

## Introduction

Increasingly, emphasis has been made on entrepreneurship as a prudent alternative to alleviating poverty, enhancing economic growth and development, as well as improving on the social conditions of a country. For Entrepreneurship to be seen as a community development tool or strategy, there should be a holistic approach to it. In this sense, micro entrepreneurs or small scale businesses, government and non-government institutions, as well as financial institutions have vital roles to play in entrepreneurship. This should not only be in the form of providing entrepreneurial skills training and education to entrepreneurs, but resource micro-entrepreneurs with the needed capital to enable them start, expand or grow their businesses. Hitherto, the problem of access to start-up capital has been a major set-back in entrepreneurship and community development. The success of microfinance institutions such as the Grameen bank in Bangladesh, Sinapi Aba Trust in Ghana depicts the plausibility of entrepreneurship from a financial support perspective (Ankomah, 2012; Asiamia & Osei 2007; Kotir & Obeng Odoom, 2009).

## History

The 1950s, marks the larger involvement of the government of Ghana, together with other donor agencies such as the World Bank to assist local entrepreneurs who form about three quarters of the working population of Ghana (Asiamia & Osei, 2007; Ghana Statistical Service, 2010). However, these efforts been made by the government and other formal or commercial financial institutions have not yielded satisfactory results of providing access capital to small scale entrepreneurs who are mostly found in rural Ghana (Asiamia & Osei, 2007, Robinson 2001).

Also, the practice of governments assisting the vulnerable, that is women and the poor youth in society to create and run their own business, in order to be independent in society, has hitherto been initiatives taken by the government of Ghana. In the mid-1980s, subsidized credit for micro entrepreneurs who could not afford the costs and interests to be paid on loans from commercial banks and other institutions was an initiative taken by governments and donor agencies. This move to support micro entrepreneurs financially was not sustainable. This is because most of these programs accumulated large loan losses and always needed recapitalization to continue operating (Ledgerwood, 2014). The government of Ghana in her budgetary allocations every year, assists rural entrepreneurs in their enterprises. However, this has still not yielded any positive results in alleviating poverty and sustainability of the initiative (Asiamia & Osei, 2007).

## Purpose and Significance of Study

The intent of this study is to justify the need to have a ‘holistic’ approach to the financial assistance of giving to low income or poor households engaged in entrepreneurial activities in Ghana. For micro-credit to be the panacea for economic development, it would be important to delve into approaches of helping reduce or to some extent, eradicating poverty, that exists in the working poor in Ghana. This would be done with a financial support approach which targets micro entrepreneurs who lack access to capital, and a financial system which is sustainable in the long run. Thus the kind of financial assistance to micro entrepreneurs which would not be exploitative, but rather help in the alleviation of poverty among micro entrepreneurs in rural areas of Ghana, who are mostly women, youth entrepreneurs and farmers who are into food processing. This is because “providing loans rather than grants, the micro-credit provider can become sustainable by recycling resources over and over again; hence micro-credit serves to deliver the ‘holy trinity’ of outreach, impact and sustainability” (Kotir & Obeng-Odoom, 2009; p 86).

Microfinance has also been demonstrated in many countries as an effective development tool capable of fighting against poverty. The provision of financial services to the poorest of the poor does not only give them capital, but also gives them the opportunity to create, own and accumulate assets. “Developing country practitioners working at the grassroots level have demonstrated this fact beyond doubt” (Weber, 2004; p 360). Kotir and Obeng Odoom (2009) also argues that, by delivering financial services at a scale and by mechanisms appropriate to micro entrepreneurs, micro-credit can reach poor people, which could help them work their own out of poverty (Kotir & Obeng Odoom, 2009).

