Table 7 displays the results. From the results it can be said that the majority of the owners of microenterprises established the business because they want to be financially independent. The above findings confirms a number of previous studies. For example, Rahman and Alam (2013) conducted a study on the motivation for establishing microenterprises and the following were the reasons by the respondents: self-dependence and economic freedom, providing additional income for the family, no alternative for income/job, continue family business, to improve quality of life, among others.

Yahaya, Geidam, and Usman (2016) found the following motivation for setting up business; to generate employment, to be self-reliant, to raise revenue among others. According to Reynolds (2013), the factors that influence the establishment of microenterprises include pursuing business opportunity, for economic necessity and monetary needs. Tende (2014) conducted similar study and found that, to increase income, access to finance, and self-betterment are some of the motivations for establishing microenterprises.

From all the studies above, to have financial independence dominates, so it can be concluded that the driving force pushing entrepreneurs to establish businesses is financial independence.

Ownership of business

From the results in Table 7, 69.73% of the microenterprises are owned by one person (sole proprietorship), limited liability company (19.88%), partnership (8.61%), and no response (1.78%). The above indicates that the microenterprise sector is heavily dominated by sole proprietors. This is confirmed by findings of a number of previous studies. For example, IFC (2012) conducted a study in India and found that 94.5% of microenterprises are owned by one person (sole-proprietorship). In Ghana, a similar study was done jointly by Asare, Akuffobea, Quaye, and Atta-Antwi (2015) and found that, out of 4433 microenterprises surveyed, 90% were sole proprietorship businesses. Another study by Nyang'au (2014) revealed that, in Kenya, out of 226 microenterprises, 45% were sole proprietorship businesses, partnership (34%) and companies (21%).

Sector/Industry of Microenterprises

From Table 7, out of 337 respondents, 165 representing 48.96% belong to the trading (buying and selling) sector, 102 representing 30.27% are in the service sector and the rest belong to construction, transportation, and fishing/farming sectors. The trading and service sectors combined form about 79%, implying that the microenterprise sector is dominated by trading (buying and selling) and service businesses. The result is consistent with the findings by Nyang'au (2014) who found that, in Kenya, out of a sample of 226 microenterprises/clients surveyed, 87% were in the retailing and trading sub-sector.

Years of Operation

The majority of the clients/microenterprises (44.21%) surveyed have been in business for less than 5 years, this is followed by those who have been in business from 5-10 years (28.19%), 11-15 years forms 11.87% whilst the rest have been operating for more than 15 years.

The implication is that about 72% of the microenterprises have been in business for 10 years or less. This finding agrees with that of Nyang'au (2014) who found that, in Kenya, the majority of the microenterprises have been in business for less than 20 years. This is shown in Table 9.

Sample Characteristics

Table 7: Sample Characteristics

Participant Characteristics	***Count***	***Percent***	**Organisation Characteristics**	***Count***	***Percent***
Gender			**Nature of Business**		
Male	163	48.37%	Formal (registered)	165	48.96%
Female	174	51.63%	Informal (not registered)	172	51.04%
Age					
18-21 years	6	1.78%	**Ownership**		
22-30 years	80	23.74%	Sole Proprietorship	235	69.73%
31-40 years	143	42.43%	Limited Liability Company	67	19.88%
41-50 years	77	22.85%	Partnership	29	8.61%
Over 50 years	31	9.20%	No response	6	1.78%
Education			**Sector/Industry**		
No Formal Education	52	16.83%	Trading	165	48.96%
Primary/Basic	9	2.91%	Manufacturing	20	5.93%
Junior Secondary	3	0.97%	Service	102	30.27%
O/A Levels	36	11.65%	Construction	8	2.37%
Senior Secondary	38	12.30%	Transportation	20	5.93%
Voc/ Technical	59	19.09%	Fishing /Farming	18	5.34%
Tertiary	112	36.25%	Missing	4	1.20%
Missing	28	8.31%			100.00%
			Years of Operation		
Motivation for establishing the business			Less than 5 years	149	44.21%
Continuing family business	43	12.95%	Btn 5-10 years	95	28.19%
To be own boss	64	19.28%	Btn 11-15 years	40	11.87%
Secure additional income	81	24.40%	Over 15 years	48	14.24%

No alternative for income	18	5.42%	Missing	5	1.49%
Financial independence	118	35.54%			
Peer influence	8	2.41%			
Missing	5	1.48%			

Source: **Field data, 2016**

6.2.2 Demand for Microfinance

The demand for microfinance by the clients was assessed under three categories: access to credit, training services and advisory services. The results for each category are presented below.

6.2.2.1 Frequency and Access to Credit

Results (see Table 8) indicate that close to half (46.59%) of respondents access credit facilities on annual basis, while about a third (27.30%) do so bi-annually. Of the remaining, access is monthly (13.35%) and quarterly (12.76%). It is noted that interest rates are a key determinant of demand for microfinance. Results indicate that the majority of the respondents access microcredit at interest rates of below 10% per month, and very few above 10% as indicated in Table 8. In essence, 47.77% access loan at below 5% interest rate, and 41.54% at interest rates between 5-10%. Only 3.56% and 1.78% reported interest rates of between 11-20% and above 20% respectively. On a monthly basis one might think that the interest rate is low but on an annual basis it is about 60% minimum, which is way above the rate charged by the traditional banks in Ghana. However, the demand for microfinance is high among the microenterprises in Ghana because of the many requirements demanded by the traditional banks, including collateral.

Table 8: Access to Credit

Frequency	Count	Percent	Interest Rate	Count	Percent
Monthly	45	13.35%	Below 5%	161	47.77%
Quarterly	43	12.76%	Btn 5-10%	140	41.54%
Every 6-months	92	27.30%	Btn 11-20%	12	3.56%
Yearly	157	46.59%	Above 21%	6	1.78%
			Missing	18	5.34%

Source: **Field data, 2016**

6.2.2.2 Obstacles and Challenges of Using Microfinance by Clients

a) *Credit/Loan Granted*

The respondents were asked to indicate whether the applications for loan were accepted or not, the amount requested was granted or otherwise and the minimum and maximum amount received since doing business with the MFIs. The results presented in Table 9 reveal that loan requests by respondents were often granted by the microfinance institutions. The majority (84.57%) of respondents asserted that their loan requests were granted by the microfinance institutions, compared to the small number of rejected requests (14.24%). The challenge is that some of the loans requested by the clients were not granted for various reasons. Another concern is the inadequacy of the loan amount. Some of the clients indicated that, although the loans were granted, the amount requested was not always given to them. This obviously hindered the growth of their businesses. Asked why the MFIs did not grant their loan requests, respondents had these to say:

> *The amount I asked for is not always given to me, they (the MFI) say I don't earn enough to pay back the loan on time.*
>
> *Insecurity, I do not have a permanent place (shop) for selling, hence the fear of granting me the loan.*

Because I couldn't provide the collateral they requested.

Bad credit history from another loan institution.

From the above responses, four (4) main factors for the decline of the loan (amount) requested by MFIs are: i) high risk, ii) inability to provide collateral, iii) MFI lending policy and iv) bad credit history.

As discussed in Chapter Five, the microfinance institutions also face a number of challenges including; absence of efficient and effective credit bureaux, bad credit history of clients, diversion of loan and loan default, among others and the fact that microfinance clients have no or inadequate collateral. As a result of the above challenges, it is highly risky to lend to the clients (Microenterprises).

The MFIs are therefore very careful in granting heavy loans to the clients hence the issue/challenge of inadequate loan amounts to some of the clients (microenterprises). Overall, as depicted in Table 9 below, loan amounts granted to the respondents range from below GHc500 to above GHc5,000. About a third (31.45%) of the respondents indicated that the minimum loan amount received from the MFIs is above GHC5,000. Moreso, over half (50.15%) of the respondents received loans in excess of GHC5,000 with only 2.37% of respondents having received a loan of below GHc500.

Table 9: MFIs' Capability and Loan Amount Granted

Loan Request Granted				Minimum Granted		Maximum Granted	
	Count	*Percent*	*Credit Amount*	*Count*	*Percent*	*Count*	*Percent*
Yes	285	84.57%	Below Gh₵500	52	15.43%	8	2.37%
No	48	14.24%	Btn Gh₵501-Gh₵1500	63	18.69%	40	11.87%
Missing	4	1.19%	Btn Gh₵1501-Gh₵1500	34	10.09%	22	6.53%
			Btn Gh₵2001-Gh₵3000	20	5.93%	28	8.31%
			Btn Gh₵3001-Gh₵4000	22	6.53%	16	4.75%
			Btn Gh₵4001-Gh₵5000	36	10.68%	48	14.24%
			Above Gh₵5000	106	31.45%	169	50.15%
			Missing	4	1.19%	6	1.78%

Source: Field data, 2016

b) Loan Terms and Repayment

As shown in Table 10 below, a vast majority of respondents (81.01%) attested to the fact that the loan terms were favourable whilst 14.84% indicated the opposite. For these respondents (14.84%), high interest rates, loan default, short repayment period, too many conditions, collateral demands and inadequate loan amounts granted comprised the unfavourable terms of the MFIs. These were seen as obstacles or challenges of using microfinance by the clients. This confirms the findings of the study by Khanam, et, al(2018), and Salia, et, al(2018) who report that high interest rates, default, short period of maturity, etc are obstacles to the clients of MFIs. Their grievances include but not limited to the following:

> *..in some instances, 6 months irrespective of amount granted…I have short time to redeem the loan.*
>
> *High interest rate makes repayment difficult. And failure to pay attracts penalty (daily repayment plan)*
>
> *Due to risk, some credit facilities are not granted in full, and as a result affects the capital injection and ability to undertake projects for which the loan was taken.*

On loan default, 44.51% (150) of the respondents indicated that they had defaulted before, while 179 respondents representing 53.12% have never defaulted since they started receiving loans from the MFI (Table 10).

Those who have defaulted before had these to say:

> "*Due to the inadequacy of the loan amount, at times the loan is diverted hence the default"*
>
> *"At certain times business is so bad that sales are very low and hence I cannot pay the loan on schedule".*
>
> *"Due to high interest payment coupled with low sales at times default occurs"*

Table 10: Loan Terms and Re-payment; Default Rates

Loan terms and conditions			**Default on re-payment**		
	Count	*Percent*		*Count*	*Percent*
Favourable	273	81.01%	Yes	150	44.51%
Not-favourable	50	14.84%	No	179	53.12%
Missing	14	4.15%	Missing	8	2.37%

Source: **Field data, 2016**

c) *Training and advisory services*

Table 11 below shows the results of training programmes and associated impacts – positive or negative. In all, over half (59.35%) have not benefitted from any training organised by the MFI, while some 37.39% have participated in one or multiple training programmes from MFIs. These trainings include book-keeping, planning and decision making, customer care and investment planning, in the order of frequency. Indeed, 93.65% of training participants claimed training programmes have had a positive impact on their business in terms of growth, income and employment generation. However, 6.35% of training beneficiaries disagreed with the positive impacts of training.

In delivering the training programmes to the clients the challenges faced by the MFIs include cost and poor attendance by the clients, resulting in some of the MFIs not offering the training at all. This corroborates the findings of the study by Lensink, et, al(2018) which revealed that training offered by MFIs to their clients is costly and hence a challenge. This may be the reason for some MFIs not offering training to their clients. Lack of training may account for the poor performance of some of the clients businesses. Some of the respondents who attended the training programmes attest to the fact that the training programmes have had a positive effect on their businesses, whilst others reported that training has no effect on their business.

Similarly, Table 12 below shows the results for advisory services and their impact on surveyed respondents. About a quarter (25.22%) of the respondents attested to the fact that they have never been offered advisory services by MFIs. However, the majority of respondents (72.40%, 244) have been offered advisory services by MFIs since doing business with them. This is confirmed by Dutta and Banerjee(2018) that MFIs offer business advice to their clients..

For those who have received advisory services, 94.67% attested that the impact of the advisory services has been positive, implying that it has produced beneficial effects on their businesses. The results also imply that some of the respondents experience no positive impact of advisory services on their businesses.

From the above, it can be said that lack of training and advisory services are indeed obstacles to the growth of businesses, which adversely affected employment creation and generation and ultimately worsened poverty.

Table 11: Training Services and Impacts

Training Programme by MFI			**Impacts of Training Programmes**		
	Count	*Percent*		*Count*	*Percent*
Yes	126	37.39%	Positive	118	93.65%
No	200	59.35%	Negative	3	2.38%
No response	11	3.26%	No response	5	3.97%

Source: **Field data, 2016**

Table 12: Advisory Services and Impacts

Advisory Services by MFI			**Impacts of Advisory Services**		
	Count	*Percent*		*Count*	*Percent*
Yes	244	72.40%	Positive	231	94.67%
No	85	25.22%	Negative	6	2.46%
No response	8	2.37%	No response	7	2.87%

Source: **Field data, 2016**

6.2.3 Preference for Using Microfinance (Why Clients use Microfinance)

In response to the question why the Clients prefer using microfinance to loans from the traditional commercial banks, the participants explained that the MFIs offer quicker loans than the traditional commercial banks, they are found everywhere in the cities, towns, and even the villages, and some offer very good customer service. Other reasons mentioned by the Clients include the fact that some MFIs demand no physical collateral, offer training and advisory services and have a flexible payment schedule. They claimed they are able to negotiate the terms of payment with some MFIs. Due to the fact that they have less cumbersome and bureaucratic processes and procedures in delivering their services, most of them offer their loans within hours. Compared to the commercial banks, MFIs respond to the needs of the clients or customers quicker, and so they are preferred. Apart from these, MFIs regularly monitor them, remind them when their loans are due and come to them to collect their loans when due instead of the clients leaving their businesses to go and pay their loans. This is in agreement with the responses by the MFIs presented in chapter five, and confirmed by Burlando and Canido(2017), Dutta and Banerjee(2018) who found in separate studies that clients of MFIs rely on microfinance because the MFIs offer quick loans, are easily accessible and offer training and advisory services. Again Nasri, et, al(2017) and Lilay(2015) also asserted that MFIs demand no physical collateral; Hannan and Ashta(2017) reported that MFIs have less cumbersome documentation and processes, flexibility in their operations including their payment schedules. All these are confirmed by the MFIs themselves as revealed in the interview results in chapter five.

6.2.4 Impact of microfinance on poverty reduction and other outcomes/objects of using microfinance

Most of the Clients who responded to the questionnaire claimed that one of the reasons for using microfinance is to eventually help reduce unemployment and ultimately reduce poverty situation in Ghana. They believe that access to microfinance will enable them to expand and create employment and, as a result, reduce the unemployment problem in the country and consequently reduce poverty. Another outcome, purpose or aim of using microfinance by the

Clients is to increase business incomes and hence improve the standard of living of not only micro-entrepreneurs but also the employees as well. They explained that, with the micro-loan, they will be able to expand their businesses, reap good profit and hence improve the standard of living of both the owners of the enterprises and the employees, and ultimately help in the fight against poverty. Thirdly, to achieve financial independence and hence enjoy economic, social, and even political empowerment is one of the objectives of using microfinance, according to the Clients. They strongly believe that when they invest the micro-credit in their businesses good profit will be earned, business and individual incomes will increase leading to reduction in poverty levels which will consequently lead to economic empowerment, social empowerment and even political empowerment.

