KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

INSTITUTE OF DISTANCE LEARNING

EXAMINING THE EFFECT OF MICROFINANCE ON THE PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN TAMALE

By

MOHAMMED GAZALI ALHASSAN

NOVEMBER, 2020

I

EXAMINING THE EFFECT OF MICROFINANCE ON THE PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN TAMALE

By

MOHAMMED GAZALI ALHASSAN, BBA ACCOUNTING

A thesis submitted to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology, Kumasi in partial fulfilment of the requirements for the degree of

MASTER OF SCIENCE IN ACCOUNTING AND FINANCE.

NOVEMBER, 2020

DECLARATION

I hereby declare that this submission is my own work towards the award of Master of Science (Accounting and Finance) 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 the text.

MOHAMMED GAZALI ALHASSAN ………………… ………….…………
(PG7219819) Signature Date

Certified by:

DR ABDUL - RAZAK ABUBAKARI ……………… …………..……………
Supervisor Signature Date

Certified by:

…………………….. ……………………… ……….…………
Head of Department Signature Date

ABSTRACT

The researcher sought to examine the effects of microfinance on the performance of small and medium enterprises in Tamale. The study adopted survey and explanatory research design. Out of the entire small and medium scale enterprise in Tamale, only sixty-seven (67) of these enterprises were studied. Questionnaires were administered coded and processed with the help of Ms Excel and SPSS for statistical test and accuracy. Statistical tools such as frequency tables, percentages graphs, correlation, regression and ANOVA were applied to illustrate the results. It was revealed that the credit from microfinance institutions has helped to: increase productivity; increase income from business; increase savings and reinvestment; and helped in employing more hands and has given the SMEs in Tamale new skills to manage their business. The results further indicate that a good loan recovery procedure will enable both microfinance institutions and SMEs better manage their debt portfolio. Based on these findings, Microfinance institutions should repackage their products to make them conform to their main purposes, that is, services to the poor and their small enterprises. The study therefore concludes that micro financing of small businesses by microfinance institutions has a great effect on the performance of SMEs in Tamale.

DEDICATION

This work is dedicated to my family for standing with me throughout my studies

ACKNOWLEDGEMENTS

First of all, I thank the Almighty Allah for his infinite mercy in seeing me through the programme.

I wish to also extend my profound gratitude to my family for their continuous support. May the mercy favors of Allah continue to be with you.

To my supervisor, Dr. Abdul-Razak Abubakari, I thank you so much for your guidance throughout this work. Your guidance led to the production of this research work. May the Almighty Allah bless you with more wisdom?

I also extend my sincere gratitude to the entire staff of the KNUST School of Business and Institute of Distance Learning for the diverse roles they played towards the completion of this work. May Allah bless you all.

I wish to also thank the Principal of Tamale College of Education, Dr. Sulemana Iddrisu and coworkers of the college for their diverse support towards the completion of this work. I finally wish to thank Alhaji Ahmed Seidu Seini, the Finance Officer of Tamale College of Education, for his support.

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

ACRONYMS AND ABBREVIATIONS

ANOVA	Analysis of Variance
BECE	Basic Education Certificate Examination
EO	Entrepreneurial Orientation
G.N.P	Gross National Product
GDP	Gross Domestic Product
HND	Higher National Diploma
MFI	Microfinance Institution
MSLC	Middle School Leavers Certificate
NBSSI	National Board for Small Scale Industries
NGO	Non-Governmental Organization
NVTI	National Vocational Training Institute
SAT	Sinapi Aba Trust
SHS	Senior High School
SME	Small and Medium Enterprise
SPSS	Statistical Package for the Social Sciences
SSSCE	Senior Secondary School Certificate Examination
U.K.	United Kingdom
WASSCE	West Africa Secondary School Certificate Examination

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Small and Medium Scale Enterprises (SMEs) constitute a major proportion of businesses in the economy of developing countries, employing approximately 65% of workforce in the private sector (Ayyagari, 2011). In Ghana and in most parts of Africa and other developing economies, the efforts to enhance entrepreneurship and business development were noticed by the emergence of SMEs that constitute over two-thirds (90%) of all registered businesses in Ghana and 87%. According to Oppong *et al* (2014), SMEs make up close to 90% of firms in the industrial sector of the Ghanaian economy. This, they argue is because of the profitability of the venture, ease of management, the desire for self-employment and the high level of patronage. SMEs constitute an important element of the development process in developing and emerging economies. The sector contributes significantly to production, employment and income in these countries (Abor & Quartey, 2010).

However, the SMEs performance and success in Ghana has been constantly on the decline despite interventions and policies of government to support and improve the capacity of the enterprises, (Oppong *et al,* 2014). This is due to a number of challenges faced by the sector. Both past and current research have shown that the full potential of SMEs have not been realized globally due to challenges mostly related to how SMEs are maintained (Aryeetey, 2012).

Various factors determine the performance of SMEs including location, operational efficiency among others. However, access to credit services is a significant factor of firm performance regardless of its industry and size or business model, (Nuhu, 2019). Most of the SMEs depend on

the microfinance institution for advancement of credit to support the operation of their businesses. The prime purposes of micro- financing is the provision of financial intermediation specifically in the form of micro- credit to small scale enterprises (SSEs), which are mainly businesses of the poor. Poverty reduction being one of the principal interest of most micro-financing which is premised on the fact that majority of these poverty-stricken people are often identified with the small and medium scale enterprise sector. Generally, microfinance institutions set out to help alleviate poverty among the poor in our communities through the provision of microcredit services. Ayesha (2005) reported on the themes of operation and goals of Micro Credit Summit Campaign as Reaching the Poorest,
Empowering, Building Financially Self-sufficient Institutions, and Ensuring a Positive, Measurable Impact on the Lives of Clients and their Families. Even though the contribution of the microfinanace institutions to the growth of SMEs in Ghana cannot be overemphasized, their mismanagement of funds by some has impacted on the SMEs access to their deposit and credit advancement. This has led to many SMEs resorting to other informal ways of securing credit to boost their enterprises due to exlusion from formal financial systems makng them vulnerable to high risk interest rate which have influence on the performance of the businesses. According to Cook. (2010) the supply and demand for finance for small-scale businesses in developing countries significantly impacts their growth and development. These SMEs encourage entrepreneurship and utilizes labour-intensive technologies, which has an immediate positive impact on employment generation and quick returns on investment. As a result of the seeming advantage of these SMEs, lack of coordinated will of availing credit to these enterprises due to collateral has made many of them suffer in debts and lack of expansion.

1.2 Problem Statement

Despite the massive contributions of SMEs in the economic structure of many nations, the industry is still challenged with access to credit facilities, marketing and low quality products (Chowdhury *et al.*, 2015). There are a number of limitations or logjams that hamper the ease and access to loans issued by formal financial institutions by the small and medium enterprises in Ghana. Singh and Belwal (2008) established that securing finances for establishment and running of microbusinesses has always been a critical issue facing SMEs worldwide. Many small and medium enterprises (SMEs) fail to expand due to numerous factors which include; limited financial resources, poor managements, use of outdated technologies, stiff competitions from bigger firms, poor management of account receivables ,unfavorable government policies among others (Albert and Henry, 2013). According to Yaron (1997) found that poor access to loans and limited finance as being the main causes of limiting the growth of small and medium enterprises. A study by Amanda *et al*, (2007) on access to financial services by women in Kenya established that the biggest hindrance to small and medium enterprises is their access to financial services. However, critical observation has it that additional capital is often not required to carry out a successful business activity and that lack of capital can be compensated through creativity and initiative (Diagne, 2001). In solving the access to finance by these SMEs, microfinance institutions had been design to address the gap with little success due to its highly segmented and disconnected nature by targeting different market niches and operate under different methodologies and organizational missions (Amanda *et al.,* 2007; Kemei, 2011).

Goldberg and Palladini (2019) explain that the structure of the formal financial system rules out poor and low-income entities and bars the possibility of SMEs to accessing finance.

Consequently, the emergence of microfinance institutions was in response to the underlying problems and since then, SMEs have had to rely most on of microfinance institutions for their financial needs

The business models of most Microfinance Institutions (MFIs) is such that MFIs survive through the creation and provision of both financial and non-financial products to low-income individuals and businesses at moderately lower fees (Aryeetey, 2012). So admittingly, microfinance services come at a cost to microbusinesses for accessing and utilizing the services. This has raised significant debates regarding the real influence of microfinance services to the performance of microbusinesses (Janda, 2010; Aryeetey, 2012 & Pinshke, 2018).

Habibulla (2009) has found that MFIs loans increased the income of SMEs operators and poor people the in Bangladesh. The studies focus on business performance in terms of increased sales, acquisition of asset and technology increased income from firms as profit or wages and salaries to establish a link between the availability of microfinance lending and overall wellbeing of the poor. Even with the important contribution of microfinance institutions, Mkazi (2007) has it that, evidence from some studies regarding the effect of microfinance on entrepreneurial development has produced inconsistent and yielded mixed results that are inconclusive especially for developing countries

Janda (2010), Chen and Snodgrass (2013) and David (2016) claim that the increase in the number of SMEs is attributable to the role that microfinance services. David (2016) revealed that SME owners who took loan from microfinance institutions used the greater part of the proceeds from the investments to pay off the cost of the capital, making it impossible for savings and reinvestment.

Though it is alleged that microfinance has a positive effect, there also evidence of negative impact. Generally, the impact of micro-finance institutions on SMEs may be positive or negative David (2016).

Even though previous studies did not explicitly provide sufficient justification for the link between microfinance institutions' lending and SMEs performance in the developing countries like Ghana, there is the need to explore further to see the nexus between microfinance institutions lending on improving or worsening of SMEs performance in order to inform policy and growth of the SMEs sector which is part of the engine of growth of every emerging economy. This study therefore examines the effects of microfinance on the performance of small and medium enterprises in Tamale.

1.3 Objectives of the Study

1.3.1 The general objective of the study is to examine the effects of micro finance services provided by the micro-finance institutions on the performance of Small and Medium Enterprises.

1.3.2 Specific Objectives

The study seeks to achieve the specific objectives bellow.

1. To evaluate the criteria for accessing finance from the Microfinance Institutions in Tamale.
2. To measure the effects of the finance provided by the Microfinance Institutions on the performance of the SMEs in Tamale.
3. To assess the effects of loan recovery activities of Microfinance Institutions on Small and Medium Enterprise in Tamale.

1.4 Research Questions

The following questions will be addressed:

1. What are the criteria for accessing finance from the Microfinance Institutions in Tamale?
2. What are the effects of the finance provided by the Microfinance Institutions on the performance of the SMEs in Tamale?
3. What are the effects of loan recovery activities of Microfinance Institutions on Small and Medium Enterprise in Tamale?

1.5 Significance of the Study

This research is important in divers ways to various users. Findings of this research are important to owners and managers of SMEs, microfinance institutions, the government and other state regulatory bodies. To the owners and managers of SMEs, the findings of this research will give them a better view on the effect of microfinance services and the performance of their business. For those prospective owners and those seeking to own and manage SMEs, the study gives them a guide to the role MFIs play in the development of SMEs. The study could also serves as a policy guide to the development of both microfinance institutions and other lending institutions, government and its relevant institutions. The research does this by outlining the ways by which microfinance services affects the performance of SMEs. Finally the research will add to existing literature and serves as a point of reference for future research.

1.6 Scope and Limitation of the Study

Microfinance Institutions provide a variety of financial and non-financial services to SMEs. The research is limited to the loan services provided by the microfinance institutions to small and medium enterprises. The study also limits itself to SMEs in Tamale hence the findings and conclusion drawn in the study may not necessarily be applied to other areas within the region or the country.

1.7 Organization of the Study

The thesis is structured into five chapters. Chapter one will consist of the background to the study, the problem statement, objectives of the study, research questions, significance of the study, scope and organization of the study. Chapter two presents literature review, the chapter provides the fundamentals of the study and helps to shape the nature and direction of the study. Chapter three is on the methodology of the study. It covers the research design, the population and sampling procedures, data and data collection procedure, research instruments, as well as method of data processing and analysis. Chapter four highlights the results and discussions of the study whiles Chapter five summarizes of the findings, conclusions and recommendations for the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section reviews the literature on funding facilities and it effect on the performance of SMEs provided by microfinance institutions. The section presents conceptual, theoretical, and the empirical reviews of the study.