The primary argument presented in this work is to establish the need for a ‘holistic’ approach to the provision of financial assistance to micro entrepreneurs; which would increase the capacity of micro entrepreneurs to grow and expand their businesses as well as the creation of capital and employment. This would also lead to the creation of a vibrant economy of the community in which Microfinance companies operate. (Casser, 2012; CEP, 2006; Banerjee & Duflo 2003; Mallick, 2002)

## Study Area

The research was done in Ejura (Figure 1), located in the Northern part of the Ashanti Region of Ghana. It has a large land area of about 1340.1 Square kilometers and constitutes about 7.3 percent of the region’s total land area. According to the Ghana Statistical Service (2010), there are 16,402 households in the district with a household population of 83,941. The average household size for the district is 5.1 which is relatively higher than the regional average of 4.2. There are more persons in Rural households (5.5) than there are in Urban households (4.8) in the district (Ghana Statistical Service, 2010). This data predicts that, the household structure of Ejura is predominantly rural.

The rational for selecting this district is that it lies on the boarder of the Ashanti region with the Northern region of Ghana where most of the people are engaged in agricultural production, agro-based processing, fishing and processed fish, and small-scale commercial businesses. Meanwhile, most of the people living in Ejura live below the poverty line and they live below \$1 USD a day (Ejura District Assembly, 2010). The private sector is the largest employer in the district. The private sector employs 94.8% of the labor force in the district, leaving 4.9% to the public sector. The private informal sector remains the largest employer in Ejura irrespective of sex. Thus 90.4% of the private informal sector are males, whereas, 95.5% are females (GSS, 2010). The private informal sector in Ghana are the self-employed engaged in micro businesses (Mensah, 2004).



