ASSESSING THE EFFECTS OF MICRO CREDIT ON THE PERFORMANCE OF WOMEN OWNED SMALL AND MEDIUM ENTERPRISES IN THE TAMALE METROPOLIS

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DECLARATION

I hereby declare that this submission is my work towards the Master of Science degree and that to the best of my knowledge it contains no material previously published by another person nor material which has been presented for the award of any Degree of the University except where due acknowledgement has been made in the text.

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ABSTRACT

Women owned Small and Medium Enterprises constitute 75% of the total SMEs in Ghana and provide enormous contribution to the economic growth and employment creation of the country. In view of this, it is necessary to obtain a better understanding of the factors that influence the performance of these enterprises. Key among these factors is credit. However, traditional banks shy away from SMEs because of the high risk associated with lending to SMEs. This led to the springing up of several Microfinance institutions with the sole aim of providing credit to SMEs especially women owned enterprises. However, there have been concerns as to whether these Microfinance Institutions are in business to support these enterprises grow or exploit them and earn higher profits. It is therefore vital to establish whether micro credit is supporting the growth of businesses or making them worse off, a gap this study sought to fill.

To carry out the study, five Microfinance Institutions in the metropolis were purposively selected. After which stratified sampling was used to categorize the women entrepreneurs according to the activities they are engaged in. Semi structured questionnaire was then used in the survey of women owned SMEs as well as the administration of questionnaires with selected Microfinance Institutions. The data collected were analysed using SPSS.

The study findings show that although the general indicators reflect positive growth among women owned enterprises in terms of gross profit, investigation of the practical importance of the significance of the results show a small effect (d=0.315). This implies that the change in the monthly gross profits between the two time periods is of less practical importance to the operation and growth of the enterprises. The results also reveal that there was no significant difference in the number of employees or assets between the period when the first MFI loan was received and the period when this study was conducted.

The study recommends improved monitoring by the Bank of Ghana to regulate the operations of MFIs in terms of interest rates charged and other services they offer their clients. It is also recommended that MFIs take interest in the enterprise growth of their clients instead of being interested only in the collection of deposits and disbursement of loans. Finally, the study also recommends that, MFIs should increase loan amounts to women entrepreneurs, extend loan repayment period, charge moderate interest rates on loans as well as administrative and management fees, ensure timely disbursement of loans and enhance and standardize training of their clients.

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CHAPTER ONE
GENERAL OVERVIEW OF THE STUDY

1.1 Background to the Study

Microcredit has been identified as an important tool for the poor, including women for the improvement of their socioeconomic status. It provides numerous benefits for beneficiaries such as owners of small and medium scale enterprises for expanding their businesses. According to Ghadoliya (2000), microcredit plays a crucial role in the socioeconomic empowerment of individuals most especially women within households by promoting their participation in decision making at all levels. Similarly Goetz &Sen (1994) and (Mayoux, 2005) posit that, the increase in income of women reduces their vulnerability to domestic violence and also helps them have a better control of their reproductive health.

In addition to serving as a source of empowerment at the household level, microcredit has been identified as a key element for the growth of small and medium enterprises (Idowu, 2010). It helps them to build productive capacity, create jobs and contribute to poverty alleviation in developing countries by adopting new technologies (Idowu, 2010). Small and Medium Enterprises (SMEs) play significant roles in the development of every nation. They are a potential source of employment and income generation for many people in sub Saharan Africa. They account for 90% of businesses in Ghana, contributing 70% of the country's GDP (World Bank, 2013). According to Kessey (2013) women constitute 75 percent of the total SME entrepreneurs in Ghana indicating that they play a major role in the development of the country. Their contribution to the development and management of SMEs in Ghana is enormous.

Abor and Quartey (2010) assert that, majority of these women owned SMEs are usually home-based, compared to those owned by males, they are operated from home and are mostly not considered in official statistics which affects their chances of gaining access to credit schemes. Women are mostly involved in sole-proprietorship businesses which are mainly micro-enterprises and as such may lack the necessary collateral to qualify for loans. These SMEs are mostly individual or groups engaged in food production from local crops, soap and detergents, fabrics, clothing, sale of cement and other building materials, bakeries, wood furniture, electronic assembly, agro processing and mechanics among others. Despite the vital role of women entrepreneurs in the economic development of their families and countries, it has been revealed that they have low business performance compared to their male counterparts (Akanji, 2006). They are faced with low or limited financial and business training, poor savings and lack of access to credit (Shane, 2003).

Microcredit has been identified as one of the most important factors in the growth and expansion of SMEs especially women owned enterprises. It is believed that credit improves income levels, business expansion, competitiveness, increase sales volume and thereby more profits. It is thought that access to credit enables SMEs to overcome their liquidity constraints and undertake investments (Hiedhues, 1995). The main objective of microcredit according to Navajas et al, (2000) is to improve the well-being of the low income earners as a result of better access to small loans that are not offered by the formal financial institutions. In Ghana, credit has been recognized as an essential tool for promoting SMEs growth (Oti-Boateng and Dawoe, 2005).

A study carried out in Machakos Municipality of Machakos District in Kenya in 2012, revealed that Microfinance Institutions (MFIs) play a major role in credit provision to the SMEs, and this credit has contributed to the growth of businesses in terms of number of employees, asset base, level of stocks and services of the businesses. It also indicated that the credit services in businesses which do not show increased profitability, changes in stock levels and services are used to sustain the business and avoid possible collapse (Munyao, 2012). The provision of microcredit to SMEs can also improve the economic conditions in developing countries by fostering innovation, macro-economic resilience and GDP growth (Dahlberg Report, 2011).The determining factor for a firm‘s growth is the availability of resources such as credit to the firm.

Notwithstanding the important role microcredit plays in the growth and expansion of SMEs, It has been observed that most formal banking institutions deem it an unattractive venture (World Bank, 1994) in doing business with them because they are considered as high risk clients. They lack the necessary collateral to serve as security for loans and it is costly. SMEs are particularly constrained by gaps in the financial system such as high administrative costs, high collateral requirements and lack of experience within financial intermediaries (Dahlberg Report, 2011). Hence, the co-operate culture of banks and financial institutions are far removed from the informal world of the micro entrepreneur. However, with the proliferation of MFIs, SMEs are able to secure credit to support their businesses. Microfinance programmes and institutions have globally been recognized as prospective components or strategies of development for organizations, governments and societies for promoting enterprises in developing countries (Hulme, 2000). MFIs are organizations with a goal to serve the needs of un-served or underserved markets as a means of meeting development objectives (Ledgerwood, 1998). Following the success stories of most MFIs, most commercial banks have also developed innovative ways to support SMEs regardless of the risks associated with their businesses.

Even though MFIs and commercial banks have been extending the facility to these SMEs, for an appreciable period, their impact on these enterprises in terms of assets acquired, profits, job creation etc have not been very encouraging. Their effect on SMEs is marginal in terms of growth and competiveness in the business environment. According to Bekele and Zekele (2008), there is stagnation and failure of SMEs in most sub-Saharan African countries. A research carried out in three countries; Kenya, Malawi and Ghana by Buckley (1997) came to the conclusion that there was little evidence to suggest that any significant and sustained impact of microcredit services on clients in terms of SME development, increased income flows or level of employment. Burger (1989) also indicated that microcredit tends to stabilize rather than increase income and tends to preserve rather than create jobs. A study conducted by Coleman (1999) suggests that microcredit did not have any significant effect on physical asset accumulation, the women ended up in a vicious cycle of debt as they use the money from the MFIs for consumption purposes and were forced to borrow from money lenders at high interest rates to repay the MFIs loans so as to qualify for more loans.

1.2 Problem Statement

Women owned small and Medium Enterprises constitute 75% of the total SMEs in Ghana and provide enormous contribution to the economic growth and employment creation in the country (Kessey,2013). In view of this, both researchers and policy makers focus on the need to obtain a better understanding of the factors that influence the performance of these enterprises. While credit has been identified as a major contributor to the growth and success of these enterprises, (Sebstad and Walsh ,1999) have observed that access to credit was limited. This is due in part to the high cost of borrowing as banks tend to avoid the risk associated with lending to SMEs. Also, most of these enterprises lack the needed collateral to access bank loans, the major traditional source of financing for SMEs. Hence, several Micro Finance Institutions (MFI) have sprung up with the core objective to cater for the credit needs of SMEs to facilitate their growth, many of which have women as their target customers. However, there have been concerns as to whether these MFIs are in business to support these enterprises grow or exploit them and earn higher profits.

There are claims of MFIs charging higher rates of interest coupled with short term repayment period and inadequate amount of credit as required by SMEs. These have the potential to leave a large number of SMEs to either remain small or die out instead of stimulating their growth. On the contrary, proponents of MFIs argue that the SMEs are failing because most operators lack the skills in financial management and planning to prudently invest received credits for the growth of their businesses.

The question therefore is whether these credits allow the firms to grow or exit. Although MFIs measure performance of SMEs, their measure of success and indicator of interest has been the ability of the enterprise to repay loans. There is a lack of empirical evidence on the prudent use of credit received by SMEs and their performance in terms of profitability, assets acquired, employment generated and increase in market share. This scarcity of information on the productivity of SMEs in relation to credit received from MFIs gives rise to the need for this study.

1.3 Research Questions

This study therefore addressed the following questions:

i. To what extent does micro credit enhance the growth of SMEs of women in the Tamale Metropolis?

ii. To what extent does credit improve/ increase the asset base, employment levels and profits of SMEs of women?

iii. What other services do MFIs complement with microcredit?

iv. What are the challenges faced by women entrepreneurs?

1.4 Objectives of the Study

The study investigated the effects of credit on the growth of women owned SMEs in the Tamale Metropolis.

The specific objectives were to;

1. Assess the effect of credit on SMEs performance in terms of employment levels;
2. Examine the effect of credit on SMEs performance in terms of the value of assets acquired on accessing credit;
3. Determine the effect of credit on SMEs performance in terms of profits made;
4. Identify the complementary services available to the women entrepreneurs from micro credit providers; and
5. To find out the challenges faced by women owned SMEs in the Tamale Metropolis.

1.5 Overview of the Research Methodology

The study adopted a case study design, one which determined the effects of microcredit on women owned enterprises in the Tamale Metropolitan area. The study also employed a cross-sectional design to collect data on relevant variables from a variety of women entrepreneurs from five Microfinance Institutions (MFIs). The variables that were measured were microcredit and how it facilitates enterprise growth in terms of gross profits, employment growth and asset base.

The population of the study was all women entrepreneurs who have accessed credit from selected MFIs and the units of analysis were women entrepreneurs who are beneficiaries of microcredit from the MFIs.

The study used simple random sampling technique to select women entrepreneurs from the sampled MFIs who have benefited from microcredit. Stratified sampling was then used to categorize the women based on the work or economic activities they are engaged in.

A mathematical sampling formula by Yamane (1967) was used to determine the sample size and from the calculation the sample size was 202. One hundred and ninety nine respondents were however interviewed.

Data was obtained from both primary and secondary sources. Primary data was obtained using semi-structured and structured questionnaires while secondary data was obtained from journals, articles and research studies. Both quantitative and qualitative data were collected for the study.

The data generated through the questionnaires were analysed through two statistical software programmes; SPSS and STATA. Data entry, descriptive data analysis and paired samples t-test were done in SPSS v.20. The data was then coded and imported into STATA v.13 which was used for binary logistic regression estimation.

1.6 Justification of the Study

A substantial volume of research has been carried out on the relationship between microfinance and microenterprise development and most of these studies treated microfinance as a solution to poverty (Obeng, 2013; Bismark, 2011; Kessy and Urio, 2006; and Njoora, &Kyalo, 2014).

The effects of microcredit on women owned SMEs survival and growth has not been empirically tested in Ghana especially in the Tamale metropolis. Most researchers in Ghana have also paid little attention to the nature, mode of operation and processes involved in micro financing. This study therefore seeks to investigate and analyze the effects of micro credit on women owned SMEs growth in Tamale. The study will contribute to the body of knowledge on the effects of micro credit on the growth of SMEs owned by women.

The results of this study is expected to inform policy makers regarding the direction of further research into interventionist programmes for SMEs in Ghana. It will also help MFIs to evaluate the impact of their programmes on the growth of SMEs. The study will also provide baseline information for future studies on the importance of financing women enterprises.

1.7 Scope of the Study

The study provides insight into microcredit and SME growth, as well as a measure of the effects of micro financing on small business performance and productivity in the Tamale Metropolis with a focus on women owned enterprises that have had access to micro credit for a period of at least five years (2010 – 2014).

The population for the study included women clients of the MFIs that were selected. Geographically, the research covered Tamale metropolis in the Northern Region of Ghana due to the fact that the region has a large number of MFIs and women owned enterprises. According to the Overseas Development Institute & Centre for Policy Analysis (2005), the Northern region has a lot of small businesses striving to succeed due to its relatively deprived population.

1.8 Organisation of the Study

The study was organized into five chapters. Chapter one consists of the general introduction of the topic under study. It includes the background to the study, the problem statement, research questions and research objectives. The scope of the research and justification of the study are also discussed in chapter One. Chapter two focuses on the review of relevant literature and the conceptual framework. Chapter three is on the profile of the study area and the research methodology that was employed to undertake the research. Data presentation, analyses, interpretation and discussions of results are in chapter Four. Finally, Chapter Five presents the key findings from the interpretation and discussion of analysed data as well as conclusions and recommendations.

1.9 Limitations to the Study

The main limitation of the study was the reliance on information that was supplied by SMEs operators who normally did not want to make a full disclosure of their businesses to an unknown person. In the same vein, most of the micro and small business operators lacked proper record keeping practices and did not adhere to standard book keeping and accounting procedures. Some of them did not have the necessary skills needed for sound book keeping neither did they employ qualified personnel to undertake such tasks for them. The secrecy between the MFIs and their customers was another area of constraint in this study. However scientific methods and procedures were employed in carrying out the study.

CHAPTER TWO

CONCEPTUAL AND THEORETICAL FRAMEWORKS OF MICROCREDIT AND SMALL AND MEDIUM ENTERPRISES PERFORMANCE

2.1 Introduction

In this chapter the conceptual and theoretical frameworks of this study are presented. The discussion is organized into seven sections. In section 2, the relevant literature related to microcredit, microcredit in Ghana and microcredit as a tool for poverty reduction are reviewed. In section 3, microfinance and women empowerment is discussed, section four is on women in enterprise development, and in section five SME growth and development and indicators of growth are explained. In section six, the theoretical link between microcredit and enterprise growth was reviewed. The conceptual framework on the effects of microcredit on SME performance in Ghana and other countries are presented as the final section of this chapter.

2.2 Concept and sources of microcredit

Microcredit is the extension of small credits to poor people, especially women to boost their income generation potential through self-employment. According to Robinson (1998) and Mosley (2001), it is a development tool that provides assistance to the poor and low income clients most especially women in expanding their businesses. In practice, the term microcredit is often used to refer to micro credits and other services provided by Microfinance Institutions (MFIs). In this regard, Yunus (2003) distinguished microcredit from MFIs as an amazingly simple approach that has been proved to empower very poor people around the world to pull them out of poverty. It must however, be noted that microcredit is not the same as microfinance although microcredit forms part of microfinance. While microcredit is usually limited and deals specifically with the credit needs of clients, microfinance covers a broader range of financial services such as savings, micro insurance, housing micro credits and remittance transfers that create a wider range of opportunities for success.

The provision of microcredit to beneficiaries come from several sources which are financial institutions and mainly comprises of Non-Governmental Organisations (NGOs), savings and micro credit cooperatives, credit unions, commercial banks or non-banking financial institutions. In Ghana, however, the provision of micro credit is mainly championed by the MFIs (Asiama and Osei, 2007). Notwithstanding the source, the target group of this facility is usually the low income entrepreneurs who are mostly traders, seamstresses, street vendors, small farmers, hairdressers, drivers, artisans and blacksmith (Ledgerwood, 1999).

Apart from providing financial credit, microfinance institutions aim at promoting entrepreneurship to boost the rural financial markets. They also train members in financial literacy and management.

