AN EVALUATION OF THE IMPACT OF MICROFINANCE ON PETTY TRADERS:

A CASE STUDY OF KUMASI CENTRAL MARKET

By

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DECLARATION

I hereby declare that this submission is my own work towards the Masters of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

This dissertation is dedicated to my parents Mr. and Mrs. Agyeman for the love, care and support for the academic life, without them I could not have come this far.

Finally, to my three sisters, Evelyn, Millicent and Esther for their encouragement and inspiration.

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TABLE OF CONTENTS

DECLARATION………………………………………………………………………….. II

DEDICATION…………………………………………………………………………….. III

ACKNOWLEDGE……………………………………………………………………… IV

TABLE OF CONTENTS………………………………………………………………. V

LIST OF TABLES……………………………………………………………………..VIII

LIST OF FIGURES……………………………………………………………………. IX

ABSTRACT……………………………………………………………………………. X

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study…………………………………………………………….. 1

1.2 Problem Statement……………………………………………………………………. 2

1.3 Objectives of the Study………………………………………………………………. 4

1.4 Research Questions………………………………………………………………….... 4

1.5 Significance of the Study…………………………………………………………….. 4

1.6 Scope of the Study……………………………………………………………………. 5

1.7 Limitation of the Study………………………………………………………………. 6

1.8 Overview of Methodology…………………………………………………………… 7

1.9 Organization of the Study ………………………………………………………….... 7

CHAPTER TWO: LITERATURE REVIEW

2.1 Definition of Petty Trading and Petty Trader …………………………………….... 8

2.2 Definition and Concept of Microfinance……………………………………………. 8

2.3 Theoretical Approach of Microfinance……………………………………………… 12

2.3.1 ‘Welfarist’ Approach……………………………………………………………… 13

2.3.2 ‘Institutionalist’ Approach………………………………………………………… 14

2.4 Overview of Microfinance in Ghana………………………………………………… 15

2.4.1 Evolution of Microfinance in Ghana …………………………………………….. 15

2.4.2 The Evolution of Microfinance Regulation in Ghana …………………………….. 17
2.5 Models of Microfinance Interventions……………………………………………. 20
2.5.1 Individual Lending Model…………………………………………………… 21
2.5.2 Group or Peer Lending Model………………………………………………. 21
2.5.3 Grameen Bank Model 22
2.5.4 Village Banking Model... 23
2.5.5 Rotating Savings and Credit Association……………………………………… 24
2.6 Impact Assessment of MFIs Credit and Savings on Petty Traders……………….. 24
2.7 Conceptual Framework…………………………………………………………… 29

CHAPTER THREE: METHODOLOGY

3.1 Research Design…………………………………………………………………….. 30
3.2 Population and Sample Frame……………………………………………………. 31
3.3 Sampling Size ……………………………………………………………………. 31
3.4 Sampling Technique………………………………………………………………. 32
3.5 Sources of Data……………………………………………………………………. 33
3.6 Unit of Analysis…………………………………………………………………… 33
3.7 Data Collection Instrument……………………………………………………….. 33
3.8 Pilot Testing……………………………………………………………………… 34
3.9 Data Analysis……………………………………………………………………… 35
3.10 Brief Profile of the Case Study………………………………………………….. 35

CHAPTER FOUR: DATA PRESENTATION, DISCUSSION AND ANALYSIS

4.1 Models and Processes of MFIs in micro credit accessibility …………………….. 37
4.2 Assessing impact of MFIs credit on petty traders……………………………..... 41
4.2.1 Impact of MFIs credit on profitability…………………………………………….. 41
4.2.2 Impact of MFIs credit on business capital……………………………………... 43
4.2.3 Impact of MFIs credit on petty traders' livelihood……………………………….. 44
4.3 Assessing the impact of MFIs savings on petty traders…………………………… 46

4.3.1 Assessing the impact of savings on profitability………………………………….. 47

4.3.2 Assessing the impact of savings on business capital……………………………… 48

4.3.3 Assessing the impact of savings on livelihood…………………………….............49

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings……………………………………………………………….. 50

5.1.1 Models and processes of MFIs micro credit accessibility………………………… 50

5.1.2 Assessing impact of MFIs credit on petty traders………………………………… 51

5.1.2.1 The impact of MFIs credit on petty traders' profitability………………………… 51

5.1.2.2 Impact of MFIs credit on petty traders' business capital…………………………. 51

5.1.2.3 Impact of MFIs credit on petty traders' livelihood……………………………….. 52

5.1.3 Assessing impact of MFIs saving on petty traders……………………………….. 52

5.1.3.1 Impact of MFIs savings on petty traders' profitability…………………………… 52

5.1.3.2 Impact of MFIs savings on petty traders' business capital……………………….. 52

5.1.3.3 Impact of MFIs savings on petty traders' livelihood…………………………….... 53

5.2 Conclusion…………………………………………………………………………… 53

5.3 Recommendations…………………………………………………………………… 54

REFERENCE……………………………………………………………………….. 56

APPENDIX A (Questionnaire)………………………………………………………… 64

APPENDIX B (Interview Guide)………………………………………………………. 66

LISTS OF TABLES

Table 1 (4.1)	Models features and processes	39
Table 2 (4.2.1)	Impact of MFIs credit on petty traders' profitability	42
Table 3 (4.2.2)	Impact of MFIs credit on petty traders' profitability	43
Table 4 (4.2.3)	Impact of MFIs credit on petty traders' business capital	43
Table 5 (4.2.4)	Impact of MFIs credit on petty traders' business capital	44
Table 6 (4.2.5)	Impact of MFIs credit on petty traders' livelihood	45
Table 7 (4.2.6)	Impact of MFIs credit on petty traders' livelihood	45
Table 8 (4.3.1)	Association between savings and the study variable	46
Table 9 (4.3.2)	Impact of savings on profitability	47
Table 10 (4.3.3)	Impact of savings on capital	48
Table 11 (4.3.4)	Impact of savings on livelihood	49

LIST OF FIGURE

Figure 1 (2.1) Conceptual model of the study…………………………………………......... 29

ABSTRACT

The high standard set by commercial banks in financing petty traders has created a gap in the economy that microfinance has filled. Governments and Non-Governmental Organizations have concluded that poverty among the petty traders could be solved through the concept of microfinance. But, has the era of commercializing micro financing lived up to this vision? Microfinance institutions in Ghana are seen as businesses that have profit making as their goal. What impact have they made on the petty traders in the society? A descriptive study that employed both quantitative and qualitative approaches was conducted to evaluate the impact of micro financing on petty traders in the Kumasi Metropolis. A nonrandom sampling method was used to select five microfinance institutions from the metropolis who have been in operation for more than five years, with identified branch managers or credit supervisors and also close to the market and 200 petty traders who are customers of these institutions and also operate at Kumasi Central Market were sampled out by the use of convenient sampling method for the study. Questionnaires were issued to petty trading customers whiles interview guides were administered to branch managers or supervisors and data gathered were analyzed through the use of simple regression and correlation. It was revealed that there was a very weak relationship between microfinance credit and savings on the one hand and petty traders' profitability, business capital and livelihood on the other hand. The impact of Microfinance Institutions on petty traders was found to be low contrary to preview studies and literatures.

In order to correct this, it has been recommended that government should partner with microfinance institutions to revise the approach of microfinance to a hybrid form that will combine profit making with subsidy

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CHAPTER ONE INTRODUCTION

1.1 Background of the Study

Microfinance is seen as a solution to petty traders who may fall below the standard of the commercial bank lending criteria and also to correct the general notion of financing the poor (Bank of Ghana, 2007). The concept of micro financing is rooted in the idea that, poor people have excellent repayment rate and are prepare and have the power to pay the interest rate charged, to ensure that any microfinance institutions cover cost and even make profit. Thus, petty traders have the ability to use loans wisely to generate income and even continue with saving which make it easy for them to repay loans granted them. Microfinance sought, initially, to provide credit facility to the poor population which mostly includes petty traders and farmers, and was seen as a strategy for minimizing poverty among the petty traders in most developing countries. Currently, microfinance encompasses all financial services like micro credit, micro saving and micro insurance that are targeted to the low income earners of a country.

Littlefield and Rosenberg (2004) are of the view that the exclusion of the petty traders from the formal banking sector has led to the establishment of an institution that will primarily provide financial services to them and also address the failures in the market, thus, the need for microfinance institutions.

The government of Ghana believes that one way to fight or reduce poverty and at the same time generate wealth is through the institution of microfinance. And in its pursuit of accomplishing the Millennium Development Goals and also becoming a middle income country, Government recognizes the microfinance sector as a key factor in helping institutions and individuals release their potentials for economic growth (Asiamah, 2007).

Again, the former UN secretary general, Kofi Annan remarked at the launch of the International year of microfinance in December 2003 that, " sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care and empowering people to make the choice that best serve their needs" (Bank of Ghana, 2007).

Quaye (2011) indicated that, generally the idea of microfinance is purposely to improve the standard of living of petty traders in any country and also grant them opportunity of wealth creating. But are the ideas conceived of micro financing really realizing it purposes in our country? Are microfinance institution geared at helping reduce the poverty rate of the poor or improving their standard of living? With current high interest rates being charged on micro credit and microfinance institutions becoming ground for counting big profit, what impact are Microfinance Institutions (MFIs) making on the micro sector of the economy?

1.2 Problem Statement

The realization that petty traders can improve their living conditions through the provision of micro loans and also their ability to use loan facilities, save income and make the necessary repayment has been the motivation of MFIs. Also, the fact that the commercial banks fail to meet the needs of petty traders in the population has created a vacuum in the economy that MFIs can fill.

