INTERNATIONAL JOURNAL OF SOCIAL SCIENCES AND HUMANITY STUDIES
Vol: 13 **No:** 1 **Year:** 2021 **ISSN**: 1309-8063 (Online) (**pp.** 1-28) **Doi:** 10.34109/ijsshs.202114001
Received: 21.10.2020 | **Accepted:** 12.03.2021 | **Published Online:** 01.04.2021

-RESEARCH ARTICLE-

THE IMPACT OF MICROFINANCING ON POVERTY ALLEVIATION AND SMALL BUSINESSES IN GHANA

Maxwell Dela Yao Gakpo*

Vice President,
Data Link Institute of Business and Technology,
Tema Ghana
E-mail: maxwell.gakpo@datalink.edu.gh
https://orcid.org/0000-0002-0831-3138

Maayi Wujangi

Management Consultant,
Trimonde Ghana Limited, Accra Ghana
E-mail: maayi_w@yahoo.com
https://orcid.org/0000-0002-2271-2979

Mercy Kwakye

Lecturer,
Pentecost University, Accra Ghana
E-mail: mkwakye@pentvars.edu.gh
https://orcid.org/0000-0001-9184-0758

Vera Graham Asante

Head of Administration,
Ghana Communication Technology University,
Accra Ghana,
E-mail: vgraham@gctu.edu.gh
https://orcid.org/0000-0002-7233-9842

─Abstract─

The study evaluates the impact of microfinance on poverty alleviation, unemployment, development of small and medium enterprises, and support for marginalised and

Citation (APA): Citation (APA): Gakpo, M. D. Y., Wujangi, M., Kwakye, M. Asante, V. G. (2021), The Impact of Microfinancing on Poverty Alleviation and Small Businesses in Ghana, *International Journal of Social Sciences and Humanity Studies*, 13 (1): 1-28. Doi: 10.34109/ijsshs.202114001

Vol: 13 **No:** 1 **Year:** 2021 **ISSN**: 1309-8063 (Online) (**pp.** 1-28) **Doi:** 10.34109/ijsshs.202114001

vulnerable communities in society. The study uses a validated instrument to gather data from 400 respondents in the Greater Accra Region. Findings from the study reveal that 85% of enterprise owners obtain their start-up capital from personal savings. The results show that there is a positive relationship between microfinance and small and medium enterprises. There is also a strong association found between microfinance and poverty alleviation. However, there are no relationships found between microfinance and employment rate, and outreach to the vulnerable and marginalised. The study concludes that microfinance programs correlate positively with economic growth. The study recommends that other economic development variables must be studied concerning microfinance to ascertain the portion of economic development that microfinance influences.

Key Words: Microfinance, economic growth, poverty alleviation, SMEs

JEL Classification: G21

1. INTRODUCTION

The concept of micro-financing is to provide micro-credit to small and medium scale businesses (Kajenthiran et al., 2016). In industrialised countries such as the United States of America and the United Kingdom, SMEs' economic role represents an estimated one-third of industrial employment and a lower percentage of production, (G. O. Boateng et al., 2014). Therefore, micro-credit programs play a significant role in the development and growth of national economies (F. G. Boateng et al., 2016).

According to Effah (2017), small and medium scale enterprises majorly contribute to employing in Ghana. Alimo (2015) reports that 92% of all Ghanaian companies fall in the category of SMEs and thus contribute to approximately 70% of Ghana's gross domestic product. Furthermore, given the weak existing middle-income ranking, Ghana has the highest literacy rate in the West Africa sub-region at 74.1%, with more than 7 million (of a total of 24.6 million people) falling below the poverty margin (G. O. Boateng et al., 2014). According to F. G. Boateng et al. (2016), the collapse of Ghana's economic base is largely due to weak governance, a decline in public sector employment combined with a comparatively slow development of the private sector. This means that many educated or qualified individuals are struggling to secure jobs in the formal sector and instead venture into small scale businesses and entrepreneurial ventures by starting companies. SMEs offer a good opportunity for poverty alleviation and a reduction in social vices associated with unemployment (Alimo, 2015).

Hermes et al. (2018) posit that microfinance presents an opportunity for low-income households and their companies to gain access to traditional economic resources such as microcredits and loans. Even if the principle of managing small amounts of money has existed for years, the microfinance sector has only truly expanded in the past three

decades and has allowed hundreds of millions of people who might otherwise not have access to financial and non-financial services (Effah, 2017). Specifically, microfinance makes credit available to entities who are particularly excluded from the formal institutional credit scheme. Therefore, the impact of MFIs on unemployment and economic development cannot be overemphasized.