Figure 1 Ejura Township

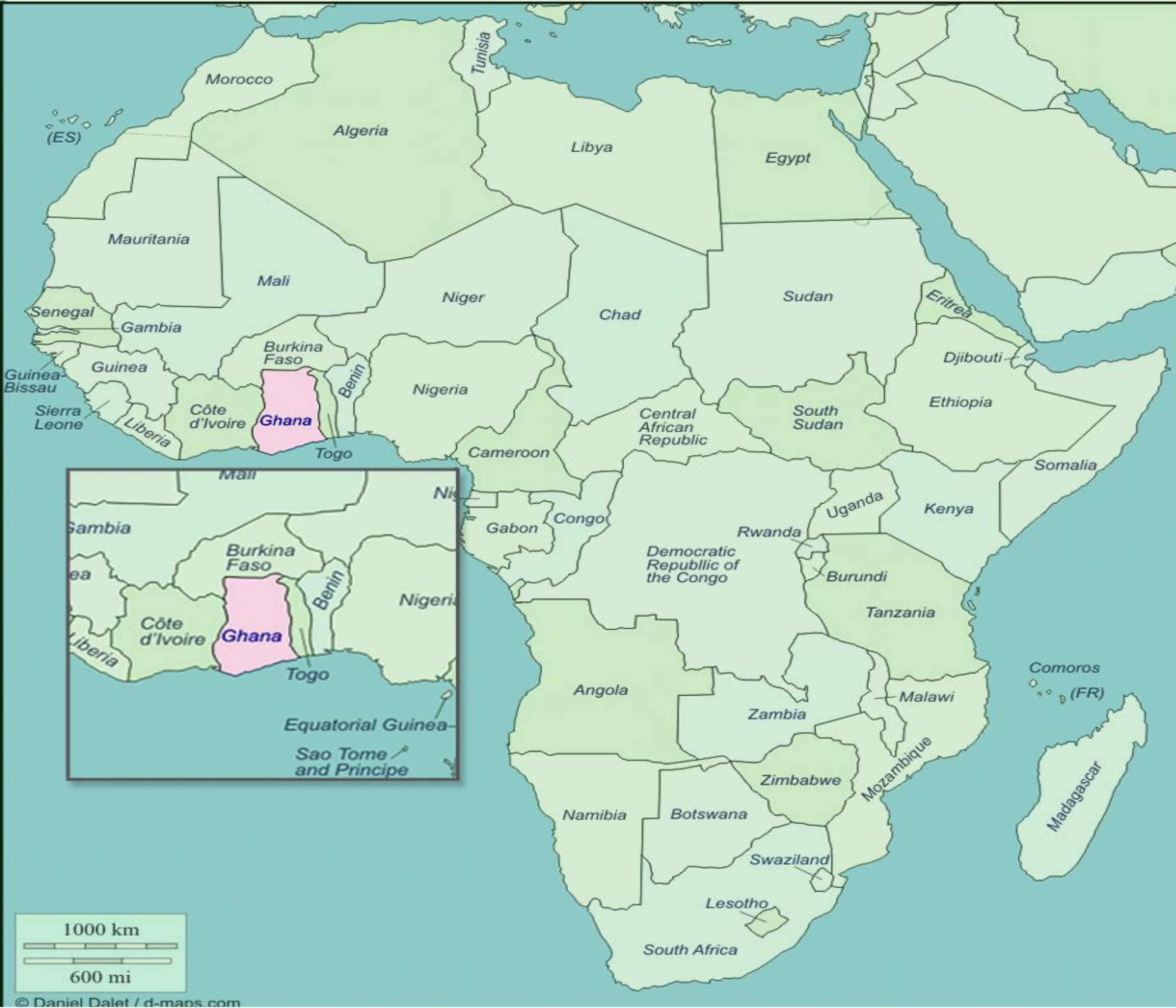


Figure 1b Ghana in Africa Context

### Location of Ashanti Region in Ghana



### Location of Ejura-Sekyedumase District in Ashanti



Figure 1c: Ejura in Regional Context

## Methodology

The nature of the problem of the implementation of a holistic approach to microfinance and enterprise development in Ghana calls for a **mixed methods approach** to research. To have a comprehensive understanding of the nature of the problem of applying microfinance in enterprise development in Ghana, there was a juxtaposition of *qualitative* and *quantitative* analysis of the data collected. This approach to research is what Creswell (2013), outlines as the convergent mixed method approach (Creswell, 2013).

The **Pragmatic approach** to research was also used to assess the effects of microfinance services in entrepreneurship development and its rippling effects on the livelihoods of households.

- Pragmatic worldviews to research, is one which accommodates the use of multiple research approaches to understanding, why government and donor agencies’ financial support to micro entrepreneurs and poor household has not had any significant effects in helping in alleviating poverty in rural households as per the objectives of the government of Ghana in the millennium development goals.
- Additionally, the pragmatists philosophy to research which forms the axioms of this research, permits the use of *qualitative data* to determine or describe the socio-cultural, social economic, political and institutional contexts of the problems facing micro entrepreneurs and their inability to access, cover-up loans, and apply financial support to their small scale businesses to improve their livelihoods. The pragmatists approach also supports the use of *quantitative analysis* to the problem of the required standards of sustainability, frequency of access and loan repayment of microfinance institutions and micro entrepreneurs respectively. The pragmatists perspective to the study of microfinance in community development in Ghana would increase the understanding of the problem, therefore it was deemed appropriate to use the mixed method approach to this research (Rao & Woolcock, 2003).

The mixed method approach was used because of its synergistic nature of the short falls of one approach being remedied by the other since both qualitative and quantitative have their own limitations.

The method of **collection of data** was based on *closed and open-ended questions* which was given to a sample of the households and micro enterprises located in mostly rural settings in the Ejura District.

- In all 300 questionnaires of closed(quantitative) and open-ended(qualitative) questions was delivered to small-scale clients or households of microfinance institutions in the area. The quantitative aspects of the questions were based on economic indicators such as the loan sizes received and the frequency of the repayment of loans. Whereas, the qualitative questions were based on the socio-demographic characteristics of the sample chosen.

The method of sampling for micro-enterprises and households was based on the **stratified approach** of population sampling in research (Anderson, 2011). The villages selected were stratified into villages within 5km, 10km and 15km away from the main Ejura town center. Personal interviews with some of the beneficiaries of micro-credit within the sample radius were also conducted.