It was stated in Bank of Ghana (2007) that, the mission of the MFIs in development is to help; firstly, petty traders to meet their basic needs and gain security against any form of risk. Secondly, MFIs are set out to better the household economic conditions of the petty traders. Lastly, they are set out to empower women who are major participants of petty trading, by providing them with the financial means for them to participate in the economy and thus, promote gender equality in the economy. This mission was to be realized through their provision of material and human capital.

Otere (1999), made known that the aims of MFIs could be summed into the provision of capital for petty traders to help reduce poverty. Therefore, MFIs are seen as a global strategy for alleviating poverty (Asiamah and Osei, 2007).

Notwithstanding, some previous researchers have indicated that MFIs are a less effective way to poverty reduction than it is thought (Hulme and Mosley, 1996). And most current studies conducted by Heathcote-Fumador (2013) on Microfinance Institutions in Ghana reveals that MFIs are not really geared towards poverty reduction. The major players in the industries have visions, missions, objectives and strategic plans entirely different from the roles MFIs seek to accomplish. Most of them have names which even differ from their purpose, with high interest rate charges and also some of them are using the industry as a platform to accumulate funds to meet the stated capital requirement level in order to become a savings and loans company or a commercial bank.

The study, therefore, seeks to evaluate the impact MFIs products and services are making on petty traders 'capital growth, profitability and living conditions in the wake of these findings and studies.

1.3 Objectives of the Study.

The objectives of the study are:

1. To examine the models and processes of MFIs in micro credit accessibility for petty traders.
2. To assess the impact of MFIs credit on petty traders business capital, profitability and livelihood.
3. To assess the impact of savings or deposit mobilization of MFIs on petty traders business capital, profitability and livelihood.

1.4 Research Questions

1. What models and processes qualify a petty trader in accessing MFIs micro credit?
2. Does the use of micro credit have any impact on petty traders' business capital, profitability and livelihood?
3. Does MFIs savings or deposit mobilization have any impact on petty traders' business capital, profitability and livelihood?

1.5 Significance of the Study

Microfinance is seen as a critical key strategy for the achievement of the Millennium Development Goals (MDGs) and in developing financial system that seeks to meet the financial needs of petty traders in the economy (Simanowitz and Broody, 2004).

The government of Ghana also seeks to reduce poverty through the provision of micro credit to all petty traders. This study will provide government agencies or MDGs implementers with a spectacle to have a clear view of the impact micro financing is making on petty trading industries in the fight against poverty and help them in making the necessary adjustments.

The study will unveil the true impact Microfinance companies are making on their customers and how they are contributing to their growth or otherwise. This will help the MFIs to review their policies and procedures to better serve their customers in line with the industry objectives.

The study will serve as a guide for new investors who want to enter the microfinance industry to frame a better vision or mission statement that will have a positive impact on their prospective customers to enable them to compete positively in the industry.

The study will be a useful tool for petty traders to better understand the operations of MFIs and how they should relate with them in seeking their services.

This study will reveal the real state of the microfinance industry and their contribution to petty trading industry and therefore serve as a secondary source of data for future researchers and students who may be interested in studying along this area.

1.6 Scope of the Study

The study is to evaluate the impact of microfinance companies on petty traders. This research is confined to the Kumasi Metropolis because the researcher was born, raised and also currently resides there. The Central Market is the target research site since it harbors most of the petty traders and MFIs in the Metropolis. Also, a wider coverage is expensive and time consuming, but the researcher has limited time at his disposal for this project.

1.7 Limitation of the Study

This study will be done alongside researcher's academic work and employment. Hence, it put more limitation on the researcher as regards to the gathering of all necessary and relevant information. Thus, he will be constraint with regards to time.

The researcher will also encounter little challenge in getting appropriate and accurate responses from respondents. The petty traders who are the main respondents are mostly illiterate and cannot read or write, thus the researcher needs to employ people who will read and explain questionnaires to respondents. This will be time consuming and costly. Also the respondents will answer the questions ask them base on the way they understand it from their interpreters.

Added to this, researcher will have to endure the bureaucratic procedure in gathering information from various organizations that forms part of the research respondents but will persist until he receives as many as possible of the answered questions from the respondents.

In the face of all these constraints, the researcher hopes to get the needed data and successfully work within the limited time frame to come out with adequate material, which shall be useful to all stakeholders.

1.8 Overview of Methodology

The study adopted both quantitative and qualitative research design. It gathered primary source of data through the issuance of questionnaires and interview guides while it collected it secondary source from various publications. The unit of analysis was MFIs and petty traders in Kumasi Central Market. The study sampled out 5 MFIs and their petty trading customers. The sample frame of 400 with a sample size of 200 was used for the study. Both the purposive and convenient sampling methods were used for the study. The data collection instruments employed in this study is a semi-structured interview guide and a questionnaire.

A pilot test was done on a selected MFI to identify any challenges faced by respondents in answering questions and the needed correction made. This study used simple regression and correlation to assess the impact of the savings and loans on profitability, business growth and living condition.

1.9 Organization of the Study

The study is organized into five chapters:

The first chapter contains the introduction which outlines the background of the study, problem statement, and the objectives of the study, the research questions and significance of the study. Chapter two looks at the literature review and theoretical framework concerning the study, while Chapter three is devoted to the methodology of the study, which explains the research process and the method adopted for data collection and analysis. Data presentation, discussion and analysis of the study are outlined in chapter four and finally the

Chapter five deals with the summary of finding, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Definition of Petty Trading and Petty Trader

Petty trading is a venture for people of low income earning power. Thus, it is a business activity for people with little money to take up bigger businesses (Faderal, 2010). The word petty comes from a French word 'petit' which means insignificant or little. So petty trade is a business activities for people with little, small or insignificant amount of capital required for bigger business ventures and the practitioners of petty trading are called Petty traders.

This study adopted this definition of petty trading and petty traders.

2.2 Definition and Concept of Microfinance

Microfinance is the system of providing financial services and the management of a small amount of money through a range of financial products that is targeted at low income customers. That is, microfinance provides small credit and other facilities like deposit mobilization, insurance and transfer services to low income households and petty traders who are normally neglected by the commercial banks (Schreiner, 2001).

Ayertey (2008) sees microfinance as the provision of financial services such as deposits mobilization, credits and insurance to petty traders living not only in rural areas but also in the urban cities who have difficulties in accessing financial services from the commercial banks. He also indicated that microfinance is a system of economic development to low income households or petty traders through the provision of financial services by microfinance institutions to fill in the gap that the market failed to occupy, that is, to meet the demands of the low income sector in the economy. The financial services provided by the Microfinance Institutions (MFIs) include: micro credit or loan, savings and insurance to low income sectors of the population and also to micro enterprise in the economy. In addition to financial services, MFIs also provides social and capacity building services such as training and education, organizational support, health and skills in line with their human development objectives (Ferka, 2011).

Ferka (2011) also indicated that MFIs are Non-Government Organizations, because their operations are not under the support or influence of the state and also they do not form part of the formal banking industry.

Generally, Microfinance can be seen as the provision of micro financial services to the micro sector of the economy to bridge the gap in the market. It is also to help elevate the low income populace and micro traders operations to a higher status to bring about development and growth in the lives of people and in the economy as a whole. Microfinance, therefore, can be describe as small scale financial services that involve credits and deposits for low income groups like people who farm, fish, herd or manufacture on a lower scale as well as petty traders (Robinson, 2002).

Ayertey (2008) indicated that there are three main components of microfinance, they are: Micro loan or credit, Micro deposit mobilization or saving and Micro insurance:

Micro loan or credit involves the provision of small credit by MFIs to micro entrepreneurs or petty traders who are of a low financial stand and also lack collaterals to meet the standard of qualification for formal or commercial banks credit facilities. It makes loans available for poor people to transform their business ideas into a business venture, thus poor people through micro credit can engage in self-employment projects to generate income for themselves (Owusu, 2011). It has been the main source of funding for poor farmers and crafts men and women in most developing countries, thus allowing them to improve their living standards and that of their families. Micro credit therefore serves as intermediation and solution for most governments who fail to provide financial assistance and employment for people in their countries (Ayertey, 2008).

Micro saving is a component of microfinance services that allows petty traders or low income individuals to save or invest their monies and other valuables items to enable them accumulate wealth and also earn some level of interest on their monies. It is a safeguard for the poor and low income earner for the future as it secures them financially (Quaye, 2011). The micro saving principle is simply to save or invest a series of monies now and enjoy a lump sum in the future (Ayertey, 2008).

Micro Insurance is also part of microfinance that provides the poor and low income earner with various insurance policies to be insured against any unforeseen events. The idea behind this concept is that poor people are vulnerable to various forms of risk, both natural disasters and regular occurrences of illness, accidents and death. Therefore to provide them with a safeguard for themselves and their families, micro insurance comes in to intervene in the case of losses. Micro insurance policies for children' education and health are now dominant in Ghana (Quaye, 2011).

Microfinance Institutions (MFIs) play an active role in minimizing or protecting the low income earners and poor in the community against this vulnerability through its various components of providing credit facilities for job creation and increasing income earning opportunities. By providing savings services, MFIs have also helped them to build up resources they can resort to in the event of emergencies. The insurance policy also helps to safeguard their future (Ayertey, 2008).

The researcher limits the research to two of these components that is Micro credit or loan and micro saving.

Mohammed and Mohammed (2007) also indicated that microcredit and microfinance are terms which are often used interchangeably, but to avoid confusion in their usage it is relevant to stress the difference between these two terms.

Ferka (2011) stated that, microcredit is the provision of small credits or loans to MFIs customers, whereas microfinance on the other hand, is used by NGOs and MFIs to supplement the credits or loans facilities with other financial services like deposit mobilization, training, insurance, etc. Microcredit therefore can be said of as a subset of microfinance in that it involves only the provision of credit or loan facility to petty traders, but microfinance also involves the provision of other financial services such as deposit mobilization and insurance in addition to the provision of credit facility (Robinson, 2002).

