

UNIVERSITY OF EDUCATION, WINNEBA
COLLEGE OF TECHNOLOGY EDUCATION KUMASI

**AN EXAMINATION OF THE IMPACT OF MICROFINANCING ON THE
GROWTH OF SMALL SCALE INDUSTRY. A STUDY OF KENTE
WEAVERS AT BONWIRE, ASHANTI REGION**

ADUSEI WILLIAMS

JUNE, 2017

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**BY
ADUSEI WILLIAMS**

**A RESEARCH PROJECT PRESENTED TO THE DEPARTMENT OF
ACCOUNTING AND FINANCE, UNIVERSITY OF EDUCATION WINNEBA
IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD
OF MASTER'S IN BUSINESS ADMINISTRATION (FINANCE)**

JUNE, 2017

DECLARATION

CANDIDATES DECLARATION

I, the undersigned do hereby declare that this thesis is the result of my own original research and that no part of it has been presented, however, all source of borrowed materials have been duly acknowledged.

Signature Date.....

ADUSEI WILLIAMS

SUPERVISORS DECLARATION

I declare that the preparation and the declaration of this thesis were in accordance with the guidelines on Supervision of Dissertation laid down by University of Education.

Signature Date.....

MR. WILLIAMS KWASI BOACHIE

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DEDICATION

I dedicate this thesis to my lovely mother, Alice Mensah for the sacrifices she made for who I am today and her moral support during my study at the University of Education Winneba, Kumasi Campus.



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ACRONYMS

IMF – International Monetary Fund

MF – Monetary Fund

SMEs – Small Medium Enterprises

SSIs – Small Scale Industries

MFI – Micro-Finance Institutions

MTL – Mid-Term Loan

ACCION – America for Community Cooperation in Other Nations

UN – United Nations

MASLOC – Microfinance and Small Scale Loans Center

GHAMFIN – Ghana Microfinance Institutions Network

MDAs – Ministries, Departments, Agencies

MMDAS – Metropolitan, Municipal and District Assemblies

NBSSI- National Board for Small Scale Industries

MIE – Microfinance Information Exchange

ADB – Asian Development Bank

CGAP – Consultative Group to Assist the Poor

SSNIT – Social Security and National Insurance Trust

GDP – Gross Domestic Product

NBSSI – National Board for Small Scale Industries

VAT – Value Added Tax

MSI – Medium, Scale, Industries

DFID – Department of Foreign and International Development

USA – United States of America

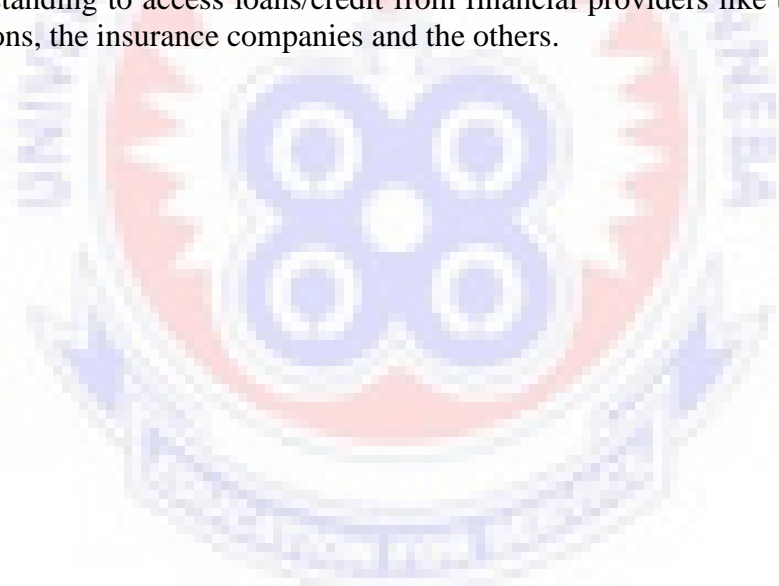
UK – United Kingdom

MSE – Medium Scale Enterprise



ABSTRACT

The main focus of the research was to examine the impact of Microfinancing on the growth of Small Scale Industries. The study adopted a descriptive design and also concentrated on the collection of quantitative data. However, the target population of the study were Kente Weavers at Ashanti Bonwire area. For this specific reason, relevant data was collected from the owners or operators of the Kente Business, (Kente Weavers), in the Bonwire locality. In all, 60 respondents participated in the study with regards to the answering of questionnaires. Meanwhile, the researcher tried by himself to answer three research questions. The feedbacks and the results that emerged from the respondents demonstrated that, almost all the respondents have had an encounter with the sources of finance available for Small Scale Entrepreneurs. Most of the respondents also confirmed that they were much more familiar with Micro-loan or Credit facilities and personal savings. Finally, it was revealed that most of the Kente Weavers heavily rely on Micro-Credit as their major source of funding for their projects. Also, Pearson's simple correlation was used to determine the impact of Microfinancing on the various factors that ensures growth of a particular firm. The correlated results proved that Microfinancing has a positive impact on the various growth factors that were assessed. The researcher, however, recommended that Small Scale Entrepreneurs should keep proper books of account, in order that they can have a good standing to access loans/credit from financial providers like the Microfinance institutions, the insurance companies and the others.



CHAPTER ONE

INTRODUCTION

1.0 Overview

The activities of Small Scale Industry have a lot to do with microfinancing. For this specific reason, most Small Scale Industries rely heavily on microfinance institutions for their funding. Even though, the criteria for qualification of such funding differs from one microfinance institution to the other, most SSI are able to meet those requirements in order to access funding for their individual projects. Ghana is not an exception when it comes to the role microfinance plays in the affairs of Small Scale Industry. Currently, the activities of Microfinance institutions are prevalent nationwide because of the critical role they play for SSI in both the formal and the Informal sector. These may be as a result of their less stringent requirements for SSIs; especially, in the informal sector that often do not have the relevant documents to back their claims.

1.1 Background of the Study

The main source of external funds for SSI's in both the formal and the informal sectors is Microfinancing Credit. Thus, microfinance permits the low income earners operating their own businesses and do not have sufficient access to formal banking support to build assets, diversify livelihood options in order to increase income, and also reduce their vulnerability to economic stress. Thus, it is extension of very small loans (micro loans) to borrowers who typically lack collateral, steady employment and verifiable credit history. It is also design not only to support entrepreneurs but to alleviate poverty. Micro credit is widely use in developing countries and it presented as having enormous potential as tool for poverty alleviation.

Micro credit is a division of microfinance which is a provision of a wide range of financial services especially savings to the poor and/or taking small loans from small individuals and groups. Therefore, Micro credit facilities are loans, and overdraft packages that are often granted to SME's that need marginal sums to boost their capital. Evidence suggests that the first credit union in Africa was established in northern Ghana in 1955 by Canadian Catholic Missionaries. Susu which is one of micro finance schemes in Ghana is thought to have originated from Nigeria and spread to Ghana in the 20th century. Meanwhile, various studies have demonstrated that microfinance is really benefiting the low income earners enterprises (Littlefield and Rosenberg, 2004). For this specific reason, many researchers, including Ngugi&Kerongo, (2014), asserts how beneficial microfinancing has enabled businesses to expand, and build their business assets.

Palma & Gabriel, (2005), explained an SSI's as an enterprise with turnover greater than US\$200,000 and not more than US\$5 million equivalent. SSI's tend to be the primary driver for job creation as they are labor intensive and employ more labor per unit capita than larger enterprises; hence, creating more jobs in the economy. Although, these category of businesses in Ghana, are known to be the driving force for promoting the economy (Khan & Jawaid, 2004); they are often identified as businesses which do not have adequate documents as a result of their inability to adopt appropriate financial reporting practices in their dealings. This in turn affects their potentials of prospecting for Micro credit from Mainstream Banks. Unfortunately, these category of finance providers more often than not, rely on information before making the final decision to either invest or not to invest in a given business. This actually affects SSI's as most of them do not have the right standing

when it comes to those requirements. The emergences of Microfinance institution have helped to absorb these categories of businessmen with regards to their financial needs.

Kente weaving is a handicraft industry that produces kente cloth, which is a traditional wear for the people in the Asanti Region and the entire citizenry of Ghana. These businessmen basically produced in small quantities until there was an enlarged market from the entire country and abroad for these products. Meanwhile, the need to produce it in large quantities has always been limited due to insufficient funds for materials and workers. However, generation of self-employment in the SSIs requires investment in working capital; but because of low levels of income, the accumulation of such capital may be difficult. Under such circumstances, loans can help the poor to accumulate capital and investment in employment activities. It is based on the elaborations above that the researcher wishes to embark on a study to investigate on the impact of Microfinancing on the activities of SSI's in the Bonwire locality.

1.2 Statement of the Problem

Despite the enormous benefit Microfinance institutions offer to Small Scale Industries; it looks as if Small scale industry especially, businesses in the informal sector lack adequate capital to finance their activities and often find it difficult to borrow funds from the banking sector. The ability to obtain capital is increasing important as the world becomes more technologically integrated. The major problem confronting the small scales industry is inadequate finance in the procuring of land and machinery, hiring of man power and raw materials which make them weak in competing with the market.

Carruther & Kim (2011) argue that access to Micro credit is critical for the success of a business and allows people to plan for the future over time. The concept of Microfinancing is not new in Ghana, as it has been the bedrock of SME's in recent years. Access to credit and savings can cushion against external shocks, such as illness and natural disaster and can lead to better education, improved housing or better health care, (Hermes & Lensink, 2011). However, the reasons why most SME's do not qualify to access credit facilities from financial providers is because of their stringent loan processes or credit policy, collateral requirement, relevant documents like registration documents, tax receipts, Stocks worth more than value of the loan and some others.

This study, therefore, seeks to investigate the impact of microfinance service on the growth of SSI in Bonwire in the Ashanti Region of Ghana. The study also seeks to access some benefits other researchers have attested that SSE's have received as a result of microfinancing. Mosley (2001), explained that Microfinancing options are said to be cheaper sources of finance (fund) for Small Scale entrepreneurs; however, very little is known on the actual cost of obtaining micro-loan facility from a microfinance institution with exception of their interest on the loan package. This has necessitated for this study to investigate further on the impact of Microfinancing on the activities of Small Scale entrepreneurs in the Bonwire area of the Ashanti region; specifically, Kente Weavers or owners.

1.3 Objectives of the Study

The general objective of the study was to examine the impact of micro credit finance on the activities of small scale industries in the Kumasi-Bonwire area. The study also attempted to answer the following specific objectives.

Specifically, the study attempts to;

1. To identify the sources of credit facilities available for SSIs
2. To determine the impact of microfinancing on the activities of SSE owners.
3. To determine the challenges faced by SSIs in accessing micro credit loan facilities.

1.4 Research Questions

1. What are the various sources of finance available for Small Scale Industries in Ghana?
2. What are the impacts of microfinancing on the growth of Small Scale Industries?
3. What are the challenges faced by SSIs in accessing micro credit loan facilities?

1.5 hypothesis of the study

H₀= Microfinancing does not have a positive impact on the activities of SSE's

H_u= Microfinancing has a positive impact on the activities of SSE's.

