UNIVERSITY OF CAPE COAST

EFFECTS OF MICROFINANCE ON MICRO AND SMALL SCALE ENTERPRISES IN EFUTU MUNICIPALITY, WINNEBA: A CASE STUDY OF CENTRE FOR INFORMAL ACTIVITIES AND DEVELOPMEMT.

BY

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Dissertation submitted to the Department of Agricultural Economics and Extension of the School of Agriculture, University of Cape Coast in partial fulfillment of the requirements for the award of Master of Science degree in NGO Studies and Management

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DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this University or elsewhere.

Candidate's signature:………………………….. Date:………………...

Name: Bismark Owusu

Supervisor's Declaration

I hereby declare that the preparation and presentation of this dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's signature:…………………………. Date:………………...

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ABSTRACT

This study examined effects of CIAD's microfinance on small and medium enterprises in the Efutu Municipality, Winneba in the Central Region. .The population of the study comprised clients and staff of CIAD. A sample of 71 clients and five staff was used for data collection. Two interview guides were used separately to collect data from staff and clients. The return rate of data collection was 5(100%) for staff and 66(92.9%) for clients. Data collected was analysed manually and electronically. The statistical product and service solution was used for the electronic analysis in which descriptive statistical tools were used for data presentation and discussion.

Results of the study indicated that CIAD's microcredit schemes impacted positively on the social and economic lives of SMEs operators. The businesses were able to increase their capital, assets and expanded the MSEs, which reflected in their social lives. Also, other MSEs were set up to create employment for the unemployed and savings culture of clients was enhanced. In spite of the benefits, there were some challenges which included repayment difficulties, payment of multiple taxes, lack of market for products and services and high interest rates. Recommendations were made to CIAD. Specifically, CIAD was asked to put in measures that could help reduce interest rates, train operators of MSEs on proper business practices and MSEs were asked to adopt effective bookkeeping modalities.

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DEDICATION

To my family for their support

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LIST OF ABBREVIATIONS AND ACRONYMS

MSE	Micro and small Enterprises
LDC	Less Developed Countries
NBSSI	National Board for Small Scale Industries
FUSMED	Fund for Small and Medium Enterprises Development
CIAD	Center for Informal Activities and Development
NGOs	Non-Governmental Organizations
SSNIT	Social Security and National Insurance Trust
MDGs	Millennium Development Goals
FNGOs	Financial Non-Governmental Organizations
IMF	International Monetary Fund
PAMSCAD	Program of Action to Mitigate the Social Cost of Adjustment
SAP	Structural Adjustment Program
MFIS	Micro Finance Institutions
GHAMFIN	Ghana MicroFinance Institution Network
CBOs	Community Based Organizations
SAT	Sinap Aba Trust
BOG	Bank of Ghana
CUA	Co-operative Union Association
DFID	Department for International Development

FFH	Freedom from Hunger
GDP	Gross Domestic Product
MDAs	Ministries, Department and Agencies
UNDP	United Nations Development Program
USAID	United States Agency for International Development
SPSS	Statistical Product and Service Solution
EMPRETEC	Entrepreneur and Technology

CHAPTER ONE

INTRODUCTION

Background to the Study

Ghana is said to have a relatively long history of government initiatives to promote and finance, small and medium enterprises (SMEs). The contributions these SMEs make to the economic development and growth of Ghana are substantial because so many people are employed by these enterprises. This is so because it is accepted worldwide that the development and growth of SMEs can play an important role in turning the growing unemployment situation around. In the light of foregoing, policies and programmes that would support the development of SMEs are formulated and implemented to better the lives of the citizenry.

According to Mbuta and Nkandela (1998), the importance of SMEs in contributing to job creation and output growth is now widely accepted in both developed and developing countries. Of particular interest is the process of expansion of these enterprises from micro or small into medium size, as it is when they become medium-sized that growth-oriented SMEs make their most tangible contribution to economic growth and job creation. Dynamic medium-sized enterprises provide a competitive edge in two ways – as leading subcontractors and as venture firms in their own right. They also tend to survive longer than most SMEs and create jobs that yield higher returns, thus multiplying their impact on economic growth. However, in many developing and least developed countries (LDCs) there is evidence of a shortage of middle-sized growth-oriented SMEs that could make an important contribution to development (Littlefield & Rosenberg, 2004). This is generally attributed to hidden and largely inadvertent biases in the economic policies of these countries that militate against the gradual and organic growth of their enterprises. The lack of coherent SMEs development strategies, which take into account the three dimensions of enterprise evolution (i.e. start-up, survival and growth) and the different needs of enterprises in their various stages of evolution, is another important contributory factor.

In the absence of a coherent policy framework for enterprise development, globalization and the opening of domestic markets as part of liberalization policies has had an adverse impact on the enterprise structure in many LDCs and other developing countries. In particular, SMEs are being decimated or are continually losing ground in terms of their competitiveness. Instead, the microenterprise or survival sector has gained prominence. The twin processes of globalization and liberalization, combined with rapid advances in information and communication technologies, are creating new dynamics of production, enterprise development and international competition. Countries' existing enterprise development strategies may no longer be effective in light of the changes in the environment. Any government that is concerned about promoting SMEs should therefore carefully examine the impact of its existing policies and programmes for enterprise development and redesign its SMEs strategies to focus on addressing the issues related to the “missing middle” (Page & Steel, 2004).

Abugre (1994) describes micro and small enterprises as those enterprises employing 29 or fewer workers. Microenterprises are those that employ between 1 to 5 people with fixed assets not exceeding 10000 US dollars excluding vehicles, land and buildings. Small enterprises employ between 6 and 29 or have fixed assets not exceeding 100,000 US Dollars excluding land and building. It must be emphasised that lack of finance remains the major constraint to small and medium enterprises in the country.

It is believed that Ghana began officially promoting the activities of small and medium businesses in 1969 with the establishment of the credit guarantee scheme by the Bank of Ghana to assist entrepreneurs in obtaining bank credit. This was followed in 1970 by the creation of the Ghana business promoting programme. The objective of these initiatives was to promote financial and technical assistance to newly established and existing micro, small and medium scale businesses, but their impact was limited. The schemes benefited mostly politically connected Ghanaian managers of foreign owned manufacturing companies (Abugre, 1994).

According to Andah (2005), the support for SMEs was intensified in 1990s following the establishment of the National Board for Small Scale Industries (NBSSI). The major financial scheme operated by the NBSSI was a credit line financed by the World Bank’s small and medium enterprises project.

The fund offered credit to enterprises in all sectors of the economy except primary agriculture, real estate and trading. The government also established a credit assistance scheme under the Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD), which was intended to cushion the effects on small scale businesses of the Structural Adjustment Programme (SAP). The credit facility which was managed by the NBSSI was intended to assist entrepreneurs in procuring scarce but essential raw materials. The NBSSI, in conjunction with Barclays Bank of Ghana limited also implemented an EMPRETEC Ghana programme aimed at raising funds for small and medium enterprises through the organization of venture fund where entrepreneurs were given the opportunity to establish business contact with potential investors.

However, surveys undertaken into the viability of the programmes revealed that the initiatives to help finance SMEs failed to make the desired impact anticipated (Adams & Pischke, 2005). One of the reasons for this apparent failure was that SMEs had limited awareness of credit schemes available to be accessed. Also, the schemes were focused on urban based SMEs. It has been estimated for example, that only five percent of the beneficiaries of NBSSI credit for small scale businesses come from rural areas.

In addition to government's effort to provide financial resources and capacity building for these SMEs, a number of Non-Governmental Organizations (NGOs) and other institutions are also contributing in providing support for these enterprises. One of such NGOs is the Centre for Informal Activities and Development (CIAD) headquartered at Winneba, in the Efutu

Municipality. CIAD has been providing financial and capacity building training for owners of micro and small scale enterprises (SMEs) in the central region of Ghana, particularly for businesses that are located within and around the Effutu Municipality for some years. The training and financial support given to these small and medium enterprises have helped some of the businesses to expand. Consequently, some of the SMEs have opened bank accounts with rural and commercial banks within the Efutu Municipality. Additionally, they have formed trade associations which help them to access credits from the financial institutions as recognised business leaders.

Casual observations undertaken into the activities of these SMEs seem to suggest that they are doing well. It is therefore prudent that a thorough study be conducted into the activities of these small and medium enterprises to find out the effects CIAD's microcredit programmes have on these enterprises.

Statement of the Problem

It is known fact that most formal banking institutions do not cultivate the habit of doing business with individuals and small business customers, since they consider them to be high risk clients. SMEs are considered as high risk businesses because they lack the necessary collateral to serve as security for loans and it is costly because applicants from the informal sector tend to apply for small loans which require the same administrative procedure and oversight that are required for the relatively larger loan requests made by medium or large scale firms. Hence, the co-operate culture of banks and financial institutions are far removed from the informal world of the micro-entrepreneur. Microfinance institutions are therefore expected to fill this gap and provide financial and other business support to micro and small-scale businesses.

In fact, the need for sustainable sources of funding for SMEs had necessitated the emergence of financial non-governmental organisations on the economic and business scene of the country. According to Opare-Djan (2002), the role Kraban Foundations has played in the microfinance business is substantial. One can also cite the case of Kiva, Sinapi Aba among others in NGOs implementation of microfinancing activities. This study is focusing on the contributions CIAD is making towards the economic growth and development of businesses in the Efutu Municipality of the central region. This microfinance NGO had been operating in the small loans, capacity building and business advocacy sectors for some time now. The concern with this study is whether CIAD had put in sustainable, measurable and pragmatic measures to guarantee its continuous viability within the microfinance industry.

The contribution of CIAD to the microcredit regime is going to help fill a major gap in the economic development of the Efutu Municipality. This is because Robinson (2002) found in a study that about 90 percent of the people in developing countries lack access to financial services from institutions, either for credit or savings, which further fuels the "Vicious Cycle of Poverty". If the people of LDCs have a limited capital to invest in businesses, productivity is restricted, incomes are inhibited, domestic savings remain low, and again, any increases in productivity are prevented. A lack of access to financial institutions also hinders the ability for entrepreneurs in LDCs to engage in new business ventures, inhibiting economic growth, and often, the sources and consequences of entrepreneurial activities are neither financially nor environmentally sustainable (existing for continuing future use). Microfinance serves as a means to empower the poor, and provides a valuable tool to assist the economic development process. However, unavoidably, various barriers and obstacles limit the roles of microfinance, entrepreneurship and sustainability in reducing poverty in LDCs around the world.

Objectives of the Study

The general objective of the study is to find out effects of CIAD microcredit on small and medium enterprises in the Efutu Municipality. The specific objectives of the study include:

1. To find out the processes and procedures involved in accessing credit from CIAD.
2. To determine effects of CIAD microcredit on small and medium enterprises in the Efutu Municipality
3. To assess the challenges associated with SMEs in accessing credit lines from CIAD.
4. To identify measures that can be put in place to assist SMEs to access credit from CIAD.

Research Questions

1. What are the procedures and processes use to access credit facilities from CIAD?
2. How do CIAD's programmes mapped out to help SMEs affect their enterprises?
3. What are some of the challenges that confront SMEs in accessing credit from CIAD?
4. What measures can be instituted to enable small and meduim enterprises to access credit easily from CIAD?

Significance of the Study

Generally, research results have been used as guides to policy formulation and decision making input over the years. In view of this trend, the findings of this study would be used as an additional guide by economic policy makers into SMEs in Ghana. The contribution of every Ghanaian towards the economic growth and development of the country cannot be over-emphasised. On the basis of this, the results of the study can be adopted and used as a guide to take more pragmatic decisions.

Also, the results of the study would highlight the activities of CIAD in a broader scope. This is because parts of its activities have been discussed in the introduction, literature, methodology and discussions and in fact at various stages when the need arose. Indirectly, the confidence citizens have in the financial NGOs would be boosted.

The results of the study would be additional literature on microfinance in Ghana especially, microfinance administered by NGOs. Prospective researchers can make use of such materials.

Delimitation of the Study

Even though, CIAD operates in some parts of the central region and primarily in the microfinance business, this study was restricted to the Effutu Municipality. The reasons are that the municipality boasts of a state university, University of Education, Winneba. In view of this, quite sizeable number of people troop in and out of Winneba township regularly. This state of affair had made the municipality a bit busy for businesses. Besides, there are business opportunities that the establishment of university has brought; fishing in the Winneba township is another area for big business. In view of the underlying factors there are several SMEs engaged in varied economic activities which require capital injection. The emergence of these related issues make it imperative for the study to be delimited to that place with a respectable representation of business enterprises.