Mohammed & Mohammed (2007) have identified some characteristics in the operations of microfinance. Firstly, microfinance involves the provision of small amounts of credits or loans to either individuals or groups of people who are usually of low financial stand, to assist them begin income generating activities or business. Secondly, they provide small deposit collection services to petty traders to enable them to accumulate money which serves as financial security for their households and also help them mobilize together considerable amount of money to overcome any capital limitation in their business operations. Thirdly, microfinance credit facilities are for short term duration, usually up to one year. Repayment timetables are normally on weekly basis and on equal installments which sum up principal and interest amounts, and are amortized for the duration of the loan. Lastly, microfinance services are very easy to access and help MFIs customers save time and money and also permit the microfinance institutions to have a better view on their customers' financial and social status. Quaye (2011) also added that, petty traders who apply for microfinance services are save from all the complicated processes or procedures demanded by the traditional banks. Also, clients have shorter loan processing time that is it does not take a longer time for the loan applied for to be granted to customers. In most cases microfinance institutions do not require collateral which is opposite to formal banking practices. But instead microfinance institutions use alternative methods like client's business assessment, repayment potential by conducting cash flow analyses and the use of third party referees and guarantors. Clients who make loan repayments according to the payment schedules become eligible for another loan which are usually higher in amount to the previous and in some case can enjoy a discounted interest rate on loan granted (Ferka, 2011).

Berguiga (2008) reviewed two theoretical approaches of microfinance and they are briefly discussed in subsequent paragraphs.

2.3 Theoretical Approaches of Microfinance

Berguiga (2008) indicated that issues regarding the appropriate way to provide financial service to petty traders has generated a hot debate between this two schools of thought; the 'welfarist'and the 'institutionalist' approaches.

2.3.1 'Welfarist' Approach

The 'Welfarist' approach centers on the demand side that is on the clients. According to Morduch (2000), 'Welfarists' support the notion of subsidizing microcredit programmes in order to reduce operational cost of MFIs to enable them charge low interest rates on their loan facilities. Also, Congo (2002) indicated that the MFIs measure their performance through household studies with focus on the living standards of the individuals workers; number of saving accounts, number of loans, productivity improvement, incomes, capital accumulation, social services such as education and health as well as food expenditures. That is, MFIs are evaluated in term of their customers social and impact analysis (Djamaman, 2012).

The 'Welfarists' argue that MFIs should target petty traders whose incomes are 50% lower than the poverty line and should aim at enhancing their living conditions (Corneé, 2007). Also they argue that MFIs should constitute mainly supportive institutions like NGOs or cooperatives that view microfinance as a major player in the fight to minimize the poverty of the poorest. Even though much emphasis is placed on rational management of resources, MFIs can still make considerable profit after a period of 5 to 12 years (Djamaman, 2012)

Notwithstanding, 'Welfarists' do not abstain from having a profitable activity and this they can only achieve through the subsidy MFIs may be receiving. Also, 'Welfarists' approach is noted to generate a refunding rate of below 50% (Labie, 2002; Olszyna-Marzys, 2006). De Briey (2005) also stressed that the 'Welfarists'' issue with sustainability blocks MFIs development and their capacity to contribute to the wellbeing of petty traders. And therefore, faces a lot of criticisms as regards to cost and methodological problems.

2.3.2 'Institutionalist' Approach

The 'Institutionalists' approach of microfinance has won the support of international organizations such as the World Bank and the United Nations (Woller et al., 1999), and argues that a MFIs should have the means to cover its cost with its income and that the appropriate way to reach the greater percentage of petty traders is to integrate microfinance in the formal financial system (Berguiga, 2008). 'Institutionalists' feel that self-sufficiency leads to long-term financial sustainability for MFIs, which they believe will facilitate greater poverty alleviation in the long-term (Morduch, 2000).

The 'Institutionalists' argue historical cases in an attempt to identify the institutional designs that facilitated success and sustainability for 19th century loan funds in the UK, Germany, and Italy (Djamaman, 2012). Again, the 'Institutionalists' approach criticizes subsidization because it leads to high, unpaid rates and transaction costs, which have led to the failure of many microcredit programmes (De Briey, 2005).

Corneé (2007) indicated that "Institutionalists' emphasize performance evaluation from the standpoint of the institution rather than that of the customers and that MFIs financial autonomy is a criterion which fulfills their social mission as well as possible.

Their argument continues to say that it is not sustainable for MFIs to be subsidized and that subsidies can lead to an inefficient allocation of financial resources (De Briey, 2005). The economists supporting this view argue that the 'Welfarists' make the wrong assumptions when they say that the repayment of interest rates must be low, because it will increase clients' inability to repay loan and to save. Again, commercial banks will also not survive in rural areas because of the high costs of offering financial services to low income households (Morduch, 2000).

'Institutionalists' also face criticisms concerning targeted population and that their core customers are petty traders who are very close to the poverty line, geographically, concentrated, with high-output activities and short production cycle. 'Intitutionalists' believe MFIs should require high interest rates from their clients to be able to achieve financial freedom within a period of five to twelve years. That is, customers close to poverty line ($ 2 per day) are made to apply for loans at a high interest rate to ensure financial autonomy of MFIs (De Briey, 2005; Djamaman, 2012).

2.4 Overview of Microfinance in Ghana

The literature review revealed that the term microfinance is not a new concept in Ghana (Ayertey, 2008). Owusu (2011) indicated that traditionally, people were saving and borrowing from individual and groups to start their farming or business activities in Ghana. He added that the first established Credit Union in Africa could trace it origin from the Northern Ghana in 1955 by Catholic Missionaries from Canada and that the term 'Susu' which is used locally for Credit Unions is taught to have emerged from Nigeria and later spread to Ghana in the early 1990s.

2.4.1. Evolution of Microfinance in Ghana

Steel and Andah (2004) noted that since independence, the microfinance sector has experienced four distinct phases in its evolution, which is similar to those of other nations.

Also there have been various government policies and programmes that have helped evolved the industry to its current status along these stages (Owusu, 2011). These phases are explained below:

Phase 1- This is in the 1950s where government provided subsidized credit to the populace in an attempt to eliminate poverty. The government discovered that the lack of money in the system was the prime hindrance to poverty elimination and worked at it through the provision of credit to the populace to boost their business ventures. These beneficiaries were mainly farmers (Owusu 2011).

Phase 2 - This is the era of the Non-Government Organizations (NGOs). This phase experienced the financial intervention from NGOs activities in the 1960s and 1970s. There was provision of micro credit to the poor in the rural settlements of Ghana. Also the government established the Agricultural Development Bank in 1965 to address, specifically, the financial needs in the fisheries and agricultural sector. There was the introduction of a regulation which ensured that commercial banks set aside 20% of their portfolio to promote lending to agriculture and other small scale industries in the 1970s. This era also saw the establishment of Rural and Community Banks (RCBs).

Phase 3 – This is the formalization era in the mid-1980s. During this period microfinance institution were formalized. And there was a shift from the restrictive financial sector to a liberalized regime.

Phase 4 – This era began the commercialization of MFIs in the 1990s. This was the era MFIs started to gain importance and acceptance in the financial sector of the nation. In 1991 there was put into effect a regulation in PNDC Law 328 which allowed the establishment of different categories of non-bank financial institutions. This regulation led to the emergence of the three broad categories of MFIs and they are:

1. Formal Suppliers: this includes the savings and loans companies, RCBs and some development and commercial banks.
2. Semi- formal suppliers: this includes credit unions, financial service providers (Microfinance companies) financial NGOs and cooperatives
3. Informal suppliers: this includes the 'Susu' collectors and clubs, rotating and accumulating savings and credit associations, money lenders, trade creditors and other individuals. (Bank of Ghana, 2007)

2.4.2. The Evolution of Microfinance Regulations in Ghana

Microfinance in Ghana is regulated currently through the tier system depending on the nature of operations. And all financial service providers from 'Susu' companies, Financial Non-Governmental Organizations, individuals, enterprises and companies that engage in financial services, including deposit mobilization and credit extension, but are not licensed under any existing regulatory framework such as the Banking Act 2004, Act 673 as amended, the Non-bank Financial Institutions Act 2007, Act 774, the ARB Apex
Regulations LI 1826 or any existing legislation are all categorized under the Bank of Ghana Microfinance tier system (Egyir, 2010).

The law governing the Bank of Ghana (BOG) is the Bank of Ghana Act No. 612 of 2002. This act authorizes the BOG as the regulator and supervisor of the financial sector. The commercial bank and Rural Banks are governed by the Banking Act No. 673 of 2004 whereas the Non-

Bank Financial Institution and licensed money lenders in Ghana are under the Non-Bank Financial Institutions Act No. 774 thus making a distinction between these two sectors.

Also, in order to regulate the microfinance sector the BOG issued operating rules and guidelines for MFIs in July 2011, the guidelines divided the financial intermediaries in microfinance into four tiers and set out the regulations for each tiers (Bank of Ghana, 2013). The tiers are as follows:

Tier 1 – Rural and Community Banks, Financial Houses and Savings and Loans Companies

Tier 2 – 'Susu' companies and deposit-taking financial NGOs, but not Credit Unions

Tier 3 – Money lenders and non-deposit-taking financial NGOs

Tier 4 – 'Susu' collectors and individual money lenders

The July 2011 operational guideline from BOG created a distinction in regulations. The Tier 1 companies were to be regulated by the Banking Act and Non-Banking Financial Institutions Act whereas the Tier 2, 3 and 4 are to be regulated by BOG Operational Rules and Guidelines.

