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Accessing the Effect of Micro Financing on Small Scale Enterprises in Ghana

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Abstract: **This study aims at accessing the impact of micro financing on small scale enterprises in Ghana. The study examined the need for financial intervention by small scale enterprises as most of these small scale enterprises have insufficient fund to buoy their businesses to a far reaching growth or development.**

The sampling size of this research constitutes 70 small scale enterprises that are beneficiaries of microfinance in Accra. These small scale enterprises were placed in 10 categories with a group of seven: Internet Café, Saloon, Drinking Bar, Restaurant, and Tailoring Shop, Tie dye Makers, Traders, Boutique, Artisans and Bakers.

The study used the Multivariate Analysis of Variance (MANOVA) tests to analyze the difficulties in the repayment of micro loans by the small scale enterprises.

The MANOVA test results indicate that there is no statistically significant difference in the reasons for difficulty in loan repayments based on the loan amount granted to the SMEs. This is evidenced by the significant value of p=0.383, and Wilk's Lambda= 0.864. This implies that, irrespective of the loan amount granted to SMEs, their ascribed reasons for the difficulty in the repayment of such loans do not significantly differ.

The study recommends that there should be a reduction in the interest rates charge by microfinance institutions to small scale enterprises. It further recommends that the government facilitates the setting up of a SME bank which will deal only with issues that concern SMEs.

Keywords: **Micro financing, Small Scale Enterprises, Beneficiaries, Medium and Large-Sized Enterprises, micro-entrepreneurs.**

1. BACKGROUND OF THE STUDY

Microfinance is the provision of financial services to micro-entrepreneurs and small businesses, which lack access to banking and related services due to the high transaction costs associated with serving these client categories. The two main mechanisms for the delivery of financial services to such clients are relationship-based banking for individual entrepreneurs and small businesses; and group-based models, where several entrepreneurs come together to apply for loans and other services as a group. The microfinance industry began in 1976 and was established by the Grameen Bank in Bangladesh. The inception of micro-finance was to extend banking service, especially business credit to those individuals in the society who did not meet the requisite criteria in obtaining loans from the banking institutions. Micro-finance involves the provision of financial service such as savings, loans, insurance to poor people in both urban and rural settings who are unable to obtain such services from the formal sector.

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 (Roodman, 2012).

Beneficiaries of micro finance are self-employed and household base entrepreneurs which includes small retail shops, street vendors, artisanal manufacturer and service providers. In rural areas micro entrepreneurs often have small income generating activities such as food processing, trading and farming. Beneficiaries of microfinance get training in business skills and small loan literacy to create financially sustainable institutions. In many countries today accessing loans for the low income proves to be very difficult.

The concept of microfinance is not new in Ghana. Traditionally, people have saved with and taken small loans from individuals and groups within the context of self-help to start businesses or farming ventures. Available evidence also suggests that the first credit union in Ghana was established in Northern Ghana in 1955 by Canadian Catholic missionaries (Amoah, 2008). Susu, which is one of the current microfinance methodologies, is thought to have originated from Nigeria and spread to Ghana in the early 1900s. Over the years, the microfinance sector has thrived and evolved into its current state due to the various financial sector policies and programs undertaken by different governments since independence.

These policies and programs include the provision of subsidized credit in the 1950s; the establishment of Agricultural Development Bank in 1965 specifically to address the financial needs of the fisheries and agricultural sector; establishment of Rural and Community Banks (RCBs), and the introduction of regulations such as commercial banks being required to set aside 20% of total portfolio, to promote lending to agriculture and small scale industries in the 1970s and early 1980s; Shifting from a restrictive financial sector regime to a liberalized regime in 1986; Promulgation of PNDC Law 328 in 1991 to allow the establishment of different categories of non-bank financial institutions, including savings and loans companies, and credit unions.

These policies have led to the emergence of three broad categories of microfinance institutions. These include the Formal suppliers such as savings and loans companies, rural and community banks, as well as some development and commercial banks. The semi-formal suppliers are the credit union, financial non-governmental organizations and cooperatives. The last sector is the informal suppliers such as susu, collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals.

Small scale enterprises vary widely around the world. Small scale businesses are normally privately owned corporations, partnerships, or sole proprietorships. What constitute a small scale enterprise varies in terms of government support and tax policy which varies by country and by industry. Small businesses can also be classified according to other methods such as sales, assets, or net profits. Small businesses are common in many countries, depending on the economic system in operation. Typical examples of small scale businesses are restaurant, hairdressers, guest houses, provisional shops etc.

Small Scale enterprises have been variously defined, but the most commonly used criterion is the number of employees of the enterprise. In applying this definition, confusion often arises in respect of the arbitrariness and cut off points used by the various official sources. As contained in its Industrial Statistics, the Ghana Statistical Service (GSS) considers firms with less than 10 employees as Small Scale Enterprises and their counterparts with more than 10 employees as Medium and Large-Sized Enterprises.

There are lots of small scales businesses that are springing out in Ghana today. It is evident that a lot of Ghanaians have seen the need to have their own establishment. These small scale businesses are impacting the private sector greatly. These businesses provide a lot of employment for many of young Ghanaian youths. With the emergence of lot of microfinance institutions business owners are seeing the need to take loans. These loans are helping in the expansion of their businesses. These small businesses when mange well brings out a lot of people out of poverty.

2. LITERATURE REVIEW

2.1 Definition and characteristics of small scale enterprises:

The term small scale enterprises have been given different definition which varies from one country to another. Most often the definition is mostly in term of the capital employment or the number of persons engaged. According to Kelly (2010) a small scale enterprise is a privately owned and operated business characterized by a small number of employees and low turnover. It only usually shares a tiny segment of market it operates in. This definition indicates that small scale enterprises are usually very small business with little capital. The National Board for Small Scale business (NSSBI) in 1992 defined small and medium enterprise in Ghana by applying both fixed asset and number of employee's criteria. It defines a small scale enterprise as a firm with not more than 9 workers and has plant and machinery (excluding land, building, vehicle) not exceeding 1000 cedi and micro with employees less than 5.The Ghana Statistical Services (GSS) puts a firm less than 10 employees as small scale enterprise and their counterpart more than 10 employees as small and medium enterprise. The idea behind this, stand from the fact that firms are easily identified by their number of employees and their fixed asset.

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In defining small scale enterprise in Ghana, Osier et al (1993) used cut off point of 30 and however, classified small scale enterprises into three categories.

These are:

Micro-employing less than 6 people

Very Small-employing 6-9

Small- employing between 10-29

International Labor Organization (1970) defines small scale enterprise as a sector whose entry by a new enterprise is comparatively easy; enterprise in this sector relies on indigenous resources and family owned; they operate on a small scale unregulated and competitive markets and are labor intensive and used adopted technology. Their workers usually have skills acquired outside the schooling sector.

Considering the above definitions one can deduce that small scale enterprise by their work and operation have acquired some key characteristics which make them different from large scale enterprises. These characteristics can be enumerated as follows:

- Low capital Base
- Easy to enter
- Reliance on indigenous material and low technology
- Managed by its owners or part owners and not through the medium of formalized management structures

2.2 The Economic rationale of financial intervention:

The issue of financial intervention from microfinance institutions to small scale enterprise proves to bring forth a lot of economic development (Hallberg, 2009). Small scale enterprise is providing greater economic benefit in recent times. The equity reasons to intervene in support of small scale enterprise show their contribution to move an equitable distribution of income (Hallberg, 2009).

Financial intervention from microfinance institutions have proven encouraging in terms of job creation, efficacy and growth. In developing countries small scale enterprise account for the majority of firm and a large share of employment. Small scale enterprise contributes immensely to labor intensity. These enterprises employ a large share of the labor force in developing countries. Many analysts argue that within industries, small scale enterprise is more labor intensive than large firms. Apart from labor intensive, small scale enterprise are important for employment growth.

In current political, social and economic environment jobs are at the center of political debate in both developed and developing economies. There are many expectations that small scale enterprises can create new jobs and play a key role in tax contribution .Recent studies suggests that small scale enterprise contribute more to the employment in low income countries (Agyagari, Kunt &Maksimov, 2012). Embedded in these efforts is the assumption that access to microfinance products is a key to small business expansion (Glisovi & Maritxell, 2012).Most financial service providers that serves small scale enterprises in developing countries are commercial banks, NGOs and microfinance institutions.These providers have different capacities and motivation and target sub-segment within the small business landscape. Most microfinance institutions look at small enterprise segment because they offer additional business growth opportunities (Agyagari, Kunt &Maksimov, 2012).

Financial intervention to small scale enterprise plays a pivotal role in their development strategy (Sundersan, 2012). Small scale enterprise develops more achievable marketing strategy in order to maximize profit and stay in business. These strategies contribute immensely towards their growth. Growth in small scale enterprise leads in an increase employment opportunity. These enterprise increases the aggregate output, enabling the efficient use of capital and labor, initiating management skills and improving distribution and income (Habib, 2012).

According to Habib (2012) the economic impact of microfinance is reflected on employment, economic activities and assets of the beneficiaries' household. Micro-loans have been successful in increasing the time spent on income generating activities by small scale enterprise or members of their households. These bring factors about economic development. According to Barr (2012) is the sustained concerted effort of policy makers and community to promote the standard of living and the economic health in specific areas. Such efforts can involve multiple areas including the development of: human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health safety, literacy and other iniatives.It should be noted that economic development differs from economic growth. Economic development is a policy intervention endeavor which aims at economic and social well-being of people. It is the progressive changes in the socio-economic structure of a country. Economic development involves the changes in composition output, shift in allocation of productive resources and reduction in poverty, inequalities and unemployment (Barr,2012).

It is glaring today that microfinance plays a pivotal role to the successful development of the economy. According to Sundaresun (2012) the successful development of economies is in no small measures due to the intervention of microfinance. It allocates savings from one part of the economy to finance the capital requirements in the other parts. Microfinance consists of the formal and informal sector. The formal sectors consist of institutions such as commercial banks, credit unions, rural banks and other financial institution. These institutions are subject to public and private oversight and regulations. They are governed by bankruptcy code, investor protection laws and disclosure requirements (Sundersan, 2012).