Limitation of the Study

A possible limitation to the finding of the study could come from scoring errors. Scoring errors could emanate from open-ended responses because divergent responses would have been given and the researcher uses his discretion to edit and this could affect the real intentions of respondents.

Another limitation could come from insincerity of respondents, that is, information given could not be reliable and that can feed into wrong generalizations to the total population of the study.

Organization of Work

The research project is organized into five chapters. The introductory part is chapter one. It deals with background information on the topic, the problem statement, research objectives, and significance of the study, research questions, limitations and delimitations. Chapter two is a review of the relevant literature of the study. Some of the notable areas reviewed included: Concepts of micro, small and medium scale enterprises, sources of finance of SMEs, activities of financial non-governmental organizations, an empirical review of a financial NGO and challenges facing the microfinance sector.

Chapter three consists of the methodology, the instrument used for the study, population, sample, and sampling techniques. Chapter four presents the results of the study through an analysis of the data from the field survey and finally the summary, conclusions and the recommendations are presented in chapter five.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter is devoted to the review of literature related to micro, small and medium scale enterprises. The literature looks at the concepts of micro, small and medium scale enterprises particularly as they pertain in Africa and Ghana. From that premise, the sources of finance of SMEs are dealt with, followed by the challenges microfinance organizations face. Also, the impact microcredits facilities have on the SMEs in Ghana are discussed. Additionally, a look is taken at measures that could be used to solve some of the problems that confront the SMEs' access to microcredit from financial institutions. Again, since the study is about an NGO and how it is helping develop SMEs in locality, some literature concerning NGOs in the micro finance sector is catered for to put the literature in context.

Concepts of Small and Medium Scale Enterprises

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

In Ghana, Mensah (2005) revealed that available data from the Registrars' General Department indicated that 90% of companies registered are micro, small and medium enterprises. This target group has been identified as the catalyst for the economic growth of the country as they are a major source of income and employment. Data on this group is however not readily available. Mensah further stressed that the Ministry of Trade and Industry (MOTI), in 1998 estimated that the Ghanaian private sector consisted of approximately 80,000 registered limited companies and 220,000 registered partnerships. Generally, this target group in Ghana is defined as: (i) Micro enterprises – they are businesses that employ up to 5 employees with fixed assets (excluding real estate) not exceeding the value of $10,000; (ii) Small enterprises – are business that employ between 6 and 29 employees with fixed assets of $100,000; and (iii) Medium enterprises – they are business entities that employ between 30 and 99 employees with fixed assets of up to $1 million (Mensah, 2005; Bell, 1990).

In another revelation, Mensah (2005) recalled that data from the Social Security & National Insurance Trust (SSNIT) indicated that, by size classifications, the Ghanaian private sector is highly skewed, with 90% of companies employing less than 20 persons, and a small number of large-scale enterprises. A typical profile of this target group is as follows:

1. They are dominated by one person, with the owner/manager taking all major decisions. The entrepreneur possesses limited formal education, access to and use of new technologies, market information, and access to credit from the banking sector is severely limited,
2. Management skills are weak, thus inhibiting the development of a strategic plan for sustainable growth.
3. This target group experiences extreme working capital volatility.
4. The lack of technical know-how and inability to acquire skills and modern technology impede growth opportunities.

According to Mensah (2005), many non financial constraints inhibit the success of such enterprises. What is more serious is the fact that SMEs owners are reluctant to be transparent or open up of their businesses to outsiders. They seem to be unaware of the obligations and responsibilities they have toward capital providers, and the need to acquire or seek support for technical services like accounting, management, marketing, strategy development and establishment of business linkages. Management and support services are perceived to be cost prohibitive and non-value adding. SMEs have not taken full advantage of government-sponsored business support services such as the

National Board for Small Scale Industries (NBSSI), which operates in the 10 regional capitals under the Ministry of Trade and Industries.

Outlook of SMEs in Ghana

Small and Medium Enterprises (SMEs) are noted to be significant for economic development. They are also known in developing countries as micro, small and medium enterprises. They are pivotal in job creation and innovation. Globally, they account for more than 40% of GDP according to the World Bank (1997). It is worth noting that opportunities are opened for SMEs in domestic and international market often but these opportunities are not grasped (Tackie, 2004).

In the perspective of Seppålå (1998), the essence of SMEs triggers governmental bodies to initiate supporting services including incentives for business start-ups. It could hardly be missed in any president or head of states address, especially state budgets. In Ghana, just like any developing country, SMEs are imperative in achieving economic growth and development. Its development in Ghana is one of the strategic echoes of politicians especially during presidential campaigns. Moreover, one cannot miss the promise the government of Ghana always make to SMEs in their highly anticipated state budget after elections. However, Ghanaian entrepreneurs blame the government for poor infrastructure and reforms for SME’s development.

Furthermore, Valdivia and Quiroz (2001) emphasised that good management solves any developmental problem. In the opinion of Tackie

(2004), best business practices are the thresholds for development of businesses that are underrated. They may be fundamental, nothing new and arguable in Ghanaian business norms, which are underrated. However, SMEs cannot underrate their essence in a competitive market where cost reduction, benefits and quality service are the target. Hence, their avoidance can bring down a business at any point of a business cycle. Giving it an appropriate attention can help businesses grow steadily and pave way for growth and competition in domestic and international markets. The ten thresholds, which SMEs have underrated, are:

1. Using appropriate formal terms in transactions
2. Using barcodes
3. Ensuring delivery time
4. Ensuring customer satisfaction
5. Selling products or services that relate to the season
6. Interest in innovation
7. Choosing appropriate banks for business
8. Understanding what their business is offering or what they are known for.
9. Combining business and personal interest.
10. Appropriate positioning of family in businesses

Basically, SMEs in Ghana face slower sustainable growth because these thresholds for business development are taken for granted or underestimated and assumed to be unimportant. Moreover, some do believe it has nothing to do with the business culture in Ghana so there is no need to prioritise them in any business endeavour. However, it is interesting to note that, successful entrepreneurs from any industry or country touch on three-quarters (3/4) of them to show how smart they are when sharing their influential success stories (Mahammoud, 2006).

Sources of Finance of SMEs

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

According to Schein (2004), the choice of financing a business entity is an important determinant of whether a product reaches the market, or whether an existing business can survive. He states that the choice of financing is an important part of being an entrepreneur and business owner and the ability to raise cash when you have no or limited history takes skill and creativity your part. Schein again makes it clear that there are a number of sources of financing a business entity but the suitability of the alternatives depends on what stage one's business is at and that will change as the company grows from stage to stage. The sources of finance which Schein identifies may come from (1) The individual's personal savings, family and friends, (2) strategic partner, (3) angel financial, (4) venture capital, (5) trade credit, (6) factoring, (7) asset based lending, (8) bank financing and (9) microfinance. Since the focus of this study is the SMEs, microfinance logically becomes the most reliable source of funding for the SMEs.

According to the United Nations as cited by Asiamah and Osei (2007), "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". Thus, microfinance includes loans, savings, insurance, transfer services and other financial products and services. Again, the United Nations (2000) indicated that microfinance is thus one of the critical dimensions of the broad range of financial tools for the poor and its increasing role in development has emanated from a number of key factors that include:

1. The fact that the poor need access to productive resources, with financial services being a key resource, if they are to be able to improve their conditions of life;
2. The realization that the poor have the capacity to use loans effectively for income-generation, to save and re-pay loans;
3. The observation that the formal financial sector has provided very little or no services to low-income people, creating a high demand for credit and savings services amongst the poor;
4. The view that microfinance is viable and can become sustainable and achieve full cost recovery; and

5. The recognition that microfinance can have significant impact on cross cutting issues such as women's empowerment, reducing the spread of HIV/AIDS and environmental degradation as well as improving social indicators such as education, housing and health (Littlefield, E& Rosenberg, 2004).

Also, Asiamah and Osei (2007) noted that studies have shown that micro-finance plays three broad roles in development: it helps very poor households meet basic needs and protects against risks, it is associated with improvements in household economic welfare and it helps to empower women by supporting women's economic participation and so promotes gender equity.

Similarly, Simanowitz and Brody (2004) alluded to the fact that several literature on microfinance suggests that it creates access to productive capital for the poor, which together with human capital, addresses through education and training, and social capital, achieves through local organization building, enables people to move out of poverty. Consequently, “by providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society” (Otero, 1999). The aim of microfinance according to Otero (1999) was not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector.

On their part, Littlefield and Rosenberg (2004) argued that the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999). More recently, commentators such as Littlefield, Murduch and Hashemi (2003), Simanowitz and Brody (2004) have commented on the critical role of microcredit in achieving the Millennium Development Goals.

According to Simanowitz and Brody (2004), “microcredit is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the most poor people". Littlefield, Murduch and Hashemi (2003) stated "microcredit is a critical contextual factor with strong impact on the achievements of the MDGs. Microcredit is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale".

However, some schools of thought remain skeptical about the role of microcredit in development. For example, while acknowledging the role microcredit can play in helping to reduce poverty, Hulme and Mosley (1996) concluded from their research on microcredit that "most contemporary schemes are less effective than they might be". The authors argued that microcredit is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off. This notwithstanding, microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people. It is believed that microfinance can facilitate the achievement of the Millennium Development Goals (MDGs) as well as national policies that target poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living as pointed out by the former UN secretary General Kofi Annan during the launch of the International Year of Micro Credit. Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs (Kofi Annan as cited by Asiamah & Osei, 2007), .Although microfinance is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can make sustainable contributions through financial investment leading to the empowerment of people, which in turn promotes confidence and self-esteem, particularly for women (World Bank, 2004).

Activities of Financial Non-Governmental Organizations

Financial non-governmental organizations (FNGOs) are NGO which operate within the microfinance sector. Opare-Djan and Apania (2008) revealed that available evidence suggests that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries. Susu, which is one of the current microfinance schemes originated from Nigeria and imported to Ghana in the early 1900s.

Recent studies into the activities of FNGOs indicate that, these NGOs are playing vital role in the microfinance sector of the Ghanaian economy. According to Opare-Djan (2002), in Ghana today, the growing competition in the financial service sector had necessitated the need for innovative products with emphasis on sale of funds in order to succeed in the dynamic operating financial environment. To this end, microfinance institutions (MFIs) especially the financial non-governmental organizations (FNGOs) are playing a pivotal role in microfinance service delivery. Through novel product development these microfinance institutions render very useful financial services to the rural, peri-urban, and urban and the informal sectors of the Ghanaian economy due to the increase demand for this innovative microfinance services. This is largely attributed to the fact that FNGOs are not legally mandated to collect deposits from clients or the larger public to improve their deposit and liquidity base. They therefore adopt innovative approaches and develop tailored-made loan products to meet the increased economic activity and to address poverty in Ghana.

Moreover, the increased need for microfinance services which calls for these innovative approaches in loan product development to meet the increasing demands for microloans in Ghana cannot be over-emphasized. Furthermore, such micro and small business lending operations cannot realistically and successfully be undertaken by conventional banks without a known methodology. Micro and small business lending is a specialized activity with known and specialized methodologies which do exist for micro-enterprise finance, but may not be suitable for larger commercial banks operations. Several other innovative approaches have been undertaken by these FNGOs to reach their clientele in Ghana. These include flexible lending mechanisms based on the group solidarity concept, the mutualist guarantee schemes and the inventory credit systems. Some specific loan products of these MFIs are the credit with education pioneered by Freedom from Hunger Ghana; the microlending and spiritual transformation programme of Sinapi Aba Trust, the food inventory credit initiated by Technoserve International and the Training, Education and Credit for Health (TEACH) lending strategy of Kraban Support Foundation. A number of FNGOs have designed loan products for microenterprises lending in Ghana. One such organization is the Kraban Support Foundation. The purpose of the study therefore was to examine the various innovative microloan products designed by this FNGO and analyze how the sale of these products have enabled the FNGO to carve a niche in the microfinance market in Ghana (Pentax Management Consultancy, 2006; Asamoah and Williams Consulting, 2004; Opare-Djan, 2002).