1.6 Justification of the Study

The study will be useful and relevant to the body in academia, stakeholders and the general public and practitioners in the field of study.

The study will help the body in academia to identify and familiarize themselves with the various sources of funds available for SSE's. The study will impact positively on the general public and /or stakeholders because it will help these categories of candidates to identify and appreciate the benefits microfinancing offers to the populace and small scale entrepreneurs living in the Kumasi area. It is also identifiable that the study will be a useful tool for stakeholders such as financial analyses and expert, management of microfinance institutions and non- government organization (NGO). The study will also be helpful to practitioners to come up with relevant strategies that can help Small Scale entrepreneurs to override on the complications they face in accessing Micro-loans. Finally, the study will also serve as an addition to already existing body of literature on the subject area.

1.7 Scope of the Research

The emphasis of the study was laid on the availability of micro credit for Small Scale Entrepreneurs in Ashanti - Bonwire, specifically, the Kente weaving industry. The study was however limited to Bonwire in the Ashanti Region of Ghana.

1.8 Organization of the Study

The study was carefully organized into five (5) chapters: The first focuses on the introduction, which include the background of the study, statement of the problem, research questions, research objectives, and significance of the study. Chapter two of the research study also deals with a review of related literature on Microfinancing, Small Scale Enterprises in Ghana as well as theories underpinning the study. Some of the notable areas that were reviewed include; theories of microfinancing, brief history and Concepts of microfinancing and Small and medium scale enterprises, sources of finance of SMEs, activities of financial non-governmental organizations and

challenges facing the microfinance sector etc. Chapter three forms the methodology of the study. This chapter also gives detailed report on how the research was conducted; it included issues such research design, population sample and sampling techniques/procedure, data collection and Analysis of the data collected. Chapter four also dealt with the presentation of the data retrieved from the research participants, as well as analysis and discussion of data collected. Chapter five also dealt with the summary, conclusion and the relevant recommendations on the outcome of the study.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

A large portion of existing microfinance research study supports the idea that microfinance is an effective economic development tool that has great benefits for loan borrowers. However, recent research has brought into question the real impacts of microfinance programs on loan borrowers. Research introducing the concept of microfinance as well as other specific critical issues impacting loan borrowers is examined in this chapter. Meanwhile, the chapter also gives an exposure on the theories underpinning the study, the relevant concepts and definitions, as well as a review of other empirical works from previous authors.

Theoretical Literature

2.1 Micro Credit Theory

Theoretical idea of micro credit has been derived from economic theory that forms the foundation of the credit business in non-communist society. Adam Smith (1937) conceived this theory in the eighteenth century that Self-seeking individuals are always eager to employ their labor, capital and skills to their best interests, which eventually add up to the benefit of the entire society due to the work of the “invisible hand”. Smith’s idea, later popularized as the theory of capitalism by Karl Marx, describes the principles of material prosperity of the non-communist society. The psychological component of micro credit theory known as “social consciousness driven capitalism” has been advanced by most ardent promoter of microfinance, (Muhammad Yunus, 1994). This theory argues that a species of profit-making private venture can be conceived that cares about the welfare of its customers. In other words,

it is possible to develop capitalist enterprises that maximize private profits subject to welfare considerations of their customers.

This, however, makes it more evident as capital considerations can be made available to SMEs with deserving potentials by financial providers to enhance the businesses of those SME's. For this specific reason, Access Bank-Madina Branch can beyond all reasonable doubt, assist SMEs in their locality to grow their businesses. This assistance can just be a reduction in some of the requirements needed before advancing loans to these SMEs. This is because, by doing so SMEs stand the chance of growing their businesses when such opportunities and considerations are granted.

2.2 Theory of financial Intervention

Financial intervention to small scale enterprise plays an important role in their development strategy (Sundersan, 2012). Small scale enterprise develops more achievable marketing strategy in order to maximize profit and stay in business. These strategies contribute immensely towards their growth. Growth in small scale enterprise leads in an increase employment opportunity. These enterprise increases the aggregate output, enabling the efficient use of capital and labor, initiating management skills and improving distribution and income (Habib, 2012). According to Habib (2012) the economic impact of microfinancing is reflected on employment, economic activities and assets of the beneficiaries' household. Micro-loans have been successful in increasing the time spent on income generating activities by small scale enterprise or members of their households.

According to Barr (2012), microfinance is the sustained concerted effort of policy makers and community to promote the standard of living and the economic health in specific areas. Such efforts can involve multiple areas including the development of: human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health safety, literacy and other initiatives. It should be noted that economic development differs from economic growth. Economic development is a policy intervention endeavor which aims at economic and social well-being of people. It is the progressive changes in the socio-economic structure of a country. Economic development involves the changes in composition output, shift in allocation of productive resources and reduction in poverty, inequalities and unemployment (Barr, 2012).

It is very significant to note that today microfinancing plays a pivotal role to the successful development of the economy.

Sundaresun (2012) asserts that the successful development of economies is in no small measures due to the intervention of microfinancing. It allocates savings from one part of the economy to finance the capital requirements in the other parts. Microfinance consists of the formal and informal sector. The formal sectors consist of institutions such as commercial banks, credit unions, rural banks and other financial institution. These institutions are subject to public and private oversight and regulations. They are governed by bankruptcy code, investor protection laws and disclosure requirements (Sundersan, 2012). Microfinancing has branched out both in terms of range of financial and economic services. Banks began to access this market in a more significant way than ever before. Financial services ranging from savings deposits, loans, insurance to cover life, health and properties are currently offered.

This theory, however, places more emphasis on the fact that financial intervention by financial providers like Access Bank in the form of Micro-Credit loans for SME's in and around their environs can help speed up the growth potentials of their business. The intervention can either be an act in some of their facility requirements and/ collateral requirements; among others.

2.3 Definitions of Microfinance and Historical Background

Microfinance encompasses the provision of financial services and the management of small amount of money through a range of products and a system of intermediary functions that are targeted at low income clients. It includes loans, savings, insurance, transfer services and other financial products and services. It thus, consists of providing financial services, including savings, microcredit, micro-insurance, micro leasing and transfers in relatively small transactions designed to be accessible to micro enterprises and low income households (Asiama et al 2007). Robert et al (2004), also refer to micro finance as a movement that envisions a world in which as many poor and near poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance and fund transfer.

In another development, Robinson (2001) asserted that microfinance schemes usually lend small short-term loans to very poor micro entrepreneurs. Loan repayment is usually guaranteed by group members collectively and access to future credit or loans is contingent on successful repayment. Hence, peer monitoring and the prospect of subsequent larger loans act as strong incentives for repayment. Offering financial services to poor people in developing countries is an expensive business. The cost is

one of the biggest reason traditional banks do not make small loan. The resources required for a small loan is the same for big loan. MFI also have big personnel and administrative costs. Field staff managers must perform village surveys before entering a village, conduct interview with potential borrowers, educate borrowers in credit discipline, travel to the villages every week to collect repayments and distribute loans and control that the loans are being used for given purpose.

As a result, MFIs charge interest rates that sound higher. Microcredit is the provision of cash and in kind loans in smaller amounts to micro, and small enterprises meant to improve their business operation. The microcredit loan cycles are usually shorter than traditional commercial loans with terms from typically 6 months to one year with repayment schedule being weekly or forth nightly. The shorter loan cycles and weekly payments help the borrowers to stay current and not become surprised by larger payments. In order to be able to lend out money, MFIs must, in addition, borrow from the traditional finance sector with commercial perspectives. There is always about 1-2% loss on loans due to payment default. Data from the micro Banking Bulletin reports that 63 of the world's top MFIs had an average rate of return, after adjusting for inflation and taking out subsidized programmers of about 2.5% of total assets.

This indicated microfinance can be sufficiently attractive for investors and those in the retail banking sector. The income generating loan is used for a variety of activities that generate income for their families. Loans are paid in 50 equal, weekly installments. After completion of a loan cycle, the client can submit loan application for a future loan. The mid-term loan (MTL) is available to clients after 25 weeks of repayment of IGL. A client is eligible for a MTL if the client has not taken the

maximum amount of the IGL. The residual amount can be taken as a MTL. The terms and conditions of the MTL are otherwise exactly the same as IGL. The emergency loan is available to all clients over the course of a fiscal year. The loan is interest free and the amount and repayment terms are agreed upon by the MFI and client on a case by case basis. The amount is small compared to IGL and is only given in times of dire need to meet expenses such as funerals, hospital bill, parental care and other crisis situations. There is also the group lending where individuals in a group are given loans in the name of the group.

The members monitor themselves to ensure that all members use the money for the purpose it was taken. They also ensure prompt repayment and in default by any member, the group is held responsible for it. The individual's loan is designed for clients who have specific needs beyond the group lending model. There are usually restrictions regarding what the money should be used for. Micro savings – a possibility to save money without minimum balance, also allows people to retain money for future use or for unexpected costs. Micro insurance gives the entrepreneurs the chance to focus more on their core business which drastically reduces the risk affecting their property, health and working possibilities. There are different types of insurance services like life insurance, health insurance, property insurance and disability insurance. The range of services in this sphere is constantly expanded as schemes and terms of providing insurance services are determined by each company individually.

Micro leasing enables entrepreneurs of small business who cannot afford to buy at full cost can instead lease equipment, agricultural machinery or vehicles. Money transfer

is another microfinance product, a service for transferring money, mainly overseas to family or friends. Money transfer without opening current accounts are performed by a number of commercial banks through International Money Transfer systems such as Western Union, money grams and Anelik. In Bangladesh, as in many other developing countries, subsidized rural credit offered by government banks laid the basis for its rural credit policy. It did not work. Repayment rates were low and loans (or forgiveness of past loans) were often used for political reasons, under cutting the effects of the policy.

In 1973, ACCION International, a Peace Corps-like group started to switch their focus toward providing economic opportunity to poor people instead of working on construction or infrastructure projects in order to create lasting improvements in the lives of those they were helping. Their plan first appeared in Recife, Brazil in 1973 when ACCION staff began to offer microloans to poor people eager to start small businesses. ACCION offered an exciting alternative to the under-served population that were ineligible for traditional loans and wanted to avoid the exploitive lending practices of loan sharks. Within four years, the experiment had shown its success in having provided 885 loans with a repayment rate of over 90%. The loans also helped to create or stabilize 1,386 new jobs. This success in making a lasting impact in peoples' lives, as contrasted with the previous projects steered ACCION firmly in the direction of being a microfinance organization. Since its modest beginning ACCION has expanded its micro lending operation to countries throughout South and Central America, the United States, Africa and India.

ACCION claims (and recorded dates seem to indicate) that these loans were the first modern pioneers of microcredit. Around the same time as ACCION's experiment, and apparently independently, Mohammed Yunus, a U.S.-educated professor of economics started a similar experiment. In 1974 during a famine in his native Bangladesh, Yunus discovered that very small loans could make a significant difference in a poor person's ability to survive, but that traditional banks were not interested in making tiny loans to poor people, who were considered poor repayment risks. His first loan consisted of \$27 from his own pocket which he lent to 42 people including a woman who made bamboo furniture, which she sold to support herself and her family. In 1976, Mohammed Yunus founded Grameen Bank to make loans available to poor Bangladeshis. Since then the Grameen Bank has issued more than \$5 billion in loans to several million borrowers, at the close of 2005, the number of outstanding loans was more than \$4 billion.