Microfinance has branched out both in terms of range of financial and economic services. Banks began to access this market in a more significant way than ever before (Sundersan, 2012). Financial services ranging from savings deposits, loans, insurance to cover life, health and properties are currently offered. Many microfinance institutions access capital markets either by issuing equity or debt capital in order to raise capital. Other microfinance institutions have been able to scrutinize their loans and thus attract capital by issuing micro-credit backed securities.

2.3 Theoretical Overview of Microfinance in Ghana:

In line with achieving the millennium development goals by 2015 the Government of Ghana has identified the private sector as the engine of growth and microfinance is an engine of wealth creation and poverty reduction (Asiama & 0sie, 2007) .The microfinance industry in Ghana has some major stakeholders. These stakeholders include the microfinance practitioners , made up of Rural and Community Banks (RCBs), Savings and Loans Companies, Financial NGOs, Susu Collectors' Association, Development and commercial banks with microfinance programs and linkages and Micro-insurance and micro-leasing services.

The second sector is made up of the Microfinance Apex bodies, End Users, Technical Service Providers, Supporting Institutions and Government Institutions. Microfinance Apex Bodies, made up of the Association of Rural Banks, the ARB Apex Bank, the Ghana Cooperative Credit Unions Association, the Association of Financial non-Governmental organizations (ASSFIN and the Ghana Cooperative Susu Collectors' Association (Asiama & Osie, 2007).

The third sector is the end Users, which is the economically active poor who are the clients of microfinance products and services. The fourth sector is the Technical Service Providers; these are made up of Business Development Service Providers to MFIs and their clients (Amoah, 2008)

Another sector is the Supporting Institutions made up of institutions that undertake activities that enhance microfinance operations such as, MASLOC, GHAMFIN, Development Partners and international non-governmental organizations, and Universities training and research institutions(Amoah, 2008).

The last sector is Government of Ghana Institutions; these consist of the Ministry of Finance and Economic Planning, Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and District Assemblies (MMDAs), and Bank of Ghana (Asiama & Osie, 2007).

Microfinance institutions in Ghana have proven to be a powerful tool in Ghana for promoting exclusive economic growth especially in the area of small scale enterprise development and employment as well (Ahiabor,2013).Their initiatives are aimed at providing micro-credit to individuals and small scale enterprise in Ghana. Microfinance industry in Ghana has proven itself to show positive growth. These institutions have played a tremendous role in helping small scale enterprises to expand their business to become a viable one. Microfinance institutions offer their clients who are mostly below or slightly above the poverty line a variety of products and services. The parties involve in obtaining the loans determines the transaction cost rate (Amoah, 2008).

2.4 Microfinance Lending Model:

Microfinance institution disburse loan directly to the individual or micro-entrepreneur. This is a straight forward lending model where the micro-loan is given directly to the borrower. This process does not need the information of groups, which would mount pressure on the group members for loan repayment. The individual model of borrowing in most case involves where other social and economic service such as skill development, education and other outreach services are provided (Amoah, 2008).

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Group based learning is also used in giving out micro-loans. This model offers lending small amount of money to large number of clients who cannot afford the collateral demand. The size of group can varied, but most often the groups have members between four to eight members. The group self-select it members before acquiring a loan. Loans are granted to member(s) of the group first and then to the rest of the members. Most microfinance institutions require a percentage of a loan that is supposed to be saved in advance, which points out to the ability to make regular payments and serve as collateral. Group members are jointly accountable for the repayment of member's loan and usually meet weekly to collect repayment. To ensure prompt repayment process, peer pressure and joint liability is usually enforced in this regards. The entire group will be disqualified in a situation where a group member may default. This means that the entire group will not be eligible for further loans. The credit worthiness of the borrower is determined by the members of the group rather than the microfinance institution.(Asiama & Osie,20007).

The village banking model is another model that is used to give out loans. Village banks are community credit and saving association establish by NGOs to provide access to financial services. This has been in existence since the mid-1980s.They are usually made up of 25-50 members who are low income individuals seeking to improve their lives through self-employment activities. These members run their banks, elect their own officials, establish their own by-laws, distribute loans to individual and collect payment.

Self Help Group/ Association are another model that microfinance beneficiaries can access loan. Rotating Savings and Credit Associations (ROSA) exist in several parts of the world but recognized under different names likes Tontines and Susu. They are known to be female dominated organization that save small amount of money and members can borrow from common pool on rotating basis. These types of organizations or self-help groups have sometimes been used by MFIs for group lending among the members.

The credit union is another model that small scale enterprise used to obtain micro-credit. A credit union is unique member driven, self-help financial institution. It is normally organized by and comprised of members of a particular group or organization, who agree to save their money together and to make loans to each other at reasonable rates of interest. The members are people of common bond; working for the same employer. Members could belong to the same church, organization, labor union, social fraternity etc., or living or working in the same community. A credit union's membership is open to all who belong to the group, regardless of race, religion, color or creed (Asiama & Osie, 2007). Microfinance triangle comprise of financial stability, outreach to the poor, and institutional impact. Cost are usually incurred when reaching out to the poor and most especially with small loans(Christabell,2009).The financial institution always try to keep this cost as minimum as possible and when the poor re in dispersed and vast geographical areas, the cost of outreach increase. The provision of financial services to the poor is expensive and to make financial institution sustainable requires patience and attention excessive cost and risks (Ahiabor, 2013).

The deliveries off microfinance products and services have transaction cost consequences in order to have greater outreach. Some microfinance institutions visit their clients to reduce the transportation cost on the part of their clients.

According to Gyeyie,Manos & Yaron (2013), microfinance has been developed as a means of alleviating poverty through banking. It first appeared in and most commonly associated with developing countries. It is also likely to be relevant for poverty pockets in developed countries. With respect to the US for example, Blachflower, Levine & Zimmerman (2008) find that access to credit varies across population groups, such as small business owned by African American entrepreneur are about twice as likely to be denied credit. Eventhough conceived in the developing countries, the microfinance concept namely to provide financial service to those excluded from the mainstream finance as a way of fighting poverty and achieving social goals, is a general model widely applicable in both developed and developing countries.

It is estimated worldwide that 2.7 billion adults do not have access to formal financial service such as credit or savings facilities (Consultative Group to Assist the Poor, CGAP, 2011).Providing financial service through microfinance to these individuals who are often poor, informally employed and dependent on regular income is believed to contribute to the alleviation of poverty. Carruther & Kim (2011) argue that access to credit is critical for the success of a business and allows people to plan for the feature and smooth consumption over time. In addition, access to finance can help small businesses accumulate fixed asset, tools and equipment that can enhance income generation and employability. Access to credit and savings can cushion against external shocks, such as illness and natural disaster and can lead to better education, improved housing or better health care(Hermes & Lensink,2011).

These anticipated benefits of microfinance have led to the channeling of funds from governments, NGOs and other donor agency to support microfinance industry. Since the establishment of microfinance in 1976 by the Grameen Bank in

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Bangladesh huge amount of fund have been directed to microfinance. The underlying rationale was that microfinance institution would be able to overcome obstacle which deterred mainstream financial institution from providing to some group within the society.

2.5 Constraints Facing Small Scale enterprises:

In both the developed and developing countries of the world, policy makers at local, regional and national level have come to realize the significant role that small scale enterprises play in terms of employment, wealth creation and the development of innovation (Mabe & Cudjoe,2012). Many countries have placed premium on small scale enterprise as a new way of survival. These small scale enterprises are important for most economies including Ghana because they provide job opportunities for the populace. The sole aim of every small scale enterprise is to maximize profit. However, in recent times, while some enterprises make profit others cannot even make break-even. Some constraints have restricted them from acquiring their desire profit. These constraints run across board including economic, trade, political and environmental factor. Small scale enterprise in Ghana like their counterparts around the world slightly hit by the world economic crisis due to high exchange rates transcended to Ghana (Mabe & Cudjoe, 2012).Struggling to cope with domestic demand of their product has also been a problem.

According to (UNCTAD,2011) small scale enterprises in least developing countries faces these problems; unfriendly legal and regulatory environment, ineffective business development service, inadequate access to finance, inadequate public-private dialogue, competition brought about by trade liberalization, constraints on woman to develop their entrepreneurial potentials.

The cost and cumbersome administrative procedure of legal regulatory environment discourages small scale enterprise from formalizing the businesses. The inability of small scale enterprise to regularize their businesses deprives them from the possibilities to secure public contract, access credits, renal of licenses and opportunities of subcontracting work.

In some countries heavily reliant on donor and NGOs for the provision of Business Development Service have resulted into the lack of continuity in their provision. Conflicting policies between Governments and donors in the provision of business development services are not uncommon. Government and NGO alike conduct and develop support programs without sufficient consultation or knowledge of each other's programs, leading to rivalry, duplication of efforts and inefficient use of scares resources (UNCTAD, 2011).

Lack of access to medium and long-term is a major constraint for those enterprises that wish to expand their activities.Reason being that small scale enterprises presents a high risk to lender and unfortunately most have poor accounting records and lack any other financial records. While trade liberalization has, in some cases, eased the supply constraints for small firms, it has also presented them with intense competition from foreign goods (UNCTAD, 2011)

Some of the major constraints encountered by small scale enterprise include:

2.5.1 Access to Finance:

Finance is one of the basic life wires for every economic activity. Access to finance provides start-up capital for small scale enterprises as well as fund to meet their operational cost. It is an establish fact that entrepreneur may face lack of start-up financing as one of the difficulties in assessing start-up capital finances (Nanor, 2008). There are other factors that come into place such as ignorance of sources of finance and lack of saving culture. It is quite unfortunate that the problem with the problem with access to financial capital have been long been existing, though there seems to be a little improvement. The informal sector entrepreneurs in Ghana relied on the savings or barrowings from their friends and relatives as the main source of financing; in the view of the fact that formal banking sector is very limited system to the informal sector is very limited (Adjei, 2012). However, difficulties still exist regarding access to finance, domestic resource mobilization and the support necessary for small scale enterprises to grow and constitute to the economy. (Ahiabor, 2012).