The above outcomes or objects of using microfinance is confirmed by the MFIs in their responses of the interviews presented in Chapter Five, and supported by a number of studies by some researchers . For example Karsh and Deek(2019), Joddar and De(2019), Tafamel(2019), Elhadidi(2018), Nukpezah and Blankson(2017), among many reported that access to microfinance creates employment, expand businesses, increase income and profits, enhance standard of living, leads to both economic and social empowerment and ultimately reduces poverty.

Table 13: Estimated Descriptive Statistics on the Variables of Study

	N	Minimum	Maximum	Mean	Std. Deviation
Business Growth	337	.00	1.00	.6906	.46353
MFI Advisory Services	337	1	2	1.33	.471
MFI Training Programme	337	1	2	1.65	.477
Employment	337	1	5	3.80	.972
Poverty Reduction	337	1	5	3.20	1.071

As shown in Table 13, business growth had a minimum of 0.00 and a maximum of 1.00 with a mean 0.6906 and standard deviation of 0.46353. The mean response of 0.6906 is closer to the maximum responses, this suggests that majority of the respondents indicated that there is increased business growth.

MFI Advisory Services had a minimum of 1 and a maximum of 2 with a mean response of 1.33 and a standard deviation of 0.471. Also, MFI Training services had a minimum response of 1 and a maximum of 2 with mean 1.65. A mean of 1.65 suggests that majority of the respondents indicated their microfinance institutions offered training programmes.

Employment generation has a minimum of response of 1 and a maximum of 5 with mean response of 3.80. This suggests that majority of respondents indicated that microfinance institutions and hence microfinance creates employment.

Finally, poverty reduction had a minimum of 1 and a maximum of 5 with mean 3.20 and a standard deviation of 1.071. Results therefore implies that Microfinance institutions and hence microfinance contributes to poverty reduction.

6.2.5 Examining the impact of Microfinance on Business growth, Employment generation, and Poverty Reduction

6.2.5.1 Binary Logistic Regression

The study employed Binary Logistic regression to examine the relationship between Microfinance and Business growth, Microfinance and Employment generation, and Microfinance and poverty reduction. Microfinance is explained by four variables (which are the microfinance services) namely Availability of credit (provision of credit), favourable loan/credit terms, training programme and advisory services.

This study used binary logistic regression analysis, thus estimating odd ratios with their respective confidence intervals and probability values (P-values) to examine the relationship between Microfinance and Business growth; Microfinance and Employment generation, and Microfinance and Poverty levels; as shown in tables 14, 15, and 16. Generally, logistic regression is well suited for describing and testing hypotheses about relationships between a categorical outcome variable and one or more categorical or continuous predictor or independent variables (Chao-Ying, Lee, & Ingersoll, 2012), and when the dependent variable has only two values (binary), such as 0 and 1 or Yes and No as in the case of this study.

Additionally, binary logistic regression makes predictions of the probability of Y occurring given the values of X. Specifically, with regards to the variables of this study, the logistic regression makes prediction about the occurrence of Business growth, employment generation or poverty reduction given the values of microfinance variables (credit availability, favourable credit terms, availability of training, and availability of advisory services).

The hypotheses tested included:

1. ***There is a positive relationship between microfinance and employment generation***
2. ***There is a positive relationship between microfinance and business growth***
3. ***There is a positive relationship between microfinance and poverty reduction. Stated differently;***

   There is a negative relationship between microfinance and poverty levels.

The binary regression outputs are presented in tables 14, 15, and 16

The Impact of Microfinance on Business growth

As shown in table 14, the impact of microfinance (credit provision) is statistically significant and positive on business growth. The analysis shows that clients' micro-businesses are more likely to grow when they receive micro-credit from the microfinance institutions. This is evidenced by the fact that given the Odd Ratio of 7.382, a unit increase in micro-credit is more likely to increase the growth of business by 7.382 times and with a P-value of 0.000 and 95% confidence interval of 3.438-15.848, provision of micro-credit is significant in growing micro-enterprises. This also means that a unit increase in micro-credit(loan) increases business growth by 6.382. In short given Odd ratio of 7.382, P-value of 0.000, and 95% confidence interval of 3.438-15.848, availability or provision of microcredit has a significant positive relationship with business growth.

Secondly, availability of favourable credit terms to microfinance clients also impacts positively on business growth. This is because from the logistic regression output Odd ratio is 4.835, P-value is 0.000 and 95% confidence interval is 2.360-9.905. Again one unit increase in favourable credit terms will increase business growth by almost five times (4.835). The implication is that a unit increase in the availability of favourable terms increases business growth by 3.835. For the same reason availability of training impacts positively on business growth given an odd ratio of 3.386(access to training increases business growth by 2.386), P-value of 0.002, and 95% Confidence interval of 1.567-7.316. Further, from the results/output of the binary regression displayed in table 18, advisory services provided by microfinance institutions to their clients also has a positive relationship with business growth. The Odd ratio of 4.105, P-value of 0.000, and 95% confidence interval of 2.099-8.029 testify to it. With an odd ratio of 4.105, access to advisory services increases business growth by 3.105.

The above clearly shows that microfinance has a statistically significant positive

relationship with business growth, and since all the variables (provision of credit, favourable credit terms, availability of training, and availability of advisory services) have positive and significant effect on business growth, it can be concluded that, this finding fully supports the second hypothesis that there is a statistically positive relationship between microfinance and business growth. This confirms a number of studies for example Tafamel(2019), Awojobi (2019), and Gupta & Gupta (2019)

As said earlier Table 14 displays the results.

Table 14: The impact of microfinance on business growth

Variable	Odd ratio	P – value	95% Confidence Interval	
			Lower	Upper
Availability of credit facility	7.382	0.000	3.438	15.848
Availability of favourable credit terms	4.835	0.000	2.360	9.905
Availability of Training	3.386	0.002	1.567	7.316
Availability of Advisory services	4.105	0.000	2.099	8.029

Source: Field survey, 2016

The Impact of Microfinance on Employment generation

To analyse the impact of microfinance on employment generation binary logistic regression was used. The result or output is displayed in table 15. The variables used to explain or analyse the impact of microfinance on employment generation include availability of credit, availability of favourable credit terms, availability of training, and availability of advisory services to microfinance clients.

The results indicate that provision or availability of credit has a significant positive relationship with employment generation. This is because a unit increase in credit increases employment by 6.151 times (Odd ratio) with a P-value of 0.000 and 95% confidence interval of 2.905-13.022. In other words with an odd ratio 6.151 access to credit increases employment by 5.151. Secondly, availability of favourable credit terms also impacts positively on employment. This is evidenced by the fact that employment is more likely to increase or be generated when the microfinance clients receive favourable credit terms (Odd ratio of 4.679; P-value of 0.000, 95% confidence interval of 2.291-9.557). The implication is that access to favourable credit terms increases employment by 3.679. In addition to the above, MFI advisory services to their clients have significant positive relationship with employment generation (Odd ratio=4.434, P-value= 0.000, 95% confidence interval= 2.266-8.676). With an odd ratio of 4.434, availability and hence access to advisory services increases employment by 3.434. However, availability of training though has a slight positive relationship with employment generation (odd ratio=1.370) it is not significant in creating, generating or increasing employment because it has a P-value of 0.360 which is more than 0.05; and confidence interval of 0.698-2.688. It can be concluded that MFI training offered to their clients has no effect on employment generation.

In summary it can be said that apart from training, microfinance impacts positively with employment. However since access to training does not significantly impact on employment, it can be concluded that microfinance in general partially has a significant impact on employment generation, it therefore partly supports hypothesis 1, that there is a positive relationship between microfinance and employment generation. This finding is in agreement with studies conducted by some researchers for example Karsh & Deek (2019), Gupta & Gupta (2019), Nukpezah & Blankson (2017).

Table 15 displays the results.

Table 15: The impact of microfinance on employment generation

Variable	Odd ratio	P – value	95% Confidence Interval Lower	Upper
Availability of credit provision	6.151	0.000	2.905	13.022
Availability of favourable credit terms	4.679	0.000	2.291	9.557
Availability of Training	1.370	0.360	0.698	2.688
Availability of Advisory service	4.434	0.000	2.266	8.676

Source: Field survey, 2016

The Impact of Microfinance on Poverty reduction

The impact of microfinance on poverty reduction was examined by using binary logistics regression analysis. The variables used to explain the impact of microfinance on poverty reduction include availability of credit facility, availability of favourable credit terms, availability of training, and availability of advisory services.

First, availability of credit facility has a significant positive impact on poverty reduction. In other words when clients of microfinance receive micro-credit it significantly reduces their poverty levels. This is evidenced by odd ratio of 5.281, P-value of 0.000, and 95% confidence interval of 2.090-13.345. The odd ratio of 5.281 means that a unit increase in micro-credit reduces their poverty levels by more than five times (5.281) which further implies that access to credit (micro-loan) reduces poverty by 4.281; and because the probability value (P-value) is zero, it is statistically significant.

Second, there is also a positive relationship between favourable credit terms and poverty reduction. This also means that when the clients of microfinance are granted micro-credit with favourable terms, (for instance low interest rate, favourable payment terms, favourable maturity terms), their poverty levels reduces (Odd ratio =10.401, P-value = 0.000, 95% Confidence interval= 3.532-30.624). The above also implies that a unit increase in access to favourable credit terms reduces poverty by 9.401.

Third, availability of training to microfinance clients is not statistically significant in reducing poverty levels of microfinance clients. This is because though the odd ratio is 1.607, the P-value is 0.134 which is more than the significant level of 5% (0.05) and also with a confidence interval of 0.864-2.987 it can be concluded that training has no significant effect on poverty reduction or very small impact on poverty reduction (odd ratio of 1.607; a unit increase in training reduces poverty level by only 0.607). In fact training is not significant in explaining the impact of microfinance on poverty reduction.

Fourth, from the results, advisory services also have a slight positive effect on poverty reduction (odd ratio=2.146, confidence interval = 1.104-4.173) though not significant (P-value=0.24 > 0.05). With an odd ratio of 2.146, access to or a unit increase in advisory services reduces poverty by 1.146.

In summary, it can be concluded that microfinance partially reduces poverty of MFIs' clients, so it partially supports the third hypothesis that there is a positive relationship between microfinance and poverty reduction. Stated differently there is a negative relationship between microfinance and poverty levels.

From the above analysis, it can be generally concluded that microfinance is not a panacea for poverty reduction. This is because out of the four variables that explain the impact of microfinance on poverty reduction (availability of credit facility, availability of favourable credit terms, availability of training, availability of advisory services) it is only two thus availability of credit and availability of favourable terms that have significant positive impact on poverty reduction; whilst the other two; availability of training, and availability of advisory services are not significant or have negligible impact on poverty reduction.

Table 16: The Impact of microfinance on poverty reduction

Variable	Odd ratio	P - value	95% Confidence Interval	
			Lower	Upper
Availability of credit facility	5.281	0.000	2.090	13.345
Availability of favourable credit terms	10.401	0.000	3.532	30.624
Availability of Training	1.607	0.134	0.864	2.987
Availability of Advisory service	2.146	0.24	1.104	4.173

Source: Field survey, 2016

6.2.6 Relationship between Microfinance and Business growth, Microfinance and Employment generation, and Microfinance and Poverty reduction.

6.2.6.1 Ordinary Least Square (OLS) Regression

To confirm, buttress or disagree with the results and conclusions of the Binary logistic regression, the study also conducted Ordinary Least Square (OLS) regression analysis as a robustness check.

The hypotheses tested included:

1. ***There is a positive relationship between microfinance and employment generation***
2. ***There is a positive relationship between microfinance and business growth***
3. ***There is a positive relationship between microfinance and poverty reduction. Stated differently;***

   There is a negative relationship between microfinance and poverty levels.

The econometric equation used was: $\mathbf{Y = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \varepsilon_i}$

Y represents either **business growth, employment generation or poverty reduction**

$\mathbf{X_1}$ represents Access to credit, that is availability of credit.

$\mathbf{X_2}$ represents Availability of favourable credit terms

$\mathbf{X_3}$ represents MFI training programmes

$\mathbf{X_4}$ represents MFI advisory services

i represents individual microenterprises

β_0 represents the constant; that is the value of the dependent variables (business growth, Employment generation, Poverty level) when Microfinance (Availability of credit facility, availability of favourable credit terms, training, advisory services) is zero.

β_1, β_2, β_3, β_4 are parameters to be estimated for respective variables in the model.

Specifically;

β_1 represents the change in the dependent variable (Business growth, Employment generation, Poverty reduction) when there is a unit change in availability of credit, the independent variable, when all the other microfinance variables are assumed constant.

β_2 represents the change in the dependent variable (Business growth, Employment generation, Poverty reduction) when there is a unit change in availability of favourable credit terms, the independent variable, when all the other microfinance variables are assumed constant.

β_3 represents the change in the dependent variable (Business growth, Employment generation, Poverty reduction) when there is a unit change in training programmes(independent variable) when all the other microfinance variables are unchanged.

β_4 represents the change in the dependent variable (Business growth, Employment generation, Poverty reduction) when there is a unit change in advisory services(the independent variable), when all the other microfinance variables remain unchanged.

ε represents the error term; that is all the variables the equation is not able to capture. For example the education level of the clients, other government policies, the health of the clients, etc.

$_i$ represents or refers to individual microenterprises in the sample.

1. **Business growth = β_0 + β_1(Availability of credit) + β_2(favourable credit term) +β_3(training programmes + β_4(advisory services) + ε**
2. **Employment generation = β_0 + β_1(Availability of credit) + β_2(favourable credit term) + β_3(training programmes + β_4(advisory services) + ε**
3. **Poverty level = β_0 + β_1(Availability of credit) + β_2(favourable credit term) + β_3(training programmes + β_4(advisory services) + ε**

Table 17: Ordinary Least Square (OLS) Regression Output

VARIABLES	**(Business Growth) OLS**	**(Employment Generation) OLS**	**(Poverty Level) OLS**
Availability of credit facility	0.0843	0.1505*	0.2679
	(0.135)	(0.082)	(0.173)
Availability of favourable credit terms	-0.0283	-0.0180	-0.1575
	(0.087)	(0.053)	(0.111)
MFI training programmes availability	0.4225	0.2058	0.9694***
	(0.261)	(0.158)	(0.333)
MFI Advisory services availability	0.1617	0.3720**	-0.3990
	(0.262)	(0.159)	(0.334)
Constant	3.0219***	2.8164***	2.0077***
	(0.511)	(0.310)	(0.653)
Observations	337	337	337
R-squared	0.374	0.612	0.417

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 18: Correlation Matrix

	Employment generation	Poverty Level	Business growth
Employment Generation	1		
Poverty Level	0.6162	1	
Business growth	0.7188	0.6998	1

Source : Field data (2016)

The impact of microfinance on Business growth

From the output of the OLS regression above (Table 17), the specific econometric equation connecting microfinance and Business growth is as follows.