2.1 Conceptual Review

2.1.1 Finance Definition

Finance can broadly be described as banking, debt, credit, capital markets, money, and investment related activities. It also reflects money management and also the acquisition of the funds needed, and Kurt (2019) emphasizes that finance integrates the analysis of financial systems' money, banking, credit, savings, properties, and liabilities. Several fundamental ideas in finance stems from economic theories, including the time value of money, which maintains that a cedi today is valuable than that in the future (Kisaka & Mwewa, 2014). Kurt (2019) categorizes finance into three main sub-themes, these are; corporate, public and personal finance.

2.1.2 Financial Literacy

Generally, the underlining factor that has been long seen as a significant drawback in poor communities and households is financial literacy. The evolution microfinance establishment saw the incorporation of financial literacy component into their program. These financial enlighten programs will offer varied levels of topics like; managing cash flow, basic banking guideline, and the relevance of savings will be included. According to Cooper (2012) small shareholders do not read the information that are provided to them by the firms. The reason been that, these shareholders do not have the competence to comprehend the financial statement or may not see the relevance of such information towards their decision-making process.

In most developing countries, microfinance institutions organize training programs for their clients, especially, the self-employed clients. These people hardly get any formal education in business management. Most of microfinance institutions are putting in efforts to build the competence of entrepreneurs in microfinance so as to enhance their income and help them achieve their mission of poverty alleviation. Karlan & Zinman (2010) also argues that to improve on the businesses of their clients and households, training could be a relevant tool to influence the outcome for the institution. It is much easier for loans the clients to be repaid, if the performance of their businesses improves. The training may stimulate sentiments and goodwill of reciprocity which will also result in a higher debt repayment.

Financial literacy may be defined as the ability of a person to comprehend, and appreciate the significance of information required for making financial and the likely financial implication of such decisions (Cooper, 2012). Information literacy has consequences on financial literacy, particularly as acknowledges that information relevant to decision-making may not necessarily be strictly financial information. For instance, a reduction in enrolment of school, the reduction in enrolment is not financial information but consequently has implication where a school's funding is determined by the number of enrolled. The ability to identify these financial implications is vital to financial literacy (Cooper, 2012).

2.1.3 The Concept of Microfinance

Microfinance is not a novel idea. It originates from the many traditional systems on credit that have been in developing countries for centuries.

Microfinance refers to financial interaction such as savings, credit insurance, pension payments, funds transfer etc. provided to small business (Robinson, 2013). Other are indigenous rotating savings, self-help groups, financial cooperatives, community banks, non-bank financial institutions which comprise governmental and NGOs. They may comprise of moneylenders and Susu collectors.

Additionally, issues on microfinance institutions have been debated over the years. Mutoko *et al*., 2015, the mainly debated views on microfinance institutions are traditional and commercial. Scholars of the traditional view believe that micro-finance is a social product and should not be profit oriented. They argue that early institutions in the sector were not profit oriented and were purely aimed at alleviating poverty (Mutoko *et al*., 2015).

Based on the commercial view, it is believed that microfinance like any commercial institution should pursue its activity to accrue profit. This view has had the negative undertone for microfinance and, shows some level demotivation of those lending to the poor. Microfinance has now become attractive to private investors and venture capital (Mecha, 2017). Mecha (2017) relates that some financial organizations came into the microfinance market with the aim of making profits and reducing poverty. Desperate customers seeking for a way out of poverty are slapped with high-interest rates. The outcome has been a surge in micro-loan defaults. Qureshi *et al.* (2012) indicates that microfinance benefits different categories of poor people and has substantially positive effects in accessing micro-credit. Outcomes also indicates that there is an upgrading in the microfinance sector over recent years in relations to active borrowers, investments, personnel and branches.

2.1.4 The Criteria for Accessing Finance from the Microfinance Institutions Globally, the major limitation for SMEs is the financial access process (Ghosh et al. 2017; Lader 1996). Financial access from bank in Ghana requires collateral and has high rates of interest (Ahiawodzi & Adade, 2012). In continuance many studies have showed that lengthy process and disputes in relation collateral, suspiciousness and conservative attitude and complications in the processing of loans which in most cases stampede access to institutional finance entrepreneurs (Karanja et al. 2014). The lack of smooth and clear information flow among potential SMEs borrowers and banks has many consequences on the lending methods in the banks, Ghimire and Abo (2013). Again, moral issue also countersign to the strain of loan access by SMEs.

Moral hazard, is describe as a circumstance in which the borrower's lacks good intentions towards the loan being accessed, the borrower wastes the credit facility and might not pay back. (Huang et al. 2014). The borrower's propensity to build risks due to guaranteed schemes or indifferent towards the risks because of guaranteed schemes is as a result of moral hazard and in some been found to result in loan defaults by small and medium enterprise (Mutoko *et al*., 2015).

2.1.5 Loan Collection Procedures

The retrieval measures of loans adopted by microfinance institutions increases chance of nonpayment of loan to the highest degree. Weak recovery measures of loans may generate huge debt that may not be paid and vice versa. Some groups associated with MFIs, particularly women have adapted the Grameen loan model which is a joint loan liability model and encourages members to service their loans weekly irrespective of their returns (De Mel et al., 2012).

An assortment approach is a measure put in place concerning when and how the previous debt sums are repaid. Every organization takes a repayment policy, with related details such as due dates, grace periods, fines, turnover period, etc. As part of the loan terms, the loan recovery process should be spelled out. Borrowers must be conscious of the details of the repayment process to evade consequences including plan for retrieval of collateral. While collection measures may differ from organization to oragnisation, they should also abide by existing laws (Gine et al., 2010). Third-party collection agencies should abide by laws as stipulated for both collection process and how the repayment take place (Latifee, 2006). This is to avoid hefty penalties varying from fines to imprisonment in the event of non-compliance. The inability of microfinance institutions to come up with appropriate collection procedure could results in defaulting loan repayment (Boldizzoni, 2008).

2.1.6 Business Concept

The most important idea behind a business is the concept. The business idea and dream is established based on this concept (AASHISH, 2019). According to Stevens (2014), business is an effort to produce and sell goods and services that satisfy human needs and generate revenue. The goal of the business determines the kind of strategy used.

Any organization, business involved in marketable, industrial activities, or using skills to satisfy consumer may be regarded as business entity. Such entity either profit or nonprofit making body may attaché legally or not to the owner or person managing it (AASHISH, 2019). Any activity that involves providing goods or services with the aim of making profit.

2.1.7 Small and Medium Enterprises

There is no standard definition for a small firm. Kufour (2015) suggests that for a firm to be classified under SME or a micro-enterprise, certain criteria must be satisfied by the enterprise. A first criterion to be satisfied is the number of staff followed by either the balance sheet total or the turnover total. Moreover, it has to be autonomous, meaning, joint or single owning of less than 25% automatically falls out of the definition of a micro-enterprise or an SME, either may apply. Alternatively, Kufuor (2015) applies both the number of workers and the fixed asset requirements to the NBSSI-National Board of Small-Scale Industries. The NBSSI defines a small company as a company with 9 or less employees and a plant or machinery in possession (excluding land, houses, and vehicles) not more than GH-10 m (based on the 1994 exchange rate of US $9506).

Sunderesh (2019) maintain that in an emerging economy, the term SME includes a diverse community of companies, from a simple tailor in a small shop sowing dress in a village or hamlet to a market to competent engineering companies in overseas markets. Granting SMEs may be defined based on the activity, ownership, turnover, legal status and size. The most appropriate characteristic based on a developing consensus is the size (number of staff), In view of the disparities between companies operating in this field, job estimates are always accessible as well. Hence small and medium enterprise may be defined as organizations with fewer than 100 workers, whereas organizations with fewer than 10 workers are considered as microbusiness (Hussain, 2000).

2.1.8 Characteristics of Small-Medium Scale Enterprises

Most African financial prudence is characterized by the existence of an enormous number of small and medium-sized informal enterprises that make use of lower investment and skill levels and manage fairly simple goods. Low levels of self-employed education and training are typical of the

SME sector. It is said that SMEs account for about 70% of Ghana's GDP and 85% of manufacturing workers. Consequently, economic growth, wages and employment are affected (World Bank, 2013).

Rural enterprises consist mainly of family groups, individual artisans and women are active in the production of food from local crops, among others. Soap and detergents, textiles, garments and tailoring, textiles and leather, village blacksmiths, tin-smithing, ceramics, timber and mining, bricks and cement, beverages, food manufacturing, bakeries, wood furniture, electronic assembly, agro-processing, chemical products and mechanics, and so on are the main activities in this sector. They range from street vendors to small producing businesses in urban regions. Small businesses are involved in the manufacture and selling of farm goods, crafts and services in rural areas (Acheampong, 2019).

2.1.9 Financing Small and Medium Enterprises

To Mensah (2004), many claim that lack of finance is the single most important factor limiting the development of the small and medium enterprise market. The perceived unavailability of medium-term funding, the underlying structure of the capital markets and in general, the vulnerabilities in economic intermediation have made it impossible for private companies to find a means of financing other than short-term credit. Although there are many barriers, both governments have gained the most attention from the monetary constraints and do other than short term loan, funding. Although the hindrances are numerous, both governments and donors have gained the most exposure to monetary constraints. In view of the ongoing financial challenges and the ongoing funding deficit, a number of initiatives have been initiated by governments and development partners to promote the flow of financing to small and mediumsized enterprises beyond what is available from established private sector financial organizations (Mutoko *et al*., 2015).

2.1.10 Financial Performance of Small and Medium Enterprises

Several examples of SMEs have been rendered in the real world to serve a precise function for the respective scholars and institutions. Both quantitative and qualitative criteria have been used to describe a SME in advanced nations like the United States of America and the UK. A literature review found that one of the main parameters used in the size categorization of SMEs appears to be the amount of workers employed in one organization or institution (Saito and Tsuruta 2018).

The performance of SMEs performance, financial results, output volume, some customers (Anggadwita & Mustafid, 2014), market share, profitability, yield, sales, cost and liquidity dynamics (Gupta & Batra, 2016; Zimon, 2018), etc. may be understood from a quantitative perspective, and also from a qualitative perspective: accomplishment of targets, leadership style, employee actions (Anggadwita & Mustafid, 2014), Innovation in goods and procedures, innovation in company and marketing (Sheehan, 2013), Gopang et al(2017) in their work, a collection of 14 indicators to define SME success were considered: name, results, employee satisfaction, revenue, sales, speedy order delivery, adequate working capital, efficiency of production operations, product quality, target achievement, number of clients, ease of supervision, reduction of product cost and product dive.

It is not only the study of performance characteristics that is important, but it is also important to note research focusing on the factors affecting the performance of SMEs. Companies must successfully deploy and integrate their physical, human, and organizational assets in order to last and prosper in a potentially harsh environment. They would therefore build long-term competitive advantages and achieve superior performance in turn (Lonial & Carter, 2015). Though, SMEs need to find and leverage other ways to improve their competitiveness and efficiency because of their limited resources.

In general, several aspects of the internal environment that potentially affect the output of SMEs in literature, they are mentioned. Exceptional attention is given to the age of the organization (Arend, 2014; Nicolini, 2001), human resources strategies (Katou, 2012; Sheehan, 2013), company networks (Bratkovič Kregar & Antončič, 2016), occupational health and safety initiatives (Gopang et al., 2017), commodity, service, operational, marketing innovation (Altuntas, Cinar & Kaynak, 2018), sustainable leadership (Suriyankietkaew & Avery, 2016), organizational orientations (market, sector, and learning orientations), planning and strategy
(Leitner & Güldenberg, 2010) (Lomberg, Urbig, Stöckmann, Marino, & Dickson, 2017), Internationalization, export (Altuntas et al., 2018), business focus, flexibility in planning, family participation and ownership (Lien & Li, 2017), intellectual resources (Gomezelj Omerzel & Smolčić Jurdana, 2016), etc.

In addition, different aspects of the external world are subject to the attention of researchers. A research conducted in the United Kingdom concentrates on the innovation agenda, which has a significant effect on the small and medium enterprise in the manufacturing and services industries (Foreman-Peck, 2013). Researchers in Brazil report the influence of a cluster creation strategy on the performance of SMEs (Figal Garone, Maffioli, de Negri, Rodriguez, & VazquezBare, 2015), while Lin and Lin (2016) revealed that the degree of performance is depended on the types of network relationships examined by a sample of 77 Taiwanese small medium
enterprises.

Some studies indicate an all-inclusive approach that combines external and internal environmental variables with a synergistic impact on the efficiency of SMEs. Three types of factors affect the degree of success and growth in SMEs for Aceleanu, Traşcă, and Şerban (2014). (1) the overall financial environment that in addition to the scale of the expenditure, indirectly or directly affects GDP and gross national product (G.N.P.); (2) the systemic nature of the economy, expressed in the technical nature of the economy; and (3) Microeconomic considerations, such as the number and structure of firms by category of size or survival rate.