2.2.1 History of Microfinance in Ghana

Historically, microfinance is relatively a new financial concept. It became important in development literature during the 1970s. But the 1980s however became the revolving point in the history of microfinance, when Microfinance Institutions were recognised as financial intermediaries that could offer micro and small loans and savings services profitably, on a large scale. Hence, the term ―microcredit‖ became popular in development practice (Kessey, 2013).

The concept of microfinance is not new in Ghana as individuals have saved and taken loans from money lenders and Susu collectors to start businesses and farming activities. The first Credit Union in Africa was established in Northern Ghana in 1955 by the Canadian Catholic Missionaries. But the Susu methodology of MFIs, is thought to have originated from Nigeria and spread to Ghana in the early 1990s (Asiama and Osei, 2007).

The Susu system started with market women who wanted to save some part of their income for future use. One trustworthy person went round daily through the community to collect the small token each person was ready to contribute each day. As time went on, the Susu collectors started giving out loans from the chunk of money they had collected with some amount of interest on the loans. This system helped the market women who wanted to expand their businesses but had no huge sum of money to do so. It also helped women to pay their children‗s fees easily. The savings with Susu collectors also served as insurance for future eventualities.

This implies that the concept of microfinance is not new in Ghana. The microfinance sector has evolved from the simple Susu and credit union system into its current state where even traditional banks who under normal circumstance would not give loans without collateral are now venturing into the area of microfinance.

Presently, credit unions and MFIs provide micro credit to SMEs to help them expand and also help reduce poverty. Also, there are some informal credit institutions that support SMEs such as Accumulating Savings and Credit Associations (ASCAs), money lenders and ―Susu‖ clubs (Kessey, 2013). In Ghana, MFIs have become the major providers of microcredit to SMEs.

2.2.2 Constraints to accessing micro credit from commercial banks

Commercial banks have failed to provide credit to the poor most of who are found in developing countries and specifically, in the rural areas. According to Von Pischke (1991), their policies do not favour the poor. These people are mostly illiterate and most banks lack the skills to target these customers. SMEs in developing countries are considered by banks to be too unstable to invest in. Due to this, they consider them to have high risk and the costs these banks suffer to monitor the activities of the SMEs are high. The collateral demanded by banks for a micro credit is based on fixed assets which are very high hindering businesses from acquiring micro credits. Cuevas et al. (1993), indicates that access to bank credit by SMEs has been an issue repeatedly raised by numerous studies as a major constraint to industrial growth. A common explanation for the alleged lack of access to bank loans by SMEs is their inability to pledge acceptable collateral. The availability of collateral plays a significant role in the readiness of banks to offer services in the private sector as it serves as an incentive to offset losses in case of default. A study by Aryeetey et al. (1994) revealed that a large proportion of firms had their applications rejected by banks because they lacked adequate collateral which was usually in the form of landed property.

SMEs face more challenges in doing business than large enterprises because of the difficulties in financing start-up and expansion. Schiffer and Weder (2001) found that small firms tend to experience more difficulties than medium-sized firms, particularly in developing countries, lending to small businesses and entrepreneurs remain limited because financial intermediaries are apprehensive about supplying credit to businesses due to their high risk, small portfolios, and high transaction cost.

According to Cuevas et al. (1993), cost of transaction is one of the factors that contribute to the inability of the SMEs to access finance, they are of the opinion that ―if transaction cost of lending are high, the net margin banks expect from loans operation do not compare favourably against safe investment represented by treasury bonds.‖

Despite SMEs strong demand for credit, the profit orientation of commercial banks may deter them from supplying credit to SMEs because of the higher transaction cost and risk involved. First, SMEs loan requirement are small so the cost of processing the loan tend to be high in relation to the loan sizes. Secondly, it is challenging for financial intermediaries to obtain the information necessary to assess the risk of new unproven ventures especially because the success of small firms often depends heavily on the ability of the entrepreneur.

The situation has, however, changed with the rise of MFIs because SMEs are able to access credit to support their businesses. MFIs provide financial services to low income earners especially women entrepreneurs. These services include acceptance of small savings deposits, provision of microcredit and simple payment services needed by microentrepreneurs and other poor people (USAID, 2005). Micro Finance Institutions extend small loans to poor people, especially women to help boost their income generation potential through self-employment (Microcredit, 2005). MFIs see it less risky to work with existing microenterprises because they have a history of success (Ledgerwood, 1999).

The Government of Ghana has also launched a number of financial support schemes geared towards providing easy access to capital and advisory support to SMEs. One of such schemes is the Micro-credit and Small Loans Fund established in 2006 with the objective of reducing poverty and promoting growth in the economy (Asiama & Osei, 2007).

2.2.3 Microcredit as a development tool for poverty reduction

Microcredit approach has been increasingly incorporated in the development discourse during the last two decades. Since its inception in Bangladesh, it has spread all over the world and it is now regarded as a useful tool for poverty alleviation. Institutions involved in the delivery of micro credit have helped to reverse the conventional top down approach by creating livelihood opportunities for the poorest citizen, especially women who form about 94 percent of their client (Thente, 2003).

The former UN Secretary General, Kofi Annan during, the launch of the International Year of Micro Credit in 2005, said sustainable access to microfinance helps alleviate poverty by enabling the poor to meet their basic needs and empowering people to make the choices that best serve their needs. Micro credit is one of the broad range of financial tools for the poor, and its role in development has emanated from a number of key factors that include; the fact that the poor need access to resources, with financial services being a major resource, the realization that the poor have the capacity to use loans effectively and re-pay loans.

Microcredit is now considered an effective development tool of poor people especially women. This supports the assertion of Guerin (2006) that, it has a positive and significant effect on poverty reduction and women empowerment. Several authors such as Khandker (1998) and Derbile (2003) enumerated some successes of microcredit in alleviating families‘ poverty. They noted that it has helped beneficiaries mostly women to venture into gainful employment. It has improved their income level and contributed to the provision of household and other essential basic needs. This has led to the improvement of the household livelihood and improved women contribution to household decision making (Aasoglenang, 2000).

Another factor is that microcredit programmes provide women in Africa with access to networks and markets which equips them with a wider experience of the world. Their access to information and possibilities of other social and political roles are also enhanced (Mayoux, 1997).

Proponents of microfinance argue that small credits to poor people could serve as a powerful tool for reducing poverty (Khan and Rahaman, 2007). This is in agreement with the UNCDF's (2009) study that, microcredit for farmers or small businesses serves as an effective tool for expanding economic opportunities and reducing the vulnerabilities of the poor. Likewise, Pronyk et al. (2007) argue that microcredit presents low income earners with their basic needs.

Accessing finance has been identified as a key element for SMEs to succeed in their own drive to expand and grow, create jobs and contribute to poverty reduction in developing countries (Idowu, 2010). The effect of microcredit on the growth of enterprises has received a lot of attention worldwide. Several researchers have suggested that a welldeveloped microcredit system can help SMEs access affordable credit services, thereby reducing poverty most especially among women entrepreneurs.

Gender activists also argue in favour of microfinance as a means of empowerment by supporting women's economic participation. Boyle (2009) claims that by supporting women's economic involvement, microfinance aids to improve household well-being. Littlefield (2005) reports that the opportunities created by credit availability helps a lot of poor people to invest in their businesses, educate their children, improve their healthcare and promote their overall well-being. Karlan and Zinman (2006) also observed that recipients of microcredit were better off than non-beneficiaries. This observation was also made by Khan and Rahaman (2007), who identified that recipients improved their livelihoods and moved out of poverty.

Both the World Bank (2002) as well as the Beijing Platform for Action of 1995 (BPFA, Women and Poverty) have recognized women's access to financial resources as important strategies for poverty reduction and donors have increasingly directed microfinance services to women.
The International Labour Organization (2006) stressed that Microfinance services lead to women's empowerment by positively influencing women's decision-making power and

enhancing their overall socio-economic status. Microfinance services had reached over 79 million of the poorest women in the world by the end of 2006. Microfinance thus has the potential to make a significant contribution to gender equality and promote sustainable livelihoods and better working conditions for women. Similarly, Barnes (2005) and Robinson (2004) confirmed the positive impact of microcredit on borrowers' income, food security, nutrition, as well as education of children.

Microcredit enables the low income earners especially women who do not have access to formal banking to increase their income, build assets and diversify livelihood options. Hence reducing their vulnerability to economic stress. It has been established in the past that the provision of financial products and services to poor people by MFIs can be practicable and sustainable as MFIs can cover their full costs through adequate interest spread and by operating efficiently and effectively.

Contrary to the contribution of Microcredit to the economic empowerment of the poor, it is not a magic solution that will propel all of its clients out of poverty. It should be seen as only one of the tools to reduce poverty. Roodman (2009) asserts that microcredit actually leave beneficiaries poorer, just as credit cards and mortgages have made people poorer in developed countries because according to Ditcher (2006), the promise of microcredit is irresistible but the hope for poverty reduction and impact of microcredit remains elusive. Karnani (2007) shared a similar view on microfinance programmes and argued that though microcredit yields some non-economic benefits, it does not significantly reduce poverty and that the promise of microfinance is less attractive than the reality. He argued that the best way to alleviate poverty is to create jobs and increase worker productivity but not through microcredit.

To support the above assertion, Sachs (2009) stated that microfinance may not be appropriate in poverty alleviation. He noted that poor borrowers hardly invest the micro credit in fixed assets or new technology; rather, they use that to sustain themselves and their families. In view of this, Aguilar (2006) and Ausburg (2008) recommend the need for a plus component which involves training in financial management, marketing and managerial skills and market development skills for beneficiaries of micro credit from microfinance to succeed.

2.3 Microfinance Institutions

A microfinance institution is an organization that arranges small loans and financial services to the poor people and small business. In other words, a Micro finance institution can be defined as an organization that offers financial services to the low-income people (Microfinance Gateway, 2008). There is a wide range of micro financial institutions, the commonest one is the financial NGO`s. These financial NGO_s provide micro credit and micro finance services although in most cases they are not allowed to capture saving deposits from the general public. Similarly some commercial banks also provide microfinance along with their routine financial activities (Rehman, 2007). There are some other MFI´s which are the community based financial intermediaries such as credit union; cooperative housing societies and some others owned and managed by the local entrepreneurs and Municipalities that provide micro credit. These types of institutions vary from country to country (Rehman, 2007).

Over the years, the microfinance sector in Ghana has thrived and evolved into its current state due to various financial sector policies and programmes undertaken by different governments since independence. Rural and community banks are regulated under the Banking Act of 2004 (Act 673) as amended by Banking Act 2007 (Act 738), while the Savings and Loans Companies are currently regulated under the Non-Bank Financial Institutions (NBFI) Act 2008 (Act 774). Until July 2011, there had been no regulatory framework for the rest of the players such as the financial non-governmental organisations and moneylenders (Asiama and Osei, 2007).

2.3.1 Microfinance and Women Empowerment

Armendariz (2005) notes that women make up 75% of all micro-finance beneficiaries. Lending to women began in the 1980s when Grameen Bank found that women had higher repayment rates, and tend to accept smaller loans compared to men. Many microcredit institutions have used the goal of empowering women to justify their disproportionate loans to women (Bateman, 2010). Again microfinance has been directed at women because it is alleged that women's access to microcredit has more desirable development outcomes, since women tend to allocate more money to basic needs compared to men (Pitt and Khandker, 1998; Leach and Shashikhala, 2002). Women are the primary beneficiaries of MFI activities, and they often invest the funds primarily in agriculture, distribution, trading, small craft and processing industries.

Children of women microfinance borrowers also reap the benefits, as there is an increased likelihood of fulltime school enrolment. Households of microfinance clients appear to have better health practices and nutrition than other households‖ (Littlefield *etal.*, 2003). Several current initiatives aim to provide micro-finance schemes to rural farmers, particularly rural women (CEDAW, 2005).These initiatives incorporate gender issues to set goals and objectives which are later used to identify the beneficiaries-more often than not women- who genuinely require financial assistance in a target community.

In Ghana, clients of microfinance institutions are mainly women in both rural and urban centres. The women are mainly engaged in economic activities such as farming, petty trading, food processing and vending and service provision. Statistics from Ghana Microfinance Institutions Network (GHAMFIN), (2005)put the number of male depositors at 1,578 and female depositors at 15,040; and the number of male borrowers at 5,995 and female borrowers at 70,466, clearly indicating a massive patronage of MFIs by women in Ghana as compared to their male counterparts (MoFEP, 2008).

2.3.2 Why focus on women

Supporting women‘s entrepreneurship is very vital to family well-being because they do not only support themselves but also their families with income they receive. Women owned SMEs thus contributes significantly to the development of the economy. Other advantages for supporting women enterprises are that it helps the entrepreneurs to gain self-reliance, self-esteem and improves their decision making abilities. It also offers them greater control over their social and economic lives (Kantor, 2001).

Also, women entrepreneurs tend to hire more women employees and this according to Silver (1994) serves as the training grounds for such employees to establish their own businesses. However, women entrepreneurs operate in more difficult conditions than their male counterparts since they are badly affected by constraints of high production cost, political instability, unfriendly business environment and poor road networks (Stevenson and St-Onge, 2005).

Also, several gender specific constraints further impede the entrepreneurial development of women. These include limited access to credit and other useful resources; less freedom in selecting sectors to operate in, less time and opportunity to attain higher education needed for successful entrepreneurship. These constraints hinder women entrepreneurial growth as compared to their male counterparts as they are the worse affected owing to the different societal roles and responsibilities assigned to them.

There is therefore the need to institute policies and programmes to mitigate such constraints so that women can be successful entrepreneurs and achieve their full potential in the SME sector. The need for such policies is well captured in the words of Kantor, 2001) ―Women tend to have different needs than men regarding entrepreneurship support. If these differences are not recognized in programme design and implementation, women are unlikely to benefit and may be less able to sustain and grow their enterprises ―In Ghana, women control more than 50 percent of informal sector businesses. However, they are particularly disadvantaged in meeting their business growth needs as they face a number of difficulties, including: (1) land tenure issues, (2) low awareness of corporate laws, (3) lack of education and expertise in financial transactions and sound business practices, and (4) risk aversion in transitioning from micro to small and medium-sized businesses (Kipnis, 2013).

As seen from statistics, in various African countries, the share of women in micro and small enterprises is relatively high at 65 percent in Ethiopia, 48 percent in Kenya, 43 percent in Tanzania and 67 percent in Zimbabwe. However, a number of women owned enterprises do not grow beyond the micro-level of five employees (Kiraka*et al.*, 2013).(Kiraka *et al.*, 2013). This characterises the SME sector in general, but it is more evident among women-owned enterprises (Marcucci, 2001; Stevenson and St-Onge 2005). So the challenge in Africa is less about trying to increase the number of women entrepreneurs and more about how to legitimize and strengthen the base of their activity so they can grow the enterprises as already indicated elsewhere.

Several studies on women entrepreneurship have identified numerous constraints facing them. In particular, issues relating to employment generation, conditions of service and market expansion, and growth from micro to small and to medium size have been dominant. Thus over the years, there have been studies centred on identifying policies, programmes and actions that positively and directly impact on new start up creation as well as job creation in both new and existing women-owned enterprises.

2.4 Women in enterprise development

Since the 1980s, there have been consistent efforts to integrate women effectively into all development projects and programmes, to increase their access to education, skills training, credit, and land to enable them participate fully in economic activity. Also, there has been a growing recognition and elimination of certain structures and attitudes toward women in societies which impacted negatively on their ability to function as economic agents in society. Women had previously been wrongly perceived as a marginal economic group but have the potential as wealth creators (Stevenson & St-Onge, 2005).

The World Bank (2001) revealed that the provision of sustainable employment to women enable them earn steadier wages which improved their development. In view of this, various agents such as the African Development Bank (AfDB), the International Labour Organization (ILO), the International Finance Corporation (IFC), the World Bank and more recently the Government of Ghana, have put in place several interventions to address challenges faced by women in their efforts to actively participate in the productive economy, thereby tapping into their potential for economic growth.

2.4.1 Challenges and Barriers to Growing Women Enterprises

SMEs can generate their desired effects/results only when entrepreneurs leave the informal economy and rather operate in the formal sector. Unfortunately, high taxes coupled with unfavourable business environment, bureaucracy and corruption hinders the prospects and successes of SMEs (OSCE, 2006). These challenges impede the development and growth of SMEs and their subsequent contribution to the national economy especially that of women owned enterprises in Sub-Saharan African (SSA).