In August 2013, the Bank of Ghana further amended the operating rules and guidelines for microfinance institutions. The sector was categorized into two; Tier 2 (deposit taking institutions) and Tier 3 (non- deposit taking institutions) (Demfeh, 2013).

The Secretary of the Central bank published a notice indicating changes in MFIs operating guidelines on the 30th of August 2013. The revision affected the: Minimum Capital Requirement, Liquidity Requirements, Branch Opening and also indicated the Transitional Arrangements for licensed and provisionally approved MFIs (Bank of Ghana, 2013).

Minimum Capital Requirement: For Tier 2 that is deposit-taking MFIs is currently required to have a minimum capital requirement of GH₵ 500,000 whiles Tier 3, the nondeposit taking MFIs is to have a minimum capital requirement of GH₵300, 000. Also, the revision added that MFIs with 1-5 branches shall attract an additional paid-up capital of GH₵100,000 for each branch and MFIs with more than 5 branches shall also attract an additional paid-up capital of GH₵ 200,000 for each branch. Not more than 25% of all initial paid-up capital or additional capital is to be spent on property, plant and equipment and that at least 75% of these amounts should be liquid cash resources to support operations and this is also subject to verification by the Bank of Ghana before the inclusion in the paid-up capital and registration with the Registrar General's Department (Bank of Ghana, 2013).

Liquidity Requirement: Tier 2 MFIs are to comply with these liquidity requirements:

a. Primary Liquidity that is 10% of total deposits should be held in a deposit account with a class 1 bank or Secondary Liquidity that is 20% of total deposit should be held with the Bank of Bank Securities or Certificates of Deposit held with a class 1 bank.
b. The amount of any deposit account transaction of MFIs at any time should not exceed 5% of its paid-up capital

No MFIs is supposed to grant an unsecured loan which exceed 5% of its paid-up capital to a single customer and in the case of secured loan is should not exceed 10% of the paid-up capital. For group loan, a single borrower should not be granted amount that exceeds 1% of the paid-up capital (Bank of Ghana, 2013).

Branch Opening: MFIs new branch shall strictly be open base on the authorization of the Bank of Ghana and any unauthorized branch is subject to closure by the central bank (Bank of Ghana, 2013).

Transitional Arrangements: The new regulation demands all Tier 2 licensed and provisionally approved MFIs to raise their minimum paid-up capital to GH₵ 250,000 by 30th June, 2015 and top up to GH₵ 500,000 by the end of 30th June, 2016. And for Tier 3 licensed or provisionally approved MFIs are expected to also raise their minimum paid-up capital to GH₵ 150,000 by 30th June, 2015 and increase it to GH₵ 300,000 by 30th June, 2016 (Bank of Ghana, 2013).

2.5 Models of Microfinance Interventions

This section considers the literature reviewed on the various models of microfinance interventions. Models depict the ways of implementing various microfinance programmes. That is the methods by which a microfinance operation can be carried out (Owusu, 2011). These models are selected by MFIs based on the needs of the targeted group of clients, the environmental conditions of an area of operation and also the goal of the microfinance programme (Grameen Bank, 2013). There are several models for microfinance interventions but the researcher will focus on the five models the literature reviewed. They are Individual Lending model, Group or Peer Lending Model, Grameen Bank Model, Village Banking Model and Rotating Savings and Credit Associations (ROSCA).

2.5.1 Individual Lending Model

This model is where loans are given individually to clients or borrowers. Here MFIs perform a thorough analysis on the business venture of their clients before they grant them the loan facility. Thus, borrowers received their loans based primarily on their past performance, credit histories or worthiness, viability of business presently and also with references (Brandt et al, 2002). Under this model, borrowers are made to provide collateral and guarantorship to ensure the repayment. Credit officers under this model engage clients who have close contact with MFIs. This model is most successful for large and urban-based, production oriented businesses and for clients who are ready to provide collateral or a willing cosigner (Looft, 2007).

2.5.2 Group or Peer Lending Model

Under this model, loans are disbursed in groups rather than individually. This model believes that there are weaknesses associated with the individual lending model and these shortcomings can be corrected when loans are collectively given in groups (Peavler, 2003).

Group members guarantee and secure repayment of each other's loans. This model does not make use of collateral and guarantors but peer pressure and responsibility imposed on group members take their place. The model also delegates some of the functions of credit staff like screening for qualified clients thus, peer assessments of each other is done by group members to assess the businesses and moral character of a member to be included in the group. Therefore, a minimal function is left to be played by the MFIs in client analysis (Fotabong, 2011).

2.5.3 Grameen Bank Model

This model initially tasks the credit staff to identify a potential village and conduct one to two weeks mandatory training courses in the village to orient potential clients on the philosophy, rules and procedures of the MFI programme. Afterward, a group of five unrelated, self-selected prospective borrowers are formed. With this a village "center" is formed by six to eight of the five member groups. The village center groups also, in turn, formed the Regional Branch offices. The model allows the branch workers to work with large number of clients from 200 to 300. They train and visit their clients and their businesses but do not evaluate individual loans. Clients themselves who are members of a group assume the role of managing the financial services provided for them (Grameen, 2013).

To access loans from the Grameen Bank Model, new groups of potential borrowers, five members per group, meet and save for a minimum of four weeks to the MFI before loans are approved and granted. This process of saving and accessing loan are wholly managed by group members in this way: Firstly, the group appoints a leader (whose position is rotated among members) and also determines the nature of rotation for accessing loan. After saving for the required period two members of the group are initially granted loan. And after timely repayments for four to six weeks two additional members receive their loans. Lastly, another month of uninterrupted repayment is used to assess and grant the loan to the fifth member who is usually the leader of the group.

The model therefore makes each group member responsible for the loan repayment of all the other four members regardless of when a member received the loan. Also, in the case of loan default with one member of a group the other group members are made to cover for the loan.

None of the members will receive any loan until the defaulted loan has been cleared by the group. This sense of collective responsibility or liability serves as collateral on the loan granted. The Grameen Bank Model also incorporates a strong social requirement in addition to their repayment plan. That is, a borrower must educate his or her children, maintain their own health and the health of their children, commit to growing vegetables all year round and others as stated in their "Sixteen Decision" text. This model works best in densely populated rural areas and loans are mainly used for agriculture and retail (Ferka, 2011).

2.5.4 Village Banking Model

The village banking model is a community based credit and saving association established to provide access to financial services in the rural areas. It aims at building 'self-help' groups and also enables members to accumulate savings for themselves. Typically, this model is made up of 25-50 low income members who share the common purpose of advancing their livelihood through self-made employment to form a bank (Looft, 2007). This bank is financed by the internal funds mobilization from group members as well as outside loans from lending institutions. To eliminate the collateral demanded before a loan is granted, the village bank relies on the system of cross guarantees, where each member of the village bank ensures the loan repayment of every other member. Also members under this model elect their own leader or officers, membership, form their own bylaws, do their own bookkeeping records, distribute loans to individuals, collect payments, charge levy on members for misconduct or failure to redeem due loan repayments. This model seeks to establish a village bank that is both self-reliant and also to serve the entire village (Grameen Bank, 2013).

2.5.5 Rotating Savings and Credit Association

This model brings individuals together who make regular cyclical contributions to a common fund which afterward is given to a member in each cycle. For example, a group of twelve members can be formed, who will make a regular weekly contribution of GH₵100 and the lump sum of GH₵1200 will be given to each member a week till they each received their share of the lump sum. By this model it is possible for members to lend to each other through the regular contribution. And upon receiving the lump sum a member then pays back the amount in regular monthly contributions. The decision of who receive first, second or last can be determine through lottery, bidding or agreement among members (Grameen Bank, 2013).

2.6 Impact Assessment of MFIs Credit and Saving on Petty Traders' Capital, Profit and Livelihood

Berguiga (2008) indicated that impact consists in understanding how financial services of MFIs affect petty traders. That is, it represents the changes that occurs to petty traders that are ascribable to the operations of MFIs. These changes as said by Lelart (2006) constitute the social output of the investment provided by lenders (or donors) and also tell if the financial support or services they provided achieved well the goals that they set.

It may seem natural to measure the impact of loans but Berguiga (2008) indicated that some recognized microfinance experts are skeptical and have decided against a thorough evaluation of impact based on the following grounds:

- Impact studies are expensive especially if they are regularly repeated.

- Most impact analyses do not respect rigorous criteria in cases of changes observed in the customers' life that do not directly depend on MFIs but rather on other factors.
- The measurement of impact raises methodological problems; that is the calculation of income or expenditures must be adjusted according to Purchasing Power Parity and loan size is not an accurate indicator of poverty (Van Bastelaer and Zeller, 2006).

Berguiga (2008) also added that in spite of these shortcoming, investigation prove to be necessary and must multiplied in order to compare results. He indicated that the most used criteria to evaluate the impact of MFIs on petty traders are the improvement of incomes and business capital and consumption or livelihood.

- **Impact on Income or Profitability**

Various experiments in South Asia, Africa and Latin America have reviewed the real impact of MFIs on petty traders' income (Montalieu, 2002).

Hulme and Mosley (1996) carried impact studies which relate to thirteen MFIs located in seven countries (Indonesia, Kenya, Bolivia, Malawi, Bangladesh, India and Sri Lanka) which operated between 1989 and 1993. Their findings indicated that, the granting of loans had a positive impact on the income of petty traders' borrowers. Also very poor petty traders seek to ensure their subsistence thanks to weak or low interest loan but do not invest in an economic activity, accumulate capital or hire workforce.

Other impact studies corroborate the assumption of a positive effect of microfinance on the petty traders' income. Doligez (2005) shown a comparative analysis done in Guinea, Nicaragua, Benin and Burkina Faso of the situation of recipients versus non recipients of micro loan and it was indicated that recipients carry out multiple productive activities and also diversify their sources of income, while they also improve and stabilize the average income drawn from their business activity (Soulama, 2005).