To ensure repayment, the bank uses a system of 'Solidarity groups', small informal groups, nearly all of them exclusively female, that meet weekly in their villages to conduct business with representatives of the bank, and who support one and other's efforts at economic self-advancement. As it has grown, the Grameen Bank has also developed other systems of alternate credit that serve the poor. In addition to microcredit, it offers housing loans as well as financing for fisheries and irrigation projects, venture capital, textiles, and other activities, along with other banking services such as savings (Ray, 1998). The central feature of the Bank's lending policy is that in the event of a default, no group member is allowed to borrow again. This means that a group has to be formed very carefully by the individuals to weed out bad borrowers who could jeopardize the credit worthiness of the group as a whole.

This will also ensure peer monitoring. The participatory nature of the Bank's projects together with emphasis on women entrepreneurs and empowerment creation have raised hopes of reducing poverty through this approach. The success of the Grameen model has inspired similar efforts throughout the developing world and even in industrialized nations including the United States. Many, but not all, microcredit projects also emulate its emphasis on lending specifically to women. Close to 96 percent of Grameen loans have gone to women (Ray, 1998), who have been found to be much more likely than men to repay loans and to devote their earnings to serving the needs of the entire family. Originally, the program started with men and women, but later focused on women when data showed a dramatically lower credit risk in women. Average repayment rates are over 97% (Ray, 1998).

As a result, UN has committed through its agencies to support microfinance institutions (MFIs) in developing countries such as Ghana (UN report, 1998, 2000). It has, therefore, advised governments of developing countries to support MFIs in their respective countries. The main objective of microfinance scheme is to provide opportunity for micro entrepreneurs to access financial services which would otherwise not possible under traditional banking system. It provides the opportunity for the poor to access credit without collateral security, savings and entrepreneurial training. In other words, the poor also need access to productive resources with financial services being a key resource. Microfinance can have significant impact on cross-cutting issues such as women empower thereby promoting gender equity (Mayoux, 2006).

2.3.1 Microfinance supporting institutions in Ghana

There have been establishment of various institutions to support the small and medium industries in Ghana. These are as follows:

- Microfinance and small loans center (MASLOC)
- Development partners and international non-government organizations
- Universities, training and research institutions
- The Microfinance Institutions Network (GHAMFIN)

2.3.2 Government of Ghana institutions that support microfinance

- Ministry of finance and economic planning,
- Ministries, Department, Agencies (MDAs) and Metropolitan, Municipal and Districts Assemblies (MMDASs)

Source: Bank of Ghana 20004.

2.3.3 Impact of Micro financing

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield & Rosenberg (2004) states that the poor are generally excluded from the financial services sector of the economy; so as a remedy in some countries MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing

them to dramatically increase the number of poor people they can reach (Otero, 1999).

Hulme & Mosley (1996) show that when loans are associated with an increase in assets, when

Borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Johnson & Rogaly (1997) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries' overall vulnerability. The above review indicates that Micro-financing (credit) plays a pivotal role in the affairs of SMEs; often regarded as Sole proprietors, in terms of their finances.

Also, Asiamah & Osei (2007) noted that studies have shown that microfinance plays three broad roles in development: it helps very poor households meet basic needs and protects against risks, it is associated with improvements in household economic welfare and it helps to empower women by supporting women's economic participation and so promotes gender equity. Similarly, Simanowitz & Brody (2004) alluded to the fact that several literatures on microfinance suggests that it creates access to productive capital for the poor, which together with human capital, addresses through education and training, and social capital, achieves through local organization building, enables people to move out of poverty.

Akyeampong (2002) recognizes that the establishment of microcredit programs enhances the perception of women's contribution to household income and family welfare and this increases women's participation in household decision-making about expenditure and invariably creates a greater expenditure on women's welfare. Finally, these programs tend to help greatly in changing the attitudes of men to the role of women in the household and the community in general. Micro-credit, microfinancing and micro-enterprises are terms that have been used to describe and define the situation in which small loans are extended to people for the purposes of setting up small and usually self-employment projects that generate income. Otero (1999) illustrates the various ways in which "microfinance, at its core combats poverty". She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organisation building, enables people to move out of poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999).

The aim of microfinance, according to Otero, is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield & Rosenberg (2004) states that the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, a MFI can become part of the formal financial system of a country and so can access capital markets to fund their

lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999).

2.4 Products and Services of Microfinance Institutions

Microfinance institutions provide similar products and services to their customers as formal sector financial institutions. The scale and method of delivery differ, but the fundamental services of savings, loans, and insurance are the same. Notwithstanding, to date most efforts to formalize microfinance have focused on enterprise lending (loan for enterprise formation and development) which remain by far today the dominant product offered by MFIs (Nourse (2001); Woller (2002)]. This however, has slowly begun to change. Increasingly today MFIs have begun to offer additional products, such as savings, consumption or emergency loans, insurance, and business education. According to Nourse (2001) reviews the context and rise of microfinance products and argues there is a need for the poor and not just credit products. He goes on to argue that MFIs needs to provide tailored lending services for the poor instead of rigid loan products. Supporting this latter assertion of Nourse (2001), Elijah (2001) develop a model of small constructions management contractors and MFIs in developing countries that provides a tailored lending structure for micro enterprise contractors.

In Ghana, similar practices exist where microfinance institutions target the very poor in society where help is being extended to. Before one qualifies to benefit from the facility of the MFIs, the person must open bank account which must be run and participate in every activity that are organized by these MFIs in relation to micro loan (NBSSI). Microcredit is most often extended without traditional collateral. If physical

collateral is required for borrowing, most MFI clientele would be unable to participate due to their extreme poverty level. Because borrowers do not have physical capital, MFIs focus on using social collateral, via group lending. Group lending encompasses a variety of methodologies, but all are based on the principle of joint liability. In essence, the group takes over the underwriting, monitoring, and enforcement of loan contracts from the lending institutions Wenner (1995).

According to WoolCock (2001), social collateral also works through reputational effects on group members in which repayment of loans is seen by group members as necessary to maintain their social standing in the community. Those in the microfinance industry who assumed that formal MFIs would drive the traditional money lenders out of business have been shocked to learn that the demand for money lenders has remained robust, even among clients of microfinance programs. A good illustration is the case described by Perry (2002), in which women money lenders in Senegal used loans from a local MFI to finance their own money lending businesses.

2.4.1 The Concept of Microfinance

The concept of microfinance has become popular because of the critical role such businesses play in the socio-economic development of countries. The prevalence of such businesses in developing countries attests to their importance in emerging economies. Various definitions have been offered for the concept. For example, Robinson (2001) observed that microfinance primarily provide credit and savings to people who operate small and micro-enterprises where goods are produced, recycled, repaired, or sold and who provide services to other individuals and groups at the local levels of developing countries, both rural and urban. Consistent with Robinson's

definition, Stanley (2008) defined microfinance as a small-scale financial services (micro services) that provide to people who are running certain business; operate small or micro-enterprises where goods are produced, recycled, repaired, or traded in both rural and urban areas.

Although a poverty alleviation business strategy, microfinance is not a magic solution such that it would eliminate poverty in a country. Nevertheless, studies have shown that microfinance is really benefitting low income earners enterprises (Littlefield & Rosenberg, 2004). In view of this, microfinance is defined as the provision of financial services to poor or low income clients who are normally excluded from traditional financial systems as they are considered “unbendable” due to lack of collateral, steady employment and a verifiable credit history (Westover, 2008). It is within this context that businesses in the Madina market are discussed. This is because they depend on microfinance institutions for credit facilities to sustain and grow their business. Given that microfinance institutions seek to empower businesses that do not get funds from commercial banks and merely need micro credits to sustain their businesses, Yunus (1997) described microfinance as a movement that envisions the poor or low income clients having permanent access to an appropriate range of financial services that include credit, savings, and insurance and fund transfers.

The Microfinance Information Exchange (MIX, 2011) conceptualized microfinance as a variety of financial services that target low-income clients, particularly women. This definition brings to light the issue of women’s empowerment through the availability of small loans. Microfinance is, therefore seen as a catalyst in assisting the poor and especially women, who are mostly affected by conditions of loans simply on

the grounds of not possessing property to serve as collaterals. The view that microfinance focus on poor clients is not tenable because the activities of microfinance transcends poor clients to include a broader range of services such as credit, savings, insurance, money transfer facilities (Hagen, 2004). As a consequence, the MIX (2011) defines microfinance services as the ones opposed to financial services in general, but as retail financial services that are relatively small in relation to the incomes of both individuals and SMEs, and to the Asian Development Bank (ADB, 2011) microfinance plays an important role in both the household and the SME levels by helping people with services such as deposits, loans, money transfers and insurance to the poor and low income households to support the household and their micro-enterprises.

The unforeseen challenges in business, especially, small businesses necessitated the including of micro insurance by microfinance institutions to cushion businesses when the unexpected happens. Thus, micro insurance helps SMEs to withstand unforeseen situations and to also recover from shocks from the business environment in the bid to making SMEs sustainable. This component of microfinance is, however, limited in the Ghanaian situation due to factors such as volatile business environments and the low capital portfolio of most of the MFIs. In the same light, microfinance is considered a service that offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance (Consultative Group to Assist the Poor; CGAP, 2010, Helms 2006).

Todaro and Smith (2009), however see microfinance not only as the supply of credit, savings and micro-insurance but also some financial services made available to the

poor and vulnerable people who might otherwise have had no access to them or could not borrow only on highly unfavorable terms. The ongoing definitions depict that the term 'microfinance' encapsulates more than savings, loans and insurance for the poor. The term 'micro' reoccurs in the meaning of microfinance services because the financial status of clients suggests that they receive loans in small amounts or limited services. Microfinance has therefore come to serve the needs of these people who are otherwise not 'attractive to the traditional sector banks' and to also diversify the financial services platform.

2.4.2 Aims of Microfinance

Microfinance institutions are purpose-driven and therefore, aim to assist clients by replacing the "material" collateral often demanded by banks with "social" collateral through group solidarity and peer pressure. In this regard, microfinance aims to achieve the following (Yunus, 1997):

- It seeks to provide technical guidance to the client or group of people on how to maintain their accounts and savings. Beneficiaries are given advice and options as to how one can brighten his or her chances to continue to benefit from similar products and even bigger loans in the future by teaching beneficiaries on basic book keeping and accounting;
- It also aims to help people to make savings in the bank as a group, rather than doing savings as one person. After savings, people can easily get loans from the bank for their business activities. Peer pressure is key to sustainable access to credit as the cost of dealing with the group will mean less loan management cost on the side of the MFIs;

- It aims also at activities that help poor people to improve their financial and life style. Status does not matter in microfinance as everyone is a potential entrepreneur as posited;
- Microfinance is given for a variety of purposes, frequently for SME development. The diversity of products and services offered reflects the fact that the financial needs of individuals, households, and SMEs can change significantly over time, especially for those who live in poverty. Because of these varied needs, and because of the movement's focus on the poor, microfinance institutions often use non-traditional methodologies, such as group lending or other forms of collateral not employed by the formal financial sector;
- It also aims at targeting women in the form of empowering them by making small loans accessible to them to start and sustain their businesses. Women play vital roles in the family especially in Ghana and some developing countries where men dominate the society and women are mostly not allowed to own property.

