ACCESSIBILITY AND ROLE OF MICROFINANCE IN THE SMALL AND MEDIUM-SCALE ENTERPRISES (SMEs) IN THE WA MUNICIPALITY IN UPPER WEST REGION, GHANA

A THESIS SUBMITTED TO:

THE DEPARTMENT OF PLANNING AND LAND MANAGEMENT, UNIVERSITY FOR DEVELOPMENT STUDIES, IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE MASTER OF PHILOSOPHY IN DEVELOPMENT MANAGEMENT.

BY:

AHENKORAH JOYCE KYEREWAA

JUNE, 2010
DECLARATION

I hereby declare that this thesis work is the outcome of my research, carried out under the supervision of Professor David Millar. However, with the exception of the references made to other literatures which have been duly acknowledged the entire work is my independent research. Hence, no part or whole of this work is a reproduction or duplication of another person's work.

I therefore, wish to declare that this thesis is original and has never been previously presented in part or whole to any institution for the purpose for which it is hereby presented.

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DEDICATIONS

This Thesis work is solely dedicated to my Father, GABRIEL BENTIL, for his immeasurable contributions to my well-being and my academic pursuit. Daddy, I say “aye coo” and may God greatly bless and reward you.
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I will glorify the lord for his name endures forever! The Messiah’s mercies, abundant grace, protection and love for me has enabled me accomplished this research successfully. God may your name be praise forever!

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I reserve my last thanks for Dr. Sylvester Gala of UDS for the forms he purchased for me which enabled me enrolled in the course and the encouragement as well and Prof Stephen Kendie for helping me structure my topic before my supervisor was assigned to me.
The backbone of every economy is the private informal sector (SMEs) and most employment in Ghana largely focuses on small and medium-scale enterprises (SMEs). Hence, the contributions the sector makes to economic growth and development through job creation cannot be overemphasized. However, SMEs are almost entirely expelled from the formal financial sector in Ghana. They face difficulties in accessing financial opportunities, enterprise development skills; face unfavourable regulatory bottlenecks and inappropriate market structures and these therefore has poses serious restriction to their growth and development in the economy. This research was carried out to examine the financial accessibility and the roles it play to the SMEs sectors in the WA municipality in the Upper West Region of Ghana. Existing literature that treat issues relevant to the topic were first reviewed, from which the objectives of the study emerged.

The study objective was to examine the extent to which microfinance is accessible to SMEs and the roles it has played in the SME sectors and the impacts on poverty reduction in Ghana.

The whole research covered one hundred and thirty (130) SMEs and ten (10) financial institutions. The needed data for the study were generated from both primary and secondary sources. The research tools used to generate the primary data include informal conversations, personal interviews, questionnaires and key informant interviews. However, secondary data were extracted from books, articles, journals, presentation papers and news publications. Mixed model research approach was therefore used to analyze the data-qualitative and quantitative. For the quantitative, SPSS was use in making the analysis and the drawing of the tables and charts.

Critical analyses were made for the qualitative analysis aspect. The findings of the study revealed that financial accessibility plays imperative roles in the SMEs sector and poverty reduction because it improves SMEs performance, creates employment, promotes growth, expansion, improvement and development of businesses. It however, enhances income and facilitates the affordability of some basic necessities of life such as; education, shelter, health, good nutrition, clothing, potable drinking water as well as other essential requirements of life like vehicles, motorcycles, bicycles, decent houses and marriage contractions. These have consequently improved the standard of living of many which is translated as poverty reduction, since capacities have been built; self esteems and confidence among the vulnerable in society have been established allowing participation in decision making.
Accordingly, the research also came out with some major barriers to the rapid development of the SMEs sector as the poor access to both debt and equity financing, principally debt financing and most particularly credit access. This poor access is as a result of the criteria for selection to credit facilities, processes, procedures, the requirements, and demands of unnecessary documents (business plans, utility bills etc), guarantors and collateral demands and the high cost of borrowing and rigidities interest rates.

The research therefore recommended that government and policymakers interested in the private sector development especially SMEs to lead the wealth creation effort which will enable Ghana attain the middle income status by 2015, must critically look into these problems with particular attention to financial accessibility particularly credit facilities, market structures both local and international, policies/rules/regulations, support systems and linkages of SMEs to other bigger firms with seriousness.
LIST OF ACRONYMS AND ABBREVIATIONS

ABS: Australian Bureau of Statistics
ADB: Asian Development Bank
ARP: Association of Rural Banks
AKDN: Aga Khan Development network
BDSF: Business Development Service Fund
BPR: The Bank Perkreditan Rakyat
CEPS: Customs Excise and Preventive Service
CUA: Credit Union Association
CGAP: Consultative Group to Assist the Poor
DCED: Donor Committee for Enterprise Development
GDWPP: Ghana Decent Work Pilot Programme
ESOPs: Employee Stock Ownership Plans
FDI: Foreign Direct Investment
GDP: Gross Domestic Product
GCSCA: Ghana Cooperative Susu Collectors Association
GHAMFIN: The Microfinance Institution Network
GNA: Ghana News Agency
G-8: Group of Eight Leaders
GOG: Government of Ghana
GPRS: Growth and Poverty Reduction Strategy
HP: High purchase
IDA: International Development Association
IFC: International Finance Corporation
IPDET: International Program for Development Evaluation Training
IRS: Internal Revenue Service
LAC: Latin American and Caribbean
LOWDOC: Low Documentation
MASLOC: Microfinance and Small Loan Center
MDA: Ministries, Department and Agencies
MDGs: Millennium Development Goals
MENA: Middle East and North America
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Map of Ghana

Source: (This Study, 2010)
Map of the Study Area

Source: (This Study, 2010)
CHAPTER ONE: INTRODUCTORY BACKGROUND

1.0: General Introduction and Background

Micro financing has become a credible and effective instrument for poverty alleviation and as such its contribution to economic growth cannot be over-emphasized (Akinyemi; cited in Onuba, 2008). Financing of small and medium scale enterprises are vital instrument for the alleviation of poverty in society. Therefore, SMEs play a crucial role in nation building, and providing them with the needed facilities would assist in bridging the gap between the rich and the poor (Onuba, 2008).

In Ghana, available data from the Registrar General department indicates that 90% of companies registered are micro, small and medium enterprises (SMEs). 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 (Mensah, 2004). The Ministry of Trade and Industry (MOTI), in 1998 estimated that the Ghanaian private sector consists of approximately 80,000 registered limited companies and 220,000 registered partnerships. Therefore, the need to provide secured source of financing for this sector cannot be over-stressed (Mensah, 2004). Nonetheless, if SMEs are properly structured and capitalized have the potential to grow and spearhead accelerated growth of Ghana into a middle income status (Poku and Frimpong, 2009).

Since Ghana has an aim of becoming middle-income country with per capita income of at least US$1,000 by the year 2015, led by a vibrant private sector, within a decentralized, democratic environment, in which the GPRS II, document outlined some growth targets where one of them is growing the economy or increasing the market value of all the final goods and services produced in the country in a year (GDP) by 6-8% every year would be achieved (GPRSII, 2006).

The main goal of Ghana’s Growth and Poverty Reduction Strategy (GPRSII) is to ensure "sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment". The intention is to eliminate widespread poverty and growing income inequality, especially among the productive poor who constitute the majority of the working population (Annan, 2003; cited in Asiama and Osei, 2007).
To achieve a higher GDP growth in Ghana would imply strengthening the private sector of the economy to lead the wealth creation effort which is one of the key pillars in the GPRS II Document (private sector competitiveness). The Private sector in Ghana comprises the agricultural and the industrial sectors (Wilson, Larson, and Jacobson, 1994). The industrial sector constitutes the micro, small, medium and the large-scale enterprises. The growth and expansion of the private sector imply the expansion and growth of the agricultural and the industrial sectors, especially the micro, small and medium-scale enterprises, since those sectors are the most dominant economic activity. More so, Small businesses and entrepreneurship form an integral part of a healthy national economy (Wilson, Larson, and Jacobson, 1994).

As a result, micro, small and medium scale enterprises (MSME’s) are considered to be one of the principal driving forces of economic development. They stimulate private ownership and entrepreneurial skills; they are flexible and can adapt quickly to changing market demand and supply situations; they generate employment, help diversify economic activity and make a significant contribution to exports and trade. A lack of legislation, infrastructure, a limited understanding of entrepreneurship and financial means are major obstacles to designing appropriate polices for developing SMEs (G-8 Summit, 2004).

According to the 2000 Population and Housing Census, 80% of the working populations are found in the private informal sector (SMEs). SMEs have limited access to financial opportunities and enterprise development skills to expand their businesses, this, therefore poses serious constraint to the development and growth of the economy (Djan, 2006). Indisputably, access to financial services are essential for the development of the informal sector and also helps to mob up excess liquidity through savings that can be made available as investment capital for national development (Asiama and Osei, 2007).

In early times, businesses were financed through family and friends, personal funds or savings, banks and venture capitalists, which is otherwise known as traditional sources of business funding (Wilson, Larson and Jacobson, 1994). An entrepreneur can obtain startup funding by asking their family and friends for some much needed financial support. This is a great alternative because family and friends are often aware of how important a company is to their loved one. Family and friends can make some donations as a start up, and this can be a wonderful asset to the company. Since the amount of money that family and friends can provide...
as startup is often very limited, the entrepreneur will have to obtain additional funding to meet the needed equity gap (Find Startup & Small Business Funding, 2009).

Direct lending between friends and neighbours has existed long before formal banks, legal agreements and even currencies. These loans were often small, and much like today’s “microfinance” loans relied on relationships of trust between individuals or social capital. Today formal banks play a large role in the financial intermediation, which has allowed for scale transparency and efficiency but has failed to meet the financial needs of the poor. The birth of the microfinance industry stems from this need to provide even the smallest businesses with sources of financing (Powers, Mognoni and Knapp, 2008).

Microfinance encompasses the provision of financial services and the management of small amounts 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 (Asiama and Osei, 2007). It is therefore, one of the critical dimensions of the broad range of financial tools for the poor (Asiama and Osei, 2007). Microfinance activities usually involve; Small loans, typically for working capital, informal appraisal of borrowers and investment, secure savings product (Tave, 2008). Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, service providers (hairdressers, tricycle operators), small restaurant operators, artisans and cottage industries. Usually, their activities provide a stable source of cash flow and income (often from more than one activity) (Jain, 2000).

1.2: Problem Analysis

The inaccessibility of micro financing to small and medium scale-enterprises has become a source of worry to many countries’ government, especially Government of Ghana. In a year of global efforts to fight poverty, the issue of access to financial services has been largely ignored (UNCDF, 2005). In fighting poverty or achieving any of the MDGs is directly linked with the economic possibilities of people in the countries involved (van der Voort, 2005). A basic economic theorem states that opportunities in economic development are highly dependent on the access one has to capital markets (van der Voort, 2005). Commercial banking sector and
capital markets in most underdeveloped economies are inaccessible to most groups (SMEs); other alternatives must therefore be sought. Microfinance, and especially saving and lending communities, can fill the gap left by commercial financiers. Nonetheless, building economies with microfinance lend a solid base to developing a lasting access to external monetary funds and thus reducing poverty (Van der Voort, 2005).

Microfinance can promote higher investment leading to economic empowerment, which in turn promotes confidence and self-esteem, particularly for the vulnerable. In other words, microfinance creates access to productive capital for the poor (Bank of Ghana, 2007). It is therefore an instrument against poverty reduction and the access to sustainable financial services (Microfinance), increases income, build assets, reduce vulnerability, better nutrition, health and education (Smec and Havrland, 2006).

Microfinance also offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance. People living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, smooth consumption, and manage risks. Poor people usually address their need for financial services through a variety of financial relationships, mostly informal. Credit is available from informal moneylenders, but usually at very high cost to borrowers (CGAP, 2006).

Savings services are available through a variety of informal relationships like savings clubs, rotating savings and credit associations, and other mutual savings societies. But these tend to be erratic and somewhat insecure. Traditionally, banks have not considered poor people to be a viable market (CGAP, 2009).

However, the SME sector continues to experience difficulties in accessing financial services. They do not have sufficient access to know-how, information, and research and development to innovate and remain competitive. Their limited international market exposure, low product quality, default in compliance with standards, and little access to international partnerships impede SMEs participation into global markets (BDSF, 2008).

In addition, inefficient distribution channels often dominated by large firms also make it difficult for SMEs to access financial markets (BDSF, 2008). There is an established, yet growing
recognition of the importance of Micro, small and medium scale enterprises (MSMEs) in sustained national economic growth, therefore, little attention has been given to that sector of the economy (Pablo and Moundry, 2006).

SMEs advocates argue that, SMEs enhance competition and entrepreneurship and hence have external benefits on economy-wide efficiency, innovation and aggregate productivity. SMEs are generally more productive than large firms and their expansion boosts employment than the large firm growth because they are more labour intensive. But financial market and other institutional failures impede their development. Thus, pending financial and institutional improvements, direct government financial support to SMEs can boost economic growth and development. Hence, subsidizing SMEs may represent a poverty alleviation role (Beck, Demirguc-Kunt, and Levine, 2004).

Employment in Ghana largely focuses on small and medium enterprises (SMEs). However, SMEs are almost completely excluded from the formal financial sector in Ghana. SMEs in the Wa Municipality are no exception from this exclusion. Consequently, investments which promote growth and employment are frequently ruled out. This implies serious constraints for the development of Wa Municipality and the economy as a whole (Microfinance programme, 2007). It is in this regard that this research seeks to investigate into the poor access to financial services by small and medium scale enterprises and how this has affected their growth and development in the WA Municipality.

1.3: Research Questions

Based on the issues raised above the research questions are set as follows:-

1.3.1: Main Research Questions
To what extent is microfinance accessible to SMEs, the roles it has play in the SME’s sector and the impacts on poverty reduction in Ghana?

1.3.2: Specific questions
- How is microfinance accessible to SMEs in Ghana and the consequences of this on SMEs performance and poverty reduction?
- What are the roles and the support systems of micro-finance to the SME’s sectors?
Who are Microfinance beneficiaries and how are they categorized?

What are the policies guiding the establishment and regulations of micro-finance institutions and SME’s sectors in Ghana and how viable are these policies?

1.4.0: Research Objectives

The research study came out with the following objectives:

1.4.1: Broad Objective

Broadly, the study aims at investigating the accessibility to and the role microfinance plays in the SME’s sector and the extent it has helped in reducing poverty in Ghana.

1.4.2: Specific Objectives

The specific objectives are:

- To examine microfinance accessibility to SMEs in Ghana and the consequences of this on SMEs performance and poverty reduction.
- To identify and analyze the roles and support systems of micro financing to the SME’s sectors.
- To determine the beneficiaries of Microfinance and the categorization.
- To identify the policies guiding the establishment and regulation of micro-finance institutions and SME’s sectors in Ghana and the viability of the policies.

1.5: Relevance and Justification of the Study

From the problem statement and objectives above, the relevance of the study cannot be gainsaid. Generally, the study come out with the accessibility and roles of micro financing to SMEs and the impact it has on poverty reduction in the Wa Municipality. It has identified the gender dimension, policies guiding the establishment of microfinance and SMEs in Ghana and as well help to identify and analyze micro-finance institutions in the Wa Municipality and Ghana as a whole.

Inadequate accessibility of SMEs financing has emerged as a global issue, because it has become a credible and effective instrument for poverty alleviation (Akinyemi; cited in Onuba, 2008). It has been widely accepted by many developing countries as an important instrument for promoting higher investment leading to economic empowerment, which in turn promote
confidence and self-esteem, particularly for the vulnerable. Thus, microfinance creates access to productive capital for the poor (Bank of Ghana, 2007).

Nonetheless, microfinance is seen as an economic empowerment because it is an investment that promotes growth and employment and subsequently leads to economic development (Churcill, 2007).

Ghana's aim of reaching middle income statues by 2015 and meeting the millennium development goals implies strengthening and concentrating most on the private sector (GPRSII, 2006).

More so, the private sector in Ghana is dominated by micro, small and medium-scale enterprises. Therefore, Small business and entrepreneurship form an integral part of a healthy national economy (Wilson, Larson, and Jacobson, 1994). In an attempt to strengthen the sector, mean that the sector needs to be well equipped in terms of finance and entrepreneurial skills to boost the sector.

Hence the ideas to investigate accessibility and the role of micro-financing in the SME’s sector and suggest ways that can best improve SME sector. WA municipality is a municipality in the Upper West Region of Ghana which is dominated mostly with the SME’s sector. This has been the actual field of study.

1.6: Hypothesis
- Micro-finance has positive influence on the development of SME’s.
- Micro-finance support to SME’s has reduced poverty in Ghana.

1.7: Organization of the Report
The research work has been concisely organized and logically presented in six (6) chapters for easy and clear presentation of issues.

Chapter one contain the general introduction and background of the study, which encompasses the problem statement, research questions, objectives and hypothesis. Chapter two (2) of this study present the literature review of the research on the accessibility and role of microfinance in the small and medium-scale enterprises (SMEs) sector. Here, a critical analysis of existing
literature relating to the topic understudy is reviewed and presented. The chapter begins with brief introduction of the literature review detailing how the review process was done. It also provides discussions of the general outline of the literature review. This chapter further outlines the theoretical framework for the research and discusses the theories relevant to the study. The methodological approach which includes; various research approaches and designs, Techniques of sampling and Data collection approaches, analysis and presentations which was employed in the investigation of the research issues is presented in chapter three. This Chapter also presents a brief profile of the study area. It contains information on the settlement pattern, the relief and drainage, demographic and socio-economic characteristics of the study area. In chapter four (4) data gathered from the field is logically and chronologically analyzed and presented. The presentation entails the people’s views as the informants formally expressed. Chapter five (5) contain a summary of major findings and a general conclusion and as well as revisitation of the research questions and objectives. Recommendations based on the findings of the study for policy-making, research and development practices are presented in chapter six (6) and have drawn the curtains down on the work.

1.8: Limitations of the Study

A research of this nature is considered to be a sensitive one because of the financial set. Therefore such research cannot be carried out without problems. A lot of difficulties were encountered especially during the data collection stage. The researcher faced a lot of problems which hindered the smooth and sound progress of the study. Some of the difficulties include:

- Unwillingness of the respondent to freely release important information needed for the study. This problem was so intense that it led to a change of some of the sampling methods like simple random to accidental sampling method.
- Also, the nature of the research resorted to the fact that the researcher could not employ research assistants to assist in the data collection. Thus the qualitative nature of the study made it difficult to engage an assistant, so everything was done solely by the researcher and this took a lot of time, energy and resources.

These and others were some of the main challenges encountered. Despite all these limitations with determination apt and opt use of social research methodology, diplomacy and an analytical mind, and hard work, the research has been carried out successfully.
CHAPTER TWO: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.0: INTRODUCTION

A review of literature is a classification and evaluation of what accredited scholars and researchers have written on a topic (Taylor, 2007). It consists of an overview, a summary and evaluation (“critique”) of the current state of knowledge about a specific area of research.

According to Brown (1996), the essence of literature is to guide and expose the researcher to various works similar to the topic under study. Beside the exposure, enlargement, guidance and broadened of knowledge about the topic, literature reviews let you gain and demonstrate skills in two ways; information seeking- the ability to scan the literature efficiently to identify a set of useful articles, books and document relevant to the topic. Secondly, critical appraisal- ability to apply principles of analysis to identify unbiased and valid studies (Taylor, 2007). Literature review also helps the researcher to build upon the work that has already been done in the field the researcher is researching into (Fisher, 2007).

Knowledge is not the exclusive preserve of an individual but the accumulation of ideas from so many people. Therefore this chapter seeks to overview, summarized and evaluates current state of knowledge about existing literature by researchers and accredited scholars relating to the topic under study (Taylor, 2007).

The steps set out in this section include: locating the literature, assessing the quality of the studies and deciding as whether they should be included; synthesing and re-analyzing the results and presenting them in a clear and vivid manner. The data is put under broad and sub-headings for easy analysis.

Broadly, the search was categorized into three main sections which include: Business financing, enterprise development and Poverty. The first section focused on Business financing, which encompassed of small business and micro financing. Here, the researcher looked at, business financing as a holistic approach, small business financing and micro financing. Discussions were held on the meanings and sources/types of business financing.

Small business financing was also tackled by looking at its meaning, sources/types and the importance/benefits.

Micro financing, comprises of the Meanings, types/sources, origin/theories, legal and policy framework, institutions, beneficiaries, benefits and challenges. The second section is enterprise
development; here the researcher looked at the meanings of enterprises/enterprise development, types/forms of enterprises, enterprise development strategies and its legal and policy framework, meanings of SMEs, SMEs development and supports systems and its benefits and challenges. The third section looked at poverty, which consisted of the meaning, theories, types, causes, effects, poverty reduction and poverty reduction strategies.

2.1.0: Business Financing

2.1.1: Introduction

Before the advent of industrial revolution financing was not of much importance to business enterprises. The methods of production were very simple (Blurtit, 2009). For instance the artisans used to work in the open or in a small hut. They had simple tools to work with. Labour at that time was more important than capital. Finance did not pose any problem to business enterprises.

Since the beginning of industrial revolution, there has been a remarkable growth and expansion in businesses and production due to urbanization and civilization and these reasons has posed serious challenges to business enterprises (Blurtit, 2009). The problem these changes have created to business enterprises is how to solicit for financial support to start up new and expand the existing businesses to increase production. Business financing has become a major obstacle to business entrepreneurs. The starts up of businesses and methods of production have now become complex and roundabout. The time lag between production and consumption has become long due to the financial constraints of business enterprises and the methods of production (Blurtit, 2009).

"Raising Funds to start a Business is usually a herculean task for many would-be Entrepreneurs" Boachie-Mensah and Marfo-Yiadom (2007:155). Financing a firm is a critical element for business success. Many potentially successful businesses have failed because of undercapitalization-lack of sufficient funds to pay for needed assets or operating expenses (Burgess and Steinhoof, 1993). Financing is the base of the business enterprises and it is required to purchase assets and for the flow of the economic activities in the business. It is indeed the life blood and nerve center of industrial and commercial enterprises (Diyakhan; cited in Blurtit, 2009). However, financing of businesses is often necessary to achieve the business goals and
objectives. Business financing flows from sale of goods and services and also flows out for meeting various types of expenditure (Pirraglia, 2006).

Business financing is a relative phrase, meaning different things to different people. According to Investor Word (2009), business financing is a branch of economics concerned with resource allocation, management and investment. Simply, financing deals with matters related to money and the market.

The discussions that follow are that clear meaning and understanding has been gained from the views of the author. The idea gotten from the meaning of business financing from the definition, gives a lucid meaning but in a context that does not suit financing of the small and medium enterprises. For instance, the definition talked about the allocation, management and investment of resources in the business venture. The author was principally concerned with exiting business already operating in the financial market. Financial market deals with the real Stock Exchange market which means that involvement in serious and large investments, which in otherwise deals with floating of shares and stocks (Ghana Stock Exchange, 2006). That means that it has to do with the Stock Exchanged terms, rules, regulations and agreements and that the business is already in operation and has its financial needs put in place.

From the researchers understanding and critical analysis and evaluation of the definition, it failed to take into consideration the different sizes and types of businesses operating in the world, especially types of businesses mostly dominated in the under developed and the developing worlds. It also failed to indicate how financial needs for businesses can be acquired before talking about its allocations, investment and management. It has been noted however that about 90% of all businesses in the world, even in the United State and mostly Africa are small and medium size enterprises (Megginson, Byrd and Megginson, 2000). Most of these enterprises are not qualified to tender at the Stock Exchange market and as such cannot float shares to the general public. Therefore, the idea gotten from the author’s definition, when critically analyzed, can be said that was focused and geared towards only on the allocation, investment and management of large business enterprises and considered their financial needs and aspirations to the neglect of the small and medium sized enterprises and their accessibility to financing and the start up business as well as the expansion of the existing ones.
In addition, the author’s definition as well left out how and where the financing of businesses can easily be accessible.

Again, Business financing according to Dalton; cited in Blurtit, (2009); are those activities which deal with the provision and management of funds for satisfactory conduct of a business. It was further stated that financing of businesses mainly covers three major objectives. First, it is to obtain an adequate supply of capital for the needs of the business. Second, it is to converse and increase capital through better management. Third, to make profit from the use of funds and is the overall objective of a business enterprise.

The discussion that follows from the author’s perspective about business financing is that it is clearly understood and the idea has given a vivid meaning. The idea gotten from the meaning of business financing, gives a lucid meaning but in a framework that suit the modern description of financing of the small and medium enterprises. Here, the author made mentioned of the processes of the accessibility and the importance business financing is to both new business start ups and the expansion of the existing ones. The author emphasized that it is one of the first steps involved in starting up any business venture. The management for the business funds was also considered. It further talked about the various activities which will be embarked on in all the processes of the business planning, implementation and evaluation. It made mentioned of those activities which will be dealing with the provision and management of the funds for satisfactory conduct of the business. Here, the author implied that the activities which will be involved in financing the business would be first and foremost considered and was factored into the definition. Thus, how the business will be obtaining its financial needs for the start up of the business and its management leading to its sustainability, growth and profitability.

The author furthermore, mentioned the ways and means that entrepreneurs will discover and manage the finance gotten from the various sources in running the businesses. It also stressed on three major overall objectives of a business enterprise. The third objective of business success which the author mentioned said will depend heavily on the type and accessibility of finance, entrepreneurs’ ability to manage the funds in operating the firm and its capacity to plan, implement, executes as well as evaluate all the aspects of the business activities.
This definition took into consideration almost all the aspects of techniques and resources needed for business start up, operations and the expansion of existing businesses.

Similarly, Business financing according to (Diyakhan; cited in Blurtit, 2009), is the provision of money at the time when it is needed by a business or it is an administrative area or set of administrative functions in an organization which relate to the arrangement of the cash and credit so that the organization may have the means to carry out the objectives as satisfactorily as possible. In other words business financing is that business activity which is concerned with the acquisition and conservation of capital funds in meeting the financial needs and overall objective of the business enterprise. According to the author, business financing is mainly developed around three major objectives which include; first, it is concerned with the alternative ways by which adequate supply of the money can be raised; second, it deals with the financial aspects of getting land, building, machinery, payment to workers and marketing obligations of the business and; lastly it seeks to make profit from the use of capital which is an overall objective of a business enterprise.

The argument that follows from the author’s perspective is that it is bluntly understood and the contemplation has given a colorful sense to Business financing. Here, the author’s, idea of business financing was in line with Dalton. This is because both authors made mentioned of the activities and arrangement of getting access to the financial needs for the start up and expansion of the business enterprises. Similarly, authors’ aims and objectives of business enterprises seem to go in the same stripe. They were all gearing towards one goal.

Additionally, business financing which is otherwise known as capital for businesses refers to, according to Boachie-Mensah and Marfo-Yiadom (2007), as any form of wealth employed to produce more wealth for the firm. It was further said, in a typical business, Capital in businesses exits in several forms such as; cash, inventory, plant and equipment.

The dialogue that follows from the authors’ point of views is that it is visibly understood and the idea has given a brilliant meaning. The authors’ definition is ideal but it lacked certain aspect in relation to the researcher’s context of study. That is, it failed to consider the activities that will be
involve in obtaining the cash, inventory and the equipment they claim that capital can be in those forms. It was slightly in line with the first author’s view. Both authors failed to tell the researcher or readers how finances can be accessed to start up the business. They just talked about the types of capital that comprised of the financing for the business but how it can be accessible, manage and invest was missing.

In conclusion therefore, the researcher agrees with the ideas gotten from almost all the authors’ perspectives of business financing but most particularly, the researcher strongly wires the definitions given by the second and the third authors. That is Dalton and Diyakhan; cited in Blurtit, (2009). The meaning was clearly spelt out. With the second author’s definition which stated that business financing are those activities which have to do with the provision and management of funds for satisfactory conduct of a business and added that the financing of business mainly covers three major objectives in which they include; obtaining an adequate supply of capital for the needs of the business. Conversing and increasing capital through better management and making profit from the use of funds which is the overall objective of any business enterprise.

The third author’s, (Diyakhan) definition stated that it is the provision of money at the time when it is needed by a business or it is an administrative area or set of administrative functions in an organization which relate to the arrangement of the cash and credit so that the organization may have the means to carry out the objectives as satisfactorily as possible. It was added that it is the activity which is concerned with the acquisition and conservation of capital funds in meeting the financial needs and overall objective of the business enterprise.

According to the author, business financing is mainly developed around three major objectives which include; the alternative ways by which adequate supply of the money can be raised, it deals with the financial aspects of getting land, building, machinery, payment to workers and marketing obligations of the business and it seeks to make profit from the use of capital which is an overall objective of a business enterprise.
Therefore, when critically analyzed the above two definitions, the authors ideas, aims and objectives are in the same streak and their definitions took into consideration all aspects needed in business enterprises. This implies that the researcher will support both authors’ and will therefore rejects earlier definitions given by Investor word and Boachie-Mensah and Marfo-Yiadom. The reason for the rejection is that the two authors’ ideas focused most particularly on an already established large-scale firms and their management to the neglect of how accessible the finance will be to the business and did not consider the mostly dominated businesses in the world- the Small and Medium-sized enterprises.

From the views gotten from the various authors perspectives of business financing above, the researcher will define business financing as any activity that is carried out to solicit for funds and other necessary equipment, machinery for the business start up, expansion and the administrative procedures which is carried out for the better management of the funds as well as the sustainability of the business in order to make profit (This study, 2009).

2.1.2.0: Sources/Types of Business Financing

2.1.2.1: Introduction

A new business, or major expansion of an existing business, should be evaluated with great care, paying particular attention to its capital requirements (Megginson, Byrd and Megginson, 2000). “Lack of start-up capital leaves the new business on a weak financial foundation, vulnerable to the causes of business failure” (Boachie-Mensah and Marfo-Yiadom, 2007:150). The bottom line is you need capital for your business (Gass, 2009). Your capital needs will change over time, which is why you as a business owner need to build a strategy for capitalizing your business from the beginning. This is where most business owners drop the ball. They can come up with great concepts, good marketing strategies, hire the right people, but they ultimately fail because they never planned for their capital needs (Gass, 2009). Managing and planning well for your capital need, can be an effective vehicle to help grow business enterprises (Richards, 2009). The needed money by an entrepreneur to start a business is known as seed money, adventure capital, or injection capital (Boachie-Mensah and Marfo-Yiadom, 2007). It is said to be risk capital, since investors in new businesses must be prepared for the possibility of losing everything in
exchange for the chance to earn significant rewards. Where and how to find the adventure capital partly depends on the nature of the proposed business and the amount of money required.

According to Boachie-Mensah and Marfo-Yiadom, (2007), it is important and necessary for one to understand the nature of the capital requirement for his or her business so as to determine the appropriate source of capital needed for the business.

Generally, capital refers to any form of wealth employed to produce more wealth for the firm (Boachie-Mensah and Marfo-Yiadom, 2007). In a typical business, capital exist in several forms; cash, inventory, plant and equipment. The basic types of capital required for businesses have been identified as; fixed, working and growth capital (Boachie-Mensah and Marfo-Yiadom, 2007). Therefore, fixed capital is that capital which is needed to purchase the firm’s fixed or permanent assets. They are assets used for the production of goods and services and are not for sale (Boachie-Mensah and Marfo-Yiadom, 2007).

Working capital is another form of capital required by a business. It refers to the firm’s temporary funds which is the capital used to support the firm’s normal short-term operations. Technically, working capital may be referred to as current assets less current liabilities (Boachie-Mensah and Marfo-Yiadom, 2007). The uneven flow of cash into and out of business creates the need for the working capital. Generally, working capital is utilized in buying inventory, paying bills, wages and salaries, financing credit sales and taking care of any unexpected emergencies (Boachie-Mensah and Marfo-Yiadom, 2007).

Growth capital is another type of capital required when an existing business is expanding or changing its primary direction. For instance, when there is an increasing demand of products of a business, the business would need a large cash injection to increase plant size, expand its sales and production work force, and purchase more equipment (Boachie-Mensah and Marfo-Yiadom, 2007). Once the entrepreneur has been able to identify the types of capital he/she required to boost the business, there is the need to survey the various sources for the funds (Boachie-Mensah and Marfo-Yiadom, 2007).

Various authors have similar views about the types/sources of funding to business enterprises. It has been said that there are two major types or categories of funding businesses and they include;
2.1.2.2: Equity Financing

2.1.2.3: Introduction

Access to equity financing has repeatedly been identified as a recurring constraint to SME growth and development. Commercial banks apply conservative policies while lending to SMEs. More importantly, the exiting structure of financial sector was developed to serve medium to large enterprises that are organized as formal businesses. Most banks consider lending to SMEs an unattractive venture due to a range of objective and subjective factors. These include high transaction costs, SMEs' inability to comply with tangible collateral requirement, no linkage of financial products with SME sector needs, among others. The banks have also been unable to structure/offer and manage, SME specific medium to long term financing options. As one should expect, the SME sector is not homogeneous, therefore, the attractiveness of an enterprise to financial institutions varies with SME size, structure of organization, maturity, industrial sector, among others (Mustafa and Khan, 2008).

Equity financing according to (Ward, 2009), is the money that is acquired from the small business owners themselves or from other investors. This is where Stockholders purchase shares in a corporation. Small business owners may invest their own funds into their businesses, funds gleaned from inheritance, savings, or even the sale of personal assets which then serves as equity financing for the business.

Besides the contributions of making personal investment that serves as equity financing in a business, is often necessary to attract other investors and/or lenders. Investors and lenders usually would like to see the owners’ equity financing contribution of 25 to 50%. Generally, investors and lenders take the entrepreneur’s equity financing contribution as a sign of his/her commitment to the business. They want to see that the entrepreneur is willing to share the risks and the rewards. While there is a great deal of talk about angel investors as sources of equity financing, the main sources of equity financing for small businesses continue to be family and friends.
Equity financing according to Boachie-Mensah and Marfo-Yiadom, 2007, represent the personal investment of the owner(s) in the business. It is at times referred to as risk capital because the investors assume primary risk of losing their funds should the business fail. There are therefore, different types/sources of equity financing for business enterprises and they include the following;

- **Personal Savings:** Personal savings is said to be the first place that an entrepreneur would need to look for start-up money. It is alleged to be the least expensive source of fund available. It was noted however that the entrepreneur is expected to provide about 50% of the start-up funds in the form of equity. Therefore, if the entrepreneur is unwilling to risk his or her money, then other potential investors would not likely risk theirs in the business either. Also, if the entrepreneur contributes less than 50% of the initial capital requirement, then an implication of it is that a huge amount of capital would have to be borrowed and the consequence of it is massive repayment schedule.

- **Friends and Relatives:** this is another type/source of equity financing available to entrepreneurs. Here, the entrepreneur contacts friends and relatives who might be prepared and willing to invest in the business for support. In view of the relationship with the entrepreneur, these people may be the most likely to invest and often may be more patient than the outside investors.

- **Private Investors:** Private investors are sometimes known as business angles. This is among the sources of equity financing available to entrepreneurs. These investors play an important role in financing business start-ups and they serve as primary source of capital for emerging entrepreneurial companies. They are high-income-earning professionals who emerged as good potential angles to provide capital to entrepreneurs.

- **Partners:** partners are yet another source of equity financing to entrepreneurs. Here, the entrepreneur might consider taking a partner in order to be able to expand the capital base of the proposed business venture. Two common types of partners can be identified and they include; General Partners who are personally responsible for the business debts and limited partners, who are those whose limited liability protects their personal assets from the business’s debt.
Corporations/Companies; Here, some big companies are now increasingly involved in financing businesses especially small businesses. Progressively large companies are believed to uphold their own venture capital funds to finance projects mostly with small businesses.