- **Impact on Capital**

Micro loan allow petty traders to start up a small business which can help them generate income and also provide supplementary funds to other already in business to grow their business (Berguiga, 2008). Hamed (2004) indicated that micro loans have a positive impact on the income of these start up businesses and that job creation, profit and sales turnover, accumulation of assets and output are variables to determine it.

Ferka (2011) also asserted that, MFIs interventions have helped a lot of people by granting them monetary capital to boost their occupation or business and also enhance their sense of dignity, thus empowering them to participate in the economy. This service therefore has helped move a lot of people out of the poverty line.

Berguiga (2008) raised a question if the positive impact of accessing MFIs loan depends on a specific profile of petty traders? And he answered this question through the examination of the population benefiting from micro loan. He concluded that micro loan best suit a particular type of individuals, namely micro entrepreneurs belonging to the higher subgroup of petty traders (2 dollars a day per capita) who are endowed with entrepreneurial capacities which are reinforced by professional experience, training and education (Pitt and Khandker, 1998; Hamed, 2004).

Impact on Livelihood

The provision of Microfinance services assists petty traders to have the means to protect their livelihoods against unexpected challenges and to increase and diversify their livelihood activities (Johnson & Rogaly, 1997). Chowdhury, Ghost & Wright (2005) argued that if microfinance is to fully fulfill its social objectives of bringing financial services to the petty traders then it is important for them to assess the extent to which its impact reduces poverty and improves the living condition of its beneficiaries.

A study conducted on sixteen different MFIs from all over the world have pointed out that having access to microfinance services have led to an improvement in the quality of life of clients, boosted their self-confidence, and also helped them diversify their livelihood security strategies and thereby increased their income levels (Robinson, 2002).

Studies conducted in Bangladesh revealed an increase in consumption and expenditure on health and education (Berguiga, 2008). Pitt *et al.* (2003) also assessed the impact of three MFIs operating in Bangladesh (Gramean Bank, BRAC and BRDB) 1991 and 1992. The investigation was conducted using double difference approach between eligible and noneligible household on one hand and between recipient and non-recipient villages on the other hand (Gubet and Roubaud, 2005). The outcome from this study was that there was a positive impact on household consumption and this impact is more significant when the borrower is a woman. A second investigation was conducted on the same household in 1998 and 1999 and it also generated the same outcome (Berguiga, 2008).

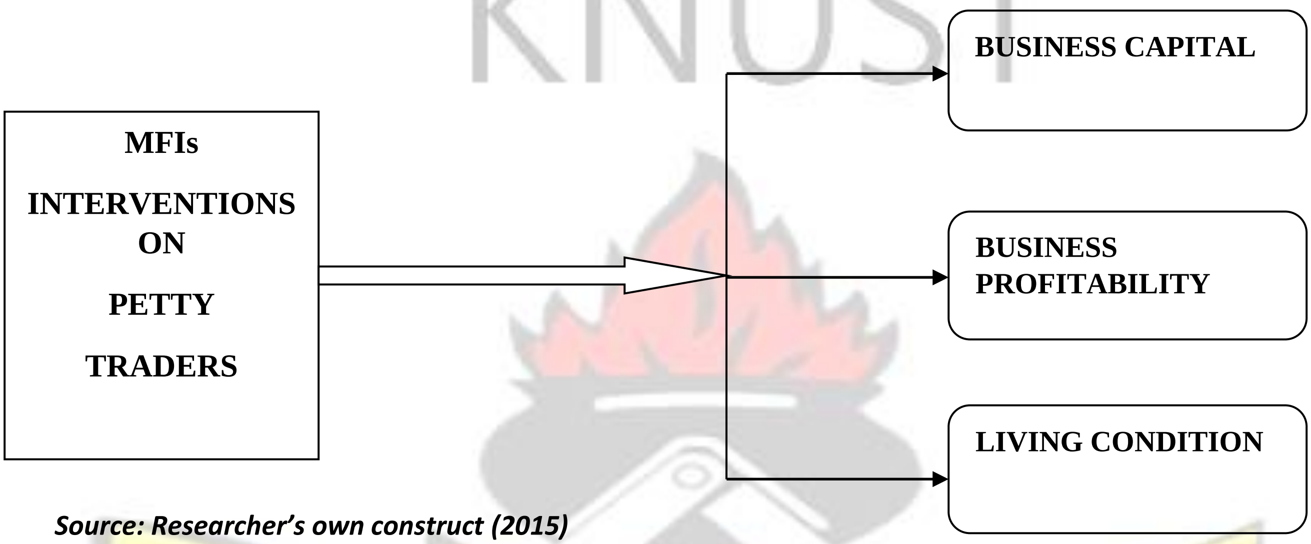
Although, little research has been conducted on the impact of MFIs services on health and education, these seem to improve where MFIs have been working (Ferka, 2011).

Littlefield, Murduch & Hashemi (2003) indicated that microfinance interventions have shown a positive impact on the education of their clients' children. It is because poor people who benefit from MFIs interventions are likely to invest their income in their children's education. In Ghana for instance Opportunity International has assisted most of their clients' children' education by granting them a very low interest rate to pay their school fees (Ferka, 2011).

Although, the impact of microfinance on the livelihood of petty traders have been acknowledged by some commentators there are some who think contrary. Hulme and Mosley (1996) concluded in their research on microfinance that most contemporary schemes are less effective than they might be. They further added that microfinance intervention is not the absolute solution for poverty-alleviation and that in some cases; petty traders have been made worse-off by microfinance. Also another commentator found five major faults with MFIs. He argues that, MFIs encourage a single-sector approach to the allocation of resources to fight poverty; microcredit is irrelevant to the petty traders; an over-simplistic notion of poverty is used; there is an over-emphasis on scale and there is inadequate learning and change taking place (Rogaly, 1996).

2.7 Conceptual Framework

The conceptual or working model for the study is illustrated in Figure 2.1 below: **Figure 2.1: Conceptual model of the study**



Source: Researcher's own construct (2015)

This model assumes that MFIs interventions are utilized by petty traders. That is petty traders are enjoying the services provided by MFIs.

And also assumes that these services will impact petty traders in three areas, thus;

- The petty traders business capital,
- The petty traders business profitability,

  The petty traders living conditions.

This model forms the basis of the researcher's work that is evaluating how these services from MFIs are impacting petty traders with regards to this business capital, profitability and living condition as a whole.

CHAPTER THREE METHODOLOGY

This chapter shows the methodology adopted in gathering data within the context of study, which would also answer the various research questions asked to meet the study objectives. It outlines information regarding population and sampling methods, the research design, the source of data, unit of analysis, the data collection instrument, pilot testing, data analysis and a brief profile on Kumasi Central Market.

3.1 Research Design

Saunders et al (2009) indicated that the research design identifies the data collection methods, instruments used in the collection of data and how data collected are analyzed.

The researcher used a research design which involved both the quantitative and qualitative approaches. With regard to the quantitative approach, a descriptive survey which relied on the use of questionnaires was adopted. Descriptive survey asks questions on what the characteristics of the population or situation being studied are (Shields and Rangarian, 2013). Also, the quantitative approach reduces data collected into numbers which are processed using statistical computations in a form of frequencies, regression, correlation and charts to help analyses of the data gathered (Anderson and Taylor, 2009).

The researcher chose interviewing technique for collecting the needed detailed information appropriate to the development of the study, in terms of the qualitative aspect of the study.

Qualitative approach was used to seek empirical support for the research questions and therefore rely heavily upon extensive observation and in-depth interviews that result in nonnumerical data (Denzin and Lincoln, 2011).

3.2 Population and Sample Frame

Target population depicts the group of people or institutions the researcher wish to generalize the findings of his study, whereas the sample frame indicate the portion of the population to which the researcher has reasonable access (Sapsford and Jupp, 2006).

In conducting the study the researcher targeted the Microfinance industry and petty traders; these formed the targeted population for the study. The researcher also sampled out five microfinance firms namely: Talent Microfinance Service Ltd., GIFS Microfinance Ltd., Eden Microfinance Ltd, Adra-Ghana (AG) Microfinance Ltd and Pronto Microfinance Ltd and selected petty traders from Kumasi Central Market who are customers of these microfinance as a sample frame of the study. The sample frame of these petty traders from the selected microfinance institutions was estimated at 400 customers.

3.3 Sampling Size

The sample size indicates the number of the sample frame used for calculating estimates of a given population (Saunders et al. 2009). In selecting the sample size of the petty traders for the survey, the Slovin's sampling method was used.

The formula is presented as; $n = N/ [1+N (e)^2]$ (where n = sample size; N = sample frame; and e = margin of error/ confidence level).

As indicated above, a sample frame of 400 customers was estimated. And a margin of error of 5% was used because of the convenient method adopted which reduced the possibility of non-response to the minimal level. Using the Slovin's formula the sample size for the petty traders is computed by:

$$n = \frac{N}{1 + N(e)^2} = \frac{400}{1 + 400(0.05)^2} = \frac{400}{2} = 200$$

The sample size of 200 petty traders was considered from the five selected microfinance institutions. This decision was considered because of time and resources constrain on the part of the researcher.

3.4 Sampling Technique

The researcher adopted a combination of purposive and convenient sampling methods for the study. This was adopted on the basis of limited time and resources. A non-random sampling method (purposive sampling) was used by the researcher in the selection of the Microfinance Institutions that have been in operation for more than five years and with identified branch managers or credit supervisors who represented those institutions for interviews and also close to Kumasi Central Market. The purposive sampling technique is suitable where the researcher requires specific information about an event, situation or phenomena and can locate a source that can immediately provide the required information than alternative sources in the same category (Saunders et al., 2009).