Ipinnaiye, Dineen, and Lenihan (2016) therefore specified that the output determining factor of both SMEs originated in their internal environment (company features and strategy) in addition to macroeconomic determining factors, such as national competitiveness, real effective exchange rate, unemployment rate, inflation rate, and private sector domestic credit). A survey data collected and analyze by (Gupta and Batra, 2016) from 198 manufacturing Indian SMEs suggested a solid positive relationship between the firm output and entrepreneurial orientation (EO), while environmental contingencies (demand growth and competitive intensity) were found to have a moderating effect on the EO–performance relationship.

Writers are designing various types of models to obtain proof of the degree of safe efficiency: an innovation-based structural model (Hall, Lotti, & Mairesse, 2009), a preference model based on the implementation of a decision-making process of several parameters, or a two-part equation model to analyze the main business and industry-specific constraints on company performance (Lejárraga & Oberhofer, 2015)

2.2 Theoretical Review

This section reviews three concepts namely, the Entrepreneurship Theory, the Knowledge-Based Theory of a Firm's Performance and Micro Credit Theory.

2.2.1 Entrepreneurship Theory of Shane

Shane's Entrepreneurship Theory (2003) includes discovering possibilities, assessing and leveraging opportunities. The ability of entrepreneurs to recognize and exploit opportunities varies between entrepreneurs and depends on their ability to access and act on data in terms of risk (Shane, 2003). Psychological and demographic variables such as motivations, risk attitude, tutoring and preparation, job experience, age and social status are included. (North, 1990; Shane, 2003). The evaluation of the identified opportunity is a critical stage in the business process that contributes to the exploitation of the identified opportunity (Shane, 2003). The exploitation of opportunity depends on the level of education, expertise or information gained by the entrepreneur through work experience, social networks, credit, and business cost-benefit analysis (Shane, 2003).

The decision to take advantage of an opportunity also contributes to the search for resourceearning microcredit. Resource acquisition may also lead to opportunities for entrepreneurial activity; this is the expansion of new companies or businesses. The effective use of the resources acquired in terms of business strategy and organizational design could contribute to profit performance (Brana, 2008; Koontz & Weihrich, 2006; Salman, 2009; Shane, 2003).

The theory calculates the output of the measure based on survival, growth, profits, and initial public offering. Survival refers to the continuation of entrepreneurial enterprise, while growth refers to the revenue and job growth of the venture. Profitability refers to the current cost-income surplus, while the initial public offer refers to the selling of stock to the public (Shane, 2003).

2.2.2 The Knowledge-Based Theory of a Firm's Performance

The company's Information-Based Theory by Penrose (1959) considers knowledge to be a company's most tactically valuable resource. The writer argues that since information-based tools are regularly difficult to emulate and socially dynamic, the key determinants of a company's sustained competitive advantage and greater success are diverse or exceptional knowledge bases and competencies between companies. The corporate culture, procedures, routines, records, processes, and employees of the business should be ingrained and carried through this information. He argued that knowledge, as the basis for understanding the differences in the success of organizations, is the capacity to renovate capital for knowledge.

2.2.3 Micro Credit Theory

The economic theory forms the bases of the micro-credit theory which recipes the foundation of the credit business in a non-communist society. Adam Smith (1937) was first to conceive the Micro Credit Theory. During the eighteenth century, self-seeking persons were at all times willing to employ their skills, capital, and labour to their greatest interests. Eventually, this affect and benefit the entire society owing to the work of the imperceptible hand. Smith's microcredit theory was later spread by Karl Marx who went ahead to describe the principle of the material prosperity of the non-communist civilization. Yunus (2013) advanced on the Micro Credit Theory and develops the theories psychological module termed the social consciousness has driven capitalism. The theory contends that kinds of proceeds private venture can be conceived that cares about the wellbeing of its clients. The psychological aspect of this theory looked at the impact of private ventures make on their clients. By so, the clients were considered to be associated with the profit of firms. Alternatively, it is possible to develop capitalist enterprises that take full advantage of private profits subject to the welfare considerations of their clients. As advanced by Yunus (2013), the theory focuses on the impact of microcredit on the customers of these private firms as their profitability is highly skewed to the welfare of their clients. The theory can be conceptualized to this study as the study looks at the micro-credit facilities and the small and medium private enterprises.

2.2.4 Theoretical Link between Microcredit and Small and Medium Enterprises Growth

Access to credit additionally inclines SME's risk-bearing capabilities; improves risk-copying tactics and empowers consumption smoothing over time. The indicators of the achievement of microcredit programs specifically; outreach, financial sustainability and high repayment rate do not consider the kind of impact it has on micro-enterprise operations (Buckley 2017). Ghana, Kenya and Malawi had researched regarding the effect of microcredit on SME growth settled that there was no significant and continuous impact of microcredit on customers in relations to the SME level of employment, incomes and development but rather tend to stabilize revenue and preserve slightly than create jobs (Burger,2009).

Dunn and Arbuckle (2011), contested Buckley (2017), and argued that microcredit maintains a positive impact on microenterprise income, household income and enterprise employment. Supporting this assertion, Zeller and Sharma (2008) added that microcredit can support in the establishment and improvement of household welfare, perhaps making the change between economically secure life and poverty alleviation. A study in Malawi by Diagne and Zeller (2011), suggest that microfinance have no weighty effect on household income, which indirectly have no effect on SME development. Another study of 139 households in one rural area of the Upper West Region of Ghana by Kotir and Obeg-Odoom (2009), discovered that, a significant portion of such micro credits is diverted into household consumption-albeit with moderate impact on household productivity and welfare by the Beneficiaries of the micro-credit. They also found that, Microcredit has a modest impact on rural community development. Using gender empowerment as an impact indicator, some studies argued that, microcredit has a negative impact (Goetz & Gupta, 2014).

The development objective of lending to the women failed to be achieved since the management of the microcredits were mainly men (Goetz & Gupta, 2014). Based on the evidence from Entrepreneurial success through microfinance services among women entrepreneurs Bernard (2016), concluded that women are marginalized when it comes to accessing the credit facility. In the Walewale district of the North East Region of Ghana, the study conducted by Fiasorgbor (2014) indicated that microcredit has had a great impact on enterprises in the Walewale zone.

The purchasing of raw materials and the improvement business capital were seen among the Beneficiaries. Hence, it helps to upsurge the wellbeing of the folks by assisting them to access their basic needs thus alleviating the poverty levels in the community. In most cases, microcredit schemes had aided SMEs to increase their areas of operation and had meaningfully enhanced the working capital of most beneficiaries (Acheampong, 2019). Quaye (2011) also revealed that, the access to credit had positively affected the beneficiary's businesses. The credits granted aided the beneficiaries to increase their capital and enlarge their businesses. Divergent to these assessments, Atandi and Wabwoba (2013) argued that the credit granted to SMEs does not essentially lead to a growth in assets base and also does not assure a larger market share.

2.3 Empirical Review

Omogbai et al (2018) investigated on the effects of microfinance banks on small businesses' growth in Nigeria. The least square regression model method was adopted for analysing data. The study also adopted. The study found that micro loan disbursed impacts immensely in the development of small business in Nigeria. The study further established a significant adverse effect of inflation on lending rate on small business growth in Nigeria. The study concluded that micro-financing of small businesses by microfinance banks has a great effect in stimulating the economy.

Awuah and Addaney (2016) examined the interactions between microfinance institutions and small and medium scale enterprises in Ghana. The study adopted a case study approach. The study identified a short loan repayment period, a high interest rate, and the requirement of collateral security as that the main challenges facing SMEs. The study further revealed that microfinance institutions has a positive effect on SMEs. The income of the SMEs who patronized services of the MFIs have appreciated overtime.

Abu et al (2017), carried out a study on Microcredit Loan Repayment Default among Small Scale Enterprises. Structured questionnaires was used to collect Primary data from SMEs. It was revealed from the results that, the chances of SMEs defaulting in repaying loans may be as a result of a high rate of interest, the size of the business, loan repayment period and the loan amount. However, the age and educational attainment of the SME owners, number of dependents, and loan repayment schedule influence the probability of default but not the rate of default.

Alhassan (2016) investigated the effects of microcredit on profitability and the challenges of women-owned SMEs in Ghana. Microfinance institutions were selected using the simple random sampling method whereas the stratified sampling technique was employed in selecting the women entrepreneurs. Statistical Package for the Social Sciences used for analyzing data. The results shows that there was a substantial rise in the average gross profit of the SMEs. It was further revealed that it had a marginal impact indicating an irrelevance of gross profits to the operations of the SMEs.

Pei-wen et el (2016) investigated the Impact of Microfinance Facilities on Performance of Small Medium Enterprises in Malaysia. The study used primary data collection methods, with data obtained from a survey questionnaire. In this research, 125 sets of questionnaires were administered to the owners of SMEs which fall into a microenterprise category in the Klang Valley, having borrowed loans of less than RM50000 from MFIs. Findings in this study discovered that microfinance facilities run by both governmental and non-governmental agencies have a positive impact on SMEs.

Yeboah (2017) researched on the impact of microfinance on grassroots development using SMEs in the Kwabre East District of Ashanti Region in Ghana as the case study. The research employed the descriptive research technique. Questionnaires were administered to gather data from the SME respondents. The purposive sampling technique was used. The mix method was adopted for analyzing data. The findings of the study was that microfinance institutions has a significant effect on the development of the grassroots.

Herath et el (2015) investigated the impact of microfinance on women's empowerment: a case study on two microfinance institutions in Sri Lanka. The study employed the binary logistic regression models for the data analysis. The findings of the study indicated that, the financial status of the household prior to accessing micro credit, the age of the landlord, and how marketable the products are, were identified as significant for empowering women and decreasing their weakness. On the other hand, the findings of showed that the availability of market for products were the most important factor that affect the empowerment of women. Machingambi (2014) investigated the impact of microfinance on small and medium enterprises (SMEs) in Zimbabwe. A descriptive analysis was conducted. The research study further revealed that a significant number of SMEs beneficiaries of MFI Loans were effectively utilizing the loans for business purposes thus enhancing their growth. Some of the small and medium enterprises showed that, loans from the microfinance institutions had a significant impact on the quality of their products, system of operation, returns, and marketability of products. The study recommends that the financial institutions should train the SMEs on financial management before credit is granted to them.

Ndife (2013) investigated the effect of microfinance institutions on the development of SMEs in the Anambra State of Nigeria. The aim of the research was to identify the impacts of microfinance institutions in start-ups, survival, and growth of SMEs and also the effect of collateral requirements in obtaining micro credit from microfinance institutions in the Anambra South and North senatorial district of Anambra State. The judgmental and systematic random sampling methods was used to select a sample size of 450 respondents. The study revealed that, there is a significant correlation between microfinance institutions and the performance of SME.

Siyad (2013) the study examined the effect of microfinance institutions lending on the development of SMEs in Somalia. The aim of the study was to identify the influence of microfinance lending on the development of SMEs in Somalia. The study adopted a descriptive design measure the relationship between the variables. The stratified probability sampling method was employed to select sixty SMEs for the study. It was revealed that loans from microfinance institution lead to an improvement in productivity, profitability and a high number of entrepreneurs starting up new ventures among the SMEs beneficiaries. The study further showed a significant interactions between profit and accessibility of finance in microfinance institutions, a negative relationship between profit and the collateral of microfinance institution lending as well a significant connection between profit and group lending and individual lending. However, other empirical evidence shows that microfinance institutions do not increase the productivity and profitability of small businesses in Ghana (Mintah, Attefeh & AmoakoAgyeman, 2014). They sampled twenty microfinance institutions and two hundred small businesses in the Ashanti Region of the Republic of Ghana. The study examined the impact of financial services provided by the MFIs to small businesses and how the finance is utilized by the small businesses. The study revealed that microfinance institutions provide credit facilities to small businesses. More so, these affect the development of the SMEs in the Ashanti Region of the Republic of Ghana.