## Methodology Continued

The pragmatists perspective nature of this research, also allowed for *face-to-face interviews* with selected micro finance institutions and government or other donor agencies located in the Ejura area also providing financial support services to micro entrepreneurs in Ejura. The method of sampling of these institutions was based on the **multi-stage sampling method** which is popular in business studies research was used (Maiti et. al. 2009). The institutions purposefully selected rested on their ability to provide diverse information relevant to the study.

**Key informants** comprising loan officers, branch managers and the chief executive officers of microfinance institutions, donor agencies and government officials were sampled for data collection.

The **table of sample size determination** was used to justify the choice of 300 households and micro enterprises who have benefited from microfinance services in the Ejura catchment area (Krejcie and Morgan (1970), cited in, Sarantakos, 2005). The sample size determination was premised on a confidence level of 95% with a 5% margin of error, which is acceptable in social science research.

**Descriptive statistical methods** such as tables and data distribution charts were used to analyze the data collected from the 292 respondents out of the distribution of the 300 questionnaires to microfinance beneficiaries and microfinance companies in the Ejura municipality. Analysis were made in the fields of socio-economic characteristics of sample; accessibility of micro-credit; effects on production and sustainability and poverty reduction levels



Figure 2: Beneficiary of microfinance in Ejura

## Results

Data analyzed from the 292 respondents reveled that:

- 40% of the beneficiaries of micro-credit were women micro entrepreneurs, 35% were the youth engaged in agriculture, craftsmanship and other retail businesses, and 25% of the beneficiaries were adults.
- 65% of micro-entrepreneurs received credit from microfinance institutions in the Ejura municipality, 20% received credit from formal financial institutions such as commercial banks. 5% received credit from government and donor agencies’ loan schemes.
- 57% of beneficiaries invested the loans in their businesses or household activities. 40% indicated they had used their loans for consumption smoothing. 3% indicated they had diverted the loans into other activities they could not account for. This depicts the inherent nature of the ‘fungibility’ of credit within micro-entrepreneurs.
- 70% of the respondents indicated some improvement in production capacities. 25% indicated lots of improvement. 5% indicated no improvement in production capacities.
- 6 out of 9 microfinance institutions indicated they recovered over 80% of the loans given out to micro-entrepreneurs for the 2014/2015 fiscal year. The Government Loan Scheme project coordinator indicated over 95% of government loans were not recoverable in the 2014/2015 fiscal year.
- 62% of the respondents indicated some improvement in profits and social life. 33% indicated lots of improvement in profits and social life. 5% indicated no improvement in profit levels and social life.



Figure 3: Micro-entrepreneur Making Deposits to a Microfinance Officer

## Findings

From the results analyzed from the data collected, a flowchart was designed to explain the permutations of the flow of funds (loan portfolios) from microfinance institutions to micro entrepreneurs or households in the Ejura municipal area and their effects on the livelihoods and its impact on community economic development. (Figure 4)

