The Impact of Micro Credit on Small Businesses. Evidence from Microfinance and Small Loans Center (MASLOC)

BY

Samuel Akoto-Sampong B.A (Hons)

A Thesis to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology in partial fulfilment of the requirement for the Degree of

COMMONWEALTH EXECUTIVE MASTERS IN BUSINESS ADMINISTRATION

Institute Of Distance Learning, KNUST

MAY, 2011

DECLARATION

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

…………………………… ……………….. ……………….

Student Name and ID Signature Date

Certified by:

…………………………… … . ……………….

Supervisor Name Signature Date

Certified by:

…………………………… ……………….. ……………….

Head of Department Signature Date

DEDICATION

This work is dedicated to my wife Winniefred Akoto-Sampong (Mrs)

ACKNOWLEDGEMENT

I first of all want to thank the Almighty God for the wisdom and guidance in helping me go through this programme successfully.

This thesis could not also have been possible without the assistance of some dedicated people and I acknowledge with sincere heartfelt gratitude the effort of Mr. Richman Dzene for his encouragement and support during the supervision of this work, to my family for their criticisms and many valuable suggestions and their undying support for me throughout this work, all participants who in diverse ways furnished me with information and to all who in diverse ways supported for the successful completion of this work. God bless us all.

SAMUEL AKOTO-SAMPONG

ABSTRACT

This study sought to establish the impact of micro credit on small businesses with evidence from MASLOC. The study used a causal and descriptive design to establish the relationship between sales performance and access to credit in the SME sector in Ghana. Cross sectional survey was used to gather relevant data for the study using self developed questionnaire. The target population was that of the micro businesses in Madina with a sample size of 120. The data analysis made use of tables, bar charts and graphs. The study was employed both descriptive and inferential statistics to assess the influence the relationship between credit access and SME performance. The study revealed that on the effects of credit access on sales, it was quite clear that sales tend to increase after capital injection from MASLOC. The impact of access to credit had statistically significant influence on sales performance. The study also found that capital investment had a positive and statistically significant impact on sales performance but the use of credit for recurrent expenditure has a negative but statistically insignificant impact on sales performance. Beneficiaries should be educated to know the implications of their acts on the business as far as the loan repayment is concern. Only incomes from the business should be used to pay for such expenses. Finally, to increase the impact, the loan products have to fit the financial needs of a wider range of household economic activities. This will however help reduce diversion and a significant reduction in the defaulting rate of customers.

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In recent years, most of the countries across the globe are in a sweeping mood to promote micro finance institutions not only as a positive rural development intervention but also as a rural development panacea. Allured by the success of micro credit institutions in developed countries, the developmental economists in under developed and developing economies have increasingly become enthusiastic in the promotion of micro credit as a rural development intervention, by tying it neatly with post-liberal development ideology. It must be pointed out that, although the basic philosophy behind the micro credit movement is to eradicate poverty as it stimulates the growth of micro enterprises by developing new markets and by promoting a culture of entrepreneurship, it involves minimal state intervention, thereby shifting the focus of attention away from the society towards individuals. As it has been asserted, the economic giants of the world developed their economies by relying on formal credit institutions through the development of their capital markets. But these formal credit institutions have on the whole failed to provide credit to the poor in the underdeveloped countries for many obvious reasons, Von Pischke (1991)

Micro-finance is generally an umbrella term that refers to the provision of a broad range of services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro-enterprises (Khawari, 2004). In a much narrower sense though, micro-finance is often referred to as micro-credit for tiny informal businesses of micro-entrepreneurs. An outstanding feature of micro-finance programmes is that the end users of the services are by definition the poor, the ones who benefit.

The impact of microfinance in Ghana is a subject worthy of serious examination for a number of reasons. Since the inception of MFIs in Ghana, their activities have grown from strength to strength although up to date data on MFIs in Ghana are not readily available.

According to Ghana Microfinance Network (GHAMFIN), the organization which coordinates the activities of MFIs in Ghana there are about 233 regulated and non-regulated MFIs in Ghana as at 2001

However at the time of the survey, conducted by Annin et al, there were 121 rural banks, 29 FNGOs, 273 credit union associations, 12 savings and loans companies and 1016 susu collectors and associations (Jean et al, 2006). The numbers with respect to the last four institutions especially susu collectors and FNGOs were really a suspect as the rate of survival for some of them is very low. These MFIs together served over 360,000 clients. These rough statistic shows that Ghana had the largest group of MFIs in Africa. Once the activities of MFIs have come to stay, there is then the need to assess their impact on their clients. The question, however, is whether microfinance really will be able to significantly reduce poverty in Ghana.

1.2 Statement of the problem

According to Simanowitz and Brody (2004, p.1), microcredit is a key strategy in reaching the Millennium Development Goals (MDGs); eliminating extreme poverty and hunger; and in building global financial systems that meet the needs of the most poor people." Littlefield, Murduch and Hashemi (2003) also suggest that "micro-credit is a critical contextual factor with strong impact on the achievements of the MDGs. Micro-credit is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale". The importance of Small and Medium Scale Enterprises (SMEs) to the economy cannot be overemphasised. SMEs contribute to employment creation, growth of the economy, women empowerment, poverty alleviation and so on. For example the SME sector employs about (15.5%) of the labour force in Ghana. In Ghana, the sector's output as a percentage of GDP accounted for 6% of GDP in 1998, GHAMFIN (2003). Despite these significant contributions, the SME has remained relatively small and seen stunted growth over the last three to four decades. Apart from serving as a means of employment generation, microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people.

The constraints to full industrial capacity utilization have been enumerated to include limited access to financing, high costs of funds and equipment, infrastructural inadequacies, unpredictable and inconsistent government policies, low purchasing power of consumers, low quality of manufactured goods, multiple taxes and levies on manufacturing inputs and manufactured goods, inefficiencies of customs and ports administration, dumping of cheap finished products on the Ghanaian market, inadequate legal framework and non patronage of locally produced goods by government and its agencies. The most challenging factor has been the inability of these SMEs to source credit from the main stream financial institutions due to lack of collateral and keeping of proper accounting records. Microenterprise services, particularly credit, are hypothesized to have positive impacts on enterprise revenue, fixed assets, employment, and transaction relationships, thus providing great opportunities for escaping poverty. Gobezie (2004). Gobezie continues to assert that the causal paths of these impacts include: an increase in microenterprise revenue, an increase on household-level variables: household income, income diversification, household assets, education, nutrition, and coping strategies.

1.3 Objectives:

The broad objective of this study is to assess the impact of microcredit on the performance of small scale enterprises in Ghana. Specifically, the study seeks to among others:

1. Identify the differences in performance of recipients and non recipients of microcredit
2. Assess the influence of alternative use of microcredit by small firms on performance
3. To identify other factors explaining the link between access to credit and performance of small scale enterprises in Ghana

1.4 Significance of the study

Practice strongly suggests that the microfinance sector indeed has such a potential to be one of the key instruments to fight poverty in its every aspect by positively affecting the household economic portfolio. For the poor, it can expand opportunities for enhancing income, improve capabilities in terms of human capital, improve the copping mechanism against vulnerability in its various features, as well as empower the disadvantaged; and the impact can occur at enterprise, individual, household and even community level, much of which being a result of enterprise profitability. Yet, the available evidence suggests little progress in this regard. It is believed that evidence from this study will prove otherwise.

1.5 Definition of scope

Access to credit by micro businesses is indeed an area of research of which many have attempted to do. Speaking at Jamaica National Small Business Loans Limited's annual luncheon at the Jamaica Conference Centre, Prime Minister Bruce Golding noted that while many aspiring business persons have solid ideas, they have insufficient possessions to convince companies to give them a loan. This study therefore focuses on how micro credits to small businesses in Ghana especially those taking credit from Microfinance and small loans centre (Masloc) has impacted on them.

1.6 Structure of the study

The study is represented in five (5) chapters.

In the first chapter, the study looked at the general overview of micro credit and its related impact. The section also discussed the research problem, aims and objectives as well as the significance and scope of the study. The second chapter also looked at the conceptual framework of the study. This aims at describing the research model by linking the variables access to micro credit and its potential impact on the lives of micro businesses. This chapter also analysed previous researches conducted on the topic. The frame of references looked at the research area and investigated what has not been attended to or given little attention. The third chapter looked at the methodology which was used for the study. It described the research design adopted, population and sample, sampling techniques and the description and measurements of variables. The fourth chapter present the study findings, discussions and drawing of conclusions and generalizations and the final chapter represent the summary of study findings, implications, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Throughout the world, poor people are excluded from formal financial systems.

This exclusion ranges from partial exclusion in developed countries to full or nearly full exclusion in lesser developed countries (LDCs). Due to lack of access to formal financial services, the poor has developed a wide variety of informal community-based financial arrangements to meet their financial needs. In addition, over the last two decades, an increasing number of formal sector organizations (non-government, government, and private) have been created for the purpose of meeting those same needs. It has only been within the last four decades, however, that serious global efforts have been made to formalize financial service provision to the poor. This process began in earnest around the early to mid-1980s and has since gathered an impressive momentum. Today there are thousands of micro finance institutions (MFIs) providing financial services to an estimated 100 - 200 million of the world's poor (Christen et al., (1995)). What began as a grass-roots "movement" motivated largely by a development paradigm is evolving into a global industry informed increasingly by a commercial/finance paradigm. Lots of research has been done about this sector and this chapter seeks to explore the theoretical and empirical review of such great works. The review will be done under the following Theories of Firm growth, Alternative credit sources for small businesses, Determinants of firm growth, Relationship between microcredit access and growth of small businesses.

2.1 Theoretical Review

Definition of Small and Medium Scale enterprises (SMEs) in Ghana

Small Scale enterprises have been variously defined, but the most commonly used criterion is the number of employees of the enterprise. The Ghana Statistical Service (GSS) considers firms with less than 10 employees as Small Scale Enterprises and their counterparts with more than 10 employees as Medium and Large-Sized Enterprises. Ironically, The GSS in its national accounts considered companies with up to 9 employees as Small and Medium Enterprises. However, the National Board of Small Scale Industries (NBSSI) in Ghana applies both the `fixed asset and number of employees' criteria. It defines a Small Scale Enterprise as one with not more than 9 workers, has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Cedis (US$ 9506, using 1994 exchange rate).

A point of caution is that the process of valuing fixed assets in itself poses a problem. Secondly, the continuous depreciation in the exchange rate often makes such definitions out-dated.

SMEs faces numerous challenges including lack of access to credit due to their inability to provide collateral being demanded by the commercial banks, lack of Entrepreneurial & Business Management Skills, Regulatory Constraints, threats from International Markets, local marketing constraints, difficulties in gaining access to appropriate technologies and information on available techniques**.**

Theories of firm growth

The relatively small body of business literature dealing with the reasons for small firm growth can be categorized into two schools of thought. The first adheres to an organizational life cycle perspective, which sees growth as a natural phenomenon in the evolution of the firm. The second school of thought sees growth as a consequence of strategic choice. In either case the attributes of the business owner, organizational resources and environmental opportunity are crucial in expanding the firm or in overcoming the barriers to the evolution of the firm from one stage to the next. Indeed, a distinction can be made between a business owner and an entrepreneur, the latter being a “special” individual, committed to the growth of his/her business**.**

According to some authors, “growth is the very essence of entrepreneurship,” and commitment to growth is what primarily distinguishes small business owners and entrepreneurs (Sexton and Smilor, 1997, Carland et al., 1984). Classical economists and the

Austrian School were the first to acknowledge the role of the entrepreneur as an individual with special characteristics, within the context of economic theory.