2.4.3 Benefits of Microfinance to SMEs in the Informal Sector

The role microfinance institutions play in the improvement of the lives of individuals, businesses and societies cannot be underestimated. In fact, the improvements in economic and social roles leading to enhancement in the living conditions of the people are palpable (Mwaniki, 2006). Views collated from the field suggest that microfinance institutions have helped to improve the cash flow of businesses through the loans they give. In addition, others indicated that microfinance institutions provide businesses in the informal sector with the financial support which commercial banks

have refused to give. It is imperative to note that, the informal sector benefits tremendously from microfinance institutions in terms of loan support; cash management; working capital management; and portfolio management. These benefits SMEs in the informal sector receive from microfinance institutions leads to poverty alleviation and increased production (Hiderink & Kok, 2009).

Consistent with this is the fact that microfinance institution grants advances to businesses to pay their suppliers and pay later; and also provide financial advisory services to businesses which has helped us to manage our businesses well. According to Yunus (1997), microfinance institutions help people to make savings in the bank as a group, rather than doing savings as one person. After savings, people can easily get loans from the bank for their business activities. Peer pressure is key to sustainable access to credit as the cost of dealing with the group will mean less loan management cost on the side of the MFIs. This act of savings helps poor people to improve their financial and life style. Status does not matter in microfinance as everyone is a potential entrepreneur as posited. This view was corroborated by the responses expressed in this business case. In particular, the respondents indicated that the daily savings they do with microfinance institutions serve as guarantee for loans. It was also observed that microfinance institutions provide record keeping services to businesses leading to proper management of their finances.

2.4.4 Challenges SMEs in the Informal Sector Face

Financial support remains the biggest challenge SMEs continue to face. In fact, without an appropriate financial anchor, most SMEs would perish. Although microfinance institutions provide the financial support that SMEs need, the sector is

still confronted with a number of challenges which are critical hindrances affecting growth. Respondents noted that some of the microfinance runs away with their savings. In addition, most of the microfinance institutions easily become bankrupt which put our savings and future of business in jeopardy.

Specifically, sometimes we are disappointed when we need money badly from these microfinance institutions. Some of these microfinance institutions give the excuse that there is no money to loan out when one needs money badly. Another challenge relates to high interest rate on loan facilities. Despite this, we are unable to source monies from other sources apart from these microfinance institutions. This high interest rate is causing our businesses to collapse. Although microfinance institutions are the last resort for SMEs, delays in granting loans, inability to grant loans of certain magnitude due to restrictions by the Central Bank is a major hindrance to the growth of SMEs.

As a result of this, most SMEs are unable to expand or develop as they cannot turn to any other financial institution for huge financial assistance due to collateral requirements. Further, duration of loan payment is a major obstacle for SMEs growth. Microfinance institutions usually give a short duration for loans to be paid. This puts SMEs in a tight situation as they are unable to use the money for long to develop their businesses. Moreover, penalty charges on loans are another challenge the SMES face. This is crippling the SME sector because per the nature of business they do, huge financial gains are not involved and therefore, penalty charges drain the coffers of these businesses.

2.4.5 Attracting Support from Microfinance Institutions

According to Yunus (1997), microfinance institutions provide technical guidance to their client or group of people on how to maintain their accounts and savings. Beneficiaries are given advice and options as to how one can brighten his or her chances to continue to benefit from similar products and even bigger loans in the future by teaching beneficiaries on basic book keeping and accounting. Nevertheless, these financial institutions also take risk by giving loans to businesses in the informal sector with a high rate of default. To attract these microfinance institutions, the SMEs should exhibit financial prudence by keeping their personal interest from their business interest.

To attract financial support from microfinance institutions, SMEs must improve upon their record keeping and management skills. This would ensure that vital business and financial data is up-to-date to guarantee the issuance of loan facility. It is imperative that SMEs engage in activities that would help consolidate their businesses such as commitment to daily savings with microfinance institutions, proper disclosure of business proceeds; commitment to loan payment; and effective management of the business to ensure its sustenance. There is also the need for SMEs to build group collateral security so that they would have the capacity to secure loans of huge financial magnitude to enable them grow their businesses. With this group security, there would be no need for the availability of physical collateral such as landed properties or cars to secure loans.

2.4.6 Small and Medium Scale Industries

Small and medium scale enterprises are terms that are universally accepted but when it comes to their distinction, there are differences. In Europe, Yaron (1997) indicated that small and medium-sized enterprises are defined according to their staff headcount and turnover or annual balance-sheet total. Consequently, a medium-sized enterprise is defined as an enterprise which employs fewer than 250 persons and whose annual turnover does not exceed EUR 50 million or whose annual balance-sheet total does not exceed EUR 43 million. On the other hand, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

In Ghana, Mensah (2005) revealed that available data from the Registrars' General Department indicated that 90% of companies registered are micro, small and medium enterprises. This target group has been identified as the catalyst for the economic growth of the country as they are a major source of income and employment. In another revelation, Mensah (2005) recalled that data from the Social Security & National Insurance Trust (SSNIT) indicated that, by size classifications, the Ghanaian private sector is highly skewed, with 90% of companies employing less than 20 persons, and a small number of large-scale enterprises.

2.4.7 Characteristics of SMEs

SMEs in Ghana create employment, provide goods and services at reasonable prices, and serve as the bedrock of entrepreneurial activities and the backbone of economic development. According to (Aryeetey et al., 1994), they play an important role in the transition from a state-led to private oriented development strategy". SMEs "provide

employment and incomes to a large portion of the population and are significant source of total output” (Aryeetey, 2001). In India, SMEs contribute nearly 45percent share of manufactured products, 40percent of overall export of the country and employment to over 32million people and produce more than 8,000 quality products for the Indian and international markets. In South Africa, “SMEs contribute 30percent to GDP, 70-80percent in employment. SMEs have been the engine of Europe’s economy during the period of the Euro zone crises accounting for 80percent of the European jobs in the last 5 years” (Arkoh, 2013). This goes to prove that “for Ghana to attain economic self-sufficiency it desperately seeks then; SMEs must be the focal point of major government policies to develop the economy.

2.4.8 Definition and characteristics of Small Scale industries or enterprises

The term small scale industries (SSI) has been given different and these definitions vary from one country to another even one industry to industries. Most often, the definitions have been in terms of either capital employment or number of persons engaged. The National Board for Small-Scale Industries (NBSSI), the main governmental institution charged with the responsibility of small enterprises development, uses multiple criteria of fixed assets and employment size to distinguish small-scale industry from medium and large-scale industries. The NBSSI defines a small enterprise as one employing not more than twenty-nine persons with plant and machinery value (excluding land, buildings and vehicles) not exceeding GHC1000 cedis (NBSSI, 1990). Considering the above definition, one can deduce that Small-Scale Enterprises by their work or operation have acquired certain peculiar characteristics that differentiate them from the large scale productions. The characteristics can be enumerated as follows:

- Low capital base
- Labour intensity
- Ease of entry
- Reliance on indigenous materials and low technology.
- Managed by its owners or part owners and not through the medium of formalized management structures; and
- Workers usually have skills acquired outside the formal systems (that is through apprenticeship).

2.4.9 Categories of SME's in Ghana

There are two basic categories of Small and Medium scale enterprises with regards to its conceptualisation. These categories are SME's in the Formal Sector and SME's in the informal sector. In Ghana, these two basic categories of SMEs are true because there are instruments that can be used to differentiate and make its distinction very clear. Some of these instruments/formalised documentations are; certificate of incorporation, tax identification Number, VAT receipts and the others. The tangible proof of these related formalised documents draws a thin line between SME's in the formal sector and SME's in the informal sector.

- *SME's in the formal Sector*

These are Small and Medium Scale Enterprises that possess all the relevant documents to back their claim. Thus, it represents the category of SME's that possess all the formal documents needed and required to form an enterprise. These formal documents are certificate of incorporation, Tin Number, Financial Statements, Bank statements and any other proper financial reporting documentation.

- *SME's in the Informal Sector*

SME's in the informal sector can be categorised under enterprises that do not have the relevant documents to back their claim. Thus, they are often small units and enterprises that have not yet registered their businesses. Examples of these businesses are; tomato sellers, ordinary traders, and many others. For the purposes of this study, much attention will be giving to SME's in the informal sector, since most of the Kente Weavers at Bonwire in the Ashanti region do not have the relevant documents to back their claim. Examples are registered mobile money vendors, registered shops and supermarkets and the others.

2.4.10 Sources of Finance for Small Scale Industries

The sustainability of SSIs depends on the sound capital outlay or reliable source of funding the business. Available literature shows the various sources from which SSIs may be funded. There are both formal and informal sources. This means that there are financial institutions in the formal sector which are mostly commercial banks. The informal sources are mostly private institutions that are ready to take risk and lend money to SSIs at short term intervals.

2.5 Contribution of Small Scale Industries to the economy

Small scale Industries (SSIs) all over the world are known to play a major role in socio-economic development. URT (2003) estimates that about 1/3 of the GDP originates from MSI/SSI sector; they tend to be labor intensive thus creating jobs: The International Finance Company (IFC) *of the World Bank estimates that there are approximately 2.7 million enterprises in the country. A large majority of these (98%)*

are micro enterprises (employing less than 5 people), effective in the utilization of local resources using simple and affordable technology; and complementing large industrial requirements through business linkages, partnerships and subcontracting relationships Olomi, (2001); URT (2003).

Empirical evidence shows that a dynamic and growing Micro and Small Industries (MSIs) sector can contribute to the achievement of a wide range of development objectives, including: the attainment of income distribution and poverty reduction DFID (2000); creation of employment Daniels and Ngwira (1993); savings mobilization Beck et al (2005); and production of goods and services that meet the basic needs of the poor Cook and Nixson (2000). While estimates vary greatly depending on definitions, recent work by the World Bank suggests that almost 30 per cent of employment in developing countries is generated by the informal economy, while an additional 18 per cent is provided by (formal) small and medium industries. Together, these two groups contribute 63 per cent of the GDP Ayyagari et al. (2003).

According to Wangwe & Semboja (1997), MSIs in Tanzania contribute 12% and 34% of rural and urban employment respectively as well as up to 32% of the country GDP. Therefore, the Government of Tanzania in recognizing the contribution of MSEs in country economy developed the National Microfinance Policy which aims at enabling low-income earners to access financial services URT (2000). Even in the advanced countries such as USA and UK, the role of Small Scale industries (SSIs) to their economic development cannot be over emphasized. According to Amanne (1993), small businesses in US employ 58% of the total work force, account for 55% of all business innovation and make up 40% of the gross national product. In UK, SSIs

accounted for 21.5% of the nation's net output and 18.3% of employment in 1972. A research conducted in UK has also shown that more than 80% creative innovations have come from small organizations or individuals.