According to Hulme & Moore (2010) access to finance is a major problem especially to female enterpreneurs. Due to the fact that they lack the savings needed for the equity payment required to get a loan and have less or no access to land or physical infrastructure, which could be used as collateral for a loan. It is very often difficult for woman to get access to formal financial schemes. In addition to that, female entrepreneurs face the disadvantage that they very often only have had a limited access to education which makes it difficult for woman to fill in the complex form when applying for a loan (Adjei, 2012).Many financial institutions required business record as minimum prerequisite before granting loan. Accordingly, female entrepreneur may go through a cumbersome task when applying for financial schemes.

To address this critical problem a number of financial intermediation schemes have been instituted which the prime objectives of providing easy access to finance the small scale enterprises (Adjie, 2012).For example, the government introduced micro credit schemes in 2001/2002 periods and by the close of 2004 ,credit amount to US 101,333 had been granted to over 1500 borrowers. Also the government launched micro and small loan fund as a follow up to the other micro-credit scheme which became operational in 2006.The establishing of the fund was part of the on-going initiatives aimed at reducing poverty and promoting growth within the economy. Within two months of operational, over US 161,700 had been disbursed to over 10,000 applicants within the greater Accra Region alone.

2.6 Empirical Review of Microfinance in Ghana:

The search for the development of the poor and small scale enterprise has led to the emergence of microfinance. Over the years and across the world microfinance has emerged as an effective strategy for poverty alleviation and wealth creation. Micro, small and medium enterprises are turning to microfinance institutions for an array of financial services. Thus, microfinance is acknowledged as one of the prime strategies to achieve the Millennium Development Goals (MDGs) (Amoah, 2008). Microfinance increases the options and the self-confidence of poor households by helping them to expand and add others, to decrease risks, to smooth consumption, to obtain higher returns on investment, and to improve management and increase their productivity and incomes, to store excess liquidity safely and obtain returns on their savings, to escape or decrease exploitation by the locally powerful, and to conduct their business with dignity. Children are sent to school, and child labor decreases. Housing and health conditions improve. In addition, the economically active poor who are able to expand their activities often create jobs for others; among those who gain employment are some of the extremely poor.

As part of the ongoing financial service reform, Ghana is developing a nation strategic framework to remove impediments to improving delivery of financial service to small scale enterprise (Yeboah, 2010).The framework aims at fostering a fully integrated financial sector supported by a reliable regulatory system that offer a broad range of financial product and services to small scale enterprise especially to those in the informal sectors on a sustainable basis. The objective is to establish to a decentralized and a sustainable microfinance system regulated with close linkage with the formal financial sector and an effective outreach to the poor.

The government has constituted the National Microfinance center (NAMFIC), to facilitate the administration of government and donor credit fund and to coordinate the efforts of microfinance practitioners and stakeholders. Through this the government wants to avoid market distortion due to subsidy and at the same time wants to increase the availability of funds to this sector (yeboah, 2010).The government is also strengthening GHAMFIN to provide financial and managerial capacity

The Ghana microfinance institution networks evolved from a research program sponsored by the World Bank designed to strengthen microfinance institution and to contribute to a mechanism for supporting grassroots institution that provide financial services to the poor. GHAMFIN was established in 1996 with the main objectives of supporting and facilitating processes that helps in the constraints faced by its members. These constraints have been identified of the various studies of the Ghanaian microfinance sector. They include lack of access to on-lending funds, poor MFI staff skills, inappropriate financial technologies and inadequate operational strategies. These constraints affect the microfinance industry in Ghana. The capacity building of Ghana microfinance sector present major task, high on GHAMFIN agenda. GHAMFIN specific objectives are accordingly:

- To establish performance indicators for self-regulation of MFIs in Ghana
- T develop an information bureau of microfinance industry in Ghana
- To organize seminars and workshops to share best practices amongst members
- To provide access for continuous training for MFIs
- To enhance financial integration between the formal, semi-formal and informal sector
- To collaborate with government, donors and other regional networks to overcome common problem facing MFIs and to seek fund for research and development.

GHAMFIN has established performance indicators and put into place reporting performance mechanism for its members in order to facilitate efficiency, effectiveness, improved policy and outreach (Bunyaminu & Bashiru, 2013).This has greatly helped in improving the quality of service of the network. The immediate impact made by GHAMFIN has been the strong links that have succeeded in fostering between members' institution and donor agencies within and outside the countries. The association also played a proactive role in lobbying the government of Ghana to design legal framework and legislation that put microfinance industry on sound footing (Bunyaminu & Bashiru, 2013).

According to Shyledra (2007), microfinance has emerged as emerge as a potential instrument for poverty alleviation and empowerment. It basically involves the provision of small loans, savings and insurance to the poor. There are several institutions like NGOs, commercial, banks, co-operatives and microfinance institution involves in the delivery of micro-loan. There are enormous challenges associated with the intervention of microfinance. The challenges for microfinance intervention vary in nature. In the initial stage is one getting a clear understanding of microfinance and its role. Micro-finance institution has to develop an appropriate mechanism for targeting the poor and delivering of services. Designing appropriate product and services, managing delinquency and involving a suitable institutional platform is very important for the success of microfinance intervention.

2.7 Impact Assessment of Microfinance:

According to Ahiabor (2013), assessing the impact of microfinance on small scale enterprise in Ghana reveled that significant number of small enterprise has the knowledge of the existence of microfinance institutions. Some acknowledge the positive contribution of microfinance loans towards promoting their growth. Microfinance institutions do not care about the finances of small scale enterprise but rather grant loans to them when they think the small scale enterprise have enough collateral to secure the loans. For that matter they do not provide any financial advice or monitoring to their customers. Even when these small scale enterprises are given credit they are often ranted short term loan and therefore they have no option but to depend on short term and informal credits in financing their long term needs such as acquiring new equipment. The views of small scale enterprise are not factored in the formulation of credit policies of the microfinance institutions hence the small scale enterprise do not feel part of it. Because of this, it does not favor the small scale enterprise interest and this has been one of the causes of failure of credit management policies .High interest rate and other fees are making it very difficult for small scale enterprise to make meaningful profit so as to enable them repay their loans. The type of collateral security that is preferred by MFIs makes it impossible for some small scale enterprise to qualify for loans. Also most of the small scale enterprise could not provide the require security collateral and hence cannot go for loans from microfinance institutions.

Microfinance have borrowed liberally from financial accounting and performance standard in the formal Microfinance institutions attempts assess the impact of microfinance as measured by the impact on clients, enterprise household and the community in which they live (obla, 2009).Microfinance institutions work towards two bottom lines that is the financial and social intervention unlike other financial institutions that work towards financial bottom line. In practice the specific impact of microfinance is hard to pin down and still harder to measure. Impact assessment requires adaptation research methodologies capable of isolating specific effect out of a complicated web of casual and mediating factor and high decibels of random environmental noise, as well as attaching specific unit of measurement to tangible and intangible that may or may not lend themselves to precise definition or measurement. The difficulty of cost inherent in assessing social impact is such that most microfinance institutions do not try to assess social impact. On the other hand, donors and policy makers have made it legitimate interest to assess the social returns to their social investments. Some knowledge of social impact is very necessary for microfinance institutions management and other stakeholders to assess the program overall effectiveness.

According to Hulme & Moore (2008) Bangladesh microfinance institutions were not initially geared towards social goals. Microfinance and the associated activities with microfinance institutions have had positive social effects. The fundamental economic approach has performed best in the social domain. Microfinance programs promote investment in human capital and raise awareness of productive health issues among poor family. It also helps women exercise some level of household decision making process. It is widely recognized that access to credit can often foster social, psychological and even political empowerment. Credit services for small scale businesses reserve the systemic exclusion from access to public or private fund, thus altering a system of hierarchy and power (Todd, 2008). Access to alternative means can reduce dependency on moneylenders and those who lend money. Access to institutional credit also can be used as a bargaining chip in order to secure informal loans. In order to reach most small scale enterprise in need and those effectively able to utilize credit, Bangladesh microfinance intuitions have adapted combination of direct targeting, using an effective indicator-based means test and indirect targeting through self and peer selection. Small scale enterprises are given initially small loans with market level interest rates and strict repayment conditions. In an attempt to ensure that

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loans are rapid, there are some measures that are put in place by microfinance institutions. Intensive borrow supervisors are put on the field in order to make sure that the loans are repaid.

According to Woodruft (2009) impact assessment of micro-credit in Mexico shows that small scale businesses have capital returns on their investments. Micro-enterprise owners invest the loans into the expansion of their businesses and the loan increase average profit by 60% per year. The studies also investigate the difference in return to capital for male versus female borrowers. In the investigation it was found out that there was an increase in the business profit for males as compare to the females. In a related study regarding the impact of microfinance on small scale enterprise Kondo (2007) discovered that in Philippines borrowers are actually wealthy people .Kondo further found out that participating in the lending program leads to increases in per capita income, expenditure, food expenditure and formal savings. However, these positive effects to accrue only to relatively wealthy borrowers and the poorest actually see negative effects. These studies raise important question as to whether microfinance services are reaching the intended recipients.

According to World Bank researchers (Bruhn & Love, 2009) the opening of microfinance branches at various localities across Mexico led to an increase in informal business ownership, employment and income for residents for municipalities where a branch was opened. Research in Thailand by (Kaboski & Townsand, 2009) finds that many microfinance institutions at woman entrepreneurs, promoted growth, consumption smoothing, occupational mobility and reduced reliance on money lenders. It was also discovered that microfinance improves the lives of borrowers and savers.

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design:

A research design is the methodology and procedures employed to conduct research. The design of the study defines the research question, data collection method and statistical analysis plan. The design for this research work is quantitative in nature.

