UNIVERSITY OF EDUCATION WINNEBA

CRISIS IN MICROFINANCE INSTITUTIONS IN GHANA: A CASE STUDY OF SELECTED MICROFINANCE INSTITUTIONS IN THE GA EAST MUNICIPALITY

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CRISIS IN MICROFINANCE INSTITUTIONS IN GHANA: A CASE STUDY OF SELECTED MICROFINANCE INSTITUTIONS IN THE GA EAST MUNICIPALITY

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NOVEMBER, 2022

DECLARATION

Student's Declaration

I, **Michael Manford**, declare that this thesis, with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original work, and it has not been submitted, either in part or whole, for another degree elsewhere.

Signature…………………………………

Date……………………………………….

Supervisor's Declaration

I hereby declare that the preparation and presentation of this work was supervised in accordance with the guidelines for supervision of dissertation as laid down by the University of Education, Winneba.

Name: Asare Okae-Anti

Supervisor's Signature…………………………….

Date………………………………………………

DEDICATION

This work is dedicated to my family. I know this dedication can in no way compensate for the time and other resources missed out during the period of this study. However, it is to say that I really appreciate your love and your support.

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LIST OF ABBREVIATIONS

CGAP - Credit Union Association of Ghana

FFI - Formal Financial Institutions

SCCT - Situational Crisis Communication Theory

ASSFIN - Association for Financial Non-Governmental Organisation

MFIs - Microfinance institutions (MFIs)

ABSTRACT

Effective management guaranteed the robustness of the banking sector and helped to ensure the financial stability of an economy. Microfinance has over the years, been identified as one of the channels to empower women economically. Qualitative research methodology was employed to attain the research objectives which are to identify the causes of crisis in microfinance institutions in Ghana and examine how they responded to the crisis. The participants of the study were ten (10) from 5 institutions in the municipality using the purposive sampling procedure. Qualitative data were collected using audiotaping of interviews and using the semi structured interviews from the 10 participants. Results obtained from the analysis of the data transcripts indicated that there were high default rate, high interest rate and lack of supervision amongst the institutions. The finding also showed that the microfinance institutions indicated that they had to call the clients to verbally renegotiate and give the customers additional months to be able to pay back the loan facility when it comes to inability to pay back loans on time. It was further revealed that the microfinance institutions had to cut a lot of loans that were given out and further reduce the amount per loan that was to be sent to customers. Also, the study found that concerning the response to excessive repayment terms, microfinance institutions had to stop loan payment that lasted for more than six months. It was therefore recommended that the government and the non-government organizations should support private Micro Finance Institutions (MFIs) to set up special units for only Small and medium-scale Enterprises (SMEs) which will tax interest rate and provide extensive support for them.

CHAPTER ONE

INTRODUCTION

1.0. Background to the Study

Micro Finance Institutions (MFIs) play an important role in the financial systems of many countries. Because of the importance of this activity, numerous studies have examined the accomplishments of the most successful microfinance institutions. Because not all microfinance institutions have followed the same successful path, these studies seek to identify models to be replicated and activities that microfinance institutions should pursue (Sainz-Fernandez et al., 2015). The need for effective management of Micro-Finance Institutions (MFIs) in times of crisis has become as important as the business itself (Ashenbaum & Maltz, 2017). This is so because MFIs in Ghana have suffered several crises situations leading to the collapse of a significant number of prominent institutions.

While some of the institutions closed down on their own, the regulator in most cases revoked the licenses of the institutions for various reasons including insolvency, excessive risk-taking, and persistent regulatory breaches (Bank of Ghana, 2019; Boatenget al., 2016). Effective management guaranteed the robustness of the banking sector and helped to ensure the financial stability of an economy. Microfinance has, over the years, been identified as one of the channels to empower women economically. Indeed, empowering women to be economically viable through microfinancing projects has taken center stage in development policy (Prina, 2015). Microfinance has helped most people to manage their businesses as business owners and entrepreneurs. They help people to establish their businesses or expand existing ones.

There is an expectation that sustainable microfinance provide employment, education, health care, and empowerment to the needy. A crisis situation could jeopardize the positive influence of microfinance services when investors lose their investment, employees lose their jobs, regulators lose credibility, the communities lose confidence in the financial services system, and the poor become poorer (Ali & Al-Aali, 2016; Boateng et al., 2016). For instance, Stegee (1998) discussed the failure of the Colombian Corposol institution and how its inadequate growth and structure led it to an unsustainable situation. Marulanda et al., (2010) analysed 10 microfinance institutions in Latin America that failed. Out of all of the lessons Stegee gleaned, he stressed that the way the institution's management team addresses the issues is critical in these situations. Rozas (2011) extended the previous work done by Marulanda et al., making an in-depth analysis of the failure of 10 other microfinance institutions located in different parts of the world. The main recommendations he puts forward are to face the problems with determination, avoid panic and seek external advice.

Crisis mitigation strategies in MFIs, therefore, might reposition MFIs and prepare prospective institutions to survive potential crises (Ngai & Falkheimer, 2017). Sustainable MFIs may contribute to the survival of families and small businesses that do not enjoy the services of traditional banks. Sustainable MFIs may also support economic liberation and the empowerment of productive poor, the vulnerable, and the economy at large. Different organizations react to crises situations differently resulting in either turning around their businesses or leaving them to perish (Pan & Chen, 2014). Effective crisis mitigation is designed to avoid or reduce the negative effect to protect institutions, personnel, or enterprises from being damaged (Lei & Chang, 2016). Consequently, the ability of a leader to turn crisis to an advantage will depend the on the leader's ability to adopt appropriate mitigation strategies and best business practices. Thus, crisis effect mitigation will play a significant role in the sustainability of MFIs.

For Meagher (2020), a crisis response measure must take into account the special characteristics of microfinance, the multiplicity of institutions within the microfinance ecosystem, empathy towards vulnerable clients, consultation and communication among industry actors, and the unique risks of microcredit services. Sustaining the microfinance sector in the context of a crisis may require emergency liquidity facilities, recapitalisation, and concerted action by regulators, investors, public and private actors (Malik, Meki, Morduch, Ogden, Quinn & Said, 2020). The extent to which these measures are being rolled out and the dynamics of their interplay, especially at local levels, should be of great interest to researchers, policymakers, development professionals, and actors who are connected to the microfinance ecosystem. At its core, microfinance is the provision of financial services such as savings, microloan facilities, credit, deposits, transfer payments, insurance, and micro-pensions to the poor and low-income groups in order to enable them to participate in economic markets and capitalize on entrepreneurial opportunities through business expansion or establishment (Yeboah et al., 2015; Antoh et al., 2016; Copestake et al., 2016). MFIs are faced with a number of operational difficulties as a result of numerous crisis such as inability to disburse new loans and collect loan repayments which is leading to increase in portfolios at risk, as well as increased operational costs and bottlenecks with non-financial service delivery (e.g. group meetings and training programmes).

Microfinance activities in Ghana are not new, given that, historically, Ghanaians save and take loans from formal and informal financial institutions (Appietu et al., 2020). The microfinance sector in the country has grown over the past two decades due to the establishment of policy and regulatory frameworks coupled with donor-supported initiatives and programmes (World Bank 2016). According to the Bank of Ghana (2021), there are 137 registered deposit-taking MFIs, 12 FNGOs, 31 microcredit institutions, 144 rural and community banks (RCBs), and 25 savings and loans as of February 2021, and the total of assets of some 253 MFIs was estimated at GH¢999 million (US$193.5 million) (Oxford Business Group 2021). The decline in the number of registered MFIs in the country is attributed to the financial sector "clean-up exercise" by the Bank of Ghana which started in August 2017. The exercise led to the closure of some financial institutions whose existence posed a threat to the interests of depositors.

Despite the significant social value, multiple MFIs in Ghana have collapsed due to the various crisis they go through and also others remain insolvent (MicroCapital, 2014). An investigation by the Central Bank of Ghana in 2013 revealed that some MFI owners had their licenses revoked because they lacked strategies to operate in accordance with the Banking Act No. 673 of 2004 (Government of Ghana, 2016a). Multiple Ghanaian MFB owners are out of business because they lacked strategies to achieve business sustainability (Owusu-Nuamah, 2014). When MFIs collapse, customers irretrievably lose their working capital, savings and their sources of livelihood, their businesses are likely to collapse, which further predisposes them to indebtedness and consequentially impoverishment.

Microfinance as a developmental tool is essential to the growth of the Ghanaian economy through the provision of financial services for the "productive poor" in the informal sector who cannot access credit facilities to grow and develop the sector (Asiama & Osei, 2007). In addition, Asiama and Osei (2007) mentioned that microfinance institutions mop up excess liquidity in the economy through savings which add to investment capital for national development. Recently, the microfinance sector is faced with some challenges such as compliance with regulatory requirements by the Bank of Ghana. In 2013 alone, thirty microfinance institutions collapsed because they could not sustain their operations while seventy had their licenses revoked (Obour, 2013).

A dramatic proliferation in MFIs, accompanied by an aggressive approach to extending their borrowing base, accompanied by increasing reports of the use of coercion have been advanced as a catalyst for crisis. The pressure to repay, coupled with the increased availability of credit from a multiplicity of lenders, results in "overlapping" or borrowers taking loans from one MFI to pay back another, and thereby getting caught in a debt-trap (Haldar, 2011). But nowhere did they occur more rapidly than in Ghana. To some, microfinance in Ghana is that country's sub-prime crisis, marked by similar reckless expansion and predatory lending that characterized lending to the poor in the United States (Nayak, 2010).

The success of microfinance has led, in recent years, to an era of irrational exuberance in the industry. This is occasioned by the dramatic increase in the number of microfinance providers in the country. This proliferation has led to the problem of "overlapping", or borrowers taking loans simultaneously from more than one MFI, often resorting to borrowing from one to pay back another thereby getting caught in a "debt trap". Thus, one microfinance institution exercises an externality on others, and these externalities may not be effectively regulated through informal mechanisms. Formal structures, including legal requirements concerning information sharing, e.g. about debt obligations, may be necessary. The expansion of the sector has also been associated with an increase in the incidence of fraudulent activity. In this case, it is obvious, self-regulation (or implicit contracts) will not suffice (Chowdhury, 2006).

Thus, while the microfinance sector in Ghana was small, dominated by a few key players, entry into the sector did not need formal regulation, but as the number of players increased and incidents of fraud began to occur, there has arisen a need to regulate the sector.

While the microfinance industry the world-over is in a state of flux, the magnitude of the crisis in microfinance makes it appear that it was the product of the erosion of something fundamental to the model. The way Ghana's microfinance industry evolved undermined this essential element that has, for so long, sustained the model. The researcher therefore deemed it appropriate and important to assess crisis in Microfinance Institutions in Ghana using some selected microfinance institutions in the Ga East Municipality.

1.1. Statement of the Problem

Microfinance has been the poster child of governments, policymakers and international organizations with the goal of lifting millions of people out of poverty (Wagner & Winkler, 2012; di Bella, 2011; Gonzales, 2012). Microfinance now looks particularly attractive as a tool to help the poor, since it is widely seen as improving livelihoods, reducing vulnerability, and fostering social as well as economic empowerment. Today, many see microfinance in a state of crisis (Lützenkirchen & Weistroffer, 2012). This perception is nurtured by evidence suggesting that microfinance has failed in delivering on the promise of alleviating poverty among its clients. The success of microfinance celebrated in the mid-2000s was largely based on anecdotal evidence suggesting that microfinance clients record substantial income gains. Furthermore, the credit technologies mentioned above had proven their ability to provide loans to the target group with surprisingly low risk costs for the microfinance institutions (Cull et al., 2008). Moreover, while microfinance is still at a cost disadvantage compared to traditional finance involving larger volumes, good governance and an efficient organization of the credit process have allowed for the cost-covering or even profitable provision of services. This has been achieved by MFIs charging interest rates at levels comparable to those charged for consumer credit by traditional banks in many countries (Rosenberg et al., 2009).

Prior studies using pre-crisis data concluded that microfinance institutions are resilient to economic crises. However, some recent studies indicate that the microfinance sector is becoming part of the global financial system and microfinance lending activities are now vulnerable to economic and financial crises. Quayes (2015) highlights that during financial distress, there is a potential for trade-offs between the two dimensions of MFI performance – outreach and financial sustainability. As MFIs focus on maintaining their financial results, their outreach to the poor may suffer that leads to “mission drift” (Armendariz & Labie, 2011; Augsburg & Fouillet, 2013; Cull et al., 2009, Hartarska et al., 2013; Quayes, 2015). Liquidity support is the first and most common response to a crisis in the finance sector (Robatto, 2019), and the ability to provide it varies by country with high-income countries using more, and more sophisticated, instruments compared to low- and middle-income countries (Laeven & Valencia, 2013).

The role of microfinance institutions in Ghana is critical to the growth and empowerment of many people especially Small and Medium Enterprises. However, issues concerning women economic empowerment, rural and urban poverty, and child poverty are still lingering around and needs to be rigorously addressed in Ghana. Indeed, microfinance critics have held strong dissenting views on the extent of influence microfinancing have on the livelihood of the individual to a large extent, and as such, the need for more rigorous analysis. A study conducted by Banerjee, Duflo, Glennerster, and Kinnan in 2015, they noted that although microcredit succeeds in affecting household expenditure and creating and expanding businesses, it seems to have no apparent effect on education, health, or women's empowerment at least in the short term. Bansal et al. (2017) and other researchers have observed that microfinance institutions have amassed hundreds of case studies showing that the loans are given to beneficiaries' help alleviate poverty, improve health, increase education and promote women's empowerment.

Calluzzo and Dong (2015) stressed that the failure of a microfinance institution creates failure in other parts of the financial system. In 2012, HSBC the largest financial institution in Europe, admitted having poor money laundering controls and was consequently fined $1.9b after U.S senate investigations (Young, 2016). The Bank of Ghana reported that about 705,396 depositors of distressed or collapsed MFIs and rural and community banks (RCBs) are at risk of losing a total of GH¢ 740.5 million. The amount represents deposits currently locked up in 272 RCBs and MFIs which were either in distress or had folded up due to poor internal control (Adombila, 2018).

There is no doubt that the last few years saw a gold rush in the Ghanaian microfinance industry. This should necessarily be followed by a period of moderation, sound consultation and policy rationalization not only on the pros and cons of microfinance, but also on the pros and cons of trusting so completely a credit-based poverty reduction strategy to the neglect of more critical structural and institutional solutions. By passively encouraging MFIs to expand without limits in a policy and institutional vacuum, the state had created the conditions for a crisis. It is unfortunate that the sector had to falter finally before the wise maneuverings of provincial politics. But then in a democracy you cannot prevent collectives from political articulation of the problems and aspirations of the masses and build a managerially sound financial business using their resources.

Existing literature indicates that each MFI is linked to the economy on both sides of the supply chain: upstream, microfinance investment vehicles (MIVs) provide funds to MFIs and downstream MFIs provide funds to poor entrepreneurs. Although MFIs were essentially donor financed and also lend essentially to small traders, artisans and service providers, often in the informal economy, to the best knowledge of the researcher, it appears the aspect of crisis in microfinance institutions in Ghana has been left unattended. This has made it timely and imperative for a study of this kind (crisis in microfinance institutions in Ghana) to be undertaken in Ghana especially in the Ga East Municipality to know what exist here.

1.2. Purpose of the Study

The primary research objective is to assess the crisis in the microfinance institutions in Ghana suing selected microfinance institutions in the Ga East Municipal Assembly. Thus, the research aims to:

1. identify the causes of crisis in microfinance institutions in Ghana.
2. examine how they responded to the crisis.

1.3. Research Questions

The study intends to find answers to the following questions

1. What are the causes of crisis in microfinance institutions in Ghana?
2. How did they respond to the crisis?

1.4. Significance of the Study

Researching into the area of the crisis in microfinance institutions is crucial for numerous reasons. First, it will help the managers of the operational microfinance institutions to come-out with efficient and effective measures in the running of microfinance institutions. Thus, the study will bring out how current management will manage its operations in order to ensure strong internal controls for profitability. This study will also be beneficial to the public because it will propose appropriate suggestions on microfinance in the execution of operations to satisfying its requirement and customers.

The Ghanaian economy also stands to benefit from the study, in that; it will go a long way to help the microfinance institutions to improve in internal control in microfinance. The benefit of information sharing will also be maximum significance to researchers. Finally, the study will serve as a policy guide for the Stakeholders in the microfinance industry since it will reveal the state of the operations in microfinance. Thus, management can make-use of the findings and results to determine how best to run microfinance.

1.5. Scope of the Study

In an attempt to arrive at valid conclusions, the study will be limited to only microfinance institutions in the Ga East Municipality of the Greater Accra region of Ghana. The present research focused on crisis in the microfinance institutions. The municipality was chosen because of the villages that could be found within it: Abokobi, Ashongman, Boi, Ayi Mensa, Bansa, Haatso, Kwabenya, Oyarifa and Pantang. In the ideal situation, the researcher needs to collect the data across the region to examine the extent of crisis that each microfinance institution face. However, such a study is beyond the scope of the present work. The study was mainly concerned with crisis in the institutions.

1.6. Limitations of the Study

This research is not an exception to the rule that all researchers face certain limitations. According to Best and Kahn (2006), limitations are conditions beyond the control of the researcher which place restrictions on the conclusions of the study and their application to other situations. Though the present study revealed a number of interesting findings, it encountered some limitations. The time frame in which the job had to be finished was a significant obstacle. Consequently, the results are limited to their time of validity and cannot be generalized. More research is therefore needed. The staff of the institutions were afraid to share important information because they did not want to lose their jobs, which made it harder to get enough data for the study. This issue was reinforced by the difficulties inherent in data collection in Ghana.

Another significant restriction or constraint of this research was the significant financial requirements. Most of the participants demanded for financial rewards before agreeing to participate in the interview, hence the limited participants in the study.

1.7. Definition of Terms

Active Clients: The number of clients with loans outstanding on any given date.

Affordability: A variant of the ability-to-pay argument requiring value judgments about the distribution of income.

Asset Liability Management (ALM): The process of planning, monitoring and controlling asset and liability volumes, maturities, rates and yields.

Assets: Anything of value. Any interest in real or personal property which can be appropriated for the payment of debt.

Bad Debt: A debt that is not collectible and is therefore worthless to the creditor.

Balance Sheet: Financial statement presenting measures of the assets, liabilities and owner's equity or net worth of business firm or nonprofit organization as of a specific moment in time.

Business Plan: A document that describes an organization's current status and plans for several years into the future.

Capital Adequacy: A quantitative and qualitative measure of an institution's level of equity versus the risk it incurs.

Capital: All the money and other property of a corporation or other enterprise used in transacting its business

Capitalization: Long-term debt, preferred stock and net worth. The loan capital of a community development loan fund; includes that which has been borrowed from and is repayable to third parties as well as that which is earned or owned by the loan fund.

Cash Flow Financing: Short-term loan providing additional cash to cover cash shortfalls in anticipation of revenue, such as the payment(s) of receivables

Collateral: Asset pledged by a borrower to secure a loan, which can be repossessed in the case of default.

Credit Rating: Usually used to determine a bank or financial institution's credit risk, a credit rating is an evaluation of an individual's or company's ability to repay obligations or its likelihood of not defaulting

Debt Service Reserve: Term used to refer to cash reserves set aside by a borrower, either by internal policy or lender covenant, to repay debt in the event that cash generated by operations is insufficient.

Debt: An amount owed for funds borrowed. The debt may be owed to an organization's own reserves, individuals, banks, or other institutions.

Default: Failure to make timely payment of interest or principal on a loan, or to otherwise comply with the terms of a loan.

Equity: The value of property in an organization greater than total debt held on it.

External Audit: A formal, independent review of an institution's financial statements, records, transactions and operations.

Interest Rate Spread: The difference between the rate the financial institution pays for deposits and the rate it charges for loans

Liabilities, Total Liabilities: Total value of financial claims on a firm's assets. Equals total assets minus net worth.

Loan Agreement: A written contract between a lender and a borrower that sets out the rights and obligations of each party regarding a specified loan.

Loan Loss Rate: Total write-offs divided by active portfolio. The loan loss rate is an indicator to measure unrecovered loans.

1.8. Organization of the Study

The study has been organized into five chapters. Chapter one provides an overview of the background to the study which served as the basis for the entire study. This is followed by statement of the problem as well as the purpose of the study, and research questions to be investigated. The chapter concludes with the significance, scope, delimitation, limitations of the study and organization of the study. Chapter Two focuses on the review of related literature. It discussed comprehensively, literature pertaining to the crisis, the microfinance industry, obstacles facing the microfinance industry and how to solve such situations. Theoretical and Empirical studies were also reviewed.