Thus, according to Knight (1921) the entrepreneur has the willingness and superior ability to make decisions, raise capital and assume the risk of failure. Schumpeter (1939) added the superior ability to perceive new market opportunities – the entrepreneur as innovator. Recent interest in integrating the role of the entrepreneur into economic theory has been triggered by an effort to explain some empirical regularity: why do larger firms, in some industries, have higher and more stable rates of return than smaller business? Why do smaller firms have higher and more variable rates of growth than larger firms? Why are smaller firms and younger firms more likely to dissolve themselves during a given period of time than larger and older firms? Each of the theories that were developed, though abstract and somehow remote from the realities of the business world, shed light on some interesting aspect of business behaviour and provides an explanation of small business formation, growth and evolution.

The following theories will be discussed:

- The Entrepreneur in Theories of the Firm,
- Theories of Entrepreneurial Choice,
- Theories of Stage of Development.

The Entrepreneur in Theories of the Firm

In static theories of competitive equilibrium, the size of the firm is determined by the efficient allocation of given resources, including entrepreneurial resources, under given technologies .Accordingly, the observed firm size is the efficient size, in the sense that long run costs are minimized at that point. Growth follows from the assumption of profit-maximizing behaviour and from the shape of the cost functions. A firm will grow until it has reached the size where long run marginal costs equal price, which is assessed as the "optimum" size of the firm.

Thus, Lucas (1978) equates the firm with the entrepreneur or manager and he assumes that a firm's output is a function of managerial ability as well as capital and labour. Lucas postulates therefore one production technology subject to constant returns to scale, and a separate managerial technology with diminishing returns to scale or "span of control." Managers with higher abilities (i.e., higher efficiency levels) will have lower marginal costs and therefore will produce larger outputs. However, firm expansion will be limited due to decreasing effectiveness of the manager as the scale of the firm increases. An implication of the Lucas model is that, for a small business to grow, the small business owner must be willing and able to relinquish many day-to-day control functions and delegate those tasks to an enlarged, specialized management team.

According to Lucas' theory, the variation in levels of business acumen is the major determinant of business growth (as well as of business formation and dissolution). Alternatively, as proposed by Kihlstrom and Laffont (1979), the major determinant of business growth is the differing taste for risk among individuals. Thus, Kihlstrom and Laffont assume that production technology is risky, and that entrepreneurs who have the ability or propensity to take risks in the face of uncertainty will produce more output. Firm size is therefore limited by the entrepreneur's willingness to take risks.

The theories discussed above are static. They say little about how an industry and the firms within it evolve over time and they ignore the fact that individuals can learn their business acumen by operating businesses over time.

Theories of Entrepreneurial Choice

Theories of small business growth have extended analysis of the decision to start a business to that of the decision to grow the business. According to Davidsson (1989, 1991), firm growth is an indication of continued entrepreneurship. Davidsson notes that economic theories take the willingness to grow a business for granted, by assuming profit maximization. However, empirical evidence suggests that small business owners are reluctant to grow even if there is room for profitable expansion and that profitable firms of different sizes co-exist within industries. Thus, Davidsson argues that growth is a choice of the owner-manager and that profit maximization is only one of the possible motives for business growth. Davidsson draws from psychological theories of motivation, which recognize that individuals differ in their motivational make-up. According to the "Need for Achievement" motivation theory, individuals differ in the degree they strive for achievement satisfaction. If profit is used as a measure of success, then the striving for achievement coincides with the behaviour predicted by profit maximization, but he stresses that the latter is neither the sole nor the dominant motive for growth. Indeed, in empirical models of small firm growth, the characteristics of founders of businesses were linked to their growth aspirations (Davidsson 1989, Kolvereid, 1990, Gundry and Welsch,1997), and the growth performance of their ventures (Kimberly 1979, Cooper et al., 1994).

Theories of Stage of Development

According to the influential theory of Churchill and Lewis (1983), growth is part of the natural evolution of a firm. The authors identify five stages of growth: existence, survival, success, and takeoff and resource maturity. In each stage of development a different set of factors is critical to the firm's survival and success. Growth thresholds may exist as obstacles to the transition from one stage to another. Accordingly, in the take-off stage – most relevant in a study of rapid growth – there are two major concerns or obstacles to firm growth: the ability of the owner to a) hire new people and b) delegate responsibility. The business will also need enough cash to satisfy the greater demand for financial resources brought about by growth.

Alternative credit sources for small businesses

Many small businesses have trouble getting the start-up or additional capital that they need. Without a long list of assets or a proven track record, there is no way to show banks exactly how promising your soon-to-be bustling business really is. Luckily, there are places you can turn to for money when the national banks turn you down. Here are just a few of the many places that other small businesses just have found the start up finds that they need to get off to a great start or have made significant improvement to their businesses.

Credit unions and other local financial companies. Many smaller local banks and credit unions offer special loans for local business owners that may have lighter restrictions than the larger, national banks. This can offer a huge advantage for small business owners. First, you will be competing against far less people because of the smaller regional area. Second, a credit union or other local bank will be more likely to want to help your community by putting funds into businesses.

Grants: The government as well as private organizations have help for people like who are looking to open a new business or to support existing businesses for purposes of expansion. These are often targeted at certain minority groups or specific high demand fields. Although grants take time and a certain amount of expertise to write, they are definitely worth the effort. Best of all, you don't have to pay back grants, allowing you to open your doors without being saddled down with numerous payments before you've even made a dime in profits.

Government loans: Government loans are usually administered by the Small Business Administration. There are several options, but the two most common are either getting a low interest loan directly from your state or the federal government, or getting the government to guarantee a loan, which makes banks more likely to give you the start-up loan that you need. Either way, you pay taxes, so you deserve to have access to the funds when you need them.

Family members: Many people are embarrassed by asking family members for help in starting their business, but there is no more reliable source of funding_logos for new business owners. When the banks don't believe in you, your family still will. Not only that, a relative will be more likely to allow a flexible pay-back schedule and less likely to charge outrageous interest.

Vendors & strategic alliances: Vendors will often provide you credit to purchase their products and services if you can establish a record of timely payment or otherwise demonstrate the creditworthiness of your company. However, there are times when your vendor (especially if it is a large company) may consider providing you with a longer term loan or even an equity investment. For instance, if you are trying to expand into a new territory where your vendor doesn't have a great customer then the vendor may be willing to help you finance your expansion of territory. Alternatively, if you are unable to pay your bills and might have to close shop then your vendor might be willing to work with you to ensure you stay in business.

2.2 Empirical Review

Determinants of firm growth

The welfare of a society depends upon the economic growth of their industries and their people. Through the creation and expansion of firms the economy generates new employment and opportunities, making possible a more prosperous life for the people. Recognizing the importance of firms' growth, politicians, economists and international development agencies have devoted substantial resources to the creation and implementation of programs to assist firms' growth and thus foster economic prosperity.

Growth is the result of exploring opportunities. Firms are a collection of a certain number of resources that provide the means to successfully take advantage of those opportunities and grow (Barney, 1986, 1991; Penrose, 1959). There is no limit to the growth of the firms; it is the rate of growth that is limited in the short run but there is no limit to the size of the firm (Penrose, 1959). The idea introduced by Penrose in 1959 that there is no limit for the size of the firm and unlimited growth is possible, raised the question of the relationship between firm size and growth. A negative relationship between growth and size, that is, a lower rate of growth for larger firms than for small firms, would put in doubt the hypothesis of unlimited growth. If this were the case, the larger the firm would become, the smaller would be the rate of growth until it got to a point at which the large firm could not increase its size any more. Several studies have undertaken the task of assessing the relationship between firm growth and firm size. Early studies in the manufacturing industry found a relationship between growth and size. This fact stimulated the idea that the relationship between growth and size is a stochastic phenomenon. This concept is known as Gibrat's law (Gibrat, 1931). According to Gibrat's law, the size of the firm at any given point in time is the product of a series of random growth rates in the history of the firm. The key assumption then is that the growth of a firm, in any given period of time, is independent of the firm's size at the beginning of the period. Kumar (1985) and Chen, *et al.* (1985) in a study of agribusiness sector firms found no relationship between size and growth. More recently, Acs and Audretsch (1990) also found, in a study of the US manufacturing sector for the period 1976-1980 that Gibrat's law was valid. So did Wagner (1992) and Fulton, *et al.* (1995) in an empirical study of firm growth in the agribusiness sector. All these studies' results suggested that Gibrat's law holds, that is, the growth rate of a firm is independent of its size.

Hall (1987) found a negative relationship between size and growth for large firms in the US manufacturing sector for the period 1976 to 1983. More recently, Mata (1994) and Becchetti and Trovato (2002) have found the same negative relationship between growth and size, implying that smaller firms grow faster than larger firms. Dunne *et al.* (1989) also rejected Gibrat's law in a study of manufacturing industries in the US, although they did find a positive correlation with size.

Following the research they hypothesized that:

A. The size of the firm will negatively affect the growth of the firm

Marris and Wood (1971) presented an introduction to theories of growth where they discussed different approaches and introduced a theoretical framework to explain growth and diversification of the firm. Marris followed Penrose's proposition that in the growth process of a firm the final size is unlimited; it is the growth rate that is restrained in the short run by what he called dynamic constraints or restraints. For Penrose, these dynamic limits to growth were temporary scarcity of managerial resources, while Marris and Wood gave a higher weight to, first, financial resources constraints and, second, market demand constraints. Financial means for expansion could be found through retained earnings, borrowing, and new issues of stock shares. Retained earnings are one of the most important sources to finance new projects in emerging economies where capital markets are not well developed. However, firms in the start up period, when initial investments have not matured yet or whose investment projects are substantially larger than their current earnings, will not have enough financial means from retained earnings and will face a constraint in their growth project. Firms in this situation may seek external sources of financing; however, the extent of borrowing could be limited by internal factors like high debt-equity ratios that would expose both borrower and lender to increased risk. In other cases, financing of growth projects may be limited by shallow financial markets. Rajan and Zingales (1998) found that industrial sectors with a great need for external finance grow substantially less in countries without well developed financial markets.

Despite these important effects of financial constraints on firm growth, few studies have included measures of financial resources on empirical research of firm growth. Becchetti and Trovato (2002) tested the effect of two financial variables on growth. The first one was the leverage ratio of the firm and the second one was a qualitative dummy variable that defined whether the firm had a loan request rejected by a bank or not. While the effect of the leverage ratio was found not significant, the qualitative dummy variable proved to be an important restraint on growth. Instead of availability of external sources of financing Chen *et al.* (1985) used profitability of the firm as a proxy of financial resources of the firm to boost growth. Profits play a dominant role in the capacity to access financial resources since it is simultaneously a source of internal financing and a hook to attract external sources of financing. Commercial banks, venture capitalists, investment banks, pension funds and other investors base their decisions on present and expected future values of profits or ratios of other financial variables on profits and usually consider firms with high returns as a secure investment. In that way, a profitable firm should have more financial resources available to boost growth and sustain that growth over time. Based on theory and findings, it was hypothesized that:

B. Constraints of financial resources will limit the growth of the firms

Classical economics indicate that firm growth will occur as a consequence of changes in technology. Improved technology allows the firm to produce with a more efficient bundle of resources that reduces cost, and/or allows the creation of improved products or even completely new products. Such firm will be more likely to be in a position to surpass competition, reach new markets and expand. Variyan and Kraybill (1994), in a study of firms in Southern United States, found that the majority of managers of firms analyzed considered the use of technology as a critical element of their competitive advantages. Those firms, which placed more emphasis in the use of new technology, had higher growth rates than firms that did not view technology as a critical factor. Additionally, in a cross sectional analysis of industries, Birley and Westhead (1990) encountered evidence supporting the hypothesis that firms with newer technology in the major manufacturing lines were associated with higher levels of growth and performance.