The factors that limit SMEs growth and development are mostly related to financing. Among them are:

(i) The inability to meet loan conditions, specifically the collateral requirements. This is primarily due to cultural barriers that restrict women from owning fixed assets such as land and buildings;

(ii) The lack of confidence in projects owned by women;

(iii) The perception of women to be risk adverse in approaching banks to finance their small projects. Small loans are costly for financial institutions to put on the books and administer;

(iv) The women is seen to lack management skills and have relatively low levels of education and technical skills;

(v) Their inability to develop good business plans or approach financial institutions(business plans); and

(vi) Women have fewer opportunities for full time wage employment which results in low capital accumulation in comparison to men. This may be attributed to the fact that most of these women are illiterates and also operate in the informal sector (Stevenson and St-Onge, 2005).

Although the credit needs of SMEs are catered for by microfinance institutions, their loan amounts to SMEs have been too small to result in any growth since their focus is on poverty reduction and not SME development and growth (Stevenson and St-Onge, 2005).(Stevenson and St-Onge, 2005).

Barriers against women‘s entrepreneurship in Ghana include:

(i) Land tenure issues stemming from their treatment under existing land tenure customs;

(ii) inadequate knowledge of business laws

(iii) lack of education and skills in financial transactions and sound business practices, and

(iv) risk aversion in transitioning from micro to small and medium-sized businesses (Kipnis, 2013).

Roomi and Parrot (2008) found in a study that women entrepreneurs do not enjoy the same opportunities as men due to some discriminatory sociocultural values and customs such as the inherent attitudes of a patriarchal society where men tend to superior to women, which limits women‘s access to capital, land, business premises, information technology, training and agency assistance. (Roomi and Parrot, 2008).

Women also receive little encouragement from some male family members. Roomi and Parrot(2008)suggested that in order to foster development, multi-agency cooperation is required. The media, educational policy makers and government agencies could combine efforts in providing women with improved access to business development services and facilitate local, regional and national networks.

Stevenson and St-Onge (2005) also recommended to the release of more capital for the financing of women‘s enterprises. In addition to this, they proposed the development of programmes with fourfold objective to;

(i) provide technical and financial support to women-owned enterprises that have growth potential. This would include supporting innovative business ideas that have the potential to grow the business;

(ii) develop synergies among stakeholders;

(iii) build the capacity of women entrepreneurs‘ associations (WEAs) and their members; and

(iv) raise awareness among potential partners (WEAs, business associations, financiers, policy-makers, etc.) on the economic impact of supporting the development of women-owned enterprises.

2.5 Credit lending models

There are different types of micro credit lending models. During the International Year of Microcredit (2005), two main types were identified. They are the Group lending model and Individual lending model.

2.5.1 Group lending model

The group lending model is a method that allows a specified number of individuals who come together as a unit to secure credit. The group repayment pledges termed as the social collateral system is a source of collateral or guarantee to access the micro credit. Micro credits are not granted to individuals on their own but to individuals belonging to a group. The incentive to repay is based on peer pressure. Group members are liable to make up the payment of any member of the group who defaults. It‘s a method that is used by microfinance institutions to provide micro credits without collateral.

The interest charged is not much different from that of commercial banks but far lower than interest charged by individual money lenders (Natarajan, 2004). The repayment rate has been identified to be very high since each member is liable for the debt of a group member (Stiglitz, 1990). The formation of a group is made by members who know themselves very well or have some social ties. This is to avoid the problems of adverse selection and also to reduce costs of monitoring micro credits to the members who make sure the credit is paid or they become liable for it (Armendariz, 1994).

2.5.2 Individual lending model

This is a straight forward credit lending model where micro credits are given directly to the individual borrower. With this type of lending, the borrower is made to present a guarantor before the facility is granted. The individual lending system according to Armendariz and Morduch (2000) is highly efficient in recovering credit as it empowers the guarantor to exert sufficient social pressure on the client to repay the loan. Unlike the group loan model, it eliminates the time spent in group meetings and as ascribed by Maria (2009), it reduces the loss of privacy in discussing financial situations and investments with peers in a group who can oppose it and impede their progress (Giné and Karlan,2010). However, Laure and

Baptiste (2007) argued that the guarantee mechanism is only meaningful if the borrower has assets that can be guaranteed as security, if the institutional framework permits the actual transfer of ownership of the pledge from the borrower to the creditor easily and if the pledged assets are not very liquid.

In support of this model, Besley and Coate (1995) argued that despite the advantages of lending to groups, some members may fail to repay their loans, and hence put more pressure on others. Montgomery (1996) agrees that this method of lending avoids the social costs of repayment pressure that is exerted to some group members because members bear high risk not only liable for their credits but to the group members as well (Stiglitz 1990).

2.6 The Concept of SMEs

SMEs have been defined differently worldwide. The European Union (EU) defines companies employing fewer than 10 employees as microenterprises, those with more than 10 but fewer than 50 employees as a small enterprise whilst those with more than 50 but less than 250 employees as a medium enterprise. On the other hand, the United States refers to businesses with fewer than 100 employees as small, while medium-sized business often refers to those with more than 100 employees but fewer than 500 employees. In Canada, a small business is a business with less than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business), whilst a medium sized business should have more than 100 employees but less than 500 employees (Carsamer, 2009).

In Ghana various definitions have been given for Micro, Small and Medium scale enterprises based on several criteria but the most commonly used criterion is the number of employees of the enterprise (Kayanula and Quartey, 2000). However, the National Board for Small Scale Industries‘ definition of SMEs is based on ―fixed asset and number of employees‖. It therefore defines Small enterprises as those ―enterprises employing between 6 and 29 workers or have fixed assets not exceeding 100,000 USD, excluding land and building‖ and medium enterprises as those employing between 30 and 99 workers or have a fixed assets not exceeding 1,000,000 USD, excluding land and building (NBSSI, 2013). Contrary to the NBSSI, the Ghana Statistical Service (GSS) regard firms with less than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. The value of fixed assets in the firm has also been used as an alternative criterion for defining SME"s.

The Regional Project on Enterprise Development in the Ghana Manufacturing Survey Paper grouped firms into 4 categories as: (i) micro enterprise, less than 5 employees; (ii) small enterprise, 5 -29 employees; (iii) medium enterprise, 30 – 99 employees; and (iv) large enterprise, 100 and more employees (Teal, 2002).

2.6.1 SMEs in the informal sector of Ghana

According to Osei-Boateng and Ampratwum (2011), 80 percent of the Ghanaian workforce is employed in the informal sector. The ease of entry and exit in the informal sector has provided an employment opportunity to the growing number of people in the urban areas (Garcia-Bolivar, 2006; Bacchetta*etal.*,2009). The informal sector according to the International Labour Organisation (ILO) provides employment for about 61 per cent of the urban labour force in developing countries of which majority are women (Akintoye, 2008; ILO, 2000). Similarly, in Ghana, women's participation in informal sector employment was estimated at 53.3 per cent in 2005. These statistics imply that the informal sector in developing countries is a major source of livelihood to the increasing labour force (Akintoye, 2006; Ghana Statistical Service, 2005).

The informal sector in Ghana is made up of micro and small-scale enterprises. It consists of producers, wholesalers, retailers and consumers and the workers are largely selfemployed (Osei-Boateng and Ampratwum,2011). The sector consists of varied activities and covers a wide range of enterprises including individual home-based and manufacturing, petty trading, and street merchants.

In rural Ghana, informal sector work mainly involves agriculture (75%) (GSS, 2008) whiles that of urban workers, 43% are engaged in non-agricultural activities. OseiBoateng and Ampratwum, (2011) argued that informal sector workers escape the regulation of government and as such suffers neglect of policy makers. Their escape has also culminated in evasion of their civil responsibilities such as tax payment and other responsibilities associated with their work due to the fact that many of the enterprises in the sector are unregistered. They also assert that most women in urban areas who are predominantly illiterate or semi-illiterate engage in economic activities such as food trading and processing, hairdressing and dressmaking. They acquire their knowledge and skills largely from family and friends.

2.6.2 Entrepreneurship Theory of Shane (2003)

According to the ILO (2002) there exists no acknowledged definition of what the informal sector is because the economic activities within this sector are inconsistent or precise. However, Friedmann (1992) defines activities carried out in the informal sector as work which takes place without the state's knowledge, having either an illegal or legal character. Despite not being regulated, the majority of workers in the informal economy however produce goods and services that are legal (ILO, 2002). It is characterized with distributing goods and services, and consists of independent, self-employed producers, some of whom also employ family labour and/or a few hired workers or apprentices. According to the ILO (2002) it operates with very little capital, or none, utilizing a low level of technology and skills and therefore operates at a low level of productivity. It provides very low and irregular incomes and highly unstable employment to those who work in it (ILO, 2002).

Among the several theories which underpinned the informal sector is the Entrepreneurship Theory of Shane (2003). This theory consists of identifying opportunities, evaluating the opportunity and exploiting it. The entrepreneurs‘ ability to identify and tap into an opportunity differs between entrepreneurs and depends on their ability to access information and act upon the information in terms of risk (Shane, 2003). It is made up of psychological and demographic factors such as motives, attitude to risk, education and training, career experience, age and social status (North, 1990; Shane, 2003). Evaluation of the identified opportunity is an important stage in the entrepreneurial process which leads to the exploitation of the identified opportunity

(Shane, 2003). Exploitation of the opportunity depends on the entrepreneur‘s level of education, skills or knowledge acquired through work experience, social networks, credit, and cost-benefit analysis of the business (Shane, 2003).

The decision to exploit an opportunity also leads to the quest for microcredit that is acquisition of resources. Acquisition of resources could also lead to opportunity for entrepreneurial activity; that is new business or business expansion. The appropriate use of the acquired resources in terms of business strategy and organizational design could lead to profit performance (Brana, 2008; Koontz & Weihrich, 2006; Salman, 2009; Shane, 2003).

The theory measure‘s performance based on survival, growth, income, and experiencing initial public offering. Survival refers to continuation of entrepreneurial activity while growth refers to increase in the venture‘s sales and employment. Profitability refers to new surplus of revenue over cost whilst initial public offer refers to the sale of stock to the public (Shane, 2003).

2.6.3 SME Growth and Development

The goal or objective of any firm or business is to make profit and grow. A firm is defined as an administrative organization whose legal entity or frame work may expand in time with the collection of both physical resources and intangible resources that may be human in nature (Penrose, 1995). The term growth in this context is defined by (Penrose, 1995) as an increase in size or other objects that can be quantified or a process of change or improvements. The firm size is the result of firm growth over a period of time and it should be noted that firm growth is a process while firm size is a state (Penrose, 1995). The growth of a firm can be determined by supply of labour, Capital and opportunities for investments that are profitable (Ghoshal, *et al.*, 2002).

Small and medium-sized enterprises (SMEs) play an important role in the world economy and contribute substantially to income, output and employment. They make a huge contribution to Gross Domestic Product (GDP) and employment. Although precise, upto-date data are difficult to obtain, estimates suggest that more than 95% of the enterprises across the world are SMEs, accounting for approximately 60% of private sector employment (Ayyagari, 2011). In South Africa, it is estimated that 91% of the formal business entities are SMEs (Abor and Quartey, 2010), whereas 92 % of companies in Ghana are classified as micro, small and medium enterprises. These enterprises are said to contribute about 70% of Ghana‘s GDP and 85 % of employment in the manufacturing industry. Hence impacts on economic growth, income and employment (World Bank, 2013).

The contribution of Small and Medium Enterprises (SMEs) to the growth of national economies is significant globally. They are important players for National Development.

SMEs are also important to less developed countries as they make significant contributions to both GDP and employment. A survey of businesses across 99 countries revealed that firms with between 5 and 250 employees accounted for 67% of the total permanent, full-time employment (Ayyagari, 2011). SMEs were also creating more jobs than large enterprises.

2.6.4 Indicators of SME Growth

The success of SMEs is measured by performance indicators which are commonly used to help define and evaluate how successfully an organization is, typically in terms of progress made towards its long term organizational objectives (Fitz-Gibbon, 1990). These quantifiable measurements are agreed beforehand and reflect the critical success factors of an organization. Performance measurements must be done in the same terms in which standards have been laid down so that comparisons are easier and meaningful. Performance of SMEs can be measured monetarily with indicators such as profitability analysis, value of assets held and savings made. It can also be measured quantitatively like units of production, units of sales/percentage of market share and quantity of stock held. According to Sebstad *et al.,* (1995), there are different indicators of growth of SMEs.

This study used gross profits, accumulation of business assets, and employee growth as indicators of growth for the enterprises. According to USAID (2002), the standard measure of growth used in studies of SMEs is the change in the number of workers over a period of time. This variable is comparatively easy for respondents to remember and does not need to be deflated. In addition, Liedholm and Mead (1999) contend that job creation is an important social goal and development objective to support small enterprises and are frequently justified on their supposed employment effects (Voulgaris *et al.*, 2003).

Using employment growth as a measure of enterprise performance, the definition of employment includes working owners. The entrepreneur is also considered because job created for the owner is equally valuable as job created for others from a social welfare point of view. Workers on external contracts as well as paid part-time and full time family members are also included. On the other hand, unpaid family helpers and apprentices are excluded because their relationship is more frequently part time and casual and because they cannot reliably be measured in all years (USAID, 2002). Liedholm and Mead (1999) also agree that the growth of employment remains a substantial measure of firm growth. They concluded that if there is a need for an objective, neutral, and an easily applied definition for use in research, employee number is probably the best unit of measurement. Studies, which took employment as an indicator of enterprise growth, indicate that SMEs are contributing to a greater degree towards the number of jobs created.

Notwithstanding the view expressed above, other studies, however, show the biases that might arise from the use of employment as an exclusive measure of growth instead of alternative indicators such as changes in sales, outputs, or assets (USAID 2001). This is due to the seasonal nature of most SMEs employment, from the prevalence of part time work to the extensive use of unpaid family labour including children as well as the slowly growing nature of employment (USAID 2001). The issue of job quality has also been raised against using employment as a measure of SME growth alone.

Profitability is one of the important measures of growth that must be considered as it is unlikely that enterprise growth can be sustained without profits being available for reinvestment in the enterprise. Growth can be considered in terms of net profit margins. According to Stewart and Hodgkinson (1991), if the definition of enterprise is considered as the creation of rents through innovation, where rents are defined as above average earnings relative to competitors, then profitability measures are mostly attractive. This also implies that economic success is required by high performance firms.

The value of assets acquired on accessing credit measures business performance. Assets facilitate business transactions (Atandi and Wabwoba, 2013). The assets acquired in a business are very crucial as they may serve as sources of collateral when one needs to access credit from a bank or other lending institutions. They are also a means of increasing productivity in an organization and so have been considered as an indicator of enterprise growth.

2.7 Theoretical Link between Microcredit and SME Growth

Accessing adequate amount of credit is considered to be an important factor in increasing the development and growth of SMEs. It is known to boost income levels, increase employment and thereby reduce poverty. It is alleged that access to Credit enables low income earners to overcome their liquidity constraints and undertake some investments such as the improvement of farm technology inputs thereby leading to an increase in agricultural production (Hiedhues, 1995). Navajas et al. (2000) asserts that the main objective of microcredit is to improve the wellbeing of the poor as a result of better access to micro credits that are not offered by the formal financial institutions.

A study carried out by Munyao (2012) revealed that MFIs play a major role in credit provision to the SMEs, and this credit has contributed to the growth of businesses in terms of the number of employees the business can sustain, asset base, services and level of stocks. It was however revealed that when the credit was invested in some businesses, it did not result in increased profitability and changes in stock levels but rather sustained the business and avoided possible collapse.

Muktar (2009), however, argues that finance is a precondition for the growth of enterprises and therefore it is very essential in a business growth through improved capitalization of business, long-term income growth and employment creation (Kevan and Wydick,2001). Access to credit further increases SME's risk-bearing abilities; improve risk-copying strategies and enables consumption smoothing overtime.