Chapter Three dwells on research methods highlighting research design that has been utilized to execute the research. It also looks at sampling procedures, instruments for data collection, and finally, the analysis of data. Chapter Four reports on the results stemming from the analysis of the data obtained from the field work. This is followed by discussion of the results making reference to studies that support the findings of the current study. Chapter Five dwell on the summary of the study, conclusions and recommendations. It ends with suggested areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter covers the literature review of scholarly material with the intention to establish the knowledge gap that will be filled by this study. The theoretical framework of the study provides insight into the overall insight of the underpinning theory. It also captures the concepts of the study and empirical evidence.

2.1. The Concept of Crisis

According to Boin, t'Hart, Stern and Sundelius (2005), crisis refers to an undesirable and unexpected situation that befall a person, group, organization, culture, society, or world. Therefore, a crisis introduces a certain level of disorder in the normal development of a society. In this light, Rosenthal (1978) opined that crises are transitional phases of which the accepted normal means of doing things no longer work. Such disorder of normalcy and transition is considered a threat that needs to be addressed. Coombs (2007) identifies three types of crises, victim, accidental, and preventable. This classification system is based on classifying crises based on attributions of the cause of a crisis, as well as identifying the victims of each crisis type. The process for addressing such a disorder could be intersubjective. In this way, a crisis could be defined as a construed serious threat to the basic structures or the fundamental values and norms of a system, which under time pressure and highly uncertain circumstances necessitates making vital decisions (Rosenthalet al., 1989). This definition helps us deduced three critical components of crisis: threat, urgency (time pressure), and uncertainty.

Firstly, a threat as a component of crisis means that crisis occurs when some core values or life sustaining systems of a society or community come under attack. Some of these values include safety and security, welfare and health, integrity, and fairness. Boin et al. (2005) opined that the more lives are governed by the value(s) under threat, the deeper the crisis goes. This may explain why Covid-19 as a health pandemic never fails to induce a deep sense of crisis since the threat of death clearly violates the embedded values of safety, welfare, and health for oneself and one's loved ones. Secondly, a sense of urgency as a crisis component means that time compression is a defining element of a crisis. Accordingly, a crisis is perceived not only because there is a threat against our values but also since such a threat must be dealt with as soon as possible. Boin et al. (2005) argued that the time compression element of the crisis is relevant for understanding operational crisis managers since they have to make quick decisions on matters of life and death, sometimes within a few hours, minutes, or seconds.

The final component of crisis has to do with the sense of uncertainty. During a crisis, there is a perception of threat which is accompanied by some degree of uncertainty. There is uncertainty pertaining to the nature and the potential consequences of the threat. According to Lipshitz and Strauss (1997), such uncertainties are because of inadequate understanding of the crisis, incomplete information about the crisis, and undifferentiated alternatives for the responses for the crisis. Boin et al. (2005) opined that uncertainty might occur during the crisis process, such as people's initial and emergent responses to the crisis. Christensen et al. (2016) have also argued that there could be some level of uncertainty and complexity with the course of action chosen to deal with a crisis and the consequences associated with such a choice.

If stakeholders such as policymakers, the media, and the public do not collectively share the sense of crisis, it becomes hard to speak of the crisis (Boin, et al., 2020). On the other hand, the objective perspective of crisis emphasizes the importance of the accumulation of the threat. Therefore, a crisis is well understood as a developmental process with root causes, an incubation phase (pre-crisis), an acute phase, and a post-crisis phase (Boin et al., 2020; Kruke & Olsen, 2012). Most crisis researchers have distinguished among various types of crises. The common of these typologies are based on how crises are caused. A renowned typology of this category is the study by t'Hart and Boin (2001), which depicted a crisis typology based on the speed of crisis development (onset) and termination (closure). Other crisis typologies have focused on the degree of uncertainty, the degree of transboundary factors, and the degree to which the crisis is a wicked problem or not. In the view of t'Hart & Boin (2001), crises could be classified based on their speed of development and termination. Accordingly, four different types of crisis could be identified: fast-burning, cathartic, longshadow, and slow-burning (creeping) crises.

't Hart & Boin (2001) argued that a fast-burning crisis ends as it begins. The onset and closure of such crises are short, sharp, and decisive. For instance, cases of plane hijack and hostage situations are classified as fast-burning crises. Such crisis situations are met with swift and quick interventions or negotiations. If such interventions succeed, everybody basks in glory, while if such interventions do not succeed, it may be construed as a "heroic failure" ('t Hart & Boin, 2001). On the other hand, the cathartic crisis is characterized by a relatively quick termination (closure) following a long, gradual, and slow onset ('t Hart & Boin, 2001). Examples of such crises include political conflicts between authorities and extremist groups or international confrontations between major and minor powers. Usually, the crisis termination happens when the major power becomes fed-up with the threats (from minor power) and intervenes by imposing a decisive resolution to the conflict. Thus, such crises tend to be led by a slow build-up of tension and vulnerability until it reaches a critical point at which some parties decide to force a breakthrough.

Another typology of crisis is based on the degree of uncertainty (Christensen et al., 2016). This way of classifying crises shows that the most demanding crises are those that transcend administrative levels, sectors, and ministerial areas and at the same time are unique, ambiguous, complex, and involve a lot of uncertainty. It is in the same way of thinking that Gundel (2005) opined that some crises are very hard or easy to predict, as well as some crises are easy or hard to influence. A crisis is predictable "if place, time or in particular the manner of its occurrence are knowable to at least a third competent party and the probability of occurrence is not to be neglected" (Gundel, 2005, p. 4). And a crisis is influenceable "if responses to stem the tide or to reduce damages by antagonizing the causes of a crisis are known and possible to execute" (Gundel, 2005, p. 4). Therefore, this typology acknowledges that some crises are harder to predict and influence than others and that some are even impossible to anticipate ex-ante (Christensen et al., 2016). Moreover, crisis typology based on the degree of transboundary factors indicates the rate at which the crisis could escalate along geographical, political, and functional lines and produce significant governance challenges (Christensen et al., 2016). Accordingly, a transboundary crisis is a crisis that crosses geographical and/or policy boundaries (Ansell et al., 2010).

Crisis typology could also be on whether that crisis is a wicked problem or not. A wicked problem is a social or cultural problem that is challenging or impossible to find a solution due to the complexity and uncertain nature of such problems. According to Camillus (2008), wicked problems are characterized by the involvement of many stakeholders, having different ideas about what the problem is and its causes. These stakeholders have different values and priorities that matter to them, making it complex and ambiguous to find a solution. In the view of Rittel and Webber (1973), there is no definitive formulation of a wicked problem as these problems have no stopping rule (search for solutions never stops). In cases where solutions are obtained, the solutions to wicked problems are not true or false but could be good or bad (Rittel & Webber, 1973). Thus, we are usually judgemental about the solutions since it is difficult to evaluate such solutions objectively. Any solution stakeholders find has unexpected consequences over time, making it difficult to measure their effectiveness. These consequences cannot be undone because there is no opportunity to learn by trial and error. Therefore, every attempt counts significantly. Wicked problems are unique. They do not have a precedent (Camillus, 2008).

Pearson and Clair (1998) identify five commonalities of a crisis. First, when it arrives, a crisis tends to be a highly ambiguous situation where causes and effects tend to be unknown. Second, crises occur often and take many forms, potentially harmful to the company (Dutton & Jackson 1987; Shrivastava et al. 1988). Third, a crisis offers little time for the company to respond (Quarantelli, 1988). Fourth, a crisis can surprise organizational members (see also, Hermann 1963). Finally, a crisis presents a dilemma that will require the organization to decide, often with uncertainty about the outcome of the decision they make. A crisis can be self-inflicted or externally provoked (Sapriel, 2003). The first occurs when the organization itself causes a crisis. Self-inflicted crises tend to be the ones that scholars give more significant focus on, perhaps due to their widespread occurrence. For instance, 78% of public relations crises are caused by communications and marketing errors from companies (Holmes, 2017). As this suggests, self-inflicted crises are commonplace, and they further include crises provoked by company executives when decisions or actions are questionable and cause harm. Although many self-inflicted crises occur on a small scale with only minor damage to individuals or firms, there are also large-scale crises that firms bring upon themselves.

The fact that crises of all kinds, from those impacting single businesses to crises impacting the entire world, continue to occur makes it no surprise that there is extensive crisis management literature. Several studies for crisis management show how communities, cities, and the public/private sectors have responded to crises and its effects on consumers (Blake & Sinclar, 2003; Evans & Elphick, 2005; Henderson & Ng, 2004; Leung & Lam, 2004; Mikulic et al., 2018; Peters & Pikkemaat, 2004; Tse et al., 2006). Ultimately, understanding crises are only part of the story. A more important matter is how organizations conduct themselves during a crisis.

2.1.1. Crisis Management and Communication

There seems to be no consensus in crisis definition (Drakaki & Tzionas, 2017; Sarkar & Osiyevskyy, 2018). However, Coombs perspectives on crisis gave a good meaning to this study. Coombs defined a crisis a sudden and unexpected event that threatens to disrupt an organization's operations and poses both a financial and a reputational threat (Coombs, 2007b). Similarly, Eriksson and Olsson (2016) argued that crisis is a distinct, unexpected and nonroutine event or series of events that create high levels of uncertainty and threat, or are perceived to threaten, and endanger the image, reputation and public relations of organizations. Crisis, therefore, is not the usual events that institutions plan for and will not lead to the desired end (Eriksson & Olsson, 2016). Clearly, though the suddenness and unexpectedness attracted varied views from both academicians and practitioners, the threat of disruption, the financial and the reputational lost has not been debated. Thus, crisis disrupts organizational operations and damages reputations. Besides organizational crisis, researchers used terms such as organizational disasters, distress, failures, collapse, implosions, and catastrophes to describe uncertain and equivocal state that demands heavy achievements to be managed to regain sustainability and restore reputation (Pintér, 2018). Crisis, thus, has a wide range of meanings in literature. More specifically, crisis and disaster are two terms that most researchers used in different studies but have not yet agreed on an acceptable definition. Different researchers sought to explain disaster and crisis. The investigators indicated that the two words described different but related events although the terms are sometimes used interchangeably (Drakaki & Tzionas, 2017; Sawalha et al., 2018).

From the perspective of Sawalha et al. (2018), a crisis can lead to emergency leading to disaster. Aziz, Manab, and Othman (2016) also admitted that crises and disasters are recognized as two different events, even though both are interrelated to one other and they arise with little or no warning. The authors described crises as organization-based events while disasters are referred to as non-organizational based events that occur due to natural or human-made calamity. Conversely, Boin and Bynander (2015) analyzed the two terms from a different angle. They defined a crisis regarding a threat to core values, the safety of people, or the functioning of critical infrastructures that must be urgently addressed under conditions of deep uncertainty. They concluded that whereas a crisis may be managed to avoid or minimize the threat, the event becomes a disaster only when the threat has materialized and caused significant damage. Thus, though crises and disasters are used interchangeably, there is a general acceptance of the two terms describing two different events. From a different perspective, some authors (dos Santos et al., 2016; Pearson & Clair, 1998) defined organizational crisis as a lowprobability, high-impact event that threatens the viability of the organization and is characterized by the ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly. This definition supported Hermann's perspectives on the three key components of an organizational crisis that involve threat, short response time, and the surprise (Sellnow, Lane, Sellnow, & Littlefield, 2017) that will need a piece of strategic machinery to resolve.

Similarly, Mazánek (2016) approached the concept of crisis as having three key elements involving ambiguity, high stakes, and perception of urgency. The three elements, therefore, differentiate a business crisis from other problems and challenges. Clearly, there are no generally accepted characteristics of crisis from practitioners and academia although there are many contributors to the subject. As an organizational crisis management demands, there will be a need for a systematic approach with external stakeholders to avert crises or to effectively manage those that do occur (Bundy et al., 2017; Sellnow et al., 2015; Sellnow et al., 2017). Consequently, organizational crisis managers need some level of a systematic approach to mitigate a crisis as an event or process. Aside from the threat, surprise, and shortness crisis response time, Shaluf et al. (2003) presented a completely new element of crisis characteristics. They suggested that a crisis should have some of all of the following features: (a) severe disruption of operations, (b) negative public perception of the company, (c) financial strain, (d) unproductive of management time, and (e) loss of employee morale and support. The authors have thus expanded the characteristic of crisis to include employee morale and support which were not mentioned in the previous discussions.

The employee involvement in crisis definition was also noted by Valackienė and Virbickaitė (2011) who argued that a crisis is a situation characterized by significant negative changes in a company which stimulates company staff to apply crisis communication and instrumentalities. Thus, employees practically have to form new operations to renew and guarantee the succession of further performance. Valackienė and Virbickaitė (2011) conducted extensive research on the subject of crisis involving about 46 authors who discussed the crisis and admitted that the crisis concept was complicated and cover wider discipline than business. Conclusively, the characteristic of crisis events and situations are endless. The focus of this research is however not on the characteristics but rather the fact that both internal and external stakeholders perceive that there is a crisis and the leadership got the understanding that something or some steps need to be taken to mitigate the effect of the crisis to sustain the operations of the organization.

Crisis management is a critical organizational process which covers pre-crisis, during crisis and post-crisis activities. Aljuhmani and Emeagwali (2017) described crisis management as an art of making decisions to mitigate the effects of such an event or occurrences that threaten the entelechy of goals and could have a negative impact on the continuation of the work of an organization. Organizations, just like other institutions, are systems that undergo many changes that may be predicted or not, pleasant or not. Gilstrap et al. (2016) traced the organizational crisis to two common research orientations involving crisis management and crisis communication. Accordingly, the subject of organizational crisis largely focuses on either crisis management or crisis communication which are all critical in mitigating the effect of the crisis in organizations. Although crisis management cut across many disciplines and for that matter diverse, the objective of averting crises or more effectively managing those that do occur, appear to be comparable and involve some level of communication strategies (Aljuhmani & Emeagwali, 2017; Coombs, 2007a).

Consequently, five significant strategies of crisis management steps have dominated literature involving: (a) Signal detection, (b) preparation/prevention-planning, (c) containment/damage control, (d) business recovery, and (e) learning (Bundy & Pfarrer, 2015; Connolly, 2015). Conversely, some researchers posited that crises begin, develop, culminate and resolve in mostly four phases (Spence et al., 2015). The four phases of crisis involving prodromal crisis, acute crisis, chronic crisis, and crisis resolution are critical in crisis management, and these phases determine a mitigating strategy to adopt. A pre-incident phase (prodromal crisis), for instance, will be ideal for proactive intervention such as credit bureau system and effective loan appraisal system whereas chronic crisis stage approach will involve more drastic and severe procedures such as a sale of loan defaulter's assets. More concisely, while Çakar (2018) referred to three main stages of crisis management involving post-crisis response, recovery, and learned lesson stages, Bundy and Pfarrer (2015), as well as Mazzei and Ravazzani (2015) equally emphasized three main phases involving pre-crisis, crisis response, and post-crisis. Thus, while there seem to be differences regarding the phases and stages, there is some level of consistency in the pre-crisis, during the crisis and post-crisis scenarios.

The post-crisis phase concentrates on mitigating the negative effects of the disaster, the acute and chronic phases of the crisis focus on the sustenance and recovery and the third stage emphasizes the pre-crisis phase showing how both stakeholders can learn lessons from the devastating results of former crises to be prepared for future events. Our focus in this study is however on the mitigation of the effects of crisis which run through all other perspectives referred to as the post-crisis and the recovery phases. Paradoxically, whereas crisis management extended much beyond the borders of crisis communication, the SCCT, appeared to have dominated the conceptual frameworks. Crisis communication refers to a combination of activities used to both manage information and manage meaning before, during and after a crisis (Coombs, 2012, 2015; Liff & Wahlström, 2018). While there are varying views on how crisis could be managed, a well-constructed crisis communication strategy is more likely to overcome the crisis much faster, retrieve the company's threatened fame, and help to maintain its favorable image during and after crisis (Choi & Lee, 2017; Coombs, 2007b, 2012, 2015).

Also, while crisis situations appear similar, Coombs (2015) stated that there are no best practices in crisis communication since no two crisis situations are the same. Unlike the contingency theory that supports situational factors and the demands for resources, the SCCT focuses on the reputational threat as a result of the crisis (Mazzei & Ravazzani, 2015). The underlying reasoning of the importance of crisis communication could best emanate from the fact that stakeholder's perceptions of the crisis event and situation have influences on crisis management (Kim, 2015, 2016; Sohn & Edwards, 2018; Sohn & Lariscy, 2015). More importantly, the information available to stakeholders play a major role in the collective engagement of the stakeholders to prevent or reduce the effect of crisis (Steigenberger, 2016). Also, the strategies involved in building the consensus in dealing with the effects of the crisis can only reach the parties through some form of communication whether intended or by accident (Coombs & Holladay, 2015; Steigenberger, 2016). Communication, therefore, facilitates a conversation between the organization and its stakeholders enabling the organizations to monitor stakeholders' space and viewpoints during the crisis. The contention, therefore, is that the effectiveness of an organization's crisis response to the stakeholder in media may contribute to or undermine the crisis response and thereby achieve or defeat the objective of the communication.

Assuming there is no crisis communication, stakeholders will not know what is happening and quickly become confused, angry, and negatively reactive. More also, the organization will be perceived as inept, at best, and criminally negligent, at worst. Furthermore, the length of time required to bring full resolution to the crisis effect could be extended, often dramatically. Communication, therefore, provides the opportunity to analyze views and clarify possible misunderstandings that promote adverse impressions (Romenti et al., 2016). Consequently, crisis communication efforts clutch a significant part in controlling the type and form of information that can influence the various strategies and outcomes of crisis management to achieve organizational objectives. The crisis communication, therefore, provided guidelines (Coombs, 2007b) for matching crisis response strategies to crisis types to best restore organizational reputations in times of crisis.

2.1.2. Organizational Characteristics of Crisis

Crandall et al. (2010) took an extensive approach to crisis management and offered a strategic orientation. However, they indicated that much of the literature is geared toward corporate America. They identified a four-stage crisis management framework: landscape survey, strategic planning, crisis management, and OL. Landscape survey looks at the process that the management should assess. Strategic planning looks to the prevention of a crisis event and mitigation of its effects on the organization. Strategic planning also relates to crisis management focused on containment of a crisis event and speedy recovery of normal operations. OL refers to what the organization discovered after the crisis event. The development of a framework can be implemented by looking at an historical context of corporate crisis stemming from the Exxon Valdez accident and the radiation leak in Chernobyl. Runyan (2006) suggested characteristics of a crisis that drive many business owners to make decisions after a crisis event. He listed four major characteristics that play a vital role in a corporation's decision making: low probability, ambiguity, high consequences, and decision making. Low probability is often considered to be a surprise. However, the full impact of a crisis may not be known until during and after a crisis event. Many businesses minimize warnings. Ambiguity points to a lack of assessment of damages and financial recovery, both of which are very important.

High consequences of many crisis events are measured by the organization and how the crisis affects it. In the case of a small business, a crisis event could affect the livelihood of works and owners because many businesses are the owners' and workers' sole source of income. The decision-making processes shared among business owners are critical as they relate to response and recovery after a crisis event. Decisions could range from stay or evacuate, remain closed or reopen, to how to finance a recovery effort (Runyan, 2006). Spillan (2003) discussed how small corporations, including nonprofit organizations, prepare for a crisis event. He pointed out that only a limited number of studies specifically examine nonprofit organizations. He asked three questions for organizations to consider: Will a crisis occur? What type of crisis? and When will it happen? He indicated that if a possible crisis is identified, managers could plan for it. Recognition of a possible crisis can help managers and administrators to deal with it effectively, reduce tension, and improve the morale of employees. Identifying a crisis beforehand allows others in the business community to prepare for the crisis. He posited that the best way to identify possible crises is to see what is happening to others in the business community and other sectors.

The source of the crisis, as well as a way to resolve it, may not be readily clear. Nonetheless, its resolution should be approached as swiftly as possible because the crisis impact may not be initially obvious to all of the relevant stakeholders of the organization (Crandall et al., 2010). Therefore, there should be an understanding of the needs of government and private sector responses to emergency management. Crandall et al. (2010) indicated a difference in how government and the private sector view emergency management. The government's primary function in a crisis is to protect the public health and safety. Legislation enables the government to act in a crisis and to implement plans to deal with the event. In contrast, the private sector's sole responsibility is protection of their critical infrastructure. However, the government cannot protect citizens without assistance from the private sector; thus, the cooperation of the private sector is critical to the government's emergency management mission. Another role for the private sector is to provide manpower to pass information to others. The government describes emergency management as a specific range of activities that require the development of plans for an event. The private sector describes emergency management as a process by which businesses plan to address events that can impact their workers and business.