An Empirical Review of a Financial NGO

Kraban Support Foundation is one of the reputable FNGOs in Ghana that had impacted significantly on the microfinance industry. A study was conducted into its operations by Opare-Djan and excerpts are reviewed to guide this study.

According of Opare-Djan (2002) the study identified and examined the varied and peculiar characteristics which were considered when the Kraban

Support Foundation developed its microloan products. The study further analyzed the specific characteristics of microfinance clients whom such products were developed for. Typical characteristics of such clients were that they were self-employed, low income entrepreneurs in both rural and urban areas, lack traditional collateral, lack of business records or established credit history which could be in groups or were individuals. The paper also identified the gaps in existing products of how new needs in key profitable markets currently not being satisfied informed Kraban's decision to become innovative in product development.

Again, Opare-Djan (2002) indicated that the study analyzed the changing tastes and habits of clients, which could quickly determine the pattern of demand for a microloan product. Also the study examined the microfinance market place of FNGOs in Ghana where it is relatively easy for others to enter and inevitable for many organizations to compete and render the market lively and active. Moreover, the study looked at the various creative techniques that existed and helped Kraban Support Foundation to produce new concepts and microloan products based on best ideas which came through a combination of data analysis and creativity using the following useful and creative techniques: brainstorming, attribute listing, modification of each attribute in the search for an improved product, need identification and idea screening approaches. Other microloan product development techniques examined included technological development, past failures, ideas borrowed from elsewhere and forecasting the future environment.

Finally, the study reviewed some documents of the FNGO including the Kraban's capability statement, 2004 product costing, and 2006 Annual Report among others. Other documents from the other organizations within the population including audited financial statements and annual reports were analysed. Furthermore various loan products from other financial intermediation programmes including formal commercial banks and non-bank financial intermediaries were examined (Amankwah, 2007; Opare-Djan, 2002).

The populations for Opare-Djan's study involved seven institutions. The seven institutions were Kraban Support Foundation, Ecumenical Church Loan Fund, Ghana, ProCredit and Manya Krobo Rural Bank. The others were Taifa Presby Church Credit Union, Care Women's Association and the Ghana Cooperative Susu Collectors Association. The study analysed the eleven loan products of Kraban Support Foundation vis-à-vis the products of the other organisations within the population. The products of Kraban Support Foundation are PCIP, BEAM, SANKOFA, ORACLE, READY, TEACH 1, TEACH II, TEACH III, SIKA ROSE, AGAPE & EXTRA MILE (Andah, 2005; Opare-Djan, 2002).

The findings of the study revealed that there were three principles based on which FNGOs developed their products. The three key principles are:

1. the identification of gaps in existing product range,
2. identification of new needs in key profitable markets currently not being satisfied or
3. a decision to become innovative

These principles were important, especially the third, to the FNGO because it was identified that the organization's clients, just like many others, had changing tastes and habits, which quickly changed their pattern of demand for a loan product. Also because the FNGO was operating within a market place where it was relatively easy for others to enter, it was inevitable that Kraban Support Foundation was in competition with many organizations. This also made the microfinance market in Ghana lively and active. Kraban Support Foundation therefore adopts various creative techniques in its microloan product development. In producing new concepts and products, the FNGO either adapt existing product designs with the best of ideas which come through a combination of data analysis and creativity (Bartels, 2003; Opare-Djan, 2002) or come up with new idea all together.

Challenges Facing the Microfinance Sector

Steel and Andah (2004) in a study, emphasised that since the beginning of government involvement in microfinance in the 1950s, the sub-sector has operated without specific policy guidelines and goals. This partially accounts for the slow growth of the sub-sector, and the apparent lack of direction, fragmentation and lack of coordination. There has not been a consistent approach to dealing with the constraints facing the sub-sector. Such constraints include - inappropriate institutional arrangements, poor regulatory framework, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital etc.

Again, it is reported that a study conducted by Ernst & Young and ISSER for the Bank of Ghana indicated better coordination and collaboration among key stakeholders including development partners, government and other agencies, could help to better integrate microfinance with the development of the overall financial sector. Secondly, traditional commercial banking approaches to microfinance delivery often do not work. According to traditional commercial banking principles, the credit methodology requires documentary evidence, long-standing bank-customer relationship and collateral, which most micro and small businesses do not possess.

Also, microfinance institutions face the challenges of capacity enhancement and funding. This is because the various stakeholders in the sector often organize training programmes and activities with the view to upgrade capacity in the industry. Notwithstanding, the staffing and competency levels are still below what is desired. For example, the capacity of some key stakeholders and institutions including MASLOC, GHAMFIN, MFIs, relevant Ministries, and technical service providers etc. needs to be enhanced for microfinance operations. Also, the current microfinance apex bodies lack an adequate cadre of in-house trainers and/or facilitators as well as in-house monitoring and evaluation units to continually measure progress of their activities consistently over time. Funding for the sub-sector has been from three sources - the institutions themselves, government, and development partners. In the first place, available funds have not been adequate, and secondly, the different sources come with their associated conditions, and thus distort the market in some cases. There is considerable need for a central microfinance fund to which MFIs can apply for on-lending and/or capacity building support, building on experience such as the case of the training fund under the rural financial services project (Oti-Boateng & Dawoe, 2005).

Another challenge microfinance institutions face is product delivery and management. According to Ruzibuka (2005), current strategies for credit delivery are not adequately diversified or efficient and therefore are unable to fully meet the varying demands of the market and different categories of end-users. There is no framework for categorizing and upgrading some of the emerging microfinance institutions in the semi-formal and informal sub-sectors in accordance with their operational capacities and capabilities. The objective of microfinance is to provide resources for the poor. Nonetheless, there is yet to be adequate, reliable and acceptable methods for classifying various poverty levels to enhance the categorization of potential and actual MFI clients and other forms of support that may be more appropriate for some groups.

Additionally, data/information and dissemination is another challenge that threatens the microfinance sector of the economy. In the views of Oti-Boateng and Dawoe (2005), there is lack of information on microfinance institutions, their operations and clients in the country. Approaches to and methodology for data and information gathering at the national level are not uniform, making it difficult to centrally monitor progress of the sub-sector.

There is a lack of well defined reporting system by both the government and development partners with regards to their interventions, and hence there is inadequate database for decision-making and planning. At the institutional level, data/information gathering and dissemination are weak within and between institutions. Also, the lack of common benchmarks, methods for measuring and information sharing further inhibits the performance of the sub-sector. Thus, lack of adequate and reliable information on outreach in terms of its depth and breadth remains one of the most daunting challenges in the sub-sector. This lack of information has affected targeting of clients and ultimate poverty reduction.

Moreover, there is a problem with regulation and supervision of the microfinance institutions credit delivery mechanisms. There is the need for a dialogue on the formulation, implementation and review of regulatory and supervisory policies and procedures to ensure consistency and efficient approaches to regulation across different types of microfinance institutions. There is a need to balance the need to facilitate the evolution of a variety of institutions providing microfinance products and services, with the need to protect depositors' funds, provide adequate information and protection to consumers, and coordinate expansion and regulation of different segments of the market. Microfinance institutions in this category often face rigid regulatory and supervisory systems in many countries, which often inhibit their product innovativeness, outreach and ultimately the performance of the institutions (Asiama & Osei, 2007). Finally, there is a lack of well specified guidelines for operations among apex bodies namely, CUA, GCSCA, ASSFIN and the

Cooperative Council. This leads to uncoordinated activities and invariably hampers the performance and outreach of their member institutions (Opare-Djan, 2002).

There is no doubt that the greatest challenge SMEs face is the issue of access to finance. To this end, Sharma, Koirala and Nepal (1996) stressed that access to credit is not a major constraint for microenterprise start-ups because the majority of interventions directed at credit facilitation are in the area of microfinance. However, lack of access to medium or long-term credit is a major constraint for those enterprises that wish to expand their activities. The reasons for this are well known, particularly the fact that SMEs present a high risk to the lender because many of them have insufficient assets and suffer from low capitalization. In addition, poor accounting records and the lack of other financial records make it difficult for banks to assess the creditworthiness of potential SMEs borrowers.

Moreover, the relatively high cost of processing small loans means that lending to SMEs is generally not for banks. Many expect that financial liberalization will solve SME problems by stimulating the substitution of more expensive forms of credit for cheaper ones and lowering transaction costs with respect to credit, resulting thereby in the reallocation of domestic credit in favour of smaller enterprises. However, these desired effects have often failed to materialize in the way policy prescriptions envisaged. All four country case studies show that the traditional problem of access to credit and the reasons for it remains unchanged (Peters, 1995).

According to Malielegaoi (1998a), unfavourable macroeconomic conditions and the risks associated with lending to small entrepreneurs engender a preference among formal sector banks for short-term lending and lending to public or corporate entities. Attempts by governments to address this problem have met with limited success. Despite the provision of subsidized credit channelled through development and commercial banks and the creation of various credit guarantee schemes, these countries have had little success in reaching the intended beneficiaries, namely growth-oriented small enterprises. One reason for the failure of such interventions in Zambia is the attitude prevalent among small entrepreneurs that loans made available through funds provided by the government need not be paid back. In Samoa, the issue of collateral is especially difficult because most land is under communal title. Despite liberalization, the financial sectors in these countries have remained small and risk-averse with little incentive to develop products specially adapted to SMEs need. The categories for directed credit in East Asia were not very different from those with which other developing countries and LDCs have experimented. In fact many credit schemes failed and were abandoned for the same reasons already noted here. However, the East Asian credit schemes, on the whole, yielded far better results. High default rates and serious collection problems were avoided by putting in place effective pre-appraisal and monitoring systems including the introduction of appropriate systems of incentives and disincentives for local credit institutions and their staff. Loans to SMEs were subject to continuous and pragmatic review and preferential credit was withdrawn quickly from non-performing firms or from those firms that had gained access to private credit markets. Their success was also due to the fact that they targeted SMEs that were most likely to grow, export or invest and generate technological externalities. Subcontracting was also encouraged as a means of alleviating the financing problems of SMEs (Malielegaoi, 1998b).

Measures to Improve the Performance of Microfinance Institutions

In the writings of Shylendra (2007), microfinance (MF) has emerged as a potential instrument of poverty alleviation and empowerment. MF basically involves provision of small loans, savings and insurance to the poor using innovative methods. A wide range of institutions like NGOs, commercial banks, co-operatives and donor/apex agencies are involved in the promotion and delivery of MF. The challenges of promoting a successful MF intervention are enormous. The challenges vary in nature across MF interventions. For those in nascent stage, the challenge is one of getting a clear understanding about MF and its role. They have to develop appropriate mechanisms for targeting the poor and delivering services in a reliable and cost effective way. Designing suitable products and services, managing delinquency and evolving a suitable institutional form and linkages become equally important. For mature microfinance institutions (MFIs), the major challenge is one of scaling-up for a larger impact. For an effective scaling-up, the MFIs have to set a clear goal and draw up a strategy in conformity with the mission. They have to explore whether they possess the required legal form or need to transform them. Further, the

MFIs need to work out a careful strategy for mobilising the required resources and put in place sound systems for managing human resources and information. Lastly, there is the challenge of striking a balance between the goals of outreach and sustainability. Lack of clarity on the above issues may come in the way of successfully managing a MF intervention.

Edusei (2008) indicates that microfinance is an idea whose time has come: it meets the moment when government attention has fallen upon the social exclusion of those on low income and has no or limited access to banking services. This study provides an empirical examination of the performance and impact of microfinance institutions in mobilizing micro savings and offering credit for small and medium scale enterprises in Ghana. The results of this study strengthen the view that credit support from microfinance institutions is imperative if small and medium scale enterprises in Ghana are to perform well. Furthermore, it is evident that there was improvement in the condition of clients after the receipt of credit. Findings from the 'Before and After ' methodology was validated by the 'With and Without' methodology. Both Snappi Aba Trust (SAT) and First Allied and Savings Loans Limited (FASL) achieved positive impacts on beneficiaries of their respective credit schemes.