Business growth = 3.029 + 0.0843 (Availability of credit) - 0.0283 (availability of favourable credit terms) + 0.4225 (training programmes) + 0.1617 (advisory services)

The equation implies that there is a positive relationship between availability of credit and Business growth. Specifically a unit increase in access to credit increases business growth by 0.0843, when all the other microfinance variables are unchanged. However, there is a negative relationship between availability of favourable credit terms and Business growth. The equation denotes that "other things being equal" a unit increase in loan term favourability reduces business growth by 0.0283. Microfinance Training programmes positively impacts business growth; a unit increase in MFI training programme increases business growth by 0.4225, other things being equal. Finally access to advisory services has a positive relationship with business growth. As MFI advisory services increases by a unit, Business growth increases by 0.1617, other things being equal.

With R-squared of 0.374, the implication is that 37.4% of the variance in Business growth of the clients is due to changes in Microfinance services. With the exception of one variable (availability of favourable credit terms) all the microfinance variables have positive relationship with Business growth. It can therefore be concluded that there is a statistically significant positive relationship ($P < 0.01$) between microfinance and Business growth. This supports the findings of the studies conducted by Tafamel (2019), Awojobi (2019), and Gupta & Gupta (2019).

The impact of Microfinance on Employment generation

Secondly, the specific equation of employment generation from the OLS regression output (table 17) is as follows:

Employment generation = 2.8164 + 0.1505(Availability of credit) – 0.0180 (availability of favourable credit term) + 0.2058 (training programme) + 0.3720(advisory services)

From the Employment generation equation, availability of credit has a positive relationship with employment generation. As access to credit increases, employment also increases holding all the other microfinance variables constant. Specifically, a unit increase in access to credit increases employment by 0.1505 “other things being equal”. There is however a negative relationship between availability of favourable credit terms and employment generation. This means that microfinance loan/credit terms are unfavourable to the clients and hence negatively affect business growth and consequently employment generation. Again, there is a positive relationship between employment generation and MFI training programmes meaning that as the clients go through more training programmes, businesses grow and hence more employment is generated. Specifically, a unit increase in training programmes, "other things being equal" increases employment by 0.2058; and finally an increase in advisory services increases employment generation by 0.3720 holding all the other microfinance variables constant. There is therefore a positive relationship between access to advisory services and employment generation.

With R-squared of 0.612, the implication is that 61.2% of the variance in employment is attributed to changes in Microfinance services. With the exception of one variable (loan term favourability) all the microfinance variables have positive relationship with employment. It can therefore be concluded that there is a statistically significant positive relationship between microfinance and employment generation. This confirms the findings of the studies conducted by Karsh & Deek (2019), Gupta & Gupta (2019) and Nukpezah & Blankson (2017).

From table 18, there is a positively high correlation (0.72) between Business growth and employment generation, hence as businesses grow more employment is generated.

The impact of microfinance on poverty reduction

The specific equation for the poverty level from the OLS regression output (table 17) is as follows:

Poverty level = 2.0077 + 0.2679(Availability of credit) -0.1575 (availability of favourable credit terms) + 0.9694 (training programme) – 0.3990 (advisory services)

From the equation above availability of credit has a positive effect on poverty level, meaning that access to credit reduces poverty level. Specifically a unit increase in access to credit reduces poverty by 0.2679 holding all the other microfinance variables constant. However, there is a negative relationship between microfinance and availability of favourable loan/credit term, meaning that loan terms are unfavourable to the microfinance clients and hence worsens their poverty level. Access to training programmes has a positive relationship with poverty levels, implying that access to more training programmes reduces poverty. From the equation holding all the other variables constant, a unit increase in training programmes reduces poverty by 0.9694. Finally there is a negative relationship between microfinance and MFI advisory services.

Out of the four variables of microfinance, two (Availability of credit, and Training programmes) have positive relationship with poverty levels while the other two (Loan term favourability, and Advisory services) bear negative relationship with poverty levels.

From the above analysis, it can be concluded that microfinance is not a panacea for poverty reduction. The reason is that, out of the four variables of microfinance, only two (Availability of credit facility, and Availability of training) have positive relationship with poverty levels, while the other two (Availability of favourable credit terms, and Availability of advisory services) are negatively related to poverty levels. This confirms the studies conducted separately by Yaidoo & Vishwanatha (2019), Gerald & Johnson (2019), and Dutta & Banerjee (2018).

Test of Multi-collinearity

H_0 : There exists multi-collinearity among the microfinance variables

H_1: There is no multi-collinearity among the microfinance variables

Table 19: Test for Multi-collinearity

Variables	Collinearity Statistics	
	Tolerance Score	VIF
MFI Advisory Services	0.827	1.210
MFI Training Services	0.844	1.185
Favourable credit term	0.984	1.016
Availability of credit facility	0.954	1.048

Source: Field data (2019)

The current study conducted a multi-collinearity test to determine whether there exists correlation between the independent variables (Microfinance variables). As shown in Table 19, the tolerance scores and the Variance Inflation Factors on all the variables are within the acceptable ranges of greater than 0.2 and less than 4.0. According to Hair et al., (2010), a tolerance score of greater than 0.2 and a VIF of less than 4.0 is an acceptable range for multi-collinearity test. From the figures/data therefore, the study rejects the null hypothesis and conclude that there exist no multi-collinearity among the sets of independent variables (Microfinance variables).

6.3 Summary of findings

From the results of both the Binary logistic regression analysis and OLS regression analysis, the following conclusions can be drawn.

Microfinance has a statistically significant positive relationship with business growth. This implies that microfinance leads to business growth. As microenterprises (clients) get access to more microfinance (microcredit, favourable credit terms etc,) their businesses expand. The study therefore supports hypothesis 2(H2) that there is a positive relationship between microfinance and business growth. This is consistent with the findings of Tafamel(2019), Chatterjee et al(2018), Khan & Akther(2017), and Dahir(2018).

Secondly, it can also be concluded from both analysis (Binary logistic regression and OLS regression) that microfinance generates employment. This means that there is a positive relationship between microfinance and employment generation. As clients of microfinance get access to more microfinance (microcredit, favourable credit terms, etc), employment is created. The study therefore supports hypothesis 1(H1) which states that there is a positive relationship between microfinance and employment generation. This confirms the findings of Tafamel(2019), Awojobi(2019), Karsh & Deek(2019) and Bibi et al(2018).

Finally, the study rejects the third hypothesis (H3) which states that there is a positive relationship between microfinance and poverty reduction. The findings from both binary logistic regression and OLS regression clearly does not support H3, which means and implies that microfinance does not lead to poverty reduction. It can therefore be concluded from the study that microfinance is not a panacea for poverty reduction. This is in line with the findings by a number of researchers including Gerald & Johnson(2019), Cull et al(2019), Yaidoo & Vishwanatha (2018) and Gelata (2015).

CHAPTER SEVEN

DISCUSSION OF THE QUALITATIVE AND QUANTITATIVE RESULTS

7.1 Introduction

This chapter discusses the results from both the interviews (the qualitative) and the questionnaire (quantitative). In the discussion, attempts are made to indicate whether or not the two results agree on the same theme, and whether or not the findings support the literature. The discussion centres on the findings and the results from the hypotheses.

7.2 Motivation for Relying on Microfinance by Clients of MFIs in Ghana

All the MFIs interviewed asserted that Clients in Ghana rely on microfinance because the MFIs are easily accessible, found everywhere in the cities, towns, and rural communities, offer quick loans and are to the level of the ordinary people including illiterates. This was buttressed by the clients who indicated that they prefer using microfinance rather than loans from traditional commercial banks because the microfinance institutions offer quick loans and are easily accessible. This is in line with a study conducted by Burlando & Canido (2017) and by Dutta & Banerjee(2018) in Bangladesh, which revealed that microenterprises and individuals (microfinance clients) use microfinance because MFIs are easily accessible and offer easy and quick loans. Four out of the ten MFIs interviewed indicated that, in addition to the loans, they (MFIs) offer other services including micro-insurance, savings, advisory services and training. This is confirmed by the clients who indicated that they have benefited from one or multiple training programmes (37%) and have been offered advisory services (72%). This finding again corroborates the findings of the study conducted by Lensink, et al,(2018), and Dutta &Banerjee(2018) who found that, in addition to the loan, which is a source of finance for their businesses and consumption, most of the microfinance institutions offer them services like money transfers, micro-insurance, health insurance, pensions, business advice, and capacity building (training) to help them grow their businesses. However, some of the clients (59.35%) say they have never had any training (capacity building) from their MFIs since they started doing business with them.

Another study by Rossel-Cambier (2008) buttressed the point by saying that today microfinance covers three main areas: micro-credit, micro-savings, and micro-insurance products. Furthermore, Wilfredi *et al. (*2013) asserted that some microfinance institutions provide services such as skills training, marketing, book-keeping, and production to develop enterprises. Social services such as health care, education and literacy training are provided by some MFIs and both enterprise development and social services can improve the ability of the low-income earners to operate enterprises either directly or indirectly.

From the above, it is clear that the participants admitted that the clients rely on microfinance because the MFIs are easily accessible, offer quick loans, they are found everywhere in the cities, towns, and even villages and offer other very important services including health care, education and literacy training. In response to the questionnaire the clients (which was supported by literature, and MFIs) strongly maintained that access to credit, provision of micro-insurance services, micro-savings, and advisory services are some of the reasons why they rely on microfinance. Although not all the MFIs provide all the services mentioned above (e.g. training), it was strongly argued by both the clients and the MFIs that they are the motivations considered by the clients for using microfinance.

Another reason why MFI clients in Ghana rely on microfinance, according to the MFIs, is that they require neither physical collateral nor any form of collateral from the clients that make requests for loans. Since the poor do not have the collateral required by the traditional financial institutions they rely heavily on the MFIs for their loan requirements. In responding to the same question, the clients reiterated that, unlike the traditional commercial banks, most

MFIs do not require physical collateral before a loan is granted hence their preference. This confirms the studies conducted by Nasrin, et, al (2017) and Lilay (2015) who found that clients of MFIs are motivated to use microfinance to solve their financing challenges due to a number of factors including absence of physical collateral as a requirement for loan. Khavul (2010), also found that traditional financial institutions find serving the poor risky and expensive because they are often illiterate, have limited or no collateral and no official histories and are often dispersed across rural areas. This is also buttressed by a study conducted in Ghana by Quaye *et al. (*2014) which found that clients of MFIs use microfinance because most of the MFIs do not demand physical collateral as a requirement for loans. They reiterated that lack of collateral hinders access to credit and is usually related to poorly defined property, land use rights, and weak land and property markets. Group lending methodology employed by the MFIs is one of the innovative ways used to address the issue or challenge of collateral. Due to the fear of loan default most of the MFIs maintain that, for clients to qualify for a loan, they should be members of a group, so that the group co-guarantees each client/member. This is done to ensure that loan default is minimised if not entirely eliminated. When a client defaults the group methodology mechanism requires the group to pay before a subsequent loan is granted to the group; so members monitor each other; peer pressure is always brought to bear on the members to ensure that no one defaults.

Other reasons mentioned by some of the MFIs and confirmed by the clients include the fact that the documentation and processes required by the MFIs are generally less cumbersome compared to the traditional commercial banks; they (MFIs) provide a flexible payment schedule; and help them to keep proper and accurate records.

The borrowing clients of MFIs claim that the documentations required by the MFIs and their loan processes and procedures are less demanding compared to the traditional commercial banks, so they prefer the MFIs to the traditional banks. This is confirmed by MFIs and supported by Hannan & Ashta (2017). Secondly, the MFIs have a more flexible payment schedule compared to the traditional banks: this, according to the MFIs, is a motivation for the clients to do business with them. This again is confirmed by some clients and buttressed by Hannan & Ashta(2017). Furthermore, according to the MFIs (the interviewees), their clients are motivated to rely on MFIs because the MFIs assist them to keep proper records and prepare accurate accounts. The clients support the responses of the MFIs who explained that most MFIs have a flexible payment system, have less cumbersome documentations, processes and procedures in delivering their services, and even some offer training and advisory services. The flexible payment system, less cumbersome processes and documentations and so on, although very beneficial to the clients have their own challenges or weaknesses for the MFIs. Some clients have been abusing (taking advantage of) the system, which has led to loan default by some of the clients. The implication is that most of the MFIs who are adversely affected by the consequences of the flexible payment system and less cumbersome processes and documentation will be rethinking to reverse the policy. Some have even collapsed due to that.

7.3 How Microfinance is delivered by MFIs to their Clients

From the results presented in Chapters 5 and 6, there are two main ways of delivering microfinance in Ghana, namely group methodology and individual methodology. In spite of the fact that the majority of the MFI clients access their loans through group methodology, some access their loans through individual methodology.

The individual lending methodology is a straight forward credit lending model where micro-loans are given directly to the borrower, the individual and Microenterprises. It does not involve the formation of groups, and so no peer pressure is applied to ensure repayment. When an individual applies for a loan, an officer or officers of the MFIs will have to go with the applicant to know the location of his/her business and his/her house. When that is done, the individual or the microenterprise is required to issue post-dated cheques to cover the amount of the loan plus interest, as well as provide a guarantor so that in case of default the guarantor is contacted to make payment. Depending on the policy, some MFIs demand physical collateral (landed property, car, etc.) in addition to the guarantor. In case of default, and when all avenues to collect the loan have been exhausted, the landed property or the car may be sold by the MFI to defray or pay the loan. The policy of some of the MFIs also require the individual or Microenterprise to save with them for a minimum of three months before a loan is granted. The deposit is used as a form of collateral in addition to a guarantor. The individuals at times are required to make daily deposits (in most cases of equal amounts (susu)) for a period of not less than three months before a loan is granted. A number of criticisms have been levelled against the way the MFIs in Ghana apply this method of delivering microfinance. First, most of the MFIs do not pay interest on individual borrowers' deposits, claiming that it is a form of collateral; and even for those who pay interest, the rate is insignificantly low. Secondly, due to the fact that there is no peer pressure on the borrowers to pay, the probability of default is high. The advantage to the individual borrower or the Microenterprise is that access to loan is quick, because it does not require the group members to guarantee.

The group lending methodology is the second methodology used to deliver microfinance in Ghana. The mechanism used by MFIs in Ghana is a replication of the Grameen methodology and the Latin America Solidarity Group lending methodology with some modifications to suit the Ghanaian environment: that is, the characteristics of the people, the culture, economic situation in Ghana among others are taken into account in the group lending methodology.