Buckley (1997) argues that, the indicators of success of microcredit programmes namely high repayment rate, outreach and financial sustainability do not take into consideration what impact it has on micro enterprise operations. A research carried in three countries including Kenya, Malawi and Ghana, in relation to the effect of micro credit on SME growth concluded that there was no significant and sustained impact of micro credit on clients in terms of SME development, level of employment and incomes but rather tends to stabilize income and preserve rather than create jobs (Burger 1989).

Dunn and Arbuckle (2001), however, disagreed with Buckley (1997), by concluding that microcredit has a positive impact on microenterprise revenue, enterprise employment, and household income. Zeller and Sharma (1998) support the assertion that micro credit can aid in the improvement or establishment of household wellbeing, possibly making the difference between alleviating poverty and economically secure life.

Facts by Coleman (1999) suggest that the village bank credit did not have any significant impact on physical asset accumulation. The women used the money from the village banks for consumption purposes and were forced to borrow from money lenders at high interest rate to repay the village bank micro credits so as to qualify for more micro credits and ended up in a vicious cycle of debt. The main observation from this study was that credit was not an effective tool to help the poor out of poverty or enhance their economic condition. It also concluded that the poor are too poor not because of lack of access to credit but some other hindering factors such as lack of unequal land distribution and access to markets. This view was also shared by Adams and Von Pischke (1992).

A study of thirteen MFIs in seven countries carried out by Mosley and Hulme (1998) concludes that household income tends to increase at a decreasing rate as the income and asset position of the debtors improve. Diagne and Zeller (2001) in their study in Malawi suggest that microfinance do not have any significant effect in household income meaning no effect on SME development. Kotir and Obeg-Odoom (2009) in a study of 139 households in one rural area of the Upper West Region of Ghana, found that: (a) Beneficiaries of micro-credit divert a significant portion of such micro credits into household consumption-albeit with moderate impact on household productivity and welfare; and (b) Micro-credit has modest impact on rural community development.

Some studies have also argued that using gender empowerment as an impact indicator, microcredit has a negative impact (Goetz and Gupta, 1994; Montgomery, 1996). Using a ―managerial control‖ index as an indicator of women empowerment, it came to a conclusion that the majority of women did not have control over micro credits taken by them when married. The women were however the main target of the credit programme. The management of the micro credits was made by the men hence not making the development objective of lending to the women to be met (Goetz and Gupta, 1994). Evidence from an accounting knowledge as an indicator of women empowerment concluded that women are marginalized when it comes to access to credit (Ackerly, 1995).

A study conducted by Fiasorgbor (2014) in the Walewale district of the Northern Region of Ghana found out that microcredit has had great effect on enterprises in the Walewale area. Beneficiaries were able to purchase raw materials and also their capital was improved. It thus helps to increase the welfare of the people by helping them meet their basic needs thereby reducing poverty levels in the community. Again, Acheampong (2002) also asserts that micro credit schemes had helped SMEs to expand their areas of operation and had significantly enhanced the working capital of the beneficiaries. It has also been revealed by Quaye (2011) that access to credit had positive effects on the businesses of beneficiaries. The credits granted helped them to boost their capital and expand their businesses.

Contrary to these views, Atandi and Wabwoba (2013) identified that credit to SMEs did not necessarily lead to increase in assets base and also did not guarantee a bigger market share. The effect of credit on SMEs performance with respect to stock levels showed that less money was allocated to the purchasing of additional stock. It was also found that employment levels did not improve.

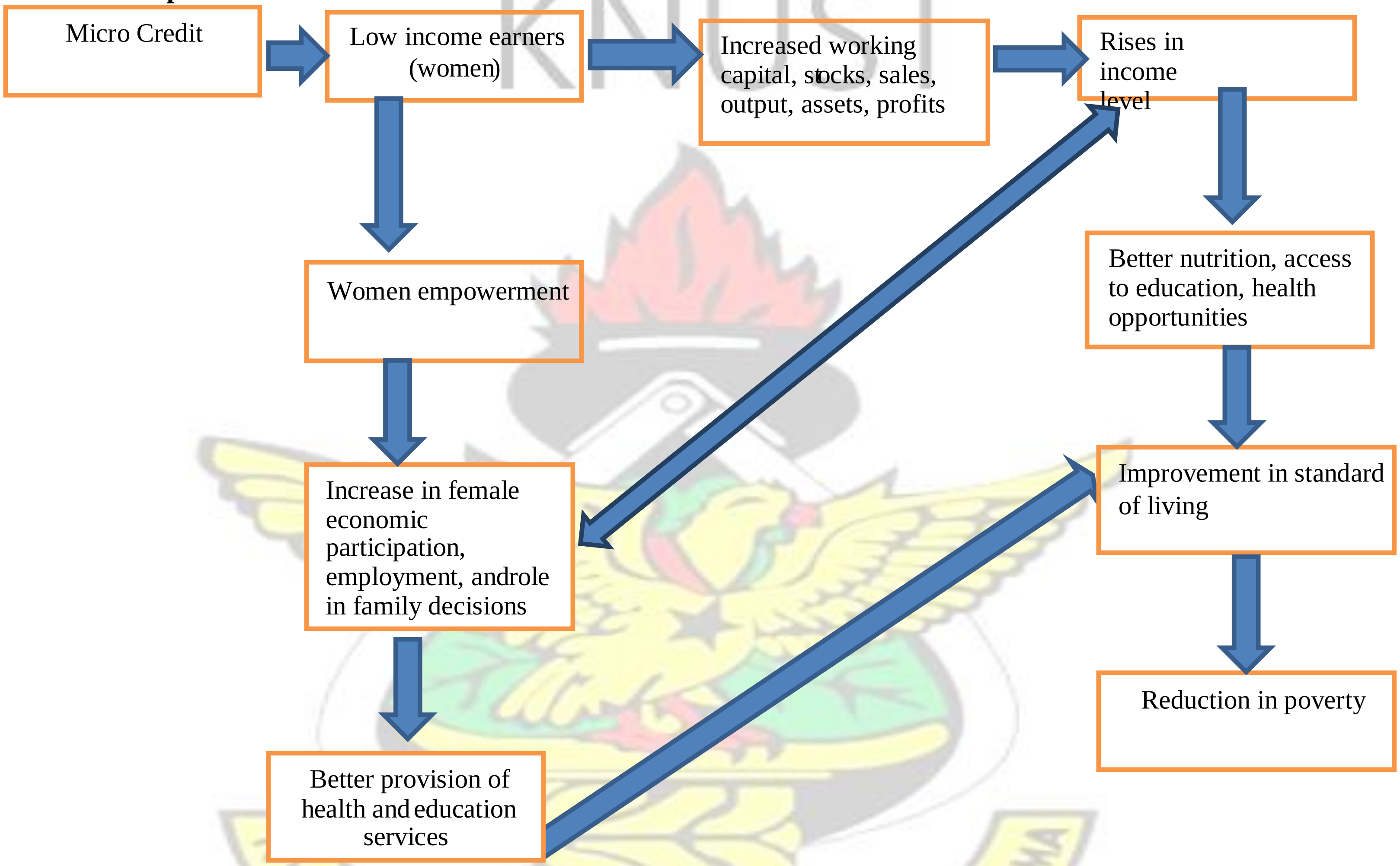
2.8 Conceptual framework

The conceptual framework showing the effects of micro credit on SMEs performance is presented in figure 2.1 below. It can be seen that microcredit does not only have effects on SMEs growth but also on the owners and the community at large. Therefore the conceptual framework developed reflect the outcome of SMEs growth at household level, based on the assumption that increase in SME growth will result in an increase in SMEs owner‘s wealth and overall standard of living since the profits obtained from SMEs activities will enable the SMEs owners to meet their living expenditure, hence create a possibility of trickledown effect. Microcredit has been identified as an essential tool for development.

According to (Shane, 2003), Opportunities are created by institutional or external environment for entrepreneurs who could identify them to start or improve their businesses and subsequently, their welfare. The decision to exploit the opportunity therefore leads to the quest for microcredit, which is the acquisition of financial resources. Access to credit enables low income earners especially women who do not have access to formal banking to become economically empowered, increase their role in family decision making and also increase employment levels, increase income, and hence reduce their vulnerability to economic stress.

In Figure 2.1 below, it can be seen that, the provision of microcredit schemes to women entrepreneurs support the growth and expansion of their businesses which increases their working capital, stocks, sales/output, assets and profits. The incomes from business will empower them economically to support their families and expand their business to recruit more labour and acquire more physical assets to increase productivity which will result in increased profits. As the women become economically empowered, their role in decision making at the household level and society will also improve. They women will also be able to contribute towards their household basic needs which will help improve the standard of living of their households and hence contribute to the reduction of poverty. .

Figure 2.1: Conceptual Framework on the Effects of Micro Credit on SMEs Performance



Source: Author‘s construct

CHAPTER THREE
PROFILE OF STUDY AREA AND RESEARCH METHODOLOGY

3.1 Introduction

This chapter is devoted to the description of the methodological framework used in attaining the stated objectives of the study, as well as the profile of the study area. The main focus is on the research design, type and sources of data, population description, sample size, sampling frame and its characteristics, sampling technique and a description of the choice of data collection techniques and instruments, and methods of data analysis and presentation.

3.2 Profile of Study Area

3.2.1 Location, Size and Population

The Tamale Metropolis is located in the central part of the Northern Region and is bounded by Sagnarigu District to the North, Mion District Assembly to the East, Tolon District to the West, Central Gonja to the South West and East Gonja to the South. Geographically, the Metropolis lies between latitude 9º 16" and 9º 34" North and longitudes 0º 36" and 0º 57" West. The Metropolis has a total estimated land size of 550 km sq. (MoFEP, 2014). According to the 2010 population and housing census, the Metropolis had in 2010 a total population of 371,351 with males constituting 185,995 and females 185,356 (GSS, 2012).

3.2.2 Economic Status of the Metropolis

According to MoFEP (2012), generally there has been an increase in growth in the local economy with the expansion of Small and Medium Scale Enterprise development that has led to a reduction in the high unemployment rates. About 42% of the working class are engaged in agriculture and related activities. Majority of the workforce representing 58% are engaged in Sales, Services, Transport and

Production. This is as a result of the increase in Marketing, Banking and other Non Governmental activities in the Metropolis.

According to MoFEP (2012) the Metropolis recorded a total number of 39 financial and non-financial institutions in 2012 which are involved in money transfers and credit disbursement to potential and viable businesses and creating employment opportunities. These institutions are also involved in the following activities:

- Facilitation and support to women entrepreneurs to access micro-financing.
- Facilitating the allocation of micro-credit funds to women groups
- Organization of follow up visits to women group for retrieval of loans from the micro-credit funds.

The economic activities undertaken by the women entrepreneurs include agriculture basically at the peasant level, trading in foodstuff such as maize, beans, rice and trading in soft drinks, corn flour, ingredients. Shea nut, groundnut paste and gari processing, hairdressing, clothing boutiques, dressmaking.

The roads in the Metropolis are fairly good especially those that link the Metropolis to other District capitals. Most of the farming and the Peri-urban communities are linked to the Metropolitan capital with feeder roads. The major transport services in the area are taxi cabs with a main taxi station at the Central Business District (CBD). State Transport Company, Metro Mass Transit, O. A. Transport and other private bus services link the Metropolis with other cities and towns in the country. For fast and easy mailing and delivery services, the Ghana Post Company through its EMS services, FEDEX, DHL and others offer fast and reliable express services from the Metropolis to other places.

The Metropolis enjoys electricity supply from the National Grid and about 70% of the communities are connected. With the expansion of electricity in the Metropolis, there is also an expansion of the Small and Medium Scale Enterprise businesses in the area.

Major markets are the Central Market in the Central Business District, Aboabo, Lamashegu and other satellite markets at Kalpohini and Kukuo. The Metropolis can boast of a number of supermarkets of which include the following: Melcom, Somovision, Modern city, Quality first, Fosmuel, Zubes and EKG Enterprise (MoFEP, 2014).

3.3 Research Methodology

Research is a painstaking search carried out systematically in an attempt to find answers to new problems, discover new facts, seek an understanding of an explanation for an unknown issue, event or phenomenon, or to obtain additional information to enrich existing knowledge (Kumekpor, 2002; Alasuutari, 1995; Altheide and Johnson, 1994). It is therefore problem oriented, and is always prompted by a question or a problem for which an answer or solution is sought. It is usually carried out through stages, each stage being devoted to a specific aspect of the problem being investigated and a specific aspect of the method utilized (Kumar, 1996).

3.4 Research Design

The study adopted a case study research design (Yin, 2003; Robson, 1993), one which determined the effects of microcredit on women owned enterprises in the Tamale Metropolitan area. The case study's unique strength is ―its ability to deal with a full variety of evidence —documents, artifacts, interviews, and observations‖ (Yin, 2003:8). The design enabled the researcher to gather extensive data from owners of SMEs who have accessed credit from Microfinance Institutions (MFIs). The researcher also employed a cross-sectional design to collect data on relevant variables from a variety of women from various MFIs. Also questionnaire covering the objectives of the research was prepared and used to collect data from the owners or managers of all the sampled SMEs.

The study made use of both quantitative and qualitative approaches. The demographic profile of entrepreneurs and their enterprises together with their entrepreneurial skills and indicators of their enterprise growth were gathered through quantitative methods. On the other hand, qualitative method was employed in collecting data relating to challenges of entrepreneurs, how they deal with such challenges and the extent to which micro credit is supporting the growth of their businesses. The researcher made use of qualitative method to gain a better understanding of the context in which events occurred so as to accurately interpret findings (Silverman, 2000).

3.5 Variables of the Study

A variable is an empirical property that can take on two or more values. That is, if a property can change, either in quantity or quality it can be regarded as a variable (Kumar

1996). The main variables of the study are therefore: (i) microcredit provision (loan accessibility; loan amount and loan use/purpose); and (ii) how it facilitates enterprise growth in terms of asset accumulation, increased profits and increased employment.

3.6 Population, Sample Frame and Unit of Analysis

3.6.1 Population

This is the set of people or entities to which findings are to be generalized. In analysing the effects of microcredit on the growth of women owned enterprises, the population covered all women entrepreneurs who have accessed credit from selected MFIs.

3.6.2 Sample Frame/Units of Analysis

According to Kumekpor (2002), a sampling frame is a description of all the sampling units that make up a universe. It is a list from which the sample for the study is selected. In order to perform probability sampling, a sampling frame was constructed based on the study area. A list of women entrepreneurs in the study area that have benefited from credit facilities was generated from the sampled microfinance institutions.

The unit of analysis in any investigation is the actual empirical unit, object, occurrence, etc which must be measured or observed in order to study a particular phenomenon (Kumekpor 2002: 54).The units of enquiry in this study were women entrepreneurs who are beneficiaries of microcredit from the MFIs.

3.6.3 Sampling

―Sampling is the use of definite procedures in the selection of a part for the express purpose of obtaining from its description or estimates certain properties and characteristics of the whole‖ (Kumekpor, 2002; Bell, 1999). According to Becker (1998) and Twumasi (1986), the first step in the selection of a sample is to consider the sampling technique.

The study used simple random sampling which is a probability sampling technique to select women entrepreneurs from the sampled MFIs who have benefited from microcredit. A table of random numbers was used to select the respondents for data collected. Stratified sampling was also used to categorize the women based on the work or economic activities they are engaged in.

3.6.4 Sample Size Determination

A total of 20,394 women entrepreneurs who had benefited from microcredit was generated from five selected MFIs from 2010-2014 through a pilot study. After wards a sampling formula by Yamane (1967) was used to determine the sample size.

n = N/1+N (∞2) (1)

Where n = Sample Size; N = Population or Sampling frame; ∞ = Margin of Error

N = 20,394/1+20,394 $(0.07)^2$=202 (2)

From the calculation, a total of 202 women entrepreneurs were determined as the minimum sample size. One hundred and ninety nine women were however interviewed because three of the entrepreneurs were unwilling to provide information regarding their enterprises.

3.6.5 Distribution of Sample Size Among Selected MFIs

The proportion of each microfinance institution women clients in relation to the total sample was calculated to give specifically the number of women that would be contacted from each MFI. Of all the microfinance institutions visited from a pilot study, five of the institutions gave information and expressed interest in the study.

Table 3.1. Sample Size Distribution by Microfinance Institutions.