Public stock sales; It is said to be one of the sources/types of equity financing to entrepreneurs. Here, the entrepreneur may go public by selling to investors shares of stock in the company. It was said, going public is an effective means of raising needed capital, but it could be an expensive and long process fraught with regulatory bottlenecks. It was mentioned that going public is not for every firm.

Venture capital companies; last but not the least, Venture capital firms are another source by which an entrepreneur could secure equity funding. These are private organizations that purchase equity positions in fledging businesses they hope could produce substantial returns in a few years' time. Venture capitalists are more concerned with the future profit prospects of the business investment. Consequently, they invest funds in return for a share of the ownership and try to develop long-term capital gains (Boachie-Mensah and Marfo-Yiadom, 2007).

According to Megginson, Byrd and Megginson (2000), regardless of the type or size of business, there are really only two sources of financing and they include; equity and debt financing. Equity financing is the owner’s share of the firm’s assets, in which the nature of this claim depends on the legal form of ownership. The authors’ discussions on the various sources of equity financing are elaborated as follows:

Self financing; This is the first source of equity financing to entrepreneurs discussed by the author. It was mentioned that owners of small firms rely more on their own capital and less on external debt capital than owners of larger firms. Moreover, small firms are more dependent on short-term debt than long-term debt. Nevertheless, some of the small companies use external financing occasionally and they are those firms who experience rapid growth. It was stressed further that entrepreneurs must invest considerable amount of their own funds in the business before seeking outside funding. Since outside investors usually want to see some commitment on the part of the owner and it serves as some kind of assurance that guarantee him or her of consistent and continuous operation of the
business. On the other hand, it was stated that many owners also prefer using their own funds in starting or operating the business simply because they feel uncomfortable risking other people’s money or they do not want to share control and management of the firm.

Small Business Investment Companies (SBICs); this is yet another source of financing for entrepreneurs. These are private firms who are licensed and regulated by the small business administration (SBA), who make “Venture” or “risk” investments to small firms. It was stressed that SBICs also supply equity capital and extend unsecured loans to small enterprises that meet their investment criteria. They said further that SBICs finance small firms by making straight loans and equity-type investments that give the SBIC actual or potential ownership of the firm’s equity securities. It was mentioned furthermore that SBICs as well provide management assistance to the businesses they support with financing.

Venture Capitalist; this was discussed in addition to other forms/types of sources of finance to business enterprises. Traditionally, venture capitalists are firms in partnerships composed of wealthy individuals who make equity investments to small firms with opportunities for fast growth and they preferred to back fast-growth industries. It was however said that Venture capitalists are not a good source of funding for new business and this suggest that more than two-thirds of all venture capital goes to expand existing businesses. Nonetheless, foreign stock exchanges are also sources of venture capital. In addition to many, the capitalists provide management skills and business contacts.

Angel Capitalists; these are nevertheless another type of sources of equity financing to entrepreneurs. They are diverse group of high-net-worth individuals who invest part of their assets in high-risk and high-return entrepreneur ventures. It has been predictable however that about 90% of small businesses start with the financial help from friends and relatives. It is therefore estimated that angle capitalists provide up to four times as much total investment capital for small businesses as do the professional venture firms.

Other Sources; Apart from the above mentioned sources of equity financing, there are other sources such as business incubators, employee stock ownership plans, customers and bartering, among others which are available to entrepreneurs.
- **Business Incubators**: these are private, not-for-profit making organizations who nurture young firms and help them to survive and grow during shared start-up period when they are most vulnerable. Hand-on management assistance, access to financing, and orchestrated exposure to critical business or technical support services are provided by incubators. They also offer firms shared office services, access to equipment, flexible leases, and expandable space.

- **Employee Stock Ownership Plans (ESOPs)**: this is another source of financing available to existing small businesses. Here, the company reaps tax and cash flow advantages from selling shares to workers. The plan also makes employees think like owners, tending to make them more productive.

- **Customers**: this is also a source of financing to business entrepreneurs. Here, the entrepreneur requires the customer to pay when ordering; they then have that money for operations, while the customer waits several weeks for delivery of the goods. This is also and mostly common among artisans and contractors where substantial amount is paid before a product is produced or delivered.

- **Bartering**: bartering is an increasingly popular method of financing small businesses. Here, two companies swap items of roughly equal value. But as this age-old business practice has become more popular—partly because of competitive global business environment—bartering has become creative. Now business owners trade everything from employee prerequisites to corporate barter credits (Megginson, Byrd and Megginson, 2000:148-152).

According to Shinn (2009:1), “there are a lot of sources for equity capital”. For that reason, the entrepreneur(s) such as real estate developers need to work hard to develop the relationships. Therefore, there are ample sources of equity financing that an entrepreneur can explore to finance his/her business (Shinn, 2009). Hence, some of the sources include the following:

- **Land Owners**: this is a source of equity financing available to land development entrepreneurs. It was stated that this equity source of financing has been a traditional source for land acquisition and development. Thus, the land owner put the land into the deal as equity and the builder puts in the expertise for the land planning, entitlement, and development and this source help the growth of the construction enterprises.
Land developer: Land Developers are another source of equity financing for entrepreneurs who are into land development or real estate investment. Here, the land developer have finished lots which is abandoned, so he look for a builder who wants to build homes and then disposes of the lots. Thus, the developer(s) subordinate the land to a construction loan, joint venture with the builder, or hire the builder for a fee to build the houses.

Financial Institutions: these are also a source of financing to real estate developers. Here, there are works out opportunities which help the banks to liquidate real estate owned (REO) properties which have been due to bankruptcies and foreclosures. These projects normally have completed homes, unfinished home inventories, finished lots, and undeveloped property. The banks then sell these assets at very favorable prices, terms and conditions or hire someone for a fee to manage the asset through completion.

Wealthy Individuals: similarly, wealthy individuals are supportive of business enterprises in the form of equity financing. At this point, there are a number of builders who joint ventured with wealthy individuals and they fund land acquisition, high end spec homes and models among others for them.

Larger Companies: Large companies are also contributors to the growth and development of business enterprises in terms of financing especially in the building industries. He said that some of the builder’s joint venture with large companies like oil companies, railroads, manufacturers, retailers, among others in order to get financial support from them.

Investment Funds: this is among the sources of equity financing available to real estate investors. It was said that these types of funds naturally have a manager and an investment strategy. Consequently, the entrepreneur can locate these sources of financing through networking.

Trade contractors and suppliers: these are also financiers especially, to land or real estate developers. These are forgotten group of investors that have vested interest in business success. Generally, this type of financing is a house by house equity capital for a share of the profits once the home sells.

Investment bankers: these are also known to be one of the types of sources of financing to real estate investors. It was said that this type of equity financing is very
expensive and normally consider firms who are in the upper 20% range of internal rate of return. In addition, they tend to deal in high amount of funds.

**Friends and family**: Friends and family are the last but not the least type of sources of equity capital available to entrepreneurs mentioned by the author. The author mentioned that it would have been great if every entrepreneur has a wealthy father or uncle but that is not the case for most entrepreneurs. The funds are generally raised through networking with the entrepreneur’s wealthy friends and families.

### 2.2.2.2: Debt Financing

#### 2.2.2.2.1: Introduction

Access to capital is critical to keep facilities current, add major information technology systems and strengthen quality initiatives. For financial and capital planning to be effective, entrepreneurs must be aware of the changing conditions of the capital markets and the types of capital available. Therefore, debt financing is a major source of financing to enterprises (Runny, 2006).

There have been different opinions by different authors as to what debt financing mean. According to (Boachie-Mensah and Marfo-Yiadom, 2007), Debt financing refers to the funds that the entrepreneur has borrowed and must repay with interest. It was said, few entrepreneurs have ample personal savings to finance start-up costs of business so almost all entrepreneurs are involved in some form of debt financing.

Wolfe (2009), said debt financing is borrowing money on credit with a promise to repay the amount borrowed plus interest.

Similarly, debt financing according to (Richards, 2009) is borrowing money from an outside source with the promise to return the principal, in addition to an agreed-upon level of interest. The most popular source for debt financing is the bank, but debt can also be issued by a private company or even a friend or family member.

Finally, debt financing according to Tatum (2009), is the raising of funds to generate working capital that is used to pay for projects or endeavors that the issuer of the debt wishes to undertake.
Debt financing is diverse from equity financing. With equity financing, revenue is generated by issuing shares of stock at a public offering. The shares remain active from the point of issue and continue to generate returns for investors as long as the shares are held. By contrast, debt financing involves the use of debt instruments that are anticipated to be repaid in full within a given time frame. With debt financing, the investor anticipates earning a return in the form of interest for a specified period of time (Tatum, 2009).

2.1.2: Types and Sources of Debt Financing
Several authors have contended that two types of financing surface in any discussion about finding sources of money and they include: debt and equity financing. It has been said that the easiest way to raise money is through debt financing, or loans. Commercial lenders such as banks and finance companies tend to be the biggest source of debt financing. Through debt financing, the borrower is able to get funding and maintain control of the business (Richards, 2009; Tatum, 2009; Boachie-Mensah and Marfo-Yiadom, 2007; Megginson, Byrd and Megginson, 2000)

There is a wide range of options faced by business owners when seeking debt capital (Boachie-Mensah and Marfo-Yiadom, 2007). Therefore, the various identified options of sources of debt capital that can be explored by entrepreneurs are discussed below:

- **Commercial Banks:** this is the first point of call by which entrepreneurs can secure debit financing and it is considered to be the center of the financial market, offering the greatest number and variety of loans to businesses. Entrepreneurs recognize banks to be lenders of first resort. Bank loans are second only to entrepreneur’s personal saving as a source of capital for launching businesses. However, in view of the banks conservative lending practices, they prefer to grant loans to established firms rather than high-risk start-ups. If they should grant a loan to a start-up venture, banks would like to see adequate cash flows to repay the loan, ample collateral to secure it, or other forms of guarantee to insure it. Banks are generally short-term lenders of capital to businesses especially small firms.

- **Short-term loans:** short term loans are second to commercial bank loans which the entrepreneur can obtain debt financing. Hence, they are the most common type of commercial loans granted to businesses especially, small businesses. These are loans
extended for less than one year. These loans typically are used to replenish the working capital account to finance the purchase of more inventories, boost output, finance credit sales to customers, or take advantage of cash discounts. Short-term loans are in seven different forms and they include the following:

- **Commercial Loans:** this is otherwise known as traditional bank loans; involve the bank granting loan to small business owners without requiring him/her to pledge any specific collateral to support the loan in case of default. Here, the business owner is expected to repay the whole amount borrowed. In a situation where the commercial loan exceeds a certain amount, the entrepreneur might be required to maintain a compensating balance in a bank account as a form of security for the loan. In some instances, however, a bank might accept flat fees or higher interest rates in place of compensating balances.

- **Line of Credit:** Line of credit is a short-term loan which referred to as an agreement with a bank that allows a small firm to borrow up to a predetermined amount at any time during the year. At this point, the banks normally delimit the open line of credit to 40-50% of the firm’s present working capital. It is often extended for one year and at times it is secured by collateral.

- **Floor planning:** this is also a type of short-term loan. This type of financing is often used by retailers of high value items that are easily distinguishable from one another, such as major appliances, boats, and automobiles. The loan is secured by the assets on the dealer’s showroom floor. For example, a commercial bank finances a company dealing in cars. The bank helped the company to purchase its automobile inventory and it maintained a security interest in each car in order by holding its title as collateral. The Car Company pays the interest on the loan monthly and repays the principal as the cars are sold.

- **Intermediate and long-term loans:** these are loans that can be secured by entrepreneurs for the start up or expansion of businesses. These loans are extended for one or more years and are usually used to increase fixed (and growth) capital balances. The commercial bank grants these loans for starting a business, purchasing equipment and real estate, constructing a plant and for other long-term investments. The repayments of loans are usually made monthly or quarterly. There are three basic categories of intermediate and long-term loans and they include:
Unsecured Term Loans; this is an intermediate and long-term loans which are granted to businesses with past operating experience indicating a high profitability of repayment. Should the business owner be successful in obtaining a term loan to start a business, the bank would in all likelihood require them to provide about half of the start-up cost.

Installment Loans; this is also found under intermediate and long-term loans. Installment loans are normally made to small businesses for the purchase of equipment, facilities, real estate and other fixed assets. When financing equipment, banks normally lend the small firm up to 60-80% of the equipment’s value in return for a security interest on the equipment.

Discounted installment contracts: this is the last classification of intermediate and long-term loans. A discounted installment contract requires a bank to extend loan to small firms when the owner pledges installment contracts as collateral.

Bonds: Bonds are among the types of debt financing available to entrepreneurs but to larger enterprises. Bonds have always been an important source of debt financing for large enterprises. Few small business owners, though, recognize that they could also take advantage of this credible source of capital.

Asset-Based Lenders: These are in the midst of the sources of debt financing available to entrepreneurs. These normally involve small commercial banks, commercial finance companies, or specialty lenders who allow small firms to borrow money by pledging assets as collateral. Cash-based borrowing would enable a small firm to put to work some of its most neglected resources, such as fixtures, inventory and account receivables. There are basically two categories of asset-based financing and they include;

Discounting accounts receivables: here, the small firm would pledge its accounts receivables as collateral and in return, the commercial bank would advance the owner a loan against the value of approved accounts receivable. The amount of the loan granted, however, would not be equal to the face value of the account receivable, because the bank would make allowance for the risk involved. A small firm normally could borrow an amount up to 50-80 percent of its receivables. As the firm receives the payment from customers on its accounts receivables, it would transfer them to the bank. The bank would deduct a pre-determined percentage of the proceeds, apply it to the loan balance, and would then deposit what is left in the firm’s account.
- **Inventory Financing**: this is the second type of financial offer which is usually provided by Asset-Based Lenders to entrepreneurs as debt financing. In this case, the small firm’s loan would be secured by the company’s inventory. In case the business owner defaults on the loan, the bank will be able to claim the firm’s inventory, sell it and use it to settle the loan.

- **Trade Credit**: Trade credit is amid the types of debt finances securable by entrepreneurs as a start-up capital or capital for expansion of existing business.

- **Equipment Suppliers**: this also goes along with the types of debt finances available to entrepreneurs. Here, the majority of equipment venders encourage business owners to purchase their equipment by offering to finance the purchase. The equipment vender would normally offer reasonable credit terms with only a modest down payment, with the balance financed over the life of the equipment. In some instances, the equipment vender would repurchase the equipment for salvage value at the end of its useful life and offer the business owner another credit agreement on new equipment.

- **High Purchase**: this is nonetheless one of the debt finances available to business entrepreneurs. These companies are normally finance houses who specialize in bridging the financial gap between the seller of goods who wants payment now and the buyer who wants to pay by installments. The hire purchase company will purchase the goods from the vender and then enter into a high purchase (HP) agreement with the would-be purchaser. The agreement prescribes a deposit payment, the payment being by installment over a period of usually less than five years and a final payment where upon the goods become the possession of the hirer. In effect, an HP agreement is in two contracts. The first is an agreement to hire plant or equipment for particular period. The second is an agreement to purchase the item at the end of the period.

- **Leasing**: Lease can be categorized as one of the sources of debt financing available to business entrepreneurs. Here, there is a distinction between leasing and hire purchase. With the leasing agreement the goods never become the property of the lessee or hirer, but on the other hand it is vice versa. In effect, the lessee is paying for the use of piece of equipment for a specified length of time.

- **Commercial Finance Companies**: these are companies who are in the position to serve as debt financing to business entrepreneurs. Small business owner could also turn to these
companies for a loan. These companies normally tolerate more risk in its loan portfolios, unlike its conservative counterparts, therefore, they tend to depend more on obtaining a security interest in some type of collateral. Commercial finance companies’ most common methods of offering credit to small firms are accounts receivable financing and inventory loans. They sometimes extend intermediate and long-term loans and since their loans are prone to more risk, they charge higher interest rate.

**Savings and Loan Associations:** This is a source of debt financing reachable to entrepreneurs. Here, stockbrokers offer some loans to their customers at lower interest rates. Stockbrokers’ loans carry lower interest rates in view of the fact that the collateral, involving the stocks and bonds in the customer’s portfolio, is of high quality and is highly liquid. An entrepreneur could borrow up to 70-80% of the value of his/her portfolios. Although there is no limit on the loan term, the interest rate charged changes from month to month.

**Insurance Companies:** Life insurance companies are one of the sources of debt financing available to business entrepreneurs. This source can be an important source of capital for many small firms. Two types of loans granted by insurance companies are policy loans and mortgage loans.

- **Policy Loans:** Policy loans are offered to the small business owner on the basis of the amount of money paid through premium into the insurance policy to accumulate enough cash to surrender value to justify a loan against it. Once cash value is accumulated in the policy, the owner might borrow up to 95% of the value for any length of time. Interest is levied annually, but payment may be deferred indefinitely; however, the amount of insurance coverage is reduced by the amount of loan.

- **Mortgage Loans:** Mortgage loans are the second type of insurance loan granted to business owners. This type of loan is offered on long-term basis on real estate property. They are based principally on the value of the real property being purchased. Insurance companies offer estate’s value and allow a lengthy repayment schedule for over 25 or 30 years so that the repayments do not excessively strain the firm’s cash flows. Mortgage loans carry a higher interest rate because they entail more risk.

**Private Placements:** this is the last but not the least of debt financing obtainable by entrepreneurs in the authors discussion. This type of financing involves selling debt to
one of a small number of investors, such as insurance companies or pension funds. Private placement debt is a hybrid of a conventional loan and a bond. At its heart, it is a bond, but its terms are tailored to the borrower’s individual needs, as a loan would be.

According WEDC, 2009, debt financing is basically the money that the entrepreneur borrows to run his/her business. It was said that debt financing can be categorized into two, based on the type of loan the entrepreneur is seeking and the categories include; long term and short term debt financing:

- **Long Term Debt Financing**: this is the first category of debt financing mentioned by (WEDC). It was said that this type of finance usually applies to assets that the business is purchasing, such as equipment, buildings, land, or machinery. It was further stressed that with long term debt financing, the scheduled repayment of the loan and the estimated useful life of the assets extend over more than one year.

- **Short Term Debt Financing**: this is the second type of debt financing available to entrepreneurs mentioned by (WEDC). It was said that this type of financing usually applies to money needed for the day-to-day operations of the business, such as purchasing inventory, supplies, or paying the wages of employees. It was however, added that Short term financing is referred to as an operating loan or short term loan because scheduled repayment takes place in less than one year. A line of credit is an example of short-term debt financing. In addition, the different types of debt financing which can be obtain by entrepreneurs under the two categories include in the following discussions:

- **Real Estate Financing**: this is thought of to be one of the long-term debt financing available to entrepreneurs, especially those engaged in real estate development. These types of loans include commercial or industrial mortgages which are up to 75% of the appraised value of the entrepreneur’s property, which is for terms of 10 to 20 years.

- **Equipment Loans**: These are loans classified as long term loan. These loans permit a company to purchase equipment or use owned equipment as collateral when unable to
qualify for unsecured loans. Loans are generally from 60-80% of the equipment's value, with terms for repayment of up to five years or the equipment's useful life.

**Equipment Lease:** This is yet another available source of debt financing to business entrepreneurs. Here, banks and leasing companies will underwrite leases with minimum of three-year terms up to 80% of the useful life of the equipment and this is a short-term loan.

**Line of Credit:** A line of credit is considered as a debt financing to entrepreneurs. This is a short-term loan which provides an upper limit to an entrepreneur's borrow amount at a set interest rate. In this case, the entrepreneur does not get the cash in a lump sum, but draw on the line of credit as required. Interest is paid only on the amount borrowed.

**Debt Financing Institutions:** this is the last but not the least of debt finances available to entrepreneurs mentioned and discussed by (WEDC). It was said that financial institutions tend to regard start-up businesses as high-risk ventures. Therefore, Start-up businesses who want to secure loan need to be prepared to pay high interest rate, contribute at least 25% to 50% cash into the deal, sign personal guarantees and put up security and a business plan.

According to Megginson, Byrd and Megginson, 2000, most small business owners rely more on owner funding than on debt financing and majority of small business owners had used such funding in the past. Nonetheless, there are so many sources of debt in which entrepreneurs can secure funding and several of them are described below:

**Trade Credit:** This is a kind of debt financing available to entrepreneurs. Trade credit is the purchase of inventory, equipment, and/or suppliers on an open account in accordance with customary terms for retail and wholesale trade. They stresses further that trade credit is one of the most important sources of debit financing for small business because it arises spontaneously in the normal course of operating the business.

**Commercial and other Financial Institutions:** This is an option of debt financing to entrepreneurs. They termed this source as traditional sources. Here, the traditional
financial institutions may provide the small business owner with borrowed funds ranging from 25 to 60% of the value of the total assets.

**Commercial Banks:** This is another option of debt financing to entrepreneurs. Nonetheless, Commercial banks are the dominant supplier of external financing to small firms and are still a good source for small borrowers who have funds of their own and proven successful financial experience. It was further emphasized that commercial banks rarely make conventional loans to a start-up business, even though they realize that these firms have strong market, with strong demand. In other words, “small business loan are regarded as expensive to service and marginally profitable” therefore, banking institutions charge higher rate of interest to offset the greater risk. However, “Banks are looking to expand credit, but they are mostly expanding existing credit lines, not opening new ones. The lack of collateral required to secure the loan causes many problems for small firms. They said further that if an entrepreneur is successful, he/she may want to open a line of credit with their banks. This is a type of arrangement whereby the bank permits an ongoing business to borrow up to a set amount at any time during the year without further red tape. They said among others that a well-prepared business plan should help lower a firm’s interest rate and possibly even extend the term of the loan. Even then, however, the entrepreneur may find it more advantageous to finance the business with a personal loan.

**Credit Cards:** Credits cards are among the types/sources of debt financing mentioned by the authors as available to business entrepreneurs. They said that another form of credit line is the use of credit cards to finance businesses.

**Insurance Companies:** This is a type/source of financing available to business entrepreneurs. It was stressed that Insurance companies may be good source of funds for small firms, especially real estate ventures. They said business owners can go directly to the company or engaged in debt financing.

**Small Business Administration:** This is an institution that provides debt financing to firms. It was mentioned that SBA primary purpose is to help small firms find financing. It was however said that many small firms need term loans of up to 25 years, but most lenders limit their lending to short-term loans. The SBA helps these small firms by
offering guarantees on loans made by private lenders and offering direct specialized financing. It also provides some venture capital through SBICs.

- **Guaranteed Loans:** Here, SBA guarantees 30 to 40% of all long-term loans to small businesses. It was stated that for an entrepreneur to qualify for such loan, he/she must be unable to obtain private financing on reasonable terms but the business must have a good chance of success. Also, the borrower must meet a certain size standards. Again, with the SBA’s guarantee program, a bank actually extends a loan to a small firm, with the SBA guaranteeing repayment for certain percentage of the loan. More so, the procedure to be followed is for the business owner to contact a bank to request an SBA loan. Nonetheless, the entrepreneur submit a narrative business plan with profit/loss projections for three years; Resumes for key managers and owners; An outline showing how the loan will be used, three years historical financial statements on the company and personal financial statements for all owners and proposed collateral structure. The bank then submits the application directly to the SBA for approval.

- **Specialized Program:** This is another program initiated by SBA to serve as debt financing to entrepreneurs. The SBA specialized programs has some government programs, which include; contract awards to small, disadvantaged business subcontractors, along with counseling and bonding assistance. Here, the small business must be at least 51% owned by a “socially or economically disadvantaged individual” and the SBA low documentation (Low Doc) Loan program. This puts more emphasis on the borrower’s credit history, projected cash flows, character, less on collateral and equity. Its purpose is to help small companies obtain short-term working capital through an established line of credit.

- **Small Business Investment:** This was discussed as one initiative from the SBA loan guarantees. They said, in addition to direct equity financing as previously discussed, SBICs also make qualified SBA loans. Loans are usually made for a period of 5 to 10 years.

In discussion therefore, following the presentations prearranged above from the various authors’ perspectives about the types/sources of business financing, it was noted however that all the three authors contented to the fact that two types of sources of business financing is available to
entrepreneurs- equity and debt financing. Further, the authors stressed that there are different categories of the sources of business financing which can be found separately under the two types. In the researchers further reading noticed moreover that the type of sources of financing that would be appropriate for the business entrepreneur will depend on the option that the entrepreneur would opt for and the choice of the option would be influenced by the type and the size of the firm as well as the firm’s ability to raise capital and its growth limit.

In a careful scrutiny of the authors’ presentations the ideas gathered, gave similar meanings which implied, their discussions were geared toward the same thought which led to one goal- an entrepreneur has no option than either going for equity or debt finances. They explain equity to mean a process of selling part of the control, management, responsibility as well as the profit of the business to people such as partners who are outside the firm. This is to allow the entrepreneur acquire enough capital to run the business. They mentioned the sources of equity financing as from personal savings, relatives and friends, private investors, Partners, corporations/companies, public stock sales, Venture capital companies, angle capitalist/wealthy individuals, business incubators, and customers, bartering, among others. All these sources, when the entrepreneur goes in for, means that he/she is relinquishing part of the firm’s ownership to people outside the firm. This does not sound properly to the entrepreneur but there are no other alternatives other than this and debt financing but it is not every entrepreneur who is qualified and can obtain debt financing. Therefore, the only choice for such people is the equity financing. They added that entrepreneurs who do not want to share their control, responsibility, management and profits go in for debt financing.

It was further stated that debt financing is a process by which the entrepreneur goes extra mile from equity to other financial institutions such as the banks, insurance companies, and commercial finance companies, among others to hunt for financial assistance. They mentioned at this point that with this type of financing, the responsibility, control, management and profit of the firm rest solely on the shoulders of the entrepreneur but it has its own disadvantages which are the demand of collateral and high interest rate which increases the repayment rate of the borrowed money. Therefore, the sources of debt financing were mentioned as; Commercial bank loans which can be categorized as short-term loans, in which the types include, Line of Credit
and floor planning and long-term and intermediate loans which the types are, unsecured and installment loans; Bonds; Asset-Based Lenders, under this too, was categorized into discount Account Receivables and inventory financing as its types; Trade credit; Equipment Suppliers; High Purchase; Leasing; Commercial finance companies; Insurance Companies, with this also, has policy and mortgage loans as the two types that can be found under it; Private Placement; Credit Cards; Real Estate Financing; Equipment Loans and lease and Debt financing institution, among others.

On the contrary view however, with the equity financing, Shinn, (2009), discussed the types of sources in relation to estate development. Even though, some of the types of the sources that was mentioned such as friends and families, wealthy individuals, larger companies and financial institutions surfaced in other authors’ discussions, but what differentiates his discussions from others was his unique line of thought which was focused on the estate development; where he mentioned trade contractors and suppliers, Investment Funds, Land Developer and Land Owners as some of the sources that entrepreneurs can secure financing. At the end, when critically analyzed the perspectives of the types of sources of equity financing from the three authors, toe in one line of understanding and the understanding gives similar ideas.

Also, with debt financing, WEDC 2009, differed from the normal tone of discussions from the other authors. WEDC made the discussion by categorizing the types of debt financing into short and long-term debt financing and then discussed the various types that can be found under each. Again, Boachie-Mensah and Marfo-Yiadom, tried to do same, but they instead categorized commercial bank loans under the short-term loans as seven different types in which intermediate and long-term loans are among the seven types of short-term loan. With this, the researcher disagrees with the classifications made under the short-term loans. This is in the sense that short term loans cannot be spread over more than two years. Meanwhile, intermediate and long-term loans can be spread for over five to twenty years. How then should intermediate and long-term loans be classified as one of the seven types of short-term loans? It should have rather stood separately from short-term loans and that would have made perfect meaning of the classifications. The authors should have discussed short- intermediate and long-term loans as separate entities which are distinct from each other.
To conclude however, the researcher agrees to the fact that there are only two main types of business financing that existed as the authors have presented above. Also, the researcher supports the fact that entrepreneurs can have numerous options to choose from under the two main types of business financing. In the researcher’s further readings came across of the fact that entrepreneurs seeking for financial assistance, are considered based on the firm’s ability to grow, ability to repay the type of the assistance looking for and the asset of the firm. This did not go well with the researcher, in the sense that some firms can show all the possibilities to grow but at the end they are kick out of competition. Again, some entrepreneurs can demonstrate repayment ability to the financiers but at the closing stages they are indebted to the institutions.

With this, the researcher thinks that the opportunity should be open to all people who need assistance but should be closely monitored, and when they are frequently monitored they will be alert and therefore work harder in order to repay back the assistance been granted to them. Also, the close monitoring will alert the financiers of those who are likely to default and they can thereby withdraw their services quickly to avoid further losses.

On the other hand, some firms who start with nothing and are not able to exhibit the qualities which are expected from the financial institutions sometimes prove wealthy at the end.

Another thing that borders the researcher most is the fact that with equity financing, the entrepreneur is supposed to show some commitment in the form of 50% provision of the stated capital? This is marvelous! Because if an entrepreneur can and is able to afford 50% of say GH¢100,000, why then he/she will not start operating with what is readily available for the mean time and plan for financial expansion as the firm grows? I don’t think these decisions are appropriate for the entrepreneur because these will rather turn to discourage people who cannot provide the 50% and can also not prove their ability for repayment and growth of their firms, initially abstains from establishing their own businesses and thereby remaining in their poverty driven life.

Last but not the least, what was lacked in all the three authors’ presentations was that easily accessibility of the financing was silence. They were all making references to the fact that the various types of financing was available but failed to talk about how easily these finances can be obtained. Therefore, the poor access to financial services by SMEs has necessitated this research work.
2.2: Small Business financing

2.2.1: Introduction

Finding small business financing can be tough, especially if the entrepreneur is looking for new business financing. Friends and family, no matter how supportive, can be quickly tapped out and traditional sources of small business financing such as banks and venture capitalists are historically not particularly interested in financing small businesses, especially start-ups (Ward, 2009). It has never been easy for small companies to attract capital because small businesses are considered as risky to many potential lenders and investors. Whilst the banks have tightened their lending criteria, venture capitalists has become more conservative, and private investors have become more cautious (Boachie-Mensah and Marfo-Yiadom, 2007). Finding small business funding is one of the survival skills needed for small business success. Whether the business is a start-up or growing business, learning the basics of raising capital will go a long way to ensure the entrepreneurs stay in business (Zagorski, 2002). The bottom line is, the entrepreneur need capital for the business. The capital needs will change over time, which is why the business owner need to build a strategy for capitalizing the business from the beginning. This is where most business owners drop the ball. They come up with great concepts, good marketing, hire the right people, but they ultimately fail because they never planned for their capital needs (Gass, 2009).

2.2.1.2: Types of Sources of Small Business Financing

2.2.1.3: Introduction

For many small businesses, the prime source of financing is from the owners own pockets. Small business people invest their own savings to start a new business and keep it up and running. They've either built up a nest egg from employment, or do things such as cash in portions to keep their dream of entrepreneurship afloat (Ward, 2009). Therefore, in search for outside capital, two important concepts improve the entrepreneur's chances and broaden the firm's options: The entrepreneur should have a positive record of operations and personal success track record and some personal capital should be available for investment in the firm by the entrepreneur. Without some demonstration ability to manage and a positive financial commitment, the entrepreneur's capacity to operate a business successfully will be called to question by financial institutions and
investors (Steinhoff and Burgess, 1993). Therefore, the types of the sources of small business financing are presented below:

- **Personal Funds**: Firstly, personal funds are considered to be an available source of funding to small business entrepreneurs. Potential creditors, partners, or stockholders, who are invited to invest in or lend financial assistance to new firms, normally ask a question “How much does the owner have invested?” Every business contains an element of risk, and outsiders who invest in a new firm wish to be sure that such risk is shared by the owner-entrepreneur. A start-up financing plan that indicates thin equity does not usually invite confidence from creditors.

- **Loans from Relatives and Friends**: This is next to personal funding. It has been emphasize that although borrowing original investment capital from relatives and friends is generally frowned upon by experienced business operators, it therefore remains one of the prominent methods used in small firm planning. Many new owners are encouraged in their enterprise by parents and other relatives or friends who offer to supply loans to get the firm started. Quite often, no other sources are available after normal trade credit and supplier contracts have been utilized.

- **Trade or Business-to-Business Credit from Suppliers**: This is the third source of small business financing available to entrepreneurs. It was said that firms generally provide product or services to each other on credit. Here, the new firm can have inventory usually for sale before the supplier must be paid. Financing the opening inventory usually represents one of the larger investments for typical retailer. The credit from the wholesaler allows the retailer time to sell the inventory before paying off the remaining balance. As the firm develops a successful track record, even more attractive terms may be available for later purchase.

- **Loans or Business-to-Business Credit from Equipment Sellers**: This is another option where small business firms can ascertain finance. Here, Retailers and manufacturers may need some equipment and these are generally available under some form of credit arrangement. The suppliers often offer attractive credit terms including a modest down
payment contract and the balance spread over 1-3 or more years. When financing charges are reasonable, this type of credit can be most helpful planning equipment tool for the entrepreneur.

- **Mortgage Loans:** This is also classified as one of the sources of small business financing. Here, the entrepreneurs who buy a commercial building can usually secure a mortgage with payments spread over 20 or 30 years. It was said conversely that if the firm operates from that building, it will make mortgage payments rather than rent to a landlord. It was further said that some small business operators take a mortgage on their home as a source of capital for the business. Nonetheless, they do so through refinancing the house or taking a second mortgage to procure the equity for business capital. Therefore, sources of mortgage include financial institutions, such as banks, savings and loans, insurance companies and mortgage funding companies.

- **Commercial Bank Loans:** Similarly, these are among the classifications of financing available to small business operators. It was said that historically, bank credit has been the lifeblood of funding for the day-to-day operations of the business. Classically, banks have provided manufacturers, wholesalers, retailers, and service firms with money which they use in paying expenses while waiting to be paid by customers. Besides, many other types of loans are available to the well-planned or well-managed firms. It was mentioned in addition that it is also a good idea for the entrepreneur to develop a relationship with a local banker during the planning stage of his/her business. Once more, it was said that in order to have many chance of obtaining loans from banks, entrepreneurs must demonstrate a clear sense of how the money will be use and how the firm will pay it back. A well developed business plan and collateral are must for the new firm developer who seeks to establish the right to obtain bank loans. Also, the entrepreneurs must be able to show how they can pay back the borrowed money and the interest.

- **SBA Loans:** This is yet another alternative source of small business financing to small business entrepreneurs. Here, when a commercial bank turns down an application for credit, the small firm can file an application with the Small Business Administration for
the same loan. If the application is demand to have merit, the SBA will agree to underwrite (guarantee) a large part of the loan. Also, the rule is that a firm must turned down by one or two commercial banks before it can apply to the SBA for guarantee and if a loan is granted under these conditions, the interest rate charged will likely be higher than through other sources.

**SBIC and MESBIC Loans**: This is also an option of small business financing available to entrepreneurs. Here, the small business investment company Act was passed to encourage the creation of privately owned companies whose sole purpose is to make long-term loans or even equity loans to small business firms. These companies are known as SBICs; they are licensed, regulated, and partially funded by the SBA. SBICs seek small businesses with good potential as clients.

**State and Regional Business Development Companies**: These are also notwithstanding are among the sources of small business financing. It was said that Owner-managers who believe in the private enterprise system have been pleased to see the growth of strictly private business development companies in many parts of the country. Most of these development companies are funded privately, though some do receive grants or loans from government agencies. Banks, large manufacturing firms, utility companies and transportation firms have been large contributors to the financing of these development companies. In return for financial assistance, small firms generally pledge to create additional jobs. Some new firms get outright loans on a long-term basis and others are encouraged to sell portions of their stock to the development company.

**Selling part of the Equity**: An entrepreneur can sell part of the firm’s equity to finance the business. Selling part of the equity is among the numerous sources of finances available to entrepreneurs. Here, small firm planners often find that they are not able to command enough capital to start their venture without selling part of their equity to others. With this, several methods can be used to attract outside capital and they include:

- **Partnerships**: selling part of the equity in the form, which invites partners in to be part of the business in order to raise enough capital for the firm. On the other hand, raising
capital by taking in partners has some risk, including the possibility of management friction. Mostly, family, friends, or business acquaintances are often invited in.