Therefore hypothesize that:

C. The presence of technological capabilities will enhance the growth of the firm.

No firm can grow faster than the demand directed to its products. If the firm's main product demand is binding expansion, then the firm will have to search for new customers expanding into new products and/or into new geographic markets. Any firm that has attained a competitive advantage to produce a certain good or service can use that competitive advantage to expand into new markets (Porter, 1980). Diversification into new products is not just an important vehicle of competition, but also the major engine to firm growth (Ansoff, 1965; Marris and Wood, 1971). Chen, *et al.* (1985) found that firm growth was constrained due to of product diversification and this was one of the reasons why some firms performed poorly in terms of growth compared to firms that were more diversified. Davidsson (1989) and Storey (1994) have argued that firm location may be important determining growth since the local market binds firms. However, location has not emerged as a significant variable in empirical works that have tested firm location (Popkin and Company, 1991; Almus and Nerlinger, 1999; Davidsson *et al.*, 2002). It is possible that in many cases the local market binds firm growth, but a firm does not necessarily restrain its sales to its local market. As long as firms can access modern channels of communication and logistics, they can expand into other geographic markets. Therefore, it is the diversification into alternative geographic markets, such as nation-wide and international markets, what will have an impact on growth instead of the firm's location. Location would be important only in those cases in which the firm only served the local market. Becchetti and Trovato (2002) brought some evidence of this when they found a positive correlation between firm growth and access to export markets. Jaumandreu (2003) found that product innovations enhance employment growth and that the magnitude of the effect corresponds approximately to the increase in innovative sales. Audretsch and Mahmood (1994a),Audretsch (1995a), Doms et al. (1995), Niefert (2005) and Calvo (2006) also found evidence of the positive effects of innovation on firm growth.

Therefore,

D.a. Firms will grow faster, the more diversified by products they are, and

D.b Firms will grow faster, the more diversified by geographic market they are

Access to foreign markets is also important for firm growth since it represents a learning process that improves productivity. Becchetti and Trovato (2002) found a positive relationship between firm growth and the firm's external activity. Wagner (1995) noted that the most relevant economic factors positively affecting the relationship between firm size and exports are the existence of economies of scale in production, a fuller utilization of managers, the opportunity to raise finance at low cost, having a marketing and sales department and a greater capacity for taking risks due to internal diversification. Several recent scholars, such as Wagner (2001), have analysed the impact of exports on firm growth. Their results show that there is a significant relationship between firm growth and import export behaviour. Wagner (2001) found an inverse U-shaped relation between the number of employees and the export/sales ratio. However, he also found that sector characteristics are important for correctly determining the relationship between firm size and growth.

It is also important to take into account the characteristics of each sector. For example, the microeconomics of endogenous growth theories state that a firm belonging to research and development(R&D) intensive sector may have more opportunity to grow than a firm in a labour-intensive sector. According to Davidsson et al (2002), firms in different sectors have different probabilities of increasing in size. This is because access to finance and specialized services etc. are obtained more easily by some sectors than by others.

Legal form: Businesses can operate under several different legal forms, but the main differentiating factor, as far as growth is concerned, is whether the legal form offers the owners limited liability or not. Previous studies on German data (; Almus and Nerlinger, 1999) and Swedish data (Davidsson et al., 2002), show that firms with limited liability grow faster than firms with unlimited liability. This is interpreted to imply that limited liability firms´ owners are more willing to invest in risky ventures that may foster firm growth. They also find that firms with a limited liability are more likely to become insolvent than comparable firms with full liability.

Ownership: It has been suggested that business ownership, too, may have an impact on firm growth. Managerial ownership in particular has raised a lot of attention. It however indicates that, management ownership tends to affect shareholder wealth positively at low levels of ownership and negatively at high levels of ownership. This implies that management is willing to take risks and aim at high growth rates at low levels of ownership and change their attitude towards risk taking when ownership grows to levels where their wealth becomes undiversified. The same arguments can be extended to the family ownership in small firms. Becchetti and Trovato (2002) use the amount of ownership held by shareholders controlling the firm, and find no significant impact on firm growth. The first one measures the owner family's share of the company's ownership. The other one measures management ownership in the firm. The unwillingness to take risks in turn results in lower growth rates for these firms. The opposite seems to hold for management ownership. The results suggest that when management's ownership in the firm increases, their willingness to venture risky investments that foster growth increases.

Governance: Business governance, too, has been suggested to affect firm growth. Davidsson et al. (2002) use dummy variables for parent companies, subsidiaries and independent firms. Their results indicate that independent firms grow faster than firms with parent corporate relationships. They included two measures of business governance in the regression models. The first one is a dummy indicating that the firm is a parent company. The second one is a dummy indicating if the firm is a subsidiary of another company. The independently operating companies of our sample serve as the control group for these variables. The results suggest that subsidiaries have smaller growth rates than independent firms. The results for micro firms suggest that parent companies grow faster than independent firms.

Relationship between Microcredit Access and Growth of SMEs

Microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc). Therefore microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services. The microfinance as a product has several characteristics. Some of the characteristics put forward by Mohammed and Mohammed (2007) have been explained in ensuing paragraphs.

The key characteristic of microfinance entails little amounts of loans which are given to individuals and groups to help them start some income generating activities. Little savings over time is also an integral aspect of microfinance as it serves as security for the poor households and also helps them accumulate substantial capital to overcome their capital constraints. The loan which are given out are also short- terms loan which is usually up to the term of one year. Payment schedules are usually on week basis. Instalments are made up from both principal and interest, which amortized in course of time. Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status. In terms of application the clients need not go through the cumbersome procedures which are required in the traditional commercial banks. There is also short processing periods between the completion of the application and the disbursement of the loan. No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken. The use of tapered interest rates decreasing interest rates over several loan cycles as an incentive to repay on time. Large size loans are less costly to the Microfinance Institution (MFI), so some lenders provide large size loans on relatively lower rates. The clients who pay on time become eligible for repeat loans with higher amounts.

According to Ledgerwood (1999), micro finance institutions (MFIs) can offer their clients who are mostly men and women who could be below or slightly above the poverty line a variety of products and services. The most prominent among their services is financial, that they often render to their clients without tangible assets and these clients mostly live in the rural areas, a majority of whom may be illiterate. Formal financial institutions do not often provide these services to small informal businesses run by the poor as profitable investments. They usually ask for small loans and the financial institutions find it difficult to get information from them either because they are illiterates and cannot express themselves or because of the difficulties to access their collateral due to distance. It is by this that the cost to lend a dollar will be very high and also there is no tangible security for the loan. The high lending cost is explained by the transaction cost theory.

The transaction cost can be conceptualised as a non financial cost incurred in credit delivery by the borrower and the lender before, during and after the disbursement of loan. The cost incurred by the lender include; cost of searching for funds to loan, cost of designing credit contracts, cost of screening borrowers, assessing project feasibility, cost of scrutinising loan application, cost of providing credit training to staff and borrowers, and the cost of monitoring and putting into effect loan contracts. On the other hand, the borrowers may incur cost ranging from cost associated in screening group member (group borrowing), cost of forming a group, cost of negotiating with the lender, cost of filling paper work, transportation to and from the financial institution, cost of time spent on project appraisal and cost of attending meetings. The parties involved in a project will determine the transaction cost rate.

They have the sole responsibility to reduce the risk they may come across Stiglitz,(1990). Microfinance triangle comprises of financial sustainability, reaching out to the poor and institutional impact. . There are costs to be incurred when reaching out to the poor and most especially, the cost of outreach increases. The provision of financial services to the poor is expensive and to make the financial institutions sustainable requires patience and attention to avoid excessive cost and risks Von Piscke, (1992). For MFIs to be sustainable, it is important for them to have break-even interest rates. This interest rates need to be much higher so that the financial institutions revenue can cover the total expenditure. Hulme and Mosley,(1996). The break-even rate which is higher than the market rate is defined as the difference between the cost of supply and the cost of demand of the products and services. The loan interest rates are often subsidised Robinson, (2003).

The loans demanded by smaller enterprises are smaller than those requested by larger ones but the interest rates remain the same. This indicates that, per unit cost is high for MFIs targeting customers with very small loans and possessing small savings accounts. Robinson, (2003). Even though the interest rate is high for applicants requesting very small loans, they are able to repay and even seek repeatedly for new loans. The social benefits that are gained by clients of MFIs supersede the high interest charged explains Rosenberg, (1996). The high interest rate is also as a means to tackle the problem of adverse selection where a choice is made between risky and non risky projects. The good clients suffer at the expense of the bad ones iterated Graham Bannok and partners, (1997). Microfinance clients admit that convenience is more important to them than return Schmidt and Zeitinger, (1994).

Low-income men and women have a serious hindrance in gaining access to finance from formal financial institutions. Ordinary financial intermediation is not more often than not enough to help them participate, and therefore MFIs have to adopt tools to bridge the gaps created by poverty, gender, illiteracy and remoteness. The clients also need to be trained so as to have the skills for specific production and business management as well as better access to markets so as to make profitable use of the financial resource they receive. In providing effective financial services to the poor requires social intermediation. This is the process of creating social capital as a support to sustainable financial intermediation with poor and disadvantaged groups or individuals. Some microfinance institutions provide services such as skills training, marketing, bookkeeping, and production to develop enterprises. Social services such as health care, education and literacy training are also provided by some MFIs and both enterprise development and social services can improve the ability of the low-income earners to operate enterprises either directly or indirectly Legerwood, (1999).

Proponents of microfinance argue that small loans to poor people could serve as a powerful tool for alleviating poverty (Khan and Rahaman, 2007). This is consistent with the UNCDF's (2009) claim that microcredit for farmers or small businesses provides a potent tool for expanding economic opportunities and reducing the vulnerabilities of the poor. Asiama and Osei (2007) have noted that this is possible because microfinance helps the poor to meet their basic needs and therefore and improve household income. Similarly, Khan and Rahaman (2007), Robinson (2001), Otero (1999) and Wehrell et al. (2002) arguing from a sociological perspective asserted that access to credit provides the poor with productive capital that helps to build up their sense of dignity, autonomy, and self-confidence, and hence are motivated to become participants in the rural economy. Likewise, Pronyk et al. (2007) argue that microcredit presents the poor with income, food, shelter, education and health and can therefore have immediate and long term consequences.

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 participation, microfinance helps 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 own businesses, educate their children, improve their healthcare and promote their overall well-being. This is supported by a study by Karlan and Zinman (2006) in South Africa where recipients of microcredit were shown to be better off than non beneficiaries. In another study by Khan and Rahaman (2007) in the Chittagong district in Bangladesh, recipients of microfinance facilities were reported to improve their livelihoods and moved out of poverty. More importantly, Khan and Rahaman (2007) reported that microfinance recipients had empowered themselves and become very active participants in the economy. Further**,** using a regression model to examine the impact of microfinance, Priya (2006) found that there is significant positive relationship between credit recipients and income; the findings suggest that program participation led to a 10% increase in income. However, the UNCDF (2009) report suggests that though microcredit may be helpful in reducing poverty, it is never a panacea and that it is only one of such tools to reduce poverty or the vulnerabilities of the poor. Buckley (1997) and Rogaly (1996) have also noted that microfinance may not always be the best tool to help the poorest of the poor. A similar argument is made by Hashemi and Rosenberg (2006) who claim that microfinance does not reach the poorest in the community.