Microfinance Institutions	Area of Operation	Sample
1. Snapi Aba	Ata Asibi–Hospital road	24
2.Baobab Microfinance Co. Ltd	Lamashegu	54
3. Utrak Savings and Loans	Gumbihni/Water works	43
4.Innovative Microfinance Ltd	Gumbihni/Water works	64
5.Global Trust Microfinance Ltd	Aboaboo	14
Total		**199**

Source: Survey Data (2014

3.6.6 Distribution of Sample Size by type of enterprise

After the sample size was determined, the entrepreneurs were stratified according to the type of work they were engaged in which include: agro processing, trading, hair dressing, dressmaking and bakeries.

The sample size was then stratified among the total number of women in each stratum as follows: agro processing 8, trading 172, hair dressing 5, dressmaking 8 and bakeries 6.

3.7 Data Collection Techniques and Instruments

3.7.1 Sources and Methods of Data Collection

Data was obtained from both primary and secondary sources. Primary data was obtained using questionnaires (Silverman, 2000; Blaikie, 2000; Bryman, 1988). Thus, two questionnaires were designed. The semi-structured questionnaire was used for the customers who have benefited from credit from 2010 – 2014 while the structured questionnaire was administered to the microfinance institutions.

The result was used to answer the research questions. The essence of the study was explained to the respondents through the credit officers and mobile bankers so as to elicit the respondents' sincere response. Secondary data were also sourced from journals, articles and research studies.

3.8 Data Analysis and Presentation

Analysis of data is a process of editing, cleaning, transforming, and modelling data with the goal of highlighting useful information, suggestion, conclusions, and supporting decision making (Adèr and Helmsing, 2008). The raw data obtained from a study is useless unless it is transformed into information for the purpose of decision making.

Both quantitative and qualitative data were generated and analysed through questionnaires. Two main statistical software programmes, SPSS and STATA, were utilized. The purpose was to combine the advantages of the two software programmes. Data entry, descriptive data analysis and paired sample t-test were done in SPSS v.20. The data was then coded and imported into STATA v.13 which was used for the binary logistic regression estimation.

3.8.1 Paired sample t-test

A paired sample t-test was used to determine if there were changes in Gross Profit, Employee and Asset Growth over time after which the effect of size was also determined. The effect of size indicates whether the difference is large enough to be practically meaningful. The time period considered was the period between when the first MFI loan was obtained and the time the study was conducted. Since the study measures how the three indicators change over time in the same participants, a pairedsamples t-test was identified as appropriate. The null hypothesis for the paired-samples t-test is:

H0: there is no significant difference between the means of the pre and post loan periods.
H1: there is significant difference between the means of the pre and post loan periods.

3.8.2 Binary Logistic Regression

A logistic regression is used to predict the result of a categorical dependent variable based on one or more continuous or categorical independent variables. A Binary Logistic Regression Model was used in the study since the dependent variable was dichotomous (only two outcomes/categories).

Dependent variables:

In binary logistic regression, the dependent variable is dichotomous thus, it only contains data coded as 1 (success) or 0 (failure). In this study, success and failure were operationally defined as Yes and No respectively. Hence each of the dependent variables was given dichotomous definitions as:

- Gross Profit Growth: (Positive Gross Profit Growth =1 (Yes), Gross Profit Decline or no change in Growth = 0 (No)
- Employee Growth: (Positive Employee Growth =1 (Yes), Decline or no change in Employee Growth = 0 (No)
- Asset Growth: (Positive Asset Growth =1 (Yes), Decline or no change in Asset Growth = 0 (No)

3.8.3 Model specification

In logistic regression, the goal is to predict the chances of dependent variable occurring given values of independent variable(s). To predict the probability of Y, the equation below was transformed using logit function:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots\ldots\ldots\ldots + \beta_k X_k \quad (3)$$

Logit transformation of the probability of an event can be expressed as:

$$Logit\ p(\ ) = \ln\left(\frac{p}{1-p}\right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots\ldots\ldots\ldots + \beta_k X_k \qquad (4)$$

Where β_0 the model is constant, $\beta_{1,2,3\ldots k}$ are the parameters of the independent variables and the set of independent variables ($X_1, X_2, X3_{\ldots} X_k$). The range of logistic function is between 0 and 1, which makes it suitable for use as probability model.

Logit function, logit(p) is defined as :

$$logit\ p(\ ) = \ln\left(\frac{p}{1-p}\right) \qquad (5)$$

Where p is the probability that an event will occur and it ranges from 0 to 1. By taking the exponential of both sides of the above logit(p) equation, the equation was rewritten as:

$$Odds = \left(\frac{p}{1-p}\right) = e^{\beta_0}\ e^{\beta_1 X_1} \times e^{\beta_2 X_2} \times e^{\beta_3 X_3} \times \ldots\ldots\ldots\ldots e^{\beta_k X_k} \qquad (6)$$

For the qualitative data, participant responses were coded into categories of constructs which follows that of Miles & Huberman (1994). The responses were then categorized based on constructs that are in line with the research questions of challenges SMEs encounter and how they respond to such challenges as well as questions of complementary services offered by MFIs to SMEs. With respect to the challenges, lender level and borrower level challenges were differentiated

3.9 Ethical considerations in social science research

Ethical issues have long been considered in social science research. ‗Research ethics' refers to a complex set of values, standards, and institutional schemes that help constitute and regulate scientific activity NESH (2006). As noted by Freed-Taylor (1994), social science investigates complex issues which involve cultural, legal, economic, and political phenomena. This complexity means that social science research must concern itself with ―moral integrity‖ to ensure that research process and findings are ―trustworthy‖ and valid Biber (2005).

3.9.1 Basic principles of ethical practice employed on the field by the researcher

Firstly there was an informed consent. The respondents (MFIs and women entrepreneurs) were informed about the relevance and purpose of the study and their consent was given before they participated.

Also there was no pressure on the respondents to participate; they participated willingly. The credit officers and mobile-bankers also willingly assisted in identifying the locations of their women beneficiaries of microcredit. The visits were often done at their convenience.

The issues of anonymity and confidentiality were also maintained. Entrepreneurs' identity was not made mentioned of in the data analysis.

CHAPTER FOUR
ANALYSES OF THE EFFECTS OF MICROCREDIT ON WOMEN OWNED SMALL AND MEDIUM ENTERPRISES IN THE TAMALE METROPOLITAN AREA

4.1 INTRODUCTION

The study investigated the effects of microcredit on women owned small and medium enterprises in the Tamale metropolis. In order to realize this, data was gathered from some women entrepreneurs who had benefited from micro credit in the Tamale Metropolis. Three indicators of growth were used for the assessment: gross profits, employee growth and asset base. It also investigated other complementary services offered by microfinance institutions on the performance of small and medium enterprises in Tamale as well as the challenges faced by women entrepreneurs in the Metropolis. The chapter presents a detailed analysis and discussion of results obtained from the study. The analyses of the field data was done both quantitatively and qualitatively.

4.2 BACKGROUND CHARACTERISTICS OF RESPONDENTS

4.2.1 Age dynamics of women entrepreneurs

Fig 4.1 shows the age range of the entrepreneurs. The results of the survey indicate that the age of respondents ranged between 20-50 and above years. Majority of the respondents were aged between 30-39 years whilst only 7% of them were aged 50 years and above. The ages of the respondents indicate that most young women are into serious and active economic activities. Even though the credit schemes did not actually place any ban on age the results revealed that only 7% of the entrepreneurs were aged 50 years and above.

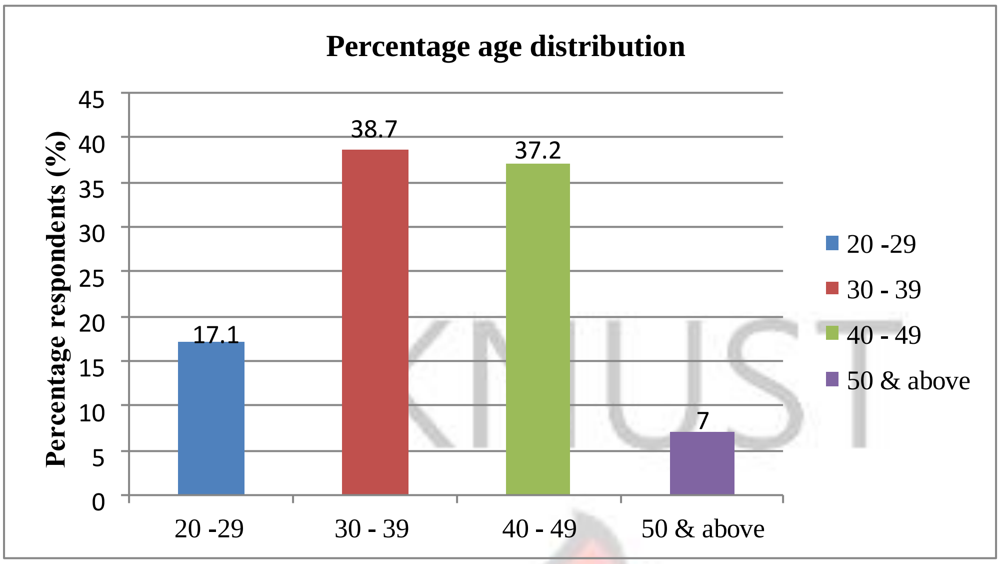


Figure 4.1 Age dynamics of women entrepreneurs

4.2.2 Educational level of entrepreneurs

In table 4.1, the educational levels of the entrepreneurs are presented. The level of education of the participants was generally low as can be seen from the table. Over 69 percent of the respondents had no formal education. Only 20 percent had primary education, 9.5 percent had secondary and 1 percent had tertiary education. The low educational profile of the respondents may account for the poor business recordkeeping. This may also explain why the design of the facility requires limited documentation on the part of the recipient.

Table 4.1 Educational level of entrepreneurs

Educational level	Frequency	Percent
No Education	**138**	**69.3**
Primary	**40**	**20.1**
Secondary	**19**	**9.5**
Tertiary	**2**	**1.0**
Total	199	100.0

4.2.3 Marital status of women entrepreneurs

The marital status of the respondents is presented in table 4.2. It can be seen from the table that, 87.4% of them were married; ninety-four of the respondents representing 47.2% were in monogamous marriages whilst 40.2% were in polygamous marriages. The high number of respondents married may suggest the readiness of women in contributing to their household income.

Table 4.2 **Marital status of women entrepreneurs**

Marital status	Frequency	Percent
Married (Monogamy)	**94**	**47.2**
Married (Polygamy)	**80**	**40.2**
Widowed	**16**	**8.0**
Single	**7**	**3.5**
Separated	**2**	**1.0**
Total	199	100.0

4.2.4 Household size of women entrepreneurs

In Table 4.3, the household size of all respondents is presented. The GSS (2005) defines household as a person or groups of persons who live together in the same house or compound, share the same housekeeping arrangements and are catered for as one unit. The average household size of 7 representing 53% of respondents was higher than the mean household size in Ghana of 4.3 as reported by the Ghana Living Standard Survey, GLSS (2000). The increase in household size compared to the national figure could be attributed to the polygamous nature of respondents or the improvement of their economic status which makes them able to cater for large households. In the survey, about 26.1 percent of the women respondents had household sizes of 1-4, while 53.2 percent registered household sizes of 5-8.

Table4.3 Household size of women entrepreneurs

Household size	Frequency	Percent
1 – 4	**49**	**26.1**
5 – 8	**100**	**53.2**
9 – 12	**21**	**11.2**
13 & above	**18**	**9.6**
Total	188	100.0
Unstated	11	
Sample	199	

4.3 BUSINESS PROFILE OF RESPONDENTS

4.3.1 Formal registration status of business

Fig 4.2 shows the formal registration status of businesses. From the figure, it can be observed that only about 3% of the businesses surveyed were registered. Most of the businesses encountered were operated by the single owners and they all fell under the informal sector. This confirms the assertion that micro credit facilities are geared toward supporting the informal sector of the economy.

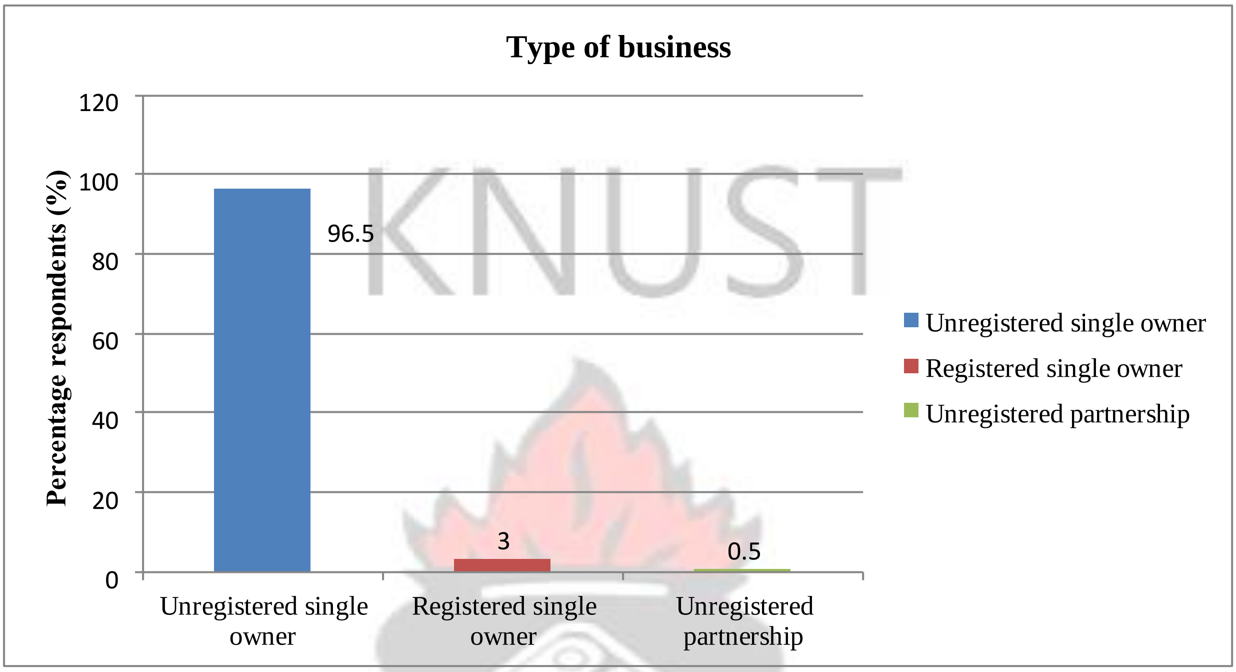


Figure 4.2 Formal registration status of business

4.3.2 Kinds of business

From the survey results (Table 4.4 below), 99.5% of the enterprises were classified as micro enterprises. Micro enterprise is an enterprise that employs less than five employees (Teal, 2002). The study data agrees with Kiraka *et al.*, (2013) that a number of women owned enterprises do not grow beyond the micro-level of five employees, if they grow at all.

Table 4.4 Kinds of business

Micro enterprise	198	99.5
Small enterprise	1	0.5
Total	199	100

4.3.3 Economic activities undertaken by respondents

The main activities of the women are presented in Table 4.5. Petty trading accounted for more than 86 percent of the main activities undertaken by the respondents whilst only 3% were involved in bakery. The high percentage of respondents in trading activities confirms the findings of Aryeetey *et al.*, (2000), that women have been active players in the area of trading since Ghana's independence.

Table 4.5 Economic activities undertaken by respondents

Economic activities	No	Percent
Petty Trading	172	86.5
Agro processing	8	4
Bakery	6	3
Dress making	8	4
Hair dressing	5	2.5
Total	199	100

4.3.4 Management of micro enterprises in Tamale metropolis

In table 4.6, the management types of micro enterprises in the Tamale metropolis are presented. From the table, it can be observed that, ninety seven respondents presenting 54.2% of the enterprises were managed by the entrepreneurs‘ themselves whiles only 7.8% of the enterprises were run by the owner and other non-family employees. Job creation as noted by Voulgaris *et al.* (2003) is an important social goal and development objective to support small enterprises. Studies, which took employment as an indicator of enterprise growth, indicate that small firms are contributing to a greater degree towards the number of jobs created. This however contrasts the findings from this study. This may be attributed to the fact that a greater number of the businesses were micro enterprises.