Traditional finance institutions generally hesitate to lend to low-income households with reasonable access to banking services and limited access to loans (Effah, 2017). Therefore, the provision of microcredits and loans by MFIs is a sound economic means of providing and guaranteeing growth and sustainability for the informal private sector, which traditional commercial banks ignore and thus promote the economic development of the nation (G. O. Boateng et al., 2015). However, MFIs in Ghana are plagued with challenges including regulatory and supervision problems, high turnover of MFI employees (G. O. Boateng et al., 2015; Effah, 2017), huge interest rates on loans, lack of sustainable capital, and failure to support marginalised and vulnerable communities as intended (Alimo, 2015; G. O. Boateng et al., 2014). Therefore, establishing a comprehensive and resilient economic atmosphere that adequately supports MFIs in Ghana would guarantee significant progress in Ghana's economic growth. Hence, this quantitative study intends to investigate the contributions of Micro Finance Institutions to the economic growth of Ghana.

1.1 Statement of the Problem

Traditional finance institutions generally hesitate to lend to low-income households with limited access to banking services and loans (Effah, 2017). Therefore, the provision of microcredits and loans by MFIs is a sound economic strategy to guarantee growth and sustainability for the informal private sector, which traditional commercial banks tend to ignore, and in doing so, promote the economic development of the nation (G. O. Boateng et al., 2015). However, MFIs in Ghana are plagued with systemic challenges including regulatory and supervision problems, high turnover of MFI employees (G. O. Boateng et al., 2015; Effah, 2017), huge interest rates on loans, lack of sustainable capital, and failure to support the marginalised and vulnerable as intended (Alimo, 2015; G. O. Boateng et al., 2014). Moreover, most of the studies conducted in the context of Ghana on microfinance and economic growth do not critically investigate indicators such as employment rate, SMEs, poverty alleviation and support for marginalised and vulnerable communities. Therefore, establishing a comprehensive and resilient economic atmosphere that adequately supports MFIs in Ghana would guarantee significant progress in Ghana's economic growth. Hence, this quantitative study seeks to investigate the contributions of Micro Finance Institutions to the economic growth of Ghana.

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1.2 Research Objectives

The primary objective of this study is to assess the contributions of Micro Finance on the development of SMEs and economic growth. The current study has the following specific objectives:

1. To assess the impact of MFI on the employment rate in Ghana.
2. To determine the effect of MFIs on the development of small and medium scale enterprises in Ghana.
3. To evaluate the impact of MFIs on poverty alleviation in Ghana.
4. To assess the impact of MFIs in supporting the marginalised and vulnerable communities in society.

2. LITERATURE REVIEW

2.1 Microfinance Institutions

Linh et al. (2019) describe microfinance as the availability of, and access to loans, deposits and other basic financial services for the needy and poor. According to (G. O. Boateng et al., 2015), microfinance is an economic growth paradigm that aims to support society's low-income portion. Again, Niaz et al. (2019) view microfinance as an attempt to enhance poor households' access to microcredits and loans. Thus, microfinancing involves the distribution of financial services to the vulnerable who cannot receive such services from the traditional financial sector, such as credit, deposits and insurance (Nyanzu et al., 2019). The improvement of other financial resources, including savings and wealth accumulation, as well as non-financial products, such as health care, food security, nutrition, education, the empowerment of women, housing, jobs and social cohesion, has been credited to microfinance (Shaikh, 2017). As a result, there is a need to establish a comprehensible institutional base to cater to microfinance services, which calls for the establishment of microfinance institutions (MFIs).

Microfinance has become an internationally recognized and growing industry (Khalaf et al., 2019). Through the financial development channel, MFIs facilitate economic growth (Khalaf et al., 2019). Misconceptions regarding micro-credit and micro-loans to household-based entrepreneurs remain one of the outstanding issues that have limited MFIs from optimum operation (Omeje, 2017). However, Berg et al. (2020), Cull et al. (2018), and Mia et al. (2019) agree that using micro-credit and micro-loans interchangeably with microfinance remains one of the leading factors that have contributed to the wider range of microfinance services. According to Linh et al. (2019), Omeje (2017), and Shaikh (2017), products and services created with microfinance include micro-loans, savings, micro-insurance, training and money transfers in business management. They can provide working capital, informal/formal appraisal of lenders and portfolios, collateral substitutes such as party incentives or mandatory savings;

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access to regular and big loans, streamlined debt settlement, guidance and surveillance techniques.