Roodman (2009) asserts that microcredit might actually leave people worse off, just as credit cards and mortgages have made people poorer in developed countries. Referring to the over advertised benefits of microfinance, Ditcher (2006) claims that while the promise of microcredit is irresistible, the hoped for poverty reduction and impact of microcredit remains elusive. Karnani (2007) made a similar statement in his critique of microfinance programs and argued that though microcredit yields some non-economic benefits, it does not significantly alleviate poverty and that the promise of microfinance is less attractive than the reality. Karmani (2007) explained that the best way to alleviate poverty is to create jobs and increase worker productivity but not through microcredit. This is because poor borrowers tend to take out conservative loans that protect their subsistence, and rarely invest in new technology, fixed capital or the hiring of labour.

Socio-economic development is a complex process of social and economic development. In regard to assessing the impact of microcredit, the effect is measured by using social capital theory, human capital theory, access to finance and a conceptual model known as 'modified household economic portfolio model'. Social capital is the sum of the actual and potential resources embedded within available through, and derived from the network of relationships possessed by an individual or social unit (Nahapiet and Ghoshal, 1998). AIM's group based microcredit model allows every client to assemble in a weekly centre meeting to exchange information and ideas with AIM officials and clients.

This enforced weekly centre meeting can improve client's social networking and bondage becoming important source of social capital. This improved social bondage, as per social capital theory, can improve clients and their household member's ability to grasp income generating opportunities. Besides the effect of total amount of credit received, it is also very crucial to measure the effect of social capital on clients and their household members as a result of participation in AIM's microcredit program. (AIM 2010)

Human capital is the knowledge and skills people accumulate through formal instruction, training and experience that facilitate the creation of personal, social and economic well-being (Becker,1993). The importance and effect of training programs to improve household's abilities to take advantage of income generating opportunities has been addressed by almost every study measuring the performance of microcredit programs (Otero, 1999; Zaman, 1999; Pitt, Khandker and Cartwright, 2003; Matin and Begum 2003; and Rahman, Rafiq and Momen, 2009). AIM provides a wide range of training to improve their client's ability in finding new income generating activities, selecting appropriate income generating activities, using the loan suitably and improving their money management skills.

The modern development theory studies the evolution of growth and income inequalities where access to finance plays a very critical role. As mentioned by Claessens and Tzioumis (2006), lack of access to finance can be the cause of persistent income inequality or poverty traps, as well as lower growth. Access to finance increases clients and their household's ability to increase income generating opportunities and employment opportunities, which ultimately lead to increase household income and asset.

As mentioned by Hulme (1997), "behind all microfinance programs is the assumption that intervention will change human behaviours and practices in ways that will lead to the achievement (or raise the probability of achievement) of desired outcomes." The conceptual model of impact chain presents a complex set of links as each 'effect' becomes a 'cause' in its own right generating further effects.

Further, Sachs (2009) claims that microfinance may not be appropriate in every situation and advices against one size fits all strategy in the use of microfinance in poverty alleviation.

Sachs explained that the poor governance infrastructure, dispersed populations in the rural areas might limit the potential benefits of microfinance in Africa. In these cases, grants, infrastructure improvements or education and training programmes could be more effective. Empirically, Buckley (1997) studied micro enterprises in three African countries (Kenya, Malawi, and Ghana), and questions whether the extensive donor interest in microenterprise finance really addresses the problem of micro-entrepreneurship or just offers a quick fix to the problem. The study’s findings suggest that the fundamental problem is lack of infrastructure rather than the injection of capital. On the other hand, Chemin (2008) using a matching strategy to examine the impact of microfinance in Bangladesh reported a positive, but lower than previously thought, effect on expenditure per capita and school enrolment for boys and girls. In another study to examine the impact of microfinance on rural farmers in Malawi, Aguilar (2006) reported that farmers who borrow from microfinance institutions were no better off than those who did not borrow. Like Aguilar (2006), Ausburg (2008) argues that there is the need for a plus component (training in financial management, marketing and managerial skills and market development) for microfinance to succeed. It has however been said that benefits of microfinance are not always realized and that many other factors including client characteristics, microfinance structure and functional arrangements may mediate the impact of microfinance. Thus, the effect of microfinance is context specific.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter focused on the research processes and methods used in obtaining data for the research. The research design made up of the sampling and sampling techniques. This chapter made use of data collection tools and procedures as well as the analysis of the information collected and the various forms that the data collected will be presented.

The study involved the evaluation of how access to micro credit has improved small businesses. Consequently, the research was designed to achieve the objectives set out by the researcher.

3.1 Research Design

This study made use of descriptive design where quantitative data was collected using instruments such as questionnaire. Descriptive research seeks to identify characteristics of users of a given product therefore the questionnaire was designed to elicit information from the target population (all micro businesses in medina) as to the impact microcredit have had on their small businesses. The use of this design was necessary because descriptive research encompasses the collection of a wide range of social indicators and economic information such as household expenditure patterns, time use, and statistics on changes in business size and the like. Structured questionnaire containing both open and close ended questions were used to obtain information from the respondents. The researcher used interviewer administered since most of the business owners could not read and write.

3.2 Population

The target population were owners of micro businesses in Madina. However, the basic sampling unit were traders who ply their trade in Madina a suburb of Accra in the greater Accra Region. This sample unit was selected because there are several micro businesses sighted in Madina with many microfinance institutions which seem to be extending micro credit to these businesses.

3.3 Sampling procedures or techniques

Sampling involves determining who will be participants in a study. It is however necessary because one cannot usually include everyone in a study. Consequently you need to select a smaller group of participants from the larger population. In sampling there are two types' probability and non-probability sampling. This study made use of non-probability sampling method, specifically convenience sampling since the population was selected based on the convenience of the researcher. However this is not representative enough as not all the micro businesses in Madina have the chance of being selected. The researcher chose the first two hundred and fifty eight (258) micro businesses around his office since it was convenient for him to combine his office duties with the data collection process in between breaks. A sample size of 258 was used.

3.4 Data Collection

Structured questionnaire containing both open and Closed ended questionnaires were used obtain information from respondents and administered by the interviewer. The first part of the questionnaire had background information about respondents such as gender, age, educational background, number of members in the family, family expenditure etc.

Some of questions were very specific with a fixed range of answers. The structured questionnaire had multiple-choice questions in which the researcher provided a choice of answers and respondents were asked to select one or more of the alternatives and dichotomous questions that have only two response alternatives, yes or no.

3.5 Data Analyses/Presentation Procedure

After the data has been collected from the field it was processed and analysed as laid down in the research plan. The researcher used some statistical tools to analyse the data gathered from the field such as bar charts, tables and graph. Correlation and regression analyses were also used to analyse the data.

3.6 Organizational Profile of Microfinance and small loans centre (MASLOC)

Microfinance and Small Loans Centre (MASLOC) is a microfinance apex body responsible for implementing the Government of Ghana's (GoG) microfinance programmes targeted at reducing poverty, creating jobs and wealth.

Established in 2006 by the Government of Ghana, MASLOC is particularly mandated to:

- Hold in trust Government of Ghana and/or Development Partners' funds for the purpose of administering micro and small-scale credit programmes;
- Provide, manage and regulate approved funds for microfinance and small scale credit, loan schemes and programmes;
- Be a micro finance apex body responsible for;

(i) The co-ordination and facilitation of the activities of institutions and organizations in the micro-finance subsector of the economy;

(ii) Promoting and enhancing the development of a decentralized micro financial system; and

(iii) The Co-operation, collaboration and complementarities with other non-bank finance institutions in the operations of microfinance services.

Product and Services

Micro-credit or Group Loans

Under the micro-credit scheme, the main beneficiaries are groups/cooperative societies, each consisting of a minimum of 5 and a maximum of 25 members. An individual within a group can access a minimum of GHC100 to a maximum of GHC500. The group solidarity mechanism is applied in this credit scheme. Meaning the whole group is held liable for the repayment of the loan. Thus, until every member within the group has finished paying, the group is considered not to have paid their loan.

Small or Individual Loans

In the case of small or individual loan scheme, an individual can access a minimum loan of GHC1,000 and a maximum of GHC10,000. Under this scheme, the loan beneficiary must provide an acceptable security, in addition to a personal guarantor who must be in a position to redeem the loan in case of default.

The current target beneficiaries of MASLOC's facilities

MASLOC's facilities are principally targeted at the marginalized productive poor who fall mostly within the micro, small and medium enterprises sector. The main priority target groups of the intervention are women, the physically challenged (people living with disabilities), and the youth especially, as well as the productive poor in general , who are operators of all kinds of small and medium scale economic /income generating activities. Currently, the Economic Activities that qualify to be funded by MASLOC fall under the following sub-sectors.

Food crops: Production of root-crops (e.g. cassava, yams), cereals (e.g. maize, rice, millet, sorghum), legumes (e.g. pepper, garden eggs, okro, tomatoes), etc. Agricultural crops with long gestation period are not supported under the scheme.

Agro-processing: Extraction of palm-oil, palm kernel oil, groundnut oil, copra oil, gari processing, and fruit drink production.

Poultry : Production of broilers, layers, turkeys, guinea fowls, ducks, ostriches, among others.

Livestock piglets: Production of pigs, goats, sheep; fattening of young bulls/steers, among others, for sale.

Microenterprise : Petty-trading including retail of provisions, foodstuffs/staples, fruits, vegetables, selling of second hand clothing, household utensils, stationery etc.

Agro-marketing : Marketing of foodstuffs such as maize, yams, tomatoes, local rice, cold-storage (selling of frozen meat and fish), and livestock.

Alternative livelihood : Bee-Keeping, mushroom cultivation, snails, grass cutter and rabbit rearing.

Fish mongering : Smoking and selling of fish, cold storage.

Fishing : Offshore and inland fishing.

Aquaculture : Construction of fish pond, and fish farming.

Vocations : Vocational enterprise such as dressmaking, hairdressing, batik, tie and dye production, carpentry, beads production.

Handicrafts : Carving, basketry, drums production.

Agricultural machinery : Farm implements, farm machinery (e.g. Tractor, power tiller, bullock ploughs), Delivery vans for carting foodstuffs and raw materials)

Implements & tools : agro-processing.