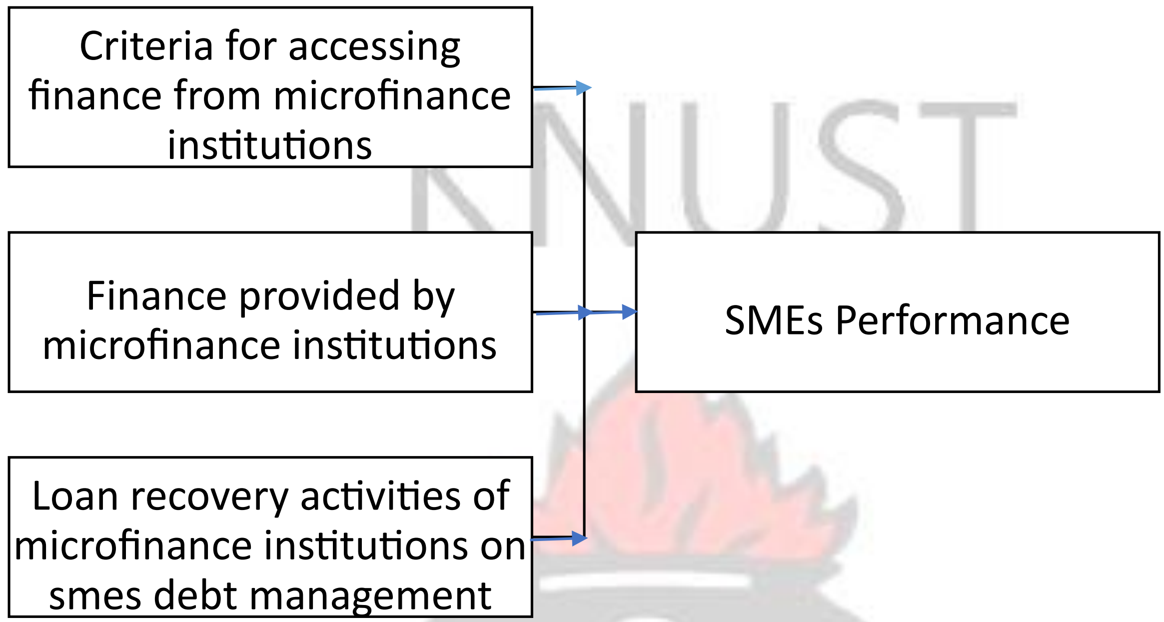
Onyina and Turnell (2013) researched the effects of micro credit services of the microfinance institutions on clients of Sinapi Aba Trust (SAT) in Ghana. The objective of the paper was to evaluate the effects of microfinance lending on the clients of the SAT in Ghana who has received loans from the company. The paper centered on interviews conducted with loan clients of Sinapi Aba Trust. Data was collected from the clients between the period of July and September 2009. Loan clients were categorized into old clients and new clients using the Cohort approach. Old clients were clients that had borrowed for more than three years while new clients were those that had borrowed for less than three years. Analysis of the data indicates that old clients are more likely to purchase assets, expand their businesses, and spend larger amounts on their children's education than new clients. The study also found out that microfinance contributes to the betterment of the livelihood of the loan clients of Sinapi Aba Trust.

2.4 Conceptual Framework

The conceptual framework showing the effects of micro credit on SMEs performance is presented in Figure 2.1.

A good business loan application process, and loan repayment policies, will encourage SMEs to access finance from the microfinance institutions thereby enhancing growth and leading to a better debt management. Access to frequent and adequate finance from the microfinance institutions can enhance the SMEs capital adequacy and enhance the growth of the SMEs which significantly influence the performance of the SMEs.

Figure 2.1 Conceptual Framework



Source: Authors construct June, 2020

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology used in the conduct of this research. It consists of research design, the target population, sample size determination and sample techniques, data collection procedure, data analysis, and ethical consideration

3.1 Research Design

This study adopted explanatory research design. To Vinayak (2019), explanatory research design is most appropriate when the research wants to address the question of why the need to determine the effects between variables involved in a research.

The study used the survey strategy.

3.2 Research Population

Saunders (2010) defines population as the complete set of cases from which a sample is selected whether it describes human beings or not.

The target population for this research includes 204 small and medium enterprises in Tamale. An inquiry from the Tamale office of the National Board for Small scale Business Industry (NBSSI) showed that 204 SMEs have registered with the board

3.3 Source of Data

The study used both primary and secondary data for the analysis. The primary data were collected from the participants. Primary data were collected in order to solicit responses directly from the field. The secondary data on the other hand were collected from books, journals and the internet.

3.4 Sampling Technique and Sample Size

It is not feasible for data to be sourced from every member of a population, therefore, the study took a sample of the population for the research to draw conclusions about the entire population. The researcher used a simple random sampling of the probability sampling technique to draw the sample from the population. This technique was preferred because it gave every member of the population an equal opportunity of being selected.

The sample size for the study was sixty-seven (67) small and medium enterprises in Tamale.

The sample size for the study was determined using the Yammine formula.

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

Where: n = Sample size

N = Population

(e) = Margin of error which is 10%, where the confidence level is equal to 90%

1 = Constant

$$n = \frac{N}{1 + N(e)^2} \quad \frac{204}{1+204(0.1)^2} \quad \frac{204}{1+204(0.01)} \quad \frac{204}{3.04} = 67$$

3.5 Data Collection

The qualitative and quantitative research approach was adopted for this study. Data for the study was obtained by using questionnaires administered by two research assistants who were trained on nature and procedure on how to administer questionnaires. Questionnaires were chosen over other techniques because of its advantages with regards to the availability of time for both the researcher and the respondents, the cost involved and the energy levels required. Structured questionnaires were used data were highly reliable because responses were limited to the alternatives. Fixed response questions reduced variability in results, which could have arisen from different interviewees.

3.6 Data Analysis

The data were obtained through the administration of questionnaire. The answered questionnaires were examined to find out if any corrections would be required, so that the necessary correction was effected. The data were then code and then entered into Microsoft Excel 2013 and exported to

Statistical Package for Social Science (SPSS) version 25 where statistical analyses were performed. Descriptive statistical tools were employed to analyse the data and presented the results in frequency tables, percentages graphs. The linear correlation and regression models were also adopted to analysed the linear relationship between the predictor variable and the dependable variable (microfinance and small and medium scale enterprises) with formula; y=mx+c+e where m is the slope of the line, c is an intercept, and e represents the error in the model.

Also, in order to determine differences in performance of small and medium scale enterprises with microfinance support, one way ANOVA at an alpha level of 5% was conducted to test whether there were differences in performance among small and medium scale enterprises with microfinance support. The different means of small and medium scale enterprises were compared statistically through Tukeys Multiple Comparison Range Test. The results were presented in tables and graphs.

3.7 Reliability and Validity of Data

3.7.1 Reliability Analysis

To ascertain the internal consistency of the data set of sections of the questionnaire (the independent variables), a test was conducted using the Cronbach's Alpha with a sample equivalent to 5% of the target population. Cronbach's Alpha was used due to its simplicity and ease of application. A summary of the results of the reliability analysis is given in Table 4.1.

To test for the internal reliability of the data, a Cronbach's Alpha test was conducted. A summary of the results of the reliability analysis is given in Table 4.1.

From Table 4.1 the Cronbach's Alpha Value is 0.914, this shows a strong internal reliability of the variables understudy. This means that the variables considered in the study are significantly indicating a positive relationship between micro credit and the performance of SMEs in Tamale.

Table 3.1 Test of Internal Reliability

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.899	.914	7

Source: Field Survey 2020

3.8 Ethical Consideration

The research sought to consider the following ethical practices; First of all, the researcher ensured that the anonymity of the respondents is maintained by preserving their identity from other respondents. Moreover, the researcher also ensured that all the information that is gathering are duly acknowledge and serves as a reference to the study. The researcher also disclosed all his identity to the respondents as final year student of Kwame Nkrumah University of science and technology in carrying out his thesis in his course, to allay the fears of respondents on the purpose of the research.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

1.0 Introduction

This chapter focuses on the presentation of the survey conducted among the Small and Medium Enterprises in Tamale. It specifically presents data on the background information of the respondents, the criteria for accessing finance from the Microfinance Institutions, the effects of the finance provided by the Microfinance Institutions on the performance of SMEs and the effects of loan recovery activities of Microfinance Institutions on Small and Medium Enterprise and debt Management in Tamale.

4.1 Demographic Information of Respondents

Gender of Participants

With regards to the gender of participants, the results show 35(52.20%) of the participants were female and 32(47.80%) were males. The results could mean that females constitute a majority of the people who are engaged in the microbusinesses sector in the Tamale. This corroborates the positions held by Ahmed, Ibrahim, and Minai (2018) that the efforts of governments, NGOs, and the international community towards women empowerment have been manifested by an astronomical increase in women participation in the SME sectors across the world.

4.1.1 Age Distribution of Participants

The results as shown in Table 4.1 revealed that Majority of the participants 29(43.30%) were within the 30 – 39 years age bracket, 17(25.40%) fell within the age bracket of 40 – 49 years, 11(16.40%) were aged 20 -29 years and 10(14.90%) were 50 and above years. The result could be interpreted to mean that majority of the SMEs in Tamale are owned and managed by people who may be considered to be in the most economically active class.

4.1.2 Participants' Level of Education

An analysis of the data collected from participants regarding their level of education revealed that 12(17.9%) of the participants had no formal education and basic education. The results also showed that 20(29.9%) of the participants had secondary education, 17(25.40%) had vocational education and 6(9.0%) had HND/Degree. These results contradict the long-held position that the SME sector was meant for those who had no education.

Table 4.1: Demographic Characteristics of Respondents

Main Factor	Level Factor	Frequency	Percentage%
Gender	Male	32	47.80
	Female	35	52.20
	Total	67	100.00
Age	20-29years	11	16.40
	30-39years	29	43.30
	40-49years	17	25.40
	50 and above years	10	14.90
	Total	67	100.00

Highest education attained		12	17.90
	No formal education	12	17.90
	BECE/MSLC	20	29.90
	SHS/SSCE	17	25.40
	NVTI/COM	6	9.00
	HND/DEGREE	67	100.00
	Total		

Source: Field Survey (2020)

4.2 Background Information of SMEs

Table 4.2 indicate that out of the 67 respondents, 63(94%) were owners whiles only 4(6%) of the respondents were employees indicating that almost all of the respondents were owners of firm.

The Results showed that 23(34.3%) of the SMEs are into trade, 19 (28.4%) are in service provision, 13 (19.4%) SMEs are manufacturing, while 12(17.9%) of the respondents have their enterprise in the agro processing. In this study SMEs in trading activities had the most respondents compared to others SMEs implying that, trade may be dominant SMEs in Tamale.

It further indicated that, all of the respondents had knowledge on microfinance.

Also, the results showed that almost all of the respondents had an account in a microfinance institution with only 6% of respondents not having an account with the microfinance institution.

The results continued to reveal that 46(68.7%) agreed that micro credit has to the great extend influenced the financial performance of their SME, 4(6%) of the respondents respondent that micro credit has great and moderate influence on their SME, whiles 13(19.4%) of the respondents said micro credit had no influence on their SME. This implies that micro credit has influence on most of the SMEs in Tamale.

Respondents were required to disclose how long it take their enterprise to access credit from the microfinance institutions. The results show that none of the respondents could access credit in less than a week, 43(64.2%) of the SMEs had access to credit in 1- 2 weeks, 8(11.9%) of the respondents said they are able to access credit in 2 – 3, whiles only 2(3.0%) were said to have access to credit in 3 – 4 weeks. The results reveal that credit from MFI are mostly access in one to two weeks

Table 4.2 Background Information of SMEs

Main Factor	Level Factor	Frequency	Percentage%
What is your position in this firm?	Owner	63	94.0
	Employee	4	6.0
	Total	67	100.0
What is the main activity of your company?	Trade	23	34.3
	Service	19	28.4
	Manufacturing	13	19.4
	Agro-processing	12	17.9
	Total	67	100.0
Do you have knowledge on microfinance institutions?	Yes	67	100.0
	No	0	0.0
	Total	**67**	**100.0**

Are you having an account in microfinance institution?	Yes	63	96.0
	No	4	6.0
	Total	**67**	**100.0**
To what extent have accessibility to Microfinance credit had influence to the financial performance of your SME?	Very great extent	46	68.7
	Great extent	4	6.0
	Moderate extent	4	6.0
	No influence	13	19.4
	Total	**67**	**100.0**
How long does it take to access credit from your MFI?	Less than a week	0	0.0
	1-2 weeks	43	64.2
	2-3 weeks	8	11.9
	3-4 weeks	2	3.0
	Above 4 weeks	14	20.9
	Total	67	100.0

Source: Field Survey 2020

4.3 The Criteria for Accessing Finance from the Microfinance Institutions

Table 4.3 presents results of analysis of responses provided by participants. The results reveal that 53.7%, 53.7%, 97%, 97%, 53%, and 23% SMEs responded that they agree with the fact that, getting a business loan from microfinance institutions does not involve lengthy procedures, businesses loan application process was easy to understand and follow, loans applied for from microfinance institutions were always granted, Small loans to meet temporary business shortfalls were promptly granted, loan money has helped in making their business grow and the loan repayment period negatively affects their debt management respectively. Whiles 46.3%, 46.3%, 3%, 3%, 46.1%, and 76.1% SMEs responded that they disagree with the fact that, getting a business loan from microfinance institutions does not involve lengthy procedures, businesses loan application process was easy to understand and follow, loans applied for from microfinance institution, were always granted, Small loans to meet temporary business shortfalls were promptly granted, loan money has helped in making their business grow and the loan repayment period negatively affects their debt management respectively. This implies that Microfinance credit has a meaningful influence to the financial performance of SMEs. These results confirms the findings of Anane, Cobbinah and Manu (2013) which indicated that, MFI provide cheap credit without much strict regulation to many un-banked rural small and medium enterprises. This finding has also been stressed by Nuhu (2019) who indicated that access to finance is significant of firm performance.