- **Sale of Capital Stock**: This is one of the ways of selling part of the equity in the business. Here, the planner sells part of the firm’s stock to an investment banker in the form of preferred and common stocks. The preferred stock is therefore given a priority of dividends on lieu of voting privileges, since only the common stock has voting power. The entrepreneur still owns a majority of the common stock outstanding and has no problem with control. The investment banker sells the stock to (usually) unknown investors who are interested in small companies. Under this method, the planner does not have to plead with relatives or friends for financial “favours” or take in undesired partners.

- **Venture Capital Funding**: This is an alternative way of funding small businesses. Small businesses can sometimes qualify for investment funds or loans from venture capital firms. These companies provide capital to potentially high-growth small companies. Here, the entrepreneur needs to develop a venture capital proposal containing specific business plans, financing budgets pro forma statements (projections) for the firm. These proposals will rarely appeal to the venture capital firm unless the amounts requested are substantially high. The venture capital firm therefore, investigates the requesting firm’s plans, products, potential market share, competitive situation and sources of supply. It then examines current and past financial records and closely evaluates the competence of the management.

- **Miscellaneous sources of Funds**: This is yet another type of sources of funding available to small business entrepreneurs. It was said that miscellaneous funding are available to going concerns rather than to planners who need financial aid for new businesses. It was stressed further that if the new firm has equipment paid for through investment by the owner, an inventory of merchandise that is free and clear, or some accounts receivable from other sources that are being invested in the firm, loans can usually be obtained with these assets serving as collateral. However, similar financial companies will “floor-plan”
items to be sold at retail by financing those items while they are on the showroom floor. Others will purchase installment loan contracts signed by customers when they purchase items from the small firm. Again, insurance companies often provide long-term, secured by mortgages on real estate, to substantial small businesses. Personal finance companies also make personal loans to small firm owners with precise repayment schedules.

**Leasing as a capital Substitute:** This is also seen as an option of funding for small businesses. Leasing is an increasing popular method for acquiring assets to be used in a business. If the firm uses leasing to fund capital or operating assets, it must be aware of the long-term nature of the arrangement and what will occur at the end of the contract. They said, the biggest advantage of leasing is that no large initial cash outlay is required and payments are often spread over longer periods of time than loans. Also, at the end of the lease period, the business has no asset value remaining. However, many firms prefer to use equipment and facilities for periods longer than the lease agreement.

In abridgment, having enough capital is a prime consideration for the small firm planner. Therefore, how much will be needed, where the funds will come from, and when they will be available are important questions which need to be answered. The entrepreneur must then consider whether to use personal savings, to obtain funds from others through borrowing or selling part of the equity of the venture, or to engage in leasing arrangements. Nonetheless, money from others can be borrowed as trade or business-to-business credit, as mortgages on buildings and equipment, or as commercial or government loans. A firm using borrowed capital must have sufficient revenues to pay back the money with interest. More so, borrowing helps when the firm has assets that can be used as collateral. Again, capital from the sale of stock or partnership interest comes with strings attached. Stockholders or partners usually have right to voice their opinions regarding management. Leasing is often a preferred form of acquiring asset because it requires a lower cash outlay. However, leased items are returned to the lessor at the end of the lease period (Burgess and Steinhoff, 1993).

In addition, (Tiare 2002) said, whether the entrepreneur is preparing to launch a startup or want to grow the business, one thing is for certain and thus money is needed for the operations.
this reason, debt and equity financing are two financial strategies which can be explored. Taking debt finances means borrowing money for the business, whereas gaining equity entails the entrepreneur injecting his/her own or other stakeholders’ cash into the business.

**Debt Financing:** Debt financing is a source by which small business entrepreneurs can rely for funding. Business owners may have some trepidation about borrowing from a financial institution, as it means relinquishing some cash profits. This type of financing has a comparative advantage over others. Therefore, the major benefit for debt financing, unlike with equity financing is, the entrepreneur will retain full ownership of his/her business (Tiare, 2002).

Consequently, entrepreneurs can opt for bank loans. They can easily be obtained if only the entrepreneur has good credit, enough equity to cover the payments and when he/she is not already carrying heavy debts. These loans are generally granted either on a short-term basis of less than one year or long-term basis of more than one year. Nonetheless, Banks usually expect entrepreneurs to put up assets to back the loan. These assets could include property, personal investments, equipment or other tangible holdings that the bank could seize if the entrepreneur defaults. Commercial finance companies also lend money and are willing to fund riskier ventures that don’t have solid financials. But this type of funding usually comes with high interest (Tiare, 2002).

**Equity Financing**

On the other hand, Equity financing is another option available to entrepreneurs. Small business owners when weighing debt and equity options often opt for equity because they have concerns about either qualifying for a loan or having to channel too much of their profits into repaying the loan (Tiare, 2002). In this case, Investors and partners can provide equity financing and they generally expect to profit from their investments. Moreover, if no profit materializes, the entrepreneurs aren’t obligated to pay back equity contributions. On the other hand, the major drawback of equity financing is that the entrepreneur is no longer the full owner of the business once he/she has other financial contributors who expect a share. As such, the entrepreneur will be relinquishing not just financial control, but will no longer be the sole arbiter of the business’s creative and strategic direction (Tiare, 2002).
Angel investors are also providers of small business financing and this can be an option for entrepreneurs. These are wealthy individuals or networks that are willing to fund small businesses. Angels are the largest source of seed and start-up capital for businesses. They tend to fund small businesses for longer periods of time and expect a lower return on investment than do venture capital firms (Tiare, 2002).

Venture capital firms in addition provide equity for businesses and expect high returns on their investments within three to five years. They generally fund companies with significant growth potential. Therefore, most businesses have a mix of debt and equity financing (Tiare, 2002). In this sense, too little equity could prevent entrepreneur from securing or repaying loans, while carrying little or no debt could indicate that the entrepreneur are too risk-averse and that his/her business might not grow as a result (Tiare, 2002).

Ward (2009), indicated, the downside is that starting a small business and nursing it through the startup phase into a healthy company can be an expensive proposition. Perhaps that's why so many small business start their new ventures as part-time enterprises, hanging onto their "day jobs" until the business is able to stand on its own legs. Even so, the small business person often finds outside sources of financing necessary. For that reason, equity and debt financing are the two options for small business start-up and expansion.

**Equity financing:**

In terms of equity financing for startup businesses, the most common sources are friends and relatives and angel investors. Both of these groups will expect "a piece" of the entrepreneur's business in return for equity financing. The piece may involve a portion of the ownership of the business, or mean that the investor gets to take an active role of some kind in running the business - or both. But this kind of trade-off may be necessary for the entrepreneur to get his/her business off the ground. Once the entrepreneurs business is established and has a proven track record, there will be more sources of financing available (Ward, 2009). Also, the entrepreneur may be able to attract venture capital, for instance, or take the company public, selling shares in the company on stock exchanges. Certainly once the business is established, he/she will be able to use his/her retained earnings as a source financing.
Debt Financing: according to Ward, debt financing is the second option of funding for small businesses. It was said, the first step in finding small business financing is that the entrepreneur should be aware of the kind of financing needed. Thus, if the entrepreneur is either searching for debt financing (money the entrepreneur borrow to run his/her business) or equity financing (money acquired from investors and/or savings)?

Ward mentioned that with debt financing, most small businesses turn to traditional financial institutions, such as banks and credit unions. It was stress further that some take out short-term business loans, which need to be repaid (with interest) within a set period and it is sometimes called demand loans, because they can be called in by the lender (the bank) at any time. Again, Long-term loans are frequently used as small business financing. Term loans are usually used to finance particular assets, such as building renovations or capital equipment. Therefore, small business entrepreneurs can sort for this type of funding (Ward, 2009).

Further, other businesses also depend on lines of credit as a source of financing. Through agreement with the financial institution, the entrepreneurs have a set amount of credit that can be drawn upon. While a line of credit gives the entrepreneur the flexibility to pay day-to-day expenses or meet cash flow crises, whatever amount of money the entrepreneur use has to be paid back, and he/she pay interest on the outstanding balance (Ward, 2009).

More so, many financial institutions now offer credit cards especially designed for small businesses - and credit cards are popular way for small businesses to finance startup and operating expenses. However, credit cards are some of the most expensive small business financing available, in terms of their interest rates. Nonetheless, Traditional sources of financing are in most cases not available to all small businesses. Start up businesses may have in particular difficult time meeting bank requirements for debt financing; they therefore resort to equity financing (Ward, 2009).

The deliberations that follow from the perspectives of the authors presented above on small business financing, gives relative but comprehensible meanings. In effect, all the authors though had different presentation styles but the meanings from their presentations were of similar ideas. Tiare and Ward presentation’s styles were almost alike but Steinhoff and Burgess differed.
The discussions Steinhoff and Burgess had on the types of sources of small business financing were not differentiated as to which is equity or debt. Meanwhile, when critically analyzed gives the clue that the discussions were centered on either equity or debt financing. On the other hand, the other two authors categorized the sources of financing under equity and debt.

In Steinhoff and Burgess’s discussions mentioned that adequate capital is a prime consideration for the small firm planner. However, there are questions which need to be answered by the entrepreneur- how much will be needed, where the funds will come from and when they will be available. They also said that development of statement of assets of the firm will help determine the amount of capital needed. Therefore, the entrepreneur must then consider whether to use personal savings, to obtain funds from others through borrowing or selling part of the equity of the venture, or to engage in leasing arrangements. They further mentioned trade or business-to-business credit, mortgages, commercial or government loans, among others as sources of financing available to entrepreneurs. They added that a firm using borrowed capital must have sufficient revenue that will be use to pay back the money with interest. They consequently, mentioned that borrowing helps when the firm has assets that can be used as collateral. They stated again that Leasing is often a preferred form of acquiring asset because it requires a lower cash outlay.

In Ward’s discussion mentioned that the principal source of financing is from the owners own contributions. She added further that searching for assistant, two important concepts will broaden the firm’s options and they include; positive record of operations and personal success track record as well as some personal capital which show commitment by the entrepreneur.

This author grouped her discussion of small business financing under equity and debt. With equity, she mentioned the following as sources; relatives and friends, angel investors and venture capital. Also, with debt mentioned Demand loans, Term loans, Line of Credit and Credit Cards as the sources.

Taire’s discussions also focused on, debt and equity as the two financial strategies that can be explored by the entrepreneur whether for a start-up or growing business. Taire therefore, mentioned the following as the sources of equity and debt financing respectively; Investors,
partners, Angles and Venture capital and debt-Bank loans. Taire, classified bank loans into either short term or long-term loans. It was added further that business owners may have some fears about borrowing from a financial institution, as it means relinquishing some cash profits, besides it is a good option. It was further stated however that too little equity could prevent the entrepreneur from securing or repaying loans, while carrying little or no debt could indicate that the entrepreneurs are too risk-averse, and that their businesses might not grow as a result.

In conclusion however, from the researcher’s analysis about the authors’ presentations, indicated that small business financing can be obtained from either debt or equity. Also, the researcher realized that not all the types of the sources of financing are available to small businesses. Even, those available are not easily accessible because most investors see small business firms as risky, since they can be compete out at anytime and therefore feel reluctant to invest in such ventures. Nonetheless, investors or financial institutions ready to invest in the small businesses in the form of debt charge high interest rates and demand collateral. On the other hand, with equity financing, the partners and investors who show willingness, also assume greater control and management of the firm and as well requires greater share of the firm’s profit.

On the contrary, the researcher, do not agree to the fact that all small businesses are risk-averse. This is because some of the small businesses are able to make huge profit, break-even and even manage properly than the big firms. Also, the researcher thinks that the huge demand of collateral by investors from entrepreneurs should be abolished by policy makers since that will deter the already existing entrepreneurs’ from engaging in partners or looking elsewhere for financial help. Also, new entrants will sit back in poverty since they cannot afford to provide the collateral and therefore will refrain from looking for financial help or engaging in partners. The researcher propose that proper structures like properly trained staffs, orientations, monitoring, among others should be put in place by investors who lends to these entrepreneurs in order to check their operations and management so as to be able to retrieve back their moneys together with interest.

More so, the researcher, disagree with the assertions that small firms should always show positive record of operations and personal success track record before they can be attracted to
investors. How can a new entrant firm exhibits personal success track record and show positive record of operations? The reason for this question is that every business owner assumes success, growth and sustainability of the business, but misfortunes are bound to happen therefore, the entrepreneur cannot be hundred percent sure of success in business. The chances are not certain, you either succeed or lose. Hence, the assumption that small business entrepreneurs should show positive record of operations and personal success track record is not supported by the researcher.

It was further realized that almost all the authors mentioned the options of availability of financing but did not demonstrate it’s easily accessibility. This in effect attests to the fact that there is poor access of financing for businesses especially small firms.

2.1.3: Micro financing

2.1.3.1: Introduction

The relationship flanked by lenders and borrowers can be contentious. The entrepreneurship literature contains myriad anecdotes concerning mistrust and conflicting objectives between these stakeholders. Simultaneously, there is unavoidable interdependence between the stakeholders. Hence, capital is the lifeblood of the mounting venture. No financing entity will survive without making loans (Michael, Rowe and Hoy, 2005). Nonetheless, direct lending between friends, family and neighbours has existed since before formal banks, legal agreements and even currencies. These loans were often small and much likes today’s “Microfinance” which relied on relationships of trust between individuals, or social capital. Today, formal banks play a large role in financial intermediation, which has allowed for scale transparency and efficiency, but has failed to meet the needs of the poor (Powers; Magnoni and Knapp, 2008). For that reason, the birth of the microfinance industry stems from this need to provide even the smallest businesses with sources of financing (Powers; Magnoni and Knapp, 2008).

Nonetheless, microfinance is distinct from angel investors and venture capital (Michael, Rowe and Hoy, 2005). However, achieving economic and social development is greatly facilitated
through access to savings, investment, credit and insurance (UN Advisors Group on Inclusive Financial Sectors, 2008).

It was stressed further that access to well-functioning financial sector offering a variety of financial products and services can directly provide the tools needed to protect, diversify and increase one's sources of income. Such access thus their own economic decisions that can provide a path out of poverty. Despite the broad consensus of the importance of financial access as a poverty alleviation tool, it is estimated that between two and three billion people around the world have no access to financial services. Consequently, the majority of the population in developing countries does not have access to formal financial services. The situation is particularly dire in the least developed countries especially Ghana, where more than 90% of the population is excluded from the financial system (UN Advisors Group on Inclusive Financial Sectors, 2008).

It is accordingly estimated that more than 200 commercial banks and other financial institutions are now engaged in the provision of financial services to the poor. However, there is still significant gap in the demand and supply of financial services.

Nevertheless Microfinance is a complex subject which means different things to different people. According to International Organization of Employers (2006), is the provision- on a sustainable basis of financial services to those that have difficulties in accessing the financial market. It was said that Microfinance and Microcredit are often used interchangeably, they are however; elements such as loans, savings, leasing guarantees, insurance, transfer services and other financial services and products targeted at low income clients.

Similarly, Annan (2005), defined Microfinance as the financial services provided to low-income people, usually to help support self-employment. The financial services include: small loans, savings plans, insurance, payment transfers and other services that are provided in small increments that low-income individuals can afford. These services help families to start and build "micro" enterprises, the very small businesses that are important sources of employment, income, and economic vitality in developing countries worldwide that help them escape poverty.
To discuss the ideas presented above by the two authors, the researcher would say that the explanations of the two definitions are clear, concisely and factual and reflect similar thoughts but presented in different ways. However, the main focus was geared toward the provision of financial facility to the poor for their empowerment and the consequence in poverty reduction. In addition, the researcher supports both ideas and adds to it that microfinance empowers the poor, through the promotion of enterprise development.

To conclude therefore, microfinance can only be regarded as a tool for poverty reduction only when it is readily accessible and it is used only for its intended purpose and as well managed and utilized.

2.1.3.2: Evolution and theories of Microfinance in the Developed and Developing Countries

The concept of microfinance is not new. Savings and credit groups that have operated for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "cheetu" in Sri Lanka, "tontines" in West Africa, "pasanaku" in Bolivia, and numerous savings clubs and burial societies found all over the world. Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions (CGAP, 2006).

The Irish Loan Fund system was one of the earlier and longer-lived micro credit organizations which was providing small loans to rural poor with no collateral and was initiated in the early 1700s by Jonathan Swift. Swift’s idea began slowly but by the 1840s had become a widespread institution of about 300 funds all over Ireland. Their principal purpose was making small loans with interest for short periods (CGAP, 2006).

In the 1800s, various types of larger and more formal savings and credit institutions began to emerge in Europe, organized primarily among the rural and urban poor. These institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives. The concept of the credit union was developed by Friedrich Wilhelm Raiffeisen and his supporters. Their altruistic action was motivated by concern to assist the rural population to break out of their
dependence on moneylenders and to improve their welfare. From 1870, the unions expanded rapidly over a large sector of the Rhine Province and other regions of the German States. The cooperative movement quickly spread to other countries in Europe and North America, and eventually, supported by the cooperative movement in developed countries and donors, also in developing countries (CGAP, 2006).

The concept of Microfinance in Western Europe traces its root from various partly parallel developments. Due to the growing numbers of unemployment, various countries and regions established loan funds in order to fight the unemployment (Evers and Jung, 2007). Some of the funds include; Fonds de Participation in Belgium, the investing social help of the social services department in Kassel (Germany) and the Prince’s Trust in the UK. It was however, emphasized that many of these initiatives were badly managed and they lost huge parts of their loan capital due to high default rates. Nonetheless the successful ones are still in existence and their success was attributed to the fact that they relied on foreign microfinance expertise to improve their lending technologies. This was inspired by the success of microfinance in developing and transition countries, which several individuals became dedicated to the subject which worked to transfer the ideas of microfinance to Western European countries. Nevertheless, microfinance has not been easy transferring to western European context and many efforts failed due to distinctive attitude and expectations of donors, the failure of the market and the significant differences in the environment (Evers and Jung, 2007).

Also, in the last five to six years a real boom of the sector has led to the establishment and/or entrance of many new institutions and actors into the market. Banks have now become actively involved in the sector. So far, private commercial banks have not become directly involved. A direct and business-driven involvement of commercial bank is however still missing (Evers and Jung, 2007). Furthermore, the evolution of microfinance in developing and transition countries is closely linked to the paradigm change from “financing development” to “developing financing” in development cooperation (Evers and Jung, 2007).

Beginning in the 1970s experimental programmes in Bangladesh, Brazil and other countries started to disburse tiny loans to economically active groups of poor women to invest in micro-
This type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. These "microenterprise lending" programs had an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced savings schemes) targeting very poor (often women) borrowers (CGAP, 2006). Experiments included micro-enterprise credit programmes and financial institutions organized on a self-help basis. Now, many microfinance institutions, whose origins were social are becoming more professional and sustainable and in some cases, even profitable. Many of these institutions are now seeking commercial funding. At the same time, commercial institutions are also beginning to get involved in providing financial services to poorer clients (Evers and Jung, 2007).

Through the 1980s, the policy of targeted, subsidized rural credit came under a slow but increasing attack as evidence mounted of the disappointing performance of directed credit programs, especially poor loan recovery, high administrative costs, agricultural development bank insolvency, and accrual of a disproportionate share of the benefits of subsidized credit to larger farmers. The basic tenets underlying the traditional directed credit approach were debunked and supplanted by a new school of thought called the "financial systems approach", which viewed credit not as a productive input necessary for agricultural development but as just one type of financial service that should be freely priced to guarantee its permanent supply and eliminate rationing (CGAP, 2006).

In Indonesia, the Indonesian People's Credit Banks or The Bank Perkreditan Rakyat (BPR) opened in 1895 became the largest microfinance system with close to 9000 units. In early 1900s, various adaptations of these models began to appear in parts of rural Latin America. While the goal of such rural finance interventions was usually defined in terms of modernizing the agricultural sector, they had two specific objectives: increased commercialization of the rural sector, by mobilizing "idle" savings and increasing investment through credit, and reducing oppressive feudal relations that were enforced through indebtedness. In most cases, these new banks for the poor were not owned by the poor themselves, as they had been in Europe, but by government agencies or private banks. Over the years, these institutions became inefficient and at times, abusive (CGAP, 2006).
Between the 1950s and 1970s, governments and donors focused on providing agricultural credit to small and marginal farmers, in hopes of raising productivity and incomes. The efforts to expand access to agricultural credit emphasized supply-led government interventions in the form of targeted credit through state-owned development finance institutions, or farmers' cooperatives in some cases, that received concessional loans and on-lent to customers at below-market interest rates. These subsidized schemes were rarely successful (CGAP, 2006).

Additionally, the concept of microfinance is not new in Ghana. There has always been the tradition of people saving and/or taking small loans from individuals and groups within the context of self-help to start businesses or farming ventures. For example, available evidence suggests that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries. However, Susu, which is one of the microfinance schemes in Ghana, is thought to have originated from Nigeria and spread to Ghana in the early twentieth century. Over the years, the microfinance sector has thrived and evolved into its current state due to various financial sector policies and programmes undertaken by different governments since independence (Asiama and Osei, 2007).

The financial systems school held that the emphasis on interest rate ceilings and credit subsidies retarded the development of financial intermediaries, discouraged intermediation between savers and investors and benefited larger scale producers more than small scale, low-income producers. Meanwhile, microcredit programs throughout the world improved upon the original methodologies and defied conventional wisdom about financing the poor. First, they showed that poor people, especially women, had excellent repayment rates among the better programs, rates that were better than the formal financial sectors of most developing countries. Second, the poor were willing and able to pay interest rates that allowed microfinance institutions (MFIs) to cover their costs. These two features - high repayment and cost-recovery interest rates - permitted some MFIs to achieve long-term sustainability and reach large numbers of clients (CGAP, 2006).

The 1990s saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. The microfinance sector blossomed in many countries, leading to multiple financial services firms serving the needs of micro entrepreneurs and poor households. These gains,
however, tended to concentrate in urban and densely populated rural areas. It was not until the mid-1990s that the term "microcredit" began to be replaced by a new term that included not only credit, but also savings and other financial services (CGAP, 2006).

"Microfinance" emerged as the term of choice to refer to a range of financial services to the poor, that included not only credit, but also savings and other services such as insurance and money transfers (CGAP, 2006). Today, practitioners and donors are increasingly focusing on expanded financial services to the poor in frontier markets and on the integration of microfinance in financial systems development. The recent introduction by some donors of the financial systems approach in microfinance which emphasizes favorable policy environment and institution-building has improved the overall effectiveness of microfinance interventions. But numerous challenges remain, especially in rural and agricultural finance and other frontier markets (CGAP, 2006).

Today, the microfinance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty. This means viewing microfinance as an essential element in any country's financial system (CGAP, 2006).

2.1.3.3: Types of Microfinance Institutions (MFIs) in Ghana

2.1.3.3.1: Introduction

Microfinance institutions offer financial services to underserved, impoverished communities. Institutional microfinance includes microfinance services provided by formal, semiformal and informal institutions. These institutions are those whose major business is the provision of microfinance services (Dewey, 2008).

Again, microfinance institutions (MFIs) in Sub-Saharan Africa include a broad range of diverse and geographically dispersed institutions that offer financial services to low-income clients. Non-governmental organizations (NGOs), Non-Bank financial Institutions, Cooperatives, Rural Banks, Savings and Postal Financial institutions and an increasing number of commercial banks, appears to serve the broad financial needs of their clients (Lafourca, Isern, Mwangi and Brown, 2005).
2.1.3.3.2: Types of Microfinance Institutions

Several Authors have contended that Microfinance has been supplied from three broad main sources and these include; formal, semi-formal and informal. (Lafourca, Isern, Mwangi and Brown, 2005; Asiama and Osei, 2007; Amit, Neeraj and Warriar, 2007; ADB, 2008).

The formal financial sector in Ghana includes the Traditional Commercial Banks, Rural and Community Banks and other financial institutions such as the Savings and Loans Companies whose operations are registered, licensed and regulated by the Bank of Ghana (Asiama and Osei, 2007). Therefore, the involvement of formal sources in microfinance has increased during the last two decades. This greater involvement has stemmed from the expansion of the scope of formal institutions into microfinance through downscaling and establishment of linkage programs with semiformal sources of different types; the emergence of new formal institutions focused on microfinance, such as the World bank, ARB Apex Bank; reforms of state-owned financial institutions such as Social investment fund; and the introduction of new microfinance programs by the governments through nonfinancial institutions. However, the formal operations concentrate mostly on providing credit facilities, and savings mobilization which is yet to receive adequate attention, with few exceptions (ADB, 2009).

The second source is the Semi-Formal institutions. These are institutions which are formally registered but not licensed/regulated by Bank of Ghana such as the Credit Unions, Cooperatives Susu Collectors Association, Ghana Cooperative Council and Association of Financial Non-Governmental Organizations and they constitute the key stakeholders of the Microfinance Sub-sector in Ghana (Asiama and Osei, 2007).

The third source is the informal institutions. These are the financial sectors whose service providers are usually not registered and unregulated by the Bank of Ghana and rarely involve legal documentation. The segment includes Money lenders, Susu clubs, Rotating Savings and Credit Associations (ROSCAs) (Asiama and Osei, 2007).
2.1.3.5: Policy/Legal/Regulatory Framework of Microfinance

2.1.3.5.1: Introduction

The integration of microfinance in the financial sector requires an overall strategy that takes into account the policy, regulatory and legal framework of the financial sector as well as the state of development of the microfinance industry. In broad sense, the financial system can be conceived as the totality of the financial institutions, market and instruments as well as the legal, financial policy and institutional framework. Therefore, the governments and the central bank play a critical role in enabling institutions, markets and instruments to flourish by creating the various elements of a complex framework (Stefan, Michael and Hannig, 2004).

2.1.3.5.2: Policy framework of microfinance

Since more than 3/4th of the population of Ghana lives under $2 a day, microfinance is probably the most appropriate way to provide financial services to majority of Ghana’s population. It’s not surprising therefore that present government perceives microfinance to be central to achieving the greater goal of poverty alleviation. Through microfinance the government aims to provide poor entrepreneurs, especially those in the informal sector, with greater access to customized financial services. First systematic effort to restructure the rural banking sector was with initiation of the International Development Association (IDA) finance project which continued from 1989-1995. This project, which was implemented by the Bank of Ghana, initiated institutional reforms in the rural banking sector and provided a line of credit to the eligible rural banks. Presently, the rural financial Services Project (RFSP), which has an estimated outlay of US$22.96 million and spans from 2001 to 2006, is been implemented by the BOG. The project aims at providing a coherent framework for rural economic transformation and growth. It aims to broaden and deepen financial intermediation in the transformation of rural areas through effective operating. The project has the following objectives: Capacity building of the informal Financial Sector.

This component aims to strengthen operational linkages between informal and semi-formal micro-finance institutions and the formal network of rural and community banks to enable them to expand services to a large number of rural clients; Capacity Building of Rural and Community Banks through restructuring weak rural banks and strengthen their operational effectiveness; strengthen their internal control systems including provision of new information technologies, logistics and training of key staff and developing; Establishment of ARB Apex Bank for the rural
banking system to harness economies of scale needed by the rural banks to become competitive and strengthening the institutional and policy framework for improved oversight of the rural finance sector (Amit, Neeraj and Warriar, 2007).

Ghana is also developing a National strategic Framework to remove impediments to improving delivery of financial services to the micro and small enterprises. The framework aims at fostering delivery a fully integrated financial sector supported by a reliable regulatory system and that offers a broad range of informal sectors, on a sustainable basis. The objective is to establish a decentralized and sustainable microfinance system, prudentially regulated with close linkages with the formal financial sector and an effective outreach to the poor (Amit, Neeraj and Warriar, 2007).

Also, the government has recently constituted the National Microfinance Center (NAMFIC), to facilitate administration of government and donor credit funds and to coordinate the efforts of microfinance practitioners and stakeholders. The government is strengthening GHAMFIN to provide financial and managerial capacity building services to MFI networks and services providers (Amit, Neeraj and Warriar, 2007).

2.1.3.5.3 Regulatory and legal framework of microfinance

Various regulatory returns including monthly statement of assets and liabilities and loan portfolio quality monitoring have been prescribed and are being monitored by the bank of Ghana (UN Advisor Group, 2008).

The bank of Ghana is the Regulatory body of all microfinance institutions in Ghana. It regulates the banking and non-banking financial sub-sectors. The legal framework governing the central bank were revised vide the Bank of Ghana Act, 2002, giving enhanced autonomy to BOG in framing monetary policy, regulation and supervision of banking and nonfinancial institutions (Amit, Neeraj and Warriar, 2007). The financial institutions (non Banking) Law, 1993 and the rules framed under the Act are applicable to savings and Loan Companies. Ghana has so far not established a separate framework to cater to the regulatory requirements of the microfinance sector (Amit, Neeraj and Warriar, 2007). BOG has prescribed a minimum startup capital requirement for various types of regulated financial institutions.
The current requirements for institutions that can offer microfinance services are;

- Local commercial Banks must have a minimum capital of 70 Billion Cedis of which 60% should be from resident Ghanaians.
- Foreign Banks must have a capital of 70 billion Cedis with a minimum of 60% being subscribed in convertible currency.
- A development Bank is required to have a capital of 70 billion Cedis.
- Rural Banks are required to have a capital of 500 million cedis of which corporate bodies should own at least 50% and individual 20%.
- Savings and Loan companies should have a capital base of 15billion Cedis, and if it is a foreign savings and loan then 60% of the capital should be in the form of convertible currency (Amit, Neeraj and Warriar, 2007:15).

The liquidity requirements for banks and other deposit taking commercial institutions are laid down by Bank of Ghana. They need to maintain a primary reserve in form of cash deposits with Bank of Ghana and a secondary reserve in form of investments of government securities and treasury bills.

In 2002, the liquidity requirements for the rural banks were 62%, to enable them to benefit from the high yields on sovereign securities and improve their financials, this has subsequently been brought down to the current level of 8% in form of primary reserves plus 5% deposit with ARB Apex and a 30% secondary reserve. Thus, rural banks currently need to have 43% of their assets in form of liquid assets.

The current requirements stipulate that a bank’s capital should be at least 6% of its risky assets. The primary or Tier one capital (equity and free reserves) should constitute at least 50% of the total capital adequacy requirement, Subordinated debt component in the secondary capital should not exceed 50% of the total secondary or tier two capitals.

Banking and financial institutions regulations lay down provisioning requirements and rules for minimum disclosure. Audit guidelines and form for Long Form Audit Report to be submitted by the auditors have been prescribed. Banks are required to submit their Balance sheet and profit and loss Accounts to Bank of Ghana within three months from date of closing (31st December). Accounts are also required to be published in a leading daily newspaper (Amit, Neeraj and Warriar, 2007).
Other Regulators include the following:

ARB Apex Rural Bank: It's a regulatory body which looks after the clearing and settlements, specie and treasury management needs of the rural banks.

Credit Union Association (CUA): This serves as a self-regulatory apex body for the Credit unions.

Ghana Cooperative Susu Collectors Association (GCSCA): This a regulatory body that imposes barriers to entry as well as providing services to members.

GHAMFIN: This is another regulatory body designed to contribute to a mechanism for supporting sustainable grass root institutions that provide financial services to the poor (Amit, Neeraj and Warriar, 2007).

In discussion, it was realized and noted however that the sole regulatory body of the financial institutions in Ghana is the central bank. It was further indicated that there exist other supporting bodies who for see other minute activities concerning legal and regulations at the grassroots levels. In other literatures, read but not presented indicated similar ideas that the central bank of every country is the regulatory body of the financial institutions. For instance, it was stated in (Stefan, Michael and Hannig, 2004), that in Indonesia, the central bank of Indonesia controls and regulates the monitory and financial institutions in the country.

In the researcher’s view, the sovereignty of legal and regulatory activities vested in the central government or the bank of Ghana is a good idea and the researcher supports the view. This is so because when such activity is left in the hands of the private financial operators, it may lead to complications as to how other financial sectors will enter the market, especially those with the sole intention of providing financial means to the voiceless (small and medium-sized enterprises).

I therefore conclude by saying that the government been the sole regulatory body is good, but there should be a kind of flexibility in the system to encourage new entrants, which will help solve the “missing gap” and this will promote competition.
2.1.3.6: Beneficiaries of Microfinance

According to Ruben (2007), targeting women or loaning exclusively to women is another aspect common to successful microfinance models. This is because, women are confirmed to be the best borrowers and repay their loans more faithfully than men. Also, women are more likely than men to faithfully utilize their loans to improve their businesses. Therefore, giving loan exclusively to women helps to empower women in societies, especially places where women do not enjoy the same benefits as men.

UNCDF (2005), also attest to the fact that microfinance benefits women. It was said further that some MFI’s achieve deeper outreach by targeting the client groups that are most vulnerable such as women and or people with very low incomes. It was again added that in 2003, women represented 61% of borrowers among the reporting MFIs in Africa. By comparison, women represent an average of 86% of borrowers among MFIs in south Asia, 80% in Middle East and North Africa (MENA) 76% in East Asia and the Pacific, 60% in Latin America and the Caribbean (LAC) and 58% in east Europe and Central America. Therefore, unregulated MFIs serve the highest percentage of women borrowers. Women represent just over 50% of borrowers from African cooperatives 63% of borrowers from regulated MFIs and 69% of borrowers from unregulated MFIs. One explanation for the variation is that unregulated MFS include NGO’s and projects that specially target women.

Also, (CGAP, 2009), argues that typical microfinance clients are poor and low-income people that do not have access to other formal financial institutions. Microfinance clients are usually self-employed, household-based entrepreneurs. Their diverse “microenterprises” include small retail shops, street vending, artisanal manufacture, and service provision. In rural areas, micro entrepreneurs often have small income-generating activities such as food processing and trade. Asiama and Osei, (2007), said the end users of microfinance services are the economically active poor who are clients of microfinance products and services in which most of them are women.

In discussion however, the researcher supports the authors and concur to the fact that microfinance benefit the economically active poor who are mostly women. The reason for the support is however that woman are the most marginalized and vulnerable group in society, so empowering them by providing microfinance services will help improve their social status.
To conclude however, providing microfinance exclusively to women will make them have self confidence and self esteem which will help to reduce vulnerability and marginalization and in turn, reduces poverty.

2.1.3.7: Role of Microfinance in reducing poverty
Access to financial services plays a vital, though complementary role in eradicating poverty. Financial services to the poor encourage self employment, decision making and sustainable growth, allowing beneficiaries to fulfill their personal and professional goals (Zabaleta, cited in Islam, 2006). It also facilitates asset building (Miller cited in Islam, 2006). Direct impact of access to financial services address income poverty and increased incomes which is instrumental to finance for human capital (health, education, physical infrastructure including drinking water and sanitation) which gradually creates an enabling environment to address human poverty (Otti: cited in Islam, 2006). It is an acclaimed fact that financial services to the poor broadly provide the necessary financial capital, information and mechanisms for growth of MSMEs. It is also a source of credit and insurance, an avenue for savings, investment and trade (Lweya: cited in Islam, 2006). More so, access to financial services builds a sense of self esteem and trust (Velasco cited in Islam, 2006).

On the contrary view however, Davignon; cited in Islam (2006) said extending financial services to the poor does not necessarily play a positive role in eradicating poverty, as it may lead to accrued indebtedness. It was stressed that it turns out to be traps rather than solutions. However, extending access of financial services to the poor plays a significant role in alleviating poverty. It was further said that those who want and need financial services will consider financial services if the access is easy and if they are properly informed.

In conclusion, microfinance will succeed in eradicating poverty only if it brings new choices to the poor, through accrued accessibility.