As explained or presented in Chapter Five, with the MFIs serving as facilitators, groups of five to ten members are self-formed by the microenterprises. To ensure that the credit officers do a very good appraisal, and be able to effectively manage the group, groups are not large, so in most cases a minimum of five and a maximum of ten members are in a group. Four out of the ten MFIs forming 40% of the respondents explained that, in some cases, the members are allowed to form their own groups without the assistance of the MFIs. With this methodology no collateral is required; however the members of the group co-guarantee each other's loan and are legally liable for the repayment by other members. The group would not be entitled to additional or repeat loans until all members have paid their loans. Due to this, there is peer pressure on the members to repay their loans. Here the challenge is that, if a rogue member defaults and run away from the community, it will be extremely difficult to retrieve the money, and so will become a liability for the rest of the members. The researcher has so far not come across a methodology in the literature which addresses such occurrence. The MFIs disburse the loans individually to each member; the individual member signs and the group also signs to guarantee for each member. In other words, the bulk money is not given to the leader of the group to disburse to members; the MFIs themselves disburse the loans to the individuals. Some MFIs used to give the bulk amount to the group leaders to disburse, but there arose a number of problems or challenges including reduction in the amount given to some members and delays in disbursement leading to complaints and default so now the MFIs disburse the loan to each member of the group. Members are mandated to attend weekly meetings. Another very important aspect of this methodology is monitoring and advisory and technical services including training offered to the microenterprises by the MFIs. To help the Microenterprises to effectively and efficiently perform, the MFIs monitor and offer advisory and technical services including training to the Microenterprises. For the MFIs to succeed or for them to be sustainable, their clients should succeed. In other words, the sustainability of the MFIs depends largely on the sustainability of the Microenterprises, therefore some of the MFIs have the policy of monitoring the performance of the Microenterprises, offering them advisory and technical services including training. This has enabled some of the Microenterprises to make huge profits, expand their businesses, create employment, and increase the salaries of their employees, leading to improvement in their standard of living and consequently reduction in poverty.

. Regarding the interest rate charged on loans, the MFIs interviewed stated that the interest rate charged by the majority of MFIs in Ghana ranges between 5% and 10% per month, which works out to roughly 60% to 120% per annum. The loans are mostly short-term having maturity period of up to one year (12months). They further stated that some MFIs even charge a monthly interest rate of 20% and above. This is confirmed by the clients who asserted that the interest rate charged by the MFIs ranges from below 5% to over 20% a month (see Table 10). The high interest rates charged by the MFIs, according to the clients, is one of the major causes of poor performance of their enterprises, loan default and hence collapse of some enterprises.

The group methodology practised in Ghana is not without weaknesses. The fact that the default of one member denies the rest access to a repeat loan is a challenge to the group members. Again, since all members of the group should co-guarantee each other before a loan is granted, it may delay loan approval and subsequent disbursement. As stated above, if a dishonest member defaults and run away from the community, it will be extremely difficult to retrieve the money, and so will become a liability for the rest of the members. As stated earlier the researcher has so far not come across a lending methodology in the literature which addresses such a challenge. However, since the group members apply pressure on each member to repay the loan it minimises loan default, which is good for the MFIs. Further, the advisory services, technical services and training offered to the clients improves the performance of their enterprises, and this is a plus for the methodology. It must be said that, whether it is individual or group methodology, the training and advisory services is offered to the clients by the MFIs.

7.4 The main obstacles and challenges of using and delivering Microfinance by Clients and MFIs in Ghana respectively.

A greater percentage of the microenterprises and individuals (clients of MFIs) claim the high interest rate and hence the huge interest payments hinder the growth of their businesses leading to default. According to the clients some of the businesses have even collapsed as a result of high interest payment. The results from the questionnaire indicated that a significant percentage of the clients (47.77%) accessed loans (micro-credit) when the interest rate is below 5% per month; 41.54% accessed the loan when the interest rate was between 5-10% per month; 3.56% accessed it at a rate of 11-20% etc. (see Table 10). This clearly implies that higher interest rates are a challenge or obstacle to the borrowers and hence business growth, because the higher the interest rate the lesser the demand for microfinance. The MFIs also confirm that their clients complain about high interest rate being an obstacle to the growth of their businesses. This confirms the studies by Rashem and Abdullah(2018), Prathap, Mahesh and Karthik(2018), Elhadidi(2018) and Ntim(2019) who found that high interest rate is a challenge or obstacle to the clients of MFIs because it makes them worse off and in some cases collapse their microenterprises. This is also supported by Salia, Hussain, Tingbani and Kolade (2018) who asserted that inefficiency and cost of microfinance (interest rate) is an obstacle to women's ability to come out of poverty. Del Mel *et al.* (2008), also revealed that a high interest rate is an obstacle or hindrance to the growth of micro-enterprises. Furthermore separate studies conducted by Dehejia *et al.* (2005) in the slums of Dhaka in Bangladesh, and Yeboah (2010) in Ghana found that poorer microfinance clients were more sensitive to changes in interest rates than the less poor borrowers. Another finding by Cervantes and Montoya (2015) in Mexico revealed that some of the clients (24.2%) had to use other sources of income to be able to meet credit obligations. The implication is that clearly a high interest rate is an obstacle to the growth of micro-enterprises not only in Ghana but in other places as well. Apart from collapsing their businesses the high interest rate is a major cause of loan default which is also a challenge to the MFIs.

However, other studies (DFID, 2006; Dehejia *et al.*, 2005) disagreed with the findings above. Rather, they found that the demand for micro-credit does not change much when interest rates increase, and so microfinance institutions do not lose clients or change their missions hence micro-credit beneficiaries are not sensitive to increases in interest rates because they earn more than enough profit to pay the high interest rates.

In addition to the high interest rate, the clients of MFIs, complain about other charges like processing fee, compulsory savings etc., which reduce the net cash they receive as a loan. This corresponds with the findings of a study conducted by Addae-Korankye, et, al(2017) and Rosenberg (2009) who found that the processing fees deducted from the loan by the MFIs, and the compulsory deposits the clients make obviously reduce the net cash they receive as loans; and all these hidden costs increase the effective interest on the loan, and hence hinder the growth of microenterprises. According to the MFIs, some clients complain about high processing fees and compulsory deposits as hindrances to their growth.

Further, it became clear from both the clients and MFIs that occasional loss of deposits by the clients is another challenge faced by both the clients and the MFIs. This is due to the collapse of some MFIs or MFIs running away with clients' deposits. This is seen as a very serious challenge, especially because it has made some clients (if not all) lose confidence in the MFIs, leading to loss of clients by some MFIs. This is a matter of supervision and regulation by the Central Bank (Bank of Ghana). To avert the situation, Bank of Ghana (Central Bank of Ghana) has increased the minimum capital requirement of the MFIs and intensified its monitoring and supervision of the MFIs; so it is hoped that such things will not occur again. The increase in the capital requirement of the MFIs is supposed to ensure that only serious and credible MFIs will be in the system operating. All those MFIs that cannot provide the required capital are closed by the Bank of Ghana. Bank of Ghana has recently(August 2019) revoked the licenses of 347 microfinance institutions for non-compliance of regulations. In addition to the above policies being implemented by Bank of Ghana, Bank of Ghana periodically advertises or publishes the list of licensed MFIs in the newspapers and television for Ghanaians to know which MFIs to do business with. Furthermore, the Bank of Ghana has been continually advising the populace and the Microenterprises not to do business with unlicensed MFIs; that is, MFIs whose names do not appear in the list. The MFIs similarly advertise in the newspapers and television convincing the populace (clients and potential clients) that they are credible to do business with. The above move by Bank of Ghana, and the MFIs is yielding positive results; because the MFIs are now regaining the confidence of the clients. That is, the clientele base of the MFI has started to increase and some of the clients who stopped doing business with the MFIs have started doing business with them again. The challenge with this approach is that some of the poor do not own a television, and the illiterates do not read newspapers so this form of advertisement is not yielding the maximum results. Although the MFIs complain about the licensing requirements, in particular the increased capital requirement, claiming it is very high, and the delay in the processes, it has cleansed or sanitised the system of fake and inefficient MFIs, therefore there is confidence in the financial system that is good for economic growth and development of Ghana. The loss of clients' deposits is unique and hence a contribution of this thesis.

From the responses from the questionnaires other obstacles or challenges are faced by the borrowers (clients of MFIs); these include the short repayment (maturity) period of the loan, frequency of repayment, inadequate loan amount, among others. This is also supported by the MFIs who also revealed from the interviews that the clients claim the loan terms and conditions, in particular inadequate loan sizes, short-term maturity period among others are unfavourable to them, and adversely affect their performance. This response corroborates the findings of separate studies conducted by Khanam, et, al(2018) and Addae-Korankye and Abada (2017) that microfinance beneficiaries encounter a number of challenges including high interest rates, access to finance, training, inadequate loan sizes, frequency of loan repayment (maturity, loan terms), access to market, high taxes/market tolls charged by the assemblies, high prices of inputs including utility bills and so on.

Another obstacle or challenge is lack of training and advisory services. Whilst some of the MFIs complained that when they organise training the clients do not attend, some clients say they have never had any training from the MFIs. In other words, according to the clients (200 out of 337 representing 59.35%), they have never had any training from the MFIs. While some claimed they have been offered advisory services, about 25% (85 out of 337) claimed they have never received any advisory services from the MFIs. All these, according to the clients, hinder their growth. This again confirms the studies by Khanam, et, al(2018) and Lensink, et, al(2018) which revealed that training and advisory services offered by MFIs to their clients is costly and hence a challenge. This may be the reason for some MFIs not offering training to their clients. It can be said that lack of training and advisory services may account for the poor performance of some of the clients' enterprises.

The Microfinance Institutions (MFIs), on their part, complained of diversion of funds, default, absence of efficient and effective credit bureaux, and accessing multiple loans from the banks and other financial institutions by certain clients, rescheduling and refinancing of loans, regulatory, licensing and legal requirements are some of their challenges. From Table 10, 44.51% claimed they have defaulted before: this, according to the MFIs, may be due to diversion of funds. The clients, according to the MFIs, take the loan and instead of using it for the purpose for which it is granted, use it for other purposes leading to default most of the time. This confirms the studies by Rashem and Abdullah(2018) and Elhadidi (2018) who opined that the reluctance of MFI clients to invest the loans in their enterprises but rather divert them lead to high default rates.

Again, due to non-existence of efficient credit bureaux, the clients take advantage of this and borrow from multiple sources, so repayment becomes a big problem, leading to default. The absence of credit bureaux is supported by Sainz-Fernandez(2015) who revealed in his study that absence of credit bureaux lead to multiple borrowing and also lending to highly risky clients which consequently lead to default. The MFIs likewise claim that the training offered to the clients add to their operating cost; besides it is very difficult to train the illiterates bearing in mind that a number of the microfinance clients are either illiterates or semi-literates. Some MFIs assert that they do not only provide loans to the clients, but also offer a whole process of training in business administration and management to enable the clients to properly manage and consequentially grow their businesses. Training offered to clients being a challenge to MFIs is in line with the finding by Lensink, et, al.(2018) who asserted that provision of social services like training, business development, access to market and health care increases the cost of operations to MFIs, and hence poses a challenge which affect their profits and eventually their growth.

The MFIs also face the challenge of rescheduling and refinancing loans to clients who are normally seen as credit worthy and hence good clients. This according to them is another challenge, because apart from delaying the payment, some of them eventually default causing erosion in their capital, reduction in profit and consequently collapse or close down of some MFIs. This challenge is confirmed by Begun, et, al(2018) who explained that some MFIs especially Islamic MFIs often reschedule the time of repayment for clients especially if they find that the client has a genuine reason.

Further, MFIs face legal, licensing, and regulatory challenges. Every MFI in Ghana has to satisfy certain minimum legal, licensing and regulatory requirements which are reviewed periodically. The regulator, Bank of Ghana ensures that they meet certain minimum requirements else an MFI cannot operate. Bank of Ghana does this to ensure that customers' deposits are safe. This regulatory, licensing and legal requirements often delays their operations; some even are closed by Bank of Ghana (Central Bank of Ghana) for non-compliance. This is consistent with the findings of Kenubeh (2015) who reported that some MFIs face legal, licensing, and regulatory requirements coupled with infrastructure inadequacy, competition from commercial banks, high illiteracy rates of their clients, a huge work load and inadequate skilled personnel. This according to Kenubeh(2015) is a serious obstacle to the growth of MFIs.

Again, the findings from the current study revealed that MFIs in Ghana face the following challenges/obstacles which hinder their effective operations and hence their growth, and sustainability. These challenges and obstacles include high operational costs, lack of skilled personnel, no human and institutional capacity building, and hence no capacity enhancement in the MFI sector. The sector also lacks basic infrastructure, lack of funding, lack of defined areas of operation, lack of information or reliable information for effective planning and decision making, and ineffective regulation and supervision. These revelations confirm the studies conducted separated in different countries by (Boateng, 2015; Kenubeh, 2015, Asiamah and Osei, 2007)

Loss of clients' deposits is also seen by MFIs as a challenge not only to their clients but also to them as well. They explain that due to the fact that some MFIs abscond with clients deposits, the Central bank often reviews its requirements which most of the time do not favour them (MFIs). Secondly the clients are continually losing confidence in them because the clients claim they cannot easily know good MFIs to do business with. This consistently is reducing their clientele base which consequently reduces their profit which if not reversed will lead to the collapse of a number of them. Bank of Ghana has recently revoked the licences of 347 MFIs due to the above reason. To help the populace and hence the good MFIs, Bank of Ghana has been advertising both on the radio and in newspapers the list of MFIs which are legally required to operate so that customers can do business with them. It is hoped that this approach by Bank of Ghana will restore the confidence of the remaining MFIs so that the customers will do business with them again.

7.5 The impact of Microfinance on Poverty Reduction

The MFIs interviewed indicated that microfinance leads to poverty reduction and better the lives of their clients. According to them some of their clients report that their living standard has improved and their poverty levels drastically reduced. Some even claim that they are now rich. This was confirmed by some of the clients who also agreed that microfinance indeed has reduced their poverty levels and improved their standard of living. However some of the clients are of the view that microfinance has rather worsened their standard of living, made them worse off and collapsed some enterprises. Indeed microfinance has made them poorer. To confirm or disconfirm the above assertions, ordinary least square regression and binary logistic regression were run using the responses of the clients.

In other words the impact of microfinance on poverty reduction was examined by using both ordinary least square regression and binary logistic regression analysis. The variables used to explain the impact of microfinance on poverty reduction include availability of credit facility, availability of favourable credit terms, availability of training, and availability of advisory services.

The output or the results of the OLS regression revealed that availability of credit facility has a positive impact on poverty reduction. With a coefficient of 0.2679, a unit increase in micro-credit reduces poverty by 0.2679. Secondly there is a negative relationship between availability of favourable credit terms and poverty reduction. The implication is that clients of microfinance institutions have unfavourable credit terms and this worsens their poverty situation. With a coefficient of -0.1575, a unit increase in credit terms worsens their poverty situation by 0.1575. Thirdly, from the OLS regression output, availability of training programme has a significant positive relationship with poverty situation. With a coefficient of 0.9694, a unit increase in training for the MFI clients reduces their poverty levels by 0.9694. Finally, advisory services and poverty reduction are inversely related. With a coefficient of -0.3990 the implication is that a unit increase in advisory services worsens the clients' poverty level by 0.3990.

From the results of the OLS output, microfinance cannot be said to be a panacea for poverty reduction. This is because out of the four variables of microfinance, only two (availability of credit facility and availability of training) have positive impact with poverty reduction. From the above analysis therefore microfinance is not a panacea for poverty reduction. However, with R-Square of 0.417, it can be said that 41.7% of variation in poverty levels is explained by changes in microfinance.