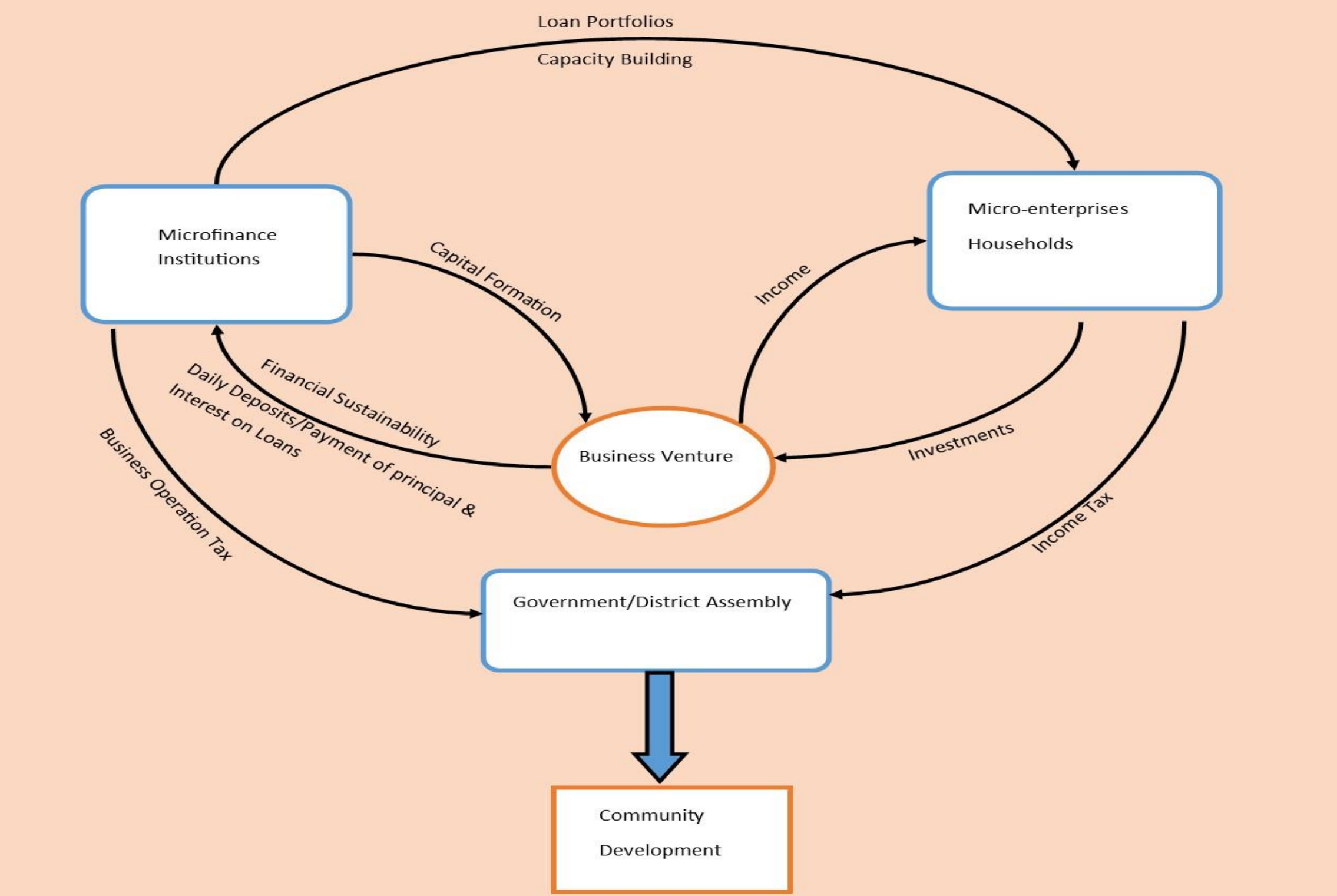


Figure 4: Effects of Microfinance in Community Development

## Conclusions and Recommendations

Conclusively, microfinance is said to have important roles in the diversification of the Ghanaian economy. Microfinance, has given and revived the opportunities available in rural spaces for the exploitation of both natural resources and human capital in rural Ghana. With the help of microfinance institutions, women and rural youth are able to combine natural resource such as land into agriculture and the adding of value to agricultural produce in rural Ghana. This is seen in cassava processing and animal products. Human capital is also developed with the provision of small loans to micro entrepreneurs. Most of rural enterprises in Ghana are in craftsmanship. Thus with aid in financial resources, the small artisans are able to expand their business. This leads to specialization which has positive effects of these artisans training the youth who reside in rural areas of Ghana. It is also known that, availability of financial services for poor households is critical for the achievement of the Millennium Development Goals (MDGs). Profits realized from business investments are not only reinvested in business but some are used by households to access better health care, education and to manage household emergencies. (Littlefield, Morduch, & Hashemi, 2003). Therefore, it is required of the government Ghana to formulate macro-economic policies aimed at creating a business friendly environment for both micro entrepreneurs and microfinance institutions to operate.

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