2.1.2.1. New Strategies

Waugh and Streib (2006) indicated that collaboration is required in dealing with hazards and disasters through crisis management and emergency management in an organization. Due to lack of understanding of crisis management during and after Hurricane Katrina, organizations began to incorporate crisis management. Governmental organizations and NGOs have followed this pattern by making crisis management a major part of operations (Waugh & Streib, 2006). However, many communities and organizations do not recognize the need for crisis management and do not support the concept. At the root there has to be a leadership strategy change for new strategies to combat hazards to be effective. All NGOs must be self-sufficient due to the time lapse before outside help arrives. Mutual aid agreements are critical because the organization or institution must rely on multiple agencies to resolve the crisis or emergency event. To have useful and effective collaborations and plans, organizations must learn from the past and institute OL practices.

2.1.2.2. Organizational Learning

Organizational Learning is not unique to learning organizations; learning occurs in every organization (Easterby-Smith, 1997; Easterby-Smith et al., 2000). According to Levitt and March (1988), Organizational Learning is learning that can have some form of influence that originates from history and can affect the current routines of the organization and guide its behavior. Levitt and March (1998) articulated that Organizational Learning encompasses three characteristics: routine based, history dependent, and target oriented. These three characteristics of Organizational Learning imply that organizations' learning involves their past history, their current routine, and their potential objectives for protection. Huber (1991) claimed that Organizational Learning consists of four constructs: knowledge acquisition, information distribution, information interpretation, and organizational memory. When members of an organization are involved in the four constructs, their learning reaches the organizational level. Knowledge acquisition is the course of action in which knowledge is obtained. This action is carried out in five ways: congenital learning, experiential learning, vicarious learning, grafting, and searching (Huber, 1991). Congenital learning is the combination of knowledge that is inherited from the organization's creator and the knowledge that was acquired before its beginning. Experiential learning occurs after the organization's inception and is acquired through experience. When organizations are engaged in vicarious learning, they learn strategies and practices from other organizations.

Through grafting, an organization obtains new members or other organizations that possess a certain knowledge or skill that is not available within the organization. In searching, the organization looks for information outside of the organization. Combining these five methods facilitates the process for organizations to obtain needed information and knowledge. Informational distribution is critical because departments in an organization may develop new information that could help the entire organization. In essence, this information availability could lead to more Organizational Learning. However, organizations must be able to interpret the received information. The interpretation depends on the organization's departments. Huber (1991) indicated that there should be a common interpretation from all departments. The cause of inaccurate and nonlearning situations could be lack of organizational memory (Starbuck & Milliken, 1988). Organizations must learn by continuously deploying these constructs over a period of time. Moats et al. (2008) applied two concepts of scenario planning and scenario-based training (SBT) to the two crisis events of Hurricane Katrina and September 11, 2001. The research problem focused on the leaders of organizations and how they dealt with very complex situations. Primarily, the focus on volatile environments indicated the need to have effective strategies to avoid a crisis event and to manage the event as it was occurring. The research question was, what new and innovative strategies were used to eliminate or manage a crisis event? The themes that emerged were a lack of vision for plans and a lack of ability to solve the problem or crisis. The lack of vision indicated that scenario planning for both crisis events went unimplemented, indicating that the possibility of an event occurring to that magnitude was inconceivable. As for the lack of problem-solving skills in a crisis event such as Hurricane Katrina, Moats et al. (2008) indicated that leadership in decision-making action had broken down. In essence, the leaders in New Orleans could not react and make a decision because they did not know when or how to make one. The study indicated that both scenario planning and SBT are good systems to incorporate to address shortages in the organization's crisis management plans. After the storm, the city learned from the crisis event and prepared for the next crisis event.

Moynihan (2009) indicated that much of crisis learning focuses on the intercrisis, defined as learning from one crisis to prepare for another. He posited that Organizational Learning takes place at this time. Specifically, learning occurs when there is a gap between what the organization expected and the outcomes; these gaps are identified and corrected (Argyris, 1996). Organizational Learning theory can explain how this process of learning is done. There are differences in how the organization utilizes OL theory to learn from past experiences. There is a difference in the Organizational Learning theory of single-loop and double-loop learning (Argyris, 1996). Moynihan (2009) explained that single-loop learning is learning that leads to improvement in the organization's responsibilities. Single-loop learning happens when a difference is detected and corrected without changing the underlying cause of the difference (Argyris, 2003), in this case improvement of the organization's crisis management plan. Double-loop learning is the result of a change in the value in the theory and the strategies used to change them (Argyris, 1996).

In the context of organizations, double-loop learning occurs when the organization tests and changes its assumptions and policies to strengthen the overarching goal of protection of the institution. Lalonde (2007) indicated a disconnection between organizations and crisis management. As a result, there are limits as to how they approach or handle a crisis. One limit is the sociological aspect of an organization, which would merely address the crisis as a social event. From a crisis management perspective, the discipline looks at the strategies used to prevent, respond to, and recover from a crisis event. Lalonde indicated that, even though there was learning after a crisis event, there is still no clear understanding of the development of an organization. In essence, during a crisis event administration and stakeholders are gathering data and information about the crisis that could lead them to understand how and why the crisis occurred. This provides an opportunity to prevent the crisis from occurring again. Numerous crisis events, such as the World Trade Center (Tierney, 2003) and Hurricane Katrina (Moats et al., 2008), have been studied individually but these studies did not seem to shed light on crises holistically. Therefore, after the organization learns, there is a process developmental concept that an organization utilizes.

2.1.2.3. Organizational Development

According to Werner and DeSimone (2011), organizational development is a process used to enhance the effectiveness of an organization and the well-being of its members through planned interventions. For organizational development to be effective in the organization, there must be some form of transformation or change. Organizational development is geared for long-term learning and benefits for the organization. Organizational development broadens the perspective of the organization by envisioning the entire organization as a learning organism and analyzing the performance and development of the organization (Werner & DeSimone, 2011). Therefore, organizational development is relevant to an organization's learning and how it handles crisis events. Organizational development has deep roots in psychology, so there was a move from the product to the people who work within the organization. This new focus included issues such as the environment in which the people work, how to encourage creative knowledge, and the subgroups in the organization working together to maintain a stable and functioning organization (Burke, 2000). Early organizational development efforts primarily focused on the individual employee's interactions within the organization or department and not the entire organization (Senge, 1990). As a result, smaller organizations began to look for help to solve their development issues and larger organizations sometimes created internal departments to address organizational development problems.

As organizations started to focus on human issues, they also recognized the need to relate those issues to business functions (Bradford & Burke, 2005), recognizing that if the development includes the complete organization, there will be a smoother transition from learning to development. This shift was critical as it related to institutions of higher education and crisis management because not everyone knows or understands crisis management. However, due to crisis events that have affected colleges and universities, there has been a push for greater understanding of crisis management. Even though organizations have begun to recognize the effects of crisis events on their organization, many are not prepared to manage a crisis. Wang (2008) connected crisis management, organizational learning, and organizational change to strengthen the ability of organizations to address a crisis and the way it changes the organization. Wang posited that, because organizational learning and crisis management are basically linked, learning is taking place before a crisis, during a crisis, and after a crisis. To be equipped to handle the many types of crisis, an organization should evaluate the organizational learning process and look at what was learned. Moreover, there should be an understanding that continuous learning by the organization requires behavioral change.

2.1.2.4. Behavioral Change

Schein (1985) cited Lewin's three-step behavior change model of unfreezing, movement, and refreezing. Unfreezing requires changing of the behavior of the existing ideology. An example of unfreezing could be the thought that administrators and/or stakeholders believe that they would not experience a crisis event on their campus. The process of changing behavior involves three steps: (a) to motivate the organization to prepare for the change, (b) to build trust and recognize that the change is good for the organization, and (c) to build trust among decision makers and administrators who actively participate with the organization. In the unfreezing step, if an organization's beliefs do not change, the organization may fail (Robbins, 2003). The second step, movement, requires the organization/institution to move to a new level of stability. Educational institutions are just as vulnerable to a crisis event as corporate America. Thus, a crisis management plan should address all hazards as critical. Lewin (1947) provided three steps to meet this process need. He indicated that administrators and decision makers should first persuade students, faculty, and staff that the plan is beneficial to them. Second, stakeholders, students, faculty, staff, and administration) should work toward a common goal, which would be the protection of everyone on and around the campus. Third, leaders must support the change by motivating participants and moving the bar to a higher level. The third is refreezing. Lewin (1947) posited that this step should be done only after changes have been implemented, to ensure the changes will stay in place over a period of time.

Refreezing should stabilize the new changes by reinforcing them through the new policies and procedures (Robbins, 2003). Organizations may experience some anxieties that stem from the changes. Thus, these changes will require the organization to learn new procedures. As a result of these new procedures, the organization could suffer possible momentary ineffectiveness and confusion. Thus, the level of fear associated with the learning process must be lower than the level of confidence required for true change to occur. In the case of crisis management in higher education, there is no magical formula or plan that will address all crisis events. Some institutions could suffer hardships when implementing crisis management plans.

2.2. The Development of Microfinance

Microfinance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. Most people think of microfinance, if at all, as being about micro-credit i.e., lending small amounts of money to the poor. Microfinance is not only this, but it also has a broader perspective which also includes insurance, transactional services, and importantly, savings (Barr, 2005). According to Schreiner and Colombet (2001, p.339), microfinance is defined as "the attempt to improve access to small deposits and small loans for poor households neglected by traditional banks". The concept and philosophy behind the formation of micro-financing institutions arose in the spirit of the need to provide for entrepreneurs who were left out by Formal Financial Institutions (FFIs). Microfinance can be traced back to as far as 1462 when an Italian monk created the first official pawnshop in 1462 which was purposely set up to counter extortion practices at that time which was treading on a wrong path in his opinion (Graziani-Garcia, 2011).

According to Christen et al. (2004), microfinance encompasses the provision of financial products targeted at low-income groups. These financial services include credit, savings and insurance products. A series of neologisms has emerged from the provision of these services, name micro-credit, micro-savings and micro-insurance" (Kirkpatriket al., 2002). The Canadian International Development Agency (CIDA) defines microfinance as, “the provision of a broad range of financial services to poor, low-income households and micro-enterprises usually lacking access to formal financial institutions” (CIDA, 2002). Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small.

Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be ‘bankable’, that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary (Murray & Boros, 2002). Evidence shows that microfinance in Africa is developing at all the three levels of the financial system – the micro (financial service providers), meso (support service providers), and macro (policy, regulatory framework and supervision). At the micro level, there are many stakeholders and growing interest from banks and private investors. Microfinance institutions (MFIs) are having a predominant role, with a strong credit unions membership, although the bulk of savings is still mobilized through the banks. At the meso level, MFIs have scaled up provision of services such as training or auditing, and indications are that some associations are active in coordinating the activities of MFIs. At the macro level, countries are increasingly shifting to a conducive paradigm of market-based policies, while also putting in place regulatory and supervisory frameworks. The characteristics of microfinance products include:

i. Little amounts of loans and savings.

ii. Short- terms loan (usually up to the term of one year).

iii. Payment schedules attribute frequent installments (or frequent deposits).

iv. Installments made up from both principal and interest, which amortized in course of time.

v. Higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflect the labor-intensive work associated with making small loans and allowing the microfinance intermediary to become sustainable over time.

vi. Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status.

vii. Application procedures are simple.

viii. Short processing periods (between the completion of the application and the disbursement of the loan).

ix. The clients who pay on time become eligible for repeat loans with higher amounts.

x. The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates.

xi. No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

The concept and practice had not been new to Ghana since traditionally, people have saved and contracted small loans from individuals and groups within the context of self-help programme popularly known as 'SUSU' to start businesses or farming projects (Egyir, 2010). Majority of the microfinance institutions offer and provide credit on a solidarity-group lending basis without collateral. There is also a range of other methodologies that MFIs follow. Some MFIs start with one methodology and later on move or diversify to another methodology so that they do not exclude certain socio-economic categories of clients. So, it becomes important to have a basic understanding of methodologies and activity of MFIs (Murray & Boros, 2002).

Microfinance programs target both economic and social poverty. To assess the success of their efforts, microfinance institutions need to measure the impact on the borrowers. The primary objective of all MFIs interventions is poverty reduction. Poverty reduction is perceived from the economic point of view. On the other hand, MFIs interventions promote living condition of poor people by offering supportive service. These supportive services are important indicators of human development. The objective of this program is to create sustainable changes in the lives and livelihood of the poor, women in particular (BRAC,2005). As a strategy for removing poverty, microfinance institutions emphasize on improving the health of the poor, which is a main concern worldwide and particularly in low-income countries, where the burden of disease is heaviest. The relationship between poverty and ill health has been characterized as synergistic and bidirectional. Poverty confines the capacity to produce health and ill health leads to further impoverishment that diminishing the potential of individuals and households to improve their economic status.

Poverty alleviation strategies (PASs), like micro-credit programs, may pilot to health benefits. There is a growing recognition that poor health is a dimension of poverty; therefore, one potential result of poverty reduction is progress in the health of the poor. PASs can adopt various forms. Debra Lipson's (1998) review of potentially pro-health PASs included community and micro-enterprise economic development, agriculture and food policies, education policies, macroeconomic policies, and environment or infrastructure investments to improve the supply of safe water and basic sanitation (Mohindra et al., 2005).

2.2.1. Development Programs undertaken by MFIs

El-Solh (1999) postulates two theoretical propositions on the macro-level for supporting microfinance interventions: economic and human resources. By enabling the establishment of new micro-enterprises, microfinance supports the efficient use of labour and capital as factors of production and therefore contributing to economic growth and ultimately to sustainable development (Chester & Kuhn, 2002; Hashemi, Schuler & Riley, 1996;). Some of the development programmes MFIs undertake are:

1. Health intervention has been an integral part of the MFIs. Different organizations apply different or similar policy to identify the health problems, undertake rigorous experimentation and try to explore and then apply suitable, affordable and culturally acceptable technology. Throughout the work process, they measure and monitor its implementations and recommends corrective actions to modify methods of implementation of program, health message, training and management, where needed (BRAC, 2005).
2. Another important goal of all MFIs is to spread the light of education throughout the society. Development through this program, along with the health program, indicates human development among the people. Their effort and mission is to build up a society free of poverty, illiteracy and disease. Their goals are to expand education opportunities for disadvantaged children

and provide them with necessary technical and financial support (BRAC, 2005).

3. In the developing countries, achieving household food security remains a critical objective of rural development. This can be done in principle by escalating agricultural productivity and off-farm income, thus improving the capability of households to steady their income and food purchasing power. Food security, at the household level, is defined in its most basic form as access, by all people at all times, to the food needed for a healthy life (Zeller, Meyer & Richard, 2002).

Almost all microfinance institutions believe in motivating repayment through group solidarity or group liability. For example, village banks put emphasis on loans to finance income-generating activities and savings (Aryeetey, 2005). Providing loan to the individual through groups is an unconventional policy. In this policy, banks do not expect from group members to meet the collateral requirements. The basis of this methodology is the mutual trust among the group members. The group's member are usually lend money on unsecured basis, just using five–person group guarantee, whereby each individual is responsible for the repaying loans among the selected group. This principle of micro-credit is borrowed from the Grameen Bank of Bangladesh (Aryeetey, 2005).

Solidarity group lending schemes involve the formation of groups. In these groups some or all members are jointly liable for each individual's loans, thereby creating an alternative to conventional loan requirements (which poor people can rarely fulfill). From the lenders' perspective such joint liability lending enables a transfer of default risks from the institution to the borrower, and can reduce the transaction costs of providing a larger number of small loans (by concentrating clientele in groups, at regular village-based meetings, rather than dealing with individual borrowers at different times) (Montgomery,1996). However, this methodology engages women clients in financial activities in which female solidarity is created through promoting shared visions and goals and developing collective strengths. It can serve as a powerful tool for progressive social change as long as it fosters critiques of dominant cultural ideologies. It helps to elevate awareness and empowerment in society, especially among the women clients (Mohindra & Haddad, 2005).

With respect to increasing savings products for the rural poor, more emphasis has to be placed on liquidity and low transaction costs than on attractive interest rates. Financial institutions arrange reliable options for obtaining liquid funds quickly when needed (a line of credit for example) and for safely investing excess liquid funds at reasonable returns. MFIs collect obligatory savings from the clients on weekly or monthly basis, before further loans are disbursed. When the loan is disbursed, the net amount received by the client is after the deduction of first installment. So, the first installment for the loan is already taken by the lender as soon as loan is sanctioned. Clients are allowed to withdraw at the end of the loan term, after a set number of weeks, months or years or when they terminate their membership (CGAP, 2010).

Despite numerous policy initiatives introduced during the past decades, the growth of small-scale industry in Ghana has been disappointing because of liquidity problem. In addition to liquidity, a number of factors have been designated to explain the failure of large enterprise to emerge from the micro-enterprise sectors. These factors are poor infrastructure, weak entrepreneurial and management skills and inadequate access to machinery and materials. Insufficient credit access and lack of financial services from formal financial institutions has also been recognized as a constraint on the expansion of the micro-enterprise sector. As a result, family and informal moneylenders have become the major source of finance for Medium and Small-scale Entrepreneurs (MSE). For many, the 'new world of microfinance' had the potential to provide access to credit to the poor on a massive scale by offering numerous financial services. Despite apparent success of microfinance institutions and the efforts of supply led policies and financial liberalizations, there are still important 'gaps' in the credit market and certain types of enterprise and entrepreneurs are unable to gain adequate access to credit facilities (Khan, 2007).

Burkett (2007) says microfinance enjoys ever-growing funding and enthusiasm in recent times because the concept of microfinance is in consonance with the neoliberal and neoconservative economic agenda which emphasise market-oriented solutions to development. The idea of poor people working their way out of poverty is attractive to an ideological position that approaches poverty reduction through the engagement in notions of 'active individualism' that evoke empowerment and entrepreneurial activities and economic citizenship. Microfinance is attractive because it promotes the means of building people's capacity to participate in economic activities and create social capital but de-emphasises structural analysis and collective responses.

2.3. MFI's and Loan Repayment

Enforcement refers to the use of peer pressure and/or sanctions to induce service users to repay loans. Enforcement is to mitigate the problem of ex-post moral hazard. This is because the burden of repayment falls on the entire group (joint liability) after the application of pressure and sanctions fail to induce defaulting service users to repay loans. It is at the enforcement stage (stage 3 in this thesis) that Marr's (2002) audit stage mentioned earlier becomes relevant. When repayment is not forthcoming then members of the group have to ascertain whether the default is willful or due to investment failure. Beasley and Coate (1995) demonstrate that if social penalties (enforcement) are strong enough group lending can improve repayment rates. Marr (2002) argues that when the level of monitoring is low, groups tend to rely more on the use of peer pressure and sanctions to achieve high repayment. Paxton (1996) found in Burkina Faso that groups were more willing to exert pressure to encourage repayment before the loans were due rather than after default had occurred. In the study area in Burkina Faso, if reasons for default were considered uncontrollable members did not put much pressure on the defaulting service user. Village harmony was so valued that even when default was willful there was not much pressure applied. In contrast Marr (2001) described the type of social sanction taken against defaulters in Peru. Defaulters could be ostracized from community-based relationships and harassed till payment was received. Violent sanctions such as aggressive public humiliation, seizure of private property and even burning of houses are not uncommon. Montgomery (1996) reports that sanctions applied against defaulters could range from negative comments, social exclusion to the seizure and sale of household assets.

When peer pressure and sanctions have been applied and have failed to result in repayment, other members in the group have to make good the default. This should logically have been the last or fourth stage of the model. Simtowe and Zeller (2006) call this the problem of limited liability. It can however be argued that joint liability is not just a stage in the group lending scheme, but underlies the entire process of group lending (Ghatak and Guinanne, 1999). Service users have joint liability in mind when they organise themselves in to groups. It is the idea that all members of a group are jointly liable for any loan default that compels peers to monitor and apply pressure and sanctions to ensure repayment. Although joint liability is perceived as the basis of group lending it is not enforced in some microfinance interventions. Jain (1996) observed in the Grameen Bank that even though there was much discussion and emphasis on the concept of joint liability, it was the individual defaulter who was pursued. Other members of the group did not have to suffer jointly for the non-payment of the loan by the individual.