The output of the binary logistic regression also revealed that availability of credit facility has a significant positive impact on poverty reduction. In other words when clients of microfinance receive micro-credit it significantly reduces their poverty levels. This is evidenced by odd ratio of 5.281, P-value of 0.000. The odd ratio of 5.281 means that a unit increase in micro-credit is 5.281 times more likely to reduce poverty level which further implies that a unit increase or access to credit (micro-loan) reduces poverty level by 4.281; and because the probability value (P-value) is zero, it is statistically significant. This finding supports the claim by the MFIs and some of the clients.

Second, favourable credit terms was found to have a positive correlation with poverty reduction. This also means that when the clients of microfinance are granted micro-credit with favourable terms, (for instance low interest rate, favourable payment terms, favourable maturity terms), their poverty levels reduces. The Odd ratio of 10.401 and P-value of 0.000, imply that a unit increase in the availability of credit terms is 10.401 times more likely to reduce poverty levels. The above also implies that access to favourable credit terms reduces poverty by 9.401. The responses by the MFIs and the clients also revealed that availability of favourable credit terms; for example low interest rates, favourable payment terms among others reduces poverty levels of the clients and enhances their standard of living.

Further, according to the output of the binary logistic regression, availability of training to microfinance clients is not statistically significant in reducing poverty levels of microfinance clients. A unit increase in training is 1.607 times more likely to reduce poverty levels but not statistically significant. This is because though the odd ratio is 1.607, the P-value is 0.134 which is more than the significant level of 5% (0.05). It can be concluded that training has no significant effect on poverty reduction or has very small impact on poverty reduction (odd ratio of 1.607; access to or a unit increase in training reduces poverty level by only 0.607 but not statistically significant). The above implies that training is not significant in explaining the impact of microfinance on poverty reduction according to the output of the binary logistic regression. Finally from the results, advisory services also have a slight positive effect on poverty reduction though not significant (P-value=0.24 > 0.05). With an odd ratio of 2.146, a unit increase in advisory services is 2.146 times more likely to reduce poverty which also means that a unit increase in advisory services reduces poverty by 1.146 but not significant.

From the above analysis, it can be generally concluded that microfinance is not a panacea for poverty reduction. This is because out of the four variables that explain the impact of microfinance on poverty reduction (availability of credit facility, availability of favourable credit terms, availability of training, availability of advisory services) it is only two thus availability of credit and availability of favourable terms that have significant positive impact on poverty reduction; whilst the other two; availability of training, and availability of advisory services are not significant or have negligible impact on poverty reduction.

The analysis or the results from both the OLS regression and binary logistic regression indicate that microfinance is not a panacea for poverty reduction. This is because out of the four variables of microfinance only two have significant positive relationship with poverty reduction.

However, there are a number of studies which support the assertion that microfinance reduces poverty levels. For example Karsh and Deek (2019) conducted a study in Pakistan and found that 88% of the respondents' income was due to microfinance, and hence concludes that microfinance and poverty reduction are positively related. This is also confirmed by separate studies conducted by Gupta and Gupta (2019), Hussain, Mahmood, and Scott (2019), Tafamel(2019), and Abdelkader (2019) that microfinance leads to poverty reduction. These studies are buttressed by other studies; for instance Khanam, et, al(2018), Kamel and Jalel-Eddine(2018), Viswanath(2018) and Dahir(2018). . Others include Wang's (2013) study in Taizhou, China, which attests to the fact that microfinance leads to growth in revenue and profit and consequently business growth and employment, increase in income levels, alleviation of poverty leading to economic empowerment of the beneficiaries. A similar study by Ahmed (2012) in Yemeni confirms the assertion that microfinance is a mechanism for combating poverty and improving the well-being of many poor as well as their micro and small businesses. Littlefield, Murduch and Hashemi (2003) in their study of various projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda confirm that microfinance has a positive impact on reducing poverty.

The MFIs were asked to indicate the impact of microfinance on poverty levels. Most of the MFIs said there are two categories of microfinance clients. There are those individuals who use the loan on consumables, that is, they spend the loan on consumer items. With such people microfinance will not reduce their poverty levels: it may rather worsen their situations because they have to pay the loan with interest. There is high probability that microfinance will impact negatively on their lives. The second group of microfinance clients is the micro-enterprises who invest the loan in their businesses. With this group, microfinance increases their incomes, create and expand employment, lead to business growth, and hence reduction in poverty level. However, if the micro-loan or micro-credit is not invested in their businesses but diverted, the poverty level will rather worsen because employment will not expand, business may not grow, incomes will not increase; in fact, some businesses may even collapse.

According to the result of both the OLS regression, and binary logistic regression and even responses of some clients, microfinance has made some businesses and individuals worse off.

As explained above if micro-loan is not invested in the businesses, it will impact negatively on poverty levels. Again, the high interest rate charged by the microfinance institutions and paid by the clients may also worsen poverty levels of individuals and even collapse some enterprises. This is supported by Yaidoo and Vishwanatha (2018) who claim that microfinance is not a solution for poverty reduction. Gerald and Johnson (2019) also report that there is little evidence to support microfinance as a tool for poverty reduction. Chatterjee, et, al.(2018); Dutta and Banerjee(2018) assert that though microfinance and poverty reduction has a positive relationship the impact is very small or negligibly low. This is consistent with the study by Awojobi (2019) who found that microfinance as a tool for poverty reduction has a weak or low positive impact on poverty reduction. Further, Gelata(2015) conducted a study in Northern Ethiopia and reported that microfinance worsens the poverty situation of the poor.

Chowdhury, Mosley and Simanowitz(2004) confirmed that microfinance as a tool for poverty reduction still remains debatable because, according to Sinha (1998), it is extremely difficult to measure the impact of microfinance programmes on poverty. Hussain and Nargis (2008) disagree with the popular belief that microfinance leads to poverty reduction. According to Wright (2000), microfinance is inadequate as a strategy or mechanism for poverty reduction. In addition, he found that microfinance rather diverts funds from more relevant interventions such as health and education. Navajas *et al.* (2000) found evidence to conclude that microfinance may siphon funds from other pressing pro-poor projects. Hulme and Mosley (1996) confirmed the above by establishing that microfinance is not a solution for poverty-alleviation and that, in some cases, microfinance has made the poorest people worse-off. This is again supported by Hermes (2014) who believes that, although microfinance reduces income inequality, the effect is very small, therefore, microfinance should not be regarded as a panacea for significantly reducing income inequality and hence poverty.

From the above it can be concluded that microfinance is not a solution to poverty reduction and hence is not a panacea for poverty reduction in Ghana. This is evidenced by the responses from the clients and MFIs and confirmed by the OLS regression and binary logistic regression output and supported by some researchers. It is clearly revealed that the positive impact of microfinance on poverty reduction cannot be sustained in the long run because the impact is very low. This results and hence conclusion or revelation therefore does not support/confirm the third hypothesis that there is a positive relationship between microfinance and poverty reduction (There is a negative relationship between microfinance and poverty levels).

However, as asserted by Mittah (2016); and Ferdousi(2015) given the necessary socio-economic environment(for instance, good infrastructure, subsidised interest rates, inclusion of female in decision making, in addition to training that provides proper business skills, information and technologies, advisory services, innovative business practices etc.) microfinance will lead to economic and social empowerment and hence produce significant positive impact on poverty levels. Furthermore, microfinance should be part of a broad and holistic strategy of governments for it to have significant positive impact on business growth, employment generation and hence poverty reduction.

7.6 Other outcomes of Microfinance

As stated in the literature, microfinance does not only impact of poverty but also on employment generation, business growth, children's education, health, empowerment of women, among others.

Impact of microfinance on employment generation

From the interviews conducted with Officers, Managers, Chief Executives of MFIs it became clear that microfinance creates employment. This was also testified by some of the clients themselves who claim that their participation in microfinance programmes has enabled them create and even expand employment and hence contributed in solving the unemployment problem. However other clients complained that microfinance has led to job losses; in other words according to some clients of MFIs, microfinance has created unemployment for them and their employees because it has collapsed or dwindled some businesses.

To confirm or disconfirm the above assertion OLS regression and binary logistic regression were run using the responses of the clients. In other words to analyse the impact of microfinance on employment generation OLS regression and binary logistic regression analysis were used. The variables used to explain or analyse the impact of microfinance on employment generation include availability of credit, availability of favourable credit terms, availability of training, and availability of advisory services to microfinance clients.

The output of the OLS regression indicated that availability of credit is positively related to employment generation. This is because with a coefficient of 0.1505, a unit increase in micro-credit (credit facility) increases employment by 0.1505. Secondly, there is a negative relationship between favourable credit terms and employment generation. This is evidenced by a coefficient of -0.0180; this implies that clients of microfinance in Ghana rather have unfavourable credit terms which adversely affect employment creation. Thirdly, availability of training programme has a positive relationship with employment generation. With a coefficient to 0.2058, a unit increase in training programme increases employment by 0.2058. Finally, advisory services and employment generation are positively related. The coefficient of 0.3720 implies that a unit increase in advisory services to microfinance clients increases employment by 0.3720. The above (OLS regression results) implies that microfinance generally creates employment because out of the four variables of microfinance, three of them have positive relationship with employment generation. It is only availability of credit terms which has negative relationship with employment creation. In general, with R-Square of 0.612, the implication is that 61.2% of variation in employment is due to variation in microfinance.

The results of the binary logistic regression also indicate that provision or availability of credit has a significant positive relationship with employment generation. This is because with an odd ratio of 6.151 and a probability value (P-value) of 0.000 a unit increase in credit/micro-credit is 6.151times more likely to significantly increase employment. The implication is that a unit increase or access to micro-credit significantly increases employment by 5.151. Secondly, availability of favourable credit terms also impacts positively on employment. This is because from the output of the binary logistic regression, a unit increase in favourable credit terms is 4.679 times more likely to increase employment (Odd ratio of 4.679) and with a P-value of 0.000, it is statistically significant. This further means that a unit increase in availability of credit terms (e.g, reasonable interest rates, flexible payment terms, etc) increases employment by 3.679. In addition to the above, MFIs' advisory services to their clients have significant positive relationship with employment generation. With an odd ratio of 4.434, availability and hence access to or a unit increase in advisory services increases employment by 3.434 which also implies that a unit increase in advisory services is 4.434 times more likely to increase employment. However, availability of training though has a slight positive relationship with employment generation (odd ratio=1.370) it is not significant in creating, generating or increasing employment because it has a P-value of 0.360 which is more than 0.05. It can be concluded that MFIs' training offered to their clients has no effect on employment generation.

From the above it can be said that apart from training, microfinance impacts positively on employment. It can be concluded that microfinance in general has a significant positive impact on employment generation, it therefore supports hypothesis 1, that there is a positive relationship between microfinance and employment generation. Again from the OLS regression analysis above, microfinance generates employment, because it is only availability of favourable credit terms which impacts negatively on employment. In general therefore, it can be concluded that microfinance increases employment.

Impact of microfinance on Business growth

Another outcome of microfinance is business growth. From the responses of the MFIs, microfinance leads to business growth. Some beneficiaries of microfinance confirm it, while others assert that microfinance rather leads to the collapse of their enterprises or hinders the growth of their businesses. Ordinary least square (OLS) regression and binary logistic regression were run to ascertain the impact of microfinance on business growth to agree or disagree with the assertion above.

The OLS regression revealed that availability of credit facility impact positively on business growth. With a coefficient of 0.0843, a unit increase in credit facility increases business growth by 0.0843. Secondly, availability of credit terms negatively impacts on business growth, because it has a coefficient of -0.0283 according to the OLS output. Thirdly, there is a positive relationship between MFI training programme and business growth. With a coefficient of 0.4225, a unit increase in training programme increases business growth by 0.4225. Fourthly and finally, MFI advisory services and business growth are positively related. From the above, it can be said that microfinance leads to business growth. With R-squared of 0.374, the implication is that 37.4% of changes in business growth is explained by variation in microfinance.

The impact of microfinance (credit provision) is significant and positive on business growth. The analysis of the binary logistic regression shows that clients' micro-businesses are more likely to grow when they receive micro-credit from the microfinance institutions. This is evidenced by the fact that given the Odd Ratio of 7.382, a unit increase in micro-credit is more likely to increase the growth of business by 7.382 times and with a P-value of 0.000 and 95% confidence interval of 3.438-15.848, provision of micro-credit is significant in growing micro-enterprises. This also means that a unit increase in micro-credit (loan) increases business growth by 6.382. In short given an Odd ratio of 7.382, P-value of 0.000, and 95% confidence interval of 3.438-15.848, availability or provision of microcredit has a significant positive relationship with business growth.

Secondly, availability of favourable credit terms to microfinance clients also impacts positively on business growth. This is because from the logistic regression output odd ratio is 4.835, P-value is 0.000. Again a unit increase in favourable credit terms is 4.835 times more likely to increase business growth. The implication is that a unit increase in the availability of favourable terms increases business growth by 3.835. For the same reason availability of training has a significant positive impact on business growth given an odd ratio of 3.386(a unit access or increase in training increases business growth by 2.386 and, P-value of 0.002). Further, from the results/output of the binary regression displayed in table 15, advisory services provided by microfinance institutions to their clients also has a positive relationship with business growth given an odd ratio of 4.105, P-value of 0.000. With an odd ratio of 4.105, a unit increase in or access to advisory services increases business growth by 3.105.

The above clearly shows that microfinance has a significant positive relationship with business growth, since all the variables (provision of credit, favourable credit terms, availability of training, and availability of advisory services) have positive and significant effect on business growth; again, the OLS regression analysis also clearly indicates that microfinance leads to business growth. It can be concluded that, this finding fully supports the second hypothesis that there is a positive relationship between microfinance and business growth.

Apart from microfinance impacting on business growth, and employment generation, it also impacts on empowerment especially women empowerment, among others. Whilst some clients especially women attest that microfinance empowers them economically and even socially, others say microfinance makes them worse off. However the MFIs interviewed believe that microfinance empowers clients especially women.

Microfinance impacting positively on employment and business growth is supported by a number of studies by researchers, authors and experts. For example Karsh and Deek (2019) conducted a similar study in Pakistan and found that microfinance increases employment and also enhances women's empowerment. This corroborate the findings by Tafamel (2019) and Awojobi(2019) who separately found that microfinance and employment generation are positively correlated and hence business growth. Gupta and Gupta (2019) also report that microfinance increases income, savings, employment, improves financial situation, and standard of living of beneficiaries. This is in line with the findings by Khan and Akher(2017) who found that microfinance enables the poor to establish their own micro-enterprise, create employment and hence promote economic growth.

A study conducted by Awan and Ibrahim (2015) in Bahawalpur district in Pakistan indicated that microfinance is a key determining factor of self-employment. The study clearly concluded that microfinance has a positive correlation with business growth and hence employment creation. A similar study conducted by Tawiah *et al.* (2013) in Ghana concluded that 86% of the respondents agreed that MFIs contribute positively to business growth and hence employment creation. Makorere's (2014) research on the role of microfinance in promoting micro and small businesses in Tanzania, confirmed that microfinance increases employment levels, increases sales volume, increases business outlets, increases wealth of business, and finally improves business management situations in SMEs. The findings of Banerjee *et al.* (2010) and Crepon *et al. (*2011) on the impact of microfinance on business growth and employment in India and Morocco respectively agreed that microfinance increased the levels of business activity and hence employment in both countries. Research conducted by IFC revealed that microfinance has created direct jobs to the tune of 2.5 million in 2011 cumulatively in Ghana, Jordan, Sri Lanka and Tunisia (Radmila, Dejan, & Milan, 2015). The above is broadly in line with the views of the clients.