In discussion however, the researcher support the arguments put forward by all the authors especially, Davignon. Even though, researchers have argue that microfinance is a poverty alleviation tool, since it empowers the poor and the vulnerable especially women to have employments, cater for health and education needs, among others, which are the indicators of
poverty. But tackling poverty with microfinance means, it should be readily accessible as indicated by Davignon.

In conclusion therefore, all the positive attributes of microfinance mentioned above can be achieved only if it becomes easily accessible.

2.2.0: Enterprise Development

2.2.1: Introduction

The process of changes from "bright stars" to "shooting stars" in many enterprises, large or middle, domestic or foreign, allows for the recognition of the importance of solving the mystery of how the business keeping evergreen. (Internal Journal of Business Management, Canadian Center of Science and Education). European Commission, 2009, defined enterprise as any entity engaged in an economic activity. Therefore, the entrepreneurial effort of starting up or the managerial effort of reaching for a higher level of excellence is enterprise development.

2.2.2: Typology of Enterprises

According to European Commission, 2007, the new definition of SME clarifies the typology of enterprises. Therefore, UNIDO's: cited in Kyanula and Quartey (2000), definitions of enterprises for Developing Countries indicates that four main types of enterprises can be distinguished and they include; Large scale which is defined as a firm with 100+ employees, Medium scale with 20 - 99 employees; Small-scale with 5 - 19 workers and Micro enterprises which has less than 5 workers. However, there is no single, uniformly acceptable, definition of large, medium, small and micro enterprises (Storey, 1994: cited in Kyanula and Quartey 2000). Therefore, firms differ in their levels of capitalization, sales and employment. Hence, definitions which employ measures of size (number of employees, turnover, profitability, net worth, etc.) when applied to one sector could lead to all firms being classified as such. While the same size definition when applied to a different sector could lead to a different result.

In discussion, the researcher agrees with the view that enterprises are entities engaged in an economic activity and the entrepreneurial effort of starting up or the managerial effort of reaching for a higher level of excellence is an enterprise development. More so, the researcher
supports the fact that enterprises can be classified into micro, small, medium and large scales. The reasons are that any activity that brings about an economic gain is an enterprise. Since enterprises are series of interconnected activities that go into enterprising and once it brings about an economic gain it has every right to be considered as an enterprise. Also, the fact that enterprises can be seen as micro, small, medium and large is in the right direction. This is because someone can set up something with any capital in order to earn a living. The mere fact that the person had the idea to start-up something which earns him/her profit is an activity since there is an economic gain which can be term as an enterprise. Again, the process to which the enterprises is set up and managed to make profit is a way that has developed the enterprise, so enterprise development. Also two or more people can come together to form an enterprise. The size, geographical location and capital base will determine the sort of the enterprise.

On the contrary, the definitions given to the enterprises based on the number of employees are not supported, since the researcher thinks that the geographical location of the enterprise should also be considered.

In conclusion therefore, any activity which brings about an economic gain is seen as an enterprise and the processes involved in the activity is an enterprise development. More so, definitions of the type of enterprises should be considered by looking at; geographical location, activities, capital, employees and profit margins. Otherwise wrong assumptions could be made.

2.2.3: Enterprise development strategies

2.2.3.1: Introduction

Small and medium scale enterprises promotion has been pushed to the forefront of development strategies in recent years. It is now considered a mainstream strategy for promoting not just economic but also social development. SMEs are viewed as means of generating wealth and creating employment (Arghiros and Moller, 2000). Most countries are, undergoing reforms that are opening their economies to greater international competition. Nevertheless, domestic factor markets are not adequately developed to ensure the successful adaptation of SMEs to this new competitive environment. Unlike larger firms, which can easily absorb the transaction costs, SMEs are at disadvantage and require specific compensatory assistance (SDS/MSM, 2007).
It is in this regard that the government of Ghana (GOG) wants to achieve a golden age of business by strengthening the market (GOG, 2003).

2.2.3.2: Enterprise development strategies in Ghana

The Strategy is designed to take forward progress towards achieving a **Golden Age of Business**. In a free market economy such as Ghana’s, businesses grow, develop and become competitive through markets. These markets include labour, land, multi-nationals and an open-air market for informal traders. Markets are where and how private sector development takes place. The Government of Ghana’s Private Sector Development Strategy is about making the market system for the private sector work better. The Strategy sets out a course to facilitate private sector development by looking at the position, directions and processes (GOG, 2003).

**Position: Weak and undeveloped private sector:** The Ghanaian economy is weak and underdeveloped because it relies on traditional agricultural and mineral commodities (mainly cocoa, gold and timber), which are subject to fierce international competition. Nonetheless, there has been limited diversification into manufactured goods and traded services, or movement to adding value to primary products. Ghana has low levels of productivity, investment, technology and innovation. It is notable however that most firms are micro, small and medium enterprises and much private sector activity takes place informally or semi-informally (GOG, 2003).

**Poorly functioning markets:** Secondly, the market system in Ghana is currently malfunctioning. International and regional competitiveness benchmarking makes it clear that Ghana has a long way to go to develop the kind of markets in which the private sector can thrive and become competitive and the reason for the mal-functioning of the markets are identified to include; weaknesses in the financial sector; underdeveloped infrastructure including utility connections and services; weak public service including problems with corruption and unpredictable administration; poor systems for business registration; limited access to timely and effective commercial dispute resolution; and limited access to land due to problems with property titling; Weak; inefficient administration, leading to the imposition of undue cost which result to time, money, risk and inefficiency for individual businesses (GOG, 2003).
The directions: Ghana’s endowment-based comparative advantage lies in traditional agricultural and mineral commodities. New areas into which Ghana may be able to profitably diversify have been identified as non-traditional agricultural exports; agro-processing; tourism; e-commerce; and low-skill manufacturing (especially garments and textiles). The government wants to undertake broad-based pro-market reforms in order to create an enabling environment for all businesses to operate competitively, to have incentive to take risks, innovate and diversify. The Government will also facilitate the free and fair operation of markets, by enhancing access to new entrants, reducing distortions and inefficiencies, and reducing the risks and costs of doing business in Ghana (GOG, 2003).

The processes/strategies: Four Strategic Outputs have been developed to achieve the private sector development and they are as follows:

**position in global and regional markets to be enhanced:** Government will undertake pro-market activities to enhance Ghana’s international competitiveness by developing a fully-fledged Trade Policy to promote the integration of Ghana into global and regional markets – including reducing tariff and nontariff barriers to trade; Enhancing quality standards by undertaking a fundamental review of existing institutions tasked to provide quality standards services to the private sector; undertaking a “best practice” review of the provision of laboratories for quality standards and providing technical assistance to enable laboratories in Ghana to attain international accreditation; attracting investment by undertaking measures at the national level to improve the investment; Undertaking sector-specific measures for strategic exports and focusing initially on the Presidential Special Initiative areas (GOG, 2003).

**Efficiency and accessibility of national markets to be improved:** Here, Government will undertake broad-based measures to improve the efficiency and accessibility of national markets in respect of three key areas – the macroeconomic environment; the financial sector and infrastructure development. The Government will continue with activities under existing processes and strategies, but will take measures to ensure that private sector concerns are mainstreamed in the implementation, monitoring and evaluation. In addition, three “gaps” areas and the appropriateness to take forward activities under this Strategy have been identified. These
include public sector reform; contract enforcement/debt recovery; and land/property rights. Key activities in relation to these three areas are:-

**Public sector reform:** Developing pro-private sector tools within the developing “retooled” Public Sector Reform Programme including: pro-private sector culture change training programmes for public servants; regulatory impact assessments to ensure regulatory burdens on private sector are appropriate and proportionate; and pro Departments and Agencies (MDAs); Rationalizing the MDAs involvement in private sector development; improving the service delivery of the CEPS and the IRS; undertaking a fundamental review of tax policy and administration in relation to micro and small enterprises - especially those operating in the semi-formal basis; conducting a fundamental review of the business-licensing and registration regime in Ghana in the light of international best practice, including a review of delivery mechanisms, with a view to ensuring that they are customer-focused and provided on a cost-recovery basis.

**Contract enforcement / debt recovery:** Enhancing access to justice for businesses–especially micro and small businesses and considering the scope for enhancing alternative dispute resolution within the context of the developing Justice Sector Reform Programme.

**Land system and property rights:** Reforming land administration by reviewing the Land Administration Project in the light of the importance of property rights to micro, small and medium-sized enterprises (GOG, 2003).

**Competence and capacity at the firm level to be increased:** The Government will enhance the competence and capacity of firms by - Developing and implementing an action plan to phase-out provision of subsidized finance to firms; developing a “best practice framework” against which firm level initiatives may be judged (GOG, 2003).

**Government’s private sector policy formulation, implementation, monitoring and evaluation will be strengthened:** The Government will enhance its capacity to make effective pro-private sector and premarket decisions by - developing a Private Sector development Policy Template to assist to assess proposed pro-private sector initiatives in the light of their benefits; costs; value for money and risks; developing and implementing a training programme for key decision
makers and policy formulators in major sector ministries on the role of the private sector in Ghana (GOG, 2003).

In discussions, the researcher agrees to the fact that the private sector in Ghana is in a bad position, especially in terms of market structures; therefore, there is the need to reposition the market by embarking on the proposed strategies given above.

In conclusion however, when the strategies are properly implemented as stated above, then the private sector would be developed especially in relation to all aspect of market. Either being it financial, global or domestic.

2.2.4: Introduction/Meaning of SMEs

According to AKDN 2008, Small and medium enterprises (SMEs) are often referred to as the “missing middle” in developing country economies. While individual microenterprises help to sustain and support the core livelihoods of families and households and are central to the alleviation of poverty, SME activity is at the heart of growth and employment creation. Despite their importance to economic growth and employment, many SMEs find it extremely difficult to access financial services, specifically, loans that fit their needs.

Microfinance institutions usually limit the size of loans they offer and have rigid repayment conditions not suitable for SME business activities. Many SMEs are either too small or have insufficient collateral or credit histories to be able to secure loans and financing from commercial banks in developing countries. They are thus caught in a gap between the growing supply of finance for microcredit and the market for conventional business financing (AKDN, 2008).

Nonetheless, the SMEs nomenclature is use to mean small and medium enterprises. It is sometimes referred to micro, small and medium enterprises (MSMEs). The SME sector covers non-farm economic activities mainly manufacturing, mining, commerce and services. However, there is no universal definition of SMEs. Different countries use different measures and size depending on their level of development. The commonly yardsticks are number of employees, investment and sales turnover.
In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting to Tsh 5.0 million. Small enterprises are mostly formalized undertakings engaging between 5-49 employees or with capital investment from 5.0 million to 200 million Tshs.

Medium enterprises employs between 50 to 99 people or use capital investment from 200 million to 800 million TSH (Ngasongwa, 2002).

Also, Micro, small and medium-sized enterprises are defined according to their staff headcount and turnover or annual balance-sheet total.

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. Small enterprises are defined as enterprises which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

A microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million (European Commission, 2007).

In discussion, the researcher wires the idea that SMEs have no single definition and that every country has her own definition. The reason for the support is that some countries are developed than others so if a single definition is devise to be followed by all countries, and then it will create a big problem. This is so because, a medium scale enterprise in the United State can be categorized as a micro enterprise in some part of Ghana.

In conclusion, the definition of SMEs should be defined in relation to the geographical location, capital base, profit margins as well as the number of employees. In this research, the researcher considered SMEs to mean any enterprise that employs one or more people with some amount of capital and is able to make profit or break even. The definition took into consideration the geographical location of the study area and the level of development of the informal sector in the area.
2.2.5: Policy/legal/regulatory framework of SMEs

2.2.5.1: Introduction
Deficiently conceived, SME promotion strategies are equally to hold responsible. The extent at which the state regulates, support or inhibits SME growth requires a delicate balance: Overly protective SME development policies have proved ineffective in promoting a robust and dynamic SME sector. The outcome of such policies is small-scale sector with low productivity, insufficient opportunities for dynamic growth powerful vested interest (Matfobhi, 2001).

A legal and regulatory environment system that calls for complex registration and licensing requirements and demand tedious and costly reprinting practices imposes heavy cost on SMEs. By contrast, larger firms benefit from “administrative economies of scale” and often pass the burden of compliance requirements down their supply chains to SMEs (Matfobhi, 2001).

In such an environment, informal sector enterprises are discouraged from entering the formal sector, and in more extreme cases, formal sector enterprises are induced to “deformalize” their activities. As firms grow and become more “visible” their options for regulatory avoidance decreases, suggesting that there exists a theoretical break point in the cost of compliance (Matfobhi, 2001).

2.2.5.1: SME policy framework
The SME sector has been the subject of numerous policy pronouncements, although the extent to which these have translated into SME development strategies varies between countries (Matfobhi, 2001). As it would be expected, every country has its own approach to the definition of micro, small, and medium-sized enterprises. The very attempt to differentiate enterprises by size suggests an awareness of the part of policy makers that in order to help those enterprises in need of assistance, policies and initiatives should be designed to apply to specific categories of enterprises (Matfobhi, 2001).

Small enterprise development policies are generally described in the broadest terms. On the whole, the governments, in line with current economic, emphasize the creation of an enabling environment by instituting market-oriented reforms, the facilitation of foreign direct investment (FDI) and export promotion (Matfobhi, 2001).
2.2.5.2: Legal and regulatory framework of SMEs

Statutory requirements for setting up businesses vary among countries, from strict to non-existent. In Burkina Faso and Samoa, obtaining a business license is a protracted process. Labour regulations are quite strict and wide-ranging in Burkina Faso. This applies to all enterprises, and it represents a major constraint on the competitiveness and expansion of smaller enterprises. Hence, many SMEs do not comply with these regulations, but in opting out, they "deformalize" their operations (Matfobhi, 2001).

Also, the tax regime in Tanzania is unfavorable for SMEs development. Thus taxes are many, rather high and collected by various authorities. Furthermore, entrepreneurs are ignorant of tax matters and the cost of complying with tax regulations is considered high. Whereas taxation of businesses is a necessity for national economic development, the present tax regime imposes a major burden on SMEs (Ngasongwa, 2002).

By contrast, since 1992, a license is no longer required for the establishment or expansion of a business in Nepal, although all Enterprises are required to be registered. The SMEs are theoretically better off as a result of the introduction of a system of self-assessment; however, in reality, tax officers often view their self-assessed submissions with suspicion, leading these enterprises to experience long delays and incur additional costs in pursuit of tax clearance (Matfobhi, 2001).

In discussion, the fact that governments are creating an enabling environment by instituting market-oriented reforms, facilitation of foreign direct investment (FDI) and export promotion is good and is supported by the researcher. This is so because SMEs in the world face difficulties in accessing the markets. Either being it global or domestic, more particularly the financial markets. So when structures are put in place to enable SMEs to access the market easily, it is a good policy and it will promote the development of SMEs. Also, the researcher wires the idea that there exist difficulties of business licensing, registration and taxation worldwide. In Ghana the case is worse; the legal and regulatory framework is bureaucratic, costly and protracted. These legal and regulatory environments affect businesses adversely. However, SMEs are further
constrained in this environment than larger firms due to the disproportionately costs of compliance.

In conclusion therefore, as a result most informal enterprises have failed to formalize and micro enterprises have been unable to grow and graduate into Small and Medium Enterprises. However, there is the need for restructuring.

2.2.6: SMEs Supports and Development systems.

2.2.6.0: Introduction

Most businesses in Ghana fall within the informal sectors of the economy, and with an employment capacity of about 70% of the labour force. They range from farming activities, agribusinesses, light manufacturing, art and craft, textiles and garments, tourism, financial services, construction business, carpentry, just to mention a few. But due to lack of adequate attention and support, the growth of these sectors has suffered a great deal over the past decades, resulting in the shifting of focus from entrepreneurship to a proliferation of petty trading nationwide (World Bank, 2006).

2.2.6.1: SMEs Supports and Development systems

The SMEs support and development strategies embarked in Ghana include the following: It was realized that the World Bank is supporting the implementation of Ghana’s MSME Project which forms part of a broader poverty reduction and private sector development strategies of the country.

The Project, therefore, aims to invigorate entrepreneurial activities at all levels, thereby promoting growth, employment generation and reducing poverty levels. It was further realized that it will also seek to build an integrated market access and trade facilitation infrastructure while proactively inculcating competitiveness among enterprises (World Bank, 2006). Further, the project is also expected to develop and strengthen, on a sustainable basis, the capacity of local intermediaries to deliver financial and non-financial services to MSMEs and ensure that MSMEs make productive use of these services.
It was however emphasized that growth and employment in Ghana are directly linked to the growth of MSMEs. The Project comprises of three mutually reinforcing components: Access to Finance- significantly improving small and micro enterprises access to finance, thereby fostering their growth, competitiveness and employment creation. Access to Markets, Trade Facilitation and Entrepreneurship Development - help reduce operational, technical and regulatory barriers to markets. Project support will focus on the development of a market of non-financial services to MSMEs through building sustainable delivery capacities for local service providers and other private sector and trade development support structures (World Bank, 2006).

In discussion, the supports outlined above, when properly embarked on will go a long way to reduce the problems facing the informal sectors, especially the problems with finance and marketing strategies, regulatory bottlenecks and entrepreneurship developments. This will further increase employment opportunities, build capacities and reduce poverty in general.

In conclusion, the idea that the World Bank is supporting Ghana's MSME, which forms part of a broader poverty reduction and private sector development strategies of the country, is fully supported by the researcher since there are a lot to be done in the private sectors of Ghana.

2.2.7: Role of SMEs in poverty reduction

Definitional issues and a paucity of data in some areas make any analysis of SME impacts difficult. For example, the role SMEs play in community development often remains obscured by the informal nature of their actions- a phenomenon that is often called "silent corporate social responsibility" (Medina Muñoz and Medina Muñoz, 2001: cited in Newbery, 2006). However, the presence of SMEs correlates with several economic factors, including the growth of a nation's gross domestic product (GDP) (Newberry, 2006).

AKDN, 2008, added that individual microenterprises help to sustain and support the core livelihoods of families and households and are central to the alleviation of poverty, SME activity is at the heart of growth and employment creation. Additionally, the job creation element of SMEs can enable many poor people to feel more secure, knowing that they have a stable job to go to each day.
2.2.8: Challenges for SME Growth and development

It is clear that a vibrant SME sector can bring great benefits to developing countries (though these impacts are often overlooked due to the SME's "missing middle" status). However, there is a substantial gap between the size of the SME sector in developing and developed countries (IFC, 2006; cited in Newbery, 2006).

Therefore, the gaps include the following: Firstly, SMEs face harsh regulatory and bureaucratic environment that solidify the dominance of large corporations in the formally regulated economy and incentivize entrepreneurs to operate informally, meaning illegally and out of the government's regulatory reach. These prohibitive factors disproportionately affect SMEs because of their limited human and financial resources (Newberry, 2006). In addition to these regulatory issues, SMEs are significantly underfinanced. This is mainly because of the logistical difficulties inherent in lending money to small businesses (Newberry, 2006).

Also, SMEs are considered to be at a greater risk of failure, partially because company directors may have less collective management experience or business expertise than larger companies (OECD, 2006; Cited in Newberry, 2006). Foreign investors often shy away from investing in SMEs because of unfavorable investment climates and the uncertainty of sufficient returns.

Finally, AKDN, 2008, emphasis that many SMEs find it extremely difficult to access financial services, specifically, loans that fit their needs. It was added that Microfinance institutions usually limit the size of loans they offer and have rigid repayment conditions not suitable for SME business activities. Many SMEs are either too small or have insufficient collateral or credit histories to be able to secure loans and financing from commercial banks in developing countries.

In discussion, the researcher supports the views that SMEs play an important role in community development by building the growth of a nation's gross domestic product (GDP), sustaining and supporting the core livelihoods of families and households, central to the alleviation of poverty and employment creation, among others. Beside the under listed roles of SMEs, in nation building, the sector faces numerous challenges, such as poor access to financial services, harsh
regulatory and bureaucratic environment, lack of access to market and managerial skills among others.

In conclusion, in order to inherit the real role of SMEs to community development and nation building, then the challenges facing the sector needs to be adequately dealt with, by putting structures in place.

2.3.0: POVERTY

2.2.1: Introduction/ Meaning
The Word “poverty” is a concept used to define a great deal of economic policy, and, insofar as economic policy fails to have real impacts on people’s lives, then it result to poverty (MacEwan, 2007). It is therefore, estimated that almost half the world population, over 3 billion people lives on less than $2.50 a day. Hence, the GDP (Gross Domestic Product) of 41 Heavily Indebted Poor Countries (567 million people) is less than the wealth of the world’s 7 richest people combined (Shah, 2009). Nonetheless, an estimated number of 28.5% Ghanaians are considered poor with 18.2% classified as extremely poor. “The extremely poor, who live below GH¢0.80 a day, are those who are unable to provide regular quality food for their households or themselves, meet their basic human needs and are trapped in the inter-generational cycle of poverty, which also affects their children” (GNA, 2009:1).

Consequently, the widespread poverty in Ghana is characterized by low quality and quantity of employment opportunities. However, Ghana ranks 131 out of 177 countries listed in the 2004 Human Development Index and her per capita income is about US$ 380 (compared to US$ 450 in 1975). The workforce is growing by about 230,000 annually (NPGDWPP, 2005). Thus, given the lack of opportunities for employment and income generation, almost 40% of the population was living below the poverty line in 1998/99 (GLSS4: cited in NPGDWPP, 2005).

Further, the disproportionately affected are women with the incidence higher amongst them than men and this is across virtually every sector of the economy (NPGDWPP, 2005). This is particularly evident in the two ‘hotspots’ of poverty in Ghana, which is agriculture and the informal economy. After farming, non-farm self-employment in micro, small and medium enterprises has the highest prevalence of poverty. GLSS4; cited in NPGDWPP, 2005 revealed
that of the labour force aged 15 to 64 years, 52% were self-employed in agriculture, 34.3% worked in the informal economy and only 13.7% worked in formal public or private employment. About 29% of all persons whose livelihood depends on it live below the poverty line (NPDWPP, 2005). Therefore, a meaningful long-term alleviation of hunger is rooted in the alleviation of poverty, as poverty leads to hunger and the world hunger is a terrible symptom of world poverty (Shah, 2008). Hence, if efforts are only directed at providing and improving food production or distribution, then the structural root causes of poverty would still remain. While resources and energies are deployed to relieve hunger through technical measures such as improving agriculture and as important as these are, inter-related issues such as political solutions are probably required as well for meaningful and long term hunger alleviation leading to poverty reduction (Shah, 2008).

MacEwan (2007), defined poverty as living on less than $3.20 per day, and extreme poverty is living on less than $1.60 per day.

Similarly, The Word Bank Group (2009), defined Poverty as hunger, lack of shelter, being sick and not being able to see a doctor, not having access to school and not knowing how to read, not having a job, fear for the future, living one day at a time, losing a child to illness which is brought about by unclean water, powerlessness, lack of representation and freedom.

In discussion however, beginning with the introduction, the idea that the author, MacEwan, put forward about poverty as multi-dimensional concept which defines a great deal of economic policies and when that polices fails then leads to poverty, is true and has gotten full support of the researcher. This is because policies are directions which guide the activities of a particular economy. Hence, if that particular economy misses her direction then confusion sets in. This confusion therefore leads to poverty. For instance if a country’s policy is to improve the production of food to feed her growing population and the improvement of health facilities to reduce morbidity and mortality in a given year, but that country failed to achieve those policies, it has missed her direction which has in turn leads to poverty. This is because the plight of the people has not been tackled due to the fact that the policy which was geared towards solving their plight was failed. This explanation turns to support the definition of poverty given by World
Bank group, 2009. Also, the authors NPGDWPP’s, assertion that poverty is unduly amongst women and is characterized by low quality and quantity of employment is true, and that the researcher shares in that view. This is because majority of women are engaged in the agricultural and the non-farm sectors of the economy. Therefore, MacEwan,’s definition of poverty also confirms this assertion, since women are the majority who live on less than $3.20 or $1.60 a day, because they are mostly employed in the informal sectors of the economy.

To conclude however, upon critical analysis and scrutiny of the presentations presented by the two authors, the researcher will then define poverty to mean total deprivation of basic necessities of life, marginalization of people and the poor policy direction of implementations of a particular economy.

2.3.2: Types and Effects of poverty

According to Spagnoli, 2008 poverty has many dimensions which include monetary and non-monetary, absolute and relative, material and psychological. Therefore, one can distinguish between three main types of poverty, which includes, poverty types “A”, “B” and “C”. Consequently, each of the three main categories of poverty identified above has its own effects. Nonetheless the types and its effects are discussed below:

**Poverty “type A”:** The first identified type of poverty is the type “A”, in which its dimensions are monetary and non-monitory. Poverty type “A” is the insufficient resources to meet basic needs, such as nutrition, shelter, health and education (Spagnoli, 2008).

Further, poverty type “A” has its own effects and the consequence of the effect is the insufficiency which result in the following material symptoms: Low income or consumption levels, Low average calorie intake levels, high infant mortality rates, low life expectancy rates, high unemployment rates, Widespread disease, especially curable ones, high risk of famine and high rates of economic migration (Spagnoli,2008).

**Poverty “type B”:** This is the next type of poverty and its dimensions are the absolute and relative. Poverty type “B” is a situation where people compare themselves to others. Mostly to those who are relatively close by and are better off than they do (Spagnoli, 2008).
Furthermore, the effect of poverty type “B” comes as a result of the inequality of income or consumption in which it consequently leads to the following psychological symptoms: feelings of loss of dignity, Low self-esteem, feelings of relative powerlessness, feelings of lack of participation in culture and politics, feelings of discrimination and resentment (Spagnoli, 2008).

Poverty “type C”: This is the last type of the categories of poverty identified and it can otherwise be seen as the material and psychological dimensions of poverty. This kind of poverty is vulnerability which is the actual or perceived risk of future poverty (Spagnoli, 2008).

In addition, the effect of this kind of vulnerability can results in the following psychological symptoms and they include: Fear, stress, feelings of insecurity, irrational precaution measures, Family planning decisions and Migration (Spagnoli, 2008).

In discussion, the author’s assertion that there are three main types of poverty and all the three types have their own effects and that the types have their dimensions, is true and the researcher backs the idea. This is because different authors perceive the categorization of poverty differently. Some use the dimensions to mean the types; others also categorize it by the definition. But this author categorized poverty into three main types and it has been clearly defined and distinguished from each other. Meanwhile, the dimension of each was clearly spelt out. For instance, poverty type ‘A’ was defined as insufficient resources to meet basic needs such as food, education, among others and this insufficient resource can be measured either as monetary or non-monetary. Monetary is the insufficiency of resources and non-monetary is the inability to fulfill your basic necessity of life. The effect of the insufficiency is the low consumption levels, low average calorie intake levels, high infant mortality rates, and high unemployment rates, among others. This makes sense, because if you do not have sufficient funds, how can you afford to take better nutrition or access good health facility? An insufficient resource definitely affects the living standard of people and that leads to poverty which the author terms it as type “A”.

In addition, types “B” and “C” were defined as comparism of people to others and vulnerability respectively. In type “B” which is second identified type of poverty has it extent to be absolute and relative. Meanwhile its effect was mentioned as inequality of income or consumption which
consequently leads to psychological symptoms such as feelings of loss of dignity, low self-esteem, relative powerlessness, lack of participation in culture and politics, discrimination and resentment. Definitely, if people are not content with what they have but continue to compare themselves to people who are better off than they are, then the inequality sets in and the idea gotten here mean that attaining a certain level of income leads to high self esteem, dignity and can participate in culture and politics, among others. This is true because money is power and it makes voiceless have power and confident in society, therefore the researcher is in support of that view.

In type “C”, which means vulnerability and has material and psychological as its dimension, and the effect of the vulnerability leads to fear, stress, feeling of insecurity, among others seems to get the researcher’s backing. This is so because, if you are poor, you become vulnerable in society since you cannot participate even in decision making affecting your own life. When it happens, you become stressful, fearful and feel unsecured.

In conclusion, the author’s idea of categorization of poverty and how it is measured as well as the effect was clearly and well presented and as well gives clear meaning and understanding. Therefore, the researcher fully wires the idea and it is well commended.

2.3.3: Causes of Poverty

2.3.3.1: Introduction

Poverty has always been present all over the world, both in rich and poor nations. In most of the nations today, the inequality, thus the gap which exists between the rich and the poor is quite high and often widening (Anup, 2009). The causes are numerous and include; lack of individual responsibility, bad government policies, exploitation by people and businesses with power and influence, or some combination of these and other factors (Anup, 2009). However, Poverty is said to have three main causes and they include the following:

Individual Causes: Poverty is explained by individual circumstances and/or characteristics of poor people. For instance, poverty is explained by the amount of education, skills, experiences, intelligence, health, handicaps, age, work orientation, time horizon, culture of poverty, discrimination, together with race, sex, among others.
Aggregate causes: There are two types of aggregate poverty theory and they include case and generic;

**Case:** This theory adds up all poverty explained by individual theories, and that is equal to total or aggregate poverty. According to these theories, aggregate poverty is just the sum of individual poverty.

**Generic:** This is the second type of aggregate poverty and it's explained by general, economy-wide problems, such as: inadequate employment opportunities, inadequate overall demand (macro problems, macro policy, and low national income in the less developed countries).

Acute causes of poverty: Beside the individual and the aggregate causes of poverty discussed above, there is another cause of poverty known as acute causes of poverty. Here, there are several factors that cause poverty and they include:

**Welfare:** The material and human distraction caused by welfare is a major development problem. For example, from 1990 to 1993, the period encompassing Desert Storm, per capita GDP in Iraq fell from $3500 to $761. The drop in average income, while a striking representation of the well-being of the average Iraqi citizen in the aftermath of the war, fails to capture the broader of effects of damages to infrastructure and social services, such as health care and access to clean water.

**Agricultural cycles:** Thus, People who rely on fruits and vegetables that they produce for household food consumption (subsistence farmers) often go through cycles of relative abundance and scarcity. During these periods of scarcity, many families lack sufficient resources to meet their minimal nutritional needs.

**Natural Disaster, Drought and Flooding:** Natural disasters such as hurricanes and earthquakes have devastated effect on communities throughout the world. Developing countries often suffer much more extensive and acute crises at the hands of natural disasters, because limited resources inhibit the construction of adequate housing, infrastructure, and mechanisms for responding to crises. Beside the immediate destruction caused by natural events, environmental forces often cause acute periods of crises by destroying crops and animals (Sapphire, 2007).
There are also other entrenched factors which are associated with poverty and they include: *Colonial Histories;* one of the most important barriers to development in the poor countries is lack of uniform, basic infrastructure, such as roads and means of communication. In most countries with a history of colonization, the colonizers developed local economies to facilitate the expropriation of resources for their own economic growth and development.

**Centralization of power:** In many developing countries, political power is disproportionately centralized. Instead of having a network of political representatives distributed equally throughout society, in centralized systems of governance one major party, politician, or region is responsible for decision-making throughout the country. This often causes development problems.

**Corruption:** Corruption often accompanies centralization of power, when leaders are not accountable to those they serve. Most directly, corruption inhibits development when leaders help themselves with money that would otherwise be used for development projects.

**Warfare:** Warfare contributes to more entrenched poverty by diverting scarce resources from fighting poverty to maintaining a military.

**Environmental Degradation and social inequality:** The negative impacts of environmental degradation are disproportionately felt by the poor. Throughout the developing world, the poor often rely on the natural resources to meet their basic needs through agricultural production and gathering resources essential for household maintenance, such as water, firewood, and wild plants for consumption and medicine. The depletion and contamination of these resources directly threaten the livelihoods dependent. Also, ascribed inequality works by placing individuals in different social categories at birth, often based on religious, ethnic, or ‘racial’ characteristics (Sapphire, 2007).

### 2.3.4: Theories of Poverty

Contemporary literature on poverty uniformly acknowledges different theories of poverty (Bradshaw, 2006). Hence, five theories of poverty can be categorized and they are discussed below:
Poverty Caused by Individual Deficiencies: This first theory of poverty is large and multifaceted set of explanations that focuses on the individual been responsible for their poverty situation. Typically, politically conservative theoreticians blame individuals in poverty for creating their own problems, and argue that with harder work and better choices the poor could have avoided their problems. Ironically, neo-classical economics reinforces individualistic sources of poverty. The core premise of this dominant paradigm for the study of the conditions leading to poverty is that individuals seek to maximize their own well being by making choices and investments, and that they seek to maximize their well being (Bradshaw, 2006).

Poverty Caused by Cultural Belief Systems that Support Sub-Cultures of Poverty: The second theory of poverty roots its cause in the “Culture of Poverty”. This theory suggests that poverty is created by the transmission over generations of a set of beliefs, values, and skills that are socially generated but individually held. Nonetheless, Individuals are not necessarily to blame because they are victims of their dysfunctional subculture or culture. Culture is socially generated and perpetuated, reflecting the interaction of individual and community. This makes the “culture of poverty” theory different from the “individual” theories that link poverty explicitly to individual abilities and motivation. Technically, the culture of poverty is a subculture of poor people in ghettos, poor regions, or social contexts where they develop a shared set of beliefs, values and norms for behavior that are separate from but embedded in the culture of the main society. Oscar Lewis, define the culture of poverty as a set of beliefs and values passed from generation to generation. He writes, once the culture of poverty has come into existence it tends to perpetuate itself by the time slum children are six or seven because, they have usually absorbed the basic attitudes and values of their subculture. Thereafter they are psychologically unready to take full advantage of changing conditions or improving opportunities that may develop in their lifetime (Ryan, 1976; cited in Bradshaw, 2006).

Poverty Caused by Economic, Political, and Social Distortions or Discrimination: Theorists in this tradition looked at the economic, political, and social system as those which causes people to have limited opportunities and resource to achieve income and well being. Much of the literature on poverty now suggests that the economic system is structured in such a way that poor people fall behind regardless of how competent they may be. Partly the problem is the fact that minimum wages do not allow single mothers or their families to be economically self sufficient.
The problem of the working poor is increasingly seen as a wage problem linked to structural barriers preventing poor families from getting better jobs, complicated by limited numbers of jobs near workers and lack of growth in sectors supporting lower skilled jobs (Tobin 1994; cited in Bradshaw, 2006). A parallel barrier exists with the political system in which the interests and participation of the poor is either impossible or is deceptive. Recent research has confirmed the linkage between wealth and power, and has shown how poor people are less involved in political discussions, their interests are more vulnerable in the political process, and they are excluded at many levels. Coupled with racial discrimination, poor people lack influence in the political system that they might use to mobilize economic benefits and justice. Also, a broad category of system flaws associated with poverty relate to groups of people being given a social stigma because of race, gender disability, religion, or other groupings, leading them to have limited opportunities regardless of personal capabilities (Bradshaw, 2006).