Table 4.3 Loan Service Provided by Microfinance Institutions

Statement	Disagree	Agree	Mean	Std. Dev.
Getting a business loan from microfinance does not involve lengthy procedures	46.3	53.7	1.46	0.50
The business loan application process is easy to understand and follow	46.3	53.7	1.46	0.50
Loans applied for from microfinance institution, are always granted	3.0	97.0	1.03	0.171

Small loans to meet temporary business shortfalls are promptly granted	3.0	97.0	1.03	0.171
Loan money has helped in making my business grow	46.1	53.7	1.46	0.502
The loan repayment period negatively affect my debt management	76.1	23.9	1.76	0.430

Std. Dev. – Standard Deviation

Source: Field Survey 2020

4.4 The Effects of the Finance Provided by the Microfinance Institutions on the Performance of the Small and Medium Enterprises

The Results from Figure 4.1 shows that 0% of the SMEs respondents did not apply for a credit from microfinance institutions, 21% applied for a credit from microfinance institutions very often, 60% applied for a credit from microfinance institutions often, and 19% applied for a credit from microfinance institutions not often. This implies that, MFI are significant source of loans for SMEs. This contradict the findings of Oppong *et al* (2014) which revealed that the performance of SMEs are in a decline despite the credit provided to by the MFIs

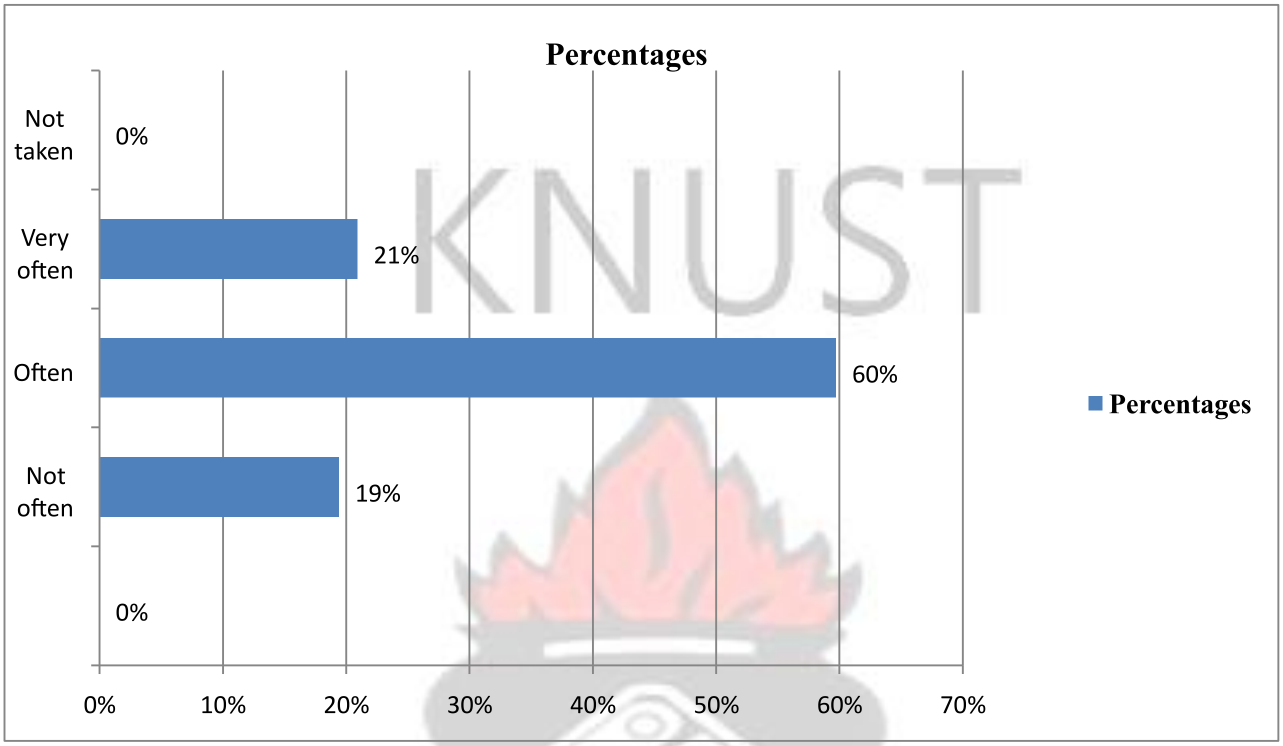


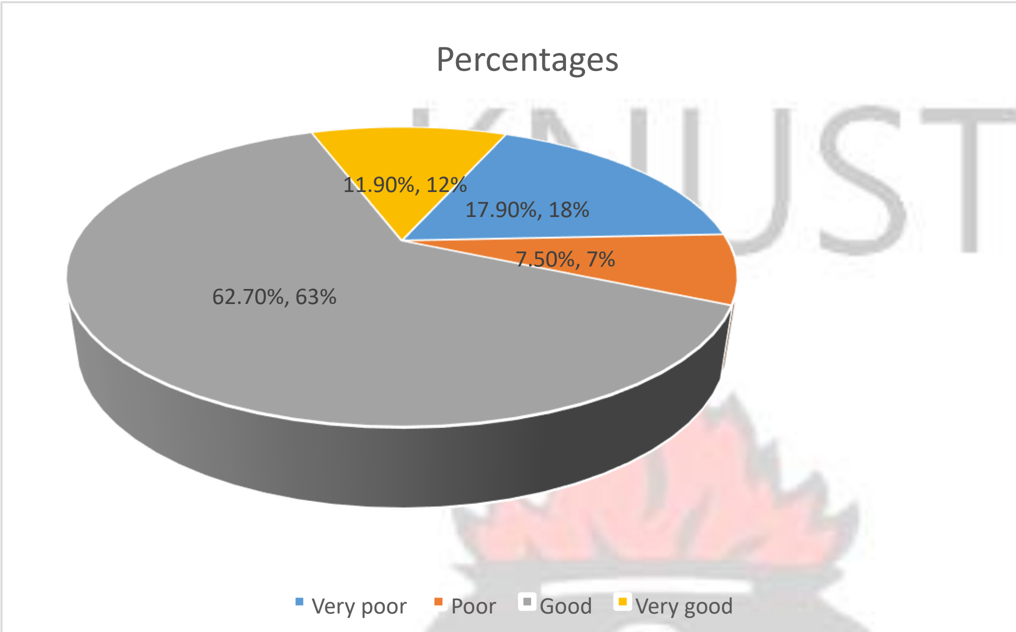
Figure 4.1 Frequency of Loans from Microfinance Institutions

Source: field survey 2020

4.5 Rating Loan Services Offered by Microfinance and the Performance of Firm

Participants were asked regarding the influence of loan service offered by microfinance institutions on the performance of SMEs. The results from Figure 4.2 reveal that most of the participants believed that microcredit services had positive and strong influences on firm performance. 62.7% indicated that the influence of the loan service provided by the microfinance was good, and 11.9% was very good while 7.5% and 17.9% on the other hand indicated that the influence of the loan service provided by the microfinance institutions was poor and very poor respectively. This corroborate the with the findings of Yeboah (2017), Pie-wen *et al* (2016) and Machingambi (2014) who found that significant number of SMEs were effectively utilizing the loan for their growth.

Figure 4.2: Rating Loan Services Offered by Microfinance and the Performance of Firm



Source: Field Survey 2020

4.6 Accessibility to Microfinance Credit and Its Influence to the Financial Performance of SMEs

The results from Table 4.4 reveal that none of the respondents strongly disagreed that microfinance services have helped their business to withstand shocks, increase productivity or output, increase savings and have reinvested in their business, increase incomes from their businesses, and to employ more hands in their business except 4.5% of the respondents who strongly disagreed that the adoption of appropriate technological inputs, employed new skills and techniques to manage their businesses. 29.9%, 13.5%, 14.9%, 16.4%, 31.3% 10.5% and 10.4% SMEs disagreed with the fact that, microfinance services have helped their business to withstand shocks, increase productivity or output, increase savings and have reinvested in their business, increase incomes from their businesses, adopt appropriate technology and inputs, employed new skills and techniques to manage their businesses, and to employ more hands in their business respectively.

In respect of respondents who were uncertain with the various statements, 1.5% of the respondents were uncertain that microfinance have helped their business withstand shocks and 0% for the other statements. 14.9%, 32.8, 34.4%, 35.8%, 19.4%, 52.2% and 46.3% SMEs agreed with the fact that, microfinance services have helped their business to withstand shocks, increase productivity or output, increase savings and have reinvested in their business, increase incomes from their businesses, adopt appropriate technology and inputs, employed new skills and techniques to manage their businesses, and to employ more hands in their business respectively. Whiles 53.7%, 53.7%, 50.7%, 47.8%, 49.3%, 32.8% and 43.3% of the respondents strongly agreed with the fact that, microfinance services have helped their business to withstand shocks, increase productivity or output, increase savings and have reinvested in their business, increase incomes from their businesses, adopt appropriate technology and inputs, employed new skills and techniques to manage their businesses, and to employ more hands in their business respectively. The results from the analysis shows a positive effect of microfinance institutions services on the performance of SMEs in Tamale corroborating with the findings of David (2016) who claims that the growth in most of SMEs is attributable to the role microfinance services plays. . However, it contradict with the findings of Herath *et al.* (2015) which indicates that the availability and accessibility of markets are always a significant factor for income and profit increases of any kind of enterprise.

Table 4.4 Accessibility to Microfinance Credit and Its Influence to the Financial Performance of SMEs

Statement	SD	D	U	A	SA	mean	Std. Dev.
Microfinance services have helped your business to withstand shocks	0	29.9	1.5	14.9	53.7	3.93	1.329
Microfinance services have helped your business to increase productivity or output	0	13.5	0	32.8	53.7	4.27	1.009
Microfinance services have helped your business to increase savings and have reinvested in your business	0	14.9	0	34.4	50.7	4.21	1.038

Microfinance services have helped your business to increase incomes from the business	0	16.4	0	35.8	47.8	4.15	1.062
Microfinance services have helped you adopt appropriate technology and inputs	0	31.3	0	19.4	49.3	3.8	1.325
Microfinance services have given you new skills and techniques to manage your business	4.5	10.5	0	52.2	32.8	4.03	0.69
Microfinance has helped you to employ more hands in your business	0	10.4	0	46.3	43.3	4.22	0.902

SD – Strongly Disagree, D – Disagree, U – Uncertain, SA – Strongly Agree A – Agree, Std. Dev. - Standard Deviation

Source: Field Survey 2020

4.7 The Effects of Loan Recovery Activities of Microfinance Institutions on Small and Medium Enterprise and Debt Management

Table 4.5 shows the following results on loan repayment period

Respondents were required to disclose the loan repayment period of their enterprise. The results show that 79.1% of the SMEs had been repaying their loans weekly, 19.4% of the SMEs repay the loans they took from the microfinance institutions monthly whiles the 1.5% had a quarterly loan repayment period.

The results shows that in general, the loans taken from the microfinance institutions are mostly repaid on a weekly basis in Tamale which is a challenge for the SMEs confirming the findings of

Awuah and Addaney (2016) and Abu et al (2017) that the main challenges faced by SMEs include the short duration of loan repayment.

Table 4.5 further revealed that most of the respondents were not satisfied with the period of their loan repayment with only 34.3% of the respondents stating that they were satisfied with the loan repayment duration.

Respondents were also required to state the duration of the loan taken from the microfinance institution. The analysis as shown in Table 4.6 revealed that 11.1% of the SMEs had a loan duration of less than one year, 67.2% had a loan duration of 1 – 2 years, 19.4% had a loan duration of 3 – 4 and 1.5% of the SMEs had a loan duration of five and above years. The results show that most of the loans provided by the microfinance institutions to SMEs in Tamale had a duration of 1 – 2 years.