Gichuru et al (2019) confirm that microfinance interventions increase contraceptive use, enhance female empowerment, and improves children's nutrition. This is also supported by Chatterjee, et, al(2018) who found that microfinance empowers women micro-entrepreneurs which translates into economic upliftment. A study conducted by Idowu (2010) in Nigeria on one hundred (100) microenterprises concluded that the beneficiaries of microfinance achieved growth in their market share, product innovation, market excellence and the overall economic company competitiveness. A similar study conducted in China by Wang (2013) found that those firms that benefitted from microfinance experienced growth in revenue and profit and consequently business growth and employment. Again the study by Nembo and Ngehneve (2010) in Cameroon on the impact of MFIs on the growth of SMEs revealed a positive relationship between microfinance and business growth. Studies conducted in Malaysia by Nawai and Shariff (2011), Mokhtar (2011), Hamdan, Othman, and Hussain (2012), Mamun, Adaikalam, and Wahab (2012) and Omar *et al.* (2012) confirm that MFIs have a significant positive impact on the clients' well-being and their micro and small enterprises performance.

Microfinance, according to the MFIs and supported by some clients, empowers females. In other words, microfinance leads to females' empowerment. Since many microfinance programmes target females, the welfare and hence empowerment of females is key in most if not all microfinance programmes. That participation in microfinance programmes empowers females economically, socially and even politically is supported by the clients. The finding is consistent with the results of the study conducted by Hussain *et al.* (2012), which clearly revealed that microfinance leads to female empowerment. This is because, after benefiting from microfinance, the female entrepreneurs in Pakistan experienced increases in their income, assets, expenditure and health, and above all their political participation significantly improved.

This implies that the women were empowered both economically and socially. This is supported by Afrane *et al.* (2002) who found that the beneficiaries of microfinance in Ghana and South Africa have achieved significant improvements in terms of increased business incomes, improved access to life-enhancing facilities, and empowerment of people, particularly females. This is confirmed by the findings of the study conducted by Bibi *et al.* (2018), which revealed that MFIs do not only provide financial services but also social services including but not limited to provision of capital, employment generation and empowerment (especially of women), among others.

Furthermore the MFIs believe that microfinance enhances the standard of living of the beneficiaries. This is supported by the clients themselves in their responses to the questionnaire. A number of impact assessment studies have been conducted to uncover the role microfinance plays in enhancing individual's standard of living. Omar *et al. (*2012) conducted a study on Malaysian microfinance institutions on the clients' well-being, empowerment and their micro and small enterprises and confirmed that microfinance has a significant positive impact on the clients' well-being and the performance of microenterprises. In their study of the impact of microfinance, Ahmad (2012) and Burjorjee and Jennings (2008) concluded that microfinance services help the poor to increase their household income, improve educational enrolment of their children and enhance the quality of their lives. A significant number of clients claimed they have been able to educate their children with the help of microfinance.

Notwithstanding the above positive impact, a number of clients of MFIs affirm that microfinance leads to unemployment because it has collapsed their businesses leading to loss of employment. This confirms the study conducted by Radmila *et al.* (2015), which found that, even though microfinance creates employment, it also causes unemployment because it leads to job losses. This is consistent with the findings by Boateng, et, al(2016) who assert that when MFIs collapse, clients lose their working capital, savings, and their sources of livelihood leading to collapse of businesses, so in this way instead of microfinance reducing poverty, it could rather make individuals and businesses worse off. This is supported by Banerjee *et al.* (2017) whose findings revealed that, although microfinance promises employment creation, grows business and hence reduces poverty, it increases the indebtedness among already impoverished communities and worsens economic, social and vulnerabilities in the poor. This corroborates the findings of Geleta(2015) that microfinance makes individuals, and microenterprises worse off; in fact it has led to collapse of some enterprises. It is also clear from the responses of the clients that microfinance has made some individuals and micro-entrepreneurs worse-off. This clearly shows that the impact of microfinance on empowerment is highly debatable.

In summary and conclusion, although microfinance promises employment creation, business growth, empowerment, and hence poverty reduction, there is empirical evidence (e.g. Geleta, 2015; Radmila *et al.*, 2015; Banerjee, 2017) to believe that microfinance collapses businesses, causes unemployment, makes individuals worse off and hence worsens poverty. In Ghana however (the current study), the results of OLS regression and the binary logistic regression revealed that microfinance leads to business growth, leads to employment generation but does not lead to poverty reduction. It can therefore be concluded that microfinance is not a panacea for poverty reduction. Microfinance and hence MFIs alone cannot reduce poverty significantly. Microfinance cannot operate in a vacuum, it must be part of a broader poverty reduction strategy. There must therefore be an appropriate macro and micro economic framework to support the poverty reduction strategy of microfinance.

Though a number of studies report that microfinance leads to business growth, increases employment and hence reduces poverty, others including a few MFI clients in Ghana claim that microfinance rather reduces employment, kills businesses and hence worsens poverty. This is indeed a shocking revelation because a number of studies (as presented above) have established that microfinance is a potent tool for employment creation, business growth and hence poverty reduction.

The researcher is of the view that the following may contribute to that: profit-maximising objective of MFIs, high interest rates, diversion of loan, loan default, lack of training, lack of technical advice/advisory services, inadequate loan amount, short maturity period of the loan and unfavourable loan terms, etc. as have been explained in the thesis. If the above causes or challenges are addressed, microfinance can be a potent tool for employment creation, business growth, and hence poverty reduction.

In summary from the OLS regression and binary logistic regression results, literature review, the responses of the clients and MFIs, it is clear and can be concluded that microfinance alone cannot be a tool to significantly reduce poverty, it must be part of a broader poverty reduction strategy. Again, given the over-riding profitability or financial sustainability objective of most MFIs, the extent and depth of MFIs inclination to poverty reduction is questionable.

However, as said earlier, given the necessary socio-economic environment (for instance, good infrastructure, subsidised interest rates, inclusion of female in decision making, in addition to training that provides proper business skills, information and technologies, advisory services, innovative business practices etc.) microfinance will lead to economic and social empowerment, business growth, generate employment and hence produce significant positive impact on poverty levels. Furthermore, microfinance should be part of a broad and holistic strategy of governments for it to have significant positive impact on business growth, employment generation and hence poverty reduction.

CHAPTER EIGHT

SUMMARY, RECOMMENDATIONS AND CONCLUSION

8.1 Introduction

This chapter summarises the key findings, draws conclusions from the research, and makes recommendations based on the findings. The chapter also identifies the contribution of the research to theory and practice, discusses the limitations of the study, and makes suggestions for future research. The thesis: A Framework for understanding Microfinance as a tool for poverty reduction in Ghana had the following objectives.

8.2 Review of Objectives

1. To critically review literature on microfinance approaches and governance, within the context of empowerment and the challenges of microfinance in order to inform a framework for understanding microfinance as a tool for reducing poverty among microfinance beneficiaries in Ghana.

2. To determine the extent to which microfinance reduces poverty of microfinance beneficiaries.
3. To identify and address the challenges faced by microfinance institutions (MFIs) and their clients.
4. To examine the other outcomes of microfinance (Apart from reducing poverty).
5. To recommend ways and develops a framework by which microfinance can effectively reduce poverty of clients of microfinance institutions (MFIs).

From the literature and previous studies on the impact of microfinance conducted by experts, authors, researchers, and writers, it became necessary to test the following hypotheses;

Hypotheses:

H1: There is a positive relationship between microfinance and employment generation.

H2. There is a positive relationship between microfinance and business growth.

H3. There is a positive relationship between microfinance and poverty reduction.

8.3 Summary of Main (Key) Findings

Impact of Microfinance on Poverty Reduction

This current study on the framework for understanding microfinance as a tool for poverty reduction found that microfinance is not a panacea for poverty reduction.

There are a number of studies which supports the assertion that microfinance reduces poverty levels. For example Karsh and Deek (2019) conducted a study in Pakistan and found that 88% of the respondents' income was due to microfinance, and hence concludes that microfinance and poverty reduction are positively related. This is also confirmed by separate studies conducted by Gupta and Gupta (2019), Hussain, Mahmood, and Scott(2019), Tafamel(2019), and Abdelkader (2019) that microfinance leads to poverty reduction. These studies are buttressed by other studies; for instance Khanam, et, al(2018), Kamel and Jalel-Eddine(2018), Viswanath(2018) and Dahir(2018).

Notwithstanding the above, Yaidoo and Vishwanatha(2018) claim that microfinance is not a solution for poverty reduction. Gerald and Johnson (2019) also report that there is little evidence to support microfinance as a tool for poverty reduction. Chatterjee, et, al(2018); Dutta and Banerjee(2018) assert that though microfinance and poverty reduction has a positive relationship the impact is very small or negligibly low. This is consistent with the study by Awojobi(2019) who found that microfinance as a tool for poverty reduction has a weak or low positive impact on poverty reduction. Further, Gelata (2015) conducted a study in Northern Ethiopia and reported that microfinance worsens the poverty situation of the poor.

In this study on microfinance in Ghana, the OLS regression results, logistic regression results, literature review, together with the responses of the clients and MFIs (chapters 5 and 6) it is clear and can be concluded that microfinance alone cannot be a tool to significantly reduce poverty, it must be part of a broader poverty reduction strategy.. Again given the over-riding profitability or financial sustainability objective of most MFIs, the extent and depth of MFIs inclination to poverty reduction is questionable. However, as asserted by Mittah (2016); and Ferdousi(2015) given the necessary socio-economic environment(for instance, good infrastructure, subsidised interest rates, inclusion of female in decision making, in addition to training that provides proper business skills, information and technologies, advisory services, innovative business practices etc.) microfinance will lead to economic and social empowerment and hence produce significant positive impact on poverty levels. Furthermore, microfinance should be part of a broad and holistic strategy of governments for it to have significant positive impact on business growth, employment generation and hence poverty reduction. However, from this study on Ghana, it is clear from the OLS regression results, binary logistic regression results, responses of MFIs and the clients that microfinance is not a panacea for poverty reduction in Ghana.

Other outcomes of microfinance

Impact of Microfinance on employment generation

From the interviews conducted with Officers, Managers, Chief Executives of MFIs in Ghana it became clear that microfinance creates employment. This was also testified by some of the clients themselves who claim that their participation in microfinance programmes has enable them create and even expand employment and hence contributed in solving the unemployment problem. However other clients complained that microfinance has led to job losses; in other words according to some few clients of MFIs, microfinance has created unemployment for them and their employees because it has collapsed some businesses.

To confirm or disconfirm the assertion OLS regression and binary logistic regression were run using the responses of the clients. The variables used to explain or analyse the impact of microfinance on employment generation include availability of credit, availability of favourable credit terms, availability of training, and availability of advisory services to microfinance clients. The results from the binary regression revealed that apart from training, microfinance impacts positively on employment. Secondly from the OLS regression analysis, apart from favourable credit terms, all the variables of microfinance impact positively on employment. It can therefore be concluded that microfinance has a significant positive impact on employment generation hence supports hypothesis 1, that there is a positive relationship between microfinance and employment generation. This is buttressed by the fact that according to the OLS regression results, variation in microfinance explains 61.2% of changes in employment.

Impact of Microfinance on Business growth

From the responses of the MFIs in Ghana, microfinance leads to business growth. Some beneficiaries of microfinance confirm it, while others assert that microfinance rather leads to the collapse of their enterprises or hinders the growth of their businesses. OLS regression and binary logistic regression were run to ascertain the impact of microfinance on business growth to agree or disagree with the assertion above.

The output of both the OLS regression and binary logistic regression clearly show that microfinance has a significant positive relationship with business growth, and since all the variables (provision of credit, favourable credit terms, availability of training, and availability of advisory services) in respect of binary logistic regression and three of them(availability credit facility, availability training programme, and availability of advisory services) in respect of OLS regression have positive and significant effect on business growth, it can be concluded that, this finding fully supports the hypothesis 2, that there is a positive relationship between microfinance and business growth. From the OLS regression output for example 37.4% of variation in business growth is due to changes or variation in microfinance.

The other outcomes of microfinance (employment generation and business growth) are supported by a number of studies. For example Karsh and Deek (2019) conducted a study in Pakistan and found that microfinance increased employment and also enhanced women's empowerment. This corroborates the findings by Tafamel (2019) and Awojobi (2019) who both found that microfinance and employment generation are positively correlated and hence business growth. Gupta and Gupta (2019) also report that microfinance increases income, savings, employment, improves financial situation, and standard of living of beneficiaries. This is in line with the findings by Khan and Akher (2017) who found that microfinance enables the poor to establish their own micro-enterprise, create employment and hence promote economic growth.

Overall, the results of the study from the binary logistic regression output supports H_1 (there is a positive relationship between microfinance and employment generation), fully support H_2 (there is a positive relationship between microfinance and business growth), but does not support H_3(there is a positive relationship between microfinance and poverty reduction). In the same way, the OLS analysis supports H_1 (there is a positive relationship between microfinance and employment generation), supports H_2 (there is a positive relationship between microfinance and Business growth, but does not support H_3 (there is a positive relationship between microfinance and poverty reduction).

Challenges faced by MFIs and their Clients

The study also found that both the MFIs and the clients face a number of challenges that hinder their growth. The challenges faced by the clients include high interest rates charged by the MFIs, processing fees, compulsory savings, occasional loss of deposit by clients, inadequate loan amount, short maturity period, inadequate or lack of training and advisory services among others. They claimed that all these challenges contribute to poor business performance, loan default and in some cases collapse of some enterprises. The interest rate charged by the majority of MFIs in Ghana ranges between 5% and 10% per month, which works out to roughly 60% to 120% per annum. Some even charge 20% and above a month and this, according to the clients, is a major cause of loan default and poor performance of some of the clients. This clearly shows that MFI clients faced the challenge of unfavourable credit terms which hinder their growth. This is confirmed by the OLS regression results which clearly indicated that favourable credit terms bears negative relationship with business growth, employment generation and poverty reduction.

The above is supported by studies by Rashem and Abdullah(2018), Prathap, Mahesh and Karthik(2018), Elhadidi(2018) and Ntim(2019) who found that high interest rate is a challenge or obstacle to the clients of MFIs because it makes them worse off and in some cases collapse their microenterprises. This is also supported by Salia, Hussain, Tingbani and Kolade(2018) who asserted that inefficiency and cost of microfinance(interest rate) is an obstacle to women's ability to come out of poverty.

On the part of the MFIs, the study identified some challenges they face: these include diversion of loans and loan default by the clients, absence of efficient and effective credit bureaux, licensing and other regulatory requirements, the series of training programmes organised for the clients, refinancing and rescheduling of loans, loss of confidence due to loss of deposit of clients. Others include lack of skilled personnel (because most of them do not recruit skilled employees), and high operational cost, there is no institutional capacity building and hence capacity enhancement in the sector, lack of funding and basic infrastructure like good roads, electricity, telecommunication services, lack of reliable information for effective planning and decision making, and lack of regulation and supervision. These findings are consistent with the findings by Boateng, (2015); Kenubeh, (2015); Asiamah and Osei, (2017).