**Poverty Caused by Geographical Disparities**: This calls attention to the fact that people, institutions, and cultures in certain areas lack the objective resources needed to generate well being and income, and that they lack the power to claim redistribution. This theory is a spatial expression of the capitalist system.” One theoretical perspective on spatial concentrations comes from economic agglomeration theory. Usually used to explain the emergence of strong industrial clusters (Bradshaw, King, and Wahlstrom, 1998) agglomeration shows how propinquity of similar firms attracts supportive services and markets, which further attracts more firms. In reverse, the propinquity of poverty and the conditions leading to poverty or the consequences of poverty (crime and inadequate social services) generate more poverty, while competitive areas attract business clusters, drawing away from impoverished communities. Also, another theoretical insight is from central place theory and related to “human ecology” examinations of urban growth that trace the flows of knowledge and capital (Rural Sociological Society, 1990: cited in Bradshaw, 2006). More so, another perspective involves selective out-migration. Here, Wilson (1987: cited in Bradshaw, 2006), holds that the people from ghetto areas with the highest levels of education, the greatest skills, widest world view, and most extensive opportunities who are the community’s best role models and were often civic leaders migrate out of central city locations to other places (Bradshaw, 2006).
Poverty Caused by Cumulative and Cyclical Interdependencies: The final theory of poverty by far is the most complex and to some extent builds on components of each of the other theories. This is so because, it looks at the individual and their community as caught in a spiral of opportunity and problems (Bradshaw, 2000). The cyclical explanation explicitly looks at individual situations and community resources as mutually dependent, with a faltering economy. This theory has its origins in economics in the work of Myrdal (1957; cited in Bradshaw, 2006) who developed a theory of “interlocking circular, interdependence within a process of cumulative causation” that helps explain economic underdevelopment and development. Myrdal noted that personal and community well being are closely linked in a cascade of negative consequences, and that closure of a factory or other crisis can lead to a cascade of personal and community problems including migration of people. Also, the cycle of poverty is of the perspective that individual lack of jobs and income leads to deteriorating self-confidence, weak motivation, and depression. In rural communities this culture of despair affects leaders as well, generating a sense of hopelessness and fatalism among community leaders. This description of the cycle of poverty incorporates many of the previous theories. It shows how people become disadvantaged in their social context which then affects psychological abilities at the individual level. The cyclical theory shows how multiple problems cumulate and allow speculation that if one of the linkages in the spiral was broken, the cycle would not continue (Bradshaw, 2006).

In discussions however, the researcher supports the views presented above about the causes of poverty. Hence, the theories further give more detailed explanations of the three main causes of poverty presented above. The reason for the support is that poverty could come as a result of the individual’s own attitudes and doings or it may cause by other factors such as those discussed above.

To conclude however, there is no indisputable fact in the presentation prearranged above, hence there should be adequate measures put in place to tackle those problem of poverty, especially the individual cases which have something to do with attitudes and life styles of the individual in society.
2.3.4: Poverty reduction

2.3.4.1: Introduction
The poor and poverty alleviation has become the object of unparalleled concentration nowadays both at national and international levels. Microfinance has therefore, proven to be an effective and powerful tool for poverty alleviation (Anup, 2009). Nonetheless, poverty reduction is a call to action for the poor and the wealthy alike, a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities (World Bank Group, 2009).

Building a more widespread commitment to overcoming poverty is an essential first step, and the actions to address this are discussed as follows:

Share the benefits of economic growth by putting more emphasis on widespread employment: The phenomenon of jobless economic growth that increases income inequalities and generates too few jobs for low income groups poses a serious threat to the well-being of many nations. So, Government policies should consider not only aggregate economic impact but also the distribution of employment. Socially responsible venture capital and microcredit initiatives can foster employment-generating businesses that complement the local culture and environment.

Corruption which harms society should be root out: Corruption, both in government and business, places heavy cost on society. Businesses should enact, publicize and follow codes of conduct banning corruption on the part of their staff and directors. Citizens must demand greater transparency on the part of both government and the corporate.

Broaden access to education and technology among marginalized groups, and especially among girls and women: The educational attainment of women has strong bearing on the well-being of their families, and efforts to improve education for women and girls must be strengthened.

Improve government capacity to provide universal access to essential goods and services, including potable water, affordable food, primary health care, education, housing and other social services: New mechanisms for public policy dialogue that enable citizens of all classes to recognize the benefit of universal access to key services must be put in place.
In discussion, the idea that poverty reduction can be achieved by widespread employment creation, rooting out corruption, broadening access to education and technology among marginalized groups, especially girls and women and Improving government capacity to provide universal access to essential goods and services, including potable water, affordable food, primary health care, education, housing and other social services, is a fact and the researcher supports that view. The reason for the support is that no country can succeed in poverty reduction campaigns without providing the necessary antidotes.

In conclusion therefore, successive poverty reduction can be achieved by embarking on effective poverty reduction strategies such as employment creation, access to education, among others.

3.4: Conceptual framework/Theoretical Framework

Concepts are building blocks of models and theories used as working definitions in a particular analysis which have been devised or chosen (Fisher, 2007). On the other hand, frameworks are analytical schemes or simplify reality by selecting certain phenomena/variables and suggesting certain relationships between them which are judged in terms or utility (Fisher, 2007). Therefore, conceptual frameworks are building blocks of models used to simplify reality by selecting certain phenomena/variables and suggesting certain relationships between them to make it easier to discuss, analyze or research (Fisher, 2007). Therefore, the conceptual framework below indicates how the concepts in the literature reviewed are simplified and are interlinked. It shows how the accessibility of financial services to small and medium scale enterprises leads to poverty reduction.

The review was however focused on three broad main concepts; business financing- activity which deals with the provision and management of funds for satisfactory conduct of a business (Dalton cited; in Blurtit, 2009); Enterprise development- the entrepreneurial or managerial effort of starting up or reaching for a higher level of excellence (European Commission, 2009) and Poverty – hunger, lack of shelter, being sick and not being able to see a doctor, not having access to school and not knowing how to read, not having a job, fear for the future, living one day at a time, losing a child to illness which is brought about by unclean water, powerlessness, lack of representation and freedom (Word Bank Group, 2009). Hence, the three broad concepts are indicated by bolded capital letters in the framework.
Business financing is the first concept which looked at three main basic concepts; business financing as a holistic approach, small business financing and micro financing. Subsequently, "Microfinance" emerged as the term of choice to refer to a range of financial services to the poor that included not only credit, but also savings, investment and other services such as insurance and money transfers (CGAP, 2006).

Microfinance and Microcredit are often used interchangeably, therefore, it is the provision on a sustainable basis of financial services to those that have difficulties in accessing the financial market, they are however; elements such as loans, savings, leasing guarantees, insurance, transfer services and other financial services and products targeted at low income clients (International Organization of Employers (2006). Hence the arrows pointing down demonstrate the three basic types of the financing. However, the tin lines that links the types of financing show the systematic ways by which they were reviewed. More so, the right long rectangle represents the various sources of the financing. Consequently, all the three types of the financing draw their sources from that rectangle and the long tin line indicates that. In addition, the arrow pointing up shows the linkage between business financing and the next broad concept-Enterprise development.

Enterprise development was the second concept reviewed. This was made up of small and medium scale enterprises (SMEs). Hence enterprises are any entity that employs certain number of people, has a capital base and is able to break-even or make profit (this study, 2010). Therefore, the arrows linked the flows. The pointing downwards arrow shows the types of enterprises in the enterprise development framework and the pointing upwards arrow indicates the upward flow of the enterprise development to other concepts. Besides, the two long rectangles indicate the various strategies which are needed to facilitate the development of the enterprises. Consequently, the two short straight lines on the left and right links the enterprises to the strategies. This means that the enterprises can only be developed only if the strategies are properly structured to take its course.

The enterprise/SMEs development leads to job creation and job creation leads to improved standard of living which will come about as a result of good nutrition; better housing, education, better clothing, among others. Also, employment creation also leads to increased Capacity to
afford basic necessities of life leading to self esteem, self confidence and participation in
decision making, reduction in vulnerability, among others. This in turn leads to poverty reduction
and poverty is the third broad concept discussed in the review. Hence, the arrows show the
linkages. There is an arrow linking job creation to Poverty reduction, which means that
availability of jobs will lead to reduction in poverty since majority of people will get
employment and the jobs created will lead to capacity building which necessitates the ability to
afford basic necessities of life. This will also lead to improved standard of living. Both the
capacity building and improved standard of living lead to poverty reduction. Therefore, the
arrows show the processes.

To conclude however, for a country’s poverty to reduce, then the country needs to pay particular
attention to the private/informal sector of her economy through enterprise development.
Consequently, for enterprises to be developed there is the need to put certain strategies in place
to facilitate the process. The strategies include but not limited to markets, policy/legal/regulatory
frameworks.

The market strategies include the financial market which is equity and debt finances, domestic
market- local markets for the sale of the products and international market strategies – the ability
to add value to the products for exports and other market regulatory strategies.

Also, the policies/legal/regulatory frameworks include the processes of business licensing,
registration, certifications, commencements and payment of taxes. When these strategies are well
structured, businesses would be developed and new ones will spring up and that will create more
employment which will in turn lead to poverty reduction.

Poverty in the world, especially in developing countries and particularly in Ghana and for that
matter the WA municipality is alarming due to the poor access to financial services, poor polices,
legal and regulatory bottlenecks, lack of adequate local and international markets which is
constrained by the SME sectors.

These problems therefore necessitated this research work. Thus the topic: The accessibility and
role of microfinance in the small and medium-scale enterprises (SMEs) in the WA municipality.
Figure 2.1: A Framework Illustrating the Interrelationships of the Concepts Reviewed in the Literature

POVERTY/POVERTY REDUCTION

Increased Capacity to afford basic necessities of life

Improved Standard of Living

Financial Markets
- Equity and debt financing options

Legal, regulatory policy network
- Business registration, licensing, certification and Tax obligations

Physical Markets
- Local and international

Employment/Job creation

Small and Medium Enterprises Development

ENTERPRISE DEVELOPMENT

Business Financing

Small Business Financing

Micro-Financing

BUSINESS FINANCING

Source: (This Study, 2010)
CHAPTER THREE: RESEARCH METHODOLOGY AND PROFILE OF THE STUDY AREA

3.0: Introduction
Research is a systematic and an organized way of finding answers to questions (Henrichsen, Smith, and Baker, 2006). It is systematic because there is a definite set of procedures and steps to follow. Organized because, there is a structure or method use to go about the research work. It is therefore a planned procedure, focused and limited to a specific scope. Hence, it is focused on relevant, useful, and important questions. Therefore, this chapter outlined the procedures and methods used in finding answers to the questions: “what”, “how” “why” and “where” of this research (Henrichsen, Smith, and Baker, 2006). However, research methodology is an important component of any study and it provides the framework upon which the whole process is suspended (Brown, 1996).

Consequently, the chapter focused on the various research designs and methods used in sampling, data collection, analysis and presentations of the research study. Here, the focused was on the background, geographical setting and socio-demographic characteristics, among others of the study area. In addition an in-depth explanation of the research process, sampling procedure and methods of data collection, data analysis and presentation has been given. More so, a detailed outline of the research phases is also laid down in this chapter. Nonetheless, the choice of a research methodology is guided by the theoretical foundation of the study goal and objectives, the nature of the research problem, data analysis, interpretation, presentations and the scope of the study. For this reason, the choice of the research methodology for the study depended on time, resources, cost minimization, purposes of the research, objectives, practicability, reliability and validity, effective organization and coordination of the project and the skills of the researcher in data analysis and interpretation (Sarandakos, 2005).

3.1: Research Approach
Academicians and researchers have accepted the fact that quantitative and qualitative methods of enquiry can be used complementarily in social research (Hakim, 2000; Bryman, 2001; Neumann, 2003). Hence this research employed both qualitative and quantitative approaches. Nevertheless, it is agreed that so far, two distinct approaches (Qualitative and Quantitative) can be said to exist but the most important difference is the way in which each tradition treats the data (Strauss and Corbin, 1990; Brannen, 1992; Brown, 1996 and Twumasi, 2001). Therefore, the central issue
that faces social science research is the choice of appropriate research approach and methods to investigate the specific problem (Bacho, 2001). This goes to support the view that social issues are varied phenomenon and difficult to capture for investigation. The reason for this lies in the social phenomenon and the objective of the study. Based on the issues raised, mixed model research, a type of a research approach was resorted to.

According to Johnson et al., (2007:123) “Mixed research approach is an approach where the researcher or team of researchers combines elements of qualitative and quantitative research approaches for both broad purposes of breadth and depth of understanding and corroboration”. Hence two main types of mixed research approach can be identified, and they include; mixed method research- research methodology in which the researcher uses the qualitative research paradigm for one phase of a research study and the quantitative research paradigm for another phase of the study (Tashakkori and Teddlie, 2003). This method is like conducting two mini-studies within one overall research study and mixed model research- this is where the researcher mixes both qualitative and quantitative approaches within a stage of the study or across two of the stages of the research process. This approach was however employed in the study due to the combinations of the characteristics of qualitative and qualitative elements it has.

Nonetheless, there is no universal definition for qualitative research. Therefore, in the literature of social science and applied professional fields, such terms as interpretive, naturalistic, constructivist, ethnographic, and fieldwork are variously employed to designate the broad collection of approaches that is call qualitative research (Locke et al., 2000; cited in Hunt, 2002). This however, may be referred to as inductive, holistic, emic, subjective and process-oriented methods used to understand, interpret, describe and develop theory on a phenomenon or setting and is a systematic, subjective approach used to describe life experiences and give them meaning (Morse and Field, 1996:199; Burns and Grove 1998:35; cited in Hunt, 2002).

Hence, Qualitative research is an inductive approach, and its goal is to gain a deeper understanding of a person’s or group’s experience. According to Ross (1999), cited in (Hunt, 2002), qualitative approaches are based on a "world view" which is holistic and it is not based on single reality. Strauss and Corbin (1990); cited in Hoepfl, 2009 claim that qualitative methods
can be used to better understand any phenomenon about which little is yet known; to gain new perspectives on things about which much is already known, or to gain more in-depth information that may be difficult to convey quantitatively. Thus, qualitative methods are appropriate in situations where one needs to first identify the variables that might later be tested quantitatively, or where the researcher has determined that quantitative measures cannot adequately describe or interpret a situation.

In qualitative research, Research problems tend to be framed as open-ended questions that will support discovery of new information (Lincoln and Guba, 1985:120; cited in Hoepfl, 2009). The particular design of a qualitative study depends on the purpose of the inquiry, what information will be most useful, and what information will have the most credibility. However, "Qualitative studies typically employ multiple forms of evidence and there is no statistical test of significance to determine if results count" (Eisner, 1991:39; cited in Hoepfl, 2009).

As a result, qualitative research approach was used in complement with quantitative approach due to the fact that the researcher wanted to gain deeper understanding of the phenomena; new perspectives and more in-depth information of the research study.

Alternatively, proponent of quantitative approach contend that human behaviour in social sciences just as physical phenomenon in the physical sciences is quantifiable in attribute and subject to generalization that have universal applicability (Bacho, 2001). Hence it seeks to test the correlation between variables whilst enumerative inductive social science is concerned with observation and description and at best generating hypothesis.

Quantitative research is the time honored scientific method. It is about prediction, generalizing a sample to a larger group of subjects, and using numbers to prove or disprove a hypothesis. For a typical study using quantitative methods, researchers tend to draw a sample of persons at random from a broader population, if possible (York, 1998; cited in Hunt, 2002). This method utilizes strict control of variables and the focus is on static reality. Here, the researchers are interested in generating data from a large sample of study subjects so they can generalize the conclusion to others (York, 1998; cited in Hunt, 2002).
More so, quantitative research uses data that are structured in the form of numbers or that can be immediately transported into numbers (Ross, 1999; cited in Hunt, 2002). However, quantitative research aim at determining the relationship between one thing (an independent variable) and another (a dependent or outcome variable) in a population. Quantitative research designs are either descriptive (subjects usually measured once) or experimental (subjects measured before and after a treatment).

A descriptive study establishes only associations between variables (Hopkins, 2008). Therefore, this research study employed mixed research approach—qualitative and quantitative approaches because the researcher investigated into the relationships between dependent and independent variables. Thus the relationships between gender, age, occupation and religion of the respondents of the study and this further enhances the researcher’s ability in finding the associations between the variables—gender, age, occupation and religion.

3.2: Research Designs

Research design can be thought of as the structure of research and it’s the "glue" that holds all the elements in a research together (Trochim, 2006). It is however use to structure the research and shows how the major parts of the research project, samples or groups, measures, treatments or programs and methods work together to address the central research questions (Sarandakos, 2005). Therefore, a research design is described as a plan, structure and strategy of investigation use to obtain answers to research questions or problems (Kerling1986; cited in Kumar, 1997). It provides a framework for designing a systematic study that addresses the study goals, objectives and questions. Hence, for any research study, the choice of appropriate research design is essential in enabling one to arrive at valid findings and conclusions (Brown, 1996).

Nonetheless, non-experimental case study research design was employed for this study. This design is frequently use to gain an in-depth understanding of a process, event or situation (IPDET, 2007). It is particularly useful when the question deals with how something happens and especially when an intervention is relatively or not well understood. However, case studies are recurrently used in evaluating development interventions and it can either use qualitative and or quantitative methods to collect data. They consist of multiple cases (comparative designs) or single case (one-shot, before and after or single time-series design).
More so, they are focused on in-depth understandings of individuals, organizations, communities, programs, cites and or nations. They are however detailed investigations of individuals, groups, institutions or other social units. The researcher conducting a case study attempts to analyze the variables relevant to the subject under study (Polit and Hungler, 1983; cited in Hoepfl, 2009).

However, in the case study, the focus may not be on generalization but on understanding the particulars of that case in its complexity. A case study focuses on a bounded system, usually under natural conditions, so that the system can be understood in its own habitat (Stake, 1988; cited in Hoepfl, 2009). For that reason, WA Municipality as a community was chosen as the researcher’s case study area/design for the study, because, it enabled the researcher to gained an in-depth understanding of the community, processes, events, individuals, organizations, programs, groups, institutions or other social units involved in microfinance and SMEs in the Wa municipality. Since microfinance is seen as a development intervention to SMEs.

### 3.3.1: Study Area

The Wa Municipality is located within latitudes 1°40’N to 2°45’N and longitudes 9°32’ to 10°20’W. It has a landmass of about 23,474 square (kilo) meters, which is about 6.4% of the region’s total landmass. The municipality is bordered to the north by the Nadowli District, to the east by Wa East District, to the west by Wa West District and to the South by both Wa East and west districts and it also lies on an international route linking Burkina Faso and Mali.

According to the 2000 Population and Housing Census (PHC) WA Municipality has a population size of 66,644 with a growth rate of 4% (Ghana Statistical Service). Using the growth rate, the projected population for the Municipality in 2009 is 78,962. By implication, there is high density of population in the municipality.

The age-sex structure of a population influences such factors as fertility, mortality, migration, dependency ratio, potential output per head, the distribution of political power and youth-connected problems. From past population records, the population structure has revealed a preponderance of the youth over the aged and females over males. The former characteristic is mainly attributed to the cultural values of the people such as love for large families, early marriages, polygamy and the absence of family planning and birth-control programmes.
The latter is largely as a result of longer life expectancy of females as compared to the males and also the relative higher out-migration of the male population outside the Region in general and the Municipality in particular.

According to the MTDP II, the WA municipality has an age groups of 0-14 years constitute 47% of the total population, and the aged 65+ constituting 4.3% whilst the economically active 15-64 years, representing 48.70%. By implication, there is high dependency ratio leading to pressure on the economically active population in the municipality.

Gender inequality in favour of male is pervasive in the Municipality. Women are further disadvantaged due to limited access to financing, land and other employment opportunities.

Consequently, poverty has remained a persistent feature of the life of women in the Municipality. The combined effects of societal biases and other economic hindrances have resulted in the slowing down of the advancement of women.

Therefore, majority of women continue to operate under very difficult conditions, in which many are engaged in petty trading, hawking and cottage industries. Despite their weak position in the society, they play dominant roles in societal development, therefore, their economic empowerment and an improvement in their income levels will obviously have positive multiple effects.

WA lies in the Savanna high plains, which is gently undulating with an average height between 160 m and 300m above sea level. The gentle rolling nature of the landscape implies that the topography is no barrier to agriculture and other physical development. There are two main drainage systems, Sing-Bakpong and its tributaries to the South and Billi and its tributaries to the North. The streams are seasonal i.e. they dry up during the long dry season.

The geology of the area is underlain by the Pre-Cambrian, granite and metamorphic rocks that have seen lesser weathering than similar rock types elsewhere in the country due to low rainfall, high evapo-transpiration and less vegetation.
The vegetation is Guinea Savanna grassland made up of short trees and shrubs of varying heights and luxuriance, with grass ground cover in the wet season. Commonly occurring trees are sheatrees, Dawadwa, Kapok and Baobab. Cashew and mango are exotic species growing well in the area.

The area has two marked seasons namely, the wet and dry seasons. The South-Western Monsoon winds from the Atlantic Ocean bring rains between May and September, whilst the North-Eastern Trade winds from the Sahara Desert bring the long dry season between October and April. The mean annual rainfall varies between 840mm and 1400mm.

The area is dominated by agriculture followed by commerce and industry. Industries in the Municipality are still at the pre-industrial stage characterized by family ownership/sole proprietorship and labour intensive. Despite improvement in availability of modern technology, indigenous know-how still dominates the industrial sector. Existing industries in the municipality include metal works, auto mechanics, agro-processing (oil extraction), catering and hospitality industry, water distilling, fashion design, textile (cloth/smock weaving, batik), electronic (Repair works), pottery, wood (carpentry), housing, art, and craft, among others.

Inadequate access to financing, management skills and low level of technology are the key bottlenecks to industrial growth and development in the municipality.

3.4: Sampling Size
The question about appropriate sample size in social research is given attention by researchers of all schools of thought (Krämer and Thieman, 1987; cited in Sarandakos, 2005). Therefore, the main purpose of sampling is to reduce the need for empirical operations which entail labour and cost. How small can a sample then be without losing its usability?

In other words, what is the smallest number of cases that still give a reliable enough data about the population (Hoepfl, 2009)? However, the focus of relevant estimations varies significantly, with some showing an interest in pure quantity, others in quality and others again in both.
The critical figure (sample size) is reached in some cases through logical estimates and in others through statistical computation (Sarandakos, 2005). Sample size in non-statistical estimation is directly associated with two major factors: the paradigm that guides the research, and the nature of the target population. In quantitative research, both are seriously considered when the sample size is addressed (Sarandakos, 2005).

On the other hand, in qualitative research the paradigm guides the process, but the nature of the data obtained will determine the size and this is unpredictable. The study will stop when saturation is achieved and emerges out of the data and not out of logical thinking or other calculation. There are however, qualitative researchers who follow the quantitative paradigm, and estimate their sample size in advance (Routio, 2007).

Therefore, this research work took after the steps of quantitative paradigm and therefore estimated the sample size in advance, even though the study was more of qualitative study.

Consequently, the sample size was estimated to be 140 in total, of which 10 was drawn purposefully from the key informants which were microfinance institutions, whilst the rest of the 130 was drawn out of 1050 from the individual SMEs operators in the municipality.

The 140 sample size was considered reliable enough to give the needed data and because of labour and cost involve in collecting the data. The individual samples were however, initially drawn using simple random involving the lottery method and the institutions was selected based on purpose (Twumasi, 2001).

3.5: Sampling Procedure and Technique
Sampling is the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population (Mugo, 2003). The rationale is to make generalization or to draw conclusions or inferences based on the study of the samples about parameters of population from which the samples are taken (Yin, 2003).
Sample on the other hand, is a finite part of a statistical population whose properties are studied to gain information about the whole (Webster, 1985). Hence, Miller (1991) concurred that the researcher needs to select only few items from the universe for his or her study purposes.

He further argued that a study based on a representative sample is often better than one based on a larger sample or on the whole population for there is no need interviewing large number of people repeating the same thing.

The purpose of sampling is to obtain a group of subjects who will be representative of the larger population or will provide specific information needed. The degree of representativeness is based on the sampling technique employed (McMillan, 1996).

Generally, sampling approaches include:- Probability (Random) sampling in which all the segments of the population have equal chances of selection normally gotten from a sampling frame (Osuala, 2005; Panneerselvan, 2007) and Non-probability (Non-random) sampling is where a subset of population to be studied are selected on unequal chance basis (Schwegert, 1998; Dooley, 2007).

In non-probability sampling, units are chosen not by chance but for purpose (Maxwell, 2007). Due to the large size of the population coupled with the sensitive nature of the subject, both probability and non-probability sampling techniques were employed for the study (Twumasi, 2001).

Under the probability sampling technique, simple random and stratified sampling techniques were applied. This was due to the fact that the population understudy were heterogeneous and had dissimilar characteristics or elements so the similar groups were put together in one group, hence the choice of stratified sampling technique (Twumasi, 2001).

Also the selection was made based on specific purpose and by chance. Therefore, purposive and accidental non-probability sampling techniques were resorted to. These aided in the gathering of
information on the accessibility, roles, policies and gender dimensions of microfinance and SME’s in the municipality.

3.5.1: Simple Random Sampling

Here, each item in the population has an equal chance of inclusion in the sample and it advantage is that it is simple and easy to apply when small populations are involved (ABS, 2004).

However, because every item in a population has to be listed before the corresponding random numbers can be read, this method is very cumbersome to use for large populations. Hence, this method was initially used to select the individual samples. Thus, each element in the population was numbered sequentially on pieces of papers. The papers were then folded and mixed together.

The mixed papers however, were kept in a bowl and was pick one after the other till the sample of hundred and thirty (130) was gotten and so the selected samples were to be interviewed to ascertain the relevant information (Twumasi, 2001).

Nonetheless a change of method was made along the way, from the simple random to accidental due to the challenges the researcher encountered during the initial stages of data collection. Thus, the selected samples were not willing to give out the necessary information, so accidental sample was however resorted to. It was against this background that a sample size of hundred and thirty (130) research units from the individual SMEs sectors in the municipality were selected (Twumasi, 2001).

3.5.2: Stratified Sampling

Stratified sampling is yet another method for increasing precision and the procedure is almost certain to be an improvement on a simple random because it makes sure that the different strata in the population are correctly represented in the sample (ABS, 2006). These techniques ensured the elimination of subjectivity and bias because the units are selected at random, hence giving each unit an equal chance of being selected (Twumasi, 2001).

More so, its general problem is that you could, by chance, miss out a particular group in the sample. However, if the population are form into groups, and sample from each group, you can
make sure the sample is representative (ABS, 2006). In stratified sampling, the population is divided into groups called strata. A sample is then drawn from within these strata.

Nevertheless with this research study, the target population was therefore divided into two main strata—commerce and industry, where a sample was drawn from each stratum.

3.5.3: Accidental Sampling
This is a non-probability sampling technique and here, one goes to the field to get whoever is available and willing to be interviewed. The researcher takes a certain sampling size to interview (Twumasi, 2001). However, this method is used mostly by television programs (Trochim, 2006).

Nevertheless, the method was resorted to when there was a failure of the initial used of simple random. During the early stages of the data collection, the researcher encountered a number of challenges from the people who were initially selected by the simple random method. These people were not willing to give out the necessary information needed for the study and it was serving as a hindrance to the progress of the study. Hence the researcher decided upon to go to the field to meet anybody available and willing to give out the needed information.

3.5.4: Purposive Sampling
This is a non-probability sampling technique and as the name suggests, it is used purposefully. People with specialized knowledge were purposively selected and interviewed for better insight into the phenomena understudy. Also, care was painstakingly taken which ensured that the weakness of the methods and techniques did not affect the quality and reliability of the information obtained (Twumasi, 2001).

Hence, the technique was used in selecting the microfinance institutions in the municipality. In totality, ten (10) institutions were selected, comprising two banks, two credit unions, one government institution (MASLOC), two private institutions, one insurance company and two Susu collectors.

3.6 0: Methods of Data Collection
Generally, there are two major sources of data collection approaches in social research and they include; primary and secondary data sources (Flick, 2002; Pannerselvam, 2007).
Here, both sources were used extensively by this study. It was stated that it is however important to note that the selection of a particular approach of study to collect data must be decided upon in the light of one's problem, the purpose of the study, the resources available and the skills of the researcher (Millar, 1991).

In selecting a method for data collection, the socio-economic-demographic characteristics of the study population play an important role, because some population for a number of reasons may not feel either at ease with a particular method of data collection or comfortable to express opinions in questionnaire for example. Therefore decisions on the type of data collection method, must reflect, the nature of the social situation, the mood of the social environment and the psychology of the people. Accordingly, it is necessary for the researcher to use more than one method in data collection. This reason called for the use of both the primary and secondary data sources.

3.6.1: Primary Data Collection approaches

Primary data was generated directly from the field using both qualitative and quantitative methods of data collection. For effective and detailed data about the subject matter, multiple data collection techniques were employed (triangulation of methods), such as informal conversation, interviews (semi-structured and key informant) questionnaire (Sarandakos, 2005).

Triangulation in research means the practice of employing several research tools within the same research design (Sarandakos, 2005). However, triangulation refers to the multiple operationalism or convergent validation, and since it usually entails three paths of action, it had its name triangulation. The procedure allows the researcher to view a particular point in research from more than one perspective, and hence to enrich knowledge and/or test validity. Triangulation can be applied in all aspects of the research process. It can relate to methods of data collection, manner in which data are employed, the investigator, the critical stance and the theoretical perspective (Blaikie, 1998; cited in Sarandakos, 2005).

Triangulation is nonetheless employ for a number of reasons; it allows the researcher to be thorough in addressing all possible aspect of the topic, it increases the amount of research data, and hence increase knowledge, it facilitate a study, where one procedure serves as a stepping-
stone for the other, to allow comparism (in longitudinal studies), it achieve a higher degree of validity, credibility and research utility and to overcome the deficiencies of single-method studies (Burgess, 1984; Flick, 2000; cited in Sarandakos, 2005). Also, from a feminist stance, triangulation is thought to ‘express the commitment to thoroughness, the desire to be open-ended and to take risks, as well as to increase research utility’ (Reinharz, 1992:197; cited in Sarandakos, 2005).

3.6.2: Interviews

Interviews are methods of field investigation whereby the researcher meets his respondents and through the interaction asks specific questions to find answers to a research problem. This method is used when the respondents are willing to talk and have knowledge of the research problem (Twumasi, 2001). Here, the researcher prepares an interview schedule consisting of several specific questions, or various aspects of the topic under investigation. Interviewing therefore offers flexibility. This is because the interviewer is in a position to sense the situation and can adapt his questions to suit the psychology of the people involved in the field situation.

Also the interviewing situation creates a learning environment in which the two, the researcher and the respondent, are involved in a purposeful discussion. Interviewing in qualitative research utilizes open-ended questions that allow for individual variations. Hence, Patton 1990; cited in Hoepfl, 2009 wrote about three types of interviews use in qualitative research and includes: informal, conversational interviews, semi-structured, and standardized, open-ended interviews.

More so, Chen and Ozverir, 2004, also share the same view with Patton on the types of interviews. But their discussions went further to talk about an additional type of interview technique use in quantitative research. The types of interviews discussed by Chen and Ozverir are illustrated in a diagram below and they are explained in detailed. Also, since the research work is more or less qualitative all the three views shared by Patton, Chen and Ozverir in qualitative research were adopted. The rationale behind the use of these approaches was that the researcher was collectively engaged with group of respondents within which questions were asked spontaneously as the interview progresses. This approach also allowed the respondents to freely express their opinions.
3.6.3: Informal Conversational interviews

This type of interview is similar to a chat, without a pre-determined set of questions, and is hence the most open-ended approach to interviewing. Most of the questions asked are derived from the immediate context. Informal conversational interviews are useful for exploring interesting areas of research or evaluation study at depth and are "a major tool of fieldwork" (Patton, 2002: p. 342; cited in Rainbow and Ozevirir, 2004). The strengths are that the interviewer can respond quickly to individual differences and situational changes and the instrument increases the salience and relevance of questions. Despite its strengths, it has its weaknesses and they are that a lot of time is needed to collect systematic information, the instrument depends heavily on the conversational skills of the interviewer, the instrument is susceptible to interviewer effects, leading questions, biases, and data organization and analysis can also be very difficult. This is otherwise known as unstructured interviewing (Rainbow and Ozevirir, 2004). Hence, there were some random
interaction with some respondents, in which some information on the subject matter was captured, notions explained and claims confirmed from the narratives (Twumasi, 2001).

3.6.4: The Interview Guide Approach

Here, interview guide listing topics and issues to be covered are use, but the interviewer remains free to explore and probe. This approach is useful for eliciting information at depth about specific topic and is probably the most widely used format for qualitative interviewing. This approach is also known as semi-structured and guided interviews (Rainbow and Ozevirir, 2004).

The approach has its strength and weaknesses and they are respectively as follows:- the interaction between the interviewer and the interviewee is more focused than in the conversational approach, the interviewer can do in-depth probing while keeping the interview within the parameters set by the aim of the study, the data is more systematic and comprehensive than in the informal conversational interview and the weaknesses are:- the instrument requires a skilled and experienced interviewer, the interviewee may not have chances to raise other important issues, Interviewer flexibility in sequencing and wording questions may cause substantially different responses from the interviewees, hence difficulty in comparing or analyzing data.

This approach was employed in the interviews of the 130 sampled SMEs operators in the Municipality. This facilitated generation of a wide range of information on the socio-economic characteristics, roles, the policies, livelihood empowerment and the gender dimensions of micro-finance of the SME’s sector. This variant of interview techniques is adopted due to its advantages of the in-depth probing while the interview is kept within the parameters set by the aim of the study, its systematic and comprehensive nature and the space it creates for the interviewee in expressing himself/herself adequately allowed the research to select the approach (Rainbow and Ozevirir, 2004).

3.6.5: The Standard Open-ended Interview

A set of open-ended questions are carefully worded and arranged for the purpose of minimizing variations in the questions posed to the interviewee. This approach is useful for collecting interviewing data when two or more interviewers are involved in the data collecting process in
order to increase reliability between them (Patton, 2002; cited in Rainbow and Ozevirir, 2004). The standardized open-ended interview is also known as open-ended structured interview. This approach was however employed in obtaining information from the microfinance institutions (Sarandakos, 2005). Hence, the following key informants were contacted; Microfinance and Small Loans Center (MASLOC), SIC Life, Ghana Commercial bank, Barclays bank Limited, two SUSU collectors, Teachers credit union, Wa cooperative credit union, PEPS-C and Snapi Aba

3.6.6: Questionnaires

Questionnaires are well-formulated questions to probe and obtain responses from respondents (Karma, 1999; Twumasi, 2001; Panneerselvam, 2007). They are diverse and their diversity varies according to the nature and the way they are administered. The diversity is resulted in the following three types of questionnaires (Sarantakos, 2005):- Standardized questionnaires, which are highly rigid with high degree of standardization, allowing no flexibility in answering the questions. The answers are limited to those set in the questionnaire, and no other ideas, propositions or alternative answers are allowed and they are mostly employed in quantitative research. The second is the unstructured questionnaire, where the structure of the questionnaires is less rigid, and the degree of standardization fairly low. They are usually small and the questions are well defined but open; hence the responses are unstructured, allowing respondents to formulate their answers the way they want. They are predominantly employed in qualitative research. The third is the Semi-standardized questionnaires. These questionnaires can logically be placed between the two other types, combining a moderate degree of structured and standardization. Their structure may include a combination of pre-structured and pre-standardized questions and of unstructured and unstandardized parts. The extents to which structure and standardization are balanced vary from case to case with some questionnaires been closer to the standardized model and other closer to unstandardized model. They are employed by both quantitative and qualitative researchers, although they seem to appeal more to the later (Sarantakos, 2005). Questionnaires are either handed to the respondents personally, or are sent to them by mail. Regardless of whether the questionnaire is administered by the researcher or sent by mail, it has to be constructed according to certain standards and principles. One of these standards is that they must include three main parts. These are the cover letter, the instructions
and the main body. However, the study employed both the semi-structured and unstructured questionnaire method due to their flexible nature but was self administered.

3.7.1: Secondary Data
All research workers start from the known to the unknown, however, the researcher does not operate in a vacuum. The researcher must therefore orient herself to field situation, to research objectives and to methods of social investigation. For these reasons, the field investigator normally consults and reads existing documents (Twumasi, 2001). The documents consulted are known as Secondary data.

Secondary data is data that is neither collected directly by the user nor specifically for the user, often under conditions not known to the user (Blurtit, 2009). It is however information already collected for some other purposes and it can be cheaper and readily available. It may be available from internal sources, or may have been collected and published by another organization. Secondary Data can however be collected from various sources, which include, but are not limited to Books, Magazines, websites, already published reports, TV, Radio, Newspapers, Journals and publications, Research papers, among others.