Adongo's (2009) study focused on factors that influenced access to credit facilities in Apac District in Tanzania. The research was based on qualitative and quantitative methods. It employed various data collection methods that included interview schedules, on-spot observations and questionnaires. To ensure data quality control, questionnaires were edited for accuracy, adequacy, completeness and consistency; and first piloted. The study revealed that major factor that hinder credit access in Apac District were: inadequate collateral security; lack of technical, financial and managerial skills; complicated accessibility procedures; stringent loan terms; cultural biases, especially in disfavour of women; inadequate freedom to select projects to apply loan onto; low level of basic education and in adequate training in loan matters; harsh environmental factors; inflation; political insecurity and market instability. The study recommended that targeting of loan should be gender specific; microfinance institutions should permit creditors greater latitude in selecting the projects for which they seek to apply the finances that they receive; to promote better credit access and utilisation it is advisable to raise the number of people attaining secondary education level or above and, besides, specific training in loan access, management and utilisation should be availed. Further, the study recommended that the practice of biasing credit access only in favour of the married should be relaxed. To effectively disseminate information, microfinance institutions should employ as many media as possible. Credit institutions should carefully explore local scenario so as to be in position to set realistic loan terms. Also, loan procedure should be simplified as much as possible so that the less educated could find it easy to follow. Credit institutions should not only monitor a beneficiary's repayment but should, where genuine, be prepared to assess how creditors are paying back loan so as to accordingly adjust monitoring frequency and payback schedule.

One other measure which could help facilitate the growth of micro financing for SMEs is coordination of activities of FNGOs. Asiama and Osei (2007) affirmed that currently, there is no formal body that is responsible for coordinating all activities associated with microfinance, nor is there a forum for dialogue among stakeholders on policy and programme issues. As a result, there is fragmentation, duplication and inadequate collaboration between and among MDAs, MMDAs, development partners, service providers, practitioners and end users. In this regard, the role of GHAMFIN as an umbrella body for microfinance apex institutions, as well as their member institutions, needs to be strengthened to ensure the transfer of best practices and setting of standards for the industry. The existing institutional structure does not include all practitioners and service providers, and needs to be addressed.

In conclusion, the potential economic benefits of sustainable microfinance in Ghana are compelling, and its potential effects on the development process cannot be understated. This calls for a holistic approach, as discussed to facilitate the development of the microfinance sub sector and thereby unleash its potential for accelerated growth and development.

Another Empirical Look at Non-Governmental Organizations and Community - Based Organizations

Earlier a look was taken at the activities of financial NGOs. This section is more specific in outlook regarding the contributions NGOs and CBOs play in uplifting the fortunes of SMEs. First and foremost, it can be said that NGOs have facilitated the development of good microfinance practices in Ghana by introducing internationally tested methodologies, often in partnership with RMFIs (Chord, 2000).

The methodologies introduced by these NGOs often are based on group solidarity methods and have benefited from linkages with CBOs that have already "come together on the basis of some kind of location, occupations, friendship, family ties, gender, or other grounds to serve a purpose at the community level" (Chord, 2000, p. 32). This can save the long and expensive process of promoting and training prospective groups – although "some CBOs also have procedures and modalities of doing things that may not suit the microfinance scheme."

NGOs and CBOs are particularly important in making financial services available in the northern part of the country, where both commercial and rural banks are scarce – although they tend to be somewhat localized and dependent on donor funds, in part because of the relative poverty of the area and their association with welfare-oriented programmes and NGOs. Unlike Uganda, Ghana does not have so many NGOs whose primary mission is microfinance. Although some 50 NGOs have active microcredit programmes, they are generally multipurpose or welfare-oriented agencies (only four exceed 3,000 clients and total outreach is only about 60,000 clients, GHAMFIN, 2003). The principal exception is Sinapi Aba Trust (SAT), which was established in 1994 and presently has 16 branches all over the country, offering both group-based and individual loans. The SAT S&L would be set up as a microfinance provider separate from SAT NGO, which will provide technical services. While it was ready to meet the previous minimum capitalization of C1 billion, its transformation has been stalled by the necessity to raise 15 times that amount, as well as by the costs of preparing to comply with BOG's rigorous reporting requirements. "For example, one RB reported that the loan repayment of the 31st December Movement (an NGO with political undertones) was only 75% compared to over 80% as the lowest among the other groups" (Chord, 2000, p 33). SAT is affiliated with Opportunity International, and receives funding from the Agence Franįaise de Développement, DFID, Hilden Charitable Fund (UK), Microstart (UNDP) and USAID (Shylendra, 2007).

Regarding the products and practices that are used by NGOs and CBOs, Quainoo (1997) stressed that the models used by NGOs correspond are very effective and that they have been introduced by the NGOs in collaboration with RCBs or other RMFI partners. "Village banking" is a group and individual savings with credit methodology promoted by some NGOs, notably Catholic Relief Services and the SNV/Netherlands Development Programme. It is an adaptation of the Grameen Bank model as further adapted by K-REP (Kenya), in which both share capital and savings deposits are mobilized from members (with a one-third match from the donor agency, in the case of the SNV program). Loans are made to groups of ten members, but benefiting only half of them at a time and reaching the second half only after repayment of the initial loans. Loans are limited to the combined savings of the individual applicant and guarantor plus the one-third supplement, with an interest rate of 40% per annum

(Chord, 2000). The village banks are in the process of registering with CUA as Study Groups. Freedom From Hunger's (FFH) credit with education programme uses individual savings with group credit to target women and provide accompanying education on health, nutrition, family planning, financial planning and budgeting, and microenterprise development. Group members make mandatory savings contributions for at least three months before qualifying for a loan. Increasing repeat loans are made on four-month cycles with an interest rate of 3-4% per month. FFH trains the loan officers for partner RMFIs (mainly RCBs) and the groups handle the bookkeeping of members' savings and repayments, so the program can be quite profitable – although the reserve requirement has constrained growth using RCBs' own mobilized savings.

An inventory credit scheme developed by one NGO on the warehouse receipts model has led several commercial banks to adopt this form of lending. With respect to linkages between CBOs and RMFIs, conditions for success emerging from an evaluation of different schemes include (Chord, 2000):

1. Empowerment of the groups through training and logistic support that enables them to fully co-operate with the MFIs and sustain the project;
2. Frequent reporting that keeps each other abreast with developments in the scheme;
3. Transparency and participatory nature of the interactions;
4. Well-established procedures for record keeping and accountability.

Another good thing that NGOs in the microfinance enterprises are charting is the issue of inventory credit scheme. According to Steel and Andah (2004), Technoserve has developed an inventory credit scheme that enables farmers' groups to obtain higher value for their crops by providing post-harvest credit through linkage with a RMFI, using stored crops as security for credit, through cooperative group management by farmers producing maize, oil palm and cashews. Instead of selling all of their crop at harvest – when prices are lowest – in order to meet cash needs, small-scale farmers in the scheme store their crop in a cooperatively-managed warehouse and receive a loan of about 75-80% of the value of the stored crop, which serves as collateral. This loan permits them to clear their accumulated debts and satisfy immediate cash requirements. Subsequently, when prices have risen in the off-season (by as much as double, in the case of maize), the farmers either sell the stored crop or redeem it for home consumption. Even after deducting a storage fee and a margin for the cooperative, farmers typically realize significant profits by waiting for the higher prices to sell (or avoiding having to buy at off-season prices for home consumption) (World Bank - Africa Region, 1997; Quainoo, 1997).

Effects of Microcredit on Small and Medium Enterprises

The impact or effects of microcredit on SMEs are enormous. This is because every business entity, SMEs inclusive needs some amount of capital injection and microcredit institutions fill the gap created by the big financial institutions. Because of the need to fill the financing gap for SMEs, this section reviews some ideas espoused on the issue by scholars.

According to Guerin (2006), Microcredit has had positive and significant effect on poverty reduction and women empowerment. Findings presented in other studies such as Khandker (1998) and Derbile (2003) threw light on some successes of microcredit in alleviating households' poverty. They enabled women to go into gainfully self employment. Income from such non-farm enterprise is used for household provisioning and other essential basic services. This leads to improvement in the family livelihood. Women acting as breadwinners of the family gives them the opportunity in taking part in household decision-making, which changed their positions relative to men's in Nandom. But, in the case of women in Nandom, the credits given to them are inadequate to support any viable venture. They are therefore compelled to put the loan collected into supporting the family's routine subsistence (Aasoglenang, 2000).

In other expositions, Mayoux (1997) makes the assertion that micro-credit programmes are currently being promoted as a key strategy for both poverty alleviation and women's empowerment on the basis that these programmes have the impact of increasing women's income levels and control over income which ultimately results in greater economic independence. Another factor is that microcredit programmes provide women in Africa with the access to networks and markets which equips them with a wider experience of the world outside the home. In this process, access to information and possibilities of other social and political roles are enhanced.

Akyeampong (2002) recognizes that the establishment of microcredit programmes enhances the perception of women's contribution to household income and family welfare and this increases women's participation in household decision-making about expenditure and invariably creates a greater expenditure on women's welfare. Finally, these programs tend to help greatly in changing the attitudes of men to the role of women in the household and the community in general. Microcredit, microfinancing and microenterprises are terms that have been used to describe and define the situation in which small loans are extended to people for the purposes of setting up small and usually self-employment projects that generate income.

In the opinion of Berger (1989), microcredit programmes and services offered are usually established for the purposes of creating and developing self-employment opportunities. Thus a microenterprise based on the application of these terms, would refer to a sole proprietorship that has fewer than five employees, does not have access to the commercial banking sector and can initially utilize a loan of under $15,000. These "small" loans are utilized through microenterprise development programmes, which are usually run by non-profit organization that provides a combination of credit, technical assistance, training and other business and personal assistance services to microenterprises such as those offered by CIAD. Clark and Kays (1995) give the characteristics of microcredit loans as "facilities with an average size of $5,640, with terms ranging from one year to 4.75 years. The programmes charge a market rate of interest that is between eight to 16 percent, and these loans are generally secured by non-traditional collateral, flexible collateral requirements or group guarantees". The characteristics of microcredit programmes in Africa in the business of microcredit financing, there is a premise that borrowers are the best judges of their own circumstances and as a result, they know best how to utilize credit facilities when it is available. The thrust of this premise is that each individual has the opportunity to choose the income- generating activity appropriate to her own peculiar situation. Based on this notion of peculiarity of situation, if a borrower is involved in group lending, she enjoys the benefit of constructive criticism from the members of her lending group. In this situation, the programmes have the benefit of both individual creativity and participatory planning initiatives by a group of peers.

The concepts of individual creativity and group planning are just two of the many important characteristics of microcredit programmes. Other essential characteristics include: The targeting of poor people in the society; Tailoring programme operations to reach women considered as key recipients of micro-credit; establish simple procedures for reviewing and approving loan applications; delivering of credit and other related services to the village level in a convenient and user-friendly way; facilitate the quick disbursement of small, short -term loans usually for a three to one year duration; designing clear loan recovery procedures and strategies; establish an incentive program which grants access to larger loans based on a successful repayment of first loans; maintain interest rates that are adequate to cover the cost of operations; encourage and accept savings in tandem with lending programs; Institute a commitment to, and training for democratic participation in decision- making by all those involved as clients; develop a culture, structure, capacity and operating system that can support sustained delivery to a significant and growing number of poor clients; provide accurate and transparent management and information systems which can be utilized to take decisions, motivate performance, and provide accountability of management performance and the use of funds, and clearly demonstrate program performance to commercial financial institutions and provide access to business information, expertise, and advice to microentrepreneurs. In addition to these characteristics, microcredit programmes must offer loan menus that meet the needs of their clients. For example, the granting of consumer loans can contribute to the productivity of the poor entrepreneur as well as providing security and reducing vulnerability. This factor is very important due to the fact that the cost of living in Africa for many poor people is at a precarious level, and this forces people to become vulnerable to a multiplicity of personal and financial disasters: illness generates medical expenses; death creates funeral expenditure; crop failure requires additional expense on food as well as seeds for the next planting season. The variety of loan menus, therefore assist poor clients in managing these events without forcing families to sell their assets to raise cash or risk the traditional money lenders crippling rates of interest.