2.5.1 Challenges facing Small Scale Industries

Despite SSIs large contribution in countries development and economic growth, their growth and development in developing countries were mainly inhibited by access of finance, poor managerial skills, and lack of training opportunities and high cost of inputs Cook and Nixson. (2000). Further studies conducted suggest that finance is the most important constraint for the MSE sector (Green et al., 2002). The MSEs have very limited access to financial services from formal financial institutions to meet their working and investment needs Kessy and Temu (2009). However, the URTSSIs policy recognizes that SSIs are confronted with unique problems including heavy costs of compliance resulting from their size.

Other constraints include insufficient working premises and limited access to finance, Business Development Services, namely, services related to entrepreneurship, business training, marketing, technology development and information are undeveloped and not readily available. SSIs lack information as well as appreciation from such services and can hardly afford to pay the services. As the result, operators of the sector have rather low skills. Institutions and associations supporting SSIs are weak, fragmented and uncoordinated partly due to lack of clear guidance and policy for the development of the sector (URT, 2003).

2.5.2 The Factors that affect SSI's access to Credit

The type of population to be served and the activities that the target market is active in and also the level or stage in development of the business to be financed is determined by the MFIs. SSIs differ in the level in which they are and the products and services offered to them by the MFIs are towards meeting the demands of the market. SSIs are financed differently and the financing is determined by whether the firm is in the start-up phase or existing one and also whether it is stable, unstable, or growing. The type of activities that the business is involve in is also determined such as; production, commercial or services activities. Some of these factors that affects SSI's quest in accessing Micro-credit facilities are;

- Requirements and regulations of the Financial Providers
- Interest rate
- Collateral requirements
- Stock valuation

a) Start-up or existing SSIs

In identifying the market, MFIs consider whether to focus on already existing entrepreneurs or on potential entrepreneurs seeking for funds to start up a business venture. Working capital is the main hindrance in the development of already existing SSI, they borrow finance mostly from informal financial services such as; families, friends, suppliers or moneylenders. The finances got from these informal financial services have high interest rates and services offered by the formal sector or not offered by these informal financial services. MFIs see it less risky to work with existing microenterprises because they have a history of success (Ledgerwood, 1999).

Businesses that are financed by MFIs from scratch consider that they will create an impact in the society by alleviating poverty by increasing their level of income.

b) Levels of SSI development

MFIs usually provide their products and services based on the level of development of the businesses.

c) Unstable survivors

These are groups that are considered not credit worthy for financial services to be provided in a sustainable way. Their enterprise is unstable and it believes they will survive only for a limited time.

d) Growth enterprises

These are SSIs with high possibility to grow. MFIs focusing on these types of micro enterprise are those that have as objective to create jobs, and to move micro entrepreneurs from an informal sector to a formal sector. MFIs prefer to provide products and services to meet the needs of this group since they are more reliable and posing them the least risk (Ledgerwood, 1999).

2.6 Empirical Studies

In this section, attempt has been made to critically review the literature of past research studies relevant to our present study. Various literatures reviewed were specifically related to the following with objective of our study;

- Improve saving especially among rural dwellers
- Improve small scale industries in rural areas

- Enhance the standard of living of rural dwellers

According to Mosley (1999), microfinance makes a considerable contribution to the reduction of poverty through its impact on income and also has a positive impact on asset level. But the mechanism through which poverty reduction works varies between institutions. Generally, institutions that give, on average, smaller loans reduce poverty much more by lifting borrowers above the poverty line, whilst institutions giving larger loans reduce it much more by expanding the demand for labour amongst poor people.

Mosley (2001), in his research on microfinance and Poverty in Bolivia, assessed the impact of microfinance on poverty, through small sample surveys of four microfinance institutions. Two urban and two rural, using a range of poverty concepts such as income, assets holdings and diversity, and different measures of vulnerability. All the institutions studied had on average, positive impacts on income and asset levels, with income impacts correlating negatively with income on account of poor households choosing to invest in low-risk and low-return assets. The studies revealed also that in comparison with other anti-poverty measures, microfinance appears to be successfully and relatively cheap at reducing the poverty of those close to the poverty line. However, it was revealed to be ineffective, by comparison with labor-market and infrastructural measures, in reducing extreme poverty.

Nichols (2004) used a case study approach to investigate the impact of microfinance upon the lives of the poor in the rural China and found that the participation of poor in micro finance program had led to positive impact in their life. Their income has increased, spending on educational and health have increased hence improved their

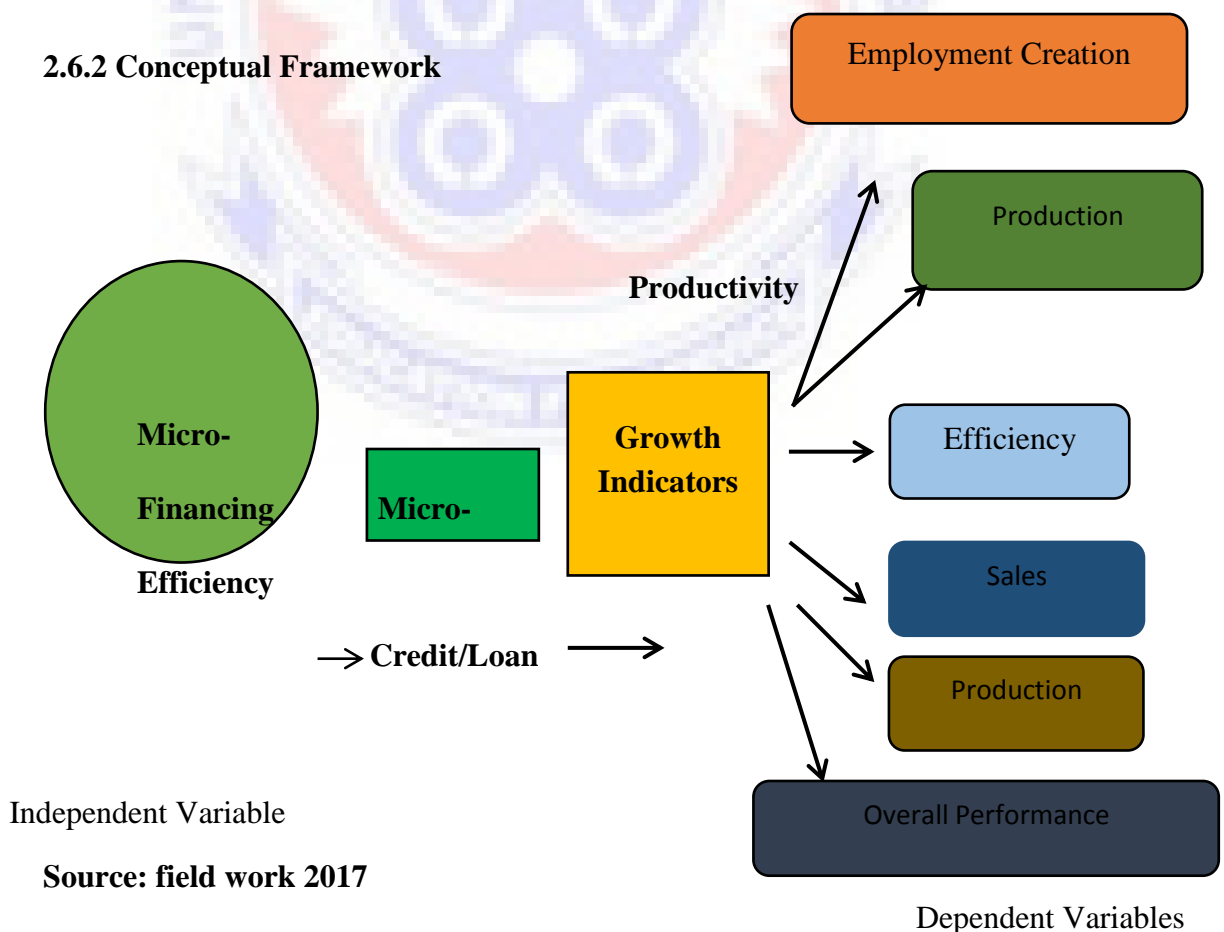
standard of living and also women have benefited out of this program. There was visible sign of higher wealth level within the village.

Another study on microfinance in Tanzania were carried out by Rweyemanu et al (2003), he evaluated the performance and constrains facing semi-formal microfinance institutions in providing credit in Mbeya and Mwanza regions. The primary data were collected through a formal survey of 222 farmers participating in the Agriculture Development Programmed in Mbozi & Mwanza Women Development Association in Ukerewe. In the analysis of their study the interest rates were found to be a significant barrier to the borrowing decision. Also the borrowers cited other problems like lengthy credit procurement procedures and the amount disbursed being inadequate. On the side of institutions, Mbeya and Mwanza credit programmed experienced poor repayment rates, especially in the early years of operation, with farmers citing poor crop yields, low producer prices and untimely acquisition of loans as reasons for non-repayment.

Fatchamps (1997) noted that with insufficient funds, farmers and fishers cannot invest in new equipment and machinery, and it becomes difficult to reach out to new markets and products. He further contends that without financial assistance, individuals cannot cope with temporary cash flow problems, and are thus slowed down in their desire to innovate and expand. The general perception is that access to external finance is critical for poor entrepreneurs, who may never have funds proportional to their ambitions.

The studies reviewed above indicate that the promised benefits of microfinance are not always realized and that many other factors including client characteristics, microfinance structure and functional arrangements may mediate the impact of microfinance. Thus, the effect of microfinance is context specific. Consequently, this study contributes to the literature by examining the impact of microfinance on Kente weaving in Bonwire in the Ashanti Region of Ghana. This is basically a descriptive study that focuses specifically on the experiences of the beneficiaries of microcredit. Further, understanding the factors that drive stakeholder perceptions may yield information that can be strategically used to improve those attitudes. Accordingly, we are not seeking to make a generalization about the impact of microfinance but more specifically to examine how microfinance has impacted on the lives of Kente weavers in Bonwire in the Ashanti Region of Ghana

2.6.2 Conceptual Framework



Interpretation of the Conceptual Framework

A. Independent Variable

- **Micro-Credit/Loan**

Micro Credit/Loan is a category of the Loan packages most Banks offer to their Small Scale Clients. The requirement of this Loan package is often streamlined to favor small scale business men. Some Banks and other financial providers like the Micro-finance institutions, the Savings and Loans companies and some others. In Ghana, Micro-finance service providers are the mainstream financial providers of Micro Credit. This is due to the fact that these categories of business (Small Scale enterprises, especially in the informal sector) are labelled as a High Risk ventures; and for that matter, Banks do not see the need to invest into such as sector. Financial providers refer to this form of loan or Credit facility as the cheapest form of loan facility.

B. Dependent Variables

- **Employment Creation**

Employment Creation forms part of the influences Micro-credit facility offers to SSI in the sector. Thus, the more SSI's are endowed with adequate funding, the more they are likely to employ and recruit more workers to help facilitate their projects.