The Grameen Bank as whole has evolved: Grameen Classic System has evolved into the Grameen Generalised Scheme or Grameen Bank II, which has essentially abolished joint liability (Reggiani, 2005). Even though the new Grameen claims to have abolished the joint liability scheme, it has instituted the system of rewards for branches that achieve 100% repayment rates among others. This reward scheme is likely to compel Grameen staff and/or groups to surreptitiously force recalcitrant service users to pay up or help them to repay. Joint liability is not without risk to service users. For example, when microfinance institutions decide to form groups without recourse to self-selection and in addition insist on joint liability, it is likely to create a problem for service users. For instance, what will happen to the issue of joint liability when the level of heterogeneity with regard to risk and socioeconomic status is high? Few studies have been found that have comprehensively examined the effects of group formation and joint liability on service users. Another matter that warrants examination is how contextual factors influence peer support or joint liability.

Service users generally repay loans from profits that accrue from investment of microloans in income-generating activities. Other studies have found that service users repay loans not only from their productive ventures but also rely on relatives, friends and on their peers. Rutherford (2000) argues that surplus and savings generated from household's overall productive strategies tend to be the main source of loan repayment. Loan repayment patterns, like disbursement, follow a strict regimen. Loans are usually repaid in weekly, fortnightly and monthly instalments. The reason for this strict repayment regime, according MkNelly and Kevane (2002), is to inculcate fiscal discipline into borrowers. In reality such repayment schedules are more important for ensuring high repayment rates than for any other reason. Do repayment patterns affect repayment rates?

Field and Pande (2008) conducted a randomised experiment in urban India to assess whether repayment schedules affected repayment rates. Service uses were randomly assigned to weekly and monthly repayment schedules. It was found that there was no statistically significant difference between weekly to monthly repayment rates. In view of the findings the authors argued that increasing the period of repayment (i.e. from weekly to monthly) will reduce transaction costs for the microfinance institution. It can also be argued that it will also reduce the transaction costs for service users as well. Service users have complained about loss of productive time when they had to attend compulsory weekly meetings to repay loans (Johnson & Rogaly, 1997). Jain and Mansuri (2003) suggest that the use of tightly structured instalments starting soon after loan disbursement puts service users at a disadvantage. Such repayment schedules are not suitable for the rural poor who usually make the bulk of their incomes seasonally. Service users desire flexible repayments arrangements which coincide with fluctuations in their incomes. For instance, informal lenders usually allow flexible repayment schedules often permitting repayment at periods to coincide with periods when borrowers come into money such as during harvest periods. It is this flexibility, perhaps, that enables moneylenders to survive even in areas where microfinance institutions abound.

Buchenau (2003) described two regulated microfinance institutions, Caja Los Andes in Bolivia and Financiera Calpia in El-Salvador, which operated credit products for rural households and allowed for flexible repayment tailored to the expected cash flows of individual households. In assessing borrowers' repayment capacity, the two interventions considered the future cash income and expenditures of households' basket of different economic activities to determine payment capacity and a payment schedule. In addition, Hickson (1997) commented on the popularity of a flexible loan product in the Qinghai Community Development Project (microfinance scheme) in China. Nearly all service users opted for this loan product whose principal did not have to be paid until the end of the loan term. Interestingly most service users paid off loans before they fell due.

However, Rutherford (2006) observed that this strategy was hardly being implemented because staff perceived this new scheme as being too cumbersome and complicated to implement and therefore discouraged the use of the facility. In a contrasting picture, Mknelly and Kevane (2002) provide a stark instance of mismatch between standardized repayment terms and economic opportunity in Nagereongo, a village in Burkina Faso. Although it was evident that onion farming was very profitable, the monthly repayments required by the microfinance institution were not conducive to the activity. Onion farming was profitable if onions were stored for between four and five months after harvesting (when prices were higher). The loan repayment schedules were such that the women had to sell onions just after harvest when prices were low in order to repay loans.

2.4. The Microfinance Industry in Ghana

The concept of micro-credit and micro finance is not new in Ghana. The first credit union in Africa was established in the Northern Ghana in 1955 by Canadian

Missionaries (Kimos, 2010). However, "Susu", which is one of the microfinance schemes in Ghana is thought to have originated from Nigeria and spread to Ghana in the early twentieth century (Kimos 2010). The history of microfinance can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way of getting the people out of poverty. But it was at the end of World War II with the Marshall plan the concept had a big impact (CGAP, 2005). Today, the use of the expression micro financing has its roots from the 1970s. Credit Unions also engage in micro finance operations. The apex body of all credit unions is the Credit Union Association of Ghana (CUAG).

Credits Unions are owned by its members or client. Traditional Susu (daily savings) collectors under the auspices of the Susu Collectors Associations dominate the urban and rural areas. Despite tough regulation of this category of microfinance services providers, operators often run away with the savings of their victims. The government of Ghana through the Central Bank is re-tightening the regulation of this category of microfinance service provider (Daily Graphic, 2011). The other informal sector initiatives are Self-Helps Groups and Associations who undertake rotating savings and credit to their members on systematic basis. The government has been selling up microfinance projects in collaboration with development partner for selected sectors and deprived communities for the past years. In Ghana, only Banks and savings and loans companies can accept deposits from the general public (Bank of Ghana). Therefore, the inability to raise low interest liability through deposit mobilisation is a limiting factor in microfinance sub sector. In the Tamale Metropolis, the picture of microfinance shares similar characteristics. The industry is being dominated by the female clients who mostly run micro business enterprises and small-scale business (MASLOC, 2010).

At the formal governmental level, MASLOC and Social Investment Fund are available micro credit schemes. These schemes are not easily accessible unlike those in the informal sector. Conventionally, every citizen in Tamale is qualified to access these credit-schemes. However, the reality is that you must regard the whims and caprices of the Metro Chief Executive or party leadership. Micro finance is a scheme designed to improve the wellbeing of the poor through better access to credit facilities and other financial service. It is considered as a vital issue in the development agenda relating to the provision and delivery of credit and other services to the poor. This allows the poor to tackle poverty themselves. Microfinance can be viewed as an effective tool well positioned to assist the poor especially into the new domain of economic empowerment (Yunus, 2002). One of the aims of micro finance is to promote saving for the purposes of development in communities and particularly in the society through the development of self-managed economic groups (Dalay,2007). The micro finance sector in Ghana is a fast-growing industry. Financial Non-Governmental Organizations (FNGOS) whose activities are mostly in rural and urban centers direct their efforts towards the productive poor. The mother organization for FNGOs is the Association for Financial Non-Governmental Organization (ASSFIN).

Some rural banks undertake microfinance projects. Rural banks are licensed and regulated by the Central Bank of Ghana through ARB Apex Bank which is a mini–Central Bank of Ghana for the Rural/ Community Banks (Non-Banking) law 1993, (PNDC Law 328). The regulating frameworks of the rural Banks limit their expansion in geographical areas, outside their catchment boundaries. Financial Service Companies, Saving and Loan Companies, and some Commercial Banks have made an entry into the micro finance industry. Their microfinance operations are mostly confined within the urban center for commercial reasons.

2.5. Problems of Microfinance Clients and Institutions

A study by Rashem and Abdullah (2018) on the factors influencing the growth and penetration of microfinance institutions in Egypt revealed that high interest rate, political and economic conditions, corruption, customer outreach, competition and technology are challenges, obstacles or hurdles militating the growth of microfinance institutions. The study found lack of appropriate technology to manage internal affairs and clients as a major challenge affecting the growth of microfinance institutions (MFIs) in Egypt. Secondly the study revealed customer outreach as a major hurdle. Customer outreach which is crucial for poverty reduction and sustainability of MFIs is costly and hence poses a threat for the growth of MFIs. This is supported by Wassie, Kusakari, Hitoshi and Sumimolo (2019) who confirmed in their study that providing financial services to the poor (outreach) and attaining financial sustainability are dual challenges faced by MFIs.

Rashem and Abdullah (2018) further asserted that the managers of MFIs misuse the powers by attending unproductive conferences and seminars which incurred heavy cost for the institution. Again, according to the findings of the study the high interest rate charged by the MFIs coupled with short–term of repayment imposes a burden on the clients leading to inability of repayment and hence high rate of default. To buttress this SainzFernandez, et, al (2015) assert that absence of credit bureaux lead to multiple borrowing which consequently lead to default. Microfinance institutions(MFIs) face the challenges of inadequate infrastructure both physical and financial, unsupportive policy environment, limited institutional capacity, inadequate investment in rural areas, inadequate social capital development, microfinance misconception, among others (Mago, 2019).

Another study conducted by Prathap, Mahesh, and Karthik (2018) on microfinance and poverty alleviation in India found lack of education, method of repayment and high interest rate as obstacles or challenges confronting the microfinance industry. This is buttressed by Elhadidi (2018) who also found that high interest rates, lack of business training and short maturity period of loan are factors that hinder the growth of MFIs and hence worsen the plight of microfinance clients. Elhadidi further asserted that unwillingness of clients to invest their loans in their microenterprises but rather use them on consumption is an obstacle to the growth of MFIs leading to loan default. According to Khavul (2010), it is very expensive and risky to serve the poor because they have no official histories, no credit bureaux, are illiterates, have limited or no collateral and are often dispersed across rural areas. Moreover, their micro-enterprises are not registered and hence not taxed and they operate in the informal sector of the economy. This leads to agency and transaction cost challenges which is extremely difficult to overcome.

The challenge of high transaction cost involved in providing loans to the poor, given the smallness of the loan size coupled with the geographic dispersion of the rural borrower is a very serious obstacle which adversely affect the growth of the microfinance sector. This is because it leads to high interest rate, may reduce profitability (Ahlin et al., 2011) which may consequently cause scarcity of loanable funds to MFI clients (Burlando & Canido, 2017). Another study by Cervantes and Montoya (2015) in Mexico found that the clients of microfinance faced a number of obstacles or challenges including but are not limited to, term of maturity of the loan re-payments, sicknesses caused by stress, unbearable responsibility, child neglect as a result of loan terms, problems with family, challenges caused by sentimental partners, and debt related issues. Another hidden challenge was the inability of many of the respondents to definitively declare their source of loan repayments. A greater percentage of the respondents (77.8 %) indicated that their source of repayment was the micro-enterprises themselves. They claimed that the microenterprises are capable of generating enough or sufficient money for repayments, whilst the remaining respondents (24.2%) had to repay or settle their debt obligation with money from other different sources. High interest and hence high interest payment has been a major concern and a challenge to microfinance clients.

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

For instance, Del Mel, McKenzie & Woodruff (2008) indicate that for female-owned businesses the average returns to capital was almost zero. Considering the fact that most microfinance clients are women, high interest rates on loans is a challenge or obstacle to their growth. This is confirmed by Schindler (2010) cited by Salia, Hussain, Tingbani, and Kolade (2018) in their article; Is women empowerment a zero sum game? Unintended consequences of microfinance for women's empowerment in Ghana; who asserted that inefficiency and cost of microfinance is a hindrance to women's ability to come out of poverty. This is a moral issue. This is because, if microfinance institutions (MFIs) claim their aim (among others) is to deliver the poor out of poverty, and help expand microenterprises, thereby create and expand employment why then should they charge exorbitant interest rates to kill microenterprises and make the poor worse off? The MFIs also claim their operating costs, including the cost of capital is high, hence to be sustainable they should charge market interest rates. For the MFIs to charge affordable interest rates, their loanable funds should come from a source with concessionary interest rates, so that both the clients and MFIs will benefit. If their sources of loanable funds come from, say, NGOs, the government or an International Development organization like UNDP at concessionary interest rates for on-lending to the poor and microenterprises then they can charge affordable interest rates to benefit both the clients and themselves.

According to Rashem and Abdallah (2018) and buttressed by Dahir (2018), MFIs should be financially supported by donors and governments for them to offer adequate loan amount to their clients at affordable interest rates, and come up with standardized reporting and monitoring systems, rules and regulations to prevent default. In this case, the poor may come out of poverty, microenterprises may grow, and employment may be created and expanded leading to economic growth and development. Even this will depend on some factors including how the loan is used, among others. For example, if the loan is diverted by the clients, in spite of the concessionary interest rate, poverty will not reduce, microenterprises will not expand, employment will not be created and there will be no economic growth.

Furthermore, Dehejia et al.'s (2005) study in the slums of Dhaka in Bangladesh, which assessed sensitivity of borrowers to increases in interest rates on loans, found that the sensitivity levels of the less poor microfinance clients to changes in interest rates is less than that of the poorer borrowers. A field survey conducted by Karlan et al. (2007 cited by Yeboah, 2010) in urban Accra, Ghana, to assess people's sensitivity to interest rate changes showed that microentrepreneurs were more likely to apply for loans at lower interest rates than at higher interest rates. A study by Ntim (2019) on microfinance and poverty reduction in Ghana also revealed that lack of collateral, high interest rates, and lack of track record are challenges faced by clients from accessing loans from the MFIs. The results of a study by Dahir (2018) in Mogadishu on challenges faced by microfinance institutions indicate that loan default, inadequate donor funding, insufficient support from governments, improper regulations, lack of standardized reporting and performance monitoring system for MFIs are among the challenges facing the microfinance industry.

Lack of well-trained staff, lack of monitoring system and inadequate loan size are obstacles or challenges faced by MFIs (Khanam, Mohiuddin, Hoque and Weber, 2018). In addition to the interest rate, the other charges, fees, and deductions demanded by the microfinance institutions also serve as another obstacles or challenges to microfinance clients. MFIs deduct processing fees from the loan, and the clients are usually required to make compulsory deposits etc., which obviously reduces the net cash they receive as loans (Rosenberg, Gonzalez & Nahrain 2009).

According to Rosenberg et al. (2009) all these are termed hiddencost, which increases the effective interest on the loan. A study conducted in Ghana by AddaeKorankye & Abada, (2017) on Microfinance and female empowerment revealed that female microfinance beneficiaries encounter a number of challenges including exorbitant interest rates, access to credit, inadequate loan sizes, lack or inadequate training, access to market, high taxes/market tolls charge by the assemblies, high prices of inputs including utility bills and frequency of loan repayment (maturity, loan terms).

Salia, et, al. (2018) reported in their study that some husbands of women microfinance beneficiaries marry their maids leading to spousal disputes and family breakdown. The reason is that the husbands claim their wives leave home very early for their shops by 6.00 am and come home after 7.00 pm, and so the women are not able to satisfy their husbands' domestic or physical needs. Others include inadequate supply of inputs, lack of storage facilities, transportation, and difficulty in collecting their debts among others. These obstacles adversely affect the growth of their businesses and some businesses have even collapsed.

Despite the increased support for microfinance, there seem to be an ongoing debate in academic literature as to the effectiveness of microfinance in the empowerment of the society (UNDP, 2000). The dilemma is whether access to microfinance has an explicit ability to empower the society considering its size and procedures. However over the years the debate as to the actual effectiveness of microfinance in alleviating poverty is being continued, essentially, focusing on two issues; whether microfinance services especially micro-credits reach the ‘hard core poor’ or whether they are able to successfully integrate financial sustainability with outreach (UN, 2005). More recently, the focus of the debate has been extended to the possible potential of microcredit for society empowerment given that the amounts of loans are usually very small with high interest rates couple with high illiteracy level among rural women. While some hold positive views about the relationship, others have negative views.

Some of the negative views widely held include the following: Goetz and Gupta adopted managerial control over loans as strong indicator of empowerment and their conclusion was that, majority of the society on microfinance loans, lacked control over the loans, but, had the responsibility of repayments. This then put them in a disadvantage position, interpreting this as wide spread loss of control, hence disempowerment (Goetz and Gupta, 1994). Micro credit is no better than 'nothing'. The tasks required from customers were often difficult to perform, their products have little market potential and the implementing agencies (microfinance institutions) have no technical competence (Ackerly, 1995).

In support of this, Kerr has argued that on its own, micro-credit can sometimes increase society disempowerment through higher debt and work burden since credit by definition is a liability (Kerr, 2002). Furthermore, the pessimists believe that the optimists fail to control what would have happened in the absence of such micro-credit schemes and also fail to measure the opportunity costs of clients' time (Buvinic, 1989; Navajas, et al. 2000). Some studies have shown that microcredit will not work in locations that do not have sufficient cash-based market activity and with low population densities, or are largely self-contained with few external relations, such as island countries in the Pacific (UNDP 1997). Cultural beliefs and practices determine the norms, values, the dos and don'ts and interests of a people. A cultured people can tend to hold positive or negative evaluative tendency towards the empowerment interventions. The fact is that, people see things differently as they operate and live in different places.

2.6. Types of Crisis Microfinance Institutions face

Lerbinger (1997) categorized eight types of crisis that he attributed to two causes: management failures or environmental forces. The eight categories are:

1. Natural (for example, the Asian tsunami, which affected nations, governments, corporations, businesses and the lives and social infrastructure of millions)
2. Technological (Mercedes ‘A’ Class car had a design fault and ‘rolled over’)
3. Confrontation (Shell Oil whose petrol stations suffered a consumer boycott after the company wanted to sink an oil platform in the North Sea
4. Malevolence (product tampering by a private citizen, like the Tylenol case detailed later, or direct action by animal rights campaigners, such as placing bombs under the cars of executives whose stores sell cosmetics tested on animals)
5. Skewed management values (Barings Bank went out of business after managers were accused of turning a blind eye to a ‘rogue’ trader who hid details of his massive financial losses in the currency markets)
6. Deception (examples include deceiving employees about the amount of money in pension funds after it has been used by executives to support the business, a UK case being that of Robert Maxwell and the Mirror Group of national newspapers)
7. Management misconduct (Enron is one of the most shocking examples of this with both illegal and unethical practices rife in the senior management of the practice)

8. Business and economic (the late 1990s boom/bust in numerous small IT/technology companies is an example of how economic cycles can impact an organization).

Micro Finance Companies (MFCs) are as vulnerable as any institutions going through the phases of a crisis more also when it persisted over a longer period. Crisis in MFIs disorganizes the interaction of stakeholders of the organization and destroys the organization’s reputation (Olsen, 2017; Schultz, Utz, & Göritz, 2011). Beyond the damage to the institutions, crisis halts the resources of the dependents on the organization and destroys the lifetime savings of investors (Boateng et al., 2016). Above all, a crisis in financial institutions badmouths the entire financial services and discredits managers and regulators of the institution. Various writers described the crisis in microfinance from different angles and experiences. The crisis in the microfinance operations is both internal and external (Boateng et al., 2016; Breza & Kinnan, 2016).

While the internal crises are those caused by the institutions themselves, the external crises area caused by external focus such as bad macroeconomic conditions in a country. In Pakistan, the typical internal micro finance crisis included a repayment crisis, delinquency and reputational crisis, mission drift crisis, profitability and sustainability crises (Mia et al., 2019). In Morocco, before the crisis menace in 2008 the micro finance market recorded rapid growth, aggressive competition, poor lending discipline, while there were poor governance and lax controls (International Finance Corporation, 2014). Though there was multiple borrowing at a moderate pace, the crisis was led by four significant MFIs involving Zakoura, Al-Amana, Foundation des Banques Populaires, and FONDEP. The resultant default spike in 2009 hit nearly all regions of the country caused mainly by multiple borrowing

(International Finance Corporation, 2014). The various crisis situations in the financial services have similar impact of disruption, financial and reputational damage.

Valackienė and Virbickaitė (2011) posited that the two most frequent terms researchers associated with the crisis in a financial institution, for instance, involve insolvency and bankruptcy. Whereas insolvency was the stage where the company debts make more than a half of its capital, bankruptcy was the last moment of a crisis and a juridical far-gone level which required the intervention from outside (Valackiene & Virbickaite, 2011). Thus, narrowing down the definition of crisis in microfinance environment the concept of crisis will necessarily involve some level of insolvency and bankruptcy in addition to all other circumstances that threaten the survival of an organization. Valackienė and Virbickaitė's definition resonated with Boateng et al. (2016) who outlined the various activities the various institutions undertook leading to the insolvency and bankruptcy crisis.

Marulanda, Fajury, Paredes, and Gomez (2010) investigated the drivers and consequences, as well as the context of failed experiences of MFIs. They identified six causes such as (a) methodological flaws in credit technology, (b) systematic fraud, (c) uncontrolled growth, (d) loss of focus, (e) design flaws in the conception of the institution itself, and (f) a suffocating level of government intervention. They studied 10 cases of failed microfinance operations in six countries from Latin America and offered a uniquedefinition of microfinance failure as the state of insolvency needing recapitalization, merger, restructure or closure. The other external crisis related to microfinance operations involve drought (Castellani & Cincinelli, 2015). A country's institutional environment, competition, the regulatory and political situation could lead to the crisis (Breza & Kinnan, 2016; Silva & Chávez, 2015), as well as financial crisis in an economy (Sainz- Fernandez et al., 2015). Thus, whereas most writers consider the crisis in the microfinance services subsector as internal, there are external factors that trigger crisis. I have to mention that despite the high level of attention, the topic had attracted, most of the current literature either avoided the definition of crisis entirely or use other descriptive words such as failure and collapse that appear easier to define.