According to Bitok (2021), services provided by MFIs include group training, and training on financial literacy and company management practices, for both social and financial intermediation. G. O. Boateng et al. (2015) suggest that in planning financial systems, MFIs would take note of the particular interests of the different groups of poor consumers. There are also specific implications of the loan for multiple segments of the underprivileged population which may also generate increased risk for vulnerable and marginalized communities in the preparation and delivery of microfinance services. F. G. Boateng et al. (2016) opine that it is realistic for MFIs to diversify, in line with their environmental characteristics, their fairly common goods and services to accommodate current demands and standards.

Furthermore, (Effah, 2017; Hermes et al., 2018) support customer-oriented MFI programmes as a critical component in the effective delivery of functions and their effect on the lives, finances, and families of the vulnerable. Niaz et al. (2019), Nyanzu et al. (2019), Zhang et al. (2017), agree MFIs will have all-inclusive micro-financing goods. Their results find that, as a result of the combination of financial services and non-financial services to clients, MFIs that are examined have seen statistically significant changes in efficiency.

2.2 Unemployment

Shaikh (2017) and Omeje (2017) have studied the effectiveness of microfinance institutions (MFIs) in generating jobs and increasing incomes for millions of poor and disadvantaged households worldwide, as well as the role of MFIs in improving the overall economic well-being of the population. However, in the wake of the extreme global financial crisis, insecurity and unemployment have become a major concern for economies around the world. However, microfinance has become another useful solution, especially in addressing the needs of the most disadvantaged households and their businesses (G. O. Boateng et al., 2015; Shaikh, 2017). Although MFIs are conscious of their customers' employability, they are even less conscious of increases or declines in domestic labour, contract labour, apprenticeships or other domestic jobs (G. O. Boateng et al., 2014).

GHAMFIN (2006) report on microfinance initiatives in Ghana shows that MFIs have a positive impact on companies as they offer financial and non-financial services. Research shows that the provision of loans by MFIs helps clients to keep up even during challenging times, as well as contributes to continued employment for clients and their families; in this way, microfinance initiatives can encourage wage-earning employees to become micro-entrepreneurs, lead to the creation of more asset and savings, and increase in the level of employment generation (G. O. Boateng et al., 2015). The contribution of

MFIs on entrepreneurship development in developing countries is significant and thus MFIs help create more employment and also lead to an increase in the number of working capitals for businessmen and women (Bitok, 2021; G. O. Boateng et al., 2014).

The 2010 Ghana Poverty Reduction Strategy (GRPS II) establishes that many Ghanaians depend on SMEs. Developing the sector is also an effective way to generate jobs, foster socio-economic prosperity, and eliminate poverty in the long run. Despite the value of the industry, experience shows that supply and distribution by structured finance institutions such as MFIs offering credit and other financial services to the industry are below estimates (G. O. Boateng et al., 2015). This means that disadvantaged households are unable to get out of poverty because their efforts lack support. Fresh, well-informed, creative and pro-poor funding strategies for low-income families and SMEs must, therefore, be developed based on sound operational philosophies (G. O. Boateng et al., 2015).

2.3 Poverty Alleviation

According to G. O. Boateng et al. (2015), poverty is a term for all countries and particularly for those in the developing world, it is particularly severe. Poverty means that basic needs like food, housing, lodging and clothes are deprived of life (G. O. Boateng et al., 2015; Shaikh, 2017). Poverty is a condition marked by a severe lack of basic human needs such as food, clean drinking water, hygiene, medical treatment, housing, employment etc. (Agbola et al., 2017). When a person's income is below one dollar per day, that person is considered to be poor (Kim et al., 2017). Poverty connotes the need for basic life necessities such as money, clothes, shelter, assets and is usually characterised by hunger, social exclusion, vulnerability, low-esteem, pain and discomfort (G. O. Boateng et al., 2015). According to G. O. Boateng et al. (2015), poverty in Ghana is seen as a mixture of life circumstances, both at the individual level or within the society in general. Personally, poverty reflects a lack of access to basic community resources. The 2005/2006 Ghana Living Standards Survey (GLSS) uses an economic index to describe poverty as the inability of people to supply less than two-thirds of the national average.

Studies on Ghana's poverty rate reveal that poverty is multifaceted, varying from rural to urban, adults and children, men and women (G. O. Boateng et al., 2015). Poverty entails inadequate health, a high rate of unemployment and failure for rural residents to engage in social events (Kim et al., 2017; Linh et al., 2019; Shaikh, 2017). City people perceive deprivation as work insufficiency, insufficient social care, lack of resources and lack of vocational skills. Men are associated with poverty in Ghana, while poverty is described as food insecurity for women (G. O. Boateng et al., 2015). Several studies demonstrate the significant impacts of microfinance on poverty reduction. For instance, Linh et al. (2019) conduct a study to investigate access to rural credits in developing

nations, using Vietnam as a case. Findings from the study demonstrate the significant impacts of credit accessibility on household revenue, output production and poverty alleviation.