- **Productivity**

Productivity can be said to be the output per man hour. Thus, the effort an individual exerts in the performance of an obligation or an assigned task. Micro Credit assists firms to become more productive. That is, helps to quicken the zeal of

workers/employees to give off their maximum best. More so, it also helps SSI's to purchase the required tools, equipment, and the materials needed for their projects.

- **Efficiency**

Efficiency is the rate and the speed at which an individual or a firm performs a particular task. How efficient an enterprise will be will be highly dependent on the availability of materials and the equipment needed for production. For this specific reason, Micro-Credit gives the opportunity to SSI operators to purchase these tools and equipment's needed for production and this goes a long way to enhance the efficiency of the enterprise.

- **Sales**

Sales can be said to be to the proceeds a seller accumulates as a result of selling a produce. Micro Credit assists firms to boost up their production capacity thereby, increasing sales. Apart from this, Micro-Credit also enhances the potential of an enterprise with regards to its growth since the growth potentials of an enterprise have a lot to do with its sales. The sales proceeds of an entity can be directly linked to the profitability of that particular firm. Hence, an increased sale implies an increased profit, and vice versa.

- **Production**

Production can be said to be the entire output of a firm. Thus, the present capacity of an enterprise. Micro- Credit helps to increase the potential of a firm to grow in terms of its production capacity. For this specific reason, most enterprises that rely on Micro-Credit have a great propensity of maturing and having an enhanced

productivity. The volume or the capacity of produce an enterprise can produce or manufacture can be highly dependent on its financial strength. Hence, the need for Micro-Credit Loan.

- **Overall Performance**

The overall Performance of an enterprise indicates the thorough performance of an entity. An entity's overall output is determined by a number of factors including the sales proceeds/volumes of an enterprise. This, in a larger sense implies that the financial strength of an entity, influenced by other factors including Micro-Credit have a great propensity of affecting the sales volume of an enterprise, which in turn influences the overall performance of the entity. The overall performance indicators of enterprises can vary in many forms; including, the profitability of the enterprise, the sales volume of the enterprise, increased market share, increased customer base, efficient and productive, and some other factors. All these factors can be bettered when there is enough funding in the coffers/ reserves of the enterprise. This however affirms the need for Micro-Credit.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was used to conduct the study. Thus, it explains the research design and also gives details about the population, sampling method and the techniques that were used to conduct the enquiry on Microfinancing and its associated impact on Small Scale Enterprises. It also included the research instruments, data collection methods, and the data analysis plan that was used to select appropriate respondents for the study.

3.1 Research Design

According to Kothari (1990) a research design is the conceptual structure within which research is conducted; it constitutes the blue print for the collection, measurement and analysis of data. The research study was descriptive survey in nature and it focused on the collection of quantitative data. Thus, an investigative and experimental research design was adopted to give clarifications to issues of Micro funding and its associated benefits on Small Scale Entrepreneurs. Non-probability sampling technique was used to select the research participants. This is because it makes it easier for the researcher to select the research participants based on their own perception. To be able to achieve the stated objectives of this study, questionnaires was used to access the relevant primary data for the research; and a number of relevant research instruments and methods, which includes secondary data collection, was also employed. These were done by accessing information from the internet, reviewing other related articles, and also relying on other unpublished data. The

questionnaires were made up of closed- ended questions and it was administered to the Kente Weavers, in Bonwire Ashanti Region.

3.2 Target Population

The target population of the study was made up of the owners or operators of the Small Scale Enterprise in the Ashanti region- Bonwire. Specifically, Kente Weavers in Bonwire-Ashanti Region. The target population was made up of this category of Small Scale Operators because the researcher had a strong conviction that these participants were much more familiar with the issues of Microfinancing (funding) and its associated benefits for their sector.

3.3 Sampling and Sampling Procedures

Sekeran (2006), defined sampling as the process of selecting sufficient number of element from a population so that by studying the sample and understanding the properties or the characteristics of the sample, researchers will be able to generalize the properties of the sample to the population. For this reason, sampled participants for the study were Kente Weavers at Bonwire in the Ashanti region. A total of sixty (60) kente Weavers from the category stated above were the required sample to participate in the study. This sample was able to provide the researchers with all the credible information needed for the study. The sample was obtained using Taro Yamane's formula below;

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

$$n = \frac{65}{1.1625}$$

$$n = 55.91$$

$$n = 55.91$$

$$n = 60 \text{ sample size}$$

NB: n=Sample size, N=Total population, and e=Significant level

The researcher adopted a non-probability sampling and the required technique for the administering the questionnaires was Convenience sampling technique. This was because this technique made it easier for the researcher to get access to the respondents amidst their busy schedules.

3.4 Sources of Data

The researcher adopted primary and secondary data collection. The primary data assisted the researcher to get first-hand information from the respondents through the questionnaire administering. On the other hand, the secondary data was also used to make references and also gather information from the internet and other relevant sources.

3.5 Instrumentation

The study embraced a questionnaire as its main research instruments to collect the required data for the study. The questionnaire was structured and closed ended in a manner that assisted the respondents to answer the questions with ease. Meanwhile, the first part of the questionnaire sought to enquire about the demographics of the

participants, and their familiarity with the issues of Microfinancing and its associated effects. The second part to the last part of the questionnaire sought to enquire about the respective objectives of the study. Hence, the questionnaire was made up of Six (6) sections.

3.6 Analytical tools and techniques

Correlational analysis was used to test for the hypothesis to determine how influential Microfinancing has been to Small Scale Enterprises. Descriptive statistics was also used to analyze the data that was obtained from the respondents. Meanwhile, Descriptive analytical tools like percentages, frequencies, mean, standard deviation, and some others were used to analyze data gathered from the pursuit. Bar chart analysis, and pie chart analysis was also used to analyze the demographic information of participants and other related contents. Statistical Product and Service Solution (SPSS), MS Excel and MS Word were used to analyze and interpret the responses retrieved from participants respectively, in order to arrive at a convincing conclusion.

3.7 Model Specification

For the purposes of this study, the Keynesian and the Neurological model were the identifiable models that were used to formulate the model. According to both the Keynesian and Neoclassical traditions, a general model was expressed functionally as; $MC = GI (Ec, Pr, Eff, Sl, Pr, Ov)$. Where, MC represents Micro credit, GI represents growth indicators, Ec represents Employment creation, Pr represents productivity, Eff represents Efficiency, Sl represent Sales, Pr represents Productivity, Ov represents Overall performance. However, Pearson's simple correlation was used to assess and draw conclusions on this model.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents the findings of this study in a descriptive quantitative manner, and also discusses the findings of the study. It also goes further to give vivid clarifications about participants' demographic data, results of the research questions and the tested hypothesis' results.

4.1 Demographic Information of Participants

Table 4.1 below illustrates the information about participants who were involved in the survey. It covers participant's gender, age, educational background/level, Working Experience, and occupation.

Table 4.1: Demographic Information of Participants

Gender Detail	Frequency	Percentage (%)	Total No.
-Male	60	100.0	60
-Female	-		
Age			
-18-27yrs	-	-	
-28-37yrs	1	1.67	60
-38-47	46	76.7	
-Above 48yrs	13	21.7	
Educational Background			
-Primary	1	1.67	60
-JSS/Middle School	5	8.33	
- SS/GCE O/Level	43	71.67	
- Tertiary	11	18.33	
-Others (Specify)	-	-	
Working Experience			
-1-5years	34	56.67	60
-6-10years	39	65.00	
-11-15 years	12	20.00	
-16-20 years	15	25.00	
Occupation			
-Kente Weaver	60	100.00	60

Source: field work 2017

Table 4.1 represents the demographic information of participants who took part in the study. However, frequencies and percentages were used to analyse the data retrieved from participants as evidenced in the table above. The outcome of the study proved that, all the respondents who took part in the study were males constituting 100% of the population. In terms of their ages, it was indicative that, 1.67% of the respondents were between the age category 28-37 years, 76.7% of the respondents were between the age category of 38-47 years, 21.7% of the respondents were also 48 years and above. For participant's educational background, 1.67% of the respondents were primary school candidates, which implied that they had attended only the primary school. 8.33% had attended only JSS/ middle school, 71.67% of the respondents were SS/GCE O level candidates, and 18.33% of the candidates had attended tertiary education.

For participants working experience, 56.67% of the respondents had worked for 1-5 years as a Kente Weaver/manufacturer. 65% of the respondents had also worked for 6-10 years, 20% of the respondent had also worked for 11-15 years, and 25% of the respondents had also worked for 16-20 years. Finally, the demographic information however ended with the occupation of respondents, and it was obvious that all the candidates were Kente Weavers or Manufacturers.

4.2 Identifying the sources of Credit facilities available for Small Scale

Enterprises in Bonwire-Ashanti Region

This section sought to enquire from participants in Bonwire area to identify the various sources of finance available for small scale enterprises. The following charts

below represent the feedbacks from participants that seek to answer this particular research objective.

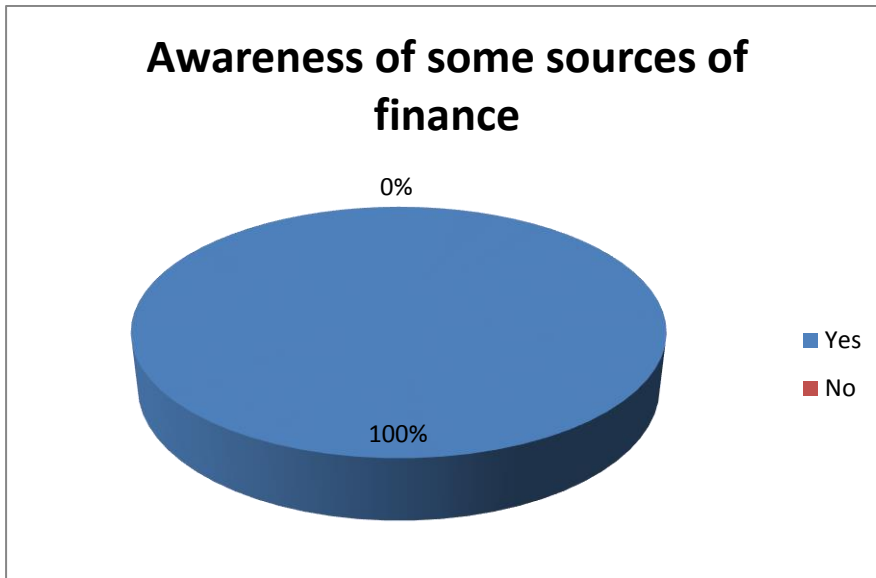


Figure 4.1: Awareness of some sources of finance

Source: field work 2017

Figure 4.1 illustrates the responses of participants with regards to their awareness of the sources of finance/fund that are available for Small Scale Entrepreneurs. The outcome of the study indicated that all the respondents were aware of the identifiable sources of finance/funding that was listed in the questionnaire. This, however, implied that, all the entrepreneurs (Kente Weavers), in one way or the other have had an encounter with all the sources of funding available for SSE's that were listed in the questionnaire.