Table 4.5 Loan Repayment

Main factor	Level factor	Frequency	Percentage %
What is the loan repayment period?	Weekly	53	79.1
	Monthly	13	19.4
	Quarterly	1	1.5
	Total	**67**	**100.0**

Are you satisfied with the loan repayment period?	Yes	23	34.3
	No	44	65.7
	Total	**67**	**100.0**
What is the duration to pay back a loan received from the microfinance institution?	Less than one year	8	11.9
	One to two years	45	67.2
	Three to four years	13	19.4
	Five years and above	1	1.5
	Total	**67**	**100.0**

Source: Field Survey 2020

4.8 Loan Recovery Activities and Debt Management

From Table 4.6, 26.9% SMEs responded that they disagree with the fact that, the loan recovery procedures employed by various microfinance institutions contributed to loans default, 25.4 of the respondents were uncertain whiles 31.3% responded that they agree with the fact that, microfinance services on loan recovery procedures employed by various microfinance institutions contributed to loans default, whiles 16.4% responded that they strongly agree with the fact that poor loan recovery procedures will create a huge portfolio of debt uncollected. On the subject of poor loan recovery and portfolio of debt uncollected, 14.9% responded that they disagree with the fact that poor loan recovery procedures will create a huge portfolio of debt uncollected, 1.5% fact that poor loan recovery procedures will create a huge portfolio of debt uncollected, 76.6% of the respondents agreed to fact that poor loan recovery procedures will create a huge portfolio of debt uncollected and 7.5% strongly agreed that poor loan recovery procedures will create a huge portfolio of debt uncollected. On the other hand 13.4% responded that they were uncertain with the fact that well administered collection procedures could be a recipe for one defaulting in loan repayment, 7.5% were uncertain, 71.6% agreed whiles 7.5% responded that they strongly agree with the fact that if microfinance institutions do not come up with well administered collection procedures, it could be a recipe for one defaulting to repay the loan. This imply that if a well-structured debt collection procedure is put in place it will help to prevent default in repaying loans. This is in agreement with Alhassan (2016) who argued that, there is the need for credit institutions to review their interest rates, loan repayment schedules, and the loan amounts offered SMEs to enhance the performance and financial sustainability of these enterprises. Buckly (2017) also confirmed this by stressing that the high rate of interest charged on loan contribute to the default in loan repayment.

Table 4.6 Loan Recovery Activities and Debt Management

Statement	SD	D	U	A	SA	mean	Std. Dev.
The loan recovery procedures employed by the various microfinance institutions will contribute to loan default	0	26.9	25.4	31.3	16.4	3.37	1.057

	0	14.9	1.5	76.6	7.5	3.76	0.799
Poor loan recovery procedures for example will create a huge portfolio of debt uncollected							
	0	13.4	7.5	71.6	7.5	3.73	0.790
If microfinance institutions do not come up with well administered collection procedures then this could be a recipe for one defaulting to repay the loan							

SD – Strongly Disagree, D – Disagree, U – Uncertain, SA – Strongly Agree A – Agree, Std. Dev. - Standard Deviation

Source: Field Survey 2020

4.9 Quantitative Results

The study was to determine the relationship between the dependent and the independent variables.

The linear regression analysis was conducted to determine how the services provided by microfinance institution correlate with the performance of SMEs. The Pearson Coefficient of correlation was computed from the descriptor variables and analyzed against the dependent variables.

Table 4.7 shows the correlation between the variables for study. It can be seen from the Table 4.7 that, the correlation between firms' ability to withstand shock with the productivity output level, reinvest in business, increase in business income and employ more hands to business has a correlation of 0.671, 0.594, 0.555 and 0.634 respectively, shows a positive and good correlation.

Whiles the correlation between the firm's ability to withstand of shock with technological input and techniques employed on the other hand had a Pearson correlation of 0.295 and 0.461 respectively shows a positive but low correlation.

The correlation between the productivity output level and the firm's ability to reinvest in business, increase in business income and employ more hands to business all having a Pearson correlation of more than 0.800 shows that, there exist a positive and strong correlation. The Table also shows that, all the variables under study have significant values between .000 and .019 which is less than the significant level of 0.05 showing that, all the variables under the study are significant in establishing the correlation between all the variables. This implies that microfinance services has a significant effect on the performance of SMEs in Tamale. The findings of Machingambi (2014) attests to this fact by indicating that, there is a positive effect of MFI Loans towards promoting their productivity. And Ndife (2013) which discovered a significant relationship between microcredit institutions and SME development.

Table 4.7 Correlation Analysis of The Effects of Microfinance Service on SMEs

		Wistand shock	Productivity output	reinvest in business	increase income	technology input	techniques	more hands
Wistand shock	Correlation	1						
	Sig.		.					
	N	67						
Productivity output	Correlation	.671	1					
	Sig.	.000						
	N	67	67					
reinvest in business	Correlation	.594	.872	1				
	Sig.	.000	.000					
	N	67	67	67				
increase income	Correlation	.555	.853	.865	1			
	Sig.	.000	.000	.000				
	N	67	67	67	67			
technology input	Correlation	.295	.254	.263	.294	1		
	Sig.	.008	.019	.016	.008			
	N	67	67	67	67	67		
Techniques	Correlation	.461	.720	.717	.687	.405	1	
	Sig.	.000	.000	.000	.000	.000		

	N	67	67	67	67	67	67	
more hands	Correlation	.634	.849	.824	.803	.317	.756	1
	Sig.	.000	.000	.000	.000	.004	.000	
	N	67	67	67	67	67	67	67

Correlation is significant at the 0.05 level Source: field survey 2020

Table 4.8 shows analysis of variance for the variables studied. The productivity output as dependent variable with firms' ability to employ more hands, firms ability to withstand shock, techniques employed, increase in business income and reinvest in business as the predictors, it was observed that there was significant difference between the variables. With an approximate F value at 57.164 resulting to a significant value of .000.

Table 4.8 ANOVA of the Effects of Microfinance Service on SMEs

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	57.164	6	9.527	57.164	.000
	Residual	10.000	60	.167		
	Total	67.164	66			

Source: Field Survey (2020)

4.9.2 Regression Analysis

The regression equation is presented as $Y=\beta 0+\beta 1\hat{x}1+\beta 2\hat{x}2+\ldots\beta n x n+\varepsilon$ where Y represent the dependable variable, β0 the intercept of Y, β1, β2, and βn are the regression coefficients, X_1, X_2, and Xn are the independent variables and E is the error term

From Table 4.9 below the regression equation can be seen as $Y=0.032+0.021X_1+0.453X_2+0.042X_3+0.521X_4$

Where Y is the performance of SMEs in Tamale, β0, β1, β2, β3 and β4 are the regression coefficients and X_1, X_2, X_3 and X_4 are the services provide the microfinance institutions that enables the SMEs to withstand shock, save for reinvestment, capacity building and microcredit respectively.

The results from the Table 4.9 implies that, holding all other variables constant, the SMEs performance will be 0.032. A unit increase in insurance services holding other variables constant will lead to 0.021 increase in performance of the SMEs, there will also be an increase 0.453 in the performance of the SMEs should there be a unit increase in saving for reinvestment holding other variables constant, whiles a unit increase in the capacity building services provided by MFIs to SMEs will lead to 0.042 increase in the performance of SMEs holding all other variables constant, the performance of SMEs in Tamale will be increased by 0.521 should microcredit be increased by a unit holding the other variables constant affirming the significance of microcredit on the performance of SMEs. The regression coefficient p-values (<0.05) showed a significant relationship between shock absorption, saving, capacity building, microcredit and performance of SMEs in Tamale. The results recorded confirm the findings of Pei-wen *et al* (2016) that SMEs can improve their income if funded by microfinance institutions. Siyad (2013) also found that there is a positive relationship between return on assets and accessibility of credit in microfinance institutions,

Table 4.9 Regression Coefficient

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
	(Constant)	.032	.036		.089	.350
	Shock absorption	.021	.017	.028	.038	.029
	Savings	.453	.012	.462	.041	.000
	Capacity building	.042	.079	.044	.529	.019
	Microcredit	.521	.024	.460	4.194	.000

Source: Field Survey 2020 **CHAPTER FIVE**

SUMMARY OF FINDINDS CONCLUSIONS AN RECOMMENDATION

5.0 Introduction

This chapter of presents the summary of key findings, and conclusions drawn from the findings. It also offers recommendations on how to address the key issues.

5.1 Summary of Findings

The purpose of the study was to examine the effects of microfinance on the performance of small and medium enterprises in Tamale. Based on the results of the analysis, the research arrived at a number of key relevant findings.

5.1.1 The criteria for accessing finance from the microfinance institutions.

The results indicated that; loan application process is easy to understand and follow and the loan applied for is granted promptly when the SMEs meet the requirement for accessing such finance.

It was however revealed that, the loan repayment period negatively affect the debt management of the SMEs. This implies that the criteria for accessing finance from microfinance institutions are good.

5.1.2 Effect of finance provided by MFIs on the performance of SMEs.

The study shows that; credit from MFIs has helped increase productivity, increase income from business, led to savings and reinvestment, helped in employing more hands and has given the SMEs in Tamale new skills to manage their business.

The predictor variable of microfinance credit has a positive relationship with financial performance of SMEs. Therefore the finance provided by the microfinance institutions has a positive effect on the performance of SMEs in Tamale.

5.1.3 The effects of loan recovery activities of microfinance institutions on SMEs debt management.

The results indicate that: the loans taken from the microfinance institutions are mostly repaid on a weekly basis in Tamale.

The respondents were not satisfied with the period of their loan repayment, and that, a wellstructured debt collection procedure put in place will help prevent default in loan repayment.

5.2 Conclusion

The study aimed at examining the effects of microfinance institutions on the performance of SMEs. The study based on the key findings concluded from the regression analysis that there was a linear correlation between the microfinance services and the performance of SMEs based on this, it could be concluded that, microfinance services has a positive influence on the performance of SMEs in Tamale. It was also concluded the criteria for accessing finance from the microfinance institutions is smooth especially when SMEs meet the criteria for the loan application. The study further revealed that finance provided by the microfinance institutions have led to an increase in the revenue of the SMEs leading to the expansion of their business. However, it was also found that SMEs still face a number of challenges in accessing finance from the microfinance institutions. These included; high cost of credit, short loan repayment period collateral security and processing fee of loans. It was also seen that, the SMEs respondents were not satisfied with the period for which they have to repay their loans. Based on these findings, there is the need for MFIs to repackage their products by addressing these challenges so they better influence the performance of the SNEs.

5.3 Recommendations

After analyzing the findings of this research as well as the conclusions made the researcher came up with some of these recommendations which may be of help to SMEs and microfinance institutions.

SMEs - the study recommends among other things that SMEs should leverage and take advantage of the opportunities that microfinance services offer them to improve their capital adequacy, expand into new markets and improve their shares of existing markets and most importantly, achieve superior levels of operational efficiencies. By doing this the performance of the SMEs are boosted since finance from the MFIs positively affects the performance of SMEs.

Government - Government should institute tax incentives for microfinance institutions involved in lending to SMEs in other to encourage other investors venture into the microfinance enterprise. This will ensure that there are adequate microfinance institutions to meet the demand of SMEs for credit.

The bank of Ghana should also collaborate with the ARB Apex Bank Limited to ensure proper supervision in order to streamline the activities of the microfinance institutions. This will ensure that the services provided by the microfinance institutions are satisfactory.

Microfinance institutions - It is recommended that, Microfinance Institutions need to educate their customers on the proper use of the credit provided to them by encouraging beneficiaries to use the credit for the intended purpose.

The duration for SMEs to repay loans should be increased. This will enable SMEs maximize the benefits from the loans since it is going to give them the opportunity to pay both the principal and the interest of the loan using income generated from the use of the loan. This will encourage more SMEs to borrow from the microfinance institutions.

Finally, the researcher recommend that the loan recovery activities of the MFIs should be schedule in a manner that it does not have a negative impact on the debt management of the SMEs.

As loans have positive effect on the performance of the SMEs, there is the need for the SMEs to be provided guide on financial management of the loans

REFERENCES

Aashish, P. (2019) marketing essentials available at www.feedough.ocm

Abor, J. and Quartey,P.(2010) *Issues in SME Development in Ghana and South Africa.* Retrieved from http://www.eurojournals.com/finance.htm on 20th April 2014.

Abu, B.M., Domanban, P.B. and Issahaku, H. (2017). Microcredit Loan Repayment Default among Small Scale Enterprises: A Double Hurdle Approach. Ghana Journal of Development Studies 14(1), 146-165

ACELEANU & Daniela Livia TRAŞCĂ & Andreea Claudia ŞERBAN, (2014). "The role of small and medium enterprises in improving employment and in the post-crisis resumption of economic growth in Romania," Theoretical and Applied Economics, Asociatia Generala a Economistilor din Romania - AGER, vol. 0(1(590)), pages 87-102, January.