Nonetheless, the works of Breza and Kinnan (2016), Sainz-Fernandez et al. (2015), and Valackienė and Virbickaitė (2011) gave deeper insight into microfinance crisis. Sainz-Fernandez et al. (2015) studied microfinance crisis from an econometric perspective and based their microfinance crises concept on the works of Daniel Rozas who suggested that MFIs with a portfolio at risk for more than thirty days (PAR 30) and write-off ratio higher than 20% was in crisis. Sainz-Fernandez et al. (2015) concluded that both internal and external factors influence the probability of a crisis. Internal factors such as their organizational design, staffing structure, excess liquidity resulting in deposit–loan ratio, profitability, the size of the MFI and the external factors including macroeconomic and institutional factors play significant roles in the probability of a crisis. However, they ignore noneconometric factors that can influence the likelihood of crisis such as specific regulatory and economic conditions that may prevail in other jurisdictions.

2.7. Crisis Effect Mitigation in Microfinance Industries

The crisis of any sort has varying effects on organizations and their stakeholders. Crisis leaders will either design mitigation strategies to reduce the probability of the event occurring, reduce the magnitude of associated consequences, or both (Kirkos, 2015; Yang, Hsu, Sarker, & Lee, 2017). In this research, the focus of mitigation will mean reducing the magnitude of the crisis outcomes given the fact that the crisis would have occurred already. Situations in which mitigation will prevent crisis event from occurring will mean leaders identifying warning signs and putting in preventive measures. More also, whereas crisis as an event or process denotes suddenness or unreadiness, Aljuhmani and Emeagwali (2017) concerted that only best-prepared organizations have programs to reduce the impacts of the crisis on stakeholders and can bring business back to a previous condition or an ameliorated state.

Thus, mitigation will be much easier for institutions that have planned programs towards recovery although the impacts of a crisis may last longer than expected. From a different perspective, Mair et al. (2016) commented that post crisis mitigation might commence immediately or later time depending on the capacity of an organization to undertake such a project. Consequently, no theorist has been able to prescribe the timing of post crisis mitigation. Managers will, therefore, need to adopt crisis communication strategies at a right time and appropriate stages, relevant to their publics and crisis types. However, just as crisis and disasters strike from different angles, Ponis and Ntalla (2016) recommended that innovation, multiple sources of a supplier, collaboration management, keeping close relationships with the stakeholders in the supply chain, capacity flexibility and proactive crisis management practices should form part of crisis mitigation strategies.

Furthermore, Pearson and Mitroff (1993) suggested that no matter how complicated a crisis appears, the deliberate strategy of adopting at least one significant action involving strategic, technical and structural, evaluation and diagnostic, communication psychological and cultural actions will cushion the organization during a crisis. The crisis mitigation, therefore, cannot happen until organizations purposefully adopt suitable strategies and timing to communicate with and among stakeholders. The effect of crisis can be addressed from both preventive, proactive and reactive perspectives (Gurtner, 2016; Lam & Su, 2015), depending on the phase of the occurrence (Gaudard & Romerio, 2015; Sztojanov & Stamatescu, 2015). Hence the crisis effect mitigation strategy cannot be universal. More also, given most crises have early signals that suggest potential danger, sensing and taking proactive course is deemed the first step toward evading or resolving a crisis or minimizing their impact (Aljuhmani & Emeagwali, 2017).

Similarly, Mishra (2016) contended that crisis communication should be viewed as a proactive function rather than a reactive one to help crisis managers to anticipate possible crises, prepare to manage and resolve the crisis, take remedial measures during, and prepare key stakeholders to build the company credibility before the crisis occurs. Thus, picking early warning systems, proactive planning, strategic forecasting, crisis awareness, scenario analysis, and risk analysis would be more appropriate. However, while the institutions are experiencing the crisis, business continuity management, crisis communications, emergency management, and contingency management would be better options. These management options become critical because their absence can be detrimental to the sustainability of the organization.

In addition, Šontaitė-Petkevičienė (2015) suggested that organizations with a more favorable prior status will have a stronger post-crisis reputation than an organization with an unfavorable or neutral prior reputation. Oh, Chen, & Hung-Baesecke (2017) also considered five criteria that affected how the participants perceived post crisis CSR emerged including impact, continuity, uniqueness, transparency, and controllability. The authors found that both self-serving and altruistic motives can be accepted by stakeholders as long as the motives are apparent.

Whereas Kim and Choi (2016) posited that consumers react more favorably when a company launches a CSR initiative that deals with the crisis issue directly or when there is enough evidence that the crisis was as a result of an accident and not a transgression. They therefore suggested that any post crisis CSR initiative must be carefully crafted to fit the crisis situation and corporate business expertise. Post-crisis activities will therefore involve damage assessment and crisis resolution. Consequently, an institution deciding on a crisis mitigation strategy will first have to determine the phase of their crisis and then the appropriate strategy to implement. While crisis leaders engage stakeholders in crisis communication, internal operations will need to complement messages.

A crisis effect mitigation process must have some structure to prevent more chaotic situations in addition to the crisis (Hofmann, Betke, & Sackmann, 2015). The authors proposed a collaboration management infrastructure that uses process templates that provide the initial activities, control and data flow structure, and resources needed to start mitigating a variety of crisis situations. In crisis, managers have the responsibility to choose the appropriate process template. Escalation involves selecting and adding new process templates, creating new activities, roles, and task forces as needed to deal with the current demands in the crisis, and delegating responsibilities to process participants and task forces. Hence, there must be clear strategy in handling mitigation processes. Collaboration management involves capturing collaboration processes, coordinating the activities of the applications and human participants, and/or providing awareness by communicating collaboration-related information to participants.

Drakaki and Tzionas (2017) are also proponents of coordination and collaboration of all stakeholders towards successful action implementations and positive adaptation after the crisis. They argued that institution are dependents on each other hence partnership within communities can be helpful in crisis mitigation while other researchers (Harris, Shaw, Scully, Smith, & Hieke, 2017; Steigenberger, 2016) advocated that multiagency are necessary for dealing with disastrous situations. They listed trust, collaboration, collective action, solidarity, social cohesion, information and communication within the organization as critical strategies in community social capital and community competence building.

Another insightful crisis effect mitigation proposition came from the seminal work of Starosta (2014). Starosta differentiated between proactive or reactive mitigation during and after crisis. Proactively crisis managers can create a matrix using four possible anti-crisis strategies involving organizing, investment, withdrawal, and consolidation of organizational activities while the reactive strategy may direct efforts on reducing the costs and size of the business. Whereas the investment strategy involved the development of the organization and search for opportunities in its environment during crisis, the consolidation strategy focused on the main activity of the enterprise and its strengths. The withdrawal strategy related to the resignation of certain activities such as leaving the market. Starosta (2014) further noted the importance of preventing any negative consequences of the crisis by making anti-crisis changes in the organization choosing strategies based on either negotiations, analysis, or action-oriented strategies. The author conducted research on a sample of 331 large companies operating with more than 249 employees in Wielkopolska in 2013 and concluded that there is the need to adopt various strategies during crisis.

2.8. Obstacles facing Microfinance Sector in Ghana

Microfinance faces a significant challenge of survival and fulfilling its underlying philosophy of helping the poor due to the issue of interest rates. Due to the high risk of default probabilities and transactional cost, MFIs charge higher interest rates compared to commercial banks. This makes microfinance products and service too expensive, which deter most of the intended indigent clients from accessing the services. According to Pollinger, Outhwaite, and Cordero-Guzmán, (2007), another MFI's have the difficulty of accessing capital from Non-Governmental Organizations (NGO's) and mainstream financial institutions due to their high-risk client portfolio. Most find it difficult to satisfy the Bank of Ghana requirements of collateral, documentary evidence and long-standing bank customer relationship. It is against this backdrop that many MFIs tend to rely heavily on their lending rates and related operational activities in their bid to become financially sustainable (Dzisi & Obeng, 2013). It is noted that the microfinance business environment is faced with an unfavorable legal environment where there exists a lack of loan contract enforcement; therefore, aiding high default rate (Addae-Koranky, 2012). The sector is also fraught with the shortage of experienced human resources and Shortage of Logistics in rural areas such as road, telephone, etc. which impedes the effective administrative functions of MFIs (Osei, 2007).

Microfinance in Ghana grins with prospects springing from the remarkable strides it has made in the country so far. Through microfinancing projects, the government of Ghana and other development partners has been able to finance many small-scale enterprises and self-help groups. For instance, the Ghana Business News in their publication in December 2014 noted that as at December 2014 MASLOC had disbursed over GH¢153 million, arising out of injection of new funds and ploughing back of the recovered loan, covering 274,277 beneficiaries including 185,717 for females which translate into 67.7 and 88,560 for males (Ghana Business News, 2014).

2.8.1. Internal Challenges

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

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

2.8.2. External Challenges

Microfinance plays important roles in the economy of Ghana in terms of creation of employment, enhancing business growth, and eventually reduces poverty. However, according to Asiamah and Osei, (2007) cited by Boateng et al., (2015), the sector lacks basic infrastructure in the form of good roads, telecommunication services, electricity especially in rural areas and this makes it difficult to reach majority of the rural folks who need their services most. This problem leads to high operational cost and hence makes the microfinance institutions highly uncompetitive in the financial sector. Another challenge is the lack of defined areas of operation. This is because the roles, responsibilities, and operations of various stakeholders which is supposed to be complementary currently overlap in some cases according to Bank of Ghana (2004). The overlap is also due partly to the fact that organisational and institutional hierarchy and reporting relationships among all the stakeholders are not clearly defined. The role of Bank of Ghana (Central Bank), Association of Microfinance institutions, Ghana Microfinance Institutions Network (GHAMFIN), etc are not clearly defined hence the overlap. There is the need therefore to clearly define relationships and roles to enhance effective implementation and delivery of services.

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

The challenge is that available funding for the MFIs has not been sufficient, and secondly, the different sources come with their associated conditions, and thus distort the market in some cases (Bank of Ghana, 2007). There is the need therefore for a central microfinance fund to which MFIs can apply for on-lending and/or capacity building support. Lack of information on microfinance institutions, their operations and clients in the country is another challenge faced by the sector (Steel and Andah, 2004). There is no uniform methods, procedures and data and information gathering at the national level, making it difficult to centrally monitor progress of the sub-sector. Secondly, a well–defined reporting system by both the government and development partners with regards to their interventions is lacking leading to insufficient database for planning and decision making. At the institutional level, data/information gathering and dissemination are weak within and between institutions. Thus, lack of reliable and sufficient data and information on outreach in terms of its depth and breadth remains one of the most challenging issues in the sub-sector.

This lack of information has adversely affected targeting of clients and ultimate poverty reduction. Furthermore, regulation and supervision is and has been one of the serious challenges in the microfinance sector. The Central Bank of Ghana is the overall regulator of the financial system of Ghana and hence microfinance institutions. The players in the industry advocate that to ensure consistency and efficient approaches to regulation across different types of microfinance institutions, there should be dialogue on the formulation, implementation and review of regulatory and supervisory policies and procedures. This is necessary to ensure that depositors funds are protected, customers/clients are fed with the right, adequate and timely information, to facilitate the evolution of a variety of institutions providing microfinance products and services, and coordinate expansion and regulation of different segments of the market.

In July-August, 2019 Bank of Ghana revoked the licences of 347 microfinance institutions due to lack of compliance of regulation. This was done to protect customers' deposits according to Bank of Ghana (Bank of Ghana, 2019). Finally, the other apex bodies, like CUA, GCSCA, ASSFIN etc do not have well defined guidelines for operations leading to uncoordinated activities which invariably hinder the performance and outreach of their member institutions. To worsen the situation, there is no formal body charged with the responsibility of coordinating all activities associated with microfinance, neither is there a forum for stakeholders to dialogue on policy and programme issues concerning microfinance. The result of these is that there is fragmentation, duplication and inadequate collaboration between and among stakeholders including clients who are the end users. The current institutional structure of the microfinance sector should be redesigned to include all the relevant stakeholders.

2.9. Empirical Studies

Many studies have empirically concluded that microfinancing projects have yielded positive results in empowering many people and SMEs all around the world (Buvinic, & Furst-Nichols, 2016). This is not different in Ghana, riding on the back of such successes; the UNDP has funded many microfinance interventions. Most of these projects have targeted women in the rural environment, especially in the northern region of Ghana. Evidence from these projects has shown that microfinance projects have significantly improved the economic standing of the poor as well as increasing women's security, autonomy, self-confidence, and status within households (Khan, & Noreen, 2012). One of such projects has been run by HAF's. HAF's microfinance project aims to provide local individuals, groups, and communities with the proper skills training and micro-loans to grow their business, create jobs, and promote empowerment. However, in a 2005 study on the effects of microcredit in Ghana, Norwood found that microcredit has no real impact on empowering the poor. Similarly, Sobhan (2005) is of the view that sponsoring microcredits programmes for the poor to survive in the informal sector will not necessarily eradicate poverty, but he instead suggests a holistic approach to solving the poverty problem. Notwithstanding the views of Sobhan and Norwood, many policies on poverty eradication and empowerment recommend microfinancing as a sure way out of poverty (Addae-Korankye, 2012).

Celik, Akgemci, and Akyazi (2016) posited that the leader's ability to manage the crisis event would depend on the knowledge of where an organization is in a crisis and the possible solutions available. While the authors considered a model that explains the general life cycle of a crisis to help leaders understand the situation, they are facing so they can provide solutions, Boin and Bynander (2015), on the contrary, focused on coordination. Boin and Bynander suggested that coordination could be both the problem and the solution to crisis management depending on top-down or bottom-up perspectives. They proposed a combination of both perspectives and developed a theory of collaborative crisis governance in managing crisis situations. Similarly, Bowers, Hall, and Srinivasan (2017) referred to leaderships style in crisis mitigation. They explained that organizations experiencing crisis rely on their leaders to lead them out of the crisis and restore the organization to normal without establishing if the leaders possess the requisite leadership style. Bowers et al. (2017), therefore, presented three crisis response leadership principles (CRLP) to help organizations successfully prepare for and manage a crisis. They provided the crisis response leadership matrix (CRLM), and proposed combination of the element of organizational culture with individual leadership styles, to match a given crisis with the best possible crisis response leader.

From a nonprofit organizational perspective, Gilstrap et al. (2016) identified crisis could emerge from disasters, disruption of mission delivery, internal stakeholder challenges, and unanticipated occurrences. Notwithstanding the specific source of thecrisis, the authors identified six major characteristics important for effective crisis leadership involving team player, strategic, transparent with stakeholders, quick to respond, self-composed, and preparedness was critical in managing a crisis. Also, Pillai et al. (2015) posited that it is the individuals who provide leadership in all cases of crisis whether organizational or global crises but with specific competencies including integrity, positive intent, capability, mutual respect and transparency impact the trustbuilding process. The chances are that no leader anticipate any form of crisis in a normal work environment except there are reasons and symptoms leaders ignore. However, the need to adopt appropriate strategies will be useful in mitigating the effects of any forms of crisis. Barton, Sutcliffe, Vogus, and DeWitt (2015) emphasized the proactiveness of the leader who consciously will be inquiring and seeking to make sense of potential problems and warning signals. Barton et al. also pointed out that the leader’s ability to engage the frontline employees in reporting or communicating critical signals is crucial in crisis management.

Gruber et al. (2015) focused on crisis management by executives, boards, and institutions based on competences including resilience, power, and sense-making. They analyzed the University of Virginia (UVA) case to illustrate the need to be present, listen, and to engage in meaningful discourse everywhere stakeholders are talking about your organization in the crisis management process using social media platforms. They shared insights on the transparency of information, the power of social media, the role of leaders in a crisis, and the ability of different voices to be heard and exert influence to achieve desired results. Thus, the role of leadership in mitigating the effects of a crisis has been epochal in literature. Moreover, the more severe people judge a crisis to be, the more negative is their perceptions of the organization's reputation. Claeys and Cauberghe (2015) found that the interaction effect between crisis type and crisis response strategies on corporate reputation was not significant in earlier studies but emphasized the impact of moderating factors crisis in later studies.

Conversely, Ngai and Falkheimer (2017) examined the manner IKEA mediated communication on traditional and social media to turn their crisis into an opportunity. They suggested that integrated use of crisis response strategies on various media platforms was more useful. Their findings shed light on how crisis managers should connect with the publics to resolve an impending situation through the use of both traditional and social media. They also highlighted that an array of factors such as crisis types, corporate responsibility, and engagement, as well as the cultural values of the publics should be considered when the corporation formulates its crisis response strategies.

Salvador and Ikeda (2018) also conducted an exploratory, qualitative study on brand crisis management and concluded that from the managerial perspective, certain crises could be avoided by monitoring internal and external information, and also by identifying problems in their early stages. They further indicated that from the social perspective, reducing brand crisis cases, for instance, positively affects society as a whole and that managers cannot solve crises through routine procedures. Claeys and Opgenhaffen (2016) attempted to establish the relationship between the SCCT theory and the application in real life situation and found that practitioners have difficulties convincing management of open and transparent communication to rebuild a reputation in crisis. Most managers will prefer concealing the truth regarding the responsibility and adopt strategies that do not match crisis type.

Crisis managers are also more concerned with the legal implications of their responses and liabilities than theoretical guidance. Unlike the expectation of declaring a crisis early enough to adopt appropriate strategies, managers now adopt crisis communication as a last resort in managing crisis effects (Kitchin & Purcell, 2017). Practitioners developed their own methods for controlling the crisis response. Also, while managers in developed economies are likely to have open and honest communications with the press crisis situations, managers in emerging economies are not likely to do the same (Parnell, 2015). Thus, while practitioners claim the SCCT theoretical frameworks are too abstract, scholars suggested more involvement of the practitioners through workshops and seminars to gain a better understanding (Claeys & Opgenhaffen, 2016). There is, therefore, a gap in applying the response strategies to crisis situations.

2.10. Theoretical Framework

This study is supported by Situational Crisis Communication Theory and contingency theory and discussed below.

2.10.1. Situational Crisis Communication Theory

The situational crisis communication theory is a theoretical approach to crisis communication, developed by Coombs (2004). This theory has been developed based on dispositional- and situational-attribution assumptions of a prominent social psychological theory named attribution theory (Coombs, 2007a; Kelley,1973). SCCT assumes that an organization's reputation, that is, how the organization is perceived by its publics, is a valued resource that is threatened by crises. A strategic communicative response can best protect the reputational resource by assessing the crisis situation and selecting a crisis response strategy that fits the crisis situation. Of course, there are concerns other than reputation to address in a crisis, particularly public safety (Coombs, 1999a; Coombs& Holladay, 2002; Sturges, 1994). As Coombs (2007) argued, SCCT provides an evidence-based guideline to manage a crisis following experimental research methods, while traditional crisis communication was mainly based on case studies. The SCCT identifies a crisis as a reputational threat. The perceived reputation is affected by how people perceive the crisis.

According to the theory, people's perception of a crisis and a company's reputation develops through the information they receive about the crisis and the company. Coombs (2007b) identifies three ways of receiving such information:

1. interactions with an organization;
2. mediated reports (e.g., news media and advertising),
3. second-hand information from other people.

In theory, the information people consume more hold higher importance in understanding crises. These objectives of the SCCT are essential elements of crisis mitigations that microfinance managers will need in rebuilding the image of their institutions and ensure the sustainability of their businesses. The effect of crises on an organization is disastrous because crisis damage reputations and gives people reasons to think badly of the organization thereby destroying the stakeholders physically, emotionally and financially.

Along with the information consumed by people about a crisis, Coombs (2007b) suggests determining the type of crisis or reputational threat aiming to provide appropriate response strategies for a particular crisis. Three factors shape a crisis type or reputational threat: 1) initial crisis responsibility, 2) crisis history, 3) prior relational reputation. Of the three factors, the first one is related to a crisis just happened or happening, while the other two are related to the past record of an organization. The initial crisis responsibility is how much people perceive an organization's actions caused the crisis (Coombs, 2007b). The "crisis history is whether or not an organization has had a similar crisis in the past," while the "prior relational reputation is how well or poorly an organization has or is perceived to have treated stakeholders in other contexts" (p. 167). Importantly, it is all about framing. Though Coombs (2007b) mainly explains only the "initial crisis responsibility" from the framing perspective, this current study considers the framing aspect contributing to shaping people's perception of all three factors.