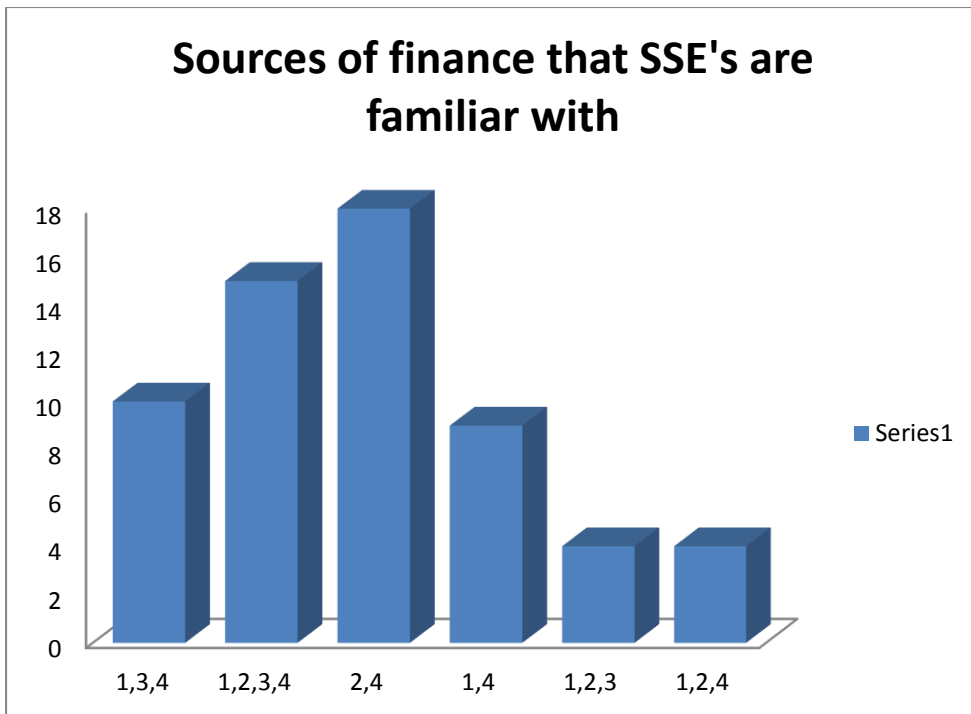


Figure 4.2: Sources of finance that SSE's are familiar with

Source: Field work 2017

Figure 4.2 also indicates participant's responses with regards to their choice(s) of fund sources they are used to. The outcomes of the investigations proved that majority of participants were familiar with Micro Credit Loan and Personal Savings. Apart from this, most of the participants also attested that they were acquainted with all the four sources of funding for Small Scale Enterprises. Others also asserted that they prefer borrowing from friends or relatives, accessing Micro –loans, and their own personal savings. This, however, implied that most of the Kente Weavers were used to personal Savings and Micro-Loan/Credit.

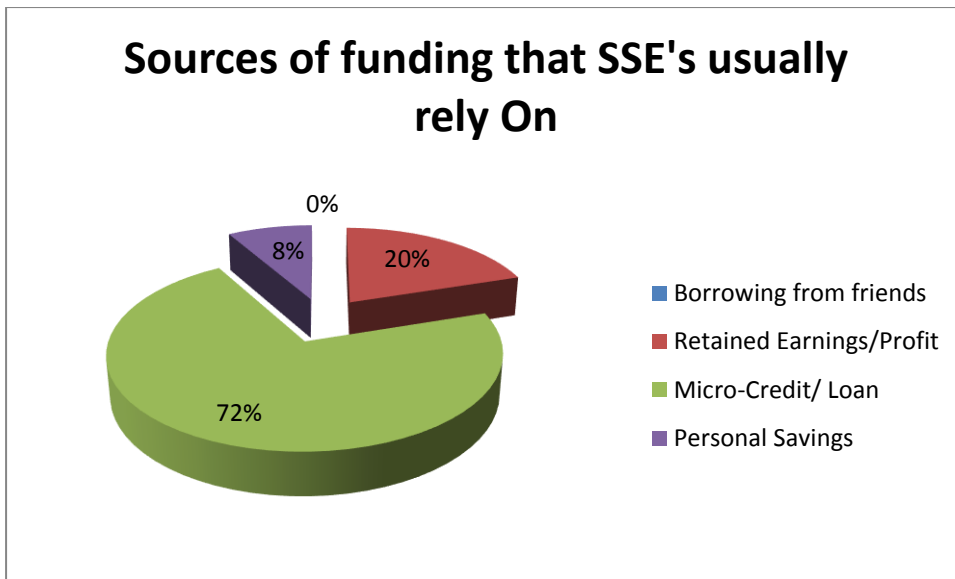


Figure 4.3: Sources of funding that SSE's usually rely on

Source: Field work 2017

Figure 4.2 illustrates the responses retrieved from participants with regards to the sources of funding individual entrepreneurs rely on. At the end of the survey, it was evident that, 72% of the respondents attested to the fact that they heavily rely on Micro Loans/Credit to fund their operations, 20% also attested that they rely on their retained earnings/profit to fund their projects, whilst, the handful few, representing 8% rely on their personal savings to fund their operations. This however affirmed that majority of the participants rely on Micro-Credit/Loans from financial providers like MF institutions to fund their project.

4.3 Determining the impact of Micro Financing on the Growth of Small Scale

Industries

This section sought to assess the impact of micro financing on the growth of Small Scale Entrepreneurs in the Bonwire locality. Meanwhile, the 5-Likert scale table was used to descriptively analyze the feedbacks that were retrieved from the respondents.

Table 4.2 illustrates the analyzed respondent's feedbacks that were gathered from the Survey.

Table 4.2: Impact of Micro financing on the growth of Small Scale Industries

GROWTH INDICATORS		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation
Employment Creation								
9.	Micro financing has enhanced employment creation among Small Scale Industries.	-	-	-	28.0	32.0	4.533333	0.503098
Productivity								
10.	Micro financing helps boost the productivity of Small Scale Entrepreneurs	-	-	4.0	30.0	26.0	4.366667	0.609714
Efficiency								
11.	Micro-financing enhances the efficiency of Small Scale Entrepreneurs.	-	-	1.0	48.0	11.0	4.166667	0.418499
Sales								
12.	Small Scale Industries have benefitted from increased Sales as a result of Micro financing.	-	-	3.0	21.0	36.0	4.55	0.594466
Production/Output								
13.	SME's have benefitted from an increased profit as a result of using the appropriate financial reporting practices.	-	-	1.0	19.0	40.0	4.65	0.515028
Overall Performance								
14.	Micro financing have enhanced the overall performance of Small Scale Industries.	-	-	2.0	30.0	28.0	4.433333	0.563484

Source: Field work 2017

Table 4.2 illustrates the responses of participants with regards to the impact of Micro-financing on the growth of SSI's. The outcome of the survey proved that, *"Microfinancing has enhanced employment creation among Small Scale Industries"*, as majority of the respondents representing 32% strongly agreed to the above assertion. Also 30% of the respondents representing the majority also attested to the fact that, *"Micro financing helps boost the productivity of Small Scale Entrepreneurs"*. For the third assertion, 48% of respondents representing the majority of the respondents affirmed that, *"Microfinancing enhances the efficiency of Small Scale Entrepreneurs"*. In addition, 36% of the respondents also emphasized that, *"Small Scale Industries have benefitted from increased Sales as a result of Micro financing"*; however, this represented the majority view for this particular assertion. Also, 40% of the respondents representing the majority confirmed that, *"SME's have benefitted from an increased profit as a result of using the appropriate financial reporting practices"*. Finally, majority of participants representing 30% asserted that, *"Microfinancing have enhanced the overall performance of Small Scale Industries"*. This however affirmed that Microfinancing has an impact on the various factors that ensures growth of a particular firm.

4.4 Determining the Challenges faced by Small Scale Industries in accessing

Micro- Credit Loan Facilities

This section sought to determine the challenges faced by Small Scale Industries in accessing Micro-credit facilities. However, the responses of participants were descriptively analyzed by use of frequencies, mean and standard deviation. Table 4.3 demonstrates the results of the analyses.

Table 4.3: Challenges faced by Small Scale Industries in accessing Micro- Credit loan

Challenges	Frequencies							Standard Deviation
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean		
Stringent requirements and regulations	-	-	-	30.0	30.0	4.5	0.504219	
High interest rate	-	-	2.0	34.0	24.0	4.366667	0.551321	
Collateral difficulties	-	-	4.0	39.0	17.0	4.216667	0.555151	
Stock Valuation complexities	-	-	2.0	36.0	22.0	4.333333	0.54202	

Source: Field work 2017

Table 4.3 illustrates the responses of participants with regards to the challenges faced by Small Scale enterprises in the Bonwire local area. The responses were analysed descriptively by use of the five Likert Scale table to arrive at the various outcomes for the survey. However, the outcomes of the study based on participant’s responses indicated that, “*Stringent requirements and regulations, High interest rate, Collateral difficulties, and Stock Valuation complexities,*” were the main challenges faced by small scale entrepreneurs in their quest to access Micro-loan (facility) in Bonwire area. These results were affirmed by almost all the participants who took part in the survey as they all agreed to the assertions under review.

4.5 Test of Hypothesis

Pearson's simple correlation was used to determine whether Microfinancing has any impact on the growth of Small Scale Enterprises. The tested hypothesis results also sought to determine the association and the linkage between Microfinancing (Micro-Credit) and the growth potentials of Small Scale Enterprises. For this specific purpose, the growth factors or pointers that were used were; Employment Creation, Productivity, Efficiency, Sales, Production or Output, and overall performance.

Table 4.4: Below illustrates the correlated results that emerged out of the analyses

<i>Correlated Values</i> ®	Micro financing (Micro-Credit)	Employment Creation	Productivity	Efficiency	Sales	Production/Output	Overall Performance
Micro financing (Micro- Credit)	1						
Employment Creation	0.111499	1					
Productivity	0.242389	0.346263	1				
Efficiency	0.090218	0.214669	0.287839	1			
Sales	0.046273	-0.43071	-0.05144	0.238449	1		
Production/Output	0.097396	-0.31398	0.037782	-0.19659	- 0.08 027	1	
Overall performanc	-0.11295	-0.05182	0.023022	0.047916	0.13 6617	0.00584	1

Source: Field work 2017

NB: Correlation is strong and significant when $r = 0.5 / > 0.5$

ie., $\{0.5 \geq r \geq 0.5\}$

Table 4.4: Illustrates the correlated results for Microfinancing option and its associated impact on the growth potentials of Small Scale entrepreneurs. The main motive of the Correlation was to prove beyond all reasonable doubt that Micro- Credit option of sources of finance, has an impact on growth, factors like; employment creation, productivity, Efficiency, Sales, production/output and overall performance. However, the correlated results proved that, there was a positive relationship between Micro Credit/loan and the respective growth indicators or factors, as majority of the R-values were positive. However, the extent of the relationship was less significant or Weak as almost all the values were below 0.5. This confirms that, Microfinancing (Micro credit) has an impact on the growth potentials of Small Scale Enterprises.