Farm inputs : Fertilizers, herbicides, fungicides, seeds.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter focuses on the data collected and the various formats used in presenting the data collected. It however presents data by the use of tables, bar chart and graph with its associated analysis

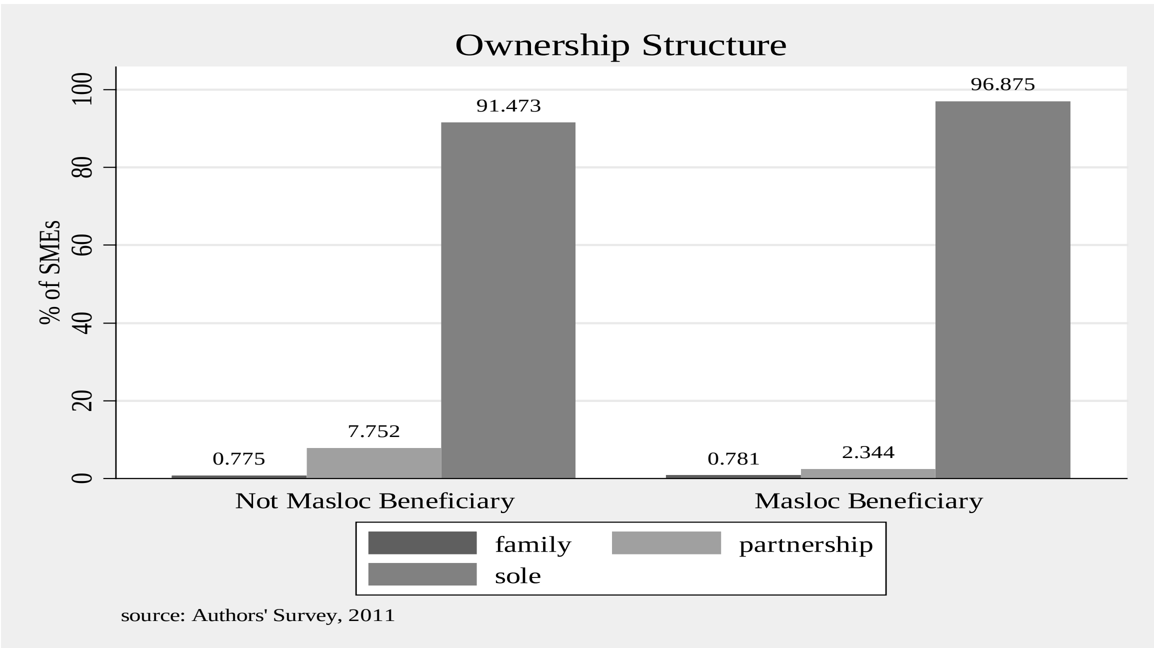
4.1 Descriptive Analysis

From Figure 1 the data seeks to establish the age of MASLOC beneficiaries and that of non-beneficiaries. It can be seen from Figure 1, that beneficiaries of MASLOC were in the ages of 38 while that of non-MASLOC beneficiaries were 37 years.

Figure 1: Entrepreneurs' Demographic Characteristics

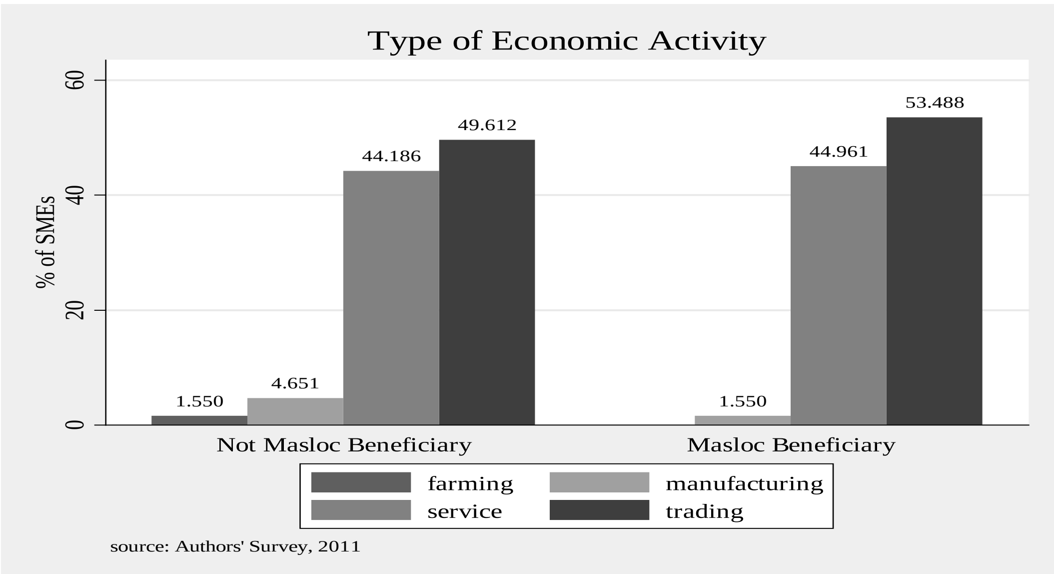
It is however quite clear that, there are no differences in ages in terms of who qualifies to access the facility and who cannot or does not access the facility. It is however an indication that age is not a serious factor that is considered before one is given access to credit be it man or woman. In terms of gender, it is quite clear that more women had access to the MASLOC credit than men and the same can be said of non-MASLOC beneficiaries. From the bar chart, about there are about 86.70% of women benefiting from MASLOC as compared to 13.30% of men. On non-MASLOC beneficiaries, 70.5% constitutes women while that of men is 29.5%. This is because, women have been targeted or have been identified as a major source through which poverty can be eradicated. They have been identified as very responsible people who pay their loans on time and committed in ensuring that the business run to generate income to feed the family and to see to it that basic needs such payment of school fees, household bills, medicals women and often rely on some type of group-lending technology. Women's empowerment can be broadly defined as an "expansion in the range of potential choices available to women" (Kabeer, 2001: 81). It has been argued that access to microcredit can foster changes in individual attitudes of women (e.g. increased self-reliance), power relations within the household (e.g. control over resources) and social status (e.g. Malhotra et al., 2002). The financial sustainability paradigm as well as the feminist empowerment paradigm emphasizes women's income-earning activities, whereas the poverty alleviation paradigm emphasizes the effects on household expenditures and particularly the use of loans for consumption purposes. Consequently, in the literature one can identify a wide range of measures that try to capture the effect of microcredit on women's empowerment (e.g. Kabeer, 2001). An important dimension of empowerment concerns women's control over household spending (e.g. Pitt et al., 2003). The main assumption is that by providing credit to poor women, their direct control over expenditures within the household increases, with subsequent implications for the status of women and the well-being of women and other household members. Access to credit also increases the poor households' risk-bearing and risk-coping abilities and enables consumption smoothing over time.

Figure 2: Ownership Structure of MASLOC and Non-MASLOC beneficiaries



In the quest of the researcher to establish the ownership of either the beneficiaries or non-beneficiaries, the above pictorial representation indicates that, about 97% of the beneficiaries owned the businesses solely. This is however an indication of, one of the major reasons why commercial banks are not prepared to assist them in terms of financing as they are too much risky a business to deal with. It is important to point out that, it is always difficult if not impossible to separate the business from their owners and as such anything that affects them or any member of their family affects the business. They don't keep proper records or practice proper accounting methods; they lack collateral and the technical knowhow in managing a business. This however was not different from the non-beneficiaries as about 91% also own their businesses. On partnership, beneficiaries were only 2% while that of non-beneficiaries were 8%. This means that the people that are found in this sector actually do not see the benefits of entering into partnerships but will rather prefer to own their businesses. It is however not surprising that in terms of access to credit non-beneficiaries is much higher than that of beneficiaries. On ownership by family, it was virtually non existence since it was less than 1% both for beneficiaries and non beneficiaries.

Figure 3: A graphical presentation of the economic activities of respondents



From figure 3 above, the researcher sought to establish the economic activity that the targeted population engage in namely; trading, farming, service and manufacturing. From the graph, the number of number non beneficiaries is 49.612% approximately 50% followed by service with 44.19, manufacturing 4.651% and farming 1.550% while that of MASLOC beneficiaries, trading 53.49%, service44.961%, manufacturing 1.550% and 0% for farming. It is however not surprising that the most dominant economic activity is that of trading followed closely by service for the two groups of beneficiaries and this is mainly due to small capital required to start the business. The same cannot be said of manufacturing and farming whose capital requirement is much higher than trading and services.

Table 1: Descriptive Statistics of Relevant Variables

Characteristics	Non-MASLOC Beneficiaries			MASLOC Beneficiaries			Paired Test	
	N	Mean	Sd	N	Mean	Sd	t-statistics	P-value
Age of Entrepreneur	129	37.333	8.942	128	38.406	7.190	-1.0595	0.2904
Female Entrepreneur	129	0.705	0.458	128	0.867	0.341	-3.2122	0.0015
Number of Employees	90	2.333	1.017	82	2.268	1.833	0.2911	0.7713
Start-up Capital	129	729.767	373.239	128	631.406	383.109	2.0847	0.0381
Weekly Income	129	167.194	145.634	128	149.180	130.581	1.0437	0.2976
Weekly Sales (volume)	37	10.243	17.530	23	250.044	1036.938	-1.4138	0.1628
Weekly Sales (value)	129	385.543	245.223	129	374.031	409.998	0.2737	0.7846
Amount Borrowed				129	647.287	2605.878		

Source: Authors' Survey, 2011

Who benefits from MASLOC credit initiatives? This section seeks to understand the selection processes of MASLOC credit programme in Ghana. It seeks to identify factors that may influence the selection process. Table 1 reports the descriptive statistics of relevant characteristics of beneficiaries and non beneficiaries of the credit programme. The table above shows the link between Credit and sales performance among the various beneficiaries and non-beneficiaries of MASLOC loans. From the table, among the beneficiaries and non-beneficiaries of MASLOC's facilities respectively, there is no difference between the ages of entrepreneurs who operate businesses. This is shown in the various standard deviation of 37.33 non MASLOC beneficiaries and 38.404 for MASLOC beneficiaries; with the paired test, the p-value is more than the t-values (calculated). This however underscores the earlier submission that age, is not a serious factor that is considered in considering who qualifies for a credit facility or not.

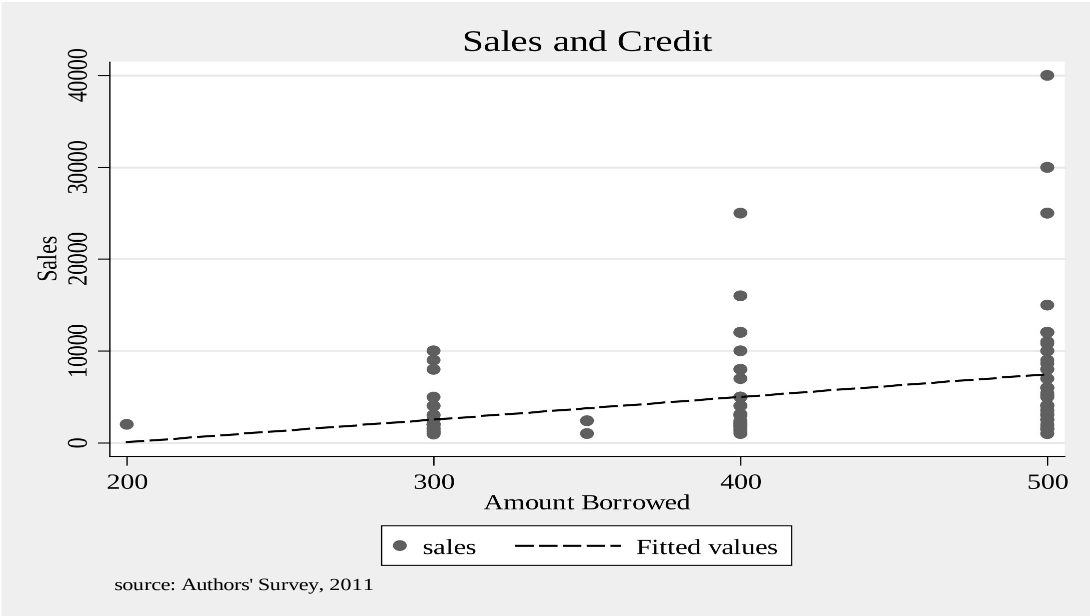
On the issue of female entrepreneurs, the data also showed no difference in both the beneficiaries and non-beneficiaries of MASLOC. Again, it clearly supports the earlier assertion that women tend to benefit from credit access more than men in an attempt to reduce poverty.