Similarly, the study by Shaikh (2017) explored the efficacy of microfinancing on business growth and poverty reduction. The study uses a mathematical model to highlight agency cost problems comprising adverse selection and moral hazard. The results reveal that the adverse selection issue and high tracking expense will successfully reduce and meet the correct goals, thereby reducing poverty. Furthermore, a study by Niaz et al. (2019) on the impact of microfinance on women empowerment in Pakistan demonstrate that microfinance exposure has a beneficial effect on women's empowerment, poverty reduction and welfare by increasing women's incomes. This was thus assumed to be an important tool for the achievement of SDGs in Pakistan for micro-financing and MFIs. Tafamel (2019) submit that microfinance has a positive effect on employment, on the construction of housing, and access to schools and medication. Cull et al. (2018) confirm the potential of microfinance to reduce poverty. In Ghana, there is proof of the positive effect on equality, dignity and decision-making rights in family relations and an improved self-esteem level among women in general (G. O. Boateng et al., 2015). Effah (2017) confirm that microfinance is a tool that lowers level of deprivation but is unlikely to fix this issue immediately.

2.4 Reaching out to the Marginalised and Vulnerable

Reaching out means the number of served customers including the poor and vulnerable (G. O. Boateng et al., 2015). To extend programmes to a large group of resourceful customers, many microfinance schemes have proven an elusive target because of monetary and non-monetary constraints (Effah, 2017). According to Abdulai et al. (2017), focusing on size does not necessarily have a beneficial impact because this initiative may be detrimental to a certain degree, in trying to build viable financial structures for the disadvantaged. Chikalipah (2019) and Wijesiri et al. (2017) present that outreach encompasses scale, geographical scope, depth of coverage, quality, and scope of coverage. Moreover, reaching out to a large group could be assessed by the amount of yearly lending and savings practices (scope), and the population they serve (the deep penetration of the market).

Reaching out to customers entails several concepts, which means it needs to be measured in various dimensions (Abdulai et al., 2017). Berg et al. (2020) describe that outreach is described as an evaluation of the number of disadvantaged customers served by MFIs. Based on the framework of R. L. Meyer (2002), outreach must be measured in various dimensions. According to Cobb et al. (2016), the degree to which the clients under the poverty line are represented, and typical borrower loan amount, the proportion of female lenders, number of savers, etc. may be measured by an annual comparative study through

calculation of different variables such as the number of workers and active lenders. Navajas et al. (2000) present six primary qualities for outreach initiatives and they include the scale, the volume, the rate, the breadth and the duration to borrowers. R. L. Meyer (2002) and Wijesiri et al. (2017) used similar factors to evaluate outreach.

Recent statistics regarding microfinance in Ghana demonstrate that about 198 MFIs in all 16 regions of Ghana noted have 300,875 active customers with a gross loan portfolio of 224.6 million dollars in 2011 (G. O. Boateng et al., 2014; Effah, 2017). In the following year, the figures rise considerably where 560 MFIs reported having 3 million active customers with a gross loan portfolio of 461 million dollars in 2013. MFIs have so far reached many individuals across the country and their rising gross credit portfolio demonstrates the scale and the pace of the micro-finance market. Indeed, the global demand for microfinance services is considered significantly higher than is currently being served. Even though hundreds of millions of people are currently served by MFIs, the estimated actual demand is from around 1 billion to 2.5 billion people, which shows that a significant market share remains untapped (G. O. Boateng et al., 2014; G. O. Boateng et al., 2015).

2.5 Small and Medium Enterprises

The term SME is used widely in the private sector to refer to small companies (Quaye et al., 2014). Small and medium-sized businesses have no common concept primarily due to their variety (Anane et al., 2013). Concepts are based on the number of workers depending on productivity and income (Hassan et al., 2015; Quaye et al., 2014) submit that SMEs are autonomous and thus should be considered as individuals, founders or partners, have a limited market share. Small businesses are known to have an operating rate of less than the market average.