Contrary to the notion that poor people are not credit worthy, and therefore considered a financial and investment risks, there exist a record of accomplishments and a significant body of scholarly studies that together present a totally different picture. These studies evaluate the concept of micro-credit as a compelling anti-poverty and development strategy on the one hand, and have also established that very poor people constitute a good credit risk in the context of a mutually responsible system. The value of microcredit and its high potential to help the Africa's poor people is reflected in the work of Otero and Rhyne (1994) which reflects seven studies based on practical experience and evaluative research. Otero and Rhyne (1994) study shows that in developing countries, late payment and bad loan ratios are comparable to or below that of conventional banking houses. In this study in which the operations of Banco Sol, a microcredit institution was analyzed, it was revealed that only .04 percent of the loan portfolio was in arrears beyond thirty days compared with a 4.42 percent figure at the conventional banking institutions. Even though the creditworthiness of poor people has no basis in terms of gender, there is evidence to support the fact that though women have often been denied access to credit by legal and traditional barriers, experience has shown that women as a group are consistently better in promptness and reliability of repayment. As a result, focusing on women as clients of micro-credit programmes has been a very effective method of ensuring that the benefits of increased income accrue to the general welfare of the family, and particularly children. At the same time, women themselves benefit from the higher status they achieve when they are able to provide new income. Another important factor that supports the establishment of microcredit institutions in Africa to address the developmental need of women is that microcredit programs in the developing world have been found to be sustainable.

Christen, Rhyne and Vogel (1994) in a paper concluded after a study of eleven leading microenterprise financial institutions note that while some of the eleven institutions continued to be dependent on grants and subsidized loans, a number of the these institutions also achieved a state in which they continued to function without the need for these loans. The overall picture presented by this study was one of a growing trend towards sustainability that held great promise for the rapid growth of microcredit programs in developing nations. This study proves that microcredit institutions in developing countries have the potential to become profitable institutions, capable of competing for investment funds in the financial marketplace.

The social benefits derived from microcredit programmes relate to the establishment of an adult literacy program, which has become another source of income for 12 members of the group, who serve as facilitators for the literacy program, and the changes in gender relationships between the women and the community as a whole. This is in contrast to what existed before the program began in 1992. It has been observed that women who participate in the microcredit activities now exercise a newly found freedom in terms their inclusion in decision-making at the household and community levels (Khandker, 1998). Specifically, women in this group can now answer the telephone and are able to read and have access to information that influences their lives. They are also able to leave written messages for their spouses and go about their work instead of the former situation where they had to wait for their spouses before anything could be done. According to some of the women in the group, there has been a significant decrease in disputes that they have with their husbands since they spend only a minimal time at home. Finally, for the members of this group, they are able to discuss issues with the spouses more thoroughly due to their being literate (Rubinstein, 2001).

In conclusion, it is estimated that for African economies to achieve growth rates comparable to other developing countries in southeast Asia, their economies need to grow at a rate of 4.7 percent per annum to achieve a reduction in the number of poor people in Africa. Despite the efforts of African governments and the donor communities, the continent is far from achieving the necessary level of growth although there have been indications of an upturn in recent years (World Bank, 2005) In view of these developments, the current signals that stress on an intensification and support for poverty alleviation efforts must be sustained. Specifically, the enormous potential can be exploited by providing greater opportunities for the poor in the African societies through microcredit programs, which adopts a "bottom -up" approach instead of the often used "top-to bottom" measures. In addition to these efforts, it is important to assert that the path to poverty reduction in Africa must include the empowerment of communities, households, and individuals, which allows them to seek their own solutions and welfare enhancing opportunities. To state this in a very candid manner, the greatest potential is African women and therefore it must be accepted that, investment in women's education and promotion of their access to productive resources, will promote economic growth, redress the imbalances produced by the discriminatory and marginalization policies, and achieve higher standards of living for the continent as a whole.

CHAPTER THREE

METHODOLOGY

Introduction

Every research is conducted along a certain pattern following some methodological considerations. This chapter gives a description of the procedure that was used in conducting the research. It has information on research design and how the respondents were selected for the study. It also includes information on the research instruments, data collection procedure and data analysis method.

Research Design

The issues concerning microfinance to micro and small enterprises are so diverse that a study would require due diligence and in-depth analysis which calls for the need for case study. Wolcott (1990) opined that case study is a form of research approach which allows detailed investigations of individuals, groups, institutions or other social units. Yin (1994) defined case study as a strategy for doing research which involves an empirical investigation of a contemporary phenomenon in its real life context using multiple sources of evidence. Wolcott (1990) explained the rationale behind the use of case study method as to know, understand and be conversant with the circumstances in order to explain, advice, decide on, defend or reject a given situation, condition and argument among others. Hence a case study focuses on understanding a particular case in its complexity. Therefore, case study method under qualitative paradigm was used to investigate the effects of CIAD's microcredit on MSEs in Winneba Municipality.

Population and Sampling

According to Baumgartner, T.A., Strong, G.H, & Hensley, L.D (2002), population is the focus of a researcher's effort. Case study research does not deal with large samples but careful selection of respondents whose views will help explain the issues being studied since the focus is on in-depth analysis (Flick, 2006). The target population for this study was all the small scale enterprises that had benefited from CIAD's microcredit scheme in the Effutu Municipality in Winneba since its inception. The accessible population was made up of artisans, petty traders, food processors, micro and small-scale manufacturers, hairdressers, dressmakers and tailors. Others were food vendors, tie and dye makers and bakers. In all, 142 SMEs comprising 16 artisans, 20 pretty traders, 12 food processors, 14 micro, small scale manufacturers, 18 hairdressers, 24 dressmakers and tailors, 12 food vendors, 12 tie and dye makers, 14 bakers had benefited from the microcredit scheme offered by CIAD.

Sampling Techniques

There were two samples for the study; the client sample of 71 respondents and five lender respondents. Two sample methods were used to select the client respondents. First, clients were put into strata of the type of enterprise they are engaged in. Then a rule of thumb of 50% was used to select respondents from each of the stratum of clients. What was done was that with each stratum, names of the companies involved were written on pieces of paper and placed in a bowl. An assistance was sought from a research assistant who helped to select the required 50% of respondents from each stratum using the lottery method of the simple random sampling technique. Details of clients selected for the study are presented below.

Table 1: Distribution of SMEs by enterprise

Business activity	Population	Sample selected
Artisans	16	8
Pretty traders	20	10
Food processors	12	6
Micro and small scale manufactures	14	7
Hairdresser	18	9
Dressmakers and Tailors	24	12
Food vendors	12	6
Tie and dye makers	12	6
Bakers	14	7
Total	142	71

Source: Field survey, 2010

The five respondents selected from CIAD's outfit were selected purposefully. These people have been working closely with the business people and they had answers to the issues raised in the research instrument formulated.

Data Collection Instruments

Two interview guides were used to collect data from respondents. There was the lenders' interview guide and clients' interview guide. The reason for using the interview guides was because Kvale (1996) indicated that an interview guide is an essential component for conducting interviews. He explained that "an interview guide is the list of questions, topics and issues that the researcher wants to cover during the interview". This assertion fits directly into how the interview guides were structured. Each of them had sections that corresponded with the research questions for the study.

David and Sutton (2004) on their part likened the interview guide to a structured interview and gave the strengths of interview guide as that the researcher has control over the topics and the format of the interview. Besides, "there is a common format, which makes it easier to analyze, code and compare data. In addition, a detailed interview guide can permit inexperienced researchers to do a structured interview. Above all, promptings can be included in the course of questioning and if responses are inappropriate further explanations can be sought from the interviewee.

The lender interview guide had six sections. Section A contained the personal data of respondents and there were two items. Sections B, C, D, E and

F had five, seven, six, three and two items respectively. The items were made up of open and close-ended questions. The close-ended items had alternative responses but the open-ended items sought to ask for more divergent responses. The client respondents' interview guide also had six sections. Section A like the lenders' interview guide contained the personal data of respondents and it had three items instead of the two for the former. Sections B, C, D, E and F had nine, four, five, six and two items respectively and they were made up of open and close-ended items.

Pilot-Testing of Instruments

In order to check the inconsistency of responses given in the items in the two interview guides, it became imperative to pilot test them. In view of this, a sample of 27 clients who were not part of the main data administration were selected purposefully for the pilot testing of the client interview guide. On the part of the lenders (that is, respondents from CIAD), two staff were also purposefully selected to respond to the lender interview guide.

The rationale for using part of the intended population for the pilot test is justified by what Tuckman (1992) stated. He indicated that a pilot test may be conducted on a group of respondents who should have been part of the intended test population but will not be part of the main sample for the study. They could be used to test the reliability of the data collecting instruments.

In view of the background given, a period of one month was used to interview the 27 clients and 2 lenders. A self-addressed letter was written and used to introduce the researcher to the respondents. Initially, the respondents were not prepared to be interviewed but upon persistent persuasion they obliged and eventually all of them were interviewed. Data collected with the two interview guides were analysed both manually and electronically. With the manual analysis, common responses were grouped and edited for clarity of expression especially the responses that emanated from the open-ended items. After the manual analysis was done, all responses were coded by given them numerical values which were then inputted into the electronic software, the statistical product and service solutions for the social sciences . In the end, a reliability test was run on the items in section B, C and D of the lenders interview guide and Section E and F of the clients interview guide. The results were r=0.8545 and r=0.8500 of the lenders and clients' interview guides respectively. These results were considered reliable enough for the instruments to be used for final data administration.

Data Collection Procedures

The researcher traced and contacted the respondents for the interviews in their enterprises and shops. The face to face interview commenced with self introduction and explanation of the purpose of the study and the co-operation of some key personalities at the CIAD secretariat (field supervisors). This was done because, during the pilot testing period, respondents were not readily prepared to be interviewed. Because of the cooperation received at this stage of data collection, the interviewing of respondents lasted exactly two months and all respondents but one took part in the study. The only client respondent who could not be interviewed was indisposed during the period of data collection.

During the interviews, a tape recorder was used to capture accurate record of the interactions and discussions with permission from the interviewees. Interviewees were allowed to listen to the playback of the interview recorded after each session. Twi and English were used interchangeable since some of the respondents were not educated. Interviews conducted in Twi were later transcribed onto the interview guides. Since the tape recorder could develop technical or mechanical fault which could result in loss of valuable information, the researcher used field notes to supplement the tape recordings.

Data Analysis Method

Stake (1994) explained that in analyzing a research data, the main task is to understand the case through teasing out relationships, probing issues and aggregating the data categorically. Stake advocated thematic approach to data analysis where themes and patterns are developed from the data collected based on the research questions backing the study therefore thematic analysis were used to analysis the data collected.

To be able to get all data into compatible format, all responses from respondents grouped taking into consideration the items that demanded those responses. In effect, there was manual and electronic analysis of data. Manual analysis was mainly editing and coding of responses. With regards to the electronic analysis, the SPSS was used. It has the variable view and data view. The variable view is the first stage where data coding format is input to pave way for the second and main data input stage. All these processes were dealt with and eventually, data inputted were transformed into simple frequencies, relative frequencies and percentages.

CHAPTER FOUR

RESULTS AND DISCUSSION

Overview

This chapter deals with the presentation of results of the study. Answers were sought to questions relating to how SMEs access microcredit from CIAD. There were two categories of respondents, namely: staff of CIAD and clients of CIAD. Two interview guides were used to collect data from the respondents. In the same manner, data collected were analyzed separately from each other. The presentation of results is done according to the way the specific objectives appeared in the text. Besides, the presentation of results is done in two main ways, which are personal data and main research data. Results are presented and discussed in tables, charts and in prose. It should be noted that, responses on the same issue from all respondents are presented together and discussed as such bringing out the similarities and differences in views expressed.

Personal Data of Respondents

Three issues were measured on the personal data of clients and two on staff (lenders). The three issues that responses were elicited from clients were sex, level of education and kind of SMEs that client operate. Staff designation and length of time they have worked with CIAD were the issues measured.

Results of data collection indicated that there were 4 (12.1%) males and 58(87.9%) females. It is clear that the clientele of CIAD are mostly female. Table 2 follows up with the presentation of responses on clients' level of education.

Table 2: Clients' level of education

Educational Level	Frequency	Percentage
None	10	15.2
Primary School	28	42.4
Secondary School	22	33.3
Tertiary	6	9.1
Total	66	100.0

Source: field survey, 2010

Table 2 shows that 10(15.2%) of respondents had no formal education and roughly 9% had attained tertiary level of education. They specifically indicated that they hold first degree and Higher National Diploma. Again, it is seen that 42.4% and 33.3% had gone through primary and secondary school respectively. Sometimes, the level of a business person's formal education is an advantage to the running of the entity (Simanowitz & Brody, 2004).

Table 3 presents clients' responses to the kind of micro and small enterprises they operate. In reference to Table 1, there were nine kinds of businesses that were shortlisted for data collection but the result shows that seven kind of businesses are displayed on Table 3 because tie and dye makers, food processors and small scale manufacturers are integrated into manufacturers because this category of respondents are all into manufacturing of products.