This research is taking quantitative approach due to the fact that it wants to investigate and gather opinions how and why small scale enterprise sough financial intervention through microfinance. Quantitative approach to research is the systematic empirical investigation of social phenomenon via statistical, mathematical or computational technique (Bunyaminu, 2014). It provides the fundamental connection between empirical observation and mathematic expression of quantitative relationship. A quantitative data is any data that is in numerical form such as statistics and percentage. This research is quantitative in nature for the fact that specific questions and narrow questions are collected in a sample form of numerical data from respondents.

The data collection technique employed for this research is structured questionnaires for operators of small scale enterprise. To have an objective and realistic picture of the extent to which microfinance have impacted on small scale enterprises in the Greater Accra region, data collection is based on primary source. Primary data are data that comes from the original source and collected with a specific research question in mind (Bunyaminu, 2014). Primary data enables the researcher to collect information for specific purpose of the study. It provides basic data, unbiased information, original data and data direct from the population.

In terms of the primary data, structured questionnaires were issued to operators of small scale enterprises. Respondents were assured about the confidentiality of the responses and their names and identity been preserved.

3.2 Population:

The target population of this research consists of small scale enterprises of the Greater Accra Region that are beneficiaries of microfinance. These small scale enterprises were selected from across the various sectors namely manufacturing, trading, service, commerce and amongst others.

3.3 Sampling and Sample procedure:

The sampling size of this research constitutes 70 small scale enterprises that are beneficiaries of microfinance. These small scale enterprises were placed in 10 categories as follows:

- Internet Café
- Saloon

- Drinking Bar
- Restaurant
- Tailoring Shop
- Tie dye Makers
- Traders
- Boutique
- Artisans
- Bakers

Given the nature of this research, purposive sampling which is one of the non-probability sampling was employed. Non probability sampling is a sampling technique where the samples are gathered in the process that does not give all the individuals in the population equal chances of been selected. Purposive sampling is also known as judgmental sampling. In this type of sampling subjects are chosen to be sample with specific purpose in mind. The researcher believes that some subject is fit for the research compared to other individuals. Purposive sampling permits the researcher to get samples of subject with particular characteristics.

3.4 Data Analysis Procedure:

Data analysis procedures are the various procedures the researcher goes through to convert data into information and knowledge. It explores the relationship between variables. Data analysis procedures help the researcher and the users of the research to appreciate the meaning of scientific method, hypotheses testing and statistical significance in relation to the research questions. It provides knowledge of range of inferential statistics and their applicability and limitations in the context of the research. Lastly, it helps to identify the data analysis procedure relevant to the research.

The researcher employed quantitative approach to this research. In regards to the quantitative approach, after the collection of all the questionnaires the data was edited and given codes to facilitate the transfer to the computer software; Statistical Package for Social Science (SPSS). The researchers used tables, charts and graphs to explore the patterns of the data. Further analysis was conducted using Multivariate Analysis of Variance (MANOVA) to tests and analyzes the difficulties in the repayment of micro loans by the small scale enterprises.

4. RESULTS AND DISCUSSIONS

4.1. Assessing the impact of micro financing:

4.1.1 Business Improvement due to microfinance:

Microfinance over the past years has played an important role in entrepreneurial activities. According to Burea, Kaboski & Shin (2008) microfinance has become a pillar of economic development policies. In recent years there have been concerted efforts to expand such program with the goal of alleviating poverty and promoting development. Financial Intervention from microfinance institutions to small scale enterprises have shown some encouraging indicators. In regards to their business improvement respondents interviewed were positive of this intervention. From the survey conducted 47.1% r representing 33 respondents indicated that there has been an increase in their profit margin. Profit maximization is important to any form of business entity. This enabled the entrepreneurs to continue in business thus making them to be on time in the repayments of their loans. It was revealed that 22.9% representing 16 respondents is of the viewed that financial intervention from microfinance institutions had improved the business productivity to a more viable one. This led to great efficiency output in these small scale enterprises. The survey also reveals that 14.3% representing 10 of the respondents believes that their business have improved by employment creation. This shows that the small scale enterprises are contributing tremendously to employment in Ghana. The survey further revealed that 15.7% representing 11 respondents is of the view that microfinance has led to the expansion of the businesses. Figure 1 below explains business improvement due to microfinance.

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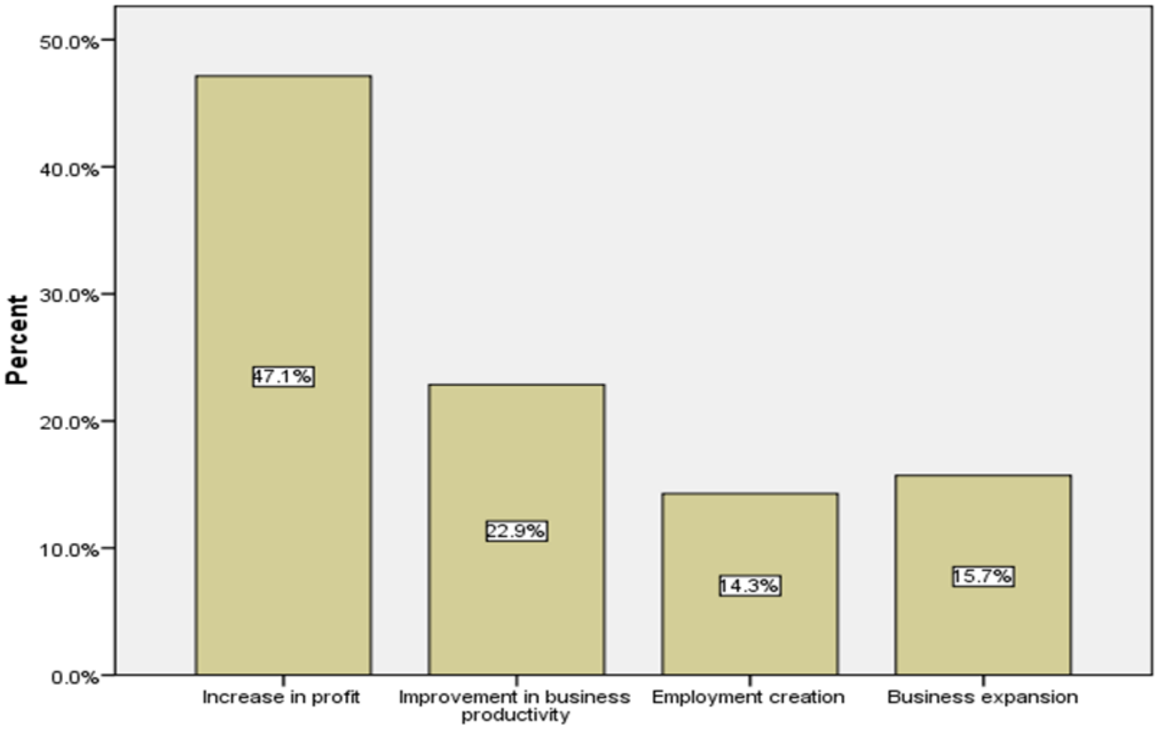


Source: Field survey, 2014

Figure 1: Business Improvement due to microfinance.

4.1.2 Core problem of financial intervention:

According to Fernando (2006) microfinance is widely recognized as an effective tool for poverty reduction. However, high interest rates charges by microfinance institutions have attracted critism from beneficiaries and government. It is glaring from the survey that microfinance interventions have made tremendous improvement on small scale enterprises.

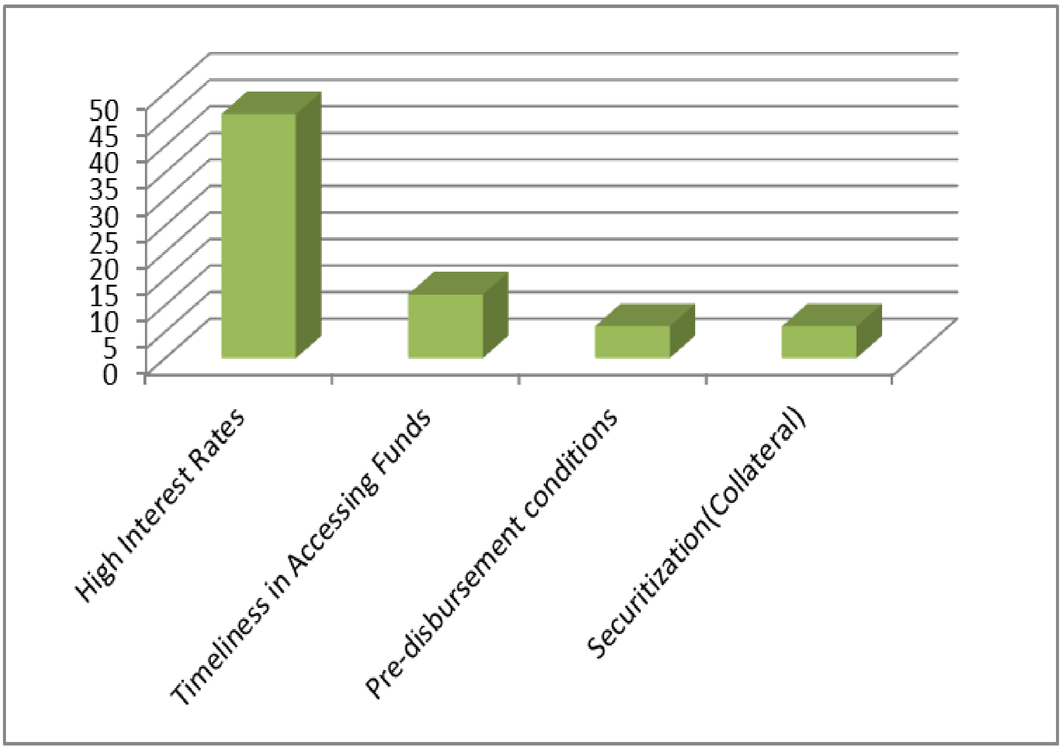
These interventions have seen a lot of small scale enterprises maximizing profit, experiencing rapid growth and staying in business. However, there are some core problems associated with financial intervention from microfinance institutions. This survey attest to the survey conducted by the Association of Ghana Industries (AGI) Newsletter (March, 2011), of which access to credit and high cost of credit were ranked first and second respectively. The high interest rates, collateral requirements and cumbersome documentation demand by formal financial institutions deter many from assessing formal fund. From the survey entrepreneur indicated that the high interest rates demanded by microfinance institutions nearly collapse their businesses. Out of the 70 respondents interviewed 46 indicated that the high interest rates charge by borrowing microfinance institution posed a major problem for their businesses. The entrepreneurs lamented that the high interest rates cripple their enterprises in the infancy stage and tends to have an ad verse effect on the development and growth of their businesses.