Added to this, the views of respondents who were ready and prepared to answer questionnaires were sampled through the use of convenient sampling technique. Customers from these institutions were conveniently administered with questionnaires.

3.5 Sources of Data

Both primary and secondary sources of data were used to gather the needed data for the study. The primary data was collected directly from respondents through the use of interview guides and questionnaires. The secondary source of information was also gathered from selected texts, journal articles, and relevant publications on the research topic as well as other relevant documents from Bank of Ghana.

3.6 Unit of Analysis

Trochim (2004) indicated that, the first step to data analysis is to define your unit of analysis. That is, what or who are analyzed for a study. The study analyzed the operations of it two respondents: Microfinance Institutions and petty traders in Kumasi Central Market. MFIs petty traders within the market represented the petty traders group, whereas the employees or management members of various Microfinance institutions represented their companies.

3.7 Data Collection Instrument

This section outlines the instruments employed by the researcher in data collection of the study. Two instruments were used in the data collection namely semi structured interview and a survey. The semi structured interview was done through the use of interview guides, whereas, the survey was possible through the use of questionnaires. The semi-structured interview was conducted using a readily adaptable list of questions made in the form of interview guide. This also helps acquire detailed explanations of specific research issues from the interviewees who were the Head of credit and Branch managers of the various sample frame institutions. Added to this, a survey was conducted through the use of questionnaires, which was issue to the various customers of the microfinance institutions within the sample frame. This was used to gather consistent and unbiased information on their relationship with microfinance institutions and how it has impacted their business and standard of living as well. The researcher used these two (2) instruments namely semistructured interview and a survey in the data collection because of the nature and characteristics of the information needed for the study.

3.8 Pilot Testing

The researcher also employed a pre-test on the interview guide and questionnaire that was to be used in data collection. Shields and Hassan (2006) suggested that pilot test should be conducted because it helped to know how long it will take to complete a questionnaire, how clear the questions are ,to identify any ambiguous questions and also to identify any major omissions and to know how clear and attractive the questions are to respondents.

The researcher used Shine Microfinance Limited and twenty (20) of its customers for a pilot test. This institution was used because it has one of its operational branches situated at Adum, Kumasi, very close to the Kumasi Central Market and it also has some customers who have their shops at Kumasi Central Market but the only difference it has from those in the sample frame is that it started operations in Kumasi three year ago.

3.9 Data Analysis

The researcher made use of both qualitative and quantitative approaches in collecting its data and therefore used both qualitative and quantitative techniques in analyzing the data collected. Qualitative analysis was used to summarize the responses gathered from the interviewees and reported according to the research questions. The data was then subjected to content analysis in agreement with the research objectives.

Regarding the quantitative analyses, the data collected using the questionnaires were categorized and given appropriate headings. The responses were then checked against the categorization by taking into account the objectives of the study and the research questions to ensure consistency in the study. The categorized data was then analyzed and discussed with the help of Statistical Package for Social Sciences (SPSS) in the form of simple regression and correlation. These were used to assess the impact of savings and loans on profitability, business capital and livelihood of petty traders.

3.10 Brief Profile of the Case Study

Kumasi Central Market was established in 1922 between the Kumasi Railway station and the main highway intersection and truck and bus loading park at Kejetia circle. The market has over one hundred thousand traders who come together from Monday to Saturday to sell their various consumer goods to their buyers. The market gate is open from 6:00am in the morning till 6:00pm in the evening except for sections outside the market wall who have the opportunity to operate earlier and closes later than 6:00pm. Notwithstanding, some traders market their goods on Sunday outside the market gate (Clark, 2005).

Kumasi Central Market has over 80,000 shops that sell and manufacture various consumer goods. It is therefore the biggest single enclosed market in West Africa. The market is a business center which specially deals in consumer goods ranging from locally-grown foodstuff and meat products, craft products and a wide range of manufactured and imported goods. The market is divided into sections and each section has similar products being sold. The wholesale yards coordinate trading exchange between neighboring countries like Togo, Cote d'Ivoire and Burkina Faso.

It is estimated that seventy percent of the traders within the market are Asante and also over seventy percent of the overall population are women (Clark, 2005).

CHAPTER FOUR

DATA PRESENTATION, DISCUSSION AND ANALYSIS

This section presents the results of our data analysis and extensive discussion of the results. The chapter comprises detailed analyses based on the objectives of the study. Mostly descriptive statistics as well as simple regression and correlation tables were employed in the analyses of the results for the achievement of the set objectives.

4.1 Models and processes of MFIs in micro credit accessibility for petty traders Senior management members including the operation manager, branch supervisor and branch managers were interviewed from the selected Microfinance Institutions (MFIs) to find out the various models and processes in micro credit accessibility for petty traders.

These MFIs were issued with the interview guide: Talent Microfinance Service Ltd, Eden Microfinance Ltd, GIFS Microfinance Ltd, Adra-Ghana Microfinance Ltd. and Pronto Microfinance Ltd.

The data gathered from the various interviews from the five selected MFIs senior staffs revealed the following:

Three microfinance models were identified; ‘Susu’ loan, Group loan and Personal business loan (Individual loan). It was also identified that every MFIs interviewed have two of these loan model for their petty trading customers.

Three out of the five MFIs interviewed were found using the same models for their petty trading customers. Adra-Ghana, Pronto and Talent microfinance institutions were found employing ‘Susu’ loan and Group loan models for their petty trading customers whereas Eden and Gifs microfinance were using Personal business loan (Individual loan) and ‘Susu’ loan for their petty trading customers. As noted above all the MFIs interviewed were using the 'Susu' loan model in their operations for their petty trading customers and this is to help cultivate a saving culture in them.

Table 4.1 below shows model features and also identified the various processes a petty trader must undertake for a loan to be granted him or her:

Table 4.1 Models features and processes

Model	Model features	Processes or Requirements
Susu loan	▪ Daily 'susu' contribution for two or three month's duration. ▪ Loan amount is either twice or thrice depending on the nature of client's trade. ▪ 'Susu' contribution serve as a semi secured guarantorship for loan. ▪ Repayment is within a period of three to six months ▪ Next loan request will be based on previous repayment rate. ▪ Required a third party referee or witness before loan is approved	▪ Filling of 'Susu' application form. ▪ Must provide a valid ID card ▪ Must provide two passport size photographs ▪ 'Susu' account must show two or three months saving transactions. ▪ Field and residence assessment by credit officer.
Group loan	• Group of five to ten petty traders in the same business location. • Loan is disbursed to group but divided to individual members by the group leaders and credit officer in charge of group. • Repayments are collected by group leader and pay afterward to MFIs. • Group members act as guarantors for themselves. • Group is held responsible for the delinquency or default of a group member.	• Group loan application form must be completed. • All members must provide valid ID card and one and two passport size photographs. • Field assessment and screening by credit officer in charge.
Personal business loan/Individual loan	✓ Must be in an existing business for more than six months. ✓ Thoroughly assessment on business cash flow, location and residence required. ✓ Loan is guaranteed by either third party guarantor or with collateral security depending on the loan request amount. ✓ Repayment durations is between 3-12 months duration.	✓ Fill loan application form ✓ Must provide valid ID card and two passport size photographs. ✓ Must have a guarantor for the loan. ✓ Field and residence assessment by credit officer.

The data gathered clearly show that MFIs interviewed have adopted the 'institutionalist' approach of doing microfinance and their interest is on their business growth and sustainability and does not prioritize on subsidy as indicated by De Briey (2005). Again, their performance evaluation as noted by Corneé (2007) are from the standpoint of the MFIs rather than the petty trading's customers and also their financial freedom is their standard for fulfillment of their social mission. This financial autonomy makes MFIs charge high interest from their petty trading customers who are close to the poverty line and thus are also likely to face the same criticism the 'institutionalists' are facing (Djamaman, 2012).

Also, it was found that the current demand from the MFIs by the Bank of Ghana is also a contributing factor to the high interest rate charged by MFIs. Bank of Ghana (2013) requires all Tier 2 MFIs to have a minimum capital of GH₵ 500,000.00. This has influence MFIs to seek ways to increase their revenue to ensure sustainability in the industry.

The models being used by these selected MFIs can be identified with some of those reviewed in the literature.

'Susu loan model is a form of individual lending model given to petty trading customers but the different between the 'susu' loan and the individual lending model as identified by Brandt el al, (2002) is that the individuals must contribute first for two or three months before loan is processed under the 'susu model. However, it has a very small component of rotating saving and credit association model, as it also makes individuals contribute first before loans are granted (Grameen Bank, 2013). Also, the individuals unofficially contribute to the MFIs financial pool and loans are granted them afterward.

Group Loan Model is the same as the Group or peer lending model reviewed in the literature (Peavler, 2003), members acts as guarantors for themselves and can be made to help in the assessment and selection of loan applicants as the model make group members liable for each other default as indicated by Fotabong (2011). Thus, making people with like interest and understanding come together to process for a loan.

Personal Business loan (Individual Loan) Model is identical to the individual lending model in the literature. As loan applicants are thoroughly analyzed before loans are granted (Brandt et al, (2002). Also, it must be noted that this model is used because it has proved to be successful in the urban-based settlement and for clients with collateral security as indicated by Looft (2007).

4.2 Assessing impact of MFIs credit on petty traders

The researcher after identifying the models and processes for the loan accessed by petty traders moved on to find out the impact these credit facility have played in petty traders' profitability, business capital and in raising their livelihood.

4.2.1 Impact of MFIs credit on profitability

Table 4.2.1 below measures the level at which the level of profitability in the respondents business can be attributed to MFIs credit. The simple correlation coefficients between the predator and the depended variable are 0.175[a] indicating that strength of relationship between the MFIs credit and profitability of petty traders is very low. It can therefore be suggest that MFIs has a considerably very low relationship with the profitability of petty traders business. Also the R squared of 0. 31 suggest that, only 3.1% of the variations in the profitability can be explained by the MFIs credit.