Table 3 shows that the targeted samples for artisans, tailors and dressmakers and bakers could not be achieved. However, samples for hairdressers, food vendors were exceeded because they showed willingness to contribute data to the study.

Table 3: Responses on the kind of SMEs clients operate

Kind of SMEs	Frequency	Percentage
Hairdressers	10	15.2
Food vendors	10	15.2
Tailors and dressmakers	6	9.1
Manufacturers	20	30.4
Petty traders	9	13.6
Bakers	6	9.1
Artisans	5	7.6
Total	66	100.0

Source: field survey, 2010

It is seen from Table 3 that a cumulative of 30.4% of clients was hairdressers or food vendors; this meant that hairdressers were 15.2% and food vendors also constituted the same proportion of total client respondents.

Similarly, the table shows that tailors and dressmakers as well as bakers constituted 9.1% each of client respondents. Manufacturers, comprising food processors, tie and dye makers and small scale manufacturers constituted 30.4% of respondents. Artisans it was 8% respondents.

With the personal data of staff, Table 4 presents the responses to staff length of service with CIAD. Before then, data collected on staff designation confirmed that there were five positions that CIAD categorizes its staff. These positions were: operations manager, project manager, manager, secretary and accountant. The number of staff of CIAD has shown that it is a microscale enterprise by itself. This is due to the categorization of businesses whereby an organisation with staff less than six is categorized as microenterprise (Andah, 2005).

Table 4: Staff length of service with CIAD

Duration in years	Frequency	Percentage
0 – 5	1	20
6 – 10	2	40
11 or more	2	40
Total	5	100

Source: field survey, 2010

The information displayed in Table 4 shows that one person had worked with CIAD for up to five years and two had worked for about six to ten years.

Also, it was seen that the remaining two staff had worked for more than ten years. These staff may have been part of the beginnings of the organisation and now have considerable experience in microcredit operations. A combination of new ideas and the old would give the kind of information that is required for the study.

Presentation of the Main Data Results

The results of this study are presented based on the specific objectives and the research questions. The specific objectives forms the heading of each presentation and the research questions guide the items used for eliciting responses. Each objective constitutes a main section supported by subsections where applicable.

Processes and Procedures Involved in Accessing Credit from CIAD

This objective was formulated to find answers to the processes and procedures that CIAD uses in the granting of credit to clients. In views of this research question one, which asked: “What are the procedures and processes used to access credit facilities from CIAD?” elicited a couple of responses to that effect. Firstly, clients were asked how they accessed credit from CIAD. There was a uniform response that a loan application form was obtained and filled. Collecting and filling a loan application is the first step in most credit delivery transactions (Schein, 2004; Otero, 1999). On their part, staff outlined that:

1. clients are required to obtain a loan application form from CIAD offices in Winneba,
2. the loan applicant is required to have saved half of the loan applied for in his/her account,
3. a client should have two shareholders to guarantee the application before being granted, and
4. a loan committee would meet, to consider and approve the loan requested.

The issue of collateral security is considered a greater factor in the granting of loans, so, clients were asked whether CIAD demanded collateral as part of the processes. But clients stressed that CIAD's microcredit requirements do not include the provision of collateral by clients, however, two guarantors had to be provided to stand as sureties. It is a logical that a form of collateral is provided so that in case repayment agreement is not respected the guarantors can be held responsible. In fact requirement for two guarantors is normal control measures in credit delivery operations in the business world (Oti-Boateng & Dawoe, 2005). Even though, clients do not see demand for two guarantors as constituting collateral security, it actually served that purpose. Besides, that CIAD demanded that clients should have half of the quantum of credit being requested as savings with CIAD. The core issue is that the demand for collateral security is legitimate in the operations of credit delivery management.

Responses to the issue of the duration the processing of loan applications lasts were elicited from both staff and clients. Staffs were unanimous in their responses that the processing of loans takes a minimum of one month and a maximum of two. However, some applications may delay if the requirements had not been met. Truly these are procedural requirements that no one can grudge over. Similarly, clients gave responses that somehow confirmed what staff had said about the length of time loan applications took before approval was given. To this end, Table 5 presents clients responses to the duration for processing loan applications.

Table 5: Clients' responses on the length of time loans are approved

Duration	Frequency	Percentage
One month	12	18.2
Two months	26	39.4
Three months or more	28	42.4
Total	66	100.0

Source: field survey, 2010

Even though, Table 5 shows that only 12(18.2%) of respondents gave specific answer that the processing of loans took one month, the responses displayed in the table confirmed that of staff. This is so because staff emphasised that if every requirement in the loan application form is met, the loan is given promptly within a month. However, if applicants are not able to satisfy any of the requirements, the processing would delay, hence, the majority (81.8%) of clients thinking that it takes more than a month.

Again, there was another issue in which staff and clients' responses concurred. It was concerned with the form approved loans were disbursed. The unanimous response was that loan disbursements were done mostly through cheques and rare by paying cash at CIAD main office in Winneba.

On the question whether credit is given to individuals or groups, staff respondents answered that loans are given to groups as well as individuals. Responses from clients on the same issue indicated that only individuals seem to benefit from the CIAD's micro credit scheme. Staff was asked to explain why groups or individuals were preferred in the granting of credit. The explanations offered showed that individual clients were more preferred and this goes to confirm the responses of clients. Specifically, staff indicated that:

1. individuals are able to pay their loans on time,
2. also, individuals are preferred simply because confusion normally disorganizes groups thereby making group loans uncollectible.
3. but, staff indicated that sometimes, groups are preferred because it is easier to collect the money since they guarantee for themselves.

The conclusion is that individual applicants are mostly preferred as this demonstrated in the responses of clients. Moreover, no groups were identified throughout data collection.

Clients were given the opportunity to evaluate the processes and procedures used by CIAD in the granting of loans to clients. Firstly, clients were asked if they received the amount they requested for and the response was 100% 'Yes'. This positive response may be informed by the fact that a requirement in the loan application forms demanded that clients should have saved have of the money requested with CIAD. What this means is that a client already had contributed to half of the amount requested for and CIAD added the remaining 50%.

Contrary to the positive response given by clients above, they indicated that the procedures and processes followed before loans were granted were difficult. They offered explanations as to how the perceived difficulties should be removed. They indicated the application form was difficult to fill and so it should be made simpler and easier for clients to complete. Besides, the demand for two guarantors should be reduced to one.

Effects of CIAD's Programme on Small and Medium Enterprises in the Efutu Municipality

The impact of CIAD's microfinance programmes is the focus of this section and the responses presented tally with research question two, which asked how CIAD's programmes mapped out to help SMEs affect the businesses. Under this section, staff responded to three items, one of which was a follow up on the preceding one. Clients answered six questions ranging from why they accessed the credit to the effect the microcredit had had on their businesses.

Firstly, all staff respondents answered in the affirmative that meetings and training programmes were regularly organised for clients. They indicated that meetings and training sessions focused on financial counseling and basic bookkeeping practices.

Responses staff gave concerning the effects of CIAD's microcredit on their clients. Table 6 presents the effects as they saw them.

Table 6: Staff's view on the impact CIAD's microcredit scheme has on SMEs

Effects	Rel freq.	Rel freq.%
Improvement in the standard of living of clients	0.125	12.5
It has helped SMEs to expand businesses	0.312	31.2
It has helped individuals to establish SMEs	0.250	25.0
Increase in assets portfolio	0.125	12.5
Increase the capital base of SMEs	0.188	18.8
Total	1.000	100.0

N=16

Source: Field Survey, 2010

Table 6 shows that there are five ways that CIAD's microcredit scheme had impacted on SMEs. The first one is that there has been improvement in the livelihood of beneficiaries of the loans. This finding is supported by the writings of Akyeampong (2002), Guerin (2006), Khandker (1998) and Derbile (2003). Variously, their studies highlighted on the fact that microcredit has helped women in particular out of poverty. Specifically, Guerin (2006) affirmed that the impact of microcredit in Nigeria's rural areas is immense due to the fact that poor women have gained access to reasonable credit facilities with interest at between 2 and 2.5 percent. This is compared to the existing system where the women had to rely on purchasing their products at a credit which was pegged at between 20 and 50 percent of the original cost of the product.

In view of the low interest that is charged sometimes, the capital base of most of the SMEs owned mainly by women as seen earlier in the personal data of respondents had increased. In the same light, 31.2% of the responses indicated that CIAD's microcredit programmes have helped SMEs to expand the businesses. Akyeampong (2002) gave credence to this finding that micro credit schemes had helped MSEs to expand their areas of operation.

The last two impact, staff indicated CIAD's microfinancing has had on the SMEs were the increase in assets portfolio of clients and set up of entirely new SMEs. In deed once a business expands assets would also increase in the sense that the equipment one uses would be augmented. Also, a business person may decide to change the focus of the old business with the injection of capital and with the assistance from microfinance institutions such as CIAD, definitely, a dream of establishing new SMEs would come to fruition. Largely, Asiamah and Osei (2007), Rosenberg (2004) and the United Nations (2000) emphasise on the impact microfinance has had on the poor especially women. The United Nations for instance stresses that microfinance is one of the critical dimensions of the broad range of financial tools for the poor and its increasing role in development. Asiamah and Osei noted that microfinance plays three broad roles in development:

1. it helps very poor households meet basic needs and protects against risks,

2. it is associated with improvements in household economic welfare and
3. it helps to empower women by supporting women's economic participation and so promotes gender equity.

The opinions of clients were also sought on how they believed the CIAD's microfinancing programmes had impacted on SMEs. Firstly, clients were asked why they decided to access credit from CIAD. Two responses were given as the reasons for accessing CIAD's credits. The reasons were to expand business and to establish new business. These results confirm what staff indicted earlier.

In another item, clients were asked whether they have been able to accomplish the goals of accessing credit from CIAD. The response that emerged was positive. This means that all respondents indicated that they have accomplished their goals. By inference, clients have succeeded in expanding their businesses and setting up of new ones.

In order to confirm the responses from clients, they were asked again, if the credit line given to them had really impact on their business. This time, the question was more focused and so the responses are presented in Table 7.

It can be observed that the some of the responses depicted in Table 7 agrees with what staff said were the impact CIAD's credit has had on SMEs. For instance, clients talk of asset acquisition and staff increase in asset portfolio. Another issue had to do with increase in trading and this amounted to expanding businesses. Also, in Table 6, staff alluded to individual's ability to establish SMEs whilst clients point to going into manufacturing. Finally, on the similarity of responses or effects of microcredit from CIAD, staff and clients were agreed that capital portfolio of SMEs was enhanced. In totality, it has been seen that CIAD's microcredit programmes have had positive impact on the SMEs to a greater extent. According to Opare-Djan (2002), financial non-governmental organisations have played greater role in the microfinance industry and their impact had been good.

Table 7: Clients' responses on whether the microcredit from CIAD had affected their SMEs

Responses	Rel freq.	Rel freq.%
Provision of capital	0.115	11.5
Encourage savings	0.110	11.0
Increase trading	0.145	14.5
Increase education	0.125	12.5
Asset acquisition	0.125	12.5
Encourage people to operate with banks	0.115	11.5
Lead to manufacturing of goods	0.130	13.0
Encourage good bookkeeping practices	0.145	14.5
Total	1.00	100.0

N=142

Source: field survey, 2010

In reference to Table 7, clients agreed that CIAD had helped them to cultivate the habit of savings because of the susu method this is used. This susu method of helping SMSEs to grow their business was discussed by Opare-Djan and Apania (2008), Pentax Management Consultancy (2006) and Asamoah and Williams Consulting (2004).

Again, clients noted that even though CIAD is financial NGO, its activities has helped them to publish their formal education. This finding is in line with what Christen, Rhyne and Vogel (1994) and Khander, Khalily and Khan (1995) found in their respective studies. In those studies it was seen that adult literacy programme run for some of the women has helped them to answer telephone calls, write messages and are able to keep accounts on their business transactions. No doubt, the responses on the educational levels of clients shows that some of them did not have formal education but with the activities of CIAD, they are now literate as 12.5% of the responses suggests.

The Challenges that Confront SMEs In Accessing Credit from CIAD

This objective corresponded with research question three, which sought to ask, what are some of the challenges that confront SMEs in accessing credit from CIAD? This section had two parts – the first part deals with constraints SMEs face and the second concerns the challenges proper. Issues dealt with in this section had to do with monitoring of clients, repayment schedules and rates.