Table 4.6 Management of micro enterprises in Tamale metropolis

Self	97	54.2
Self and family	67	37.4
Self and other non-family employees	14	7.8
Non-family employees	1	0.6
Total	179	100

4.3.5 Reasons why women go into business

Women go into business for numerous reasons. Among them are the following:

i. Family and social demands: Heads of households cater for the needs of their families and bear the cost of domestic expenditure. Twelve percent of the respondents were identified to be heads of their households with no external support. On the basis of this, they had to optimize on business profits to support their families in areas such as health care, provision of education, clothing and food. The high level of polygamy in the study area also influenced most of the women to enter into business to support their large families.

ii. Socio-economic empowerment: microcredit according to Ghadoliya (2000) plays a crucial role in the socio-economic empowerment of individuals most especially women within households by promoting their participation in decision making at all levels. Similarly, Goetz and Sen (1994) and Mayoux (2005) posit that, the increase in income of women reduces their vulnerability to domestic violence and also helps them have a better control of their reproductive health. These views were confirmed from the study as the women noted that being economically empowered enables them to participate in household decision making and also reduces their vulnerability to domestic violence.

4.4 LOAN PROFILE

4.4.1 Administration of the Microcredit

It was revealed from the study that operating an account with the chosen Micro Finance Institution (MFI) for a specified period was the primary requirement for obtaining a micro credit. Before the credit is disbursed, the entrepreneur is appraised by the credit officer to determine their repayment ability. After which the approved amount is paid into the clients account with the MFI. Processing and administrative fees are also charged on the amount of loan requested by the client. At the group level the credit is disbursed by the credit officer who meets with the group weekly for collection of loans.

4.4.2 Size of loan amounts

More than 40 percent of the respondents received loans ranging between GHS 200400 each as their first loans whilst 49.2% received between GHS 401-600 as shown in table 4.7. The loans were generally small. This confirms the findings of Stevenson and St-Onge (2005) that the loan sizes from MFIs have tended to be too small to support growth. However, the assurances of getting bigger loans were based upon payment of previous loans. This served as a motivation to repay loans on time. From the survey conducted, 70.3% of respondents received subsequent loans between 1-17 times higher than previous amounts.

Table 4.7 Distribution of first loan received by respondents

First Loan Received	Frequency	Percent
200 – 400	80	40.2
401 – 600	98	49.2
601 – 800	2	1.0
800 & above	19	9.5
Total	**199**	**100**

4.4.3 Repayment conditions

Repayment of the loan usually started after a week or a month after receiving the facility which is done on a weekly, bi-weekly or on monthly basis in equal instalments as agreed upon with the MFI. At the time of this study, individuals in a particular group followed a weekly repayment schedule whilst clients outside the group serviced their loans on a bi-weekly or even monthly basis. The group loan was for a maximum period of four months and maximum period of six months for individual loans.

Loan repayments are undertaken during group meetings in the presence of all members by the credit officer. Because of this, there is the motivation to pay regularly to avoid public ridicule. The credit officer visits individuals who have taken loans for repayments as well.

4.4.4 Interest rates

Interest rates varied substantially among the MFIs. The interest rates charged from the data gathered ranged between 3.5 to 6 percentages per month translating into 42%, and 72% respectively per annum. The interest rates were relatively high compared to that of the commercial banks. Despite the high interest rates it has been revealed from the study that the women entrepreneurs still went for subsequent loans to keep their businesses running.

4.4.5 Reasons why beneficiaries took loans from multiple sources

From the field survey, about 32% of the respondents took loans from other sources apart from the MFI that they were operating with at the time of the study. The sources of the loan received included cooperative society, other MFIs, friends and family members. According to the respondents, the additional loans were used to expand their businesses as the MFI loan was not sufficient. Others used the loan to pay for the MFI loan as the interest rates are high and incomes generated are marginal. Some respondents used the additional loans to pay school fees and other household expenses.

4.5 EXTENT OF GROWTH AMONG THE WOMEN-OWNED ENTERPRISES

Accessing credit is considered to be an important factor in increasing the development and growth of SMEs. It is known to augment income levels, increase employment and thereby reduce poverty. In Ghana women constitute 75% of SMEs, contributing significantly to the development of the economy and their families through the income they receive from their activities. In view of this, supporting women‘s entrepreneurship is very vital to family well-being.

The success of SMEs is measured by performance indicators which are commonly used to help define and evaluate how successfully an organization is, typically in terms of progress made towards its long term organizational objectives (Fitz-Gibbon, 1990). These quantifiable measurements are agreed beforehand and reflect the critical success factors of an organization. Performance measurements must be done in the same terms in which standards have been laid down so that comparisons are easier and meaningful. Performance of SMEs can be measured monetarily with indicators such as profitability analysis, value of assets held and savings made. It can also be measured quantitatively like units of production, units of sales/percentage of market share and quantity of stock held.

In this study, growth was measured quantitatively using three measures: gross profit, asset base and employee growth. The objective was to find out whether significant differences exist for each variable and its percentage change using the _before and after‘ scenarios.

Profitability is one of the important measures of growth that must be considered as it is unlikely that firm growth can be sustained without profits being available for reinvestment in the firm. According to USAID (2002), the standard measure of growth used in studies of SMEs is the change in the number of workers since start up. This variable is relatively easy for respondents to remember and does not need to be deflated. Assets facilitate business transactions and so is a relevant measure of growth of enterprises.

The qualitative measures used were changes from previous job in favour of the enterprise, change of business site to a new and better business location, change in customer base and status of opening new business outlets.

4.5.1 Effects of Microcredit in the Post Loan Period

The effects of microcredit in the post loan period are presented in table 4.8.The enterprises that benefited from the MFIs registered increases in mean, median and modal gross profit levels as seen in table 4.8. In general, businesses had registered growth in their gross profit levels in the post-loan period, though the change was marginal. The enterprises however did not make increases in the mean, median and modal employee growth and asset base levels. The use of the median as a measure of growth between the pre-and-post loan periods was however the preferred indicator since it eliminated the problems associated with outlier effects on the position of the mean.

Table 4.8 Effects of microcredit in the Post Loan Period

	ESTIMATED MONTHLY GROSS PROFIT (GHS)		**EMPLOYEE GROWTH (NUMBER)**		**ASSET BASE (NUMBER)**	
	Before	**After**	**Before**	**After**	**Before**	**After**
No	159	156	199	199	190	194
Unstated	41	44			9	5
Mean	203.34	273.09	1.12	1.22	3.49	3.78
Median	120.00	200.00	1.00	1.00	2.00	2.00
Mode	200.00	300.00	1	1	2	2
Std. Deviation	242.31	271.20	0.551	0.809	4.086	3.796
Minimum	2.00	5.00	1	1	0	0

Maximum	1500.00	1600.00	6	8	50	34

4.5.2 The effects of microcredit on Gross Profit Growth Rate

Figure 4.3 shows the effects of microcredit on the Gross Profit Growth Rate. Seventy four percent of the enterprises (Fig 4.3) registered an increase in their gross profit over the period of trading with the loans, 15.2 percent of the enterprises also registered no change in growth in their gross profit and 10.3 percent of the enterprises recorded a decline in Gross profit. The Study data showed significant differences in terms of the enterprises gross profit status. While some enterprises recorded growth in profits during the post loan period, other enterprises either had a decline or stagnation in gross profits. Even though a greater percentage of the enterprises recorded increases in gross profit, the change in profits was marginal.

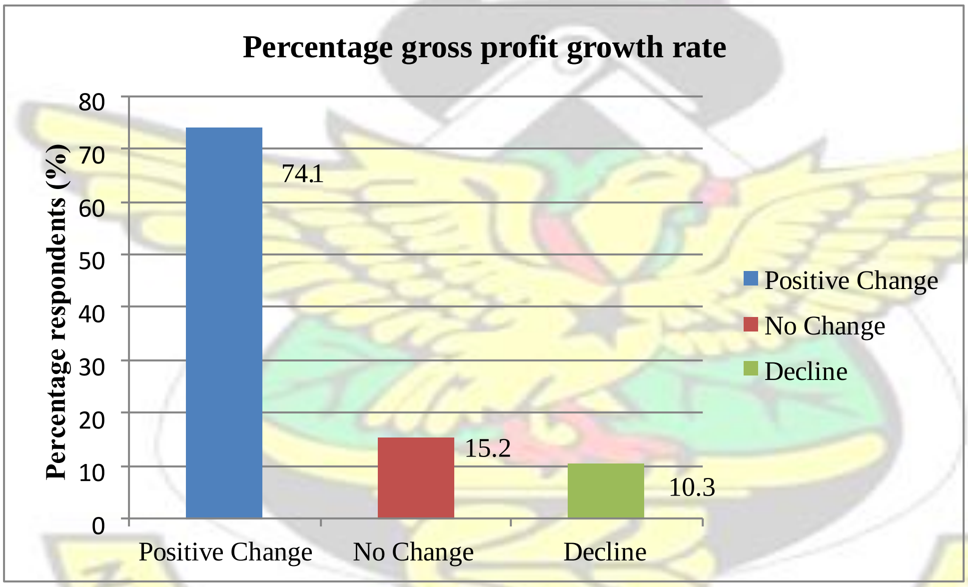


Figure 4.3 The effects of microcredit on Gross Profit Growth Rate

4.5.3 The effects of microcredit on Employee Growth Status

Fig 4.4 shows changes in the number of employees recruited before and after the use of credit in a business. The number of employees in an organization and their respective qualifications is a measure of performance of an organization. Employees are valuable resources in any organization. As a business grows and expands, it‘s important for the entrepreneurs to also recruit even more specialized personnel to reflect the new status of the business.

Responses from the survey revealed more than 90% (Fig 4.4) of all the enterprises recorded no change in the number of employees since start up. Those SMEs which added employees after use of credit constituted 7% and those that recorded a decline was 1%. This clearly shows that the provision of micro credit to SMEs do not always lead to a corresponding increase in employment generation. The implication could also be that most SMEs do not see the value of having employees in an enterprise where profit margins are low. The findings of this study are not consistent with the results of Dunn and Arbuckle (2001) that microcredit has a positive impact on microenterprise revenue and enterprise employment.

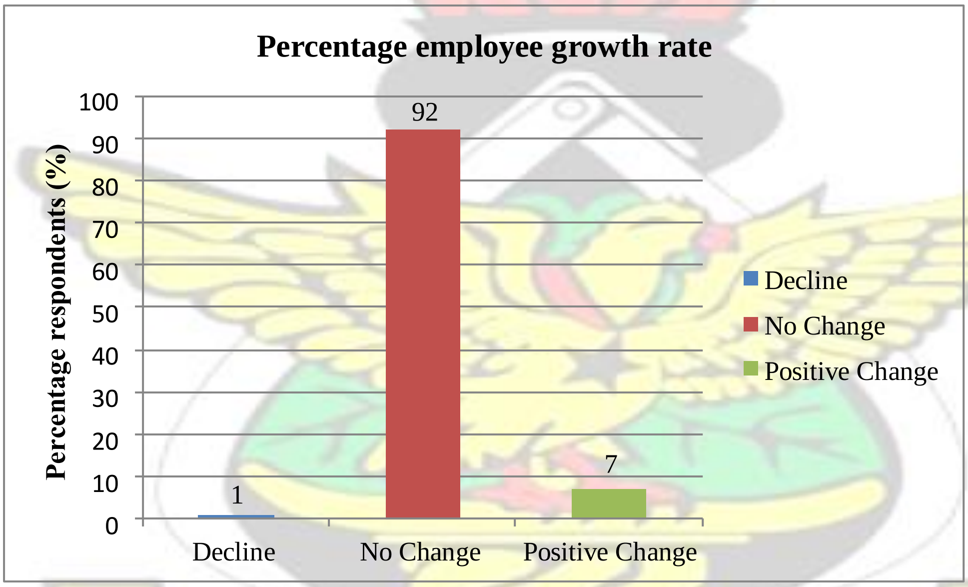


Figure 4.4 The effects of microcredit on Employee Growth Status

4.5.4 The effects of microcredit on Asset Growth Status

The assets acquired in a business are very crucial as they may serve as sources of collateral when one needs to access credit from a bank or other lending institutions. They are also a means of increasing productivity in an organization. Just like the other growth indicators, the range in number of assets reported by enterprises was relatively narrow.Figure 4.5showstheeffectsofmicrocredit on Asset Growth Status.

It was revealed that 95.5% of the enterprises had registered no change, which implies stagnation in asset base and 5% recorded a positive change as shown in figure 4.5 below. Some of the assets acquired by the women entrepreneurs included, refrigerators, hair driers, tailoring machines, basins, tables. The study revealed that over 95% of the SMEs did not acquire assets upon receiving credit. This may be attributed to the fact that the value of asset to be acquired was of more value than the loan accessed. This confirms Atandi and Wabwoba(2013) findings that credit available to SMEs does not necessarily lead to the addition of assets.

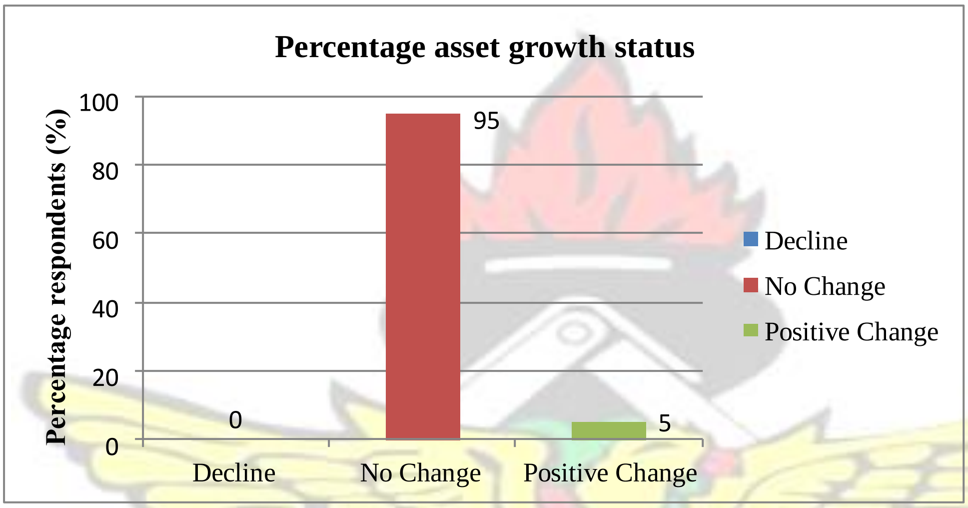


Figure 4.5 The effects of microcredit on Asset Growth Status

4.6 RESULTS OF A PAIRED SAMPLES T-TEST ON GROWTH INDICATORS

A paired-samples t-test was used to determine significant changes (mean difference) in the three main indicators of growth (gross profit, employee growth and asset base) between the time when the women entrepreneurs were applying for their first MFI loan and the period when this study was conducted. In table 4.9 and 4.10, paired sample statistics and paired sample t-test for gross profit, employee growth and asset base are presented respectively.

Table 4.9 paired samples t-test

Paired Samples Test									
		Paired Differences					t	df	Sig. (2tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Gross profit	current gross profit - Average monthly gross profit at the time of applying for the first MFI loan	59.248	187.995	15.612	28.390	90.107	3.795	144	.000
Employe e growth	Current number of employees - Number of employees at the time of applying for the first MFI loan	.101	.823	.058	-.014	.215	1.723	198	.086
Asset base	Current number of assets - number of assets at the time of applying for the first MFI loan	.317	2.733	.194	-.065	.699	1.634	198	.104

From table 9 and 10, it can be observed that, the average gross profit during the study (265.46 ± 254.561 GHS) was higher as compared to when the loan was first received (206.21 ± 251.144 GHS), a significant increase of 59.25 (95% CI, 28.390 to 90.107) GHS, t (144) = 3.795, p< .0001, d = 0.315 was recorded. This implies that there is evidence to suggest that participants experienced statistically significant growth in gross profits when exposed to microcredit than the pre loan period.

The mean employee growth at the time of the study (1.22 ± 0.809) was only marginally higher than when the first loan was received (1.12 ± 0.552). A mean difference of 0.101 (95% CI, - 0.014 to 0.215), t (198) = 1.723, p<0.086, was not statistically significant.