Respondents also complained that if the government fails to intervene in allowing microfinance institutions to reduce their interest rates to small scale enterprise then the rate of interest will exceed that of marginal efficiency of capital which will not encourage entrepreneurs to invest more. This will cause output to reduce by employing less factor of production or by laying some factors or production off which will increase the rate of unemployment situation in the country.

The survey revealed that 12 out of the respondents interviewed are of the view that the timeliness in accessing the fund also poses a problem. Microfinance instructions usually carry out their background investigation of the business before granting the loans. The credit worthiness of the entrepreneurs and the viability of the business also have to be taken into consideration. Entrepreneurs may urgently need the loan at some specific point in time but will have to wait and follow the procedures and policies of the microfinance institutions. The survey also revealed that 6 of the respondents were of the view that pre-disbursement conditions are major problem they encountered when applying for loans. It is critical that the loan size be appropriate for the size of the business. Most microfinance institutions ascertain the repayment capacity of the business by collecting data on sales and assets. Microfinance institutions used financial ratio to determine the appropriate loan size. Entrepreneurs must abide by these guidelines if they want to obtain the loan that they are applying for.

The survey further revealed that 6 out of the respondents believe that the securitization (collateral) is the core problem of microfinance Intervention. Microfinance institution requires security to minimize credit risk which might arise when borrowers deliberately or due to uncertain reasons fails to pay back the borrow funds from the microfinance institutions. Badagawa (2006) notes that financial institutions require borrowers to present to them asset which would be in form of physical property, land and building titles, vehicle logbooks and other assets. In case of failure to repay by the borrower those assets are seized by the lending institution and sold off to get part of the borrowed fund. However, Badagawa (2006) warns that though being a protection to the lenders, it have restricted small scale enterprises.

Figure 2 follows up with the responses of respondents regards to the core problem of microfinance intervention.



Source: Field Survey, 2014

Figure 2: Core problem of financial intervention

4.1.3 Financial position after microfinance intervention:

Microfinance is emerging tool for economic development, poverty alleviation, empowering of low-income communities and contributing a new role to micro-entrepreneurship (Mustafa, et al., 2008).It have gained prominent role in developed and developing countries. Small scale enterprises acquire loan with the sole aim of improving the businesses. Improvement in these businesses means that there would be an improvement in the social and economic status of the entrepreneurs. Most entrepreneurs become very innovative and creative. Enterprise development is another tool that facilitates small scale enterprises with micro lending.

Microfinance institution offers training to entrepreneurs to develop expertise and skills so they can produce more productive results. Though Microfinance intervention come with little difficulties in regards to loan repayment, however, it have changed the financial position of most of the entrepreneurs. Out of the 70 respondents interviewed 57 representing 81% indicate that their financial position is better off than previous. They indicated that they can now engage in other economic and social activities. The survey also revealed that 11 respondents representing 16% indicate that their financial positions have improved. The survey further revealed that 2 respondents representing 3% is of the view that the financial position remains the same like previous. The burden of loan repayment cannot afford them the opportunity of feeling the

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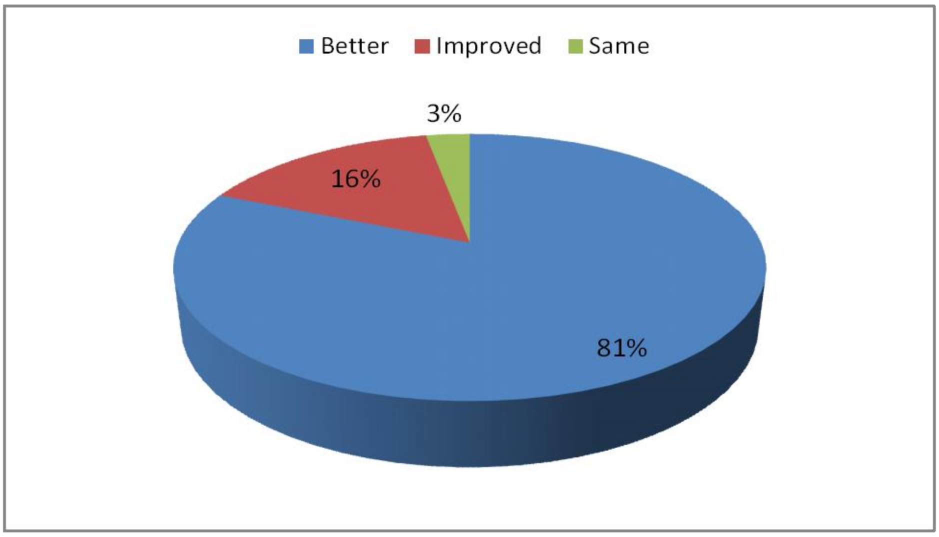
positive impact of microfinance intervention. They are tide down to a lot of family commitments which one way of the other have affected their businesses.

Figure 3 on the next explains the financial position of entrepreneurs after microfinance intervention



Source: Field Survey, 2014

Figure 3: Financial position after microfinance

4.2 Terms and conditions under which credit facilities are granted:

4.2.1 Financial Securities required for loan:

It is widely known today that the provision of loans from microfinance institutions to small scale enterprises has a relatively attractive potential to generate profit and growth (lascelles, 2008). Microfinance institutions that provide multiple microfinance services face various cost. In general microfinance institutions gained little from economics of scale because of microcredit is rather labor intensive: Salaries make up majority of most Microfinance institutions operating expenses and fixed cost are relatively low compare with variable cost (Rosenberg, Gonzalez & Narian, 2009).

Operating expenses of microfinance institutions include most often personnel and administrative costs and represents a major part of charges to borrowers. Since the loan portfolio represents the biggest asset of microfinance institutions, the non-payment of loan is one of the biggest risks a microfinance institution may face (CGAP, 2010).The accounting for loan delinquencies varies enormously among microfinance institutions, but practically there are two alternatives. Some institutions rescheduled unpaid and non-performing loans with borrowers while other institutions write them off after it is sure that the loan cannot be paid back after a certain time period of default. In an attempt to make sure that the small scale enterprises are trustworthy in the repayment of loans microfinance institutions normally asked for financial securities before giving out loan. Out of the 70 respondents interviewed 51 representing 72.9% presented their bank accounts to microfinance institutions before acquiring the loans.

Those respondents that presented bank account indicated that the process of acquiring the loan was not too tedious since they had some form of financial guarantee. The survey revealed that 3 respondents representing 4.3% used their pay slips in obtaining the loans. The survey also revealed that 2 respondents representing 2.9% use their statement of cash flow before obtaining the loan. The respondents indicated that the microfinance institutions review their cash flow statements to see as to whether the businesses had been performing well.

The survey further revealed that 14 of the respondents representing 20% of the respondents collaterals in obtaining their loans. The collateral was in different forms depending on what each individual respondents had to offer. Some the major things that were used for the collateral included plot deeds and vehicles. The microfinance institutions did their own investigations on the different collaterals to ascertain if it was genuinely belonging to the entrepreneurs.

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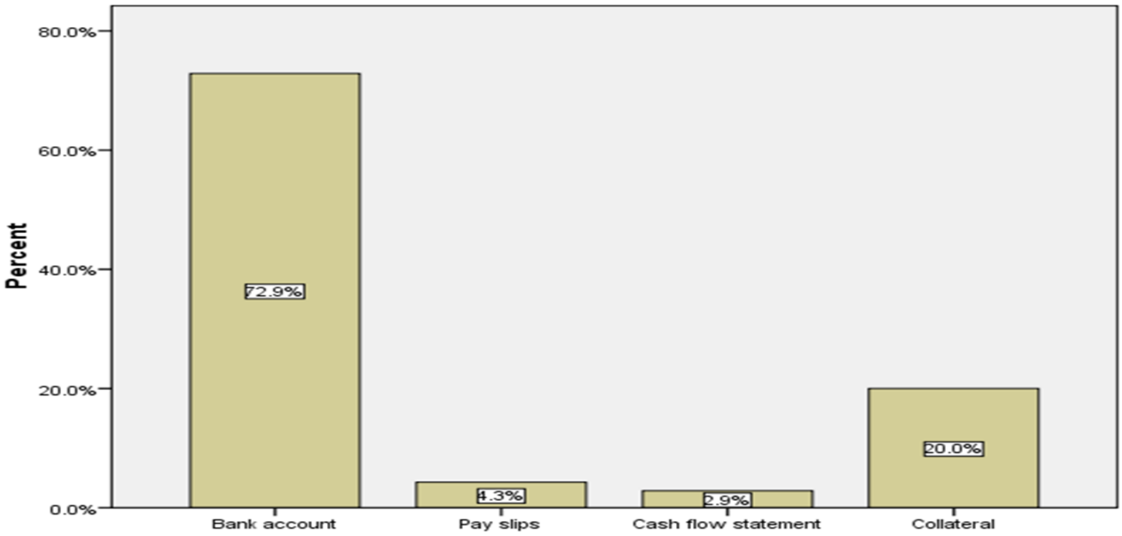
Figure 4 on the next page explains financial securities require for loans by microfinance institutions.