One of the major components of the SCCT is framing. Coombs (2007b) suggests appropriate crisis response strategies based on the crisis type, which is "how the crisis is being framed" (Coombs, 2007b, p. 166). A framing "determines how much stakeholders attribute responsibility for the crisis to the organization" (p. 167). Since a reputation is largely what people perceive, not what exactly happens, framing of information consumed by people is a key to determining people's perception, reputation threat, and, thus, the type of crisis. While defining framing, Scheufele and Tewksbury (2007) said, a framing "is based on the assumption that how an issue is characterized in news reports can have an influence on how it is understood by audiences" (p. 11). A key to the framing definitions is the salience – how some aspects of "perceived" reality are highlighted and made prominent. Referring to previous studies, Coombs (2007b) cited that frames operate on two related levels: 1) frames in communication and 2) frames in thought.

The first one involves the way of presenting information in a message, such as words, phrases, and pictures. The second one involves cognitive structures like schema used by people to interpret information. Of the two, frames in communication help determine frames in thoughts. Ultimately, how a message is framed influences how people perceive a crisis (Coombs, 2007b). In order to determine which crisis response strategies (e.g., denial, diminish, rebuild, and bolstering), the SCCT offers two steps – first, identifying initial crisis responsibility, and second, identifying crisis history and prior relational reputation. As shown in the crisis situation model of SCCT, initial crisis responsibility plays a key role, with support from crisis history and prior relational reputation, in determining organizational reputation and emotions, leading to people's behavior intentions toward an organization.

Coombs (2007b) suggests identifying the level of crisis responsibility based on crisis type and crisis cluster (e.g., victim, accidental, and intentional). Again, the crisis types are determined by how various crisis cues are made salient in information consumed by people relating to the crisis. "Crisis types are a form of frame" (p. 167). The SCCT acknowledges the role of words and pictures in framing a crisis and, thus, shaping people's perceptions of an organization. For example, it mentions, "frames in communication involve the way (words, phrases, images, etc.) that information is presented in a message" (p. 167). Though the framing has been discussed with much importance in shaping the perceived initial crisis responsibility, understanding how various content could frame the initial crisis responsibility has not been incorporated in developing the steps to evaluate a reputational threat and devise an appropriate strategy.

Specifically, the SCCT does not adequately address how various types of content (e.g., written texts vs. visuals) contribute to framing a crisis in a particular way and shaping people's perceptions toward an organization. Accordingly, a question has arisen on whether crisis communication managers should care about visual content or not, especially in this age of visual culture when millions of visual contents (e.g., pictures, videos) are being shared on social media platforms and online news media outlets every day. This current study attempts to address this gap of how visual content (e.g., pictures) is framed and, accordingly, shapes people's perceptions toward a company experiencing a crisis.

Crisis responsibility, crisis history, and prior relational reputation determine which crisis response strategy should be used (David & Chiciudean, 2013). Denial should be used when there is a low crisis responsibility (e.g. a rumour). Diminish should be used when there is evidence of crisis responsibility. In that way, the organization tries to reduce the negativity in order to protect the organizational reputation. Finally, rebuild should be used when there is high crisis responsibility. By offering help to the victims and asking for forgiveness, the organization tries to take the focus off the crisis. These crisis response strategies, in turn, affect different crisis communication outcomes including organizational reputation, and negative word-of-mouth (e.g., Coombs & Holladay, 2009).

Identifying the crisis type enables an initial assessment of the amount of crisis responsibility that publics will attribute to a crisis situation. Adjustments are then made to this initial assessment by considering two factors, severity and performance history. Severity is the amount of damage generated by a crisis including financial, human, and environmental damage. Performance history refers to the past actions or conduct of an organization including its crisis history (whether an organization has had previous crises) and relationship history (especially how well or poorly it has treated stakeholders). Severity and performance history have proven to modify perceptions of crisis responsibility for some crisis types (Coombs, 1998; Coombs & Holladay, 1996, 2002). As severity increases or performance history worsens publics will attribute greater crisis responsibility to the organization. Thus, SCCT suggests that initial assessments of crisis responsibility based on crisis type should be adjusted upward or downward depending on severity and/or performance history. After assessing the level of crisis responsibility, crisis managers then choose a crisis response strategy appropriate to the level of crisis responsibility. Scholars have developed many lists of crisis response strategies; Coombs (1999b) synthesized these lists into eight crisis response strategies:

i. an attack on the accuser, in which the crisis manager confronts the group or person that claims a crisis exists;

ii. denial, in which the crisis manager claims that there is no crisis;

iii. excuse, in which the crisis manager attempts to minimize organizational responsibility for the crisis;

iv. victimization, in which the crisis manager reminds stakeholders that the organization is a victim of the crisis as well;

v. justification, in which the crisis manager attempts to minimize the perceived damage inflicted by the crisis;

vi. ingratiation, in which the crisis manager praises stakeholders and reminds them of the past good works done by the organization;

vii. corrective action, in which the crisis manager tries to prevent a repeat of the crisis and/or repair the damage done by the crisis; and

viii. full apology, in which the crisis manager publicly accepts responsibility for the crisis and requests forgiveness from the stakeholders.

The eight crisis response strategies can be ordered along a continuum ranging from defensive, putting organizational interests first, to accommodative, putting victim concerns first (Marcus & Goodman, 1991; Siomkos & Shrivastava, 1993). The defensive accommodative continuum is adapted from the work of McLauglin et al. (1983), who used the continuum to conceptualize accounts, or explanations people offer for their untoward or negative behaviour. Crises with strong attributions of organizational crisis responsibility, such as organizational misdeeds, require strongly accommodative responses such as corrective action and full apologies (Coombs, 1999b).

The relationship between crisis responsibility and organizational reputation is critical to SCCT. SCCT prescribes that crisis managers utilize progressively more accommodative strategies as crisis responsibility increases, because perception of crisis responsibility is believed to be directly correlated to reputational damage. That is, as crisis responsibility increases, so does the reputational damage inflicted by a crisis. Research has found support for the crisis responsibility-reputation relationship among a limited subset of the crisis types (Coombs & Holladay, 1996; Coombs & Schmidt, 2000). It is instructive to determine if the relationship is found across a wider array of crises.

2.10.2. Contingency Theory

Contingency theory states that there is no single best way to control organizations which would universally apply to all organizations at all times and in all circumstances (Chenhall, 2006). Contingency theory posits that the internal and external premises of the organization affect the way it operates and thus result in different outcomes. Since the contexts in which organizations operate are never the same for two different organizations, it is of interest to see how the various types of contexts generally affect the way organizations are operated and controlled. Contingency theory usually provides the framework for analyzing control within organization (Dent, 1990), since the different manifestations of Management Control System are seen as efforts to organize and control corporate efforts, which are subject to various contingent variables.

In organizational management there is no single best way for decision making or leading and organizing, but it is dependent and contingent upon the external and internal circumstances and variables, meanwhile different ways of organizing are not equally effective (Burns & Stalker, 1961; Donaldson, 2001; Eriksson-Zetterquist et al., 2020; Ketokivi, 2006; Tosi & Slocum, 1984). This approach is deemed viable in the sense of this research as it is mainly concerned with the uncertainty of given environmental variables. This is further supported by Otley (1980), as he claimed that organizational features are dependent on specific circumstances, identified by the firm itself. Its paradigms state that organizational effectiveness is significantly dependent on the extent to which the characteristics of the organization could be adapted to the circumstances (Donaldson, 2001; Osiyevskyy et. al., 2020).

Uncertainty is a central aspect of contingency theory, which further supports the need for flexibility and the ability to adapt, based on the individual circumstances of given organizations (Donaldson, 2001; Ketokivi, 2006). This fact further strengthens the choice of contingency theory to look at crisis management. Tosi and Slocum (1984) submitted that most discussion on contingency approaches claim that performance is based on the fit of several factors, such as structure, personnel, strategy, or culture, to mention a few. It can therefore be theorized that the contingency theory of crisis management states that there is no universal, single set of actions that would without a doubt help a given organization to successfully manage a crisis. The designs of systems for control and planning should be specific on the individual level (Dermer, 1977).

Eriksson-Zetterquist et al. (2020) argued that contingency approach theorizes that due to the different environments of organizations, the design of an organization should depend on its contextual conditions, both internal and external. Donaldson (2001) further supports this statement, by arguing that organizational structure can (and should) be fitted to relevant contingencies, and if done properly, it should yield high performance, meanwhile a misfit of contingency-based structure will result in low performance. Despite in the early literature it was claimed that methodological approaches in justifying the importance of contingency theory had criticism, regarding the measurability of variables (Mitchell et al., 1970), contingency theory became a widely accepted management theory evolving from leadership theory. Hanisch and Wald (2012) pointed out how contingency theory remained one of the major theoretical branches of management theory, despite in many fields its literature is still being fragmented or unspecified.

According to Reid and Smith (2000) the history of contingency theory, as it is understood today, begins in the 60's when Burns and Stalker (1961) examined the effects of the external environment on firm structure. Similar studies followed, for example according to Donaldson (1999), Woodward investigated technology and operating procedures. Reid and Smith (2000, p. 429) remark that market environment and strategy were introduced as constructs by Lawrence and Lorch (1967) and Chandler (1962) respectively. The origins of contingency theory thus lie in organizational studies, when the classical management school was challenged by theorists arguing that controlling organizations would be better served by more decentralized approaches (Donaldson, 1999).

Some companies operate entirely based on knowledge and their products are intangible, and their operations require an entirely different setup of activities. These differences in the way organizations operate using a combination of machines, tools, energy, people and knowledge create very distinct challenges for control. The three most important aspects of technology are standardization, task uncertainty and interdependences. Standardization refers to the degree of task-uniformity and highly standardized technologies are associated with more formal, accountancy-based, control. Task uncertainty refers to the analyzability and predictability of incoming work requests and high task uncertainty increases tension with formal performance measures and is thus associated with informal, more social, forms of control (Hirst, 1983). Interdependencies refer to the network of dependencies between organizational units. Higher interdependencies are associated with more informal forms of control (MacIntosh & Daft, 1987).

As Luthans and Stewart (1977) argues, the increasing environmental impact and rate of change, with an increased degree of complexity, implies the more significant importance of variables or contingencies, implying a constant interest amongst researchers in contingency theory. Both the Cartesian and Configurational fit are mainly researched through quantitative analysis, due to quantifiable variables (Eriksson-Zetterquist et al., 2020). In a contemporary view, contingency theory differentiates between two organizational systems; these are organic or mechanic (Chenhall, 2006). Organic systems have a tendency to be positively related to uncertainty, while mechanic systems are positively related to certainty. In contemporary research contingency theory is mostly tested in culturally homogeneous societies and considered to be helpful for all parties in the value chain, as in many cases it includes not only the organization itself, but its suppliers, transporters or consumers as well (Eriksson-Zetterquist et al., 2020). Burns and Stalker (1961) were the first to introduce the difference between mechanistic and organic approach of management, claiming that mechanistic is best in times of stability, while organic excels in tackling unstable and volatile periods. Whalen and Akaka (2016) introduced the contingency approach that is applied in highly uncertain fields, such as marketing. It is argued that crisis management poses such an in-depth uncertainty, that a contemporary contingency approach in the sense of general uncertainty and ambiguousness is a viable theoretical perspective to research and include crisis and issue management.

2.11. Chapter Summary

Theoretical bases, conceptual review, as well as, empirical studies visited, have provided evidence that microfinance institutions can be affected by crisis if situations are not handled well. Various literature on crisis were varied and this study aims to know what pertains in Ghana and preferably the Ga East Municipality since there have been no such work done there. The next chapter looks at methodological aspect of the study.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

The chapter provided detailed information on assessing crisis in microfinance institutions in Ghana focusing on institutions within the Ga East Municipality. This section described the research design and approach of the study. The population, sample and sampling procedures, data collection and data analysis procedures as well as ethical issues considered in the study were explored.

3.1. Research Approach

There seems to be no single acceptable method of conducting research. The researcher's perspective on the nature of the social world and what can be known about it (ontology), the type of knowledge and how it can be acquired (epistemology), the purposes and goals of the study, the characteristics and other contexts of the study area, resources available for the study, and the researcher's academic background are among the many factors that influence the choice of methodology (Creswell, 2003; Snape & Spencer, 2003). Because researchers are typically hired, trained, socialized, and rewarded according to a single method of social inquiry, research methodology tends to be polarized along the quantitative/qualitative divide. Additionally, researchers' peers and superiors clearly favor one tradition over another. According to Rao and Woolcock (2003), this practice ensures intellectual coherence and quality control. This study's methodological orientation stems from the pragmatic perspective in social research. Methodological pragmatists, according to Creswell (2003), employ all methods available to comprehend various aspects of a research problem. The pragmatist research perspective is problem-centered, consequence-oriented, and pluralistic. This approach's appeal stems from its selection of methods that best address the problem rather than the other way around (Creswell, 2003; Patton 1990).

In support of the pragmatists' viewpoint, Patton (1990, p. 39) calls for a "paradigm of choices" that uses methodological appropriateness as the main factor when choosing a methodological approach. Therefore, pragmatists are likely to use qualitative methods to comprehend social reality when necessary (Robson, 2002). Additionally, Creswell (2003) makes a knowledge claim for methodological pragmatism and briefly summarizes it as not being restricted to any one system of philosophy of reality and not viewing the world as an absolute unity; believing that research occurs in social, economic, political, and other contexts; and stressing the importance of freedom of choice of method that best addresses the issue at hand. In sum, the pragmatic methodology usually implies, different worldviews, and different assumptions, as well as different forms of data collection and analysis

The qualitative approach was determined to be the most appropriate in keeping with the pragmatist viewpoint and in light of the main goals of this study, which were to identify the causes of the crisis in Ghanaian microfinance institutions and examine how they responded to the crisis. The use of scientific methods and procedures to understand phenomena and create a conceptual framework and theoretical contribution is made possible by the qualitative research approach (Saunders et al., 2015; Yin, 2014). A method of social science research known as the qualitative approach gathers and analyzes verbal, or non-numerical, data in order to better understand social life by focusing on particular populations or geographic locations. The method also involves observations and interpretations of people's perception of different events and takes the snapshot of the people's perception in a natural setting (Gentles et al., 2015). Thus, unlike the quantitative methods which use statistical analysis and empirical calculation, the researcher describes and interprets issues or phenomena systematically from the individual or population the researcher is investigating to generate new concepts and theories. The qualitative research method will enhance the understanding of the cultural, social, economic, political and institutional context within which development interventions occur (Bamberger, 2000). Understanding process issues are crucial in understanding impact as opposed to just measuring it (Rao & Woolcock, 2003). I selected qualitative research method because I wanted to explore how and what specific situation may constitute a crisis and the strategies to mitigate the effect of the crisis.

3.2. Research Design

A research design refers to a rigid structure or frame which is used to undertake a piece of research (Burns & Grove, 2001; Creswell, 2009). Polit and Beck (2012) also indicate that a research design is the ultimate research plan which is adopted by a researcher to answer a research question. Even though the definitions of a research design differ from the above account, the central point in a research design is its ability to investigate a research problem and obtain answers to a research question. Phillips (1971) pointed out that it is the roadmap for the collection, measurement and analysis of data. It provides the rigid framework for understanding relationships among study variables, research methods, sampling, data collection and analysis and outlining the entire structure for presenting a logical proof for drawing conclusions regarding variables under investigation (Blumberg et al., 2008; Bell & Bryman, 2007).

This qualitative study examined crisis in microfinance industries in the Ga East Municipality of the Greater Accra Region of Ghana. The objective of the researcher is to explore, seek understanding, and interpret meaning from the perspective of those involved. Interpretive approach enables the researcher to examine the perspectives of informants within the integrated system in which the case unfolds (Glesne, 2016; Neuman, 2011). A qualitative study involves a process conducted in a natural setting that seeks to understand a social or human problem. Qualitative studies are accomplished by building a holistic picture created with words and based on the views of informants. According to Creswell (2007), the qualitative paradigm is best suited when the nature of the problem involves exploratory research and the variables are unknown. Moreover, qualitative research is used to understand the interpretations of an experience at a particular point in time (Creswell, 2007). Specifically, case study provides a way to investigate and organize information from a single case.

The study informants are real people, in real contexts, with consequential past experiences of their own, play with them, question them, combine them to conduct their daily obligations in their workplace. The research question requires an approach that is open to emerging contextual information on crisis within the microfinance industry. The interpretive approach permits an interactive process aimed at capturing meaning and understanding perspectives relative to the context (Harrison et al., 2017). It is open and capable of generating inductive reasoning and interpretation. Thus, the interpretive approach enables investigations into the how and why the informants view crisis in the industry. The aim is to generate a rich holistic description that illuminates how and what the bank is doing to define and attain its goals (Merriam, 1998).

3.3. Study Area

The Ga East Municipal is one of the 261 Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana, and forms part of the 29 MMDAs in the Greater

Accra Region. The Ga East Municipal Assembly is located at the northern part of Greater Accra Region. The Administrative capital of the Municipality is Abokobi. The Municipality shares boundaries with the Ga West Municipal to the west, the La Kwantanang Municipal to the east, Accra Metropolitan to the south and the Akwapim South District to the north. The population of the Municipality according to 2021 population and housing census stands at 283,379 with 140,015 males and 143,364 females (GSS, 2021). 70 percent of the population in the municipality are economically active whiles 30 percent are economically not active. Out of the economically active population, 92.1 percent are employed and 7.9 percent are unemployed. Again, males are more economically active (73.3%) as compared to females (66.9%) (GSS, 2021).

3.4. Population

In research, population refers to the entire aggregation of respondents that meet the designated set of criteria (Burns & Grove, 2003). According to Saunders et al. (2003), a population relates to the entire set of data that is of interest to the researcher, and the target population refers to the group of people or objects from which the sample should be taken. Population is therefore the group of individuals who are the focus of the study to which research results would be generalized (Blanche *et al*., 2006). Such a population should be characterized by specific index characteristics or a particular index characteristic. A population is a collection of people, objects, or things from which measurements are taken (Kasonde-Ng'andu et al., 2013). According to Scheaffer et al. (2012), the population is the group of concern to the researcher, while the reference population is the group to which the study's findings should preferably be generalized. The target population for the study constituted all management and staff of microfinance institution in the Ga East

Municipality. These participants were selected because of their roles, experiences and characteristics in the subject matter.

3.5. Sample and Sampling Procedures

According to Yin (2003), it is essential to find relevant and manageable samples to collect empirical data from. The author further argues that a single case study has the opportunity to include subunits of analyses, which leads to a better insight through a more complex design. Neuman (2011) posits that by sampling, the primary goal of researchers is to get a small collection of units from a much larger collection or population, such that the researcher can study the smaller group and produce accurate generalizations about the larger group. With fixed resources which are always the case, you can choose to study one specific phenomenon in depth with a smaller sample size or a bigger sample size when seeking breadth. The sample should be judged on the basis of the purpose and rationale for each study and the sampling strategy used to achieve the purpose of the study. The validity, meaningfulness, and insights generated from qualitative inquiry have more to do with information-richness of the cases selected and the observational and or analytical capabilities of the researcher but not with sample size (Patton, 1990). The important consideration to Fraenkel and Wallen (2000) as far as the sample size is concerned, is to obtain a representative sample.

In choosing the sample size, the purposive sampling methods was mainly used. The decision to select these respondents, purposively, was supported by Masaiti and Manchishi (2011) when they described that respondents could be selected as such because of their roles, experiences and characteristics in the area under study. Again, purposive sampling seeks information-rich cases- which can be studied in depth and breadth (Patton, 1990). Patton, (1990) identified and described 16 types of purposive sampling. These include: extreme or deviant case sampling; typical case sampling; maximum variation sampling; snowball or chain sampling; political important case sampling, the convenience sampling and others. Subsequently, a combination of simple random and snowball sampling was employed. The Snowballing technique was used to sample the microfinance institutions in the municipality. This technique was used because it was going to be difficult for the researcher to know which of the microfinance institution which have in one way or the other has had a crisis. Identifying one led the researcher identify Eclipse Microfinance in Dome, Capital microfinance in Kwabenya, Cidan Microfinance at Haatso, Christian Community microfinance at Haatso and Jidal Microfinance in Abokobi through snowballing.

Purposive sampling was used to select a sample of ten (10) respondents from the five (5) institutions in the municipality. This was based on the previous knowledge of the population and the specific purpose of the study. In spite of the apparent flexibility in purposive sampling, the researcher was aware of the three types of sampling errors that could arise in the research. The first relates to distortions caused by insufficient breadth in sampling; the second from distortions introduced by changes over time; and the third from distortions caused by lack of depth in data collection at each site (Patton, 1990). As a result, the interview guide/schedule was carefully developed to gather the needed data in good time to prevent distortions that are introduced by changes over time.