Similarly the mean physical asset growth at the time of the study (3.83 ± 4.606) was marginally higher than that of when the first MFI loan was received (3.51 ± 0.020). Also, the mean difference (increase) of 0.317 (95% CI, - 0.065 to 0.699), t (198) = 1.634, p<0.104, was not statistically significant. This implies that there is evidence to suggest that participants did not experience statistically significant growth in assets and number of employees during the post loan period.

The results indicate that there was a significant increase in the average monthly gross profit between the period when the first MFI loan was taken and the period when the study was conducted. However, a further investigation of the practical importance of the significance of the results shows a small effect (d=0.315). This indicates that the change in the monthly gross profits between the two time periods is of less practical importance to the operation and growth of the enterprises.

The results also reveal that there was no significant difference in the number of employees or assets between the period when the first MFI loan was received and the period when this study was conducted. This contradicts the finding of Munyao (2012) that microcredit contribute to the growth of businesses in terms of asset base, level of stocks, services and the number of employees. The study however confirms the work of Atandi and Wabwoba (2013) that credit to SMEs did not necessarily lead to increase in assets and employment levels of SMEs.

4.7 DETERMINANTS OF GROWTH (GROSS PROFIT, EMPLOYEE

GROWTH AND ASSETS BASE)

In order to assess the effect of credit on SMEs performance in terms of growth in gross profits, employment and asset levels, logistic regressions were estimated to identify the determinants of growth for each of the performance indicators. Each of these indicators which represented the dependent variables was given dichotomous definitions. For example, if an enterprise had either undergone some growth in gross profits since receiving the first MFI loan (gross profit growth status =1) or has had no change in gross profit growth status or has experienced decline in gross profits (gross profit growth status =0). The other performance indicators of growth (employee and asset growth), were similarly classified. The relationship between the performance indicators and a set of explanatory variables grouped into entrepreneur characteristics, business profile, loan and banking profile and enterprise size were considered. The results are presented below.

4.7.1 Logistic regression results on the predictors of gross profit growth The results (see table 4.11) showed that among the set of variables affecting gross profit growth, the person(s) who is put in charge of the day-to-day running of the business enterprise had a significant relationship with the growth in gross profit of the enterprise.

Specifically the model reveals that when the business is run on a day-to-day basis by the entrepreneur (self), then odds of experiencing growth in gross profits is 14.04 times higher as compared to when the business is run on a day-to-day basis by other person(s) such as family or non-family members. These results were significant ($b = 2.64$, $z = 2.965$, $odd\ ratio = 14.04$, $p = 0.003$).

These results indicate that the responsibility of the day-to-day running of the business enterprise should be taken up by the entrepreneur (self) in order to achieve growth in gross profits since delegating this responsibility to family or non-family members tends to reduce the odds of achieving growth in gross profits.

Similarly, the model reveals that household size was positively related to growth in gross profits (b = 0.39, z = 2.003, odd ratio = 1.48, p =0.045). However this result was barely significant at the 5% level of significance.

On the other hand, age, number of employees and number of assets at first MFI loan have odds ratio greater than 1, implying that a unit change in the logit coefficient increases the logit (gross profit) by the value of the logit coefficient (B). Whilst the rest of the predictor variables have odds ratio less than 1, implying that a unit change in B reduces the logit by the value of the B, although not all are significant at the 1% or 5 % level of significance.

Table 4.10 Logistic regression results on the predictors of gross profit growth

Parameters	b	z	P>|z|	Odds ratio (e^b)	%StdX	SDofX
Age	0.04872	0.876	0.381	1.0499	1.4197	7.1929
Marital status*(Not married=1)*	-0.52033	-0.581	0.561	0.5943	0.8448	0.3241
Household size	**0.39333**	**2.003**	**0.045**	**1.4819****	**4.2453**	**3.6758**
Accessed Business Training *(Yes=1)*	-0.24816	-0.195	0.846	0.7802	0.9297	0.2937
Ownership of other business *(Yes=1)*	-0.06421	-0.070	0.944	0.9378	0.9757	0.3835
Number of Years of business operation	-0.02975	-0.660	0.509	0.9707	0.8066	7.2216
Who runs the business*(Self=1)*	**2.64193**	**2.965**	**0.003**	**14.0403*****	**3.7734**	**0.5027**
First MFI loan received	-0.00059	-0.920	0.357	0.9994	0.7866	405.0348
Number of people employed at time of study	0.11084	0.303	0.762	1.1172	1.1195	1.0183
Number of Assets at First MFI loan	0.24060	1.249	0.212	1.2720	1.7980	2.4383
Number of Assets at time of study	-0.06902	-0.494	0.621	0.9333	0.7473	4.2214

***Significant at 1%, **Significant at 5%, Number of observations = 85, LR chi2(11) = 22.90, Prob> chi2 = 0.0183, Log likelihood = -38.1784, Pseudo R2 = 0.2307

4.7.2 Logistic regression results on the predictors of employee growth

Access to business training, ownership of other businesses, age, marital status, household size and number of assets at the time of study have odds ratio greater than 1, implying that a unit change in the logit coefficient increases the logit (employee growth) by the value of the logit coefficient (B). Whilst the rest of the predictor variables have odds ratio less than 1, implying that a unit change in B reduces the logit by the value of the B, although none of the predictor variables are significant at the 1% or 5 % level of significance.

Table 4.11 Logistic regression results on the predictors of employee growth

Parameters	b	z	P>|z|	Odds ratio (e^b)	%StdX	SDofX
Age	0.00259	0.046	0.963	1.0026	1.0189	7.2233
Marital status *(Not married=1)*	0.89029	0.971	0.332	2.4358	1.3164	0.3088
Household size	0.00308	0.029	0.977	1.0031	1.0123	3.9689
Accessed Business Training *(Yes=1)*	0.93133	0.797	0.425	2.5379	1.4153	0.3729
Ownership of other business *(Yes=1)*	0.95424	1.192	0.233	2.5967	1.4432	0.3845
Number of Years of business operation	-0.02225	-0.405	0.685	0.9780	0.8429	7.6789
Who runs the business *(Self=1)*	-0.73587	-0.809	0.418	0.4791	0.6933	0.4977
First MFI loan received	-0.00065	-0.565	0.572	0.9994	0.7970	350.58
Number of Assets at First MFI loan	-0.29172	-0.650	0.516	0.7470	0.2722	4.4606
Number of Assets at time of study	0.46586	1.048	0.295	1.5934	6.7581	4.1015

***Significant at 1%, **Significant at 5%,Number of observations = 151, LR chi2(10) = 15.17, Prob> chi2 = 0.1259, Log likelihood = -31.816, Pseudo R2 = 0.1925

4.7.3 Logistic regression results on the predictors of asset growth

Age, household size, ownership of other business, first MFI loan received and number of employees at the time of the study have odds ratio greater than 1, implying that a unit change in the logit coefficient increases the logit by the value of the logit coefficient (B). The first MFI loan has an odds ratio = 1, meaning that a unit change in B has no effect on the logit (Asset growth) whilst the rest of the predictor variables have odds ratio less than 1, implying that a unit change in B reduces the logit by the value of the B. although none of the predictor variables are significant at the 1% or 5 % level of significance.

Table 4.12 Logistic regression results on the predictors of asset growth

Parameters	b	z	P>|z|	Odds ratio (e^b)	%StdX	SDofX
Age	0.01536	0.478	0.633	1.0155	1.1174	7.2309
Marital status *(Not married=1)*	-0.28716	-0.434	0.664	0.7504	0.9174	0.3001
Household size	0.05591	1.113	0.266	1.0575	1.2483	3.9663
Accessed Business Training *(Yes=1)*	-0.73219	-1.482	0.138	0.4809	0.7611	0.3729
Ownership of other business *(Yes=1)*	0.13464	0.268	0.789	1.1441	1.0531	0.3845
Number of Years of business operation	-0.02002	-0.728	0.467	0.9802	0.8575	7.6789
Who runs the business *(Self=1)*	-0.71795	-1.650	0.099	0.4877	0.6992	0.4985
First MFI loan received	0.00099	1.681	0.093	1.0010	1.4151	351.16
Number of employees at First MFI loan	-0.07800	-0.240	0.810	0.9250	0.9523	0.6261
Number of employees at time of study	0.02166	0.099	0.921	1.0219	1.0200	0.9143

***Significant at 1%, **Significant at 5%,Number of observations = 151, LR chi2(10) = 16.03, Prob> chi2 = 0.0988, Log likelihood = -83.098, Pseudo R2 = 0.0880

Unlike gross profit growth, the results of tables 4.12 and 4.13 however showed that none of the set of explanatory variables considered (entrepreneur characteristics, business profile, loan and banking profile and enterprise size) were significant determinants of employee growth status or asset levels.

4.8 QUALITATIVE MEASURES OF GROWTH IN THE POST LOAN PERIOD

In table 4.14, the qualitative measures of growth in the post loan period are presented. From the table, 68 percent of entrepreneurs reported having observed changes in their immediate customer base. Only 4 percent had changed from their previous activities which suggest that such enterprises did grow and their owners focused on their businesses rather than engaging in less productive activities. In terms of changing from one business site to the other, only 1% of entrepreneurs moved to new locations in the post loan period for reasons of better accessibility or bigger sites. In all, no entrepreneur engaged in a new business in the post loan period. Overall, there were few incidences of growth along these four qualitative indicators among businesses that had received the MFI loan.

Table 4.13 Qualitative measures of growth in the post loan period

Indicator	Yes	No
Change/growth in market	134(68%)	63(32%)
Change from previous job	8(4%)	190(96%)
Change of business site	2(1%)	195(99%)
Started a new business	0(0%)	199(100%)

4.9 COMPLEMENTARY SERVICES PROVIDED BY THE MFIs

The survey gathered that a number of complementary services were offered SMEs by MFIs aside granting loans. These included:

Training: MFIs offered training services on overall business management, book keeping, savings culture and marketing to their clients. The managers of the MFIs, however, noted that these trainings were neither compulsory nor regular.

Business Monitoring: The MFIs also provided some form of enterprise progress monitoring to ensure the businesses remain on the right performance path. The monitoring according to the women was usually done to ensure that loan repayments are made as contracted and these services were often limited to the contractual period of the loans.

Mobile banking services: The MFIs provided their borrowers with mobile banking platforms. This platform enabled the borrowers to transact business including repayment of loans without visiting banking halls, thus making banking convenient for them as well as saving them time for their business activities.

Education on health: It was also reported that some MFIs organized training on issues such as malaria, diarrhoea and exclusive breastfeeding. These trainings were outsourced from the Ministry of Health but were rarely done. According to the managers of the MFIs, the purpose for embarking on health education was to help improve the health of their customers so that business loan and profits would not be used to cater for such needs.

4.10 CHALLENGES OF SMES

4.10.1 Lender Level Challenges

The challenges of SMEs have been discussed at both the lender and borrower levels. At the lender level, the following challenges were revealed:

Poor record keeping: A significant number of women entrepreneurs lack the basic literacy needed for proper book keeping. Hence, they shy away from formal banking and other formal business processes. It is challenging for entrepreneurs who have no formal education to keep records hence establishing the credit worthiness of their businesses is difficult. From the data collected on the level of education of the entrepreneurs, 69.3% had no formal education and 20.1% of them had primary education and only 1% of the respondents had tertiary education.

Lack of confidence in MFIs: According to the MFIs, some of the women lack confidence in them due to the experiences they had encountered with some other MFIs and other financial intermediaries such as fraud. As a result of this, the entrepreneurs feel reluctant to save large amounts of money with the MFIs which is one of the sources of funds for MFIs. This was evident in the data gathered as 95.9% of the respondents keep their operating capital mostly cash in hand.

Inadequate funds: The demand for loans according to the Baobab microfinance manager is overwhelming, and MFIs do not have enough funds to cater for all clients.
Weekly repayment not favourable: The weekly loan repayment is unfavourable to entrepreneurs since they are unable to generate enough income for such repayment schedules.

Unfavourable interest rates: SMEs get stagnant at a point during the loan cycle due to the high interest rates. For group loans members of a group are compelled to pay for a member who defaults. The MFIs however confirmed that such interest rates are being charged so as to keep the institutions in operation and avoid possible collapse.

4.10.2 Borrower Level Challenges

The women entrepreneurs were asked to identify the challenges they faced in their businesses with regard to borrowing. Their findings are as shown in Table 4.15 below.

Table 4.15 Challenges faced by women entrepreneurs

Challenges	Yes	No	N
Inadequate capital	**109(85.2%)**	**19(14.8%)**	**128**
Lack of accounting skills	**4(3.2%)**	**121(96.8%)**	**125**
Short repayment period	**117(91.4%)**	**11(8.6%)**	**128**
Shrinking markets/increased competition	**30(24.0%)**	**94(75.2%)**	**125**
High interest rate	**105(83.3%)**	**21(16.7%)**	**126**

Inadequate loan amounts: the women complained about low amounts of capital. This is confirmed by the data in Table 4.13 that showed that over 85 percent of the women entrepreneurs lacked adequate capital. This is also evident from the data collected on the amount of loan received by the entrepreneurs. About 40.2% of the entrepreneurs received amounts of 200 – 400 Ghana cedis and 49.2% of the women entrepreneurs received amounts ranging from 401 – 600 Ghana cedis. Only 9.5% of them received 800 Ghana cedis and above.

Short repayment period: The first most cited challenge by the women entrepreneurs was short repayment period as stated by 91.4% of the respondents. This finding was confirmed by the MFIs whose maximum repayment periods are four months and six months for group loans and individual loans respectively. This has resulted in the inability or difficulty in completing the loan cycle by some of the women as scheduled. Hence denying the women a second loan upon completion of the first loan cycle due to default.

High interest rate: high interest rate was the second most cited challenge the women faced. SMEs who borrowed loans from the MFIs had to repay loans at interest rates as high as 6%, 5%, 4% and 3.5% per month or 72%, 60%, 48% and 42% per year. This was confirmed from the data gathered from the MFIs. It has however been observed that though a greater percentage of the SMEs recorded positive growth in profits, the change was marginal. So the low incomes and high interest rates have led to high default rate among the SMEs.

4.10.3 Assistance received in militating against challenges

Type of assistance received in militating against challenges are presented table 4.16. The assistance listed in the table were mentioned by the respondents as services offered them by the MFIs they were operating with. Training services was the most mentioned assistance received by the respondents and this was also confirmed by the MFIs. Despite the training services being offered them, majority of the entrepreneurs still have challenges with good record keeping. This may be attributed to the fact that a greater proportion of the respondents had no formal education.

Table 4.16 Type of assistance received in militating against challenges

Assistance	Frequency	Percent
Training services	113	98.3
Access to credit	1	0.9
Provision of market information	1	0.9
Total	115	100

4.10.4 Challenges Faced by the MFIs

The MFIs as financial intermediaries also face certain challenges. Defaulting on loan repayment was one of the problems mentioned by the MFIs most especially with the individual lending system. In the case of group lending, default by any member put a strain on the other members, and this had implications for the group dynamics and survival of that group. For the individual entrepreneur who defaulted, there was a penalty for each month the loan remained unpaid, which meant an increased financial burden on them. Additionally, some defaulters ended up hiding from the loan providers and this had implications on their businesses as they were not available to attend to them. These defaulters are usually denied the opportunity of being given subsequent loans because of their inability to fulfil the contractual agreements.

Other challenges faced by the MFIs included Entrepreneurs operating and benefiting from two or more institutions, Lack of confidence by entrepreneurs, Inability to meet Bank of Ghana regulatory requirements, Lack of business registration documents and High demand for credit.

CHAPTER FIVE
SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

This chapter summarizes the main findings of the study. The conclusion that follows is drawn from the findings, while recommendations to improve microcredit delivery are also indicated.

5.2 SUMMARY OF FINDINGS

The summary focused on the following; the effects of microcredit on the growth indicators of the enterprises, the complementary services provided by the MFIs and challenges faced by the SMEs.

5.2.1 Enterprise growth

The data gathered from the field were analysed and discussed and evidence from the study data indicated that women owned enterprises that benefited from the microcredit had registered growth in the overall mean, mode and median gross profit levels. There was however stagnation in employee growth and asset base. The use of the median as a measure of growth between the pre-and-post loan periods eliminated the problems associated with outlier effects on the position of the mean.