Secondary Data can be of two types: - Cross Sectional and Longitudinal. Cross Sectional Data is collected at the same time from different places and Longitudinal Data is collected at regular time intervals. Longitudinal Data can be further being divided into two types: - Data collected through Panel Study and Data collected through Repeated Design. Secondary data can either be a qualitative; which include biographies, personal letters, diaries, records, documents, published material, computer database, policy statements, among others and quantitative data which includes market research, census, economic documents, planning documents and specimens.

The purpose of collecting secondary data is to make some changes, to review the needs, to get some new ideas and for the purpose of time saving. Advantages of secondary data are that it is cheap and inexpensive, easily accessible; it is already available; it saves time and efforts; it is unobtrusive; it avoids data collection problems and it provide basis for comparison. It’s however, have some disadvantages which include the following; credibility of the source who published the information and the small nuances that may not fit into the research objectives, also it might be outdated.
Nonetheless, the researcher has no control over the quality of data and does not know how authentic the measures used for data collection have been (Blurtit, 2009). Hence, a general background study on Business financing including small business financing and micro financing, enterprise development, including SMEs development strategies, support systems, Poverty and poverty reduction were carried out using relevant documents. This primarily was made up of reviewing existing literature relating to the topic. This provided the background and smooth starting point for the study.

3.7.1: Stages /phases of Data collection
The research was conducted in three main stages, which include reconnaissance survey, main survey and analysis stage. In these phases, data were collected on the accessibility and role of microfinance to SMEs. The study began with the reconnaissance Stage which involved the reading and discussing of broad issues on Microfinance accessibility and its role to SMEs sectors, policies, rules and regulations relating to SMEs establishments and beneficiaries of microfinance services and its impact on poverty alleviation which afforded the opportunity to choose the topic and the study area. It is at this stage that the researcher made preliminary visit to the Municipality which contributed to the chosen of the study area. It also included the writing of the research proposal which involved the introduction of the topic, problem and objectives statements, methodology and Literature reviews.

The next stage was the Main Survey Stage, which involved the actual collection of data from the study area and institutions involved in micro financing and SMEs. This was mainly, focus on the primary data collection from the field, debriefing and summarizing the findings.

The last stage was the Analysis Stage/In-depth study, here the field surveys collected and the secondary sources collated and systematically analyzed and presented. This helped to deepen the understanding of the relationships between the various variables in the study. Some of the qualitative data collected were coded and inputted in the Statistical Package for Social Science (SPSS) and others categorize, analyzed and presented.

3.7.1: Data Analysis Techniques

When a researcher returns from the field he/she settles down and analyzes the data (Twumasi, 2001). Data analysis in research is the process of systematically searching and arranging the
interview transcripts, observation notes, or other non-textual materials that the researcher accumulates to increase the understanding of the phenomenon (Young, 2007). The process of analyzing data predominantly involves coding or categorizing the data. Basically it involves making sense of huge amounts of data by reducing the volume of raw information, followed by identifying significant patterns, and finally drawing meaning from data and subsequently building a logical chain of evidence (Young, 2007). Furthermore, analysis means a critical examination of material in order to understand its parts and its relationship and to discover its trends. It means the separation of the research data into its constituent parts. After the separation, the researcher must study the nature of the material to determine its essential features and their relation (Twumasi, 2001).

The process of data analysis requires skills, patience and thoroughness. Therefore, the process (of data analysis) is a continuous one involving many stages. The stages are editing, tabulation, coding and computer processing. At every stage, the researcher asks questions relating to his objectives to obtain meaningful answers (Twumasi, 2001). Coding or categorizing the data is the most important stage in the qualitative data analysis process. Coding and data analysis are not synonymous, though coding is a crucial aspect of the qualitative data analysis process. Coding merely involves subdividing the huge amount of raw information or data, and subsequently assigning them into categories. In simple terms, codes are tags or labels for allocating identified themes or topics from the data compiled in the study. Traditionally, coding was done manually, with the use of coloured pens to categorize data, and subsequently cutting and sorting the data. Given the advancement of software technology, electronic methods of coding data are increasingly used by qualitative researchers (Young, 2007).

Nevertheless, the computer does not do the analysis for the researcher. Users still have to create the categories, code, decide what to collate, identify the patterns and draw meaning from the data. The use of computer software in qualitative data analysis is limited due to the nature of qualitative research itself in terms of the complexity of its unstructured data, the richness of the data and the way in which findings and theories emerge from the data (Young, 2007). The programme merely takes over the marking, cutting, and sorting tasks that qualitative researchers used to do with a pair of scissors, paper and note cards. It helps to maximize efficiency and speed up the process of grouping data according to categories and retrieving coded themes. Ultimately,
the researcher still has to synthesizes the data and interpret the meanings that were extracted from the data. Therefore, the use of computers in qualitative analysis merely made organization, reduction and storage of data more efficient and manageable.

According to (Twumasi, 2001:86 and Sarantakos, 2005:341), data analysis can be categorized into two types. They are qualitative and quantitative analysis. In qualitative analysis, the researcher, after the collection of qualitative data, examines the features of the material. Thus, all the responses or the answers collected from the field are examined whilst the study objective is being looked at. In other words, from an analysis of qualitative information, the researcher generalizes his findings, based on the facts. Therefore, the data must be sufficient, the sample area must be seen to be adequately representative of the group and the answers must be checked in terms of their appropriateness.

Also, the researcher must compare his findings with other existing theories or information (Twumasi, 2001). The second type of analysis deals with quantitative material. Usually, this material is processed by computer and it is however, a diverse and complex process (Twumasi, 2001). In the first instance, it entails a primary analysis (dealing with raw data freshly produced by a study), a secondary analysis (involving previously analyzed data), or a meta-analysis. Apart from this it contains statistical techniques of a varying degree. Statistical processing can be conducted manually or electronically (Reid, 1987; Rassenberger, 1989; cited in Sarantakos, 2005).

As said before, after coding and computer analysis of the material, the researcher obtains the statistical marginal’s and the main concern here is to derive the trend of analysis and to offer explanations and generalizations based on it. The researcher finds out from the assembled material what is typical and why others deviate from the norm and then attempts to explain the variations. Here, the interest is in averages and variations as well as in social phenomena and the examinations of how the phenomena affect patterns of social relationships. This examination enables the researcher to better understand the phenomena and explain it and make predictions.

Nonetheless, analysis helps the researcher to eliminate unlikely possibilities in order to guard against spurious relationships (Twumasi, 2001). In this regard, the data types for this research
study were textual and figurative in nature. Hence the analysis employed both qualitative and quantitative analysis techniques. However, in the qualitative analysis, editing, tabulation, coding and computer processing of the raw information from the field were collated, synthesized and interpreted and meanings were made out of the extracted data as well as generalizations of the findings completed. Also, in the quantitative analysis, after the coding and computer analysis of the material, statistical marginal’s were obtained and analyzed in terms of percentages and absolute numbers. The statistical marginal were done using statistical packed for social scientist (SPSS), and from the simplified work, derivation of the trend of analysis, explanations and generalizations based on the marginal’s were given. Hence, the assembled materials were examined to found out which of the materials were typical and why others deviate from the norm and also, attempts were made to explain the variations. Here, the researcher was interested in averages, variations and social phenomena.

Also, examinations of the social phenomena were made to know how the phenomena affect patterns of social relationships. These examinations facilitated the researcher understanding on the phenomena for the explanations and predictions (Twumasi, 2001).

3.7.2: Data presentation Techniques

There are many ways of presenting findings from research study. Some of the ways researchers use in presenting their findings include qualitative and quantitative methods. In both qualitative and quantitative research, researchers employ various methods to present their data visually. According to (Sarantakos, 2005: 367), data presentations are done in two main ways, and they include tables and graphs. Tabulation or table presentation is the process whereby the researcher summarizes quantitative data into statistical tables (Twumasi, 2001).

Here, information obtained on sex, education, age, occupations and religious affiliations were summarized and presented with statistical tables. The statistical tables were used to describe the social background of the people involved in the research work. However, not all the factors in the survey were subjected to statistical treatment. The advantage of the statistical method lies in its precision and clarity. It presents numerical evidence in a convincing way (Twumasi, 2001). However, there are difficulties and even misrepresentation if the researcher resorts to express and interpret all social phenomena by numbers and tables. Since many social conditions and
variations of life cannot be fully and accurately expressed in arithmetical terms. Therefore, statistical calculations have limited use and normally use with care and understanding (Hsin-Pao, 1955:71; cited in Twumasi, 2001).

Graphs are figures that offer a visual presentation of the results of findings. There are many types of graphs employ by researchers to display their findings visually (Sarantakos, 2005). The common types of graphs normally used by researchers in their presentations include line and bar graphs, histograms, scatter diagrams, and pie charts. In this regard, there were both tables and graphical presentations of the findings from the research work. Some of the findings were presented with tables' whiles others were presented with graphs, which included, pie charts and bar graphs. This aided in clear and pictorial presentations of the situation at stake, and this will enhance the understanding of issues to the readers and policy makers.

3.8: The figure below represents the research voyage for the research work. It indicates and summarizes how the research study/design was structured and was carried out.

Figure 3.2: Research Design/Voyage/Drive

SOURCE: THIS STUDY, 2009
CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

4.0: Introduction
Analyses are critical examination of materials in order to understand the parts, relationship and to discover the trends - the separation of the research data into its constituent parts (Twumasi, 2001). Therefore, this chapter seeks to analyze and present the findings of an empirical component of a study undertaken on the Accessibility and Role of Microfinance in the Small and Medium-Scale Enterprises (SMEs) in the WA Municipality in the Upper West Region of Ghana. It entails a presentation and analysis of data obtained through varying empirical sources, tools and techniques.

However, the presentation covers aspects on the socio-demographic characteristics; microfinance accessibility to SMEs and the consequences on its performance and poverty reduction; the roles and support systems of SMEs; beneficiaries of Microfinance and their categorization; and the policies/ regulations/ rules guiding the establishment of micro-finance institutions and SME sectors in Ghana and their viability.

Similarly, the following hypothesis has been tested for its acceptance and/or rejection: Microfinance has positive influence on the development of SMEs and Micro-finance support to SMEs has reduced poverty in Ghana.

Therefore, the discussion has been conveniently divided into six main sections which are however not mutually exclusive. The first section (4.1) looks at the socio-demographic characteristics of the respondents. Section two (4.2) also looks at the financial accessibility to SMEs and the consequences on its performance and poverty reduction. In addition, section three (4.3) tackles the roles and support systems of microfinance to SMEs. Section four too, captures the beneficiaries of microfinance and their categorizations and finally, section five (4.5) treats the policies/ rules/ regulations and their viability.

4.1. Socio-Demographics
A field survey in the form of semi and unstructured self administered questionnaires were used to collect the primary data (Sarantakos, 2005). However, these resorted to the use of mixed model research approach which combined both qualitative and quantitative techniques
Individual and institutional interviews were therefore conducted through informal conversations, interview guides approach, and the standardized open-ended interview to obtain the primary data from the respondents in the Municipality (Rainbow and Ozevirir, 2004).

Secondary data was also resorted to for information on the total population of SMEs in the municipality and made the data collection and analysis easier. With respect to the primary data, emphasis was laid on two major categories of SMEs, and they include commerce and industries. The purpose of categorizing the SMEs into two main types was based on the fact that there were so many occupations found under SMEs and picking each independently would have made the data collection and analysis cumbersome and difficult.

Moreover, the industries were made up of hospitality, cottage, fashion, artisans, garages, restaurants, auto-mechanic, welders, carpentry, and “Smock” weavers, among others. The commerce also constituted shops, market sellers of all kinds of goods, food vendors, newspaper sellers, water distributors, Oil product sellers, and so on. The two main categorizations were anticipated to be better represented.

Nonetheless, the data collected from the field were analyzed with SPSS, and with the help of other relevant documents already reviewed in the literature for a clear understanding of the financial accessibility of SMEs in the WA municipality.

**4.1.1: Age of Respondents**

Age is important in every aspect of life. The age structure of a population influences such factors as fertility, mortality, migration, dependency ratio, potential output per head, the distribution of political power, and youth-connected problems (WA-MTDPII, 2006). It is therefore used particularly in making employment decisions. Due to its importance, this study deemed it as a necessity to determine the age structure of the respondents of the study population in order to be able to determine the categories of ages mostly engaged in the SME sectors. Hence, the age distributions of the respondents were ranged from 20 to 65 and above, because the focus of the interview was on SME operators and many of them were found within that age groupings. Thus, the age distributions of the respondents are presented in the table below.
As shown in the table, majority of the respondents fall within the ages of 31-40 which consist of 36.2%, followed with the ages of 20-30 comprising of 35.4%, 41-50 forming 17.7% being the next highest of the groupings, 51-60 age group with 6.2% as the next highest and 60+ with 4.6% being the last age group of the respondents interviewed. However the cumulated percentage of the highest age grouping constitutes 71.5% and the rest all together comprising 28.5%. Hence, this indicates that the active population of the people in the municipality is engaged in the SME sector.

In conclusion, looking critically at the cumulative percentages in the table above, one can conveniently say that majority of the SME operators fall within the ages of 20-60, showing as high as 95.4% and the rest aging 60 and above constituting only 4.6%. This consequently indicates that the SME sectors in the municipality are made up of the active population who are the youth. Therefore, the development of the sector will develop the youth in the municipality and Ghana as a whole. Thereby curbing social vices such as armed robbery and prostitution that are youth associated problems which hinder development and in which its future consequence, is high incidence of poverty.

4.1.2 Gender Distribution of Respondents
In order to obtain adequate and accurate information which is not gender bias, the importance of one’s gender cannot be overemphasized in data collection exercises. Due to this, 67 and 63 males
and females were respectively interviewed. The males however, represent 51.5%, whilst females constituted 48.5% of total respondents. However, the table represents the gender distributions.

### Table 4.2: Gender distribution of Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Male</td>
<td>67</td>
<td>51.5</td>
<td>51.5</td>
<td>51.5</td>
</tr>
<tr>
<td>Female</td>
<td>63</td>
<td>48.5</td>
<td>48.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: (This study, 2010)

The differences between the genders shown in the table above came as a result of the sampling method used- accidental and the unpreparedness of the females to release information without the consent of their husbands. Moreover, this attest to the fact that gender inequality in favour of male is pervasive in the Municipality. This and others however, makes women further disadvantaged because they have limited access to financing, participation in decision making and other employment opportunities. Hence, poverty has remained a persistent feature in the lives of women in the municipality. This therefore confirms a statement made in the WA MTDP, 2006.

To conclude however, the combined effects of these biases and other economic hindrances have resulted in the slowing down of the advancement of women in the municipality. These however, has led majority of women to operate under very difficult conditions, making many of them engaging in petty trading, hawking and cottage industries. These also depict the culture of the people in the municipality, where women are underrated by men. Nonetheless, the resultant effects in the long run are the underdevelopment and acute striking poverty among the people in the municipality.

### 4.1.4: Religious Distribution of Respondents

Religion is a system of social coherence commonly understood as a group of beliefs or attitudes concerning an object, person, unseen or imaginary being, or system of thought considered to be
supernatural, sacred, divine or highest truth, and the moral codes, practices, values, institutions, and rituals associated with such belief or system of thought. It is widely believed that religion plays an important role in the process of economic development (Khan and Bashar, 2008).

This study therefore thought it wise to consider the religious background of the respondents to enable the researcher make informed decision on the level of development in relation to religious backgrounds in the municipality. However, the table below indicates the religious distribution of respondents in the municipality.

### Table 4.3: Religious Distribution of Respondents

<table>
<thead>
<tr>
<th>Religion</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian</td>
<td>51</td>
<td>39.2</td>
<td>39.2</td>
<td>39.2</td>
</tr>
<tr>
<td>Muslim</td>
<td>78</td>
<td>60.0</td>
<td>60.0</td>
<td>99.2</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>.8</td>
<td>.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: (This Study, 2010)

The above table explains the religious distributions of respondents in the municipality. Islam forms the majority constituting 60% of the total respondents. Christians follow with a total percentage of 39.2% and the least being others (5) with a percentage of 0.8. Each of these three broad categories of worship of faith systems has their unique practice and systems of beliefs and values. From the data above, it can be said that majority of the people in the municipality live by the Islamic practices which also includes their marriage systems—early marriage of women.

It can be concluded then that religion and development are seemingly inseparable. Conceptually religions provide believers guidelines about life and the after-life and thus provide much needed incentives for indulging in productive activities during one’s lifetime. Religions can be seen as a promoter of growth as they direct people towards honesty, discipline, hard work, education, thriftiness (leading to savings essential for investment and thereby growth) and absenteeism from harmful activities. Most of the empirical studies point to a positive relationship between religion, economic growth and development (Khan and Bashar, 2008). Hence, since religion cannot be separated from development, the dominant religion found in the municipality has had diverse
effect on all aspects of development in the municipality. Evidence from the survey through conversational interviews reviewed that most of the educated people in the municipality are Christians and majority of them are formally employed. With this, I can confidently conclude by saying that majority of the people engaged in the informal sector (SMEs) are Muslims.

4.1.5: Marital Status of Respondents
Marriage is a necessary element in every society, and it has therefore become an increasingly important topic in academic and policy research. A burgeoning literature suggests that marriage has a wide range of benefits, including improvements in individuals’ economic well-being, mental and physical health, as well as the well-being of their children (Lerman 2002; Ross et al. 1990; Waite and Gallagher 2000; Wilson and Oswald 2005: cited in Wood, Goesling and Avellar, 2007). Therefore this study judged it suitable to consider the marital status of respondents to facilitate properly in making better conclusions in relation to development in the municipality. Hence, the table below indicates the marital distribution of the respondents.

Table 4.4: Marital Status of Respondents

<table>
<thead>
<tr>
<th>Valid Married</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>married</td>
<td>90</td>
<td>69.2</td>
<td>69.2</td>
<td>69.2</td>
</tr>
<tr>
<td>single</td>
<td>34</td>
<td>26.2</td>
<td>26.2</td>
<td>95.4</td>
</tr>
<tr>
<td>divorced</td>
<td>4</td>
<td>3.1</td>
<td>3.1</td>
<td>98.5</td>
</tr>
<tr>
<td>other</td>
<td>2</td>
<td>1.5</td>
<td>1.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: (This Study, 2010)

From the table, 90 respondents were found as married couples representing 69%. Meanwhile it was revealed that 34 of the respondents were not married constituting 26.2%. The divorced were found to be 4 out of the total respondents comprising 3.1% and others were 2 forming 1.5%. The study indicated that married couples constituted the majority, followed with the unmarried, divorced and others.

In conclusion, with the benefits derived from marriage, the majority of people in the municipality find it suitable for them and has entered into marriage. This indicates that most of the
respondents have responsibilities in one way or the other. Therefore making easy access to financial services will help create enough jobs for them to get incomes to support their economic and social needs.

4.1.3: Educational status of Respondents
Empowering people via education is part of development drive to build societies grounded in democratic and equitable values (COPE, 2010). In other words, education is the means to development in every nation. The British, for example, were able to colonize Ghana due to the level of education they had attained (This Study, 2010). This research work found it indispensable to investigate the educational level of the respondents in the municipality. This will enable the researcher makes an informed judgment on the trend of development and the consequences. Hence the table below shows the educational status of the respondents in the municipality.

Table 4.5: Educational status of the Respondents

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>primary</td>
<td>6</td>
<td>4.6</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>JHS/Middle</td>
<td>40</td>
<td>30.8</td>
<td>30.8</td>
<td>35.4</td>
</tr>
<tr>
<td>voc/tech</td>
<td>14</td>
<td>10.8</td>
<td>10.8</td>
<td>46.2</td>
</tr>
<tr>
<td>SHS</td>
<td>33</td>
<td>25.4</td>
<td>25.4</td>
<td>71.5</td>
</tr>
<tr>
<td>Tertiary</td>
<td>27</td>
<td>20.8</td>
<td>20.8</td>
<td>92.3</td>
</tr>
<tr>
<td>No formal education</td>
<td>10</td>
<td>7.7</td>
<td>7.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source (This study, 2010)

From the table above, the highest respondents' educational level are JHS/Middle school leavers representing 30.8%, followed by SHS, 25.4%, third level graduates constituting 27% and primary level 4.6%, and those with no formal education form 7.7%. The implication from the data shows low illiteracy rate in the municipality. It further indicates that majority of people drop-out from schools. This is probably due to the early marriages among girls, especially the Muslims in the municipality.
It can be concluded that the level of education of the respondents is a contributing factor to the slow growth of the development of SMEs in the municipality and it also confirm the reason for why most of them found themselves in that sector and the high incidence of poverty in the municipality.

4.1.4: Occupational Distribution of Respondents

For a particular country or region to be regarded as developed, the nature of that country's occupational structure is taken into consideration. Therefore, it is important in this study to consider the occupational structures of the study area in order to make a concrete judgment. This notwithstanding, the municipality is dominated with agriculture followed by commerce and industry. However, the purpose and focus of this study compelled the researcher to dwell mainly on industries and commerce during the survey. The industries were made up of hospitality, cottage, fashion, artisans, garages, restaurants, auto-mechanic, welders, carpentry, smock weaving, and water processing, among others. The commerce also constituted shops, market sellers of various kinds of goods, food vendors, newspaper sellers, water distributors and many more. The table below therefore depicts the occupational distribution of respondents.

Table 4.6: Occupational distribution of Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>55</td>
<td>42.3</td>
<td>42.3</td>
<td>42.3</td>
</tr>
<tr>
<td>Commerce</td>
<td>75</td>
<td>57.7</td>
<td>57.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: (This study, 2010).

From the table above, 57.7% of the respondents were into commerce and followed by industry with 42.3%. The nature of the occupational distribution depicts clearly the level of development of the municipality. However, the highest percentage with commerce indicates that majority of the population are engaged in that sector. The reasons given were that most of them find it difficult to engage in the other sector because of the inadequate financial accessibility to acquired the needed machinery; low level of technology and management skills.
Therefore these are the key bottlenecks to the industrial growth and development in the municipality. Hence, these conform to what was stated in the municipality medium term development plan II (MTDPII, 2006). However, in order to make ends meet majority of them have found themselves in the commerce industry in which most of them are into petty trading because that area do not require any substantial capital to start with.

It can however, be concluded that the underdevelopment and poor growth of the informal sectors (SMEs), has led to low employment rate, and the high incidence of poverty in the municipality. These can conveniently be attributed to the poor access to financial services and other support systems for the SME sectors in the municipality.

4.2: Financial accessibility to SMEs in Ghana and the consequences on its performance and poverty reduction

4.2.1: Financial accessibility to SMEs in Ghana
SMEs development is indispensable tool to the growth and development of a nation. Therefore its financial accessibility cannot be overemphasized. As indicated by Asiama and Osei 2007, access to financial services are essential for the development of the informal sector and it also helps to mob up excess liquidity through savings that is made available as investment capital for national development.

Onuba, 2008, added that financing of small and medium scale enterprises are vital instrument for the alleviation of poverty in the society. As a result, SMEs play a crucial role in nation building, and as such providing them with the needed facilities would assist in bridging the gap between the rich and the poor. Runny, 2006 also mentioned that access to capital is critical to keep facilities current, add major information technology systems and it strengthen quality initiatives.

This research therefore, deems it appropriate to examine the accessibility of financial services to SMEs, which is not limited to only credit, but also savings, insurance and investments in Ghana and the WA Municipality in particular. It is also necessary to find out whether the accessibility to capital are essential for the development of the informal sector and whether there is excess liquidity, and if that excess can be mobbed up as savings which is made available as investment
capital for national development, and whether the access can serve as a poverty alleviation tool as acclaimed by the authors above.

The survey conducted among the institutional and individual SMEs level revealed that personal funding; relative supports; trade or business - to - business credit (supplier credits); mortgage loans; equipment loans and lease; long, medium and short term loans from credit unions and banks; partnerships; overdrafts; savings; investment; insurances; customer supports; withdrawals; transfer services, among others are the types of financial services available to SMEs in the Wa municipality.

State and Regional Development Companies (MASLOC), Commercial Banks, Insurance Companies (SIC Life), Savings and Loan Associations (Susu and Credit Union Companies), Commercial Finance Companies (PEPS-C) Commercial and other financial institutions (Barclays bank) and Venture Capitalist Companies (ABA SNAP) are nonetheless the institutions noted to be providing the above financial services. Also most of the institutions above were considered as sources/types of financing for SMEs by some of the authors in the literature reviewed.

These however validate the sources/types of financial services available to SMEs, which was put forward in the arguments by the following authors: Shinn, 2009; WEDC, 2009; Tatum, 2009; Ward, 2009; Tiare, 2009; Boachie-Mensah and Marfo-Yiadom, 2007; International organization of Employees, 2006; Annan, 2005; Megginson, Byrd and Megginson, 2000 and Steinhoff and Burgess, 1993, in the literature reviewed on business financing.

However, further investigations from the survey identified two main categories of financial services accessible to SMEs and they include equity and debt financing. Nevertheless, the results from the survey on the various types/sources of financing to SMEs were not classified under their broad categories which are the two broad main- Equity and Debt because the researcher wanted to find out what particular type or source of finance under what category is commonly, used by SME entrepreneurs in the municipality. However, the reasons behind it were to enable the researcher to make an informed judgments and conclusions. Moreover, the result from the
survey on the types of financing clearly shows that there exist two main categories of financial services.

This therefore, authenticates what Richards, 2009; Tatum, 2009, and others in the literature reviewed said about categories of business financing. For instance, personal financing, support from relatives and friends, among others are categories of equity financing. Also, credit unions, banks, insurance, savings, investments, supplier credits are categories of debt financing.

Clearly the bar graph below demonstrates the categories of finances accessed and places of accessibility to SMEs in the municipality. It also shows the combination of the types of finances accessed by SMEs under the two broad main categories.

**Figure 4.1: Bar graph showing the Categories of financing to SMEs**

Source: (This Study, 2010)

The bars in the graph illustrate some form and/or combinations of categories of finances used by SMEs in the municipality. The highest bar indicates the use of equity financing in the form of personal funding and it further explains that most of the SMEs finance their own businesses. The rationale behind it was that most of them do not get access to other financial supports and therefore manage with their own little finances. Few others also mentioned that they prefer using their own finances to sourcing for support from elsewhere. This then confirms Taire, 2009 statement on the use of personal financing by SMEs in the literature review.
The second highest bar also specifies those who use equity financing in the form of personal funding and family/relative supports and it confirms Ward, 2009 statement on small business financing in the literature review. In addition, the third highest bar signifies those who employ the combination of equity and debt financing in the form of personal funding and supplier credit. The next are those who use family support only indicating equity financing. The other three highest bars are indicating the uses of personal funding and credit union supports; personal funding, credit union support and supplier credit and personal funding and bank support respectively, and these are combinations of equity and debt financing. In addition, the rest of the bars are demonstrating the number of people who use some form of equity or debt or combination of both.

Nonetheless, it was identified that insignificant number of SMEs use more debt than equity financing especially credits from the banks. However, most of the bars signifying credit facilities are those from suppliers, customers and credit unions. Hence it was revealed clearly that the access to credit facilities specifically the banks credits are diminutive and insignificant.

It then came out that the highest number of SMEs in the municipality depend more on their own finances, followed by family support and supplier credits. This however means that there is more access to equity financing- personal funding and family support by SMEs in the municipality. To be more specific, about 97% of the total respondents interviewed finance their own businesses.

The reasons as acclaimed by the respondents are that it is the first place that one can look for a startup capital; it is the least expensive source of financing; it is easy accessible source of funding and also financing your own business or providing the startup capital shows some commitments on the part of the entrepreneur and it can then attract investors to the business or could serve as guarantee to access other financial services. These agree to what Ward, 2009 and others said about business financing in the literature reviewed.

Further investigations were carried out to find out whether financial services are easily accessible in the municipality. It was then revealed that about 73.1% of the respondent can easily access
some categories of finances, whilst 26.9% indicated that it is difficult to access finances. Hence the table below confirms the responses.

Table 4.7: How Accessible is financial services to SMEs?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid yes</td>
<td>95</td>
<td>73.1</td>
<td>73.1</td>
<td>73.1</td>
</tr>
<tr>
<td>No</td>
<td>35</td>
<td>26.9</td>
<td>26.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: (This study, 2010)

Moreover, some tangible reasons were given in support of the responses ascertained from the respondents. Out of the 130 respondents interviewed 95 of them responded “YES” to the question, meaning that they can easily access finances for their businesses.

However, the following reasons were respectively given in support of their stances: they depend on their personal finance; personal and family supports; the willingness of some of the suppliers to supply a number of quantity of goods to them based on the trust built; the use of personal financing and also partner with others; they get some supports from their relatives; there have been consensus building between themselves and their creditors; the use of personal financing and willingness of their suppliers to supply some goods on credit to them based on trust; the use of personal financing, salary and regular customer with some of the banks; the use of personal financing, family support and supplier credit; lastly active membership and regular contributions with some institutions.

The bar graph below however explains the reasons further. The longest bar in the graph indicates those respondents who said finances are easily accessible because they depend on their own contributions. The second highest bar represent those who responded “NO” to the question that is why there is nothing written under it. Also, the rest of the bars represent respectively the response in order of the length of the bar of those who mentioned that accessibility of finances is easily.
Majority of the respondents indicated that financial accessibility is easy because they rely mostly on their own contributions, family/relative support or consensus and trust built with their suppliers to credit the goods to them. This explains further that financial accessibility in terms of debt to SMEs is not easily accessible and therefore they tend to depend more on their own contributions or family and friends supports. This goes to verify the views put forward by Boachie-Mensah and Marfo-Yiadom, 2007, Megginson, Byrd and Megginson (2000) and others in the literature reviewed.

On the other hand, the following reasons respectively were given by the respondents in support of the poor accessibility of SMEs financing in the municipality: the demand of collateral; the processes involve in obtaining financial support; the high interest rates; collateral demands, processes, high interest rates and unwillingness of the institutions in supporting SMEs; the unwillingness of some suppliers to supply some goods on credit; the inability to access the necessary funds; family pressures and demands after their supports and finally the inability to expand the businesses due to inadequate funds.

Hence the bar graph below elaborates more on the reasons given above and it shows them in order of preference.
Figure 4.3: Bar graph showing the Reasons for the difficulties in accessing financial services

Source: (This study, 2010)

The highest bar indicates the “YES” responses by the respondents. That explains why nothing is written below it. The next highest bar signifies those who said financial accessibility in the municipality is difficult because of collateral demands, the processes and the high interest rates. The third highest bar is showing those who mentioned that financial accessibility is difficult due to the demand of collateral, the processes, the high interest rates and the unwillingness on the part of the institutions in question.

The other two long bars also specify those respondents who point out to the fact that there is unwillingness on the part of some suppliers and for that matter, they are unable to access the necessary/needed funds respectively.

The last three bars which include inability to access the necessary funds, Family pressures and inability to expand due to financial difficulties show respectively the reasons given by some of those who said financial accessibility in the municipality are difficult.

These and others however, indicate the reasons why financial accessibility to SMEs in the municipality is difficult. Nonetheless, with a critical look at the analysis presented above, one can stand to reason that those using debt financing especially loans or credit from the banks are
those facing the difficulties in accessing the financial services, due to the processes, procedures and collateral demands and they are however made up of few.

This therefore authenticates the problem stated in chapter one that there is poor accessibility of credit facilities to SMEs in the WA municipality. It also confirms what people like Mustafa and Khan, 2008; Gass, 2009; Ward, 2009, and others said about SMEs financial accessibility, especially credit facilities from the formal financial sectors mostly the banks.

Additionally, the survey investigated into the processes and requirements (documents) which qualifies one to access financial services, the criteria used in selecting beneficiaries, difficulties encountered in the processes of accessing and retrieving the finances, the paid back modes, the inadequacies and supportiveness of the financial services accessed and provided by SMEs and the institutions in the municipality respectively, and if there can be some suggested solutions to the difficulties faced by both the SMEs and the institutions.

The study therefore, came out with numerous of similar and/or different combinations of processes that the SMEs go through in accessing financial services in the municipality. The processes one goes through in accessing financial services are therefore presented below.

Firstly, a group mentioned that they do not go through any processes in accessing financial services because they depend on their own funding and/or family support.

The next group, point out to the fact that they negotiate with their suppliers and based on the trust they have built with them, they are however able to access the needed services.

A group also said that they write personal application letters to the institutions and fill a form provided by the institutions, present business certificates, bank and income statements, business plans and collateral security.

Again, a group declares that they write personal application letters, fill some forms provided by the institution, their contributions made and membership with that particular institutions, and
they are also demanded to present collateral security and identification cards to enable them access the financial facility needed.

Furthermore, a group also indicated that they write personal application letters, filled some forms provided by the institutions, their membership with the institution and the contributions made and also the presentation of utility bills and guarantors to enable them access the financial facility needed.

One other group moreover talked about, writing of personal application letters, filling of forms provided by the institution, presentation of business certificates and collateral security.

The last group then mentioned that their membership with the institution and personal application letter is required by the institution to express interest in accessing financial services from them.

Thus, the figure below represents the various responses ascertained by the individual respondents and it further explains the similarities and differences better for easy understanding of the issues.

**Figure 4.4: Bar graph showing the Processes involved in accessing the financial services**

![Bar graph showing the Processes involved in accessing the financial services](source: This Study, 2010)

The highest bar indicates those responses from the respondents signifying those who do not go through any processes because they depend on their personal funding and family support.
The second highest bar also shows those respondents who go through the processes of writing Personal application letters, filling of forms provided by the institutions, presentation of business certificates, bank and income statements and collateral securities. They are however, made up of those respondents who use some form of credit facilities from the banks, especially the commercial banks.

Also, the third highest bar in the graph represent those respondents who go through the processes of negotiation and have also built some form of trust with their suppliers which enables them access the needed services, and they are the SME operators who depend on supplier credit as a way of financing their businesses.

The rest of the bars show respectively, those respondents who mentioned of: Writing of Personal application letters to the institutions, filling of forms, membership with the institutions and contributions, presentation of collateral and identification cards; Writing of personal Applications letters to the institutions, filling of forms provided by the institutions, membership and contributions, presentations of utility bills and guarantors; Personal applications, filling of forms, presentations of business certificates and collateral securities. These represent those who use some form of credit facilities from the financial institutions, credit unions, Angel capital firms, venture capitalist, or the government institutions.

The last bar signifying application and membership, indicates those respondents who access financial services from the Susu Collectors as savings to finance their businesses.

However, the institutions interviewed also confirmed the above mentioned processes as what the SMEs must go through in accessing financial services from them. The only distinguished feature from the above was that they summoned them to personal interactions for assessment and investigations and as well do business assessments of individual businesses.

The institutions further mentioned the following as the documents required by them from the SME applicants to enable them access the financial services needed: Business address and location; Identification cards; Passport pictures; Business registration certificates; tax clearance forms; Trade certificates; certificate to commerce businesses; Six month financial bank
statements; Pay slips; Guarantors; Business plans; Collateral securities; payment of registration fees and membership contributions.

Additionally, the following were revealed from the study, as the criteria the institutions uses in selecting beneficiaries to the financial services they provide to the SMEs in the municipality:

Some institutions mentioned Membership total contributions as one of the criteria use. Another institution also mentioned that the regular membership of the applicant with the institution is used as a criterion. Active customers and regular membership with the institutions was mentioned as another criteria considered in selecting a beneficiary. Nonetheless, permanent structures were also mentioned as criteria.

It was also pointed out that those applicants who are able to qualify after the assessments of businesses and pass the interviews through individual interactions become beneficiaries.

More so, willingness of applicants in producing quality work; proven of honesty and willingness to work in teams; Active and regular customers who meet all the requirements mentioned above, can provide the necessary required documents who are able to show that their businesses are viable and demonstrate repayment ability of the loans become beneficiaries.