3.6. Data Collection Instrument

Collection of data was carried out using the structured interview guide (refer to Appendix A). Interviewing according Bryman (2008) is probably the most widely employed method used in qualitative research (Bryman, 2008, p. 436). This was concurred by King and Horrock (2010). Creswell, (2003); Newell (1996); Yin (2003) describes an interview as an oral asking of questions by the interviewer and oral responses by the participant or a selected group: Asking and answering of questions by the researcher and the participant(s) responses (Gall et al., 2003, p.222). The participants' responses are recorded by the interviewer or videotaped and transcribed and data analysed. In this research, semi structured interview was employed. Patton (2002) refers to this technique as the interview guide. A researcher uses an interview guide, which is a list of prepared questions or issues that a researcher explores in relation to the phenomenon studied. Researchers use the guide to ensure that they follow the same basic lines of inquiry with each person interviewed about a particular study (Patton, 2002, p. 343). The kinds of questions asked are general in their frame of reference as compared with structured interview and questions are mostly open-ended (Bryman, 2008, p.196). This allows the interviewer to probe in relation to a particular issue and to obtain clarification when needed.

The interview was recorded with the use of a recorder. The aim of the interview was to collect data through verbal communication or through interpersonal communication between individuals or a group. The advantages of the interview abound. People are more willing to talk than to write, the secure relationship between the interviewee and the researcher, certain information might be gained from an interview that an individual will not be willing to put down on paper (Best and Kahn, 1986, p. 187). The advantages of obtaining a lot of information beneath the surface level are high through a semi-structured interview question.

Creswell (2005) posits that an interviewer can also explain more explicitly what he /she is interested in or wants. If the interviewee misinterprets the questions, the interviewer will clarify them directly. Moreover, the information that the interviewee is giving can be evaluated directly whether it is sincere or not, hence checking the trustworthiness of the response and from the experience the interviewer is stimulated to explore unanticipated areas in the original plan (Gall, Gall and Borg 2003). Interviews are important sources of case study information as participants can be asked key questions about a relevant issue (Yin, 2009), so their perspective can be better understood. The interview guide was made up of four important questions which were analogous to the research question that sought to find out from participants their knowledge on crisis and how crisis was managed in their institutions.

3.7. Sources of Data for the Study

Although semi structured interview was the major tool for collecting data for this study, all other official documents relating to crisis situations in the institutions were used. Merriam (1998) employs the term document for print and non-print materials. Burns (1996) lists a range of items, as letters, agendas, minutes, administrative reports, files, books, diaries, budgets, news clippings, photographs, lists of employees/pupils, etc. (p.372), as documents which make available relevant and valuable information for a case study. Several researchers (Creswell, 2003; Lankshear & Knobel, 2004) believe documentary evidence offers stronger perceptions on the issues under study by cross-validating, corroborating and augmenting evidence gathered from other sources, and contributing to data triangulation.

3.8. Data Collection Procedure

An introduction letter was taken from the head of department to the various microfinance institutions identified for the study and the data gathering exercise started with the help of a research assistant who assisted in the recording processes. The participants were informed of the research's purpose and rationale. They authorized me to conduct the survey and specified the dates on which I might do them. Each participant was given the interview guide prior to the collection of data to have enough time study it and know the areas which they are to answer.

3.9. Data Processing and Analysis

The data collected from research becomes meaningful only when it is organised, summarized and observations explained in order to determine its essential causes, statistical relationships, pattern and trends (Dane, 2012). The process requires the researcher to analyse the data that have been collected (Leary, 2004). Thus, the researcher at the beginning of the process, developed and validated a coding scheme. According to Zhang and Wildermuth (2009), coding a sample of the data collected is the best way to determine the accuracy and dependability of a category. Based on this, the researcher read and examined portions of the data in order to create a coding system. This coding scheme was merely a suggestion because other themes might appear as a result of the larger data. In analyzing the data, the researcher then "winnowed" the data (Guest et al., 2012), a process of neglecting other parts of the data while focusing on some part of it.

The data gathered through the interview and secondary sources were transcribed and analysed using thematic analysis. It was done by coding the data collected into clusters of similar entities inductively, or conceptual groups and identifying constant patterns and links between themes. This contributed in creating a realistic and logical chain of evidence. The researcher condensed the data after coming up with general codes. To accomplish it, the researcher read the texts continuously to establish arrangements between and among the themes and then proceed in merging comparable themes. Thematic analysis was used in answering the research questions Thematic analysis was used since in the view of Marks and Yardley (2004), it constitutes the greatest appropriate way of determining human behaviour using interpretations and also gives a methodical element to data analysis.

3.10. Ethical Considerations

Ethics defines what is or is not legitimate to do, or what a 'moral' research procedure involves (Neuman 2000). Social researchers according to Neuman need to prepare themselves and consider ethical concerns as they design a study so that sound ethical practice is built in to the study (Neuman, 2006). Ethical issues catered for in this study were: right of privacy, voluntary participation, no harm to participants, anonymity and confidentiality, deception and scientific misconduct.

Indeed, human beings have rights of privacy, and these rights must be respected. The rights of participants were respected and there was no attempt to study participants without their knowledge. They were informed of the purpose, confidentiality and processes of the research and their consent was obtained. All the participants were told the purpose of the research topic, and were also informed that they had the right to withdraw from the study at any time that they so desired. The recorded data completely excluded any information associated with personal identification.

3.11. Chapter Summary

This chapter focused on the process and study design that used a qualitative approach, primarily a descriptive survey. It addressed in depth methods of data collection and interpretation, as well as stressed statistical techniques, without failing to note the reason for using those tools in drawing the study's conclusion. Furthermore, the researcher addressed the ethical questions that bind the thesis.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0.Introduction

This chapter discusses the findings of the study. The analysis hinges on the objectives of the study, relevant literature, and theoretical framework that support the study. Qualitative content analysis, thematic analysis, and tables were used as analytical and descriptive tools for the presentation and discussion of the findings. The nature of the study demanded the contextual experience the managers to help ascertain what micro financing in Ghana has done or is doing to promote women empowerment and the challenges they face in doing the same. The analysis was done and discussed based on the Research Objectives of the study.

4.1. Analysis and Results of the Research Objectives

My data collection instrument was structured face-to-face interviews of individual participants. I interviewed ten microfinance owner-manager individual respondents. However, at the time of analyzing my data, I have received only a few documents in the form of policies and internal memos from a few of the managers to achieve triangulation. I used the NVivo 12 to store and sort the various documents in a single platform. I was also able to categorize data and provided a graphic description of responses.

4.1.1. Research Objective One: Identify the causes of crisis in microfinance institutions in Ghana.

This objective looked at the causes of crisis in the microfinance institutions. The level of liquidity of an asset refers to speed and cost with which the asset can be converted into liquid funds, such as cash. The causes of crisis in the MFIs during the interview sessions were described as non-performing loans.

4.1.1.1. Non-Performing Loans

According to the participants interest income is the leading source of income to all lending institutions including SAT. They revealed that there was a consistent increase in the interest income generated from the loan portfolio.

Participant A said:

> "we have to call our *clients to verbally renegotiate and give the customers additional months to be able to pay back the loan facility"*.

They are of the view that management also on realizing that delinquent loans are like a hidden beast which can easily spin out of control, a respectable proportion of the operating profit has been eaten away by the provision for loan impairment embarked on a massive recovery program and this also helped in improving the quality of the loan portfolio. According to the participants, a combination of factors accounted for this remarkable performance and they include loan renegotiation, loan refinancing and effective monitoring and recovery programs instituted by the institution to address the problem of NPLs which reached a disturbing height. The import of this analysis is to highlight the impact of NPLs on the operating profit of the organisation and which ultimately affect the organization's net profit negatively. It therefore behoves on the management of SAT to appreciate the havoc that NPLs can wreak on the fortunes of the organization and accordingly fashion out a comprehensive workable strategy to deal with it with the view to improving the quality of the loan portfolio and in the process increase the bottom line (net profit).

The participants stated that the lending capacity of every microfinance institution is influenced by three parameters namely deposit, recoveries and disbursements. Lending capacity varies with Deposit mobilization, Recoveries and Disbursements (approvals). Participant B said:

> *If the MFIs grant loans/advances and they are unable to collect back the principal amount and the related interest income, it reduces the funds available for lending and undermines its capacity to create new loans.*

However, Participant G, D, J, H were emphatic that the poor credit appraisal techniques, inadequate monitoring, diversion of funds, business failure, poor weather conditions, inadequate marketing avenues, wrong timing of credit delivery, high interest rate, willful default among others as major factors that causes crisis in the MFIs. Participant D said *"some loan officers lack the skills to adequately assess a credit proposition to reasonably determine their commercial viability or otherwise. In this sense, they accept some unbankable projects which eventually fail and repayment of the loan becomes sticky"*.

Another participant, Participant E believed that:

> *Diversion of funds is indeed one of the causes of crisis in our Institutions. Diversion of funds is where funds or loans granted to undertake a particular project is used for unintended purpose. This leads to a drop in the projected cashflows and ultimately result in loan default.*

Once many players are in competition for a given market share, they are bound to work at outpacing one another. And here, the eagerness to attract more customers and carve lion shares of an already saturated market on the part of each

MFI tended them to collectively roll-out products that will endear more clients to them. However, the downside was that most of the products were unsustainable. As noted by Owusu-Nuamah (2014), some of these products were too costly to the companies; their income streams could not cover the expenses they were incurring in the form of interest paid to clients. Whilst some MFIs were paying 30 to 35% interests on deposits (far in excess of the 24% interest even the Government pays on treasury bills), others were tripling three months-deposits as loans for customers. Some MFIs were also charging zero fees on deposits, while others shared cloths and cement to customers for opening accounts with them. All the interviewees independently confirmed that their institutions did one or more of those things to win customers. The challenge they subsequently came to face was sustainability. The only investments known to them were treasury bills, real estate and buying fixed assets like lands and cars.

Participants admitted that in the long run it became a virus because you will pay more interest. The MFIs inability to continually triple deposits as loans and pay the huge interests promised on deposits infuriated most customers who in turn in their numbers closed their accounts with them. However, as noted by Dupont (2005), financial institutions misfortunes could be contagious. The repercussions of offering unsustainable packages do not run down only the vogue MFIs offering them but could even transcend to others who may be giving reasonable interests. The point here is that the different customers of the competing MFIs compare and share their experiences with one another, they are friends, family members, they operate similar businesses, so this is expected. Some customers upon hearing the gargantuan interests and mouth-watering packages their friends were receiving felt short-changed, and therefore beseeched their MFIs for similar packages with threats of moving their accounts from them.

> *What happened is, ours, as we say, you will deposit and we will base on your deposit give a loan. Since the customer wants the loan, he would be working with a different MFI, and will be doing small small Susu [deposits] there, get about five hundred over there, take a loan of thousand from there, come and deposit that thousand with you, get about three thousand loan from you, go and deposit it in a different bank and take about ten thousand loan from them.* (Participant B)

4.1.1.2.Mismanagement

Effective risk management is crucial to achieving institutional self-sustainability in the microfinance sector. However, among microfinance practitioners, reckless expenditure, poor risk management and mitigation have been widely noted. The literature on the operations of MFIs have noted bad managerial practices as one major cause of MFIs failures globally (Bateman, 2013; Sinclair, 2012; CSFI, 2008) and this is also true of the case in Ghana. According to one participant, disbursing loans to customers about whom they had measly information and there was no requirement for a guarantor. Therefore, a significant number of their customers bolted away with their money while some used loans from them to pay other loans contracted from their competitors. Participant F said:

> *"When you come to us, we were having money, so we were not thinking about may be your guarantor, knowing your capacity that you can pay. We have a "Credit Committee" superintending over*

> *this practice. How do you give money out without thinking of the person's capacity to repay?*

Other profoundly bad managerial practices the study uncovered are poor risk management and reckless expenditure, so by the time operationally relevant software like the one for clients' debt history verification came, they were 'broke' and could not procure them. A study conducted by the Ghana Association of Microfinance Companies (GAMC) found that most MFIs operators fail to apply financial intermediation principles. The other factors relate to blatantly poor clients' recruitment strategies.

MFIs owners are nonchalant to clearly imminent risks. As stated by most of the participants, at the top management, sometimes you being on the ground, you will see something and you would recommend something and they would say nothing will happen. But you are on the ground. You will just report to them but they will sit there and watch it". This finding collaborates that of Owusu-Nuamah (2014) that, one reason for the collapse of MFIs in Ghana is that the owners do not heed to technical warnings and advice from professionals. A participants corroborates the stance of Owusu-Nuamah when he said:

> *In our case, you can't find anyone who had worked with microfinance for long, say 3 or 4 years nor any experienced banker manning the institution. We were meeting these people once in a while and they gave us summary lectures for two or three hours on how to operate an MFI. We only had 2- or 3-weeks training which in my view was not enough. We had educated workers with HND as minimum qualification but we all had no stint with banking nor microfinance.*

No wonder they could uncover the fraudulent deals some workers perpetrated against the company only after collapsing. Generally, MFIs unlike established banks, the argument goes, are not manned by qualified staff (CSFI, 2008; 2009; 2012). The observation is that this problem is however acute in Africa and Sub-Saharan Africa in particular, (CGAP & MIX, 2009) but also in other parts of the world, where well-educated staff at middle management level is difficult to come by and vulnerable to poaching from commercial banks (CSFI, 2009). As stated by one investment officer with the IFC in South Africa, there are "not enough good managers in [the microfinance] market" (CSFI, 2008: 15).

4.1.1.3.'Collapse rumours' leading to panic withdrawals

When people become concerned about risk to their savings, their first reaction generally is to withdraw their money. Panic withdrawal poignantly featured among the reasons stated by the participants as the causes of the crisis in the MFIs. Sequence of events heightens rumours and public speculation about the MFIs looming collapse, which then incites depositors to not only rush to withdraw their funds but also, discontinue making deposits. Whilst this experience is commonly experienced by MFIs, the underpinnings were different. It is trite learning in banking that if individual depositors or investors become worried about the health of financial institutions entrusted with their money, their attempts to protect their savings by withdrawing them can force otherwise healthy institutions into liquidation, and so can spread the impact of a shock to other institutions (Dupont, 2005; Pettis, 2003). Such cases lead to scramble among investors and depositors to withdraw their money not only from the institutions at the center of the crisis, but also from any institution caught up in the rumours. One failure, or the possibility of failure at one institution, may be thought to reveal information about other potential failures even if no actual link exists between the two institutions (Dupont, 2005).

4.1.2.Objective Two: examine how they responded to the crisis

This objective looked at how MFIs respond to crisis they had encountered. Whereas managers describe the crisis in microfinance as a drastic deviation from expected performance, a difficult and unacceptable state of business, the microfinance consultants largely described MFI crisis as when the solvency, the earnings, the management, the systems and control of that particular institution do not meet the required standard and objectives. Participants believed the crisis they experienced were liquidity and run on the business and it was about to run on the company and liquidity. Liquidity is defined as a measure of the extent to which a person or organization has the cash to meet immediate and short-term obligations to various stakeholders and being able to carry out business operations.

4.1.2.1.Governance Structures

Corporate governance structures of microfinance play a critical role in the survival of the organization. Corporate governance appeared to be a crisis management tool in most organizations. Corporate governance involves the systems, principles, processes, and a set of relationships that exist between a company's management, board, shareholders, and all other stakeholders (Muda et al., 2018). The concept of corporate governance, therefore, presupposes the top management and board discuss and agree on the entire processes involved in the service delivery system. The ability to manage a crisis effect successfully depends on the guiding principles of good corporate governance. The review of data from participants confirmed that compliance with good corporate governance structures helped reduce crisis effects. The regulatory framework by leadership plays a vital role in crisis effect mitigation. Participants referred to compliance with corporate governance directives as a crisis effect mitigation strategy in MFI crisis. A participant stated that leadership plays a significant role in crisis mitigation strategies.

> *I think leadership plays a very important role in the sense that, you know your team is looking up to you…in trying to deal with such situations.* **(Participant B)**

Another Participant **(H)** said:

> *Very very critical. Leadership, I will say at that moment, for the business to survive was all about leadership. Without leadership, there is no way the business can bounce back even if you have all the millions of dollars or cedis sitting there. Because at that moment it is not about money when you go into crisis, it's not about money even though money is important but as far as clients are concerned and staff is concerned it about leadership*

Meanwhile, **Participant H** adds that,

> *The other one is that leadership has to be firm. You know culturally, it is hard for leadership to be firm and stick to the rules when it comes to certain things. We always want to bend the rules because otherwise culturally, you will be seen as being too difficult. They will think you are not sensitive to the needs of others and things like that, but I believe that in this industry it should not work that way. We have to stick to the rules. The other thing is that leadership should ensure they do just do banking that if stick to banking and follow the rules of banking I think that you should be fine.*

The importance of leadership establishing the framework and regulatory compliance during a crisis is, therefore not in doubt. More also, given the crisis did not happen overnight, the governance structure could remedy institutions if the appropriate decision-making processes are carried out, appropriate standards are established, and collectively if the various stakeholders play their roles within an acceptable time frame. the first responsibility of leadership revolves around monitoring the team to identify challenges and then taking steps to provide solution relating to a task or relational issues (Northouse, 2016; Shaban, 2016). Beyond the actions, the team leader has the liberty to decide whether the challenges require internal or external interventions in providing solutions to ensure the sustainability of the organization. All these decisions and interventions form part of the governance structure that determines the fate of an organization in crisis. Consequently, crises are the outcomes of the structures set in organizations from strategic goals and objectives to the daily implementation of policies at all levels of the organization. Adopting good governance practices in crisis is indeed critical, especially in a regulatory crisis when the survival of an institution rests not only in the hands of customers but a regulator.

Regulators generally formulate regulations that define the permissible activities to ensure the financial health regulated companies. To achieve this objective, the Bank of Ghana, for instance, published directives to guide the governance dynamics of the institutions under the bank's supervision. The position of the participants confirmed the works of Bundy et al. (2017) who concluded that crises are socially constructed by the actors involved rather than a function of the depersonalized factors of an objective environment and also that crises are parts of larger processes, rather than discrete events. The understanding, therefore, is that governance plays a significant role in crisis management because most crises build up over time. More also, as a structure, defects at any level of the institution can damage the entire organization at the end. The need for adherence, therefore, came as a chorus from the focus group discussion as a means of mitigating the effects of the crisis. In post-crisis situations, however, adopting adherence to corporate governance structures may not guarantee the survival of an institution experiencing a liquidity crisis or a bank run. Going back to the roots of appropriate board roles, senior management implementation strategies, staff, and stakeholder engagement may not result in paying depositors funds immediately to restore confidence in an organization. As noted in the literature review, it's critical the leadership of the institution identified the stage of the crisis and strategies deemed possible in reducing the effect of the crisis (Celik et al., 2016). Thus, taking steps to address corporate governance structures will be a solution to some institutions depending on the nature and time of the crisis.

The ability of an MFI leadership being able to manage the effects of a crisis depends on the caliber of the board and key management personnel. Consequently, qualified board members were critical in a mitigating crisis. **Participant A** explained that:

> *The employment of qualified staff plus training and qualified directors providing leadership role is critical for crisis mitigation.*

Participant C added that:

> *I see it from the perspective of not having the right skill and the right people to manage the institutions that we created. So, it becomes an idea that I have created it and let me manage it like the way I deem it right and not necessarily guided by the right standards. The few institutions are those putting in the needed skill sets and not just big*

titles… You may be very liquid as mentioned, but unfortunately, if you do not have the right people to manage it, it will fall into the ditch.

Participant J further explained that:

You find out that one someone is in traditional banking moves on straight into microfinance and a lot more people thought that it was just a mirror image of banking. And so they moved in there and forgetting that your deposit dependence was a bit more complexed compared to the traditional approach. And then the issue of getting the right model and so we brought the mindset of the high street banking not even looking at our operational methodologies. So instead of capitalizing on group lending well, we still doing our one on one individual lending. I think capacity also cost us a lot.

The study found that managers who were able to survive took steps based on their skills. Selling and marketing, negotiation skills, asset and liability management, as well as human resources management, were critical. Even at lower levels, two managers explained the effect of losing skill sets and how the loss impacted their businesses negatively. According to a participant, there was a situation we went out to meet some clients and all the people who did those loans had left their stated addresses and the loan repayments were not forthcoming. This became a burden since the monies they took were very huge. Another participant said those who even guaranteed were nowhere to be found. The managers intimated that they have to develop new skill sets of their remnant staff to survive the crisis. Pillai et al. (2015) explained that crisis leadership requires specific competencies and strategic management while other authors (Bundy & Pfarrer, 2015) found that the skill, trait, and capabilities of a leader play a major role on the crisis effect mitigation process.

This finding, therefore, confirms the existing works of (Pillai et al., 2015) and the team leadership conceptual framework that leadership plays a critical role in crisis mitigation. Consequently, selecting competent board members and key management was found to be strategic in mitigating the effect of the crisis in MFIs.