In this section, like the preceding one, the responses from staff are presented first before that of clients. Staff was asked if they monitored clients after credit had been granted. The response given was in the affirmative and explanations given were to make sure clients paid on time and also to remind them if they were not respecting the payment schedules.

Staff unanimously indicated that repayment rate of loans over the years is 80% relative to the repayment schedules. By inference, the default rate is 20%. Payment of credit by beneficiary SMEs has always posed challenges to micro finance organisations. Malielegaoi (1998b) support this finding in his writings that repayment of credit has always been a problem for lending institutions especially business in the informal sectors of the economy. In follow up to this issue, staff noted that the maximum period allowed for the repayment of loans was 24 months and the minimum duration was two months. Towards the same direction, staff indicated that repayment of loans may be effected by daily installments, weekly, monthly or yearly depending on the type of business a client is engaged in. these arrangements are made to make it flexible for clients to promptly pay back the loans.

Certainly, the issue of delayed repayment schedule came up and respondents emphasised that when repayment delays, one of three things is done depending on the magnitude of amount involved. Firstly, the client would be contacted through phone in which he/she is reminded of the indebtedness. Secondly, the client would be paid a working visit and thirdly, a strong worded letter would be written serving notice of demand. These are all part of the conventional measures in place to deal with defaulting clients (Tackie, 2004).

Finally, the evaluative question that the staff was asked what constrained clients from repaying loans as scheduled. The responses were that:

1. clients are unable to sell their products/goods whichever is applicable relative to the enterprise involved.
2. when loans are misapplied, that is, if loans were used for purposes other than what it was contracted for.

When it came to the turn of clients, they were asked whether they adhered to repayment schedules. The response was 'not always'. The 'not always' responses implied that all respondents had defaulted in repaying loans before and this confirms a response by staff on the same issue.

Interest rate had always been a major factor in considering credit delivery regimes, in view of this, the opinion of clients were sought on the issue of interest rates. Their responses are displayed in Table 8.

Table 8: Clients' views on the interest rates charged by CIAD

Responses	Frequency	Percentage
High	8	12.1
Moderate	54	81.8
Low	4	6.1
Total	66	100.0

Source: field survey, 2010

The table shows that almost 82% of clients were of the opinion that interest rates charged on loans granted by CIAD are moderate. But, 12.1% of respondents disagreed with that notion.

In support of the majority's view point, roughly 6% of respondents were rather of the view that the interest rate charged are low. May be they have done a comparison of similar products on the micro credit market before arriving at that opinion.

The issue of repayment difficulties was revisited. To this end, clients gave the factors that brought about the difficulties. Responses on constraints concerning repayment difficulties are presented in Table 9.

Table 9 shows six constraints clients faced in the repayment of credit granted. Firstly, it is seen that 8.7% of the total responses showed that improper bookkeeping practices was constraint. Clients also complained that the period for the repayment of loans was another constraint; this issue is supported by 21.2% of the responses. Others were of the view that social and cultural factors posed challenges to the repayment schedules.

Table 9: Clients' responses on the constraints to repayment difficulties

Constraints	Rel freq.	Rel freq. %
Improper booking practices	0.087	8.7
Payment of too many taxes	0.063	6.3
Social and cultural practices	0.338	33.8
Not enough time is given for loan repayment	0.212	21.2
Low quality of goods/products	0.063	6.3
Lack of market to sell goods	0.237	23.7
Total	1.000	100.0

Source: field survey, 2010 N=80

In fact, 33.8% of the responses alluded to the social and cultural reasons. In the traditional societies, one is required to attend certain social functions and make donations, if care is not taken one's working capital would be used unconsciously whilst attending these functions. On the cultural side, certain cultural practices such as expensive funerals are inimical to the growth of businesses and if a businessman does not plan to suite some of these events, one is likely to lose business capital resulting in default repayment of credit accessed.

Other constraints highlighted in the table are the payment of too many taxes by SMEs, lack of market for selling of products if you are a manufacturer, such as, tie and dye businesses or goods, in the case of petty traders. One other constraint is poor quality service rendered to one's clients if you are an artisan, dressmaker/tailor or food vendor. In a logical sequence, clients were asked to suggest ways of overcoming the constraints outlined and discussed in Table 9. Consequently, Table 10 presents the suggestions offered by clients.

Table 10: Clients' suggestions on how to deal with the repayment difficulties

Suggestions	Rel. freq.%	Rel. freq%
More training should be given to clients on proper bookkeeping	0.28	28.0
Ample time for loan repayment	0.28	28.0
Training on good business practices	0.36	36.0
Tax incentives should be given to SMEs	0.04	4.0
Total	1.00	100.0

Source: field survey, 2010 N=100

Table 10 shows that 36% of the responses suggested that CIAD should organize training programmes on good business practices for clients. This suggestion was made against the background that most of the SMEs are mismanaged due to lack of basic business skills. Also, the table shows that 28% each of the suggestions pointed to the given of ample time to clients instead of a maximum 24 months and a minimum of 2 two months; the other suggestion was to the fact that more training should be given on good bookkeeping practices. This would enable clients know whether they are making profit or running at a loss. Finally, Table 10 shows that 4% of responses suggested that government should give tax incentives to SMEs to help boost their businesses. Again, this suggestion was made against the fact that in Table 9, some respondents indicated they were overtaxed through the payment of so many taxes, some of which are municipal tax, internal revenue and other unforeseen taxes collected every now and then.

The part of this section concerns what in the view of the researcher constitutes challenges. Reasons staff gave for giving credit to clients are presented in Table 11.

Table 11: Reasons staff gave for offering credit to clients

Reasons	Rel freq.	Rel freq.%
To help raise client standard of living	0.363	36.3
To help SMEs to expand and improve their businesses	0.455	45.5
To start new business	0.182	18.2
Total	1.000	100.0

Source: field survey, 2010 N=11

Table 11 shows that 36.3% of the responses indicated CIAD gives credit to clients with the aim of helping them raise their standard of living. There is ample evidence in literature which supports that assertion that micro financing can help reduce poverty among beneficiary businesses. The World Bank (2000) stressed that although microfinance is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can make sustainable contributions through financial investment leading to the empowerment of people, which in turn promotes confidence and self-esteem. Ordinarily, trying to improve the living standards of clients should not have been a challenge but, when the appropriate steps are not taken by clients this objective would not be achieved.

Again, Table 11 shows that 45.5% of the responses indicated that CIAD had the objective of helping SMEs to expand and improve their businesses. It seems that helping to expand and improve businesses should preceded the betterment of living standards and it is rightly so because if the businesses succeed to expand and increase their profit portfolios, the extra income could be used to acquire assets and provide for basic living amenities. In support of this analysis Kofi Annan as cited by Asiamah and Osei (2007), emphasises that sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care and empowering people to make the choices that best serve their needs.

Starting a new business is always a challenge, so CIAD objective of helping individuals to set up new SMEs is a challenge. This is because the new business could collapse before the loan could be repaid.

In addition to the challenges discussed above, the issue of collateral security was considered a challenge to microfinance institutions like CIAD. Staff respondents confirmed earlier responses by clients that physical collateral is not required but two guarantors are needed to enable a client to access credit from CIAD microfinance portfolios. Getting the guarantors had always been the greatest challenge to clients and staff acknowledged that to be true.

Challenges Clients Face in Accessing Microfinance from CIAD

The first challenge that was looked at was the sources of finance. Responses given by clients are presented in Table 12.

Table 12: Clients' sources of finance

Sources	Rel. freq	Rel. freq.%
Credit from CIAD	0.346	34.6
Personal savings	0.346	34.6
From friends and relatives	0.308	30.8
Total	1.000	100.0

N=104

Source: Field Survey, 2010

From Table 12, 34.6% of the responses indicated that one of the two main sources of finance for SMEs in the Efutu Municipality is microcredit from CIAD. The other source is personal savings made by operators of SMEs. The last source as can be seen from the table is funding from relatives and friends. Giving credence to the sources of finance outlined in Table 12, Schein (2004) indicates that all the three form a greater proportion of funding for SMEs.

In another response, clients unanimously indicated that moneys they get as credit from CIAD is insufficient because they are given amount which is twice their savings. They therefore went forth to outline the challenges that they face in accessing credit from CIAD. Table 13 presents those responses.

Table 13: Challenges that confront clients in accessing credit from CIAD

Challenges	Rel. freq	Rel. freq.%
High interest rate on loans	0.043	4.3
Two guarantors are required	0.304	39.4
Should have enough savings	0.348	34.8
Lack of physical collateral	0.305	30.5
Total	1.000	100.0

N=92

Source: field survey, 2010

Table 13 shows four challenges that clients recalled they faced. The most predominant is that a prospective borrower should have adequate savings in the accounts with the CIAD. The issue of collateral had featured again and it confirms earlier responses. Interest had not been that problematic because proportion of the responses is still very minimal because earlier it came up and few indicated it was high, the majority went comfortable with the interest rate. All put together, the challenges remain a drawback in growing SMSEs. Several scholars attest to the challenges as contained in the table (Ruzibuka, 2005; Oti-Boateng & Dawoe, 2005; Steel & Andah, 2004).

In order to address the challenges outlined above, clients were asked how they thought the challenges outlined could be dealt with. The suggestions elicited from clients were not too different from earlier responses. There were four suggestions and they are that: interest on loans should be moderate, the number of guarantors should be reduced from two to one and the quantum of savings demanded by CIAD must be reduced to about 20% of amount required as credit. The suggestions are buttressed by Shylendra (2007) and Adongo's (2009). Shylendra intimated that microfinance has emerged as a potential instrument of poverty alleviation and empowerment. Microfinance basically involves provision of small loans, savings and insurance to the poor using innovative methods. Adongo recommended from his study that credit institutions should carefully explore local scenario so as to be in position to set realistic loan terms. Also, loan procedure should be simplified as much as possible so that the less educated could find it easy to follow. Credit institutions should not only monitor a beneficiary's repayment but should, where genuine, be prepared to assess how creditors are paying back loan so as to accordingly adjust monitoring frequency and payback schedule

Measures that could be Used to assist Small and Medium Enterprises To Access Credit from CIAD

The fourth and last objective of the study sought to elicit responses on what could be done to ensure that clients are able to maximize the ways they access credit from CIAD. This objective found meaning in research question four which asked which of the measures that can be instituted to enable micro and small enterprises access credit easily from CIAD. The earlier responses elicited from both staff and clients revealed some of the constraints and challenges that clients faced in accessing credit from micro finance companies and CIAD in particular. With this section, the views of staff and clients are presented side by side drawing out the similarities and differences where necessary.

To begin with, clients were asked if in their candid views micro credit can be used to improve SMEs. The responses was a 100% 'Yes' and it is consistent with the responses from clients in the preceding presentations. In furtherance of what had been proposed to be done in this section, Table 14 and 15 are used to present the views of staff and clients in that order.

Table 14: Staff's responses on measures that would enhance SMEs' chances of accessing micro credit from CIAD

Suggested measures	Rel. freq.	Rel. freq.%
Training of SMEs on microcredit systems	0.50	50.0
Establishment of more microcredit institutions	0.30	30.0
Reduction of interest rate by CIAD	0.20	20.0
Total	1.00	100.0

N=10

Source: Field Survey, 2010

Table 15: Clients' responses on measures that would enhance SMSEs' chances in accessing microcredit from CIAD

Suggested measures	Rel. freq.	Rel. freq.%
SMEs should be trained on microcredit systems	0.375	37.5
SMEs should be given training on good business management practices	0.333	33.3
More microcredit institutions should be established	0.292	29.2
Total	1.00	100.0

N=96

Source: field survey, 2010

It can be observed that both Tables 14 and 15 show three measures apiece. Besides that, two of the measures were the same. In respect of the Table 14, 50% of the responses from staff advocated that operators of SMEs should be given training on microcredit systems and 37.5% of clients responses made the same suggestion. This findings is in the right direction in the sense that proponent of microfinancing strongly argue that SMEs should be schooled on the operations of microfinance institutions (Simanowitz & Brody, 2004; Otero, 1999).