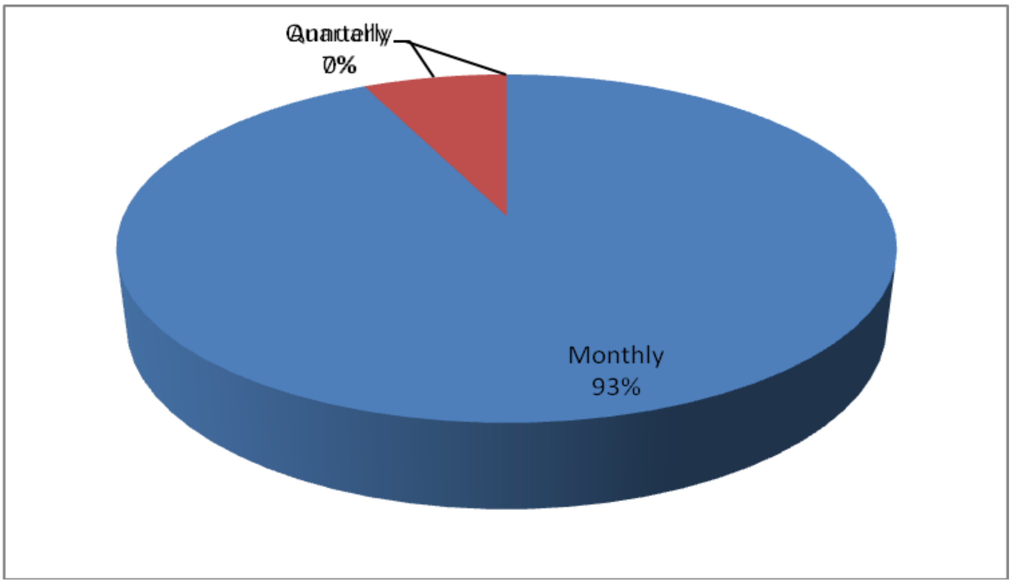
Source: Field Survey, 2014

Figure 4, financial securities required

4.2.2. Loan repayment schedule:

Since loan portfolio is the greatest asset of microfinance institutions, these institutions make sure that things are put in the direct perspective in other to get their money that is borrow out to small scale enterprises. Repayment schedules are usually set up by the lending microfinance institutions. The schedules must be followed by entrepreneurs to avoid defaults in payments. Out of the 70 respondents interviewed 65 of them repay the loans on a monthly basis. This is done so that the microfinance institution can recover the funds quickly for the fact that the loan recovery enables them to remain in business and give out more loans to additional clients. The survey also revealed that only 5 of the respondents repaid the loans on a quarterly basis. Those who repaid the loan on a quarterly basis are entrepreneurs who have been regular clients of the microfinance institutions for a long period of time. These entrepreneurs have built the trust from the microfinance institutions. The survey further revealed that no entrepreneur repay the loans on an annually basis.

Figure 5 on the next page explains the loan repayment schedule.



Source: Field Survey, 2014

Figure 5: Loan Repayment Schedule

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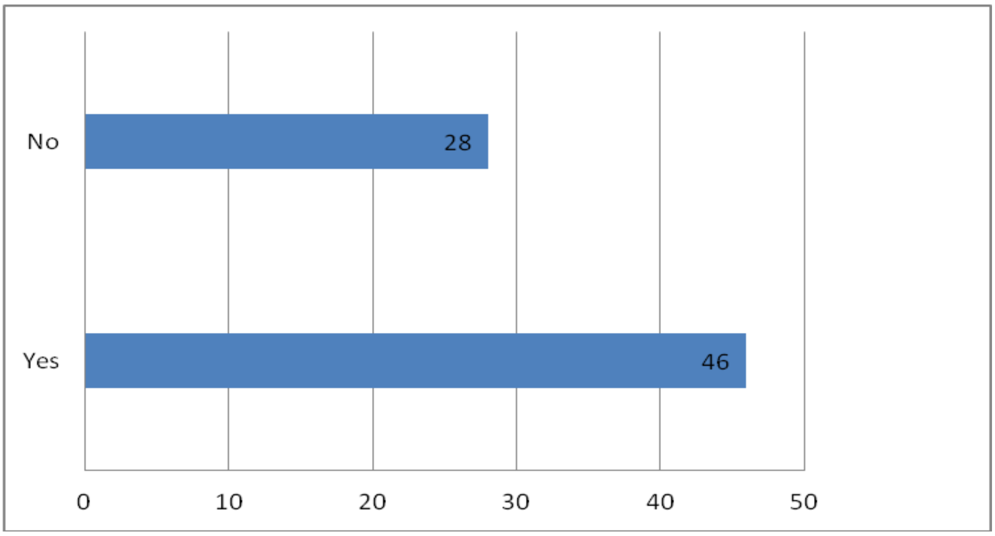
4.3 Assessing the sustainability after micro-loan:

4.3.1 Additional asset acquire for business:

The sustainability of small scale enterprise after the acquiring of loan is very important if the for the survival of the business. Entrepreneurs have several sustainability measures that they take it to keep the businesses functional. Some these measures include engaging in activities that will yield returns to the business. Micro-loan that were obtained from microfinance institutions were used in different sector of the business. Some were used to acquire additional stock of goods, expand the business, new product development or purchasing of additional asset for their enterprises. Out of the 70 respondents that were interviewed 46 of the respondents indicate that they had bought additional asset for their businesses.

According to them those asset were purchased to acquire more customers. Respondents amounting to 39 who were in the service sector indicated that they had purchased additional chairs and table to accommodate more customers they had gained over a period of time. The purchasing of these assets enables entrepreneurs to make more sales and subsequently maximize profit which enabled them to remain in business. The survey also revealed that 28 of the respondent interviewed indicated that they had not purchased additional asset for their business. The major reasons some gave was that they had not been in business for a long time and the repayment of their loan was their major priority.

Figure 6 below explains additional asset acquired for business



Source: Field Survey, 2014

Figure 6: Additional assets acquired for business

4.4 Finding out the Difficulties in the repayment of loans Analysis:

Table 1

Between-Subjects Factors

		N
Loan amount granted	1. GHs500-GHs1000	5
	2. GHs1000-GHs2000	6
	3. GHs2000-GHs5000	28
	4. Above GHs5000	31

Initial loan of GHS500-1000 were granted to small scale enterprises,6 small scale enterprises obtained loans between GHS 1000-2000,whist 28 small scale enterprises received loans between GHS 2000-5000 and 31 small scale enterprises received a loan of above GHS 5000.

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Table 2

Descriptive Statistics

	Loan amount granted	Mean	Std. Deviation	N
High interest rates	1. GHs500-GHs1000	1.80	1.095	5
	2. GHs1000-GHs2000	2.67	.816	6
	3. GHs2000-GHs5000	2.43	.920	28
	4. Above GHs5000	2.61	.803	31
	Total	2.49	.880	70
Low profit margin	1. GHs500-GHs1000	2.20	1.095	5
	2. GHs1000-GHs2000	1.33	.816	6
	3. GHs2000-GHs5000	1.50	.882	28
	4. Above GHs5000	1.26	.682	31
	Total	1.43	.827	70
Ineffectiveness of employees	1. GHs500-GHs1000	1.00	.000	5
	2. GHs1000-GHs2000	1.00	.000	6
	3. GHs2000-GHs5000	1.00	.000	28
	4. Above GHs5000	1.13	.499	31
	Total	1.06	.336	70

Multivariate Tests[d]

Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared	Noncent. Parameter	Observed Power[b]
Intercept	Pillai's Trace	.996	5.169E3[a]	3.000	64.000	.000	.996	15506.702	1.000
	Wilks' Lambda	.004	5.169E3[a]	3.000	64.000	.000	.996	15506.702	1.000
	Hotelling's Trace	242.292	5.169E3[a]	3.000	64.000	.000	.996	15506.702	1.000
	Roy's Largest Root	242.292	5.169E3[a]	3.000	64.000	.000	.996	15506.702	1.000
Q10	Pillai's Trace	.140	1.080	9.000	198.000	.379	.047	9.719	.528
	Wilks' Lambda	.864	1.076	9.000	155.910	.383	.048	7.815	.421
	Hotelling's Trace	.154	1.069	9.000	188.000	.388	.049	9.621	.522
	Roy's Largest Root	.116	2.562[c]	3.000	66.000	.062	.104	7.685	.606

a. Exact statistic

b. Computed using alpha = .05

c. The statistic is an upper bound on F that yields a lower bound on the significance level.

d. Design: Intercept + Q10

Small scale enterprises that indicated that high interest rates was the major difficulties in their loan repayment had a total mean of 2.9, small scale enterprises that indicated that low profit margin was the major difficulties they encountered in repaying of the loan had a total mean of 1.43 whilst small scale enterprises that indicated that ineffectiveness of their employees had been the major difficulties in repaying the loan had a total mean of 1.06.

Below are the multivariate tests which show the actual results of the one-way MANOVA.

The table above (Multiple tests) – indicate that there is no statistically significant difference in the reasons for difficulty in loan repayments based on the loan amount granted to the SMEs. This is evidenced by the significant value of p=0.383, and Wilk's Lambda = 0.864. This implies that, irrespective of the loan amount granted to SMEs, their ascribed reasons for the difficulty in the repayment of such loans do not significantly differ.

This is further affirmed in the table below (**Tests of Between-Subjects Effects)** where the test results yield no statistically significant effect on the reasons for difficulty in loan repayment, with significant value p=0.259 for high interest rates, p=0.111 for low profit margins, and p=0.474 for ineffectiveness of employees.