Table 4.2.1 Impact of MFIs credit on petty traders' profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

1	.175[a]	.031	.026	444.30856

In comparison with the research conducted in Guinea, Nicaragua, Benin and Burkina Faso, which indicated a positive impact relationship between MFIs credit and petty trader profitability, as there was improvement and stability in petty traders' income (Doligezi, 2005)? The simple correlation analysis on research data gathered identified quite different result as a very low positive relationship existed between MFIs credit and petty traders' profitability. This could be attributed to the high interest rate charged on MFIs' credit facility. Thus, making most petty traders used the income generated in the financing of the credit received from MFIs.

The table 4.2.2below tests the significance of the regression model. It can be seen that, sig. (*p-value*) = 0.013[b]. The *p value*< 0.05 indicating that, the predator is significantly better to predict the variation in the level of disclosure than it would be expected by chance factor. Thus the regression line assumed by the predator explains a significant amount of the variations in the dependent variable [F (1, 198) = 6.245; $p < 0.05$].

Table 4.2.2 Impact on MFIs credit on petty traders' profitability

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1232800.520	1	1232800.520	6.245	.013[a]

	Residual	3.909E7	198	197410.098		
	Total	4.032E7	199			

We can also identify from the regression analysis that the predator is significantly better to predict the variation in the level of disclosure. This assures that MFIs credit influences the profit of petty traders but most of these incomes go back to them through the financing of the loans they grant them.

4.2.2 Impact of MFIs credit on business capital

Table 4.2.3 below measures the impact of MFIs credit on petty traders' capital. From the table it can be observed that a very weak positive correlation (*$r = 0.07$)* between the MFIs credit and the petty traders business capital. The Also the R squared of 0. 005 measure the predictive power of the regression model. This can therefore suggest that, the MFIs credit can predict less than 1 per cent of the variation in the capital of the petty traders business.

Table 4.2.3 Impact of MFIs credit on business capital

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.070[a]	.005	.000	450.14171

The table 4.2.4below tests the significance of the regression model. Clearly, it can be seen that, sig. (*p-value*) = 0.322[b]. The *p value*> 0.05 indicating that, the predator is not significantly better to predict the variation in the petty traders' capital. Thus the regression line assumed by the predator cannot explain a significant amount of the variations in the dependent variable [$F (1, 198) = 0.986$; $p >0.05$].

Table 4.2.4 Impact of MFIs on petty traders' business capital

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	199742.447	1	199742.447	.986	.322[a]
	Residual	4.012E7	198	202627.563		
	Total	4.032E7	199			

The test of significance clearly shows that there are other factors that may be influencing the capital of petty traders other than MFIs credit. This agreed to the assertion made by Berguiga (2008) as to whether positive impact of MFIs credit on petty traders' capital depends on a specific profile of petty traders? Other factors like petty traders personal funds, loans from relatives and friends, entrepreneurial capacities which are reinforced by professional experience, training and education as indicated by Hamed (2004) are also likely to influence the impact on petty traders' capital.

This explains the reason why very low positive relationship exists between the variable and the dependent factor making the impact of MFIs on petty traders' capital very low.

4.2.3 Impact of MFIs credit on petty traders' livelihood

Finally the impact of MFIs credit on the respondents' livelihood was assessed and regression results displayed in table 4.2.5 below. From the table it can be observed that there is a very weak positive correlation ($r = 0.071$) between the MFIs credit and the petty traders livelihood. In addition the R squared of 0. 005 measure the predictive power of the regression model. This can therefore suggest that, the MFIs credit can predict less than 1 per cent of the variation in the livelihood of the petty traders.

Table 4.2.5 Impact of MFIs credit on petty traders' livelihood

Model	R	R Square	Adjusted R Square	
1	.071[a]	.005	.000	450.12389

This very weak correlation confirms Hulme and Mosley (1996) conclusion that most contemporary MFIs schemes are less effective than they might be. And that some petty traders are even made worse off by MFIs credit. This could be attributed to the high interest rate on MFIs loans which leads to very low income made by petty traders. And this subsequently results in very low significant impact on the MFIs livelihood.

Also the table 4.2.6below tests the significance of the regression model. It can be seen that, sig. (*p-value*) = 0.318[b]. The *p value*>0.05 indicating that, the predator is not significant to predict the variation in the MFIs intervention and the livelihood of the petty traders thus [F (1, 198) = 1.002; p >0.05].

Table 4.2.6 Impact of MFIs credit on petty traders' livelihood

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	202920.581	1	202920.581	1.002	.318[a]
	Residual	4.012E7	198	202611.512		
	Total	4.032E7	199			

The test of significance also indicates that other factors may be impacting petty traders' livelihood other than MFIs credit. As they cannot solely rely on MFIs credit for am improve livelihood because of its low impact.

4.3 Assessing the impact of MFIs savings on petty traders

The last research objective seeks to assess the impact of savings on the petty traders business in relation to their profit, capital and their livelihood.

A correlation model was used to assess the relationship between the study variables and the correlation matrix displayed in table 4.3.1 below. From the table 4.3.1 it can be seen that, there is very weak relationship between savings, profitability, capital and livelihood of petty traders business. Interestingly, only capital has a significant relationship with savings at 95% level of confidence. This means, others relationship between savings, profitability and livelihood are not significant. These findings suggest that, when petty traders increase their savings their profitability drop by an insignificant amount while there is little increase in their capital and livelihood.

Table 4.3.1 Association between savings and the study variables

N= 200		Savings	Profitability	Capital	Livelihood
SAVING	Correlation Coefficient	1.00	-.091	.165*	.186**
	Sig. (1-tailed)	.	.201	.019	.009

**. Correlation is significant at the 0.05 level (2-tailed).*

The models used by MFIs form a reason to this particular result in capital, livelihood and profit. ‘Susu’ loan demands a petty trader to contribute up to two or three months after which loan will be granted. Added to this, the ‘susu’ contribution serves as a semi secured guarantee for the loan. Therefore, making the petty trader save only the amount used for ‘susu’ loan and all other subsequent savings will be used for loan repayments. By this, the saving amount is fixed for a given period making it unprofitable for the petty trader whiles on the other hand, after loan repayments the savings amount is release to the petty trader and it helps him or her increase his or her capital and livelihood a little. That is the savings amount could help increase their stock and also help meet some of their household expenditures.

To ascertain the real impact of savings on profitability, capital and livelihood of the petty traders, simple regression was carried out and the regression results discussed as follows:

4.3.1 Assessing the impact of savings on profitability

Table 4.3.2 below measures the impact of savings on petty traders' profitability. From the table it can be observed that there very weak association (*r = 091)* between the savings and the petty traders business profitability. Also the R squared of 0. 008 suggest that, the variations in the petty traders' profitability only, 0.8% can be attributed to saving made by the petty traders. This implies that the profitability of petty traders business did not depend so much on the savings made. The f-ratio of [F (1, 198) = 1.002; p >0.05], also suggest that, savings is not a significant predictor of the variations in the profitability of the petty traders business.

Table 4.3.2 Impact of savings on profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.091[a]	.008	.003	.22818	1.646	.201[a]
a. Predictors: (Constant), SAVINGS						

This is primarily because petty traders have been made to save their monies with the MFIs for credit facilities. Thus, making the MFIs gains more from the petty traders' savings more than they themselves. Also, the 'susu' account is not an interest bearing account but is used primarily to secure loans from MFIs thus also confirming Hulme and Mosley (1996) conclusion that most contemporary MFIs schemes are less effective than they might be thought.

4.3.2 Assessing the impact of savings on business capital

Table 4.3.3 below assesses the impact of savings on petty traders' capital. From the table it can be observed that there very weak association (*$r = 0.165$*) between the savings and the petty traders business capital. Also the R squared of 0.027 suggests that, the variations in the petty traders' capital only 2.2% can be attributed to saving made by the petty traders. This implies that the capital of petty traders business did not depend so much on the savings made. However, the f-ratio of [$F(1, 198) = 5.556$; $p < 0.05$], also suggest that, savings is a significant predictor of the variations in the capital of the petty traders business.

Table 4.3.3 Impact of savings on capital

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.165[a]	.027	.022	.22598	5.556	.019[a]
a. Predictors: (Constant), CAPITAL						

The impact on petty traders' capital is little sufficient than on profit because savings account is made available to the petty trade after loan repayment and it could be used to increase capital of the petty trader. Notwithstanding, the association is still very weak due to the fact the savings are held from petty traders who go in for loans. And after repayments their capital drops as they repay the MFIs loans with high interest rates. Thus, even after adding up the savings to the petty traders' capital will still results in no significant increase.

4.3.3 Assessing the impact of savings on livelihood

Table 4.3.4 below measures the impact of savings on petty traders' livelihood. From the table it can be observed that there very weak association (*$r = 0.186$)* between the savings and the livelihood of petty traders. Also the R squared of 0.034 suggests that, the variations in the livelihood of petty traders only 3.4% can be attributed to saving made by the petty traders. This implies that the livelihood of petty traders depends considerably on the savings made. The f-ratio of [$F (1, 198) = 7.057$; $p < 0.05$], also suggest that, savings can significantly predict the variations in the livelihood of the petty traders.

Table 4.3.4 Impact of savings on livelihood

Model	R	R Square	Adjusted R Square	Model	F	Sig.
1	.186[a]	.034	.030	1	7.057	.009[a]
a. Predictors: (Constant), livelihood						

This indicates that MFIs savings' impact is more significant on petty traders' livelihood than the other two variables but yet still, their association is very weak. MFIs savings may be used for securing a loan and afterward fill in the gab that may result after repayment of loan. Therefore, income from business does not see any significant increase even after accessing credit facility from MFIs. This suggests why MFIs savings do not significantly impact the livelihood of petty traders as it does not really enhance their purchasing power to help improve their livelihood. This assert to the notion made by Hulme and Mosley (1996) that microfinance intervention is not the absolute solution for poverty alleviation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

The summary of findings gathered in the entire analyses, conclusions made on the study objectives and recommendations is outlines in this chapter.