Table 4.5: Testing of hypothesis

Ho	Micro financing does not have a positive impact on the activities of SSE's	Not Accepted
Hu	Micro financing has a positive impact on the activities of SSE's.	Accepted

4.6 Discussion of results

The main motive of the research was to investigate on the impact of Microfinancing on the growth of Small Scale Industries. The relevant data was gathered through a questionnaire, and the questionnaire was self-administered by the researcher. For this specific purpose, sixty (60) questionnaires were administered to the operators of the SSE's; specifically, the Kente weavers. However, the researcher sought to give clarifications to three (3) research questions. The outcome of the survey for the three research questions are discussed below;

The first research objective sought to identify the sources of credit facilities available for SSIs. It was noticeable that all the respondents were conversant with some of the various sources of finance that are available for Small Scale entrepreneurs. This however demonstrates in one way or the other that, SSEs encounter themselves with some of the sources of funds available to SSI's. However, most of the participants went ahead to affirm that they are much more familiar with Micro-loan/Credit facilities and personal savings. Meanwhile, the investigations finally proved that most of the Kente Weavers heavily rely on Micro-Credit as their major source of funding for their projects.

The second research objective sought to determine the impact of microfinancing on the activities of SSE owners. The five Likert scale table was used to analyze the survey responses retrieved from the survey. The outcome of the survey proved that, Microfinancing has an impact on the various factors that ensures growth of a particular firm. This was affirmed by participant's responses, as majority of them strongly emphasized for all the respective assertions that they attest to the fact that microfinancing has a positive impact on the growth potentials of SME's.

The third research objective also sought to determine the challenges faced by SSIs in accessing micro-credit loan facilities. The outcome of the investigations proved that, the responses were analysed descriptively by use of the five Likert Scale table to arrive at the various outcomes for the survey. The outcomes of the study based on participant's reactions indicated that, there were some challenges that confront Small Scale Entrepreneurs with regards to their interest in securing finance/fund for their operations. These were, *“Stringent requirements and regulations, High interest*

rate, Collateral difficulties, and Stock Valuation complexities,” These results were affirmed by almost all the participants who took part in the survey as they all agreed to the assertions under review.

Finally, the hypothesis was tested to arrive at conclusive results on whether or not Microfinancing does have a positive impact on the activities of Small Scale Enterprises. Pearson’s simple correlation was used to analyze and assess the hypothesis for the study. The correlated results confirmed that there was a positive, less significant impact of Microfinancing on the growth of SSI’s in the Bonwire locality. This however affirms the Alternate hypothesis (H_u) to be true and acceptable.



CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter covers the summary, conclusion, recommendations and limitations of the study as well as areas of further study.

5.1 Summary

The overall goal of the study was to examine the impact of Microfinancing on the growth of Small Scale Entrepreneurs in Bonwire Area. The study adopted a descriptive design and also focused on the collection of quantitative data. The relevant data that was used to conduct the study was collected from the owners and operators of the Kente Business, (Kente Weavers), in the Bonwire locality. In all, 60 candidates who were owners and operators of the Kente Business were the main candidates who participated in the study with regards to the answering of questionnaires. There was also an informal interaction as the questionnaires were self-administered by the researcher. The research implored the use of convenience sampling technique for the survey. Meanwhile, the researchers tried to answer three research questions and a hypothesis.

The first research question sought to identify the sources of credit facilities available for SSIs. It was obvious at the end of the survey that almost all the respondents have had an encounter with the sources of finance available for Small Scale Entrepreneurs. However, most of the participants confirmed that they were much more familiar with Micro-loan or Credit facilities and personal savings. The investigations finally

attested that most of the Kente Weavers heavily rely on Micro-Credit as their major source of funding for their projects.

The second research question tried to determine the impact of micro financing on the growth of Small Scale Entrepreneurs. The outcome of the survey verified that, Micro financing has an impact on the various factors that ensures growth of a particular firm. The various growth factors that were assessed are; Employment Creation, Productivity, Efficiency, Sales, Production/Output, and Overall performance. The third research question also sought to determine the challenges faced by SSIs in accessing micro-credit loan facility. The outcome of the investigations demonstrated based on participant's reactions that, stringent requirements and regulations, High interest rate, Collateral difficulties, and Stock Valuation complexities were the main complications they were often confronted with in their pursuit to assess Micro-Credit facility. These results were affirmed by almost all the participants who took part in the survey as they all agreed to the respective assertions.

Finally, the research hypothesis was tested to determine whether or not Microfinancing have a positive impact on the activities of Small Scale Enterprises. Pearson's simple correlation was used to analyze and make meaning out of the data retrieved from participants. The correlated results confirmed that there was a positive, less significant impact of Micro financing on the growth of SSI's in the Bonwire locality.

5.2 Conclusion

The main motive of the survey was to determine whether Micro financing has an impact on the growth of Small Scale Enterprises. The study adopted a descriptive survey design and also concentrated on the collection of quantitative data to arrive at the final outcome of the study. However, at the end of the study, the researcher identified that almost all the respondents have had an encounter with the respective sources of finance available for Small Scale Entrepreneurs. These recognisable sources of finance were; Borrowing from friends/relatives, retained Earnings/Profit, Micro-Credit facilities (Loans) and Personal Savings. Most of the participants however attested the fact that they were familiar with Micro-loan/Credit facilities and personal savings. Furthermore, the investigations finally proved that the Kente Weavers heavily rely on Micro-Credit as their major source of funding for their projects. It was also evident that Micro financing has an impact on the various factors that ensures growth of a particular firm.

The study finally established that, Microfinance has a positive impact on the growth of Small Scale Enterprises based on the correlated results that emerged in Pearson's Simple correlation analysis. However, the impact was less significant as majority of the r- values were less than 0.5. These research findings are expected to be of great help to the Small Scale Entrepreneurs in Bonwire; and the body in academia pursuing entrepreneurship agenda, to know the varying sources of finance available for Small Scale Enterprises.

5.3 Recommendations

Based on the finding for the study, the researcher wishes to make the following recommendations.

- Even though the study proved a positive impact between Micro Credit and Loan and the growth potentials of Small Scale Entrepreneurs; theonus lies on Small Scale Entrepreneurs to keep proper books of account, so they can qualify to access loans or credit from financial providers like the Microfinance institutions, the insurance companies and the others.
- Since Micro- Credit seems to be SSE's best option according to the survey, adequate awareness should be created by financial providers on the requirements needed to access Micro-loans so that Small Scale Entrepreneurs will be aware and also prepare well before confronting any Financial Institution for Assistance.
- Financial Institutions, (Microfinance providers) can also try as much as possible to review their credit policies to suit the ordinary entrepreneur like the Kente Weavers. This will in turn increase the patronage of their loan products by Small Scale entrepreneurs who need assistance in one way or the other.
- The repayment Structure of most micro-loan packages are often difficult and complex; frustrating and intimidating Small Scale operators and putting them in a difficult position to settle their outstanding loan amounts. For this specific reason, financial providers should moderate their repayment structure;

especially, Micro-loan/SSE loan packages so that it will be more attractive to them.

- Small Scale Entrepreneurs, for that matter, Kente Weavers are admonished to keep proper books of account and also practice relevant financial management practices so that they can have all the relevant documents needed to access Micro-credit facilities.

5.4 Limitations

- The difficulty in administering of the questionnaire and getting the actual numbers that was predicted in the proposal was one of the major difficulties in the course of the study.
- Since non-probability sampling techniques were used in selecting the research participants, its recommendations may be difficult to generalize.

5.5 Areas of Further Study

It is recommended that, further studies should be conducted to examine the impact of Microfinancing on the performance of Small Scale Entrepreneurs. This will however give a broader picture by establishing whether Micro financing has an impact on the performance of SSE.

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APPENDIX

AN EXAMINATION OF THE IMPACT OF MICROFINANCE ON THE GROWTH OF SMALL SCALE ENTERPRISES

This questionnaire is to investigate the “*impact of microfinance services on the activities of Small Scale Enterprises*”. The purpose of the study is purely academic and is not in any way an attempt to intrude into your privacy. You are assured that all the information provided will be treated confidentially. Your cooperation by responding truthfully and sincerely to this questionnaire is very essential to achieving the thesis objectives.

Please tick (✓) in the appropriate box

DEMOGRAPHIC INFORMATION

SECTION A

1. Gender: Male [] Female []

2. Age: **A.** 18-27 years [] **B.** 28 – 37 years [] **C.** 38 – 47 years [] **D.** Above 48 years []

3. Educational Background: **A.** Primary [] **B.** JSS/Middle School [] **C.** SS/GCE O/Level []

D. Tertiary [] **E.** Others (Specify) []

4. Working Experience:

A. 1 – 5 years [] **B.** 6 – 10 years [] **C.** 11 – 15 years [] **D.** 16 – 20 years []

5. Occupation

SECTION B

IDENTIFYING THE SOURCES OF FINANCE AVAILABLE FOR SMALL SCALE ENTERPRISES IN BONWIRE-ASHANTE REGION

(This section seeks to enquire from participants in Bonwire area to identify the various sources of finance available for small scale enterprises. Please tick (✓) appropriate box to determine the sources of credit facilities available for SSI's in the local area.)

6. Are you aware of some of the sources of finance that are available for Small Scale Entrepreneurs?

A. Yes B. No

7. If YES, kindly indicate by ticking the sources of finance you are familiar with?

SOURCES OF FINANCE	Please tick, appropriate
1. Borrowing from friends/relatives	
2. Retained Earnings/Profit	
3. Micro- Credit facilities (Loans)	
4. Personal Savings	

8. Which of the following sources of financing/ funding do you rely on for your operations?

A. Borrowing from friends
(Loans)

B. Retained Earnings/Profit

C. Micro-Credit facilities

D. Personal Savings

SECTION C

DETERMINING THE IMPACT OF MICROFINANCING ON THE GROWTH OF SMALL SCALE INDUSTRIES

This section seeks to assess the impact of microfinancing on the activities of Small Scale Entrepreneurs in the Bonwire area. Applicants are to declare their agreement by ticking,

1-Strongly disagree,

2-Disagree,

3- Neutral,

4-Agree and

5-Strongly Agree.

GROWTH INDICATORS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Employment Creation					
9. Microfinancing has enhanced employment creation among Small Scale Industries.					
Productivity					
10. Microfinancing helps boost the productivity of Small Scale Entrepreneurs					
Efficiency					
11. Microfinancing enhances the efficiency of Small Scale Entrepreneurs.					
Sales					
12. Small Scale Industries have benefitted from increased Sales as a result of Microfinancing.					
Production/Output					

<p>13.SME's have benefitted from an increased profit as a result of using the appropriate financial reporting practices.</p>					
<p>Overall Performance</p>					
<p>14. Microfinancing have enhanced the overall performance of Small Scale Industries.</p>					



SECTION D

DETERMINING THE CHALLENGES FACED BY SMALL SCALE INDUSTRIES IN ACCESSING MICRO- CREDIT LOAN FACILITIES.

(This section seeks to determine the challenges faced by Small Scale Industries in accessing Micro-credit facilities.) Applicants are to declare their agreement by ticking,

1-Strongly disagree,

2-Disagree,

3- Neutral,

4-Agree and

5-Strongly Agree.

15.Stringent requirements and regulations

16. High interest rate,

17. Collateral difficulties

18. Stock valuation complexities

SD	D	N	SA	A