More so, from the Multiple comparison from the Tukey post-hoc analysis, the mean scores for high interest rates, low profit margins and ineffectiveness of employees all showed no statistically significant difference among the loan amounts granted with the following p-values: for GHs500-GHs1000 and GHs1000-GHs2000, p=0.364; 0.296 and 1.00 respectively; for GHs500-GHs1000 and GHs2000-GHs5000, p=0.454; 0.290 and 1.00 respectively; for GHs500-GHs1000 and Above GHs5000, p=0.225, 0.083 and 0.856 respectively; for GHs1000-GHs2000 and GHs2000-GHs5000, p=0.930; 0.968 and 1.00 respectively; for GHs1000-GHs2000 and Above GHs5000, p=0.999; 0.997 and 0.826 respectively; and for GHs2000-GHs5000 and Above GHs5000, p=0.850; 0.661 and 0.461 respectively;

Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared	Noncent. Parameter	Observed Power[b]
Corrected Model	High interest rates	3.140[a]	3	1.047	1.372	.259	.059	4.117	.349
	Low profit margin	4.074[c]	3	1.358	2.081	.111	.086	6.243	.509
	Ineffectiveness of employees	.288[d]	3	.096	.845	.474	.037	2.536	.224
Intercept	High interest rates	208.000	1	208.000	272.676	.000	.805	272.676	1.000
	Low profit margin	91.068	1	91.068	139.555	.000	.679	139.555	1.000
	Ineffectiveness of employees	39.225	1	39.225	345.928	.000	.840	345.928	1.000
Q10	High interest rates	3.140	3	1.047	1.372	.259	.059	4.117	.349
	Low profit margin	4.074	3	1.358	2.081	.111	.086	6.243	.509
	Ineffectiveness of employees	.288	3	.096	.845	.474	.037	2.536	.224
Error	High interest rates	50.345	66	.763					
	Low profit margin	43.069	66	.653					
	Ineffectiveness of employees	7.484	66	.113					
Total	High interest rates	486.000	70						
	Low profit margin	190.000	70						
	Ineffectiveness of employees	86.000	70						
Corrected Total	High interest rates	53.486	69						
	Low profit margin	47.143	69						
	Ineffectiveness of employees	7.771	69						

a. R Squared = .059 (Adjusted R Squared = .016)

b. Computed using alpha = .05

c. R Squared = .086 (Adjusted R Squared = .045)

d. R Squared = .037 (Adjusted R Squared = -.007)

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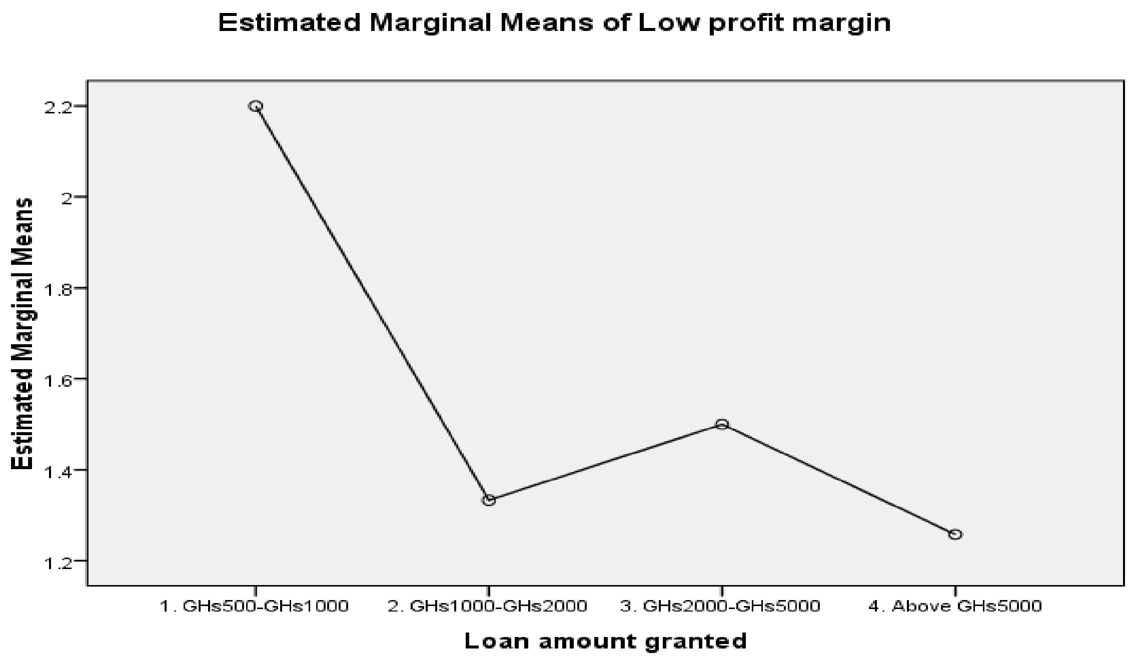
Tukey HSD

Dependent Variable	(I) Loan amount granted	(J) Loan amount granted	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	95% Confidence Interval Upper Bound
High interest rates	1. GHs500-GHs1000	2. GHs1000-GHs2000	-.87	.529	.364	-2.26	.53
		3. GHs2000-GHs5000	-.63	.424	.454	-1.75	.49
		4. Above GHs5000	-.81	.421	.225	-1.92	.30
	2. GHs1000-GHs2000	1. GHs500-GHs1000	.87	.529	.364	-.53	2.26
		3. GHs2000-GHs5000	.24	.393	.930	-.80	1.27
		4. Above GHs5000	.05	.390	.999	-.97	1.08
	3. GHs2000-GHs5000	1. GHs500-GHs1000	.63	.424	.454	-.49	1.75
		2. GHs1000-GHs2000	-.24	.393	.930	-1.27	.80
		4. Above GHs5000	-.18	.228	.850	-.78	.42
	4. Above GHs5000	1. GHs500-GHs1000	.81	.421	.225	-.30	1.92
		2. GHs1000-GHs2000	-.05	.390	.999	-1.08	.97
		3. GHs2000-GHs5000	.18	.228	.850	-.42	.78
Low profit margin	1. GHs500-GHs1000	2. GHs1000-GHs2000	.87	.489	.296	-.42	2.16
		3. GHs2000-GHs5000	.70	.392	.290	-.33	1.73
		4. Above GHs5000	.94	.389	.083	-.08	1.97
	2. GHs1000-GHs2000	1. GHs500-GHs1000	-.87	.489	.296	-2.16	.42
		3. GHs2000-GHs5000	-.17	.363	.968	-1.12	.79
		4. Above GHs5000	.08	.360	.997	-.87	1.02
	3. GHs2000-GHs5000	1. GHs500-GHs1000	-.70	.392	.290	-1.73	.33
		2. GHs1000-GHs2000	.17	.363	.968	-.79	1.12
		4. Above GHs5000	.24	.211	.661	-.31	.80
	4. Above GHs5000	1. GHs500-GHs1000	-.94	.389	.083	-1.97	.08
		2. GHs1000-GHs2000	-.08	.360	.997	-1.02	.87
		3. GHs2000-GHs5000	-.24	.211	.661	-.80	.31
Ineffectiveness of employees	1. GHs500-GHs1000	2. GHs1000-GHs2000	.00	.204	1.000	-.54	.54
		3. GHs2000-GHs5000	.00	.163	1.000	-.43	.43
		4. Above GHs5000	-.13	.162	.856	-.56	.30
	2. GHs1000-GHs2000	1. GHs500-GHs1000	.00	.204	1.000	-.54	.54
		3. GHs2000-GHs5000	.00	.151	1.000	-.40	.40
		4. Above GHs5000	-.13	.150	.826	-.52	.27
	3. GHs2000-GHs5000	1. GHs500-GHs1000	.00	.163	1.000	-.43	.43
		2. GHs1000-GHs2000	.00	.151	1.000	-.40	.40
		4. Above GHs5000	-.13	.088	.461	-.36	.10
	4. Above GHs5000	1. GHs500-GHs1000	.13	.162	.856	-.30	.56
		2. GHs1000-GHs2000	.13	.150	.826	-.27	.52
		3. GHs2000-GHs5000	.13	.088	.461	-.10	.36

Based on observed means.
The error term is Mean Square (Error) = .113.

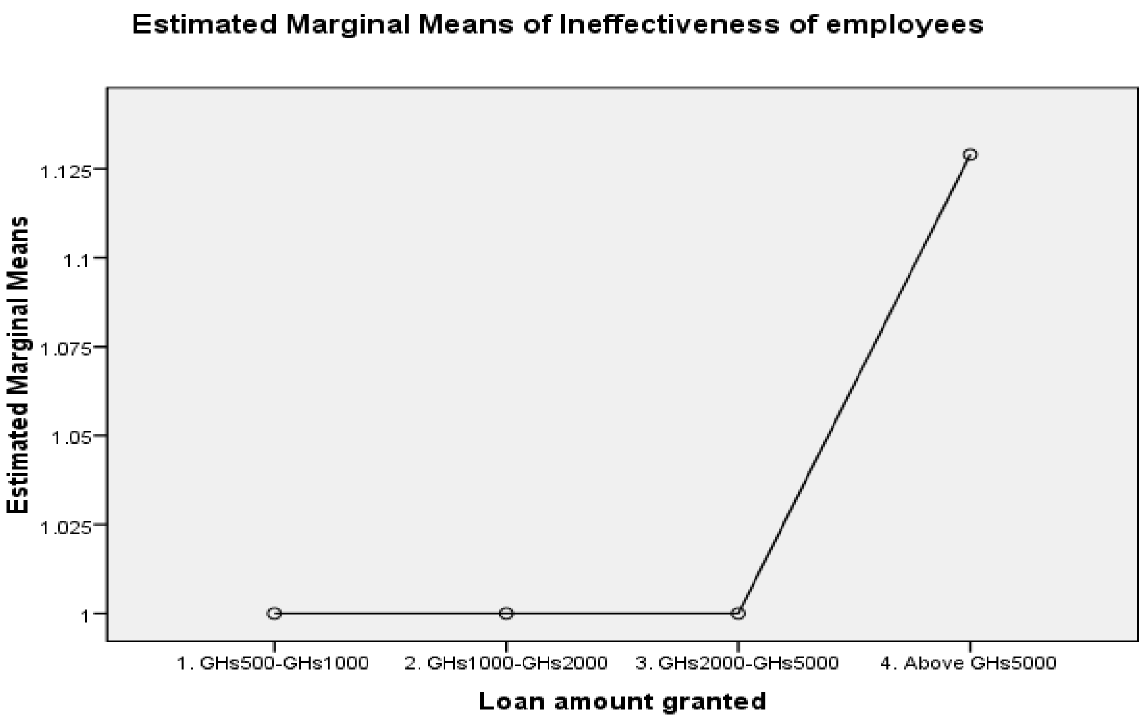
The following graphs indicate the estimated Marginal Means for the three difficulties in loan repayment. It shows where the various loan amounts granted ascribe highly. It is noted that, Small scale enterprises beneficiaries of loan amount of GHs500-GHs1000 ascribe very low to loan repayment difficulty due to high interest rates with beneficiaries of GHs1000-

GHs2000 and above 5000 having the highest marginal means. Figure 12 below indicates that small scale enterprises that obtained loans of GHS 1000-2000 had major difficulties in the repayment of their loans due to high interest rates that were charged from the borrowing microfinance institution. Figure 13 indicate that beneficiaries of loans that obtained an amount between GHS 500-1000 encountered difficulties in their loan repayment due to low profit margins that their businesses experienced. Figure 7 indicate that beneficiaries that obtained a loan of GHS 2000-5000 encountered difficulties in repaying their loans due to ineffectiveness of their employees



Source Field Survey,2014

Figure 7 Marginal Means of high interest rates.