Table 1 also reports the gender distribution of entrepreneurs on and off the MASLOC programme. More than 80% of all beneficiaries of MASLOC credit are female entrepreneurs suggesting a gender sensitive initiative. This is consistent with empirical literature which suggests that most credit schemes in informal sectors are meant to empower women and since women are usually the conduit to poverty reduction, they are the major beneficiaries. The result shows a statistically significant difference in gender composition of beneficiaries and non beneficiaries. The difference is statistically significant at 1%. The data also shows that, the number of employees engaged by both beneficiary and non-beneficiary entrepreneurs or businesses, there is no sô`tistically significant difædòdnce between the two. This is because; the p-value (0.772) is greater than the calculated value (0.2911). This is however an indication that in accessing credit from MASLOC, the number of employees hired by the entrepreneur will thus not guarantee an access or otherwise of credit. It is important to note that granting of credit access is influenced by the nature of business and the level of cash flow that the business generates, as well as the credit worthiness of the entrepreneur.

From the table, there is significant difference between the issues of start-up capital. Beneficiaries of MASLOC have access to start up capital than the non beneficiaries of MASLOC. From the table, the standard deviation of the beneficiaries is 383.109 and that of the non beneficiaries 373.2139. Since the t-value (2.087) is greater than the p-value (0.0381) it indicates that there is different in their access to start up capital.

There is also significant difference between the beneficiaries and non-beneficiaries in terms of the weekly income they get from their sales.

Figure 4: A graphic presentation of sales and credit



From figure 4, above shows the relationship between the sales that beneficiaries of MASLOC loans make and the amount of loans that they get from the institution. From the table, the loan amounts range between 200 and 500 Ghana cedis. It is also clear from the table that there is a direct relationship between the amount of money borrowed and the sales volume. As can be seen from the graph beneficiaries who took a loan of GHs200 had sales volume of about GHs1500 while those of GHs500 had sales volumes of GHs40,000 meaning the higher the loan, the higher the sales and all things been equal higher profit, an increase in disposable income, meaning if the profit is put back into the business will increase the working capital of the entrepreneur. On the other hand, the increase in sales might not necessarily result in an increase in profit and finally an increase in working capital since the cost of borrowing from the these micro finance institutions are very high. It is worth noting that, high interest rate has resulted in the collapse of a number of micro businesses. Apart from the rates, poor business management skills have resulted in the collapse of most of the micro businesses since they tend to spend the loan on consumables instead of injecting the loan into the business. For example in a study to examine the impact of microfinance on rural farmers in Malawi, Aguilar (2006) reported that farmers who borrow from microfinance institutions were no better off than those who did not borrow. Like Aguilar (2006), Ausburg (2008) argues that there is the need for a plus component (training in financial management, marketing and managerial skills and market development) for microfinance to succeed.

Also according to Coleman (1999), the village bank credit did not have any significant impact on physical asset accumulation, production and expenditure on education. In other words, credit on its own is not an effective tool for helping the poor to enhance their economic conditions, unless, for example, there is access to markets and other inequalities are removed.

4.3 SME Performance and Credit Access in Ghana

Table 2: Credit Access and Output Levels

	(1) Sales Value	(2) Sales Value
MASLOC Member [a]	-598.6047	-4367.0534^{**}
	(-0.27)	(-2.20)
Amount Used to Pay Salaries		18.7940^{**}
		(2.32)
Amount Used to Purchase Equipment		-8.4001
		(-0.74)
Amount used for family up keep		-17.5213
		(-1.50)
Amount Used to Purchase Input		5.7565^{**}
		(2.57)
Amount Used for Office Rentals		-24.1057
		(-0.92)
Amount Used for School Fees		20.9330
		(0.79)
Amount for Other Expenses		39.4550^{***}
		(3.54)
Constant	20048.2171^{***}	20048.2171^{***}
	(12.96)	(17.91)
Observations	258	258

Adjusted R^2	-0.004	0.474
Log lik.	-2886.7044	-2799.7097
Chi-squared		
r2	0.0003	0.4907
F	0.0749	29.9854

t statistics in parentheses
$^{*}p< 0.10$, $^{**}p< 0.05$, $^{***}p< 0.01$
a--- binary variable with 1 for MASLOC beneficiaries and 0 for otherwise

The research sought to establish the other expenses that micro businesses spend the loans on after accessing the loan. From table above, the loans taken by the clients of MASLOC use the loans for payment of salaries, purchase of inputs, payment of school fees and for other expenses. From the table, the major area of usage is for other expense which shows sales value (r-value) of 39.4550. 20.933 of the sales value as indicated on the table goes into school fees. This is also shown with a t-value of 0.79 which accepts that some of the money is used for the payment of school fees. The other area where the clients of MASLOCs invest is in the purchase of inputs. This is confirmed in a value of 5.7565 and a t-value of 2.57. Payment of salary is another area where part of the credit is invested into. There is a positive relation between the loans and salaries. This is clear from the table with a t-value of 2.32. Purchase of equipments, office rentals, and family upkeep are areas that most of the loans taken by MASLOC clients show little interest in investing. From the table, there is a negative correlation between MASLOC loans and amount used to purchase equipments. This indicates that the clients take loan with little intentions of investing in the purchase of equipments. On the other hand, there is a high negative correlation between the MASLOC loans granted and amount of the loans used by the clients for office rentals. This is evident in -24.52 regression value. On family upkeep, there was also a negative relation between the amounts taken as loans and how much they invest in t heir family upkeep. It is however clear from the above that, apart from putting the money into the business, the loan is also spent on payment of school fees, salaries, purchase of inputs and other expenses as clearly indicated on the table. It needs to be pointed out that, these expenses are likely to affect the repayment of the loan since these areas are not likely to generate immediate profit to support the payment of the loan. Let us not forget that the principal loan amount has reduced whiles the interest rate remains the same. Ideally, these expenses should have been paid out of the business profit. This could however result in the entrepreneur paying back the loan with the principal instead of the profit and this might affect the growth of the business.

4.2 Discussion of Results

In the quest of the researcher to establish whether there are differences in performance of recipients and non recipients of microcredit, assess the influence of alternative use of microcredit by small firms on performance as well as identify the factors explaining the link between access to credit and performance of small scale enterprises in Ghana. The following are the results of the findings.

Firstly, the researcher was able to establish that, indeed people who had access to microcredit were able to increase their sales an indication that there was a direct relationship between access to credit and an increase in sales. This has however been collaborated by Jonathan Zinman, an economics professor at Dartmouth College in Hanover, N.H., recently published the results of a 22 month study that examined how individuals make economic decisions over time and whether micro-lending policies aid economic development. "Proponents argue microcredit mitigates market failures, spurs microenterprise growth and boosts borrowers' well-being," the researchers write in a report, which appears in the June 10 issue of *Science*. (www.sciencedaily.com)

Again, the study was able to confirm that indeed respondents who took microcredit used some of the funds to pay salaries, buy inputs, payment of their wards school fees and other expenses. This was however confirmed by a study undertaken by Karlan and Zinmann that studied the impact of consumer credit on low income borrowers in South Africa. According to them, it is surprising to learn that micro-loans aren't just for business use; recipients use them for household consumption and investment as well (however, some specific microfinance products are more tailored towards small businesses others towards consumer lending). For instance, many use micro-loans to pay for their child's school fees, to install a new roof on their house, to repair the motorcycle that they use to get to work, for food purchases in hard times (what economists refer to as "consumption smoothing") and many other uses. Using a randomized controlled experiment, they found that expanding credit access had a positive effect on many measures of well-being, including income and employment.

Finally, in establishing a link between credit access and the performance of small scale enterprises, it was found out that, women tend to have access to credit than men even though gender was not a factor that was considered in granting credit to a business. The following are however some of the factors considered in granting credit that is, Small business loans vary in size.

- The loan is mostly for working capital. You can also use it to buy supplies, furniture and equipment. You cannot use it to pay for debt already incurred, or to buy real estate.
- Interest rates for microloans run between 8 and 13 percent depending on the intermediary and lender costs and other loan terms.
- Loan terms depend largely on the size of the loan and the planned use for it.
- The maximum term for the loan, the amount of time you have to pay it back, is six years. Generally, some sort of collateral is required for microloans.

  However, this isn't always necessary and depends largely on the loan application. (http://kerrysimpkins.com)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter discusses the main findings of the study. Also conclusions and recommendations are made. The goal of this research is to study the impact of micro credit on small businesses evidence from MASLOC. Specifically, the study sought to identify the differences in performance of recipients and non recipients of microcredit, assess the influence of alternative use of microcredit by small firms on performance, and identify other factors explaining the link between access to credit and performance of small scale enterprises in Ghana.

5.1 Summary

This study sought to establish the impact of micro credit on small businesses with evidence from MASLOC by focusing on the differences in performance of recipients and non recipients of microcredit, assess the influence of alternative use of microcredit by small firms on performance, to identify other factors explaining the link between access to credit and performance of small scale enterprises in Ghana. The study reviewed literature on some of the impacts microfinance have had on micro businesses. The study also looked at the following theories, the Entrepreneur in theories of the Firm, theories of Entrepreneurial Choice, and theories of Stage of Development. The literature reviewed the alternative sources of credit apart from the microfinance institutions namely, Credit unions and other local financial companies, grants, government loans, credit cards, family members, Vendors & strategic alliances and the determinants of firm growth as well as the relation between micro credit access and the growth of small businesses.

The methodology of the research was made up of the research design which was descriptive and quantitative data was collected using open and closed ended questionnaires. The target population was that of the micro businesses in Madina with a sample size of 258. The data analysis made use of tables, bar charts and graphs. The study looked at the ownership structure of the micro businesses that is, whether the business is solely owned, partnership or family owned. It was however established that close to 97% of the businesses involved in the study were solely owned while the partnership had 3% and family 1% respectively.

The researcher also looked at the characteristics of entrepreneurs in terms of their ages and gender as well as those who have had credit from MASLOC and those who have not had credit from MASLOC. It was however established that, getting credit from MASLOC age was not a factor that is considered since there was no difference between beneficiaries of MASLOC and non-beneficiaries of MASLOC but rather women tend to have access to credit more than men and this was clearly demonstrated by those with credit access from MASLOC and those without credit access from MASLOC. On economic activity of respondents, it was established that, majority of them were into trading and services while smaller portion were within manufacturing and farming.

In the quest of the researcher to establish the ownership structure of their business, the study revealed that sole proprietorship happens to be the most dominant ownership structure with the least considered been that of family. This clearly explains why the largest portion of the Ghanaian trading sector of the economy is dominated by sole proprietors and thus the challenges they face in their attempt to secure loans from the commercials banks leaving the country with lots of the population unbanked.

On the effects of credit access on sales, it was quite clear that sales tend to increase after capital injection from MASLOC. The same however cannot be said of those who do not have access to credit. It was established that the all the loans does not go into the business but rather some are used in the payment of salaries, school fees, and other house hold expenses.

5.2 Conclusions

From the analyses made on the data collected, it can be concluded that asses to microcredit has an impact on the growth of small businesses. This conclusion is been arrived at base on the following:

- That people who had access to credit were able to increase their sales;
- That beneficiaries of micro credit did not use it only for the business but on other things such as payment of school fees, wages and salaries of workers etc. the impulse of this is that, the beneficiary will have difficulty in paying back the loan; and
- It was established that gender was a factor that determined access to credit because the numbers were skewed towards women.

The study also confirmed that most of the people who had access to credit were sole proprietors whose economic activities were that of trading. It is however important to point out that age was not a factor in considering one for credit.