In terms of proportions, the data also showed that 74 percent of women owned enterprises had registered growth in gross profit. The profits were however marginal. Ninety two percent and 95% of businesses had experienced no change in the number of employees and number of assets respectively at the time the study was conducted. Evidence from the field data attributed the stagnation in growth observed in women owned businesses to high interest rates, short repayment period and inadequate loan amounts.

The results from the paired samples t-test indicate that there was a significant increase in the average monthly gross profit between the period when the first MFI loan was taken and the period when the study was conducted. However, a further investigation of the practical importance of the significance of the results shows a small effect size (d=0.315). This indicates that the change in the monthly gross profits between the two time periods is of less practical importance to the operation of the enterprises. The results also show that there was no statistically significant change in terms of the number of employees or assets between the period when the first MFI loan was received and the period when this study was conducted.

The logistic regressions estimated to identify the determinants of growth for each of the performance indicators revealed the following:
The results showed that among the set of variables pertaining to gross profit growth, the person(s) who run the business enterprise had a significant relationship with the growth in gross profit of the enterprise.Specifically the model reveals that when the business is run on a day-to-day basis by the entrepreneur (self), then odds of experiencing growth in gross profits is 14.04 times higher as compared to when the business is run on a day-to-day basis by other people such as family or non-family members. These results indicate that the responsibility of the day-to-day running of the business enterprise should be taken up by the entrepreneur (self) in order to achieve growth in gross profits since delegating this responsibility to family or nonfamily members tends to reduce the odds of achieving growth in gross profits.

The results however showed that none of the set of explanatory variables considered (entrepreneur characteristics, business profile, loan and banking profile and enterprise size) was a significant determinant of employee growth status or asset levels. On the qualitative growth measures, there were few incidences of growth along the four qualitative indicators (change/growth in customer base, change from previous job, change of business site to better or improve one and start of a new business) among businesses that had received the MFI loan.

5.2.2 Complementary Services

Training was the most generally provided service which was accessed by more than half of the women entrepreneurs. Majority of the women reported that the training was carried out for just a day. Other complementary services included general education on health and awareness. The following complementary services were however rarely offered: sales forecasting, costing and accessing new markets. From the findings it can be deduced that, apart from training, few complementary services were available to the majority of women borrowers at a level that could meaningfully sustain their businesses on the growth path and spur innovations.

5.2.3 Challenges

The MFIs stated the following as challenges faced by their clients: poor record keeping, lack of confidence in MFIs, inadequate funds, weekly loan repayment not favourable and unfavourable interest rates. The borrower level challenges included: Inadequate loan amounts, short repayment periods and high interest rates. These were cited by the respondents as major challenges facing their businesses. The MFIs serving as financial intermediaries also face several challenges. These included high default rate by clients, inability to meet Bank of Ghana regulatory requirements, risk of operating with entrepreneurs in the informal sector and high demand for credit.

The study also revealed that majority of the enterprises fall within the informal sector and the businesses are unregistered. Also over 95% of the enterprises are micro enterprises. Most of the businesses are being operated by the owner and the owner plus family members.

Majority of the women keep their operating capital mostly cash in hand because of lack of trust or confidence in the MFIs and some of them also borrow from multiple sources to sustain their businesses.

Finally, despite the fact that interest rates on loans are high with short repayment period, the demand for credit according to the data gathered from the MFIs is overwhelming.

5.3 CONCLUSION

Microcredit has been noted to have the potential of changing the lives of the poor most especially women by enhancing the performance and growth of their businesses. Having examined the effects of microcredit on women owned SMEs in the Tamale Metropolis, the following conclusions can be drawn.

The general picture reflects positive growth among women-owned businesses in terms of gross profit though marginal and stagnation/decline in the asset base and number of employees. In order to sustain microcredit impact on clients, there is the need for the credit institutions to review their interest rates, loan repayment schedules and the loan amounts offered SMES so as to enhance the performance and financial sustainability of the enterprises.

5.4 RECOMMENDATIONS AND POLICY IMPLICATIONS

This section presents some of the key policy recommendations that, when implemented, would enhance the quality, service delivery and sustainability of microcredit.

The success of SMEs does not depend on access to credits only but also the creation of favourable and enabling business environment. The MFIs should therefore ensure the proper use of credit by their clients which is an important facility in business growth. The focus of credits should be client-oriented and not product- oriented. Also there should be proper and extensive monitoring of activities of clients who are granted loans.

Loan allocation ceilings should be significantly increased by the MFIs. This is because in most instances, the amounts of loans allocated to borrowers fall far below the actual financial needs of their businesses.

MFIs should increase the duration of repayment of loans, or spread the repayment over a longer period of time. This will enable the clients to have greater use of the loan over a longer period for the acquisition of capital assets and technology. It will also enable borrowers to pay interest and principal using income generated from the loan. This will encourage more SMEs to participate in MFI lending.

The interest rate should be lowered by the MFIs to a level that would cover their operating expenses and at the same time facilitate the growth of their clients' business.

Also MFIs should eliminate the processing and administrative charges on loan since interest is being charged on loans. This will help reduce the financial burden on clients.

The assets acquired in a business are very crucial as in most cases may act as collateral when one needs to access credit from a bank or other lending institutions. They are also a means of increasing productivity in an organization. Therefore all efforts should be made by all SMEs to acquire those assets that promote their efficiency and effectiveness thereby improving business performance.

The MFIs should employ collective group-based loan disbursement. This will reduce the default rate and the volume of portfolio at risk.

It is also recommended that MFIs take interest in the enterprise growth of their clients by assessing their performance instead of just being interested in the collection of deposits and disbursement of loans.

In terms of policy on support services, MFIs should assist their clients by providing training on credit utilization. They should restructure their training contents to include improving their clients' business skills and also organise regular business training for their clients. MFIs can partner with relevant technology enterprise development organizations/skills training institutions to provide client-focused skills training to their clients.

MFIs should maintain sustainable communication with their clients _and at the same time, SMEs should portray proper ethical conduct while managing their loans so as to enhance trust between the SMEs and the MFIs. This will help build business bondage between them.

Finally, the Bank of Ghana should monitor and sanction the MFIs who do not charge the approved interest rates on business loans to reduce the burden they put on SMEs.

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APPENDIX 1 QUESTIONNAIRE FOR ENTREPRENUER

Dear Sir/Madam, I am a student of the Kwame Nkrumah University of Science and Technology offering MSc. Development Policy and Planning. As part of the requirement for the award of the degree stated above, I am conducting a research on the topic **"Effects of microcredit on the performance of women owned enterprises in the Tamale Metropolis".**

I will be very grateful if you could spend some time to respond to these questions. You are assured that any information provided would be used for academic purposes only and will be held strictly confidential.

ENTREPRENEUR QUESTIONNAIRE

001 Enterprise Name ………………………………………………………………

002 Name of Location of operation…………………………………………………………

003 Date of interview……………………………………………………………………

A. ENTERPRENUER PROFILE

A1 Age of owner …………………………….

A2 Marital Status

(1) =Married (Monogamy)

(2) =Married (Polygamy)

(3) =Single

(4) =Widowed

(5) =Separated

(6) =Other

A3 Level of Education:

(1) = None

(2) = Primary

(3) = Secondary

(4) = Tertiary

A4 How many people, including yourself, live in your household? ....

A5 Have you accessed any business Training services?

(1) = YES,

(2) = NO **(If NO, skip to A8)**

A6 If **YES** in **A6** above, which services have you accessed?

(1) =Accounting

(2) =Marketing

(3) =Costing

(4) =Pricing

(5) =Sales Forecasting

(6) =Inventory Control

(7) =Accessing new markets

(8) = Other (Specify)

A7 If you have ever received training in A6 above, how long did the training last?

(1) =< A day

(2) = 1 Day

(3) = 2-6 Days

(4) = 1 Week

(5) = 2-3 weeks

(6) = 1 Month

(7)> A month

A8 Do you own other businesses other than this one?

(1) =YES,

(2) = NO **(IF NO, Skip to A12)**

A10 If **YES** in **A9** above, how many businesses?...............................

A9 What types of business do you own in **A10** above?

(a)……………………………………….. **(b)**………………………………………

(c)………………………………………

(d)………………………………………

A11 What was your main reason for getting into this business?....................................

(1) =Lack of another source of income

(2) =Needed additional source of income

(3) =Retirement

(4) =Availability of Loan

(5) =Influence from friends/family

(7) = Own initiative/saw an opportunity

(8) = Other (Specify)……………………………………………

A12 How long has the business been operating?..

B. BUSINESS PROFILE

B1 Type of enterprise

(1) =Registered Single owner

(2) = Unregistered Single owner

(3) = Registered Partnership

(4) = Unregistered Partnership

(5) = Limited Company

(6) = Other..

B2 Kind of business

(1) Micro enterprise

(2) Small enterprise

(3) Medium enterprise ………………………………………………………

B3 Who runs this business on a day-to-day basis?

(1) = Self

(2) = Self and Family

(3) = Family member(s)

(4) = Self and other non-family employees

(5) = Non family employees

B4 In which Month and Year did you establish this business?

Month………………………………

Year……………………………………

What products or services do you offer?..

B LOAN AND BANKING PROFILE

B5 In which Month and Year did you receive your first loan from the MFI?

Month…………………………………..

Year………………………………………..

B6 How much did you receive in B5 above in Ghana Cedi?.......................................

B7 Have you received any subsequent loan from the MFI?

(1) = YES,

(2) = NO **(If NO, skip to B13)**

B8 If YES in **B7** above, how many subsequent loans have you received?...........................

B9 If YES in B7 above, how much **in total**, have you received in Ghana Cedi for all the subsequent loans?...

B10 How much did you receive in the subsequent loans?

Loan #	(i)2nd Loan	(ii)3rd Loan	(iii)4th Loan	(iv)5th Loan
Amount				

B11 At what interest rate?..

B12 Have you applied for any loan **apart**fromthe loan from this MFI?

(1) = YES

(2) = NO **(If NO, skip to B19) B13** Did you receive the loan?

(1) = YES,

(2) = NO

B14 If yes to B13, what was your source of the loan?

(1) =Commercial Bank,

(2) =Cooperative Society,

(3) =Friends,

(4) =Family Members,

(5) =Other MFI

(6) =Other (Specify)………………………………………………………..

B15 In which Month and Year did you receive the loan in B13 above?

A. Month………………………………………..

B. Year…………………………………………………..

B16 How much did you receive in Ghana cedi for the loan in B13?.................................

B17 What was your main reason for taking up another loan in addition to the one from the MFI?

(1) =The MFI loan was inadequate

(2) =Wanted to expand the business

(3) =The loan had better repayment terms

(4) =Used the loan to repay the MFI loan

(5) =Had other pressing family obligations

(6) =It was offered by the lender

(7) =Other (Specify)…………………………………………..

B18 Is the other MFI still operating if the option in 14 above is 5?

(1) = Yes

(2) = No

B19 If No why did it cease to operate?

……………………………………………………………………………………………

……………………………………………………………………………………………

…………………………………………………………………………………………..

B19 How do you manage the business' operating capital?

(1) =Mostly cash in hand

(2) =Mostly in personal bank account

(3) =Mostly in business bank account

(4) Other (Specify)…………………………………………

B20 Where is the business hosted?

(1) = On own land/Premise

(2) =Rented Premise

(3) =Public/Open Site

(4) =Mobile Market

(5) =Other (Specify) ________________

SIZE OF ENTERPRISE

B20 How many people are currently employed in this business?

…………………………………………………………………………………………

B21 What is your current average monthly expenditure on the following items in Ghana cedi?

Item	[a] Family House Rent	[b] Business premise rent	[c] Family Food and basic needs	[d] Entertainment /Leisure	[e] Health care	[f] Transport	[99] All others
Amount							

B22 On average, how much do you spend on education yearly?...................................

C. CHALLENGES

C1 Are there any challenges that this business currently faces?

(1) = YES,

(2) = NO **(If NO, skip to C3)**

C2 If YES in C 1 above, which ones?

(1) =Inadequate capital

(2) =Lack of accounting skills

(3) =Inaccessibility to credit

(4) =High interest rate

(5) =Short repayment period

(6) =Shrinking Markets/Increased competition

(7) =Other (Specify)…………………………………………………………..

C3 Have you received any assistance to help you mitigate these challenges? (1) = YES, (2) = NO **(If NO, skip to D1)**

C4 If YES in **C3** above, what type of help did you receive?

(1) =Training Services

(2) =Access to credit

(3) =rescheduling of the loan

(4) =Provision of market information

(5) =Other (Specify)……………………………………………………………

C5 What was the source of the assistance?

(1) = My MFI loan provider

(2) =My non-MFI loan provider

(3) =Fellow business person

(4) =An NGO

(5) =Other (Specify)………………………………………………………………

D. GROWTH INDICATORS

D1 What was your Gross profit at the time you were applying for the **first MFI loan**?...

D2 What is your current Gross profit ?..

D3 How many employees did you have at the time you were applying for the **first MFI loan**?...

D4How many employees do have you now?...

D5 How many assets did you have at the time you were applying for the **first MFI loan**?...

D6 How many assets do have you now?...

QUALITATIVE MEASURES

D7 In your view, has there been any change/growth in the market that you serve?

(1) = YES

(2) = NO **(If NO, skip to D11)**

D8 How would you describe this change/growth in your market?

(1) =Many sellers and buyers have come into the market

(2) =This business has become one of the many large sellers

(3) =This business has emerged as the only seller

(4) =This business now has a single buyer

(5) =Equity Prospects (Other businesses / individuals are interested in joining this business)

(6) = Other (Specify)………………………………………………………………

D9 Did you stop a previous job to concentrate on this business after receiving the loan? **(1)** = YES

(2) = NO

D10 Did you ever move to a new or better site since you received the MFI loan?

(1) = YES

(2) = NO

D13 Did you ever start a new type of business since you borrowed the first MFI loan?

(1) = YES

(2) = NO

D11 If yes in D13, what type of business? …………………………………..

APPENDIX 2 MICROFINANCE INSTITUTIONS QUESTIONNAIRE

Dear Sir/Madam, I am a student of the Kwame Nkrumah University of Science and Technology offering MSc. Development Policy and Planning. As part of the requirement for the award of the degree stated above, I am conducting a research on the topic **"Effects of microcredit on the performance of women owned enterprises in the Tamale Metropolis".**

I will be very grateful if you could spend some time to respond to these questions. You are assured that any information provided would be used for academic purposes only and will be held strictly confidential.

01. Name of institution……………………………………………………………..

02. Area of Operation………………………………………………………………..

03. Portfolio of activities………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………

GROWTH AND CHALLENGES FACED BY SMES

A1. To what extent have the targeted SMEs grown since 2009?

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…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

A2. In your view, what have been the key drivers and impediments to this growth?

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…………………………………………………………………………………………
…………………………………………………………………………………………

A3. What challenges are the SMEs facing?

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……………………………………………………………………………………
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A4. Does microcredit address these challenges? (If Yes how?)

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……………………………………………………………………………………

A5. What are some of the reasons why women go into business?

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……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

A6.What is your interest rate on business loan? Is it too high or manageable to your clients?

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……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

A7. What is the maximum loan repayment period?

……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

B. ADMINISTRATION OF THE MICROCREDIT AND COMPLEMENTARY SERVICES

B1. How is the credit administered?

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………………………………………………………………………………………

………………………………………………………………………………………

B2. How do you disseminate information on credit to prospective borrowers?

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B3. What complementary services are available for the women entrepreneurs? (Who are the providers?)

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B4. To what extent do these services support innovation in the SMEs?

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………………………………………………………………………………………

B5. What challenges have MFIs encountered in improving the livelihood of women in Tamale metropolis?

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B6. Are there any strategic approaches used by MFIs to address the above challenges? (If yes, how?)

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……………………………………………………………………………………

……………………………………………………………………………………

C. POLICY AND INSTITUTIONAL FRAMEWORK

C1 What appropriate policy measures should MFIs, government and non-state actors put in place to improve the quality, service delivery and sustainability of the microcredit?

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C2. Do you have any other information related to this topic that we have not covered?

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