Further, a study conducted by Sainz-Fernandez(2015) reported that absence of credit bureaux lead to multiple borrowing and also lending to highly risky clients which consequently lead to default (Rashem & Abdullah, 2018). Provision of training being a challenge is supported by Lensink, et, al (2018) who claimed that provision of social services like training, business development, access to market and health care increase the cost of operations to MFIs which affect their profits and eventually their growth. This is also confirmed by Khanam, et, al(2018) who reported that training and advisory services offered to clients by MFIs is costly and hence a challenge.

Furthermore, the study found that MFIs in Ghana do not only lend to individuals/microenterprises but also SMEs and even finance international trade(import and export trade). This creates a lot of problems including liquidity challenges, default, loss of clients' deposits and eventually collapse of the MFIs. There is therefore a mission drift of MFIs in Ghana.

8.4 Contributions of the Thesis

From the literature, whilst some authors claim microfinance reduces poverty, other studies found that microfinance makes individuals and microenterprises worse off and hence worsens their poverty situation. Secondly, whilst some studies have revealed that microfinance generates employment and also enhances the growth of microenterprises, others found the reverse; that is microfinance rather collapses microenterprises and creates unemployment. There is therefore a gap or an unanswered question regarding the net effect/impact of microfinance whether positive or negative on employment, business growth and poverty reduction. The contributions of the thesis are categorised into theory and practice.

8.4.1 Contribution to theory

First, the thesis has made it explicitly clear that, microfinance is not a panacea for poverty reduction. From the review of literature, the views from the MFIs and the clients, and the output from the OLS regression and binary logistic regression it can be concluded that microfinance is not a panacea for poverty reduction in Ghana. As a matter of fact it is not a solution to global poverty. From the results of the binary logistic regression the four variables that determine the impact of microfinance on poverty reduction only two; availability of credit, and availability of favourable credit terms that have significant positive impact on poverty reduction; training and advisory services offered to clients of microfinance institutions do not lead to poverty reduction. Secondly, from the output of OLS regression, out of the four variables of microfinance, availability of credit, and training programme have positive relationship with microfinance; while favourable credit terms and advisory services have a negative correlation with poverty reduction. Microfinance needs to be part of a broader strategy of poverty alleviation for it to make any meaningful impact on poverty reduction. The study makes it clear that due to their profit-maximising (financial sustainability) objective (which over-rides their poverty reduction objective, especially in Ghana) MFIs charge exorbitant interest rates thereby killing microenterprises, and making some individuals and businesses worse -off. There is therefore a mission drift because according to literature and various studies, for example UNDCF (2004), and many more, the main aim of microfinance is poverty reduction and empowerment of women and hence seeking the economic welfare of people especially the poor. However, this current study has proved that microfinance is not a panacea for poverty reduction in Ghana which presupposes that the MFIs' profit-maximising objective(sustainability objective) overrides their welfare or social objective of poverty reduction hence they charge exorbitant interest rates thereby killing some microenterprises. This current study, therefore, supports or adds to literature, for example Morduch(2008), Gerald and Johnson(2019), Geleta(2015) and Rahman(2015) who claim that microfinance is not a panacea for poverty reduction.

Secondly, one contribution of the thesis which is shocking is that training and advisory services offered to clients of MFIs do not have significant positive impact on poverty reduction; and even from the OLS regression analysis, advisory services impact negatively on poverty reduction. This is a shocking revelation because according to various studies for example, Lensink, et al.(2018), Otero(1999), Dutta & Banerjee(2018), training and advisory services offered to firms lead to business growth, generate employment and hence reduces poverty. This implies that this contribution of the current study challenges other studies and existing literature. This shocking revelation is attributed to the fact that the trainers and advisors of MFI clients are not adequately skilled and knowledgeable enough to train and advise on business growth, employment generation, and hence poverty reduction.

Another contribution of the thesis is that microfinance impacts positively on employment generation. This is because from the views of MFIs, clients, literature review, the OLS results; and the output of the binary logistic regression there is a significant positive relationship between microfinance and employment generation. This implies that microfinance creates or generates employment.

Another contribution according to the results of both OLS regression and binary logistic regression, is that microfinance leads to business growth. This is a significant contribution of the thesis because all the variables that define microfinance (availability of credit, availability of favourable credit terms, availability of training, and availability of advisory services) according to the results of the binary logistic regression have significant positive impacts on business growth. This is buttressed by some clients, MFIs, and the literature, and hence add to or support literature.

From the above it can be said that the thesis contributes to the financing constraint theory by Modigliani and Miller(1958) which explains that favourable credit terms for example relatively low interest rates, favourable payment terms, etc to MFI clients has a positive impact on Business growth. This thesis on microfinance in Ghana reveals that favourable credit terms leads to business growth. The thesis therefore adds to Modigliani and Miller's theory and hence a contribution to theory. This also means that unfavourable credit terms impact negatively on business growth, employment creation and poverty reduction.

This study on microfinance in Ghana reveals that due to their numerous obstacles and challenges including lack of collateral, the microenterprises are excluded from securing loans from external sources including traditional commercial banks hence rely on MFIs for their loans to finance and grow their businesses. The study contributes to Mueller's Life Cycle Theory propounded in 1972, which explains the characteristics of a firm from its establishment to maturity. The theory explains that at its initial stages of establishment a firm faces a relatively large investment opportunity set, but is not sufficiently profitable to be able to meet all its financing needs through internally generated funds, therefore it requires external funding or loan. Meanwhile, according to the theory, the firm at the initial stages faces substantial obstacles and challenges in raising capital from external sources.

Furthermore, as a contribution to both theory and practice, this thesis proposes a framework, which provides suggestions or recommendations to address the challenges in the MFI sector; to expand or grow businesses, create employment and hence reduce poverty of MFI clients. These include government enacting legislation regarding interest rate, training and advisory services, provision of funds or capital to MFIs, and even encouraging the microenterprises to establish their own micro-bank, among others. The framework is found in the next section (contribution to practice; table 18). The framework contributes to theory in the sense that it adds to or support previous studies. For example the framework recommends government's intervention/legislation or donor support to MFIs and also tackle the challenge of high rate of to microenterprises. This support the studies by Rashem & Abdallah (2018), and Dahir (2018). Again, the framework also recommends that MFIs should recruit well-trained and qualified staff. This supports and hence adds to Sainz-Fernandez(2015) assertion that MFIs lack skilled personnel so they should recruit more qualified personnel.

Finally, the study is the first attempt to combine microfinance, grounded theory and mixed method to investigate the relationship between microfinance and poverty reduction, microfinance and business growth, and microfinance and employment generation in Ghana.

8.4.2 Contribution to Practice and Policy implication

Having reviewed the various frameworks of microfinance, and having examined what prevails currently in Ghana, and the challenges faced by clients of MFIs in Ghana, the researcher proposes a framework that incorporates training, advisory and technical services, and granting of loans to micro-entrepreneurs at relatively low interest rates.

If the framework is implemented with the necessary government support and conducive or supportive economic environment, there will be business growth, MFIs will be sustainable, employment will be created leading to economic growth, and subsequently reduction in poverty.

This following framework will be useful to policy makers and practitioners in the microfinance sector.

Table 20: A FRAMEWORK FOR UNDERSTANDING MICROFINANCE AS A TOOL FOR POVERTY REDUCTION IN GHANA

CHALLENGE BEING ADDRESSED	ACTION TO ACHIEVE THE OBJECTIVE/ ADDRESSED THE CHALLENGE	RESPONSIBILITY
Objective 1: To promote the growth of Microenterprises(Clients of MFIs) and hence reduce poverty of clients of MFIs		
The high interest rate charged by MFIs and paid by microenterprises	To provide loans to Microenterprises at affordable/low interest rate To set up their own micro-bank	Government, NGOs/Development partners, MFIs -Government should enact new legislation to address it. Microenterprises(Clients of MFIs)

Lack of Training and Advisory services	To provide periodic and relevant training and advisory services to clients at no cost	Government, MFIs, NGOs/Development partners
Inflexible and rigid repayment and maturity period of the loan	To allow the Clients/Microenterprises to pay their loans at the time they have good harvest/Sales	MFIs
Loss of deposits	To regularly monitor and supervise the MFIs	Bank of Ghana(Central Bank of Ghana)
Objective 2: To Address the challenges faced by MFIs and hence ensure their Sustainability		
Loan default by the Clients	To do proper loan appraisal To regularly visit/monitor the clients To provide loans to only clients who are members of a group To provide training to Managers/officers of MFIs To set up efficient and effective credit bureaux To keep proper records To stop providing loans to importers and exporters/SMEs and grant loans to only microenterprises To refinance or reschedule credible clients	Microfinance Institutions(MFIs) Microfinance Institutions(MFIs) Microfinance Institutions(MFIs) Government, NGOs, MFIs Government/Central Bank of Ghana MFIs MFIs MFIs
Lack of funding and high cost of capital	To subsidise microfinance programmes in order to reduce the cost of capital	Government, NGOs/Development Partners

High operational cost	To provide loanable funds to MFIs at low interest rate for on-lending to clients To subsidise training offered to clients by MFIs To provide basic infrastructure especially in the villages To reduce default and transaction cost To employ group methodology in lending	Government, NGOs/Development Partners Government, NGOs, Development partners Government MFIs MFIs
Objective 3: To generate employment and hence reduce poverty		
High rate of unemployment and high poverty levels	To provide loans to individuals to set up microenterprises, and expand existing businesses	Microfinance Institutions(MFIs) Government, NGOs/Development partners
Sustainability and growth of Microenterprises	To provide periodic relevant training and advisory services to clients at no cost. To reduce interest rate To provide loans to MFIs at low interest rate for on-lending to Clients	Government, MFIs, NGOs/Development partners MFIs, Government Government, NGOs/ Development partners
High cost of doing business/High interest rate	To reduce interest rate, To reduce or entirely cancel processing fee	MFIs, Government MFIs
THE BIGGER PICTURE/ ULTIMATE IMPACT: IMPACT OF MICROFINANCE ON POVERTY REDUCTION **When the above are implemented, with the necessary government support, and conducive/supportive economic environment;** **1. There will be Business growth**		

2. **MFIs will also be sustainable**
3. **Employment will be created, leading to**
4. **Economic growth, and subsequently**
5. **Reduction in poverty**

In practice, the study identified that training (Binary Logistic regression and some clients) and advisory services (OLS regression and some clients) offered to microfinance beneficiaries or clients do not help in reducing poverty. This is shocking because it is expected that generally training and advisory services will lead to business growth, generate employment, and ultimately reduce poverty. This might be due to a couple of reasons including the relevance of the contents of the training and business advisory services; and whether the clients apply or implement the skills and knowledge they acquire from the training. This is very useful to the clients, MFIs, policy makers, and regulatory bodies like Bank of Ghana (Central Bank), Ghana Microfinance Institutions Network (GHAMFIN), and Association of Microfinance Institutions.

Again from the output of the binary logistic regression, and buttressed by some clients, training specifically does not have any significant positive relationship with employment generation. In other words, training does not lead to employment generation. This is again shocking as explained above.

Furthermore, the study provides in the framework that micro-enterprises (clients) can set up their own micro-bank to help advance loans to them at reasonable interest rate to address the challenge of high interest rate and other challenges like inadequate loan sizes, short-term maturity of loans, etc. Again this is very useful to microenterprises, policy makers, practitioners and regulatory bodies like Bank of Ghana, Microfinance Institutions, Ghana Microfinance Institution Network, and Ghana Microfinance Association.

8. 5 Recommendations

Based on the findings and the conclusion, the following are recommended for Clients of MFIs, the Government, Regulatory bodies, MFIs, Policy makers and Practitioners.

To Microenterprises (Clients of MFIs)

Long-term recommendation/solution

As a long-term solution, the Clients of MFIs should set up or establish their own micro-bank (microfinance company), which should be capable of granting loans to its members at a reasonable interest rates, offering them relevant training and advisory/technical services to grow their businesses, create employment, achieve financial self-sufficiency and, as a result, alleviate poverty. If the clients form their own micro-bank they can address most, if not all, the challenges. For example the micro-bank can offer their members loans at reasonable interest rates, use a flexible payment system, requires no physical collateral among others, offer its members relevant training and advisory services etc. Micro-entrepreneurs are capable of establishing, managing, and controlling their own micro-bank.

From the findings, some clients divert the loans they receive from the MFIs thereby causing default in most cases leading to collapse of some microenterprises. It is recommended that the clients should be advised to know the benefits of investing the loans in their microenterprises, and also the consequences of diversion. It is also recommended that clients attend relevant training programmes to grow their microenterprises, create employment and hence reduce poverty.

To the Government

Short-term solution

One of the challenges of the beneficiaries of microfinance (clients) is the high level of interest charged. It is recommended that governments should secure loanable funds and either loan it to the Clients directly or pass it through MFIs, Commercial or Rural and Community banks at reasonably low or concessionary rates for on-lending to microenterprises (Clients of MFIs). The government can also appeal to development partners like UNDP, USAID, JICA. DFID, etc to lend to microenterprises at reasonably low interest rate in order to help grow their businesses, create employment and as a result reduce poverty.

Secondly, based on the results from the challenges or obstacles of using microfinance by the clients, there is lack of training and advisory services for some of the clients. It is recommended that the Government should appeal to the international development partners, like UNDP, USAID, JICA, DFID etc., to sponsor relevant training programmes, and offer relevant advisory services to microenterprises/clients.

In the third place, the short maturity period of the loans was revealed as one of the challenges/obstacles raised by the clients of MFIs. It is recommended that the maturity period of the loan should depend upon the nature of one's business. For instance, those in the agricultural sector should be allowed to repay their loans when they harvest their produce. This, however, can only be possible if the loan is coming from the government because if the loan is from the MFIs they also have to meet their obligations to their creditors so they cannot allow the clients to pay the loan at their own convenience.

Medium to Long-term solution

In the medium to long-term it is recommended that microfinance must be part of government's broad strategy for poverty alleviation within a framework of good macroeconomic policies. This is because, from the findings, it was revealed that microfinance alone cannot be a panacea for reducing poverty. Therefore, it is recommended that, as a long-term solution, the government should incorporate microfinance in her broad poverty alleviation strategy for it to have meaningful impact on poverty reduction.

It is also recommended that the government in addition to ensuring a supportive and conducive macroeconomic environment and good trade and industry policy, it should also provide good infrastructure (e.g good roads), affordable means for microenterprises to move and market their products, and access to ready market. From the findings, it is revealed that microfinance is a necessary but not a sufficient condition for microenterprise growth, employment creation and hence poverty reduction, other inputs are required hence government should endeavour to provide those other inputs including strong legal framework and other conducive environment.