Last but not the least the availability of funds of the institution is also use as criteria in selecting beneficiaries to the financial services.

It was further realized that both individual SMEs and the institutions face some sort of difficulties in the accessibility and retrieval of financial services respectively. Nonetheless, out of the total, 130 individual respondents interviewed, only 25 respondents constituting 19.2% pointed out to the fact that they face difficulties in the processes of accessing financial services, and the reason they gave in support of their arguments are as follows:

It was mentioned that getting collateral is very difficult, they mentioned also that the processes and procedures involved in accessing the financial services is long and cumbersome. Lastly, they mentioned that there is unwillingness on the part of some of the suppliers to release the needed products or goods freely for them on credit. However, those who face the difficulties are those
SME operators who access some form of credit facilities. The research further shows that the beneficiaries to the credit facilities are few and it clearly reflect in the responses obtained.

This therefore verifies the arguments advanced by (Ward, 2009) about the difficulties of SMEs in accessing financial services in relation to collateral, long processes and procedures.

Alternatively, the rest of the 105 respondents, constituting 80.8% avowed that they do not encounter any difficulties in accessing financial services due to the following reasons:

- They are self financing businesses.
- They get some support from their relatives.
- They have been able to build trust with their suppliers and therefore, there is the willingness of the suppliers to supply goods on credit to them.
- Others also said that they are Self financing and have built trust with their suppliers, so releasing needed goods to them on credit does not become a problem at all.
- Another group said their regular membership with the institutions facilitates the easiness of accessing the financial services.
- Some also alleged that they are Self financing and their membership contributions with the institutions make it easy for them to access the financial services.
- In addition, others said their Membership contributions with the institutions guarantee their easy accessibility of the financial services.
- Some people mentioned that they are Self financing and at times take their salary in advance to support their business.
- A group of respondents also mentioned that their Membership contributions with the institutions and the trust built with their suppliers makes it easy for them to access financial services in the form of goods on credit.
- The last set of respondents said their regular membership and their good standing with the institutions allow for the easy accessibility and also gets some relative support.

Hence the table and the bar graph below show and explain further the responses from the respondents respectively, those who face difficulties and those who do not encounter any difficulties in accessing financial services. These therefore better enhance the understanding of the issues and give more insight into them.
Table 4.8: Do you go through difficult processes in accessing the finance?

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>25</td>
<td>19.2</td>
<td>19.2</td>
<td>19.2</td>
</tr>
<tr>
<td>no</td>
<td>105</td>
<td>80.8</td>
<td>80.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Sources: (This Study, 2010)

The table further justifies the number of respondents and the corresponding percentages to the “YES” and “NO” responses to the difficulties in accessing financial services in the municipality.

Figure 4.5: Bar graph showing the Reasons to the No in the difficulties in the processes of accessing financial services

Source: (This Study, 2010)

The bars in the graph represent the various responses obtained from the respondents. The various heights of the bars indicate the number of frequencies of those who gave similar reasons. The longest bar verifies those who had no difficulties obtaining financial services because they depend solely on their personal contributions and that do not require them to go through any difficult processes to access the finance. Even though their personal funds are not sufficient but
they do so at their own convenience. Their funds are rather accumulated bit by bit through savings, investments and other means.

The second longest bar shows those who said they face difficulties in obtaining financial services. That is the reason nothing appears under the bar. The third longest bar indicates those who use personal funding and support from relatives. They said using their own money and with the family supporting them in their business do not require any difficult processes in accessing the finance. The fourth highest bar also shows those who mentioned that they have built trust with their suppliers so releasing the needed goods to them does not involve going through much difficulties. Also, the next two bars are of the same length. The reasons given were that their families support them and the other one is a regular membership with an institution. These therefore prevent them from going through difficult situations before obtaining the needed financial services. The rest of the bars explain themselves in detail according to the height of the bars.

Similarly, the institutions attested to the fact that they also face some challenges in retrieving back their loans. Therefore, out of the ten (10) institutions interviewed, eight (8) of them comprising 80% mentioned that they face difficulties in retrieving the loans. They mentioned some of the difficulties they normally encounter as follows: unwillingness on the part of the clients in paying for the loan; false information on the part of some clients making it difficult in tracing them; high default rates; Some cannot repay the financial services due to the fact that their businesses collapse, or there is no market for their goods so they become expired or obsolete; Attitude of the clients and poor logistics of some of the institutions for retrieving the finances. Nonetheless, there were two (2) respondents constituting 20% who said that they do not face any difficulties because their clients are always willing to save with them and those were the Susu Collectors.

Moreover, the following were mentioned by the individual respondents as the processes for paying back the credit facilities they are able to access: Cash daily, weekly or monthly payments made directly to the offices of the institutions. Also some of the officers from some of the institutions come round themselves to collect. Deductions can also be made from their various
accounts. They further mentioned that the same processes are used in paying their suppliers but the only difference is that the cash is deposited into the company’s accounts or paid to them anytime they happen to be around or visit them.

The institutions also confirmed the above processes mentioned as the paid back modes of the loans they give out to their clients. Nonetheless, there were some suggested solutions by the respondents to help eliminate the difficulties involved in accessing and retrieving financial services in the municipality. The proposed resolutions to the difficulties include the following:

- It was mentioned that there should be some provision of subsidies on some of the important raw materials used by SMEs in production of certain goods, to make it affordable for them and that will reduce production cost and which in turn will promote high production, facilitating increased in income.

- It was also said that there should be proper and easy negotiation with different suppliers with different products by opinion leaders in the municipality to make it easy, for SMEs entrepreneurs to get some of the goods on credit without facing difficulties.

- It was stressed further that the membership with an institution or association and the contributions should be able to serve as a guarantee for SMEs to freely and easily access the needed financial services.

- There should also be a way of making financial services, especially credit facilities easily accessible in the municipality and that will help boost the SMEs sectors.

- It was furthermore, stressed that there should be some amendments of the processes and procedures in obtaining a loan and if possible a total elimination of the collaterals demanded by the institutions.

- Mentioned was also made for the fact that there should be a drastic reduction of the interest rates on loans to enable SMEs access the needed financial services as well as finding a way of attracting more investors into the financial market.

- Lastly, it came to the notice of the researcher that the market systems, both international and local markets, should be properly structured to be attractive to people so as to increase production and sales to make possible for people to settle their loans and other debts.
Besides these, further investigations were made to find out from the institution whether they are able to meet the needs of all their clients. The investigations came out with the following results and they are presented in the table below.

**Table 4.9: are you able to meet all the needs of your clients**

<table>
<thead>
<tr>
<th>Ability responses</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>6</td>
<td>60.0</td>
<td>60.0</td>
<td>60.0</td>
</tr>
<tr>
<td>no</td>
<td>4</td>
<td>40.0</td>
<td>40.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: (This Study, 2010)

From the table, about 60% of the total respondents stated that they are able to meet the needs of all their clients and the reasons given in support of the answers above include the following: Adequate funds to satisfy all the needs of the qualified applicants; the contributions from members are used for investments which generate enough money to satisfy the needs of customers; due to accumulated savings from their customers and the save keeping, and prompt release of customers fund to them any time there is a request for it.

Nonetheless, the rest of the 40% respondents mentioned that they are not able to meet the needs of all their clients due to the following reasons: Inadequate funds; other resource constraints and the huge number of qualified applicants; also, the assessment of the applicants informed the institutions as to how many clients’ needs they can meet. Lastly, it was mentioned that not all applicants who make applications duly qualify for the financial services. Hence their needs are not met.

In accordance with what the various institutions said about adequacy of finance in meeting the needs of their clients, it therefore became necessary for the researcher to solicit for the individual SMEs views to find out whether their finances are adequate and supportive enough for their businesses, and if there are any reasons attached to their responses.
The survey conducted among the 130 respondents interviewed, only 32, constituting 24.6% mentioned that their finances are adequate and supportive for their businesses. They further supported their stances with the reason: that they get enough support from their suppliers; other people also mentioned that they have sufficient capital which enables them purchase the needed raw materials and equipments for production; another group also said, they are able to restock their shop any time there is shortage; and the last group- one person said he is able to break-even and that there is no need for other financial assistance from elsewhere. For that matter, 32 respondents constituting 24.6% claimed that their finances are enough and it supports them adequately.

On the other hand, the rest of the 98 respondents comprising of 75.4% mentioned that their finances are not adequate and supportive enough and for that matter are not able to expand their businesses; purchase the necessary raw materials and equipments for production; and their businesses are collapsing due to inadequate funding.

It also became indispensable for the researcher to investigate into the accessibility of insurance, savings and investments habits among SME entrepreneurs in the municipality. Also, since majority of them and even some of the financial institutions are not well informed about the importance and the need of those services. It was surprising and interesting to note that most people, even financial institutions consider microfinance services as only the trivial credit facilities provided to the Micro enterprises but this is not the case.

As stated by CGAP, 2006, “Microfinance” emerged as the term of choice to refer to a range of financial services to the poor, that included not only credit, but also savings and other services such as insurance, investments, money transfers and other financial services. This therefore facilitated the need to investigate into the habits of insurance, savings and investments among SMEs and the institutions in the municipality, so as to be able to disabuse people’s minds from the fact that microfinance services do not include only trivial credits but many other financial services.
The study however came out with the fact that the insurance services, out of the 130 respondents interviewed only 16, constituting 12.3% were into one or more of these insurance services in the municipality; Fire, burglary, goods and life assurance.

Therefore the processes they go through in accessing the services are personal application letters to the insurance institution to express interest; the institution then do assessments of individual businesses; after the assessment, if they meet the requirement they then work out their premiums and lastly the SME entrepreneurs does yearly renewal of the insurance service by payment of the premium already apportioned.

More so, the rest of the 114 respondents comprising 87.7% responded that they are not into any form of insurance and the reasons given include the following: Inadequate funds; lack of education and sensitization on the need and importance of the service; cumbersome processes and procedures involved in accessing the service; and some also mentioned that they do not have any reason for not accessing the service.

Additionally, with the savings and investments, out of the 130 respondents interviewed, 117 constituting 90% mentioned that they either save and/or invest.

It was also added by all the ten (10) institutions interviewed that they do encourage SME operators in the municipality especially their clients to do some savings and/or investment either personally or in a group. They however mentioned savings, shares, treasury bills, fixed deposits, among others as some of the investment and saving packages in their institutions that the SMEs can access. They also said that they do inculcate the savings and the investment habits in their clients (SMEs) through: education, sensitization, personal advice, publicity on the radio stations, personal contacts and orientations on the importance and the need of the savings and investments facilities.

The individual respondents also confirmed that they do save and/or invest individually or in groups in shares, fixed deposits and treasury bills, either with the bank, credit union, and/or with the Susu collectors. Therefore, the rest of the 13 respondents contested to the fact that they do
not access any form of saving and/or investments, because they are not able to generate enough income from their businesses to enable them save or invest part of it.

More so, the individual respondents mentioned the following as the processes they go through in accessing the savings and/or investments services: Applications to the institutions expressing interest; membership with the institution and personal contributions.

Nevertheless, the institutions revealed the following as the processes they anticipate their clients to pass through to enable them access the savings and/or investment services: willingness and application to open an account and filling the necessary forms; a walk-in to express willingness to invest in any product which allows you to fill an application form; application to the institutions office to become a member and that guarantee you to start your saving by contributing any amount you wish; acquisition of membership card which qualifies one to be a member and enables the member to start his/her savings as wish; membership and regular contribution into members account.

Conversely, it became important for the researcher to find out the benefits, the SME entrepreneurs derived from the insurance, savings and the investments services they access. It was therefore discovered from the responses that they derive some sort of benefits. However, out of the 130 respondents interviewed, 113 constituting 86.9% attested to the fact that they gain some benefits from the services. They nonetheless mentioned the following as the benefits gained: A group said, it assist them in accumulating capital for the business; another group mentioned that the business capital is not misused and therefore are used for the intended purposes; they also said it serves as a security guarantee; it was said also that it increases their working capital through the bit by bit money put aside; it was again mentioned that it serves as a guarantee for obtaining loans and also save keeps the business funds from theft.

Further, the rest of the 17 respondents comprising 13.1% said they do not benefit from accessing the services and the reasons given were that some do not access the savings/investments. However, those who access the services complained that they are not pleased with it, since the
interest rate on the savings are insignificant and therefore cannot be used to achieve any meaningful purpose.

To wrap up, the types of financial services available to SMEs in the WA municipality include; savings, insurance, investments, personal funds, customer supports, mortgage, equipment loans, lease, supplier credits, loans, among others. However, these financial services can be found under one or all of the two broad categories of business financing- Equity and Debt. Hence, the Commercial and Barclays banks, MASLOC, SIC Life Assurance, PEPS-C, SNAPI ABA, Credit Unions, Susu collectors and various Suppliers who supply different products to some of the SME entrepreneurs on credit are the institutions providing the financial services in the municipality.

The study further revealed that SME entrepreneurs in the municipality relied more on equity financing- personal funding and relative supports than debt financing because those are the most readily accessible financial services to them.

However, ironical statements were made by some of the respondents on the fact that financial services were easily accessible. The statement was made in relation to personal financing, relative supports and little support from some of their suppliers. About 73.1% of the respondents made that ironical statement. The researcher considers it an ironical statement because they further complained about the difficulties they face in accessing other financial supports like loans from the banks. Nonetheless they defended their statement by saying that since they depend on their own contribution and family support; they are not obliged to go through any cumbersome and difficult processes, procedures and demand of collateral for accessing those financing.

They added further that few suppliers also show some willingness to supply some of the needed products on credit to them. That is the more reason why they mentioned that financial services are easily accessible.

More so, the rest of the 26.9% confirmed that they face a lot of difficulties and challenges in the form of long processes and procedures they go through, and the high collateral demands from the institutions before they are able to access the financial facilities in the municipality. This shows
that financial accessibility in the form of debt financing, especially credit facilities in the municipality is poor, difficult and cumbersome.

The processes of the accessibility of the finances also entails unnecessary demands of some requirements of certain documents such as: personal application letters; utility bills; identification cards; business plans; business registration and commencement certificates; trade and tax clearances certificates; six month statement of accounts; Business addresses and location; Passport pictures; Pay slips; guarantor; collateral, among others.

The question then is how many SME businesses in the municipality meet these requirements and can provide the requisite documents? These requirements therefore worsen the difficulties encountered in the processes of accessing financial facilities in the municipality. Moreover, aside the processes and the documents required, there are other criteria used in selecting the beneficiaries to the financial services provided by the various institutions in the municipality. The criteria include that the individuals are subject to scrutiny through interviews, individual assessment and assessments of businesses of the beneficiaries in finding out of honesty, also if there is willingness of some of them to work in teams and if they are ready to produce quality work which will get ready market. Also, other criteria such as total contributions; regular and active membership; permanent structures, and those who meet all the requirements and show repayment ability qualify for the financial services.

Additionally, it came to the notice of the researcher that both the individual SMEs and the institutions face difficulties in the processes of accessing and retrieving financial services respectively. The institutions notified the researcher that it really becomes a difficult task for them to retrieve loans given out to SMEs. Therefore, it was as a result of the fact that some of the beneficiaries give false information; others are not willing to pay back the services and some businesses also collapse due to poor market structures in the municipality.

It was mentioned moreover that the paid back mode of the financial services provided by the institutions to SMEs in the municipality are done in cash either directly to the institutions offices,
some of the officers going round to collect the cash themselves or it is paid into the institutions account daily, weekly and/or monthly basis.

The institutions in the municipality therefore acclaimed that they are able to satisfy the needs of all qualified clients because they have ample funds to do that. Nevertheless, majority of the SME entrepreneurs in the municipality claimed that their finances, especially credit facilities are not adequate enough to support their businesses and therefore are not able to purchase the necessary raw materials and equipment to increase production. For that matter most of their businesses are collapsing, record poor growth and expansion as well as poor development of the SME sectors in general.

Also, it became an acknowledged fact that the habit of insurance is not well cultivated among most SME entrepreneurs in the municipality because they are not well informed and sensitized on the importance and the need for it. It was mentioned however that the processes and procedures involved also deter people from accessing the services. On the other hand, the entrepreneurs complained of inadequate funds for the yearly renewal, and that prevents them from accessing the service.

It was also noted that majority of SME entrepreneurs are enthusiastic about accessing the savings and investments, more particularly the savings because that service helps in saving keeping of the entrepreneurs money from theft. It also helps increase their working capital through the bit by bit money they set aside. Again it prevents them from misusing the business capital and for that matter uses the funds for the intended purposes. It also controls their daily spending to avoid unnecessary spending of the business funds.

However, for those few who have cultivated the habit of investment, mentioned that they do it as a way of increasing their working capital, for unforeseen circumstances and Security guarantee for the future. The entrepreneurs nonetheless, complained that they do not earn any significant interest on their savings, but it is to the interest of the nation because it is made available as investment capital for national development. Hence this endorses what Asiama and Osei 2007 said about savings and investment in nation building.
4.2.2: Consequences of financial accessibility on SMEs performance and poverty reduction

The need to provide secured and desired source of financing for SMEs cannot be over-stressed (Mensah, 2004). Therefore the consequences of adequate financing for small and medium scale enterprises are vital instrument for the alleviation of poverty in the society and it also assists in bridging the gap between the rich and the poor which in turn serves as vital instrument which play a crucial role in nation building (Onuba, 2008).

Moreover, if SMEs are properly structured and capitalized, they have the potential to grow and spearhead accelerated growth of Ghana into a middle income status (Poku and Frimpong, 2009). This target group (SMEs) has been identified as the catalyst for economic growth of a country since they are a major source of income and employment (Mensah, 2004). This study therefore deemed it appropriate to investigate into the impacts/consequences of financial accessibility on SMEs performance and poverty reduction in the WA municipality and Ghana as a whole.

The research will further come out with a testimony to what has been acclaimed by the scholars, who attest to the fact that financial accessibility reduces poverty, it is an instrument for a nation building and that it bridges the gap between the rich and the poor in society, among others.

The investigations conducted among 130 respondents revealed that there are positive correlations between secured and desirable financial accessibility on SMEs performance, poverty reduction, economic growth, nation building, among others. These therefore confirm Mensah, 2004; Poku and Frimpong, 2009 and Onuba, 2008 statements. Hence, the 130 respondents interviewed, 122 constituting 93.8% responded “YES” to the question posed, meaning that there exist some positive correlations between financial accessibility, poverty, economic growth and nation building. They verified their testimony by saying that they have experienced some positive impacts on their businesses and on their standard of living after accessing one or two forms of financial services either from their personal contributions, family, suppliers or financial institutions.

The study subsequently came out with the following positive impacts encountered on peoples businesses and lives in the municipality. Firstly, it was mentioned that personal/self developments have been encountered in many people’s lives. It was again said that more
employment opportunities have been created in the municipality and that has led to an increase in most people’s income. It was stated also that there is the realization of growth, expansion and improvement in businesses which has led to economic growth and development.

Notwithstanding, some youth group mention that they have been able to get married because they are now engaged in employment and added that all these can be measured as some of the positive impacts encountered, which can be attributed to the financial accessibility. It was also mentioned that most people can now afford some basic necessities of life such as education, shelter, health, good nutrition, clothing, and potable drinking water.

They further stated that the affordability of the basic necessities of live have necessitated the improvement in the standard of living of some people in the municipality. In addition, mentioned was made that other important needs of life like transportation, decent accommodations and other amenities that make life comfortable can now be secured through the able means of financial accessibility. Last but not the least, it was declared that most people are now able to make some savings, insurance and investments that serve as security guarantee against unforeseen circumstances and the future. These therefore attest to the fact that there are some positive impacts felt by the people and on their businesses in the municipality through the financial accessibility.

Nevertheless, seven (7) respondents, comprising 5.7% responded that they have not felt any positive impacts neither on their business nor their lives and the reasons given included the following: their businesses are collapsing; they don’t see any progress in their work; there is no improvement in their lives and also they make a lot of losses in their businesses in which they are prevented from breaking-even. It was renowned from one (1) person consisting 0.8% that he/she has experienced both positive and negative impacts because there are instances that things goes on well and other times too, things become bad, especially in terms of sales.

More so, the ten (10) institutions interviewed confirmed that easy and secured accessibility of financial services have positive impact on SME performances and poverty reduction. Out of the ten (10) institutions questioned, nine (9) of them constituting 90% confirmed to the fact that
secured and easy accessibility of financial services have positive correlation between SMEs growth, development and poverty reduction in the Wa municipality and Ghana as a whole. Therefore, the reasons given in support of the assertion corresponded to the reasons specified above by the individual SME respondents.

Nonetheless one (1) institution encompassing 10% revealed that there is no positive impact felt on the SME businesses and the lives of the entrepreneurs in the municipality. This is because most of the SME entrepreneurs feel reluctant to engage in the services that can benefit them and their businesses therefore, continue to remain in poverty striking situations and the underdevelopment conditions. Hence, it becomes difficult for them to access sufficiently the needed financial services that will support their businesses. However, most businesses in the municipality have come to a halt and to the extent of total collapse.

In conclusion, easy, sound and secured accessibility of financial services have positive correlations on SME growth and development, hence poverty reduction. The reasons behind the contention is that financial accessibility leads to employment creation; growth, expansion and improvement/development of businesses which then facilitate increase in income. These therefore enable people to afford some basic necessities of life such as education, shelter, health, good nutrition, clothing, and potable drinking water, among others. They are also able to acquire other necessities of life such as transportation, decent accommodation, and additional social amenities which makes life comfortable.

More so, the increases in income have given some people the opportunity to contract their marriages and develop themselves in certain ways. These and many others have led to the improvement in the standard of living of most people in the municipality. Also the accessibility has necessitated the habit of savings, investment and insurance which serves as guide against unforeseen circumstances and as well serve as a security guarantee against the future for many. These therefore serve as facets of economic growth and development, nation building and poverty reduction. These consequently validate what Poku and Frimpong, 2009; Word Bank Group, 2009; Shah, 2008; Onuba, 2008 and Mensah, 2004, among others brought forward in their arguments in the literature reviewed.
4.3: Beneficiaries of Microfinance and their categorization

An important study like micro financing and SMEs cannot be completed without imperatively investigating into the beneficiaries of micro financing and their categorizations in the SME sectors. This important study will inform decision makers on how to formulate constructive decisions and policies towards the growth and development of microfinance, SMEs industries and their beneficiaries.

Therefore, the survey conducted revealed that all SME entrepreneurs operating all kinds of businesses are beneficiaries of microfinance services. But it was noted however that most institutions target women and that makes women the most beneficiaries to the service than men.

Hence the table below justifies the statement made above, thus showing beneficiaries and the categorization of microfinance services in the municipality.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulated Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>male</td>
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<td>.8</td>
<td>.8</td>
<td>.8</td>
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<tr>
<td>female</td>
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<td>3</td>
<td>7</td>
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</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
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</table>

Source: (This study, 2010)

Out of the total respondents interviewed 93.8% confirmed that microfinance benefit women than men. The second group representing 5.4% were of the view that it benefits both men and women and the last category constituting 0.8% supported the fact that it benefits men than women. All the arguments were backed with some reasons. The reasons given in support of the women been the most beneficiaries included the following: That Women are noted for excellent in repayment and they are always willing to pay interest on the loans. It was also mentioned that they use the services given to them for the intended purposes. This therefore goes to validate Ruben 2007, argument about the reasons why microfinance target women than men.
The view that women are the most beneficiaries to microfinance services was also backed with the reason that women are the most poor and vulnerable in society, and they are the majority who dropouts from school, so they find themselves engaged in the informal sector to make a living.

Moreover, most of them are noted to be the breadwinners of the house and they take almost all financial responsibilities in the homes especially concerning raising of children. Therefore the vulnerability and the poverty among women attract most institutions to target women than men. These then serves as proof to the following authors’ arguments about the reasons why microfinance targets more women than men (CGAP, 2009 Asiama and Osei, 2007 and UNCDF 2005).

Additionally, out of the ten (10) institutions interviewed, six (6) of them constituting 60% supported the view that women are the most beneficiaries of microfinance. Whilst four (4) comprising 40% mentioned that it benefits men than women. The reasons given in support of the view of women as been the most beneficiaries conformed to the reasons put forward by the individual SME respondents above. They include reasons such as vulnerability; poverty; prompt repayment; uses the services for the intended purposes, among other reasons.

On the other hand, the reason(s) given in support of more men benefiting from microfinance services than women by the institutions were that majority of men are engaged in the formal sectors of the economy and are able to secure loans from the banks because they have the potential/resources to provide the documents required by the financial institutions.

In conclusion therefore, the end users or beneficiaries of microfinance services are the economically active poor, who are engaged in all kinds of SME businesses of which most of them are noted to be women.

4.5: Roles of Microfinance to SMEs and It’s Support Systems
As was stated by Akinyemi; cited in Onuba, 2008, financing of small and medium scale enterprises are vital instrument for the alleviation of poverty in the society and therefore plays an imperative, though complementary role in nation building as such its contribution to economic growth and development cannot be over-emphasized. Therefore, the responses from ten (10)
microfinance institutions that were interviewed revealed the following, as the roles microfinance plays to the SME sectors: Start-up capitals; financial services; indemnity; claim settlements; employment creation; expansion, growth and development of businesses; skill enhancement; entrepreneurial development; empowerment; and above all, the entrepreneurs are able to afford some basic necessities of life such as decent accommodation; education; health; among others which in effect leads to improvement in the living standards leading to poverty reduction.

It was added that as institutions, they try to bring hope to the hopeless in societies, help them implement plans and build assets for the future, inculcate in them the spirit of saving and investment, help them build confidence and self esteem and capacities which enables them take part in decision making in the society. They also try to fill the vacuums created by the formal financial sectors. Similarly, the individual respondents were also in support of the same views as to the roles Microfinance plays to the SMEs sectors.

However, the responses obtained from the interviewed are presented in the table below for easy comparism.

<table>
<thead>
<tr>
<th>Table 4.11: Table indicating the roles/benefits of microfinance to SME Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sectors</strong></td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>Valid Employment and expansion employment, expansion, growth and development</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Employment, expansion, growth, development and sustainability</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: (This study, 2010)

From the table above, the responses obtained can be categories into three main forms which include:
Employment, expansion, growth, development and sustainability, and this category constitute the highest with 66.9%.

Employment, expansion, growth and development are the second highest category, which form 32.3%.

Employment and expansion is the last category that comprises of 0.8%.

Therefore, the philosophy behind the above categories of responses were that financial accessibility- microfinance, enable people start new jobs, expand the existing ones by investing back part of the profits, through which the business will grow and would be sustained.

Consequently, the responses of the role of microfinance to SMEs given by both the institutions and individual respondents confer with the ideas given by Zabaleta, Miller, Lweya Velasco and others as cited in Islam, 2006 in the literature reviewed.

In conclusion, microfinance services play important roles in the growth and development of the SME sectors and as well aid in poverty reduction, through the provision of financial services that creates new employments, expand, grow, develop and sustained existing businesses, building capacities, self esteems and confidence and many more which intends leads to poverty reduction. They are consequently considered as principal driving force of economic development Therefore, making microfinance easily accessible to SMEs will enable Ghana attain the middle income status by year 2015 and also, will catch up with the industrial world whose developments were as a result of the development of their private sectors.

**4.5.2: SMEs support Systems**

Despite the fact that financial accessibility is the critical need of SMEs, there is also an imperative need for other non-financial support systems to accelerate the progress, growth and development of the sector. Therefore SMEs and entrepreneurship form an integral part of a healthy national economy (Wilson, Larson, and Jacobson, 1994), and they have been identified as the catalyst for economic growth of a country because they form the major sources of employment and income to many people (Mensah, 2004).
Owing to the enormous roles that SMEs play in economic development, this study anticipated that it would be necessary to investigate into the support systems that the sector benefits which can help eliminate some of the plight of the sector apart from the poor financial accessibility. In G-8 Summit, 2004, it was stated that lack of legislation, infrastructure, limited understanding of entrepreneurship and financial means are some of the major obstacles to designing appropriate polices for developing SMEs.

This study will later prove or otherwise the statement made during the G-8 summit in 2004. The investigations conducted at the institutional level revealed that about 90% of the institutions in the municipality provide some form of support systems to the SME entrepreneurs. The support systems are in the form of personal advice; workshops; training; orientations; among others. Nevertheless, it was pointed out that there are no criteria used in selecting beneficiaries to the support systems. Therefore all active members belonging to an institution can access the services, provided that the member is a regular customer or client. Hence, the bar graph below show and explain the types of support systems accessed by SMEs in the municipality.

Figure 4.6: Bar graph showing Support systems provided by various institutions in the municipality

Source: (This Study, 2010)

The first bar from the left that had nothing beneath it is signifying the institutions that provide no support systems to SMEs. The second bar shows those institutions that provide support systems to SMEs in the form of personal advice and workshops. The longest bar which is the third indicates those institutions that offer support systems to SMEs in the form of advice, on the need
and importance of savings towards future developments. The fourth bar shows those institutions that support the SMEs in the form of education, on good business practices through discussions with their clients. The fifth bar specifies the support systems provided by the institutions by sensitizing them on financial and management procedures. The rest of the bars represent the following supports given by the institutions to the SMEs respectively: Skills and management training; financial management; entrepreneurial skills; vocational training; among others. They also organize seminars once in a while to sensitize the SME entrepreneurs on the need for their involvement in other beneficial packages; they give technical, business, management, records keeping and start-up orientation services; among others. Lastly, they mentioned that they organize weekly meetings with their clients to educate them on financial and business management. Moreover, it was evident that 42.3% out of the individual SMEs interviewed receive some categories of support systems.

The rest of the respondents constituting 57.7% mentioned that they do not access any support systems from anywhere. The reason given in support was that they are not available.

Therefore the table below substantiates the rate of responses given by the respondents.

Table 4.12: Do you enjoy any support systems aside the financial supports?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>55</td>
<td>42.3</td>
<td>42.3</td>
<td>42.3</td>
</tr>
<tr>
<td>No</td>
<td>75</td>
<td>57.7</td>
<td>57.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source (This Study, 2010)

The 42.3% respondents who indicated that they receive some form of supports systems from some of the institutions mentioned the following as some of the types of the support systems they enjoy: Advice from suppliers and customers; continual education and annual conferences; Orientations; Training on business enhancements and Workshops. These therefore confirm the types of support systems the institutions provide to the SMEs.
More so, there was the need to find out whether the support systems were valuable to the beneficiaries and their businesses. The 42.3% beneficiaries to the support systems were probed in order to enable the researcher know the various ways the support systems benefit them. The 42.3% constituting 55 out of the total 130 respondents, 40% mentioned that it benefits them and their businesses. Whilst 60% said it does not benefit them, and the reasons given were that they have not started implementing the supports systems they access on themselves and their businesses yet. The table below therefore signifies the responses obtained from the respondents.

Table 4.13: Do you think the support systems are beneficial to you as an entrepreneur and your work as a whole

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>52</td>
<td>40.0</td>
<td>40.0</td>
<td>40.0</td>
</tr>
<tr>
<td>No</td>
<td>78</td>
<td>60.0</td>
<td>60.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: (This study, 2010)

The beneficiaries to the support systems demonstrated the various ways it benefits them. Consequently, the type of ways the support systems benefit the beneficiaries has been presented with the bar graph below. The highest bar in the graph represents a group who mentioned that the support systems do not benefit them. The second highest bar illustrates the group of beneficiaries who mentioned that the support systems have improved their services. These include approaches and relationships to customer care, and that has enabled them gain more customers which has improved sales, and has in turn led to increase in their profit margins. The third highest bar also shows those groups who mentioned that the support system has developed their skills in the management of the business and their records keeping. The rest of the bars embody those who mentioned that they are able to draw their business plans and also, they have been able to implement them efficiently; proper management and maintenance of tools; risk management and records keeping; waste management; hygiene and proper handling of customers, among others as the ways the support systems benefit them and their businesses respectively. These therefore authenticate the statement made in the document during the G-8 Summit in 2004, on SMEs. It also confirm the World Bank, 2006, support initiatives for SMEs in Ghana.
To conclude, a handful of SME entrepreneurs are able to access other support systems beside the financial supports in the municipality. Moreover, majority of the few who get the opportunity to access the support systems also do not implement it. However, those groups who really execute the various support systems on their businesses confirmed that they have benefited a lot from them.

They mentioned some of the benefits to be, development of skills; improvements in customer services and relations and their customers’ base have also increase which has improved their income through the increment in their profits. Nevertheless, majority of the SMEs are not able to access any form of the support systems because they are not aware of their existence.

Most businesses in Ghana fall within the informal sectors of the economy and with employment capacity of about 70% of the total labour force, which constitutes farming activities, agribusinesses, light manufacturing, art and craft, textiles and garments, tourism, financial services, construction business, carpentry, just to mention a few (World Bank report, 2006).
However, due to the inadequate attention and support systems, the growth of these sectors has suffered and is still suffering resulting in the shifting of focus from entrepreneurship to a proliferation of petty trading nationwide. The situation in the WA municipality however, is no exception and that is why the occupational structure depicted more commercial activities in the form of petty trading than industrialization. These attest to the fact that the municipality is underdeveloped because a country or municipality that is without adequate industrial development lacks features of developmental processes.

4.6: Policies/Rules/Regulations guiding the establishment and operations of SME sectors in Ghana and microfinance institutions and their viability.

Policies are set of decisions which are oriented towards a long-term purpose or to a particular problem. Hence such decisions are often formulated by governments and are often embodied in legislation, and it is usually applied to a whole country rather than a part of it (Bullen, 2010).

Moreover, statutory requirements for setting up businesses vary among countries, from strict to non-existent. These studies therefore reckon it as an important area of the research which calls for investigations. This will enlighten the researcher’s notion on the various policies/rules or the regulatory bodies guiding business establishment and operations in Ghana, particularly in the WA municipality and the effectiveness of such policies/rules/regulations.

The study conducted among 130 respondents testifies that business registration and permit; certifications; and various tax obligations such as VAT, Internal Revenue, income tax, among others are the policies prevailing in the municipality which guides their establishment and operations.

Further investigations revealed that the policy frameworks in the municipality are effective in favour of the policy makers and the implementers. Out of the 130 total respondents interviewed 69.2% were in favour of the effectiveness, whilst 30.8% were against the effectiveness of the prevailing policies. Hence the table below further authenticates the various responses ascertained from the respondents about policies and its effectiveness in the municipality.
Table 4.14: Effectiveness of laws/policies/regulations guiding establishment and/or operations of businesses

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid  yes</td>
<td>90</td>
<td>69.2</td>
<td>69.2</td>
<td>69.2</td>
</tr>
<tr>
<td>no</td>
<td>40</td>
<td>30.8</td>
<td>30.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: (This Study, 2010)

There were some reasons in support of the “YES” and “NO” responses given by the respondents on the policy effectiveness. The respondents who were in favour of the effectiveness of the policies buttressed their point with the following reasons respectively: Harassments on the part of the tax collectors; Prompt collections of taxes; the Premium of taxes are somehow manageable; Processes and premium are manageable; they are Prompt in collections but the premiums are high; it is also the responsibility of citizens to pay tax, and lastly the implementers follow the regulations. Therefore, the responses in favour of the policy effectiveness have been explained further with the pie chart below.

Figure 4.8: A pie Chart showing the Reasons in support of policy effectiveness

If yes, how are these policies/laws/regulations effective

Source: (This study, 2010)
Looking critically at the pie chart and the keys above, the highest shaded area with the brown colour indicates those, who said the policies in the municipality are effective in terms of the prompt collection of premiums. The next highest area is the blue shaded colour signifying those who mentioned that the policies are not effective. The red shaded portion also indicates those groups of respondents who attested to the fact that the policies are effective due to the prompt collection of fees even though the premiums are high. The light blue shaded region indicates those who said the policies are effective because it is the responsibility of every citizen to pay tax which can be use for developmental projects. More so, the ash coloured section represents those groups who established the fact that the policies are effective because the implementers follow the rules and regulations guiding the collection of the premiums. Also, the green coloured shaded portion constitutes those groups who made mention of the fact that the harassment on the part of the tax collectors makes it effective.