The second measure that staff and clients agreed on was the establishment of more microcredit institutions. This suggestion is seen within the context that there had been more SMEs, which need microcredit schemes to better their lot but CIAD will not be able to satisfy them all. In support for the establishment of more microcredit institutions, such as CIAD, Hulme and Mosley (1996) made it clear that microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people. It is argued that microfinance can facilitate the achievement of the Millennium Development Goals (MDGs) as well as national policies that target poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living. Their views were also support by several other scholars who have written on micro financing (Opare-Djan & Apania, 2008; Asiamah & Osei, 2007; Oti-Boateng & Dawoe, 2005).

Finally, Table 14 shows that 20.0% of the responses from staff suggested that government should help reduce interest charge on micro credits. This call is laudable because if government could help microfinance institutions with tax holidays, they would be able to offer competitive interest rates to clients because, these microfinance institutions not charitable organisations to give monies free or charge interest that would through the operations off balance. Even though, CIAD is a financial NGO, it still has to charge interest on the credit it offers to clients to be able to continue to serve the growing number of SMEs.

Clients saw the wisdom in training programmes, so they suggested that they needed to be given adequate training in managing their businesses for successful outcome. Elsewhere, clients indicated that social and cultural issues had been some of the challenges that confront them. If clients were trained very well in the effective management of businesses which include good bookkeeping practices, social and cultural factors would not be challenges any longer since; business capital would not be used to offset funeral expenses and other social commitments.

In conclusion, it was seen from the suggestions given by staff and clients that they did not touch on repayment modalities and monitoring of SMSEs, even though earlier, issues like that were discussed. In separate studies in Tanzania and Ghana, Adongo's (2009) and Edusei' (2008) discussed issues concerning the easing of repayment schedules and monitoring of SMSEs to maximize the repayment and access of more credit. Adongo recommended that microfinance institutions should promote better credit access and utilisation by MSEs and Edusei indicated that because of effective monitoring and flexible payment plans, Snappi Aba Trust (SAT) and First Allied and Savings Loans Limited (FASL) had achieved positive impact on beneficiaries of their respective credit schemes.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter is devoted to the summary of the study, conclusions and recommendations. Also, areas suggested for further research is catered for in this chapter. Owing to the benefits that are derived from microcredit, their existence and operations of financial non-governmental organisations cannot be overlooked. Discussions from the background of the study throughout to the literature reviews and analysis of results indicate that microfinance institutions and micro and small scale enterprises constitute a stronger block in economic development of every society.

Summary of the Study

The specific objectives of the study were to identify the processes and procedures involved in accessing credit from CIAD; determine the effects of CIAD's interventions on MSEs in the Efutu Municipality; to assess the challenges facing MSEs in accessing CIAD's microcredit and to identify policy measures that can be put in place to assist MSEs in accessing credit from CIAD.

Chapter two reviewed both theoretical and empirical literature on the study. This section is further divided into a number of parts; including the concepts of small and medium enterprises in general; the outlook of SMEs in

Ghanaian economy, their sources of finance and activities of non–governmental organizations in financing MSEs, empirical review of financial NGOs, emerging challenges facing the microfinance sector; measures to improve the performance of microfinance institutions, the role of non-governmental organizations and community-based organizations and impact of microcredit on the performance of small scale enterprises

The review of the literature indicates that SMEs face many challenges particularly capacity enhancement and funding .This notwithstanding, evidence suggests that given the needed support, in term of funds and capacity enhancement, their production capacity can be improved for expansion in their enterprises.

Chapter three presented the research methodology of the study; these include population and sampling techniques and data collection techniques and the analysis of the results was done by SPSS software.

Chapter four presented the results of the study. The result is highly descriptive in nature; involving the use of frequency tables and percentages to analyze responses from operators of the sample.

Chapter five presented the summary of the study, conclusions and recommendations. Also, areas suggested for further research is catered for in this section.

Conclusions

It is beyond doubt that the effects of CIAD's microcredit on small and medium enterprises in Efutu Municipality are enormous. First and foremost the findings of the study had confirmed most of the earlier studies undertaken into the operations of microfinance institutions. Again the findings confirmed that CIAD procedures and processes are used by many microfinancial institutions, and also methods of ensuring repayment of loans, monitoring and training systems among others. Also, the effects of microcredits have on SMEs had been amplified. In spite of these confirmations, there was some relativity in so far as the operations of CIAD in the Efutu Municipality were concerned. It was seen that CIAD had a large female clientele as against male even though their activities were not solely targeted at women. But when it is looked in the context of typical microfinance operations, the female dominance would not be out of place, since most of the literature reviewed was concerned, women's economic empowerment through microfinancing. On the whole the impact, constraints, challenges and how to deal with the constraints and challenges were basically the same as earlier studies in the developing world particularly Ghana and Tanzania.

Recommendations

The recommendations that are made are based on the findings of the study and they correspond with the objectives of the study. Firstly, objective one looked at the processes and procedures for accessing and granting of credit by

CIAD. Everything was normal but some clients indicated that the forms contained some difficulty areas and that should be made clearer for applicants to complete on time.

Secondly, it was seen that microcredit has had significant impact on clients of CIAD in several spheres. It is recommended that CIAD should not rest on its oars but should continue with the good job so that more SMEs could benefit from its activities.

There were a couple of challenges and constraints. Based on that, it is recommended that CIAD should take note of the following recommendations:

1. Beneficiary SMEs of CIAD's loans must be trained on sound business practices,
2. CIAD should do well if it would be able to get additional funding to lend to its clients who feel that they can do better with higher amounts than what are presently given.
3. CAID should extend it operations to other parts of the municipality to serve other clients
4. CIAD could put in reward schemes in place to encourage clients to pay back loans on time.

Suggested Areas for Further Research

Some few areas that are related to the topic studies are suggested to be considered for further research. Consequently, these areas should be looked at:

1. Examining the sustainability of an interest free microcredit scheme by financial non-governmental organisations.
2. Assessing, the educational importance of women access to micro credit in the Denkyira East Municipality of the central region,
3. Evaluating the effects of sound bookkeeping practices on SMEs in the Kumasi Metropolis, and
4. An appraisal of CIAD's social responsibility as an FNGO.

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APPENDICES

APPENDIX A

University of Cape Coast

INTERVIEW GUIDE FOR LENDERS (CIAD)

The study is a post-graduate research project designed to find out effects of CIAD's microcredit on small and medium enterprises (SMEs). The findings will be helpful to policy makers who are concerned with the challenges that SMEs face in accessing credit. Your responses shall be treated with utmost confidentiality.

A. Personal data of respondents

a. Your position in the organisation ………………………………

b. How long have you worked with the organisation?

…………...………………………………………………………..

B. Procedures and processes used in granting credit to clients

a. Please, outline briefly procedures and processes used in granting credit to clients …………………………………………………………………

b. In what form do you grant credit to clients

Cash [ ] goods [ ]

Cheques [ ] others, specify…………………………

c. Do you grant credit to groups or individuals?

……………………………………………………………………..

d. Give reasons for preferring individuals or groups…

…………………………………………………………………………

e. How long does it take before credit is granted to clients?

…………………………………………………………………………….

C. Constraints clients face in repaying the loan

a. Do you monitor clients after accessing credit

b. If yes why do you monitor clients?

c. What has been the average repayment rate as a percentage of all borrowers? ………………………………….

d. For how long do you give credit to clients?

Maximum……………………………………………………………

Minimum……………………………………………………………

e. How do your clients pay back their credit?

Daily………………………………………………………….[ ]

Weekly………………………………………………………[ ]

Monthly…………………………………………………… [ ]

Yearly……………………………………………………… [ ]

Others, specify……………………………………………… [ ]

f. How do you handle delayed credit repayment?

i. Contact through phone [ ]

ii. Visit to the client [ ]

iii. Letter to the clients [ ]

iv. Others, specify: ………………………………………………..

g. From your observation, what have been the most important constraint clients face in repaying credit?

………………………………………………………………….............

D. Challenges SMEs face in accessing credit

a. Do you lend to self-formed groups or individuals

Yes [ ] No [ ]

b. Do you give a lending preference to women?

Yes [ ] No [ ]

c. Do you give a lending preference to handicapped?

Yes [ ] No [ ]

d. Do you have specific reason for giving out credit? Give reasons

…………………………………………………………………………………

e. What form of collateral security do you require from your clients before granting credit?

…………………………………………………………………………………

…………………………………………………………………………………

f. How do you contact clients?

…………………………………………………………………………………

E. What are the effects of microcredit on the SMEs.

a. Do you organize meeting and training programmes for your clients?

Yes [ ] No [ ]

b. If yes what kind of training do you give to your clients?

……………………………………………………………………

c. In what ways do you think microcredit has effects on MSMEs under your operation

………………………………………………………………………………

F: Measures to be used to improve SMEs in accessing microcredit

a. What are some of the measures that should be part in place to ensure that MSMEs are able to access credit for their operations?

…………………………………………………………………………………

…………………………………………………………………………………

b. How do you promote CIAD to SMEs?

APPENDIX B

University of Cape Coast

INTERVIEW GUIDE FOR CLIENTS

The study is a post-graduate research project designed to find out effects of CIAD microcredit on small and medium enterprises (SMEs). The findings will be helpful to policy makers who are concerned with challenges facing SMEs accessing credit. Your responses shall be treated with utmost confidentiality.

A. Bio data

1. Sex

Male [ ]

Female [ ]

2. Level of education

a. None [ ]

b. Primary school [ ]

c. Secondary school [ ]

d. Tertiary (University, Polytechnic or teacher training college graduate. [ ]

e. Others, specify: ……………………………………………

3. What kind of SME are you operating?

………………………………………………………………………………..

B: Procedures and processes involved in accessing credit from CIAD

a. How did you access credit from CIAD?

b. How long have you been accessing credit from CIAD?

……………………………………………………………………..

c. What type of collateral security did you provide before accessing the credit? ……………………………………………………………………

d. How long did it take to receive the credit? ……………………

e. How was the credit given?

Cheque [ ] Cash [ ]

others, specify:………………………………………………………

f. Was the credit given to a group or individual?

g. Did you receive all the credit you applied for?

Yes [ ] No [ ]

h. Was the procedures and processes difficult before accessing the credit

Yes [ ] No [ ]

i. If yes what can be done to improve the procedures and processes?

………………………………………………………………………………

C: Constraints clients face in the repayment of the credit granted

a. Do you stick to the repayment schedule?

Yes [ ] Not always [ ] No [ ]

b. How do you rate interest on credit?

High [ ] low [ ] moderate [ ]

Other, specify: ……………………………………………………..

c. Please mention some of the constraints you face in the repayment of the loan you contracted?

…………………………………………………………………………………

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d. Please, suggest ways of improving repayment schedule

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D: Challenges SMEs face in accessing credit from CIAD

a. How did you hear about CIAD?

b. What are your sources of financing your business?

c. Was the credit given to you by CIAD sufficient or not sufficient?

d. What are some of the challenges facing you in accessing credit?

e. Please suggest ways of overcoming those challenges you listed in item d above.

E: Effects microcredit has on SMEs

a. Why did you decide to access credit from CIAD

I. To establish business [ ]

II. To expand business [ ]

III. To access their products [ ]

b. How often do you apply for credit from CIAD?

I. Weekly [ ]

II. Monthly [ ]

III. Annually [ ]

IV. Biannually [ ]

V. Others, specify:

…………………………………………………………………

c. Are you able to accomplish your goals by accessing credit from CIAD?

Yes [ ] No [ ]

d. Does CIAD monitor your business after the credit had been granted?

Yes [ ] No [ ]

e. If yes, how is the monitoring done?

i. through business assessment report [ ]

ii. through visiting clients [ ]

iii. through inspection of projects [ ]

iv. through phone calls [ ]

v. through observing clients cash flow [ ]

vi. Other, specify:

……………………………………………………..

f. In your opinion has the microcredit been of any effect on your business?

I. Provision of capital [ ]

II. Encourage savings [ ]

III. Increase trading [ ]

IV. Increase education [ ]

V. Mobilize people for loans

VI. Assets acquisition [ ]

VII. Encourage people to operate with bank [ ]

VIII. Lead to manufacturing of goods [ ]

IX. Encourage good bookkeeping practices [ ]

F: How to improve SMEs accessment of microcredit

Do you think microcredit can be used to improve SMEs performance?

Yes [ ] No [ ]

If 'yes' suggest some specific ways in which SMEs can access microcredit to improve their businesses

………………………………………………………………………………………

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