To the Regulatory Body (e.g. Bank of Ghana*)*

Short to medium- term solution

One of the challenges or obstacles identified from the results of the study was the loss of depositors' (clients') money due to the collapse of the MFI or some MFIs absconding with depositors' (clients') money. It is recommended that the Central Bank (Bank of Ghana) should intensify its monitoring and supervisory role of the microfinance institutions so that the illegal (unlicensed) MFIs which abscond with depositors' money are wiped out from the system. Secondly, Bank of Ghana should intensify its supervisory, monitoring and regulatory role, by increasing the frequency of visits to the MFIs so that it can quickly notice inefficiencies to avert the collapse of the MFI in order to safeguard the interest of depositors. Again, the licensing requirement should be vigorous in terms of the processes and, more importantly, the capital requirement. In view of the above Bank of Ghana in 2019 revoked the licenses of 347 MFIs.

Furthermore the government and Central bank must facilitate MFIs' growth and development by the establishment of credit bureaux which could help MFIs to assess the level of indebtedness and credit risk of their clients and potential clients, to either grant or reject a loan application. This will help minimise or reduce delinquency/default rates.

To the Microfinance Institutions (MFIs)/Practitioners

Short to medium-term solution

Lack of technical advice/advisory services is one of the obstacles/challenges confronting microfinance clients leading to the collapse of some of the businesses and/or adversely affecting the growth of the businesses. It is recommended that microfinance institutions should offer technical advice to their clients. They should regularly visit their clients' shops, business centres and areas of operation, to monitor and assess their clients' performance and hence offer adequate and useful technical advice that will lead to the growth of the clients' businesses. The staff of microfinance institutions can do this perfectly when they are trained. Regular, appropriate, relevant and adequate training should be organised for the employees, and owners of MFIs. The training can be local, in-house or international. When this is done, loan default will be minimised if not entirely eliminated because businesses will grow and, as a result, loans will be repaid.

Secondly, MFIs can enhance their performance by implementing strategies to lower their operational and administrative cost. This can be achieved partly by reducing the delinquency rates and transaction cost. They should also provide incentives to their staff to increase their productivity, and identify optimal number of clients per staff.

Further, to minimise default, MFIs should grant loans to only those clients who are members of a group. In other words, the group methodology should be the sole method of delivering microfinance. They should also concentrate on poor individuals and microenterprises and stop granting loans to small and medium enterprises(SMEs).

All the above recommendations are likewise beneficial to scholars and researchers, as they will use the information and findings as reference material (literature) in similar researches. If the above recommendations in addition to the framework are efficiently and effectively implemented, poverty in Ghana will be reduced if not entirely eliminated.

8.6 Limitations of the Study

In spite of the fact that the research was carefully conducted, it has a number of limitations. In addition to the limitations of the mixed method discussed in the methodology chapter, the following are the rest of the limitations or shortcomings.

a) Sample size and sample profile: Due to the time constraint, only ten microfinance companies and three hundred and fifty clients were sampled even though there are over four hundred registered and licensed MFIs and many more microfinance beneficiaries in the country at the time of the study. Although the MFIs who participated in the study had branches in other parts of the country, their clients who participated in the study are in Accra (the capital city of Ghana) and its environs. It may be likely that, if the participants (MFIs and hence Clients) had been chosen from other parts of the country, different results would have emerged. The reason is that, although it is the same country, there are differences in economic conditions, and socio-cultural characteristics of the people from one region, community, and district to the other, hence there may be differences in effective demand leading to differences in the policies, profits, etc. of Clients and MFIs. Therefore, to generalise the findings for larger groups or the whole country of about 30 million people must be done with caution.

b) Secondly, there are very few studies on microfinance institutions and poverty reduction in Ghana, so the researcher could not have enough literature on Ghana to find out whether the findings were indeed consistent and hence true for Ghanaian people, MFIs and Clients over a period of time or whether they change from time to time. Many of the previous researches related to other countries, some with entirely different economic, socio-cultural characteristics, and background so to say that the findings are in agreement with or run counter to other studies may not mean much.

   However, since most of the previous studies related to developing countries (for example, Bangladesh, Pakistan, Nigeria and Kenya) like Ghana, there are some element of similarities in their economic, and socio-cultural characteristics, hence the findings can be generalised but should be done with care.

c) Method or Instruments of data collection: The researcher used both the questionnaire and an interview guide as instruments for data collection. The questionnaire was used to solicit data from the clients, whilst the interview guide was employed to collect data from the microfinance institutions (MFIs). The major limitation of both instruments or methods of data collection might be honesty on the part of the respondents.

In other words, it would be very difficult to detect or know how truthful respondents were. It may be likely that some respondents were not 100% truthful with their answers, and this may adversely affect the findings. Regarding the questionnaire, for example, although the researcher hoped for conscientious responses, there is no way to know if the respondents really thought the questions through before writing their responses, hence the answers from the responses may not be the intended responses if the participants had really thought through the questions. The implication of the above is that accuracy of the data may be questionable hence the results may be challenged.

d) Further, another limitation of the study is that due to lack of data, no robustness check was done for other industries or sectors. In other words, due to unavailability of data, the researcher could not check whether the results of this study would still hold if the test was conducted in other industries/sectors.

8.7 Areas for Further Research

1. Having reviewed literature on microfinance, and from the findings and the limitations of the study it is recommended/proposed that similar research be conducted with increased sample size; specifically the sample size should be expanded to include MFIs and microenterprises (Clients) in every region of Ghana.

2. Secondly, a further study should be conducted on the impact of MFI training and advisory services on the growth of microenterprises (Clients of MFIs), with increased sample size or in another developing country.

3. A further study should be conducted to investigate why some microenterprises (clients of MFIs) collapse whilst others grow with funding from MFIs.

8.8 Conclusion

The current study; a framework for understanding microfinance as a tool for poverty reduction in Ghana, examined the impact of microfinance on poverty reduction including other outcomes of microfinance. It also examined the challenges faced by microfinance institutions in Ghana.

The study revealed that whilst some clients claim microfinance has made them better off, others are of the view that microfinance has worsened their situation and even collapsed their enterprises.

To confirm either of the claims OLS regression and binary logistic regression were run and the output suggests that microfinance does not lead to poverty reduction. The result of the binary logistic regression indicates that out of four variables (availability of credit, availability of favourable credit terms, availability of training, and availability of advisory services) that define microfinance, only two (availability of credit, and availability of favourable credit terms) have significant positive relationship with poverty reduction, implying that it is only two of the variables that lead to significant poverty reduction. Secondly the OLS regression output revealed similar outcome. Out of the four microfinance variables, two; favourable credit terms, and advisory services impact negatively on poverty reduction. It can therefore be concluded that microfinance is not a panacea for poverty reduction in Ghana.

Again, availability of training to microenterprises (clients of MFIs) though lead to business growth does not generate employment according to the output of the binary logistic regression. However all the variables (availability of credit, availability of favourable credit terms, availability of training, and availability of advisory services) have a significant positive relationship with business growth as revealed by the binary logistic regression results and supported by the OLS regression and some of the MFI clients. It means that microfinance leads to business growth, and partially generate employment but does not significantly lead to poverty reduction.

As indicated in the summary of findings, the results of the study from the binary logistic regression output support H_1 (There is a positive relationship between microfinance and employment generation), support H_2 (There is a positive relationship between microfinance and business growth), but does not support or rejects H_3(There is a positive relationship between microfinance and poverty reduction). In the same way, the OLS analysis supports H_1 (There is a positive relationship between microfinance and employment generation), supports H_2 (There is a positive relationship between microfinance and Business growth, but rejects or does not support H_3 (There is a positive relationship between microfinance and poverty reduction).

In summary, it is concluded that microfinance generates employment, lead to business growth but is not a panacea for poverty reduction in Ghana. The study therefore supports;

H1: there is a positive relationship between microfinance and employment generation.

H2: there is a positive relationship between microfinance and business growth

But rejects;

H3: there is a positive relationship between microfinance and poverty reduction. This implies that microfinance is not a panacea for poverty reduction in Ghana.

For microfinance to have a significant effect on poverty reduction, it should be part of a broad government's poverty reduction strategy. Combined with other innovative programmes that unleash people's potential, good infrastructure, entrepreneurial skills, supportive macroeconomic, trade and industry policy framework microfinance will lead to the growth of microenterprises and hence will be a potent tool for poverty reduction.

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APPENDIX A

INTERVIEW GUIDE TO MICROFINANCE INSTITUTIONS (MFIs)

QUESTIONS

1. Is your Microfinance Institution (MFI) registered with the Registrar General's Department and licensed by Bank of Ghana (Central Bank of Ghana)?

2. How long has your MFI been in existence?

3. What factors do your MFI take into account before approving or granting a loan facility/loan request?

4. What are the challenges your MFI faces in lending to clients and also operating in Ghana?

5. Do you offer training to your clients?

6. Do you offer your clients advisory services?

7. Why do microenterprises (your clients) in Ghana rely on microfinance?

8. What are the main objectives of using microfinance by clients?

9. How is microfinance done at the institutions?

10. What are the main obstacles and challenges faced by your clients in using microfinance?

11. What are the outcomes of using microfinance in Ghana, including poverty reduction?

12. What is your motivation for setting up the MFI?

13. What has been your company's (MFI's) contribution towards poverty reduction, business growth, and employment generation?

Thank you

APPENDIX B

QUESTIONNAIRE TO MICROFINANCE BENEFICIARIES

I am a PhD (Finance & Management) student of Cardiff Metropolitan University in the UK, undertaking research on microfinance in the city of Accra, Ghana. Specifically the thesis topic is: A Comprehensive Framework to Investigate the Phenomenon of Microfinance in Ghana. I am therefore requesting that you complete this questionnaire to help me gather the necessary data for my thesis. You are eligible to complete this questionnaire because you are over 18 years and, more importantly, you have been a beneficiary of microcredit for at least two years. The data is only to be used for academic purposes and so your confidentiality and anonymity is assured.

Thank you and stay blessed.

Please tick this box to confirm that you are over 18 years of age [ ]

Tick or write your response

Section A: Background of the Client

1. What is your gender?

   a. Male   b. Female

2. Which of the following age ranges do you fall within?

   a. 1 - 21 years [ ]   b. 22 – 30 years [ ]

   c. 31 – 40 years [ ]   d. 41-50 years [ ]

   e. over 50 years [ ]

3. What is your highest educational level?

   a. No formal education [ ]   b. Primary [ ]   c. Junior secondary

   d. O/A level [ ]   e. Senior secondary [ ]

   f. Vocational/technical [ ]   g. Tertiary [ ]

Section B: Beneficiaries' Business

4. What is the nature of your business?   a. Trading [ ]

b. Manufacturing [ ]   c. Service [ ]   d. Construction [ ]

e. Transportation [ ]   f. Fishing/farming [   ]

5. Is your business legally registered?

Yes [   ]   No [   ]

6. Which of the following best describes the form of ownership of your business?

a. Sole proprietorship [   ]   b. Limited liability company [ ]

c. Partnership [   ]   Other, specify ----------------------------

7. What was your motivation for starting this business?

a. Continuing with the family business   [ ]   b. To be my own boss [ ]

c. To secure additional income [   ] d. No other alternative for income [ ]

e. Financial independence   [ ]

f. Peer influence   [ ]

8. How old is your business?

a. Less than 5 years [ ]   b. 6-10 years [   ]   c. 11- 15 years [ ]   d. Over 15 years [ ]

Section C: Microfinance Demands

9 Why do you prefer using microfinance?---

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10. What are your objects or purposes for using microfinance?   ----------------------

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11. How much interest do you pay per month?

a. Less than 5% b. 6-10% c. 11 – 20% d. More than 21%

12. How frequently do you access a credit facility from the MFI? a. Monthly [ ] b. Quarterly [ ] c. Every six months [ ] d. Yearly [ ]

13. Is your microfinance institution able to provide the amount of credit for your business?

a. Yes [ ] b. No [ ]

14. If your answer to question 13 is 'No', please explain the reason(s) given by the MFI?

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15. Indicate the lowest amount of loan granted you by the MFI.

a. Less than GH¢ 500 [ ] b. GH¢ 500 – GH¢ 1500 [ ]

c. GH¢ 1501 – GH¢ 2000 [ ] d. GH¢ 2001 – GH¢ 3000 [ ]

e. GH¢ 3001 – GH¢ 4000 [ ] f. GH¢ 4001 - Gh¢ 5000 [ ]

g. More than Gh¢5000

16. What is the highest amount of loan granted to you by the MFI?

a. Less than GH¢ 500 [ ] b. GH¢ 500 – GH¢ 1500 [ ]

c. GH¢ 1001 – GH¢ 2000 [ ] d. GH¢ 2001 – GH¢ 3000 [ ]

e. GH¢ 3001 – GH¢ 4000 [ ] f. GH¢ 4001- Gh¢ 5000 [ ]

g. More than Ghc5000

17. Were the terms of the credit facility favourable to you? a. Yes [ ] b. No [ ]

18. If your answer to ***question 15*** is No, please briefly explain why? ………………………………………………………………………………-------------------

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19. Have you ever faced any difficulty repaying your credit facility?

a. Yes [ ] b. No [ ]

20. If yes, what caused your repayment problems?

a. Business was not profitable [ ] b. Used loan for consumption [ ]

c. Products/goods were bought on credit [ ] d. High interest

e. Others (please specify) --

21. Does your MFI organise training programmes for you? a. Yes [ ] No [ ]

22. If "Yes", in which areas? a. Book-keeping and basic accounting [ ]

b. Customer care [ ] d. Planning and decision making [ ] e. investment planning [ ]

f. Others (please specify) --------------

23. Does your microfinance institution offer you advisory services: investment advice, insurance, etc.? Yes [ ] No [ ]

24. What has been the effect of training on your business and hence poverty reduction so far?

Positive [ ] Negative [ ]

25. What has been the effect of the advisory services on your business and hence poverty reduction? Positive [ ] Negative [ ]

26. How is microfinance delivered to you (methodology)?

Individual methodology [ ] Group methodology [ ]

27. Enumerate the challenges and obstacles you face in using microfinance. ---------------------

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Section D: Impact of Microcredit on Poverty

Please indicate the extent to which you agree or disagree with the following statements. Use the scale of ***1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 = agree, and 5 = strongly agree***.

Economic Impact

On Your Personal Business

28. Microcredit/Microfinance has expanded my business 1 [ ] 2 [ ] 3[ ] 4[ ] 5[ ]

29. Microfinance/microcredit has collapsed my business 1 [ ] 2 [ ] 3[ ] 4[ ] 5[ ]

30. Microfinance/Microcredit has increased my sales and profit 1 [ ] 2 [ ] 3[ ] 4[ ] 5[ ]

31. Microfinance/microcredit has enabled me to accumulate more wealth/capital for my business 1 [ ] 2 [ ] 3[ ] 4[ ] 5[ ]

32. Microfinance/microcredit has improved my standard of living.

1[ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

33. Microfinance/Microcredit has reduced my poverty. 1[ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

On Ghana as a whole

34. Microfinance/Microcredit has led to an increase in employment and growth of Ghana

1[ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

35. Microfinance/microcredit has reduced overall poverty in Accra in particular and Ghana in general. 1[ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

Social Impact

36. Microfinance/microcredit has enabled me to educate my child/children.

1[ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

37. It has enabled me to build a house. 1[ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

38. It has provided me technical and entrepreneurial skills thus has improved my business performance. 1[ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

39. It has helped me acquire/purchase outboard motor/farming tools or equipment

1[ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

40. Others (specify): both economic and social impacts ---

Thank you.