Leadership presence and availability from this study involve the physical presence, strategic direction, and exemplary disposition. The proponents of internal task function of the team leadership concept promote the ability of the leader to focus on goals and get the bye-in of team members and juxtaposing goal orientation with restructuring plans, processes, roles to achieve organizational objectives (Northouse, 2016). Furthermore, Northouse (2016) listed eight characteristics of team characteristics involving clear team goals, having a results-driven structure, competent team members, unified commitment, collaborative climate, standards of excellence, external support and recognition, and principled leadership that help in effective teams. These characteristics played major roles in the crisis mitigation demonstrated by the managers. Also, Smith (2015) concluded that leadership style effect organizational outcomes while other authors indicated in the literature review the importance of leadership style, trait, composure, and the need to be present in dealing with crisis effects (Bowers et al., 2017; Gilstrap et al., 2016; Gruber et al., 2015). Thus, the findings from this study support team leadership concept and confirm the availability of managers and leaders in organizations during a crisis as a mitigation strategy.

4.1.2.2.Communication Strategies

One significant strategy that permeated the interview sessions with the participants was how management communicates with the internal customers and how management and staff team up to communicate with external customers. The participant admitted that communicating with the customers was the most critical in dealing with a crisis during and post-crisis.

> *You know if you are managing the customers outside, you should also manage the internal customers. So, this is what I do; we have meetings. First, I have the meetings with the management team, and there I explain to them that because of XY factors that I mentioned, we are going through this situation and is not a permanent situation. It's a temporal situation, so I need them to be strong to manage it. And I showed them how to manage this situation by giving them updated information about what is happening.* **(Participant G)**

Participant A also stated that:

> *So anytime you are in crisis, the only support you have will come from your customers. The same customers you have disappointed... so you will have to find a way of building that relationship with the client because at the end of the day if you succeed in getting their trust back, then the business will get back and the other stakeholders will now begin to trust you again.*

The study found that the actions and inactions of managers influence other stakeholders' reaction towards the affected institutions. The crisis communication aimed at stakeholders who have the power to avert the obvious destruction of the institution. The tenets of crisis communication strategies based on Coombs works suggested that when a well-constructed crisis communication strategy is adopted by respective managers, there is a likelihood that the threatened institutions will be protected must faster during and after crisis (Coombs, 2007b, 2012, 2015). Engaging both internal and external stakeholders, therefore, confirms Coombs communication strategy in reducing the negative reaction of customers during the crisis in MFIs.

Internal and the external customers are resources on which services strive in the microfinance sector in Ghana. All six managers admitted that their customers and clients play critical roles in their survival. The internal customers are the employees of the company from senior management to the lowest ranks; the external customers comprise of depositor and borrowers. Also, despite the widespread digitalization of banking activities regarding deposit mobilization, loan processes, and payment systems, human involvement is still critical in providing services to the lower end market. Jin et al. (2018) identified employees as crisis management partners, and their accession was confirmed in this research. The employees are the critical resources that represent the company in every interaction with external customers. Whereas Groeger, Moroko, and Hollebeek (2016) described customer engagement in terms of how connected an individual is to a brand or an organization mostly way beyond transactions, Aluri, Price, and McIntyre (2019) focused on the consequences of customer engagement including satisfaction, commitment, trust, and loyalty. Thus, customer engagement involves the connection between a customer and an organization to the extent of creating satisfaction, commitment, trust, and loyalty that will result in a positive reaction towards the organization. During liquidity crisis as participants noted, employees have to work for months without salaries, and it took only connected, committed and loyal employees to come to the work and make an effort to relate to the customers and clients in a manner that will reduce the impact of the crisis.

4.1.2.3.Interventions

Four participants referred to the intervention and stated that their customers played a significant role by speaking to other aggrieved customers on their behalf, thereby contributing to their survival during the crisis. Consequently, in cases that management was able to engage customers and clients convincingly, customers turn to be advocates of the crisis-stricken institutions. **Participant F** explains:

> *You will realize that when we visited them in their homes and offices, they were different people altogether. And they understood us. They even professed solutions, and they even turned to speak to others who will come and worry you. They will tell you, don't worry, I will speak to him. And once they speak to other people, they listen to them… You know we hardly visited them so when they see the whole CEO visiting them in their environment, they feel satisfied. And they think "even the CEO has come here, so don't worry everything is fine" so we realized it was working. So, the pressure that came to us in the office reduced drastically.*

This statement stamped the effectiveness of Coombs (2007b) crisis communication strategy where no previous wrongdoings were recorded in respect of the organization in crisis and also in the case of secondary crisis response strategies. Informing and adjusting information in case no history of similar crises and a neutral or positive prior relationship reputation (Coombs, Holladay, & Claeys, 2016) therefore played a role in client advocacy and was confirmed in this study. Client advocacy largely employed Coombs (2007b) bolstering crisis response strategies of reminding other customers about the past admirable works of the organization. Thus, both customers and managers adopted the concept of telling others of 'good old days' of an institution in crisis to help reduce the effect of the crisis. Participant I indicated that they use the local television station to talk about their company and the good things there have been doing at the time that rumors started spreading that they did not have money to pay the deposit. Kim and Park (2017) established that in most cases, third-party source of information is more acceptable as creditable and incite supportive behavior than organizational spoke persons. Consequently, in cases, the organization can recruit more happy customers during their crisis moments, the happy customers were more willing to serve as advocates for the MFIs through word-of-mouth communication. Building the relationship with customers and encouraging third-party advocates directly or indirectly turned out to be a great post-crisis mitigation strategy in MFI crisis.

4.1.2.4.Negotiation and Prompt Payment

Participants referred to strategic payment negotiations as the way to go in crisis mitigation in the MFIs. According to the participants, they resorted to negotiation of payment terms when timely payment became an illusion in their operations during the crisis. Conversely, participants who experienced panic withdrawals had to institute prompt repayment strategies to win the confidence of their clients. **Participant D** said:

> *It wasn't easy initially, but after hectic discussions, they wanted to be sure whether their funds are safe and that after the one year their funds will be available to them. For most of the more significant deposits, the situation was a bit better as most of them said all that they want was that their funds are safe. And even in their case, we agreed on 18 months. Some of them told me they don't need the funds now, but that if only we can guarantee the*

> *safety of their funds. At the meetings, we succeed in calming down the situation. We promised them the principal amounts at treasury bill rates.*

Another, **Participant G** stated this:

> *It gets to a point when you will have to put pride aside, and for the sake of integrity and honesty, you don't toy with people's hopes. So, you go to them and let them understand that we have a challenge in meeting this obligation…Give us more time to be able to meet this obligation. Also, because of the challenge, if we could discuss the option of forgoing part of the interest as well, you understand, because it's unrealistic in this current situation to still expect this amount of interest…There were certain situations where looking at the quantum involved, paying the principal and the interest was going to be difficult, we had to negotiate the rate of the interest so that we could resolve that situation. I think that we have always owned up to the situation*

Participant B recounted that "management also handled the top customers, visiting them assuring them and prompt payment of their deposit helped us while Participant E also explained:

> *So, the clients want to hear the real facts of what happened. And if you want them to come to the office, they will always come aggrieved, and even when you say it, they will not understand you. And we said let's go to them and explain what might have caused our business crisis…. We told them our side of the story, that it was due to one, our inability to honor our promises, two non-*

> *repayment of our loans led to some liquidity crisis. I cannot remember any particular client that rejected us when we visited them. Nobody, even the most hard-core clients who will come to the office and make noise, will even receive us and give us food when we visited them and that was a relief*

The impulse of the negotiations was to reduce the contractual interest on the deposit or defer the payment to a later date. Rêgo and dos Santos (2015) noted that negotiation is an inherent human phenomenon that helps in a settlement in critical situations while Northouse (2016) listed negotiations as a critical external leadership action towards team effectiveness. Given prompt payment is the hallmark of financial intermediation and every depositor in a financial institution will want to receive its deposits on-demand, every MFI practitioner will want to honor repayment request as promptly as possible. The inability to honor payment obligations, therefore, has dire consequences on the survival of the organization and the entire financial system (Castellani & Cincinelli, 2015).

Liquid microfinance, therefore, means suppliers and depositors will get their funds upon request, borrowers will be able to borrow money for business and meet other personal needs. Employees will be sure of salaries; regulators can be sure that regulated institutions will honor their obligations to depositor so the regulator's supervisory role will not be ridiculed, and above all, shareholders' investment will be protected. However, in the absence of cash to pay deposits the strategy of the managers included visiting and calling on depositors to negotiate the repayment terms. Client visitation, proactively calling clients to schedule and negotiate deposit repayment was therefore critical in reducing the effect of the crisis. The negotiation strategy presupposes that the organizations have fully taken responsibility for their failure. One significant strategy that ran through the various conversations is the admission for the responsibility of the crisis. Coombs (2007b) suggested that the rebuild strategy of taking full responsibility of failure and for that matter, apologizing to the victim is an effective way of reducing crisis effect and this was confirmed in this study.

4.1.2.5. Cost Reduction Strategies

One theme that run through the interviews was expenditure. According to the participants, using cost reduction strategies involving the reduction of staff number and emoluments, closure of branches, and restructuring of deposit products were aimed at reducing interest expense. Downsizing was a very popular cost reduction strategy during the MFI crisis. That experienced liquidity crisis adopted staff reduction to reduce their cost of operation. Also, the participants curtailed staff emoluments due to the absence of available cash to support business operations, which led to the voluntary exit of staff. Participant C explained:

> *A number of them the staff were let go because our Board decided that we scale down our operations and let the rest stay at home until things improved. We met with all our staff and told them the situation and the decision of the Board. We were 23 before the crisis and reduced to seven by the time the crisis was over.*

Participants G and J also lost close to 30% and 50% respectively of their staff just to run on lean human resources. However, although the staff attrition in the cases of Participant G and J were not directives from the board of directors, the managers confessed it reduced their cost burden in the helpless state. The finding also supported the conclusion that, generally, people, including business managers, change their spending patterns during economic crises (Ferrer-Rosell & Coenders, 2018). Starosta

(2014) also listed additional financial control as the highest crisis mitigation strategy alongside wage reduction. Cesaroni, Sentuti, and Buratti, (2015) suggested that downsizing is one of four main strategies that entrepreneurs adopt as a crisis mitigation strategy. The authors explained that institutions downsize to improve efficiency and productivity on the one hand and reduce expenditure, including the employee salaries and other benefits during crisis as a defensive and internally directed strategy. Nevertheless, Cesaroni et al. (2015) explained that companies facing crisis face the dilemma of choosing between offensive and defensive strategies. Defensive approaches focused on short-term and are based on the adoption of measures aimed at maintaining efficiency and guaranteeing the survival of the business with restructuring and/or resizing strategies. Offensive approach involves medium long-term new investments and an innovation process to maintain and strengthen the competitive advantage adopting reorganization and/or innovation/development strategies. Thus, whereas cutting cost through downsizing could help in the short-term, the company will eventually pay in the form of new recruitment and training cost in the long run. The authors argued that cost cuts apply to resources that managers can repurchase, such as low skilled workers, and not strategic human resources, which was the case in this study. Consequently, though the managers adopted wage cuts and downsizing in mitigation strategies, the consultants suggested reassignment of staff and a gradual reduction in the numbers would have been more appropriate.

4.1.2.6.Interest expense reduction strategies

Participants indicated that they took steps to reduce the interest expense burden on their institutions to survive the MFI's crisis. Deposits are the major imputes in the microfinance operations, and every leader of microfinance focuses on the cost of deposits relative to the income from loans and advances. Negative net income implies there is not enough income relative to interest expense and other operative expenses. Consequently, managers would need put in the strategies want to reduce the interest expense to survive the effect of a crisis. Deposits rates and structure weigh heavily on the company if not handled with care. The deposits that flood MFIs are generally short-terms funds that attract above treasury bill rates in Ghana. Whereas borrowers demand longer-term loans at lower interest rates, the depositors lend to MFIs for a shorter period and at higher rates.

Papaioannou, Park, Pihlman, & van der Hoorn (2015) as well as Esposito, Nobili, and Ropele (2015) explained that interest rate risk impact bank's cash flows reported earnings and economic viability. The authors noted possible causes of the interest rate risk might include the maturity mismatch between fixed-rate assets and liabilities, differences in re-pricing interest rate, loan repayment irregularities or early withdrawal of funds leading to the bankruptcy and liquidation of the financial institution. They noted further that a financial intermediary might have to pay a large premium to get its customers to switch from short-term to longterm deposits. The responsibility therefore for MFIs to restructure their deposits could not have been more difficult but appeared to be their last resort. A3 recounted the plea for more time and reduction in interest burden; “Give us more time to be able to meet this obligation. Also, because of the challenge, if we could discuss the option of forgoing part of the interest as well.” The strategy, therefore, of realizing the disparities and acting to fix it quickly by the leadership of an MFI cannot be overemphasized. Picking early signals and prompt corrective action is critical in crisis effect mitigation (Coomb, 2007a; Jin et al., 2018; Mishra 2016). From this research, therefore, I found that the MFI leaders who identified their liquidity challenges early enough, admitted the crisis, and took the corrective measure of restructuring and matching their deposits appropriately were able to handle customers demand and survived the effect of the crisis.

The MFI business environment is more competitive, having seen the banks descending into lower markets and the Telecommunication companies expanding into financial services. Saebi et al. (2017) noted that managerial cognition and adaption of the business model might be influenced by either threat or opportunity within a specific time framework. Firms that explore new market prospects and adapt their business model in the face of emerging threats could be better positioned to subsist business pressures and ensure long-term success (Kaulio, Thorén, & Rohrbeck, 2017; Saebi, Lien, & Foss, 2017). Consequently, the inability to adopt an appropriate business model could spell doom for the enterprise.

Participant A however stated that his institution desisted from on-demand deposit products while Participant H and C structured their deposits to stay longer. Participant G renegotiated existing fixed deposits for lower interest rates and longer maturity dates while Participant D secured institutional deposits for a longer maturity period and at a lower interest rate. Thus, the ability to raise capital from the public and paying depositors on time prevented a run on their institutions. Financial intermediation involves raising funds from the excess unit and giving it out to the deficit unit at a fee. Successful managers focused on sustainable deposit mobilizations strategies such as longer maturity deposits, institutional deposits, and smaller deposit from the public. During the crisis, deposits from the public became extremely difficult due to the underlying cynicism of customers regarding the capacity of the financial institutions to pay depositors on demand. From the study, some of the participants stated that one of the reasons for the microfinance crisis was the inappropriate business model definition. They explained that microfinance business strives with a large number of smaller depositors and smaller loan sizes. Conversely, they identified that most of the MFIs were competing with banks and were, therefore, doing large transactions that affect their survival in a crisis. Also, there was a consensus among the focused group members that there was some level of mismatch between assets and liability management in MFIs. Deposits are critical tools on the balance sheet of MFIs, but inappropriate mix or terms can become toxic to the organization. Helms (2007) posited that cheaper deposits are more likely to reduce the cost of operations, increase profitability, thereby ensure the sustainability of an MFI. Esampally and Joshi (2016) explained the importance of maintaining a fitting relationship between deposits to assets ratio and MFI sustainability. More recent authors confirmed that deposits are the most stable and affordable funding sources that ensure financial sustainability and financial inclusion aside capital from shareholders (Babajide, Taiwo, & Isibor, 2015; Duguma & Han, 2018). Duguma and Han (2018) further posited that an appropriate saving product will enable financial institutions to generate low-cost deposits leading to sustainable fundraising for lending activities. The availability of sustainable funds would help microfinance owners meet the needs of their clientele and also help to achieve the objectives of the organization. High-cost deposits, on the other hand, increase the operational cost that creates losses that reduce earnings that eventually reduce the capital base of the institution. During a crisis, therefore, if the leadership realized inappropriate savings product as the source of the threat to survival, it will be necessary to redesign products to correct the imbalance.

4.2. Chapter Summary

This chapter discussed the data collected and it was corroborated with existing literature. It emerged that governance strategies emerged as the one of the strategies to mitigate crisis in MFIs. The next chapter talks about the conclusions and proffered recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.0. Introduction

This chapter deals with the summary, conclusions and recommendations from the findings in this study. This section provides the ssummary of the whole thesis including the key findings which emerged from the study. The conclusions which are drawn from the findings are captured. Some recommendations were made and also further studies were suggested.

5.1. Summary of Study

The aim of this current study was to investigate crisis in microfinance institutions in Ghana: a case study of selected microfinance institutions in the Ga East Municipality. Two main objectives were set to achieve this aim: identify the causes of crisis in microfinance institutions in Ghana and examine how they responded to the crisis. The study was embedded in a qualitative approach with 5 microfinance institutions being sampled. A total of 10 participants were purposively interviewed using a semi-structured interview guide.

5.1.1.Key Findings

Based on the analysis of data and discussion of the results, the following are the key findings. These findings are presented in relation to the two research questions.

The study revealed that a well governed MFI might be able to survive financial crisis of any sort with a sound capital base and ability to mobilize enough cash to support their operations. MFIs charge higher interest rates compared to commercial banks. This makes microfinance products and service too expensive, which deter most of the intended indigent clients from accessing the services. It was also revealed by the study that, most of the microfinance institutions use all strategies to do away with the crisis even before it happens. Leaders' false perceptions may create a breakdown in collective sense making across the organization. A combination of factors accounted for this remarkable performance and they include loan renegotiation, loan refinancing and effective monitoring and recovery programs instituted by the institution to address the problem of NPLs which reached a disturbing height.

Again, findings on crisis in microfinance institutions further establish that the MFIs inability to continually triple deposits as loans and pay the huge interests promised on deposits infuriated most customers who in turn in their numbers closed their accounts with them. Panic withdrawal poignantly featured among the reasons stated by the participants as the causes of the crisis in the MFIs. This study has found that the ability of an MFI leadership being able to manage the effects of a crisis depends on the caliber of the board and key management personnel. The findings suggest that communicating with the customers was the most critical in dealing with a crisis during and post-crisis. From the study, it was indicated that customers played a significant role by speaking to other aggrieved customers on their behalf, thereby contributing to their survival during the crisis.

5.2. Conclusions

The study revealed that there are several causes that lead to the crisis confronting microfinance institutions. From the study, there are many crisis confronting microfinance institutions and key among them are high-interest rate, high default rate and the demand for guarantors, lack of effective supervisory and regulatory framework and unfriendly payment terms, which makes the cost of loans very expensive. Concerning the response of these microfinance institutions, application of force for debt recovery and adoption of international best practices were major responses to the crisis. It was also found that MFIs face various challenges including poor macroeconomic policies, poor recovery rate, lack of qualified staff, etc. It was also realized that the core concept of micro financing was being diverted. Also, there is the need for all microfinance institutions to put drastic measures in their daily operations to help overcome the entire crisis that can emanate in an unexpected manner. It can therefore be concluded that all microfinance institutions should be well prepared in their crisis management strategies.

5.3. Recommendations

1. It is recommended that governments should secure loanable funds and either loan it to the Clients directly or pass it through MFIs, Commercial or Rural and Community banks at reasonably low or concessionary rates for on-lending to microenterprises (Clients of MFIs).
2. In the medium to long-term it is recommended that microfinance must be part of government's broad strategy for poverty alleviation within a framework of good macroeconomic policies.
3. It is recommended that the Central Bank (Bank of Ghana) should intensify its monitoring and supervisory role of the microfinance institutions so that the illegal (unlicensed) MFIs which abscond with depositors' money are wiped out from the system.
4. Again, it is recommended that microfinance institutions should offer technical advice to their clients.

5.4. Suggestion for Future Study

1. Further study or research should be conducted to include all the various districts and municipalities in the region to ascertain the effect of crisis in MFIs.
2. Again, a quantitative study should be conducted to include other participants to know their understanding of the crisis that MFIs go through.

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APPENDIX A

INTERVIEW GUIDE

The purpose of this study is to assess the crisis in crisis in the microfinance institutions in Ghana suing selected microfinance institutions in the Ga East Municipal Assembly. Confidentiality is highly assured and that information disclosed will be solely and purposefully be used for academic purposes. You are therefore kindly requested to answer this interview which forms part of the study.

1. What are the causes of crisis in microfinance institutions in Ghana?
2. How did they respond to the crisis?
3. Is there any relationship between microfinance institutions and growth of SMEs?
4. What strategies did you apply to mitigate the crises' effects to remain sustainable?
5. What is the role of leaderships within your strategies for mitigating the effects of crises?
6. Are there solutions to the challenges confronting the operational microfinance institutions in Ghana?
7. How do you assess the effectiveness of your strategies to achieve the desired outcomes?