This seems really an ironical statement, because how can harassment in the process of doing something can makes that process effective? Anyway a meaning would be assign to it later. The yellow coloured part also comprises of those who mentioned that the policy is effective because the Processes and premium are manageable. Lastly, the portion shaded with the violet colour designate those categories of people who believed that the policies in the municipality are effective because they are able to manage and cope with it.

In fact, some of the reasons given in support of the effectiveness of the policies amaze the researcher so much so that those reasons are considered as ironical statements. This is because an effectiveness of a policy should not be accompanied by harassment of people in the process of collection of tax by the tax collectors. They mentioned that sometimes it goes to the extent of locking up of shops and industrial premises. Other statements made were that they charge unreasonable premiums which do not correspond with their incomes. If all these complaints were lodge about the policies, how then can one conclude by saying that the policies in Ghana and for that matter the WA municipality are effective? Anyway that were their views, but to the researcher they cannot be considered as effective policies because of the reasons specified and the context in which they express their sentiment about the policies.
On the other hand, a group of respondents pointed out to the fact that the policies in the municipality guiding business establishment and operations are not effective. The following reasons were given in support of their stance; they mentioned high premium and harassments as some of the reasons why the policies cannot be considered as an effective one. Secondly they said that there are some irregularities in the premiums. There is also lack of orientation and education of the general public to well inform them of the importance and the need. More so the policies and its processes are formulated without the involvement of the masses. Another group mentioned that the processes, and procedures are long and widened and they charge high premium rates. Others also said, that they have no reasons so “Nil” was assigned for them.

The following were respectively among the reasons specified against the effectiveness of the prevailing policies in the municipality: Poor implementation; Poor implementation and processes; Procedures and inproportionate apportionment of premium; Processes and the procedures of registration; permit, among others are too long; bureaucratic and high charges; the welfare of entrepreneurs are not of any concern to policy makers; inproportionate apportionment of premium, frequent upward adjustment of the premium unnecessarily and the long processes and procedures, involved in obtaining certificates and registrations. Therefore, the pie chart below has been used to explain further, the reasons given by the respondents.

Figure 4.9: A Pie chart showing the Reasons against the effectiveness of the policies in the municipality

Source: (This study, 2010)
The shaded portions with the different colours signify the responses given by those respondents who stipulate that the policy environments are not effective and favourable. The highest shaded portion with the blue colour represent those who responded “YES” to the effectiveness of the policy, that is the more reason why nothing is written against the first key of the pie chart. The second highest portion coloured with light blue stands for those who said the policy is not effective due to the procedures, processes and the inproportionate apportionment of premium charges. The third highest shaded portion with the deep green colour signifies those who mentioned that the policies are not effective because of the procedures and inproportionate apportionment of premium. The fourth highest shaded portion coloured with brown shows those who suggest that there is inconsistencies with the premium and by the tax officials. Also, the light green shaded portion denotes those who said the policies are not effective because of the high premium and the harassments by the tax collectors. The rest of the shaded portions, the purple coloured area designate those who mentioned that the welfare of entrepreneurs are not of concern to policy makers and that makes the policies ineffective. The yellow region shows the group who mentioned long processes and procedures in business registration and certification and the high premiums creates the ineffectiveness. The aqua green also demonstrates those who believed that the Poor implementation of the policies creates the ineffectiveness.

Others include; Lack of orientation and education of the general public and the lack of involvement of the masses in policy decisions and its processes; inproportionate apportionment of premium, frequent upward adjustment of the premium unnecessarily and the long processes and procedures involved in obtaining certificates and registrations; processes and the procedures of registration, permit, among others are too long; bureaucratic and high charges. Lastly the poor implementation and processes suggest the ineffectiveness of the prevailing policies in the municipality.

The researcher is therefore convinced of the reasons given in support of the ineffectiveness of the prevailing polices in the municipality, because she witnessed several incidence as alleged. These situations are really deterring the smooth growth, development and progress of businesses in the municipality. The situation is not only predominant in the municipality alone but in the whole country- Ghana. This and others go to confirm what Ngasongwa, 2002 and Matfobhi, 2001, said
in the literature reviewed on the policies/rules/regulations guiding business establishments and operations.

Nevertheless, the respondents who were not in supportive of the effectiveness of the prevailing polices in the municipality were further probe to find out whether they can identify some loopholes with the policies and if there are ways that they can be dealt with. Numerous criticisms were adduced after the interview. It came out that most of the staffs were unqualified to be place in the positions they work, and therefore need some refresher courses to enhance their skills and upgrade themselves as well. Another point of view that came out was that there is lack of grassroots participation of beneficiaries in policy formulation. Hence people’s concerns are not solicited for to be inputted in the processes of the formulations of the policies. Therefore, what comes out as policy for the general public is the imposition of the ideas of the policy makers/politicians, and it is always in their favour. It was also mentioned that there are political interferences in the implementations of the policies to favour those belonging to the party in power.

These and others were the loopholes identified as hindrances to the effectiveness of the policy/rules/regulations guiding business establishment and operations in the WA municipality. The loopholes are then represented with the bar graph below for better understanding of issues.

Figure 4.10: Bar graph showing the Loopholes of the Policy/Rules/Regulations

Source (This Study, 2010)
Further investigations were made to solicit for views on how the loopholes identified can be eliminated for proper, effective and favourable policy formulation and implementation to properly guide the establishments, operations, growth and development of businesses in the municipality in particular and Ghana as a whole. Consequently, the responses generated included the following: The whole policy systems, be it registration, certification, permits, commencement or tax obligations, need complete restructuring. Most especially the processes and procedures involve in business registrations, certification, permits and as well as reduction in the premium charges, among others. They said this will therefore be of good interest to entrepreneurs and that will motivate them to work harder.

Out of the total respondents interviewed, 73.8% of them attest to these facts. Whilst, 0.8% of the respondents mentioned that there should be training and orientation for the general public to enable them better understand the importance and the need of the whole processes. They also mentioned that refresher courses and proper training should be organized for the tax collectors to enable them better understand the issues concerning taxation and its implementation processes.

Meanwhile, 25.4% of the respondents said, nothing to the questions posed to them, since they were peeved with how the polices in the municipality are structured and implemented.

Nonetheless, the survey revealed three broad main categories of microfinance institutions in the municipality, and they are made up of formal, semi-formal and informal institutions. These therefore proves what Lafourca, Isern, Mwangi and Brown, 2005; Asiama and Osei, 2007; Amit, Neeraj and Warriar, 2007; ADB, 2008 and Dewey, 2008, said about types/categories of microfinance institutions in the literature reviewed.

Interestingly, the ten (10) institutions covering the categories/types of institutions mentioned above, were interviewed on policies/rules/regulations guiding establishment and operations of their businesses in the municipality and they however, revealed the following as the institutions responsible for the regulations and guidance of their establishment and operations in the municipality: Bank of Ghana polices/rules/regulations guiding establishment and operations of financial institutions in Ghana (Banking and non-banking laws); Ghana poverty reduction
strategy II (GPRS II); SIC Life ACT 2006(724) and Non-banking laws, Business registration, certifications and tax obligations.

The polices listed above, show that all the institutions operate within various elements of complex framework of the central bank of Ghana- policies/rules/regulations and with the support of other regulatory bodies under bank of Ghana. These however, goes to prove what was stated in the literature reviewed on policy/rules/regulatory frameworks in Ghana by Stefan, Michael and Hannig, 2004 and Amit, Neeraj and Warriar, 2007.

Correspondingly, out of the 10 institutions interviewed, four (4) of them mentioned bank of Ghana polices, three (3) did not mention any policy as their guidance of operation of their activities, one (1) mentioned GPRS II and bank of Ghana policies and the last group one (1) mentioned non-banking laws, business registration, certification and tax obligations as the external polices guiding their activities and operations in the municipality. Nonetheless, Credit Union Association (CUA), Accountability to government, national insurance commission polices and Non-governmental policies/regulations, among others were further mentioned as other polices that guide their operations and activities in the municipality.

Besides, every organization has its own internal rules and regulations that guide its operations. The ten (10) institutions interviewed which were interviewed in the municipality were no exception. The internal policies mentioned by the various institutions interviewed included accountability and priority of customers; they operate within the direction and guidance of the general and board of directors of the institution; their operations are guided by their business plans, visions, missions and objectives of the organization and lastly they must be of good behaviour, put their customers first before any other thing, punctuality to work, among others.

Hence the various responses obtained are presented with the bar graph below. With critical analyses of the bars in the graph, the longest bar represents those who said they have no internal policies. The rest are of an equal length and they embody the various responses as designate with the bars.
Figure 4.11: Bar graph showing internal policies of some of the institutions in the municipality

Source: (This Study, 2010)

Equally, further enquires were made from the ten (10) institutions to find out whether the external policies guiding their establishment and business operations are favourable for them. Out of the 10 institutions interviewed, seven (7) of them constituting 70% responded that it favours them. Whilst the rest of the three (3) institutions comprising 30% said it does not favour them. Hence, the table below demonstrates the responses ascribed. The “YES” and “NO” on the table testifies the answers given above.

<table>
<thead>
<tr>
<th>Table 4.15: Are the external polices favorable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responses</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source (This Study, 2010)

Therefore, the following reasons were given in support of the “YES” answers to the favourability of the external polices guiding business establishment and operations in the municipality.
With all the seven (7) institutions which responded “YES” to the questions posed to them, they therefore gave their various responses to the question as follows: Three (3) institutions said that they are able to operate within the policy frameworks; Two (2) also pointed out to the fact that there are no government interferences; One (1) alleged that there is grassroots participation of all members in decision making and the last One (1) mentioned that they are just coping with the policies.

On the other hand, those who responded “NO” to the question posed also gave the following as their reasons why the external policies do not favour the businesses environment in the municipality: long and cumbersome processes; delays in business registrations and certification in Ghana and the long processes and procedures in obtaining other necessary documents. Surprisingly, one institution said nothing to either of the issues which was of concern to the researcher.

However, further investigations with the institutions revealed that there are some pitfalls with the general policies prevailing in the municipality. The following, were therefore mentioned as the identified pitfalls with the policies: The processes, procedures and the difficulty involved in business registration and the high premium charges; The bureaucratic nature of the policies also hinder the smooth growth, development and progress of businesses in the municipality in particular and Ghana as a whole. Mentioned was again made that there is lack of proper monitoring of the implementations of the policies and lastly the high interest and collateral demands by the formal institutions from entrepreneurs are killing the SME sectors.

Nevertheless, some suggested solutions emerged out of the pitfalls raised in the policies which will help to curb some of them. The suggested solutions include the following: Decentralizing some of the polices at the regional levels, especially businesses registration and disbursements of government loan schemes at the regional and district levels to avoid the delays and long processes. Also there should be regular monitoring/checks of the implementers of the policies to avoid abuses. There should as well be some restrictions and regulations on the financial institutions, especially the formal sectors on the high interest rate charges on loans and the huge
collateral demands from entrepreneurs. Lastly, the premium charges and cost involve in business registrations and certifications should be reduced drastically.

In conclusion, the study conducted among the individual SMEs revealed that the prevailing policies/rules/regulations guiding establishment and operations of businesses in the municipality include; business registration; permits; certification; commencements and tax obligations. Majority therefore attest to the fact that the policies are not favourable for business operations and it is therefore killing and collapsing most of the micro and small enterprises in the municipality. The numerous and the high tax charges; long and bureaucratic processes and procedures involve in business registrations, permits, certification, commencements and the inproportionate apportionment of premiums as well as the harassments from the tax collectors are the main bottlenecks to the policies.

It was mentioned in addition that the whole system needs restructuring to create conducive and better atmosphere for business establishment, operations, growth and development in the municipality and the end result of the restructuring will make the policy more effective. These will then help in creating and sustaining more jobs thereby reducing poverty in the municipality.

It was also confirmed by the institutions that policies regulating businesses are not favourable at all, especially with the delays, the long processes and procedures guiding business registrations and the charges involved, hinder the smooth progress of business establishment and operations in the municipality. Most of the institutions mentioned that they have always tried to operate within it, since they have no alternative than to oblige.

In a nutshell, they concluded by saying that policies/rules/regulations guiding business establishment and operations in the municipality in particular and Ghana as a whole are not favorable and therefore needs total restructuring.
CHAPTER FIVE: SUMMARY AND CONCLUSION OF FINDINGS

5.0: Introduction
This aspect of the thesis summarizes and concludes on the major findings of the study and makes inference to the tested hypotheses and through which the policy recommendations have made in chapter six.

5.1: Summary of Findings
Employment opportunities in Ghana largely focus on small and medium-scale enterprises (SMEs) and they constitute about 90% of all employments in the country (Mensah, 2004). There is an established, yet growing recognition of the importance of the SMEs in sustained national economic growth, however little attention has been given to the sector (Pablo and Moundry, 2006). Therefore, fighting poverty is directly linked with the economic possibilities one have to capital markets (van der Voort, 2005).

This study therefore has established the fact that there is poor access to financial services especially debt financing, particularly, credit facilities by small and medium scale enterprises in the municipality, and that have affected the growth and development of the sector. The problem has been attributed to the processes, procedures, requirements, unnecessary documentations, collaterals, poor policy framework and neglect of the sector. Therefore personal funding, family support and in some cases supplier credits has been the answer to the sustenance of some of the SMEs, because accessibility to those services has been flexible and less restrictive even though, it was acclaimed that it has been not easy.

The WA municipal assembly is dominated by agriculture followed with commerce and industry. But the study focus, which is the WA municipality, is dominated with commerce and industry (SMEs). It is based on this high involvement in these sector and the escalated constraints that led to the choice of the thesis topic to look at: The financial accessibility and the consequence of the performance of the sector and poverty reduction; beneficiaries and the categorizations; role and support systems and the Policies/rules/regulatory framework and their viability.

However, the existence of different definitions of SMEs and microfinance depicts the complexities of the terms. Therefore, this study considered the definition of SMEs as any
enterprise that has one or more employees and with some capital base for the running of the business. (This study, 2010), and Microfinance" which emerged as the term of choice to refer to a range of financial services to the poor, that included not only credit, but also savings, investment, insurance and other services such as money transfers, among others (CGAP, 2006).

Conversely, the major objective of the study was aimed at investigating into the accessibility and role microfinance plays in the SMEs sector and the extent it has helped in reducing poverty in Ghana. The emphasis was on the problems linked with poor financial accessibility to SMEs in Ghana and the consequences on their performances and poverty reduction; policies guiding the establishment and regulation of micro-finance institutions and the SME’s sectors in Ghana and their viability; roles and support systems; the beneficiaries of Microfinance and the categorization, and to recommend ways to improve the conditions of the problems.

More so, the numerous and different kinds of the SMEs in the municipality called for the need to classify them into two main categories, thus commerce and industry. However, owing to financial and time constraints, one hundred and thirty (130) SMEs respondents and ten Financial institutions (10) were selected through stratified, simple random, accidental and purposive sampling. The various techniques employed included: semi and unstructured self administered questionnaires through the use of informal conversations, interview guides approach and the standardized open-ended interviews. However, the sampling and the data collection approaches led to the employment of mixed model research approach which combined both qualitative and quantitative as the analytical techniques.

The quantitative analysis comprised the use of SPSS for the analysis and it assisted in the drawing of the tables and charts, whilst the qualitative technique was used for the descriptive analysis. Virtually all- social and economic indicators of the region where the municipality is located belong without doubt to one of the most deprived regions in Ghana. However, Poverty is widespread especially at the surrounding villages.

WA municipal assembly lies in the Savanna high plains with gentle undulating and the gentle rolling nature of the landscape implies that the topography is no barrier to agriculture. Therefore,
agriculture remains the main economic activity of the populace. But the study focus (Wa municipality) is dominated with commerce and industry (SMEs), in which the commerce constitute supermarkets, food venders, newspaper sellers, smock sellers, water distributors, among others and the industries are made up of hospitality, cottage, fashion, artisans, garages, restaurants, auto-mechanic, welders’ carpentry, smock weaving, among others.

Nevertheless, the research conducted among 130 SME operators in the municipality, revealed that about 95.4% falls within the ages of 20-60. This consequently indicates that the SMEs sectors are made up of the active population which in turn constitutes the greater part, of which it falls within the youth bracket.

It was further noted however that there is gender inequality in favour of men in the municipality. Therefore, the combined effects of these biases and other economic hindrances have resulted in the slowing down of the advancement of women, which has led majority of them to continue to operate under very difficult conditions, causing many to be engaged in petty trading and cottage industries. This subsequently depicts the culture of the people in the municipality, where women are underrated by men. However, the resultant effects are the underdevelopment and the acute striking poverty.

Additionally, the study revealed Islam as the dominant religion constituting 60.0% among other religions in the municipality. However, most empirical studies point to a positive relationship between religion, economic growth and development (Khan and Bashar, 2008). Since religion cannot be separated from development, the domination of Islam has had negative influences on all aspects of development in the municipality. Evidence from the survey through conversational interviews reviewed that most of the educated populace in the municipality are Christians and majority of them are formally employed, and because most of the Muslims do not have formal/higher education, they are the mostly found in the informal sector (SMEs).

It was also evident that about 69.2% of the people engage in the SME sectors in the municipality are married and this indicates that they have some economic and social responsibilities to fulfill. Also, the educational levels of majority of the respondents are nothing to write home about.
About 79.2% had either no formal education, primary, JHS, vocational/technical and or SHS level education and only 20.8% attained some tertiary education. This low standard of education accounted with other reasons for the dawdling growth and development of the SMEs sector in the municipality.

The research further discovered that savings, insurance, investments, loans, personal funding, customer supports, mortgage, equipment loans, lease, supplier credits and others are the types of financial services available to SMEs in the municipality. However, all these financial services fall under two broadly categories of SMEs financing -Equity and Debt, with the following institutions as the service providers: commercial and Barclay’s banks, MASLOC, SIC Life; PEPS-C; SNAPI ABA; Credit Unions; SUSU collectors and Suppliers of various products. Hence, the study revealed poor access to debt financial services, particularly credits facilities, and this was due to the processes, procedures, the requirements, unnecessary documentations (business plans, utility bills etc), selection criteria, guarantors and collateral demands. However, the easily accessible and commonly used financial services in the municipality are personal financing and relative supports (equity). It was further realized that the poor access to credit had an adverse effects on SMEs growth to the point of, some collapsing because the available finances are not inadequate and supportive enough.

The financial institutions however claimed that they have sufficient finances to support the qualified applicants but record high defaults rates because of the existence of poor markets, false information and unwillingness or attitude to payment.

More so, the credit facilities access by entrepreneurs are paid back in cash daily, weekly and or monthly basis directly to the institutions or deposited into the customer’s account for deductions or paid into the supplier’s account.

It also became an acknowledged fact that insurance accessibility in the municipality was poor and that also is due to the processes and procedures, inadequate information and sensitization and funds for the yearly renewals.
Nonetheless, access to investments and savings, particularly savings, were remarkable and the reasons given were; for safe keeping from theft; increase working capital through the bit by bit money put aside; funds are used for the intended purposes; it prevent unnecessary spending of the business funds; unforeseen circumstances and Security guarantee against the future. Meanwhile, there were several agitations to the fact that no interests are accrued on the savings so it is therefore not beneficial to the growth of the business. However, it is to the advantage of the institutions and the nation as a whole, since the savings is mobilized as investment capital for national development.

There was also an evidence of poor access to other support systems such as; training, workshops, personal advice, management skills and low level of technological skill and developments, among others. Hence, about 60% of the respondents did not have access to it, and the reasons given were that they were not available. However, majority of those who get access to them do not implement but those who do, testified that it has really improved the performances and services in the business and above all increased the number of their customers which has improved their income generation through increased profit.

The study revealed further that registration; permits; certification; commencements and tax obligations are the main policies/rules/regulations guiding business establishment and operations in the municipality. However, the policies were noted to be unfavorable because of the high and in-proportionate apportionment of premiums; long and bureaucratic processes and procedures; harassments from tax collectors; among others and that are contributing to the retarding growth and collapse of the SME sectors in the municipality. It was also confirmed by the institutions, but some of them mentioned that they are just coping with the unfavorable polices.

It was noted however that microfinance beneficiaries are the economically active poor engaged in all kinds of SME businesses, but majority were found to be women because they are noted for vulnerability, willingness and prompt payment as well, use the help for the intended purposes.

Consequently, the study discovered that financial accessibility plays vital roles in the SME sectors and poverty reduction. It also indicated that it improves SMEs performances through
employment creation; growth; expansion; improvement and development of businesses. These enhance income and enable people to afford some basic necessities of life such as; education, shelter, health, good nutrition, clothing, potable drinking water and others. It has also facilitated the acquisition of other essential needs like vehicles, motorcycles, bicycles, build decent houses, and others. More so people have been able to contract their marriages. These and others have improved the standard of living and have made life comfortable for some people to some extent.

By this, poverty is reducing because some capacities have been build, self esteems and confidence enhanced among people, especially the vulnerable in the society which has allowed for some form of participations in decision makings of the voiceless.

5.2: Conclusion of Findings
In conclusion, the poor access to financial services, especially debit financing including credit and insurance but particularly credit financing were revealed as the major hindrances to SMEs growth and development in the municipality. However, the root causes of the obstacles were the processes, procedures, requirements, selection criteria, unnecessary demands of some documents (business plans, utility bills etc), guarantors, collateral and high interest rates for the credit and the insurance were also the processes, procedures, inadequate information, sensitization on the need and insufficient funds for yearly renewals.

It was further disclosed however that inadequate support systems such as management skills, low level of technology, training, workshops, personal advice, skill developments and poor markets, both local and international are some of the key bottlenecks to SMEs underdevelopment and growth in the municipality. However, the cause of these problems was given as; that they are not easily accessible.

Another revelation made from the research indicated that the policies/rules/regulations guiding business establishment and operations in the municipality are unfavorable and they are due to the long and bureaucratic processes and procedures involve in business registration, permits and certification; high and in-proportionate apportionment of taxes; harassments from tax collectors, among other factors.
It was an established fact that financial services (microfinance) benefit more females than males since they are well noted for sincerity; vulnerability, willingness and prompt payments and the facility access are used for the intended purposes.

In a nutshell, beside the poor access to financial services, particularly insurance and mostly credit facilities; unfavorable policies; inadequate support systems which has retarded SMEs growth and development. The access to equity financing (Personal fund and family support) and the little access to debt financing have had a positive influence on the development of SMEs and that have helped reduce poverty to some extent in the municipality and Ghana as a whole. The reasons for the assertion is that a discovery was made that the few access to the financial services in the municipality has led to employment creation; growth, expansion, improvement and development of businesses.

This has further enhances the income of the people and have mandated the affordability of some basic necessities of life such as; education, shelter, health, good nutrition, clothing, potable drinking water, among others. Additionally, it has also facilitated the acquisition of other essential needs like vehicles, motorcycles, bicycles, decent houses, and others have also been able to contract their marriages. These and others have improved the standard of living of some people and have made life comfortable for them.

Hence poverty has reduced to some extent because of the capacity building, self esteem and confidence creation through the employment, expansion, growth and development which has facilitated the increased income and has allowed for people to afford the basic necessities of life which are some of the indicators of poverty reduction.

Therefore these support the hypotheses that **Micro-finance has positive influence on the development of SME’s and Micro-finance support to SME’s has reduced poverty in Ghana.** With these assertions, the hypotheses tested are true, and they are therefore accepted.
CHAPTER SIX: POLICY RECOMMENDATIONS

6.0: Introduction
This chapter is the last aspect of the research approach, and it seeks to suggest some policy interventions based on the findings of the study for researchers and policy makers in particular, to consider when planning for Small and Medium scale enterprises in Ghana, especially those in the Upper West region and particularly SMEs in the WA municipality.

Nonetheless, there are many who believe that the single most important factor constraining the growth and development of SMEs is the lack of financial accessibility. However, there are many factors that can be adduced for this lack of financing in the municipality.

In order to make things clear and well understood, the Policy interventions suggested, from this study for the promotion of SMEs have been divided into four main broad themes and they include; Financial accessibility (Debit and Equity); Support and market systems; Policy/legal/regulator frameworks and Promoting linkages between larger firms and SMEs.

6.1: Policy Recommendations
Financial accessibility (Debit and Equity): This is the first and foremost important constraints faced by SMEs which need attention from policy makers and government as a whole. Thus, there is relatively undeveloped financial sector with low levels of intermediation, lack of institutional and legal structures that facilitate the management of SME lending risk; high cost of borrowing and rigidities in interest rates. These suggested constraints can be dealt, with the following recommendations:

There should be better access to sources of funding (debit and equity) particularly debt financing, by making amendments to the processes and procedures involved in obtaining loans; reductions in the collateral requirements or total elimination if possible by financial institutions; providing safeguards for credit delivery systems by putting control measures to protect the involving processes; putting regulatory measures to control the financial market which will in turn correct distortions and irregularities and will help
stabilize inflation and the prime rate. These therefore will reflect in the unbearable interest rate charges on loans which serve as deterrent to SME entrepreneurs.

More so, the credit union bill should be uplifted to enable some credit unions that can embark on other financial products and services to do so to ease the difficulties in the system and help serve the needs of the poor.

In addition, the funds given out by government to some of the financial institutions to be loaned out to SMEs, should also reach the credit unions as well, since they are at the grassroots and they deal directly with the needed poor and are always in encounter with them so, they can satisfy their needs and aspirations of the needed poor in the society.

**Policy/legal/regulatory frameworks:** This is the second most important hindrance to SMEs growth and development in Ghana, especially SMEs in the WA municipality. Policies/rules/regulations guiding business establishment and operations are unwieldy and complex in Ghana particularly in the WA municipality. This therefore has made the policy environment unfavorable for business establishment and operations. As a result, the whole system needs to be restructured through the following recommended measures:

- The policies/rules/regulations in Ghana especially taxes, business registration and permits, among others should be structured in such a way that it would be conducive and business friendly, by indulging in grassroots participation in formulating policies and decisions affecting businesses (SMEs) entrepreneurs.

- There should also be fair representations of people at all the local governance districts, municipal and metropolitan assemblies in the planning processes of policy/rules/regulatory frameworks and their implementations. However, policy formulations should not be done solely by politicians and other top influential people and to be imposed on the masses who know nothing about the processes of the formulation of the policies.
In addition, premium of taxes should be reduced drastically and the public opinions should be sought before fees are fixed, and the fees fixed should be proportionately apportioned to reflect the incomes of the business entrepreneurs.

More so, there should be some form of tax motivations and incentives for the smaller businesses to encourage them to grow and be sustained.

On the other hand, taxes collected need to be use for the intended purposes (developmental projects) in order to motivate tax payers to contribute willingly and enthusiastically for national development.

Supports and market systems: These are other essential problems which need to be looked at critically, because it is serving as an impediment to the growth, development and sustainability of businesses in Ghana. It was realized from the study that SMEs in Ghana especially those in the WA municipality do not have adequate support systems such as skill training, among others and the market structures in the country are also weak, so they need to be solved by considering the following recommendations:

There should be an adequate support systems such as transfer of appropriate technology; Entrepreneurial training and skills development; Continual orientation/on the job training; workshops and refresher courses for SME entrepreneurs to enhance the management of the business activities and records keeping, among others. This will enable the entrepreneurs to develop their talents, improved on their management skills and services and will facilitate the production of high quality goods to meet both local and international market standards and they will be able to grow and compete with the bigger firms.

More so, the marketing structures in the country, both local and international markets for SMEs are poor and needs appropriate restructuring through the efforts of creating an enabling environment, which will facilitate value addition of local products for exports. The local market system should also be strengthened to promote high sales of goods and
services which will increase profit margins of entrepreneurs and in the long run, will increase income.

- There should also be a barrier to entry of products that compete with made-in-Ghana goods into the country. This will prevent dumping and flooding of the goods in the market and that will sustain the local industries.

Promoting linkages between larger firms and SMEs: This is one of the important areas which need to be considered as a means of solving some of the challenges SMEs in Ghana are facing, especially those in the WA municipality. This can also be done through the following ways:

- There should be a way of government officials and other spokes persons or opinion leaders' negotiating with some of the bigger firms whom SMEs takes supplies of goods from, to make credit supply easy and flexible to enable them access the stocks with ease.

- There should also be some form of subsidies for some of the bigger companies who deal more with SMEs to enable them reduce prices of some of the important raw materials, needed by SMEs to be affordable for and as well to encourage more of those firms to springs up to serve the needs of the SMEs.

- There should also be a reduction in fuel prices and regular checks of inflation to make transportation of goods affordable and stabilization of prices.

Other suggestions include: Reduction in rent (stores); the membership with an institution or association and the contributions should serve as a guarantee for easy access of financial facilities and also, SMEs should be encouraged to form associations to make financial accessibility easy for them since most institutions prefer given assistance to groups than individuals due to the retrieval difficulties.
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INDIVIDUALS QUESTIONNAIRE IN FINDING OUT THE ACCESSIBILITY AND ROLE OF MICROFINANCE IN THE SMALL AND MEDIUM-SCALE ENTERPRISES IN THE WA MUNICIPALITY (SMEs)

BACKGROUND OF RESPONDENT

Age .................................................................................................................................

Gender: Male [ ] Female [ ]

Marital status: Married [ ] Single [ ] Divorced [ ]

Educational status: Primary [ ] JSS/Middle [ ] Voc/Technical [ ] Secondary [ ] Tertiary [ ] University [ ]

Religion: Christian [ ] Muslim [ ] Traditionalist [ ] Other [ ] Specify:

Major Occupation ...........................................................................................................

Other Occupations ........................................................................................................

ACCESS TO SME FINANCING AND THE CONSEQUENCES ON ITS PERFORMANCE AND POVERTY REDUCTION

1. How do you finance your business(s)? .................................................................

2. What categories of finances do you access and from where? ...............................

3. Are the finances easily accessible? Yes [ ] No [ ]

If no why? ......................................................................................................................

If yes how? .....................................................................................................................

4. What processes do you go through in accessing the finance? ..............................

5. Do you encounter any difficulties in accessing the finance? Yes [ ] No [ ]

If no why? ......................................................................................................................

If yes, mention some of the difficulties that you encounter in the process of accessing the finance? .................................................................................................................................
6. Can you suggest ways that can best improve the conditions of accessibility to financing?

7. What are the paid back modes of the finances you obtained?

8. Are the finances adequate and supportive enough? Yes [ ] No [ ]
   If yes, how are they adequate and supportive?
   If no, why?

9. Have you experienced any impact(s) on your business and on your living standard in general after accessing the finance? Yes [ ] No [ ]
   If yes, are the impact(s) positive [ ] Negative [ ], or both [ ]
   Mention some of the positive/ negative impacts?
   If no, why?

10. Are your business(s) insured? Yes [ ] No [ ]
    If yes, Please specify the type of insurance:
    What processes did you go through in accessing the insurance?
    If no why?

11. Are you into any form of saving or/and investments? Yes [ ] No [ ]
    If no why?
    If yes please Specify the categories of savings and/or investments.

12. How were the investments and/or the savings done?

13. Are the investments or/and the savings beneficial? Yes [ ] No [ ]
    If yes, how are they beneficial?
    If no why?

ROLES AND SUPPORT SYSTEMS OF MICROFINACE TO SMEs

14. In your opinion, what are the roles/benefits of microfinance to the SME sectors?

15. Do you enjoy any support system(s) aside the financial support? Yes [ ], No [ ]
If no why? ..............................................................................................................
If yes, what are some of the support systems do you enjoy as an entrepreneur?
..............................................................................................................

16. Do you think the support systems are beneficial to you as an entrepreneur and your work as a whole? Yes [ ] No [ ].
If yes, how does it benefit you and your business? ........................................
If no why? ..............................................................................................................

BENEFICIARIES OF MICROFINANCE AND THEIR CATEGORIZATION
17. In your opinion who are the beneficiaries of microfinance services? ............
18. What are the categories of microfinance beneficiaries? ..............................
19. Can you support your point with reasons? ..................................................

POLICES AND THEIR VIABILITY
20. What are the laws/polices/regulations that govern the financial accessibility and business establishment in the municipality?
..............................................................................................................
21. Do you think the laws/polices/regulations guiding the establishment and/or the operations of businesses effective? Yes [ ] No [ ]
If yes, how are these policies/laws/ regulations effective? ...............................
If no why are they not effective? .................................................................
22. What are the loop wholes of these laws/polices/regulations? ....................
23. How can these laws/polices /regulations be improved? .............................
24. Do you have any other problems/concerns you would like to share with me?
..............................................................................................................
QUESTIONNAIRE FOR THE MICROFINANCE INSTITUTIONS IN FINDING OUT THE ACCESSIBILITY AND ROLE OF MICROFINANCING IN THE SMALL AND MEDIUM-SCALE ENTERPRISES (SMEs) IN THE WA MUNICIPALITY

BACKGROUND INFORMATION

Name of the institution .............................................................
Name of department dealing with business financing and year of establishment ..........................................................

What are the vision and missions of establishing the department? ..........................................................

ACCESS TO FINANCING OF SMEs

1. What are the various forms of financial services accessible to SMEs? ..........................................................

2. What are the requirements for obtaining these finances? ..........................................................

3. What are the processes that one goes through in obtaining the finance? ..........................................................

4. What are some the documents one need to posses for obtaining the finances? ..........................................................

5. What are the paid back modes? ..........................................................

6. What are the criteria for selecting the beneficiaries? ..........................................................

7. Are you able to meet all the needs of your clients? Yes [ ] No [ ]

   If yes how? ..........................................................

   If no why? ..........................................................

8. Do you encounter difficulties in the process of giving and retrieving the finances? Yes [ ] No [ ]

9. If yes, what are some of the difficulties do you encounter? ..........................................................

10. If no why? ..........................................................

11. Do you encourage SME entrepreneurs to save and/or invest? Yes [ ] No [ ]

   If yes how? ..........................................................

   If no why? ..........................................................

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12. What are the types of savings and investments do you encourage them to do? 

13. How are the savings and the investments done in your institution? 

14. Have you notice any improvement or changes in the lives of your customers with respect to poverty eradication, after accessing the support? Yes [ ] No [ ]

15. Are the changes positive [ ] or Negative [ ] or Both [ ]

16. What are the positive and/ or the negative changes you have realized?

BENEFICIARIES OF MICROFINANCE AND THEIR CATEGORIZATION

17. Who are the beneficiaries to the financial services you provide?

18. What are the categories?

19. What are the justifications?

ROLES AND SUPPORT SYSTEMS

20. What do you think are some of the roles that the services you provided have played in the life of the beneficiaries, SME sectors in the municipality and the nation at large?

21. As an institution what are some of the roles that you have played by providing the services?

22. Apart from the financial support, do you provide any kind of support to your customers? Yes [ ] No [ ]

23. If no why? 

24. Who is qualified to benefit from the support system(s)?

25. What criteria do you use in selecting the beneficiaries?

26. How are the support systems accessed?
POLICIES/RULES/REGULATIONS GUIDING THE ESTABLISHMENT AND OPERATIONS OF MICROFINANCE INSTITUTIONS AND SMES

27. What are some of the government policies/rules/regulations guiding the establishment and operations of your institution?

28. What other policies guides your organization and procedures and from where?

29. Are the external policies favorable? Yes [ ] No [ ]
   If yes how? ........................................................................................................
   If no, why? ........................................................................................................

30. What are some of the pitfalls of the policies? ........................................................................................................

31. Can you suggest ways that can best improve the policies and its directions?
   ...................................................................................................................

32. As an institution, what are some of the internal policies that guide your operations and microfinance accessibility?

33. Can you suggest or advice the government and policy makers on the ways to consider when planning for Small and Medium scale enterprises (SMEs) financing?

34. Do you have any problems and concerns that you prefer to share with me?