5.1 Summary of findings

This study was specifically aimed at evaluating the impact of microfinance on petty traders. Data were gathered from various respondents and analyzed to answer the objectives of the study.

5.1.1 Models and processes of MFIs micro credit accessibility

From the interview conducted on some senior management members of some selected MFIs, we discovered three models and their processes used by the MFIs for granting loans/credit to petty traders. They include;

- 'Susu' loan: A customer must complete an application form and do 'Susu' contribution for two or three month before loan is granted. Also, 'susu' serves as a semi-secured guarantee for the loan.
- Group loan: Made up of five to ten members in a particular market location. Must also complete an application. Loans are granted to the group and divided by the group leader, who ensures the repayments of the loan. Group members serves as guarantors for each other and are held liable for any delinquency or default by a member.
- Business loan: A customer must be in business for more than six months. Must complete an application form, thoroughly assessment made by credit officer. Third party guarantor or collateral security is required.

5.1.2 Assessing impact of MFIs credit on Petty traders

Data was gathered to assess impact of MFIs credit on petty traders' profitability, business capital and livelihood and the data summary is as follows:

5.1.2.1 Impact of MFIs credit on petty traders' profitability

The simple correlation coefficients between the predator and the depended variable are 0.175[a] indicating that strength of relationship between the MFIs credit and profitability of petty traders is very low. Also the R squared of 0. 31 suggest that, only 3.1% of the variations in the profitability can be explained by the MFIs credit. The tests for significance of the regression model indicated a p-*value* = 0.013[b]meaning that, the predator explains a significant amount of the variations in the dependent variable [F (1, 198) = 6.245; $p < 0.05$]

[F (1, 198) = 6.245; $p < 0.05$].

5.1.2.2 Impact of MFIs credit on petty traders' business capital

Data reveals a very weak positive correlation *($r = 0.07$)* between the MFIs credit and the petty traders business capital. Also the R squared = 0. 005. Thus, MFIs credit can predict less than 1 per cent of the variation in the capital of the petty traders business. The tests for significance of the regression model indicated a *p-value* = 0.322[b] meaning that, the predator is not significantly better to predict the variation in the petty traders capital [F (1, 198) = 0.986; $p > 0.05$].

5.1.2.3 Impact of MFIs credit on petty traders' livelihood

Data reveals a very weak positive correlation *($r = 0.071$)* between the MFIs credit and the petty traders business capital. Also the R squared = 0. 005. Thus, MFIs credit can predict less than 1 per cent of the variation in the capital of the petty traders business. The tests for significance of the regression model indicated a *p-value* = 0.318[b] meaning that, the predator is not significant to predict the variation in the MFIs intervention and the livelihood of the petty traders thus [F (1, 198) = 1.002; p >0.05].

5.1.3 Assessing impact of MFIs savings on Petty traders

A correlation model was used to assess the relationship between the study variables and the correlation matrix displayed a very weak relationship between savings, profitability, capital and livelihood of petty traders business:

5.1.3.1 Impact of MFIs savings on petty traders' profitability

Respondents data reveal a very weak association (*r = 091)*between the savings and the petty traders business profitability and R squared of 0.008 which suggest that, the variations in the petty traders' profitability only, 0.8% can be attributed to saving made by the petty traders. Also, f-ratio of [F (1, 198) = 1.002; p >0.05], also suggest that, savings is not a significant predictor of the variations in the profitability of the petty traders business.

5.1.3.2 Impact of MFIs savings on petty traders' business capital

Using regression the respondents data reveal a very weak association (*r = 0.165)*between the savings and the petty traders business capital and R squared of 0.027 which suggest that, the variations in the petty traders capital only, 2.2% can be attributed to saving made by the petty traders. However, the f-ratio of [F (1, 198) = 5.556; p < 0.05], also suggest that, savings is a significant predictor of the variations in the capital of the petty traders business.

5.1.3.3 Impact of MFIs savings on petty traders' livelihood

Regression analysis on the data shown a very weak association (*$r = 0.186$)*between the savings and the livelihood of petty traders and R squared of 0.034 which suggest that, the variations in the livelihood of petty traders only, 3.4% can be attributed to saving made by the petty traders. This implies that the livelihood of petty traders depends considerably on the savings made. The f-ratio of [$F(1, 198) = 7.057$; $p < 0.05$], also suggest that, savings can significantly predict the variations in the livelihood of the petty traders.

5.2 Conclusion

This study evaluated the impact of MFIs on petty traders in Kumasi Metropolis. Five MFIs who have been in operation for five years or more were selected for the study. The study examines the models and processes of MFIs in micro credit accessibility for petty traders and also assesses the impact that both MFIs credit and saving services are having on petty traders' profitability, business capital and livelihood.

The research findings indicated three types of models being used by these selected MFIs and the processes petty traders undertake to access this facility. Findings from petty traders used to access impact of MFIs credit on petty traders' profitability, business capital and livelihood indicated a very low relationship or impact. That is MFIs credit impact is not as effective or positive as some studies have suggested. The findings of MFIs savings impact on petty traders' profitability, business capital and livelihood also indicated is very low association but considerable impact was identified in the livelihood of petty traders. This, has really refute the assertion made by some studies on impact or benefits petty traders enjoyed from MFIs interventions and affirms with those who criticize the concept and suggested a better way of implementing it.

5.3: Recommendation

The researcher recommends that, petty traders who seek micro-credit from MFIs should know and understanding that MFIs in Ghana operate the 'institutionalist' approach of micro financing and those MFIs seeks to make income and grow their businesses. They are therefore advice to critically examine the demand factor of the business products or services and also assess the profit margin they will be gaining first, before they think of accessing micro-credit from MFIs. This will help them to know the impact of those loans, whether they will be able to finance the loan and also make considerable amount of profit that can help improve their business capital and livelihood.

MFIs in assessing their petty trading customers for micro credit should ensures that; they really understand the nature of business of their petty trading customers, have knowledge about their profit margin and the market seasons for their products before they go ahead and approved of their loans. This will avoid any negative effect on the profitability of petty traders which has a direct effect on their repayment rate. This will also help MFIs to redesign their models and processes in a way to leave a positive impact on their petty trading customers' profitability, business capital and livelihood.

The research also recommend that, in Bank of Ghana, (the regulatory body of microfinance) attempt to establish sanity in the industry, should also try and critically balance some of their regulations. That is, if they continuously release regulations that will intensify the ‘institutionalist’ approach of micro financing, it would lead to a situation where MFIs with be force to increase their interest rate to meet the demands in these regulations. For example, the continuous increase in the stated capital, will create a situation where petty traders will be affected as a result of MFIs desire to stay in the industry. They will achieve this by charging high interest rate to make income to meet this requirement.

Again, there is too much liberality in the microfinance industry with respect to facility charges. Any MFI can charge what it deem fit. Bank of Ghana should therefore monitor and regulate MFIs charges to avoid situation where MFIs enjoy too much profit at the expense of their petty trading customers.

Last, the researcher recommends that, the government should partner with MFIs and make funds available to MFIs at a reduced cost. This can lead to hybrid approach in micro financing where both ‘institutionalist’ and ‘welfarist’ concept are marriage in implementation. By this partnership the state can regulate the interest to be charge on microcredit to petty traders. And also ensure that MFIs leaves positive impact on petty traders.

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APPENDIX A QUESTIONNAIRES: (PETTY TRADERS)

The purpose of this questionnaire is to gather data to be use in evaluating the impact microfinance on petty traders. Answers to questions will strictly be used for academic purposes only. And also all information provided in this study will be treated as confidential and your anonymity is assured.

Please answer the questions as accurately as possible by ticking the appropriate box provided.

Respondent ID: …………

Kindly respond to the following statements by ticking the block that mostly accurately represent your opinion.

1	2	3	4	5
Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree

IMPACT OF MFIs CREDIT ON PETTY TRADERS

No.	Statements	1	2	3	4	5
IMPACT ON BUSINESS CAPITAL						
1	Microfinance loans has helped grow my business capital					
2	Microfinance loan has increased my stock of goods					
3	Microfinance loan has helped me meet the demand of my customers					
IMPACT ON BUSINESS PROFIT						
4	Microfinance loans has increased my profit margin					
5	Microfinance loans has increased the volume of my sales					
IMPACT ON LIVING CONDITION						
6	Microfinance loan has helped me meet the household expenses					
7	Microfinance loan has helped me pay my children school fees					
8	Microfinance loan has helped me acquired a property (car, land, etc.)					
9	Microfinance loan has increased the value of my savings					

IMPACT OF MFIs SAVINGS ND TRAINING ACTIVITIES ON PETTY TRADERS

10	Microfinance savings has helped increase my working capital					
11	Microfinance savings has provided me with financial security in times to meet my household unexpected challenges					
12	Microfinance savings has helped me to assess my business profitability well					

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APPENDIX B INTERVIEW GUIDE FOR MFIs RESPONTENTS

All information gathered for this study is treated as confidential and your anonymity is assured

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Name of respondent institution: ……………………………… Respondent ID: ……….

Position of respondent: …………………………………….

Models and Processes used by MFIs in accessing and granting loan to petty traders

1. Please brief lists the credit model(s) or product(s) for petty trading customers?

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2. Briefly outline the credit model(s) or product(s) features mentioned in question1 above?

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3. Outline the processes or requirements used for granting loan for above mentioned credit model(s) or product(s)?

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