Source, Field Survey, 2014

Figure 8 Marginal means of ineffectiveness of employees

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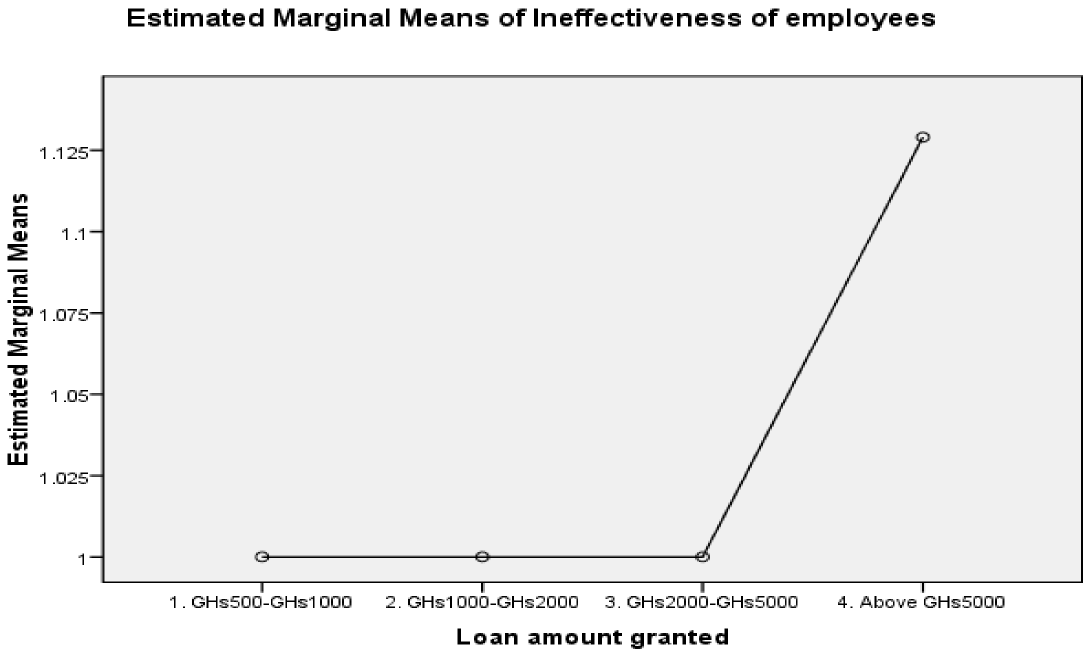

Source: Field Survey, 2014

Figure.9 Marginal means of ineffectiveness of employees

One-way MANOVA was used to determine if there were differences in the ascribed difficulties in loan repayment by SMEs based on the loan amounts granted them. As such, the dependent variables were the following: high interest rates, low profit margins and ineffectiveness of employees. The control variables or independent variable was the loan amount granted giving 4 independent groups in the following ranges: GHs500-GHs1000; GHs1000-GHs2000; GHs2000-GHs5000; and Above 5000.

The data was tested for the assumptions of multivariate analysis notable among which are that the independent groups should consist of 2/more categorical, independent groups and that no participant should be repeated in any two groups among others.

5. SUMMARY AND CONCLUSION

5.1 Summary:

In order to draw appropriate conclusions from this research, it may be useful to present a snapshot view of the key issue that has emerged from the field and desk studies. Based on the facts presented in this research, the study can conclude that micro-finance have positively impacted on those who had benefited from it. Microfinance has played a pivotal role in the development and continuity of small scale enterprises in Ghana. It has helped businesses to have an effective and controlling mechanism in other to achieve their prime desire objective which is to maximize profit. The study sought to assess the impact of micro financing on small scale enterprises in Ghana. The researcher employed structured questionnaires to solicit information from the entrepreneurs of small scale enterprises in the Greater Accra region. The questionnaires were structured into close and open ended questions.

The questionnaires were designed to have been understood by the respondents. The researcher employed a non-probability sampling which was purposive sampling. Out of the 70 questionnaires administered the researcher was able to collect all of the questionnaires. The Female entrepreneurs dominated out of the respondents, they amounted to 50 representing 71% whilst their male counterpart were 20 representing 29%.This is a clear indication that microfinance services are mostly patronize by women. This is in the right direction as most woman over the past years in developing countries were less advantage in regards to education, skills and capital that would improve their potential and success in the business environment. A large percentage of the small scale enterprises were sole proprietorship. Most of them choose to be sole proprietors because of lack of trust from other partners and would prefer sharing the risk and profit from the business. Few of the entrepreneurs were engage in partnership that had high level of education.

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In assessing the impact of micro financing on small scale enterprises the study revealed that entrepreneurs have benefited considerably in several ways through financial intervention from microfinance institutions. There have been improvements in the business activities of entrepreneurs. A lot of small scale enterprises have had increase in their profit margins. Small scale enterprises have experienced their business been very productive. It was also revealed that microfinance intervention have created employment for a lot of young people. There were large segment of young people in employment of small scale enterprises .It was revealed that microfinance intervention have also expanded business activities.

Microfinance intervention did change the financial position of the owner of small scale enterprises. It had boasted their economic development, alleviated them from poverty and empowers a lot of the entrepreneurs. Most microfinance institution provided training to entrepreneurs to develop expertise and skills. It was revealed that entrepreneur's financial positions were better of due to microfinance intervention. A large percentage of the entrepreneurs were now engage in economic and social activities. They could afford their basic needs that make life comfortable. However, some of the financial position of some of the entrepreneurs didn't change for the fact they hadn't been long in business and were over-burden with loan repayment.

Even though Microfinance has improved the social and economic status of entrepreneurs, there were some core problems of financial intervention. It was revealed that the core problem of financial intervention was the high interest rates that were charged on loan from microfinance institutions. The high interest rates nearly cripple businesses from the initial start of the business. Most of the entrepreneurs repaid the loan on a monthly basis at a high interest rate which affected the growth and development of their businesses. The small scale enterprises faced difficulties raising the principle and interest that were been charge on the loan by the lending microfinance institutions. Another core problem of microfinance intervention was the timeliness in accessing the loans. The loans usually long time to process before it is approve for disbursement to entrepreneurs.

It was further revealed that some other core problems of financial intervention were the pre-disbursement conditions and the securitizations. There was lot of documents that had to be presented by entrepreneurs to microfinance institution before their loans were approved. The collateral that was presented also had to be considered valuable enough in case of default from the entrepreneurs.

Entrepreneurs were asked by microfinance institutions for financial securities before obtaining loans that were applied for. A large percentage of the entrepreneurs used their bank accounts as forms of financial securities before their loan application were accepted. The presentation of their bank accounts made the process of obtaining the loan less tedious. Some of the entrepreneurs also used the pay slips and cash flow statements to obtain their loans. Some also use collaterals as a form of security to obtain the loans. The collaterals were properly examined to make sure that they were in good conditions and it was above the value of the amount of loan that was approved.

To make sure that loan were repaid on time and in schedule microfinance institution set up a schedule in with entrepreneurs had to repay the loan. Majority of the loans were repaid on a monthly basis while few of the entrepreneurs paid the loans on a quarterly basis. Entrepreneurs in an attempt have improved and sustained the enterprises were able to obtain additional asset for the business to ensure that they would accommodate more customers. There were some problems for entrepreneurs when it came to the payment of salaries to their employees. Some of the businesses at some point in time were experiencing low sale which led them to low profit margin.

Some of the enterprises defaulted in the payment of the loans. Most of the entrepreneurs that defaulted in the repayment of the loans were young people with experience of less than five years in running their enterprises. Most of the defaulters were woman and had dependents. The settling of personal and family problems also led to the fault among the entrepreneurs. These problem ranged from paying fees, travelling, rent and funeral expenses. These resources of the enterprises were diverted for something other than the purpose thus creating room for entrepreneurs to have defaulted in their loan repayment.

5.2 Conclusion:

On the whole, the study concludes among other things that small scale enterprises are dominated with a lot of female. Individual involved in small scale enterprises cut across all level of education. Entrepreneurs were made up of JSS levels to that of Degree holders. Majority of the small scale enterprises are sole proprietorship. Those that were involved with partnership form of business were the highly educated entrepreneurs. The study revealed that microfinance intervention had an immense impact on the small scale enterprises. Microfinance intervention had led to an increase in their profit margins and expanded small scale enterprises. It had also helped small scale enterprises in contributing to the economic development of Ghana. However, the core problem of financial intervention had been the high interest rates that were charged on the loans. Issues such as loan repayment defaults were also a problem that encountered by some of the entrepreneurs.

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