5.3 Recommendations

Microcredit and microfinance have received extensive recognition as a strategy for poverty reduction and for economic empowerment. Microfinance is a way for fighting poverty, particularly in rural areas, where most of the world's poorest people live. Accessing small amounts of credit at reasonable interest rates give people an opportunity to set up their own small business. It has been said that poor people are trustable, with higher repayment rates than conventional borrowers. When poor people have access to financial services, they can earn more, build their assets, and cushion themselves against external shocks. Poor households use microfinance to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education. If the following suggestion are given the needed attention if will improve the performance of micro credit and its beneficiaries;

- As pointed out in the research, getting the loan does not necessary mean that their businesses are going to experience growth. It depends on their ability to manage their businesses, proper book keeping, and availability of market, low interest rate and financial education;

- It was realized from the research that most beneficiaries used some portion of the loan for other expenses rather than injection into the business. Beneficiaries should be educated to know the implications of their acts on the business as far as the loan repayment is concern. Only incomes from the business should be used to pay for such expenses;

- The micro entrepreneurs should be encouraged to make savings their habit so that they can reduce their dependent on the micro finance institutions (MFI). Since most micro entrepreneurs prefer to deal with these MFI’s instead of the traditional commercial banks, the laws on its operation should be strengthened in ensuring that their savings are safe as well as a check on their interest rates;

- Although most of the microfinance institutions are giving out credit, it seems the credit is not large enough to see to the growth of businesses. I therefore recommended that microfinance institution increase their loan size. An increase in loan size will have a greater multiplier effect on households’ income through profits from income generating activities;

- It has also been established under the determinants of business growth that, limited liability companies tend to grow faster than sole proprietorships since they take risk which comes with it higher income and such quick growth;

- The study established that most of the people that had credit from MASLOC were mostly accessed by sole owners of businesses. It must be pointed out that one of the major demerits of sole proprietorship is that, the demise of the owner results in the collapse of the business and this however accounts for the inability of micro businesses to access credit from the commercial banks. They are however encouraged to go into partnership and limited liability businesses;

- The credit services should be diversified by providing working capital loan, fixed asset loan, seasonal agricultural loan, car loan, consumer loan, emergency loan and parallel loan. To increase the impact, the loan products have to fit the financial needs of a wider range of household economic activities. This will however help reduce diversion and a significant reduction in the defaulting rate of customers;

- The micro businesses should be advised against diversion of funds into other businesses other than the reason for the financial request. This can be avoided by the financial institution ensuring that the items that the customer intends to purchase for example equipment, payment is made directly to the supplier;

- The financial institutions should equip their loan officers with the requisite skills to enable them monitor effectively loans given out as well as educate their customers on financial management.

5.4 Limitations of the study

One basic limitation of this study is with the data that was collected. Since most of the people interviewed were illiterate I had to write the responses as they said them. One problem was, what they said may not necessary means what was written. Also at some point in time I had to use interpreters which is also a possible point where some the information could be distorted. The problem with the research as it tends to focus on a given specific locality and a small client group. It is very difficult to generalize or make reliable conclusions that reach across borders or the whole country in income levels or socio-economic status. Another challenge was unwillingness on the part of respondents to disclose information such as whether they have taken loans before and how much. Some were also not ready to talk to me since according to them it has been a routine and are yet to witness its usefulness or benefits. Some were only prepared to speak only if they will be given money.

5.4 Suggestions for future research

The findings and the implications discussed above provide some directions for future research. First, future research should examine the impact of microfinance on recipients over time, since some studies suggest that it takes time for microfinance to have an effect on livelihoods of the poor. For instance according to Aguilar (2006) and Ausburg (2008) argues that, there is the need for a plus component (training in financial management, marketing and managerial skills and market development) for microfinance to succeed. Again, this study looked a sample population in Madina and as such the research cannot be said to be very representative and will recommend that an institution will take this topic up in the whole of greater Accra. Also, I recommend a research on diversion of credit into other expenses other than the business.

REFERENCES

Acs, Z., D.B. and Audretsch (1990). *Small Firms and Entrepreneurship*: A Comparison between West and East Countries, Discussion Paper, MIT Press

Aguilar, V. G., (2006). *Is Micro-Finance Reaching the Poor?* An Overview of Poverty Targeting Methods. Available at; www.globalnet.org [Accessed 01/08/09]

AIM (2010), *About Amanah Ikhtiar Malaysia*., Available at: http://www.aim.gov.my [July, 2010]

Almus, M., and E. Nerlinger., (2000). *Testing Gibrat's Law for Young Firms*:Empirical Results for West Germany, Small Business Economics 15, 112

Ansoff, H.I., (1965). *Corporate Strategy*, McGraw-Hill, London.

Asiama, J.P. and Osei, V., (2007). *Micro finance in Ghana*: An Overview, Research Department Working Paper Bank of Ghana 07/01. Accra.

Audretsch, D.B & Mahmood Talat., (1994). *Firm Selection and Industry Evolution:* The Post-entry Performance of New Firms, Journal of Evolutionary Economics, Springer, vol. 4(3), pages 243-60, September.

Audretsch, D.B., (1995). *Innovation, Growth and Survival*, *International Journal of Industrial Organization*, Elsevier, vol. 13(4), pages 441-457, December

Augsburg, B., (2008). *Microfinance Plus – Impact of the 'Plus' on customers' income in Rural Areas*. University of Maastricht, the Netherlands

Barney, J.B., (1986). *Strategic Factor Markets:* Expectations, Luck and Business Strategy, Management Science Journal 42: 1231-1241.

Becchetti, L., and G. Trovato., (2002).*The determinants of growth for small and medium sized Firms:* The role of the availability of external finance. Small Business Economies 19, 291306.

Becker, G., (1993). *Human capital:* a theoretical and empirical analysis, with special reference to education. Chicago: The University of Chicago Press.

Birley, S. and P. Westhead., (1990). *Growth and Performance Contrast between Types of small Firms*. Strategic Management Journal, 11: 535-557.

Boyle, G., (2009). *Be the Change*: Empowering Women through Microfinance.
Available at http://www.brazencareerist.com [Accessed 25/11/09[.

Buckley, G. (1997). *Microfinance in Africa*: Is it either the Problem or the Solution? World Development report, 25(7): 1081-1091.

Carland, J.. Hoy, F.,. Boulton, W, and Carland A., (1984). *Differentiating entrepreneurs from smallbusiness owners*: A conceptualization, Academy of Management Review, 9(2): 354-359.CFIB

Capital Development Fund Report., (2008). *Enabling poor rural people to overcome poverty in Ghana*. United Nations, New York

Christen, R.P. Rhyne, E. Vogel, R.C. and Mckean, C., (1995). *Maximizing the Outreach of Microenterprise Finance*: An Analysis of Successful Microfinance Programs. USAID (U.S. Agency for International Development) Program and Operations Assessment Report No. 10. Washington, D.C.

Churchill, C. N., and Lewis, V. L., (1983). *Growing Concerns*: The Five Stages of Small Business Growth, Harvard Business Review, 3: 30-50.

Chen, K. Babb, E.M. and Schrader, L.F., (1985). *Growth of Large Cooperative and Proprietary Firms in the US Food Sector*, Agribusiness 1: 201

Chemin, M., (2008). *The Benefits of Microfinance from Bangladesh*: Journal of Development Studies, 44(4): 463-484

Claessens, S. and Tzioumis, K., (2006). *Measuring firms' access to finance*, MIMEO, World Bank Report, Washington DC.

Coleman, B.E., (1999). *The impact of group lending in Northeast Thailand*: Journal of Development Economics, vol.60, pp.105-141

Cooper, A. C. Gimeno-Gacson, F. J. and Woo, C. Y. (1994). *Initial Human and Financial Capital as Predictors of New Venture Performance*: Journal of Business Venturing, 9: 371-395

Davidsson, P., (1991). *Continued entrepreneurship*: Ability, need and opportunity as determinants of small firm growth, Journal of Business Venturing, 6: 405-429.

Davidsson, P., (1989). *Entrepreneurship and After*: A Study of Growth Willingness in Small Firms, Journal of Business Venturing, 4: 211-226.

Davidsson, P., (1989). *Continued Entrepreneurship and Small Firm Growth*: Ph.D. Dissertation, Stockholm School of Economics.

Davidsson, P. Kirchhoff, B. Hatemi, J.A. and Gustavsson, H., (2002). *Empirical Analysis of Business Growth Factors Using Swedish Data*, Journal of Small Business Management, 2: 112-116.

Dichter, T. W., (2006). *Hype and Hope*: The Worrisome State of the Microcredit.
Available at http://conservationfinance.wordpress.com [Accessed on 30/08/09[

Dunne, T. Roberts, M.J. and Samuelson, L. (1989). *The Growth and Failure of US manufacturing Plants*, Quarterly Journal of Economics 104(4).

Ghana Microfinance Institutions Network.,(GHAMFIN) (2003). *Census of Micro Credit NGOs, Community-Based Organizations and Self Help Groups in Ghana*, Accra, GHAMFIN, draft report prepared by Asamoah & Williams Consulting.

Gibrat., (1931). *Les Inégalités Econmiques, Librairie Du Recueil Sirey*, Paris 40(4): 332-349.

Graham, B& Partners., (1997). *Credit Guarantee schemes for Small Business Lending*. London: GB&P

Gundry, L.K. and Welsch, H.P. (1997). *Frontiers of Entrepreneurship Research*
Available athttp://www.babson.edu/entrep/fer/papers97 [Accesed 8/97]

Hall, B., (1987). *The Relationship between Firm Size and Firm Growth in the US Manufacturing Sector*, Journal of Industrial Economics 35: 583-606

Hulme, D., (1997). *Impact Assessment Methodologies for Microfinance:* A Review, CGAP Working Group on Impact Assessment, CGAP, Washington D.C.

Hulme D. and Mosley P., (1996). *Finance against poverty*. Routledge United Nations Vol. I, II.

Hulme D.,(1997). *Impact Assessment Methodologies for Microfinance:* Theory, Experience and Better Practice. Finance and development research programme, working paper series, Paper n°1. University of Manchester, Institute for Development Policy and Management.

Kabeer, N., (2001). *Conflicts over credit*: Re-evaluating the empowerment potential of loans to women in rural Bangladesh, World Development, 29(1), 63-84.

Karlan, D. and Zinman, J. (2006). *Credit Elasticities in Less Developed Economies*: Implications for Microfinance, working paper Available at www.povertyactionlab.org. [Accesed July, 2011]

Karnani, A., (2007). *Microfinance Misses its Mark*, Stanford Social Innovation Review. Summer

Khan, M.A. and Rahaman, M.A., (2007). *Impacts of Microfinance on Living Standards, Empowerment, and Poverty Alleviation and Poor People:* A Case Study on Microfinance in the Chittagong District of Bangladesh. Available at http://www.essays.se. [Accessed on 24/11/09]

Khawari, A., (2004). *Microfinance: Does it hold its promises?* A Survey of Recent Literature. HWWA discussion Paper NO. 276 Available at SSRN: http://ssrn.com/abstract=556213 [Accessed July 2011]

Knight, F., (1921). *Risk, Uncertainty and Profit*, New York: Houghton Mifflin

Kihlstrom, R. and Laffont J.J., (1979). *A General Equilibrium Entrepreneurial Theory of Firm Formation Based on Risk Aversion*, Journal of Political Economy, 59: 719-748.

Kolvereid, L., (1990). *Growth Aspirations among Norwegian Entrepreneurs*, Journal of Business Venturing: 209-222

Kumar, M.S., (1985). *Growth Acquisition Activity and Firm Size*: Evidence from the United Kingdom, Journal of Industrial Economics 33(3): 327-338

Ledgerwood J., (1999). *Microfinance handbook: An institutional and financial perspective*, Washington, D.C World Bank

Littlefield, E., (2005). *Microfinance - Where We Are Now and Where We Are Headed*, Microfinance speech given at the International Year of Microcredit and Georgetown University Conference on, Washington DC.