Acheampong, K. (2019) Microcredit for African women. Accessed From http://www.mordernghana.com

Acheampong, K. (2019) *Microcredit for African women*. Accessed on 12th September 2014 from http://www.mordernghana.com

Ackerly, B.A. (1995) "*Testing the tools of development: credit programmes, loan involvement and women's empowerment", in "Getting Institutions Right for Women in Development",* IDS Bulletin, 26, (3): 35-46

ADAM S. Written: 1766 - 1776. First Published: 1776. Source: The Wealth of Nations, the Modern Library, © *1937*. Publisher: Random House, Inc.

Ahiawodzi, A.K. &Adade, T.C. (2012). Access to Credit and Growth of Small and Medium Scale Enterprises in the Ho Municipality of Ghana. British Journal of Economics, Finance and Management Sciences, 6(2), 34-51.

Ahmed, Iftekhar and Ibrahim, Yusnidah and Minai, Mohd Sobri, (2018) Capital Structure and Outreach Nexus of Microfinance Institutions: New Evidences from the Society of Muslim Economies (August 10, 2018). Available at SSRN: https://ssrn.com/abstract=3278443 or http://dx.doi.org/10.2139/ssrn.3278443

Albert, N. W. and Henry, M. B. 2013, Effects of Microfinance Lending on Business Performance: A Survey of Micro and Small Enterprises in Kitale Municipality, Kenya, International Journal of Academic Research in Business and Social Sciences, Vol. 3, No. 7ISSN: 2222-6990

Alhassan, A. E., Hoedoafia, A. M. and Alhassan, A. E. 2016. *Entrepreneurial Characteristics and Business Profile of Women Owned Small and Medium Enterprises: A Case Study of the Tamale Metropolitan Area*. Forthcoming in: Business and Management Strategy.

Altuntas, S., Cinar, O. and Kaynak, S. (2018), "Relationships among advanced manufacturing technology, innovation, export, and firm performance: Empirical evidence from Turkish manufacturing companies", *Kybernetes*, Vol. 47 No. 9, pp. 1836-1856. https://doi.org/10.1108/K-10-2017-0380

Amanda *et al,* {2001).Gender and Economic Growth in Kenya: Unleashing the Power o fWomen. Nairobi, World Bank.

Anane, G., Cobbinah, P., & Manu, J. (2013). Sustainability of Small and Medium Scale Enterprises in Rural Ghana: The Role of Microfinance Institutions. Asian Economic and Financial Review. 3. 1003-1017.

Anggadwita, G., Mustafid, Q.Y., (2014). Identification of Factors Influencing the Performance of Small Medium Enterprises (SMEs). Procedia Social and Behavior Sciences 115 page 415-423.

Arend, R. (2014). "Entrepreneurship and dynamic ... 42(1), pages 33-57, January. Handle: RePEc:kap:sbusec:v:42:y:2014:i:1:p:33-57

Aryeetey, K. T (2012). *Small business credit availability and relationship lending: The importance of bank organizational structure.* Global Business and Economics Research Journal. 112: 32 53.

Atandi and Wabwoba (2013) Atandi,F.G and Wabwoba, T.B. (2013) Effect of Credit on Micro and small Enterprises Performance in Kitale Town. International Journal of Academic Research in Business and Social Sciences. 3 (9): 570-583.

Awuah, S. & Addaney, M. (2016). *The Interactions between Microfinance Institutions and Small and Medium Scale Enterprises in the Sunyani Municipality of Ghana*. Asian Development Policy Review. 4. 51-64. 10.18488/journal.107/2016.4.2/107.2.51.64.

Ayesha, G. (2005). "Micro credit poised to reach 100 million families". Inter Press Service [IPS] News Agency. Retrieved 27th August, 2014 from http://www.ipsnews.net/2005/12/ developmentmicrocredit-poised-to-reach-100-million-families/.

Ayyagari, M. (2011) Small and medium enterprises across the globe. Small Business Economics, 29 (4): 415-434.

Bacchetta, M., Ernst, E. and Bustamante, J. P. (2009) Globalization and Informal Jobs in Developing Countries, World Trade Organization Publications, Geneva, Switzerland.

Bernard, K. D. T (2016). Entrepreneurial success through microfinance services among women entrepreneurs in Sri Lanka: A pilot study and overview of the findings. International Journal of Economics and Financial Issues, ISBN 2146-4138

Boldizzoni, J. (2008). Means and ends: The idea of capital in the West; 1500-1970, New York: Palgrave Macmillan. 2

Brana, S. (2008) Microcredit in France: Does gender matter? *5th Annual Conference-Nice.* European Microfinance Network.

Bratkovič Kregar & Antončič, Kregar, Tina & Antončič, Boštjan. (2016). The relationship between the entrepreneur's personal network multiplexity and firm growth. Economic Research-Ekonomska Istraživanja. 29. 1126-1135. 10.1080/1331677X.2016.1211947.

Buckley, G. (2017). Microfinance in Africa: Is it either the Problem or the Solution? World

Burger, M. (2009). Giving Women Credit: The Strengths and Limitations of Credit as a tool for Alleviating Poverty. World Development. 17(7), 1017-1032 capitalism. New York; PublicAffairsTM.

Chowdhury R, Chowdhury A, Maranas CD (2015) Using Gene Essentiality and Synthetic Lethality Information to Correct Yeast and CHO Cell Genome-Scale Models. *Metabolites* 5(4):536-70

Cook. M., (2010) Group-based financial institutions for the rural poor in Bangladesh: an institutional- and household-level analysis. Research Report of the International PoodPolicy Research Institute. (120): 97-100.

Cooper, 2012 Cooper, Terry L. (2012). The Responsible Administrator. Hoboken, NJ: Jossey-Bass.

Creswell, J. W. (2013). Qualitative Inquiry & Research Design: Choosing among Five Approaches (3rd ed.). Thousand Oaks, CA: SAGE.

David W., (2016) "Managing Knowledge Management: the role of universities" Professor and Director, Brighton University, UK

De Mel, Suresh, McKenzie, David J. Woodruff, Christopher (2012). Business training and female enterprise start-up, growth, and dynamics

Diagne A, (2001). Access to credit and its impact on welfare in Malawi. Research Report 116.Washington, DC: International Food Policy Research Institute

Diagne, A.L., Zeller, M. (2011) Sharma, M. Empirical Measurement of Households' Access to Credit and Credit Constraints in Developing Countries, the Case of Vietnam

Djankov, S., Shleifer, A. & McLiesh, C. (2007). Private Credit in 129 Countries. Journal of Financial Economics. 84. 299-329. 10.2139/ssrn.637301.

Dunn, E. and Arbuckle, J. G. Jr. (2001). The impacts of microcredit: A case study from Peru.

Fiasorgbor, A. D. 2014. Microfinance and the wellbeing of rural entrepreneurs. International center for business research paper 3, 1-8

Figal Garone, L., Maffioli, A., de Negri, J.A. *et al., (2015)* Cluster development policy, SME's performance, and spillovers: evidence from Brazil. *Small Bus Econ* **44,** 925–948 (2015). https://doi.org/10.1007/s11187-014-9620-2

Foreman-Peck, J. (2013). "Effectiveness and efficiency of SME innovation policy," Small Business Economics, Springer, vol. 41(1), pages 55-70, June.

Ghimire, B., & Abo, R. (2013). An empirical investigation of Ivorian SMEs access to bank finance: Constraining factors at demand-level. *Journal of finance and investment analysis*, *2*(4), 29-55.

Ghosh, P. K., Ghosh, S. K., & Chowdhury, S. (2017). Factors hindering women entrepreneurs' access to institutional finance- an empirical study. *Journal of Small Business & Entrepreneurship*.

Giné ,X and Karlan, D.S. (2010)Group versus Individual Liability: Long Term Evidence from Philippine Microcredit Lending Groups. Working Paper No. 61.Economics Department, Yale University.

Goetz, A.M & Sen Gupta, R. 2014. Who Takes the Credit: Gender Power and Control over use in Rural Credit Programs in Bangladesh. World Development, 24(1), 45-63.

Goetz, A.M & Sen Gupta, R. 2014. Who Takes the Credit: Gender Power and Control over use in Rural Credit Programs in Bangladesh. World Development, 24(1), 45-63.

Goldberg, M. & Palladini, E. (2019). Managing Risk and Creating Value with Microfinance. 10.1596/978-0-8213-8228-8.

Gomezelj Omerzel, D. & Smolčić Jurdana D. (2016) The influence of intellectual capital on innovativeness and growth in tourism SMEs: empirical evidence from Slovenia and Croatia, Economic Research-Ekonomska Istraživanja, 29:1, 1075-1090, DOI: 10.1080/1331677X.2016.1211946 Hill Publication Co.

Gomezelj Omerzel, D., & Smolcic Jurdana, D. (2016). The influence of intellectual capital on innovativeness and growth in tourism SMEs: Empirical evidence from Slovenia and Croatia. Economic Research - Ekonomska Istrazivanja, 29(1), 1075–1090. doi:10.1080/1331677X.2016.1211946empirical evidence from Slovenia and Croatia, Economic Research-Ekonomska Istraživanja, 29:1, 1075-1090, DOI: 10.1080/1331677X.2016.1211946

Gopang, M. A., Nebhwani, M., Khatri, A., & Marri, H. B. (2017). An assessment of occupational health and safety measures and performance of SMEs: An empirical investigation. Safety Science, 93, 127–133. doi:10.1016/j.ssci.2016.11.024

Gupta, V. K., & Batra, S. (2016). Entrepreneurial orientation and firm performance in Indian SMEs: Universal and contingency perspectives. International Small Business Journal: Researching Entrepreneurship, 34(5), 660–682. doi:10.1177/0266242615577708

Habibullah, B. (2009). Financing for micro enterprises, small, medium sized and andcottage industries. Dhaka: Bangladesh.

Hall, B. H., Lotti, F., & Mairesse, J. (2009). Innovation and productivity in SMEs: Empirical evidence for Italy. Small Business Economics, 33(1), 13–33. doi:10.1007/s11187-009-9184-8

Herath, I., Kumarathilaka, P., Navaratne, A., Rajakaruna, N., & Vithanage, M. (2015). Immobilization and phytotoxicity reduction of heavy metals in serpentine soil using biochar. Journal of Soils and Sediments, 15, 126–138.

Huang, C., When, Y., & Liu, Z. (2014). Analysis on financing difficulties for SMEs due to asymmetric information. *Global Disclosure of Economics and Business, 3*(2), 28–31.

Hussain. M. N. (2000). Linkages between SMEs and large Industries for increased markets and trade: An African perspective. African Development Bank Economic Research paper No. 53. Côte d‘Ivoire.

Ipinnaiye, O., & Declan D. & Helena Lenihan, 2016. "Drivers of SME performance: a holistic and multivariate approach," Small Business Economics, Springer, vol. 48(4), pages 883-911, April.

Janda, F. (2010). Microfinance services: Facilitating entrepreneurial success of poor women. *American Research Institute for Policy Development*, Review of Contemporary Business Research. doi: 10.15640/rcbr.v4n2a5. Accessed on 13th July, 2019 at: http://dx.doi.org/10.15640/rcbr.v4n2a5

Karanja, J. G., Mwangi, A. K., & Nyakarimi, S. N. (2014). Analysis of Factors Influencing Access to Credit Services by Women Entrepreneurs in Kenya. *Research Journal of Finance and Accounting, 5*(11), 2014.

Karlan, D. and Zinman, J. 2010. Credit Elasticities in Less Developed Economies: Implications for microfinance. American Economic Review, 98 (3), 1040-1068

Katou, A. A. (2012). Investigating reverse causality between human resource management policies and organizational performance in small firms. Management Research Review, 35(2), 134–156. doi:10.1108/01409171211195161

Kemei, M. K., (2011). The relationship between microfinance services and the Financial Performance of SMEs In Nandi District, Master theses, University of Nairobi.