Littlefield, E., Morduch, J., Hashemi, S., (2003). *Is Microfinance an Effective Strategy to Reach the Millennium Development Goals.* Focus Note No. 24, CGAP, Washington, USA, Livelihoods: Microfinance that Works for the Majority, A Guide to Best Practices, London

Lucas, Robert E., (1978). *On the Size Distribution of Business Firms*, Bell Journal of Economics, 9: 508-523.

Marris, R., and Wood A., (1971). *The Corporate Economy*, Harvard University Press, Cambridge, Massachusetts.

Mata, J., (1994). *Firm Growth during Infancy*, Small Business Economy 6(1): 27-40.

Matin, I. and Begum, A. S., (2002). *Assisting the Extreme Poor*: Experiences and Lessons from a BRAC Project, Discussion Paper, Research and Evaluation Division, Bangladesh Rural Development Committee, Dhaka, Bangladesh 18

Mohammad, A. K. and Mohammed, A. R., (2007). *Impact of Microfinance on Living Standards, Empowerment and Poverty Alleviation of Poor People*: A Case Study of Microfinance in the Chittagong District of Bangladesh, Umeå School of Business (USBE)

Nahapiet, J. and Ghoshal, S., (1998). *Social Capital, Intellectual Capital, and the Organizational Advantage,* Academy of Management Review, 23(2)

Otero, M., (1999). *The Evolution of Non-Governmental Organizations toward Financial Intermediation*. West Hartford, CT: Kumarian Press

Penrose, E., (1959). *The Theory of the Growth of the Firm*. Oxford. U.K

Pitt, M., Khandker, S. and Cartwright, J., (2003). *Does Micro-Credit Empower Women?* Evidence from Bangladesh, Policy Research Working Paper 2998, World Bank, Washington DC

Popkin, J. and Company, (1991). *Business Survival Rate by Age Cohort of Business*:Report Prepared for the US Small Business Administration, Office of Economic Research.

Porter, M., (1980). *Competitive Strategy:* Techniques for Analyzing Industries and Competitors, Free Press, New York.

Pronyk, P. Hargreaves, J., and Murdoch J., (2007). *Microfinance Programmes and Better Health:* Prospects for Sub Saharan Africa. Journal of American Medical Association, 29(16): 1925-1927

Priya, M., (2006). *The Effects of Microfinance Program Participation on Income and Income Inequality:* Evidence from Ghana. Available at http://cniss.wustl.edu/publications [Accessed on 15/11/09].

Rahman, S., Rafiq, R. B. and Momen, M. A., (2009). *Impact of Microcredit Programs on Higher Income Borrowers:* Evidence from Bangladesh. International Business & Economics Research Journal, Vol-:8, Issue: 2

Rajan, R. and Zingales L., (1998). *Financial Dependence and Growth*, American Economic Review 88: 559-586.

Robinson, Marguerite S., (2001). *The microfinance revolution*, The World Bank, Washington D.C.Development, Vol. 20, pp 1463-1470.

Rogaly B., (1996). *Microfinance evangelism, 'destitute women' and the hard selling of a new antipoverty formula*. Development in Practice 6 (May): 100–112.

Roodman, D., (2009). *What do we Really Know about Microfinance?* Available at http://blogs.cgdev.org. [Accessed 10/11/09]

Rosenberg, R., (1996). *Microcredit interest rates*. In Robinson, M. (2003). The microfinance revolution: Sustainable finance for the poor. Vol. 1. Washington D.C.: World Bank

Sachs, J., (2009). *Is Microfinance the Solution to Poverty?* Available at http://www.kiva.org [accessed on 29/11, 09]

Schmidt, R. & Zeitinger, C. P., (1994). *Critical Issues in small and micro business finance.* Germany: Interdisziplinare Projekt Consult GmbH

Schumpeter, J. A., (1939). *Business Cycles: A Theoretical, Historical and Statistical Analysis of the Capitalist Process*, New York: McGraw Hill Book Company Inc

Sexton, D. L and Smilor, R. W. (eds.) (1997). *Entrepreneurship 2000*, Chicago: Upstart Publishing.

Simanowitz, G and Brody, M., (2004). *Realising the potential of microfinance*, id21 insights, December, Issue -51

Stiglitz J., (1990). *Peer monitoring and Credit Markets.* The World Bank economic Review 4,351-366.

Storey, D., (1994). *Understanding the Small Business Sector*, Rutledge, New York.

United Nations Capital Development fund [UNCDF]., (2009). *Enabling Poor Rural People to Overcome Poverty in Ghana*. United Nations, New York

Variyan, J. and Kraybill D.S, (1994), *Managerial Inputs and the Growth of Rural Small Firms*, American Journal of Agricultural Economics 76: 568-575.

Von, Pischke, J,D.,(1991). *Finance at the Frontier: Debt Capacity and the Role of Credit in the Private Economy*. World Bank Economic Development Institute. Washington DC.

Wagner, J., (1992). *Firm Size, Firm Growth, and Persistence of Change:* Testing Gibrat's Law with Establishment Data Firm Lower Saxony, 1978-1989, Small Business Economics 4(2):125-131.

Wehrell, R., Campbell, M., Cunningham, G., and Lee, N., (2002). *The Atlantic Micro-credit Socio -Economic Impact Study Final Report*. Steering Committee to Coordinate Research on Microcredit in Atlantic Canada

World Bank., (2001). World Development Report 2000/2001-*Attacking Poverty*, Oxford University Press

Zaman, H., (1999). *Assessing the Impact of Micro-credit on Poverty and Vulnerability in Bangladesh*, Policy Research Working Paper, Development Economics, World Bank,Washington D.C.

Zinman.J., (2011). *Can small loans reduce poverty?* Economist says microfinance yields. Availableat;www.sciencedaily.com. [Accessed July 27,2011].

Zinman, J. and Karlan, D., (2010). *Micro loan- an explanation* Available at: http//kerrysimpkins.com [Accessed July 27,2011]

SME SURVEY INSTRUMENT

Dear participant, I am a graduate student of the School of Business, Kwame Nkrumah University of Science and Technology. I am conducting this research as in partial fulfillment of the requirements for the award of an Executive Masters Degree in Business Administration. I assure you that the responses you give will be treated with strict confidentiality. All information provided in this interview schedule will be added to those of other respondents for a general analysis so there will be no way of identifying sources of specific responses after analysis. I would be grateful if you would agree to answer the Questions below as frankly and objectively as you can.

A. SECTION A- DEMOGRAPHIC CHARACTERISTICS

1. Age

   0-17 ☐ 18-27 ☐ 28-37 ☐ 38-47 ☐ 48-57 ☐ Over 58 ☐

2. Gender

   Male ☐ Female ☐

3. Experience

   1-5 years ☐ 6-10years ☐ 11-15years ☐ 16-20years ☐ over 20years ☐

4. Highest level of education

   None ☐ Primary ☐ JSS/Middle Sch./Vocational ☐ SSS/O/A-Level ☐ Polytechnic ☐ Professional Qualification ☐ First Degree ☐ Masters Degree ☐

   Post Masters Degree ☐

5. Religious Affiliation

   Christian ☐ Islam ☐ Traditional ☐ Other ☐

6. Ethnicity

   Asante ☐ Akwapim ☐ Fanti ☐ Other Akan ☐ Ga&Ga-Adangdme ☐ Ewe ☐

   Guan ☐ Nzema ☐ Hausa ☐ Dagomba ☐ Mamprusi ☐ Other ☐

7. Marital Status

Married Single Divorced Separated Widowed Cohabitation

Other

8. What is the main occupation

   Farmer Agriculture Labourer Health Worker House Worker manufacturing

   Trading Clerical/Office Work Service Student Others

9. Do you have a second job? Yes No

10. What is this second job

    Farmer Agriculture Labourer Health Worker House Worker Construction

    Trading/Shop-Keeper Clerical/Office Work Professional Mining

    Retired Unemployed Other Please specify…

11. What is your average monthly income from main occupation? ....

12. What is your average monthly income from second job? ....

13. Do you have any other source (s) of Income? Yes No

14. How much, on average do you make from all other sources? ....

SECTION B- Business Details

15. What is the ownership structure of this business

    1= Sole Proprietor
    2= Partnership
    3= Limited liability
    4=Family Business
    5= Other (Specify)

16. How many employees do you have? ☐
17. Is this your first business? Yes ☐ No ☐
18. When (in years) did you start this business?..
19. How long have you operated this business?
20. What is the current location of your business?...
21. **What type of business is this?** a. Trading b. Food seller c. service
22. D. manufacturing e. student f. farming g. others

Business Operation

Now we will ask you questions relating to your sales and expenses

23. What is your average monthly sales volume?………………………………………..
24. What is your average annual sales volume?...
25. What is your average monthly sales income?..
26. What is your average annual sales income?..
27. What is the average monthly expenses on salaries?...
28. What is the average monthly expenses on electricity?...
29. What is the average monthly expenses on water?..
30. What is the average total expenses?..

Financing Your Business

Now we will ask you questions relating to your sources of finance

31. What is the main source of finance for your business?

    Personal Savings ☐

    Family contribution ☐

    Contribution from Partners ☐

    Loan from Banks ☐

    Loans from Other community members ☐

    Loans from family members ☐

    Loan from Susu Groups ☐

    Loan/ Money from Government ☐

    Other sources: ☐

32. What is your startup capital?..

33. How much of this start capital came from:

Source	Amount
Personal Savings	
Family contribution	
Contribution from Partners	
Loan from Banks	
Loans from Other community members	
Loans from family members	
Loan from Susu Groups	
Loan/ Money from Government	
Other sources:	

34. Apart from the startup capital, have you over the last two years, obtained credit from any financial or nonfinancial institutions? ☐ ☐

35. If yes to question 33 what institution did you obtain this loan?

    A bank ☐ A Microfinance Institution ☐ Susu Group ☐

36. When (in years) specifically was this loan acquired?...

37. How much loan did you acquire?...

Access and Use of Credit

38. What is the main purpose for which this loan was acquired? Tick as many as apply

Family Up Keep	
Pay School Fees	
Pay Medical Expenses	
Buy inputs	
Buy new equipments	
Pay salaries of workers	
Pay other expenses	

39. What was the money used for?   Tick as many as apply

Family Up Keep	
Pay School Fees	
Pay Medical Expenses	
Buy inputs	
Buy new equipments	
Pay salaries of workers	
Pay other expenses	

40. How much of this credit was spent on:

Family Up Keep	
Pay School Fees	
Pay Medical Expenses	
Buy inputs	
Buy new equipments	
Pay salaries of workers	
Pay other expenses	

41. What specific equipment did you purchase for your business?

……………………………………………………………………………………………..

……………………………………………………………………………………………

…

42. What specific inputs did you purchase with the loan?

……………………………………………………………………………………………..

……………………………………………………………………………………………

…

APPENDIX ‘A’

UNIVERSITY OF SCIENCE AND TECHNOLOGY

BOARD OF POST GRADUATE STUDIES

SUBMISSION OF THESIS: POST GRADUATE DIPLOMA, MASTERS AND DOCTORATE DEGREES

(To Be Completed in Triplicate)

A. CANDIDATE

1. Name Of Candidate:
2. Faculty:
3. Degree:
4. Date Of Registration:
5. Title Of Thesis:
6. Date Of Submission of Head Of Department:
7. Index No ………………………… Signature Of Candidate;.…………………

(TEL………………………………….)

B. SUPERVISOR

1. Name Of Supervisor:
2. Thesis Submitted With*/Without My Approval:
3. Reasons (if not approved)
4. DATE:.…………………………… Signature…………………………..

(Tel…………………………………….)

C. HEAD OF DEPARTMENT

1. Date Thesis Received: Signature……………………….