Kisaka, S. E., Ojwang, C.A., & Mwewa, N.M. (2014). Effect of micro-savings and training on growth of small, and medium enterprises in Machakos County in Kenya. Research Journal of Finance and Accounting 5(7), 43-49

Koontz, H. & Weihrich, H. (2006) *Essentials of management* (6th ed.). Tata McGraw-

Kotir and Obeg – Odoom (2009) Microfinance and Rural Household Development: A Ghanaian perspective. Journal of Developing Societies, 25: 85-105

Kufuor A. PhD. (2015). Employment Generation and Small Medium Enterprise (SME) developmentThe Garment and Textile manufacturing Industry in Ghana. Accessed 02/02/2016. http://www.africaplatform.org/sites/default/files/resources/Ghana_employment_generation_and_sme_de velopment_in_the_garment_and_textile_manufacturing_industry.pdf

Kurt, D. (2019) Understanding money management and how needed funds are acquired available at www.investopedia.com

Lader, P. (1996). The Public/Private Partnership. Springs. *Spring, 35*(2), 41–44.

Latifee, H. I. (2006), Microfinance and Poverty Reduction: Experiences of Grameen Operation in Asia, BRAC

Leitner, K. H., & Guldenberg, S. (2010). Generic strategies and firm performance in SMEs: A longitudinal study of Austrian SMEs. Small Business Economics, 35(2), 169–189. doi:10.1007/s11187-009-9239-x

Lejarraga, I., & Oberhofer, H. (2015). Performance of small- and medium-sized enterprises in services trade: Evidence from French firms. Small Business Economics, 45(3), 673–702. doi: 10.1007/s11187-015-9647-z

Lien, Y. C., & Li, S. (2017). Professionalization of family business and performance effect. Family Business Review, 27(4), 346–364. doi:10.1177/0894486513482971

Lin, F. J., & Lin, Y. H. (2016). The effect of network relationship on the performance of SMEs. Journal of Business Research, 69(5), 1780–1784. doi:10.1016/j.jbusres.2015.10.055

Lomberg, C., Urbig, D., Stockmann, C., Marino, L. D., & Dickson, P. H. (2017). Entrepreneurial orientation: The dimensions' shared effects in explaining firm performance. Entrepreneurship Theory and Practice, 41(6), 973–998. doi:10.1111/etap.12237

Lonial, S. C., & Carter, R. E. (2015). The impact of organizational orientations on medium and small firm performance: A resource-based perspective. Journal of Small Business Management, 53(1), 94–113. doi:10.1111/jsbm.12054

Machingambi, Jeremiah. (2014). Impact of Microfinance on Small and Medium Enterprises in Zimbabwe: The Case for Masvingo Town. 4. 1-14.

Mecha, N.S. (2017) Effect o Microfinance on Poverty Reduction: A Critical Scrutiny of Theoretical Literature. Global Journal of Commerce & Management Perspective G.J.C.M.P. Vol.6(3):16-33

Mensah, S., (2004). A review of SME financing schemes in Ghana. Paper Presented at Presented at the UNIDO Regional Workshop of Financing Small and Medium Scale Enterprises, Accra.

Mintah, Attefeh & AMintah, k. E., Attefah, K. J., & Amoako-Agyeman, F. K. (2014).The effect of Microfinance Institutions onthe Growth of Small Businesses in Kumasi, Ashanti Region. International Journal of Economics,Commerce and Management, 2(6), 60-68

Mkazi, (2007). The analytical evaluation of microfinance effects in Uganda.Kampala: Makerere University.

Mutoko, R. W., Mokone, W. S., & Thindwa, K. (2015). *The complexities of relationships between small and medium enterprises (SMEs) and commercial banks – The case of Botswana's retail SMEs, in International Conference on Transforming and Growing Economies through Sustainable Business Innovation*. Maun, Botswana: University of Botswana viewed 10 March 2016, from https://mail.google.com/mail/u/0/#search/ub/14ede68c00dc20aa?projector=1.

Ndife, C. (2013). The impact of Micro Credit Institutions on the development of Small and Medium Enterprises in Anambra State. http://iosrjournals.org/iosr-jbm/papers/Vol14issue5/J01457581.pdf

Nicolini, R. (2001). Size and performance of local clusters of firms. Small Business Economics, 17(3), 185–195. doi:10.1023/A:1011834106853

North, D. C. (1990) *Institutions, institutional change and economic performance.* Cambridge, UK: Cambridge University Press.

Nuhu, Lutufia. (2019). The influence of Microfinance Services on Firm Performance in the WA Municipality: University of Ghana

Omogbai, O.G., Nwakoby, C & Andrew, I.O. (2018) Effects of Microfinance Banks on Small Businesses' Growth in Nigeria IIARD International Journal of Economics and Business Management ISSN 2489-0065 Vol. 4 No. 4 2018 www.iiardpub.org

Onyina, P. A. & Turnell, S. (2013). The impacts of a microfinance lending scheme on clients in Ghana. Accounting and Taxation, 5(2), 79-85

Oppong, M., Owiredu, A., Churchill, R Q., (2014). Micro and Small Scale Enterprises Development IN Ghana. European Journal of Accounting Auditing and Finance Research Vol.2, No.6, pp. 84-97

Pei-Wen Tan, & Mohd Ashhari, Zariyawati & Faizal, Diana & Nassir, Annuar. (2016). Impact of Microfinance Facilities on Performance of Small Medium Enterprises in Malaysia. World Applied Sciences Journal. 34. 1845-1849. 10.5829/idosi.wasj.2016.1845.1849.

Penrose, E. T. (1959). The Theory of the Growth of the Firm. New York: John Wiley

Quaye, D.N.O. (2011) The effect of micro finance institutions on the growth of small and medium scale enterprises (SMEs); a case study of selected SMEs in the Kumasi metropolis. A master's thesis submitted to the Institute of Distance Learning, Kwame Nkrumah University of Science and Technology.

Qureshi, M.A., Imdadullah, M., Ahsan, T. (2012). What determines leverage in Pakistan? A panel data analysis. African Journal of Business Management, 6, 3, 978-985

Robinson, M., (2013). The micro finance revolution: Sustainable finance for the poor. Washington, D. C: World Bank.

Saito, K., & Tsuruta, D. (2018). Information asymmetry in small and medium enterprise credit guarantee schemes: evidence from Japan. Applied Economics, 50(22), 2469–2485. https://doi.org/10.1080/00036846.2017.1400651.

Salman, A. (2009) *How to start a business: A guide for women.* Pakistan: Center for International Private Enterprise, Institute of National Endowment for Democracy, affiliate of the USA Chamber of Commerce.

Shane, S. (2003) A general theory of entrepreneurship: The individual-opportunity nexus. Edward Elgar. UK.

Sheehan, M. (2013). Human resource management and performance: Evidence from small and mediumsized firms. International Small Business Journal: Researching Entrepreneurship, 32(5), 545– 570. doi:10.1177/0266242612465454

Singh, H. & Belwal, T. (2008). Cost of production and price over long and short periods. *Journal of Political Economy*, 29(4), 304-335.

Siyad, D. A. (2013). The Effect of microfinance institution lending and the growth of small and medium enterprises in Somalia (Master‟s Thesis, University of Nairobi, Kenya).Retrieved on January 5, 2016 fromhttp://erepository.uonbi. ac.ke/xmlui/bitstream/handle

Stevens, M. (2014). Strategic Management and Strategic Planning Process.

Sunderesh, F. R. (2019). Microfinance: Emerging Trends and Challenges, 4th Edition. Edward Elgar Publishing Limited.

Suriyankietkaew, S., & Avery, G. (2016). Sustainable leadership practices driving financial performance: Empirical evidence from Thai SMEs. Sustainability, 8(4), 327. doi:10.3390/ su8040327

Vinayak, B. (2019). *Research Methodology: A Practical and Scientific Approach.* Taylor and Francis Group, NY-USA.

World Bank (2013) The Little Data Book on Gender 2013. Washington DC: The World Bank, accessed from http://data.worldbank.org/sites/default/files/the-little-data-books-on-gender-2013.pdf dated on 10/10/14.

Yaron, J., Benjamin & Piperk, S. (1997) .Rural finance issues designed and Worldpractices. Washington, D.C: World Bank Agriculture and Natural Resources Development

Yeboah, E. (2017). The Impact of Microfinance on Grassroot Development: Evidence from Smes in Kwabre East District of Ashanti Region of Ghana. Open Journal of Business and Management. 05. 577-591. 10.4236/ojbm.2017.54050.Yunus, M. (2013). Creating a world without poverty: Social business and the future

Zeller, M. & Sharma, M., Henry, C. & Lapenu, C. (2006). "An operational method for assessing the poverty outreach performance of development policies and projects: Results of case studies in Africa, Asia, and Latin America," World Development, Elsevier, vol. 34(3), pages 446-464, March.

Zimon, G. (2018). Influence of group purchasing organizations on financial situation of Polish SMEs. Oeconomia Copernicana, 9(1), 87–104. doi:10.24136/oc.2018.005

APPENDIX 1

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE

I am a postgraduate student pursuing my MSC Accounting and Finance at the Kwame Nkrumah University of Science and Technology and conducting a research entitled “the effect of microfinance on the performance of SMEs in Tamale” as one of the major requirements for the award of Master’s degree in Accounting and Finance. Please you are requested to assist in this research which is only for academic purpose. Confidentiality of the data you will provide is assured.

Please Tick (√) the Appropriate Box or Fill Where Necessary

Section A: Background Information

1. Gender Male [ ] Female [ ]
2. Age range (in years)

   a.20 – 29 [ ] b. 30 – 39 [ ] c. 40 – 49 [ ] d. 50 and above [ ]
3. Highest Education attained

   a. No formal education [ ] b. BECE/MSLC [ ] c. SHS/SSCE [ ] d. NVTI/COM [ ]

e. HND/Degree [ ]

4. What is your position in this firm?

   Owner [ ] Employee [ ]
5. What is the main activity of your company?

Trade [ ] Service [ ] Manufacturing [ ] Agro-processing [ ]

SECTION B: The Criteria for Accessing Finance from the Microfinance Institutions

6. Do you have Knowledge on Microfinance Institutions?

a. Yes [ ] b. No [ ]

7. Are you having an Account in Microfinance Institutions?

a. Yes [ ] b. No [ ]

8. Have accessibility to Microfinance credit had influence to the financial performance of SMEs

Very great extent [ ] Great extent [ ] Moderate extent [ ] No influence [ ]

9. How long does it take to access credit from your MFI?

a. Less than a week [ ]

b. 1-2 weeks [ ]

c. 2 -3 weeks [ ]

d. 3-4 weeks [ ]

e. Above 4 weeks [ ]

10. Indicate your opinion regarding the loan services provided by the microfinance institution you receive

	Statement	Agree	Disagree
A	Getting a business loan from microfinance does not involve lengthy procedures		
B	The businesses loan application process is easy to understand and follow		
C	Loans applied for from microfinance institution, are always granted		

D	Small loans to meet temporary business shortfalls are promptly granted		
E	Loan money has helped in making my business grow		
F	The loan repayment period negatively affects my debt management		

SECTION C: The Effects of the Finance Provided by the Microfinance Institutions on the Performance of the Small and Medium Enterprises

11. How often do you take loans from microfinance institutions? Not taken [ ] Not often [ ] Often [ ] Very often [ ]

12. Please indicate your agreement or not to the following in respect of the effects of loan on your business. SD= strongly disagree D= disagree U=uncertain A = Agree SA = strongly agree

	Statement	SD	D	U	A	SA
A	Microfinance services have helped your business to withstand shocks					
B	Microfinance services have helped your business to increase productivity or output					
C	Microfinance services have helped your business to increase savings and have reinvested in your business					
D	Microfinance services have helped your business to increase incomes from the business					
E	Microfinance services have helped you to adopt appropriate technology and inputs.					

F	Microfinance services have given you new skills and techniques to manage your business					
G	Microfinance has helped you to employ more					
	hands in your business					

Section D: The Effects of Loan Recovery Activities of Microfinance Institutions on Small and Medium Enterprise and Debt Management

13. What is the repayment period? Weekly [ ] Monthly [ ] Quarterly [ ]

14. Are you satisfied with the repayment period? Yes [ ] No [ ]

15. What is the duration to pay back a loan received from your institution?

Less than one year [ ] One to two years [ ] Three to four years [ ] Five years and above [ ]

16. The Effects of Loan Recovery Activities of Microfinance Institutions on Small and Medium Enterprise and Debt Management. SD= strongly disagree D= disagree U=uncertain A = Agree SA = strongly agree

	Statement	SD	D	U	A	SA
A	The loan recovery procedures employed by various microfinances will contribute to loans default					
B	Poor loan recovery procedures for example will create a huge portfolio of debt uncollected thus lending to loan defaults and vice versa.					
C	If microfinance institutions do not come up with well administered collection procedures then this could be a recipe for one defaulting to repay the loan					

17. How would you rate loan services offered by Microfinance and the performance of your firm?

Very poor [ ] Poor [ ] Good [ ] Very good [ ] Excellent [ ]

Thank you for your input.