Business organisations are considered to have SME status when they have less than 250 employees (Wynarczyk et al., 2016). The World Bank on the other hand views SME as a company whose fixed assets valuation is less than 250,000 US dollars, excluding land. In Ghana, the number of employees is generally used as the primary criteria for categorising SMEs (Ntiamoah et al., 2014). However, the actual number of workers used by the separate official organisations often varies. A recent definition views SMEs as companies having workers below 100 (G. O. Boateng et al., 2015). Kwadwo et al. (2016) also indicate that SMEs have various categorisations in Ghana depending on the number of employees.

The advantages of small and medium-sized companies cannot be overstated since their involvement in economic performance on goods and services, as well as their impact on job creation, have a strong relation to the low cost of capital (Olowe et al., 2013). SMEs help to reduce income disparities, thereby developing a pool of skilled or semi-competent employees as the basis for future industrial expansion (Fening, 2012; Olowe

et al., 2013). They offer an excellent opportunity to develop and adapt suitable technological approaches and also offer an excellent backwards relationship between economically, socially and geographically diverse sectors of the economy (Olowe et al., 2013). However, several gaps challenge the operations of SMEs including firm growth and upgrading, the role of entrepreneurship, export competitiveness, technological capabilities and lack of trust (Olowe et al., 2013). (Quaye et al., 2014) identify the financing gap as a major challenge that cuts across all the aforementioned gaps confronting SMEs.

It merits to note that small companies are often underfunded (Anane et al., 2013). This indicates that the term loan arrangement given to small and medium-sized businesses does not match their needs. In cases where credit is provided, small and medium-sized enterprises are often given short-term loans and thus have no choice but to rely on short-term and informal credits to finance their long-term needs, such as new equipment (Donkor et al., 2018; Duru et al., 2017). There is some controversy over whether it would be useful to talk theoretically about a funding gap. Naturally, a gap of this kind may arise if the governments can intervene in the market to keep interest rates below the balance, inevitably leading to excess demand for loanable funds. Donkor et al. (2018) indicate that the importance of SMEs to the growth of the individual, community and country cannot be overstated. Hence, it is crucial to note the relevance of SMEs for the local and national economies.

Previously, some critics have suggested that a funding deficit is not important unless policy interest rates are significantly smaller than market-clearing levels (Quaye et al., 2014). The conclusion is that, with risks growing, financial resource providers would sufficiently raise the interest rates imposed on all borrowers to balance credit supply and demand (Donkor et al., 2018). Excess funds can go through intermediary channels or be distributed directly to borrowers in contemporary financial markets from those who save to those who borrow (Quaye et al., 2014). The financial intermediation process focuses on the treatment of information from one form to the next. This process, therefore, allows for the addition of value by diversifying banks and other intermediaries, as it involves the extension of investment choices to investors and lending to borrowers.

The shortage in both debt and equity financing is a major obstacle to the rapid development of the small- and medium-sized business sector (Donkor et al., 2018). Access to funding is a requisite element for small and medium-sized businesses to gain a competitive edge in building productive potential, exporting, generating employment and contributing to alleviating poverty in developed countries (Asante et al., 2018). Small and medium-sized enterprises without finance cannot acquire or absorb new technologies, nor can they compete in global markets or even enterprise relations with larger businesses (Donkor et al., 2018). Quaye et al. (2014) enumerate some causes of the financial gap, including perceived high risk, lack of collateral, reputational effects

and the existence of distorted information between financial providers and borrowers. Accordingly, there is a need to bridge these financial gaps and thus, devise ways of bridging the financial gap including by creating easy accessibility of the financial system, improving business conditions, widening financial supply via the non-financial private sector, and assisting SMEs to meet the conditions of formal financing (Asante et al., 2018; Quaye et al., 2014). Hence, it is essential to establish the connection between SMEs and MFIs.

Ghana's small and medium-sized enterprises continue to make significant contributions to economic growth particularly in the areas of job creation, income generation and intermediate technology diffusion. Moreover, 86% of Ghana's population in the informal sector is shown to be dominated by SMEs (GSS, 2012). Asante et al. (2018) show that SMEs have been identified as a catalyst for achieving the development targets of developed countries since it is projected that 22% of workers in developing countries are employed by SMEs. Asante et al. (2018) indicate that approximately 92% of enterprises in Ghana are SMEs, and Abor et al. (2010) also affirm the importance of SMEs to Ghana's economic growth, suggesting that they provide about 85% of Ghana's production activity, adding about 70% to Ghana's GDP.

Nevertheless, access to finance, which is the main hindrance to the development of SMEs, is a major challenge for SMEs in Ghana, in particular rural areas (Donkor et al., 2018). Microfinance is an integral aspect of the operations of Ghana's small and medium-sized businesses (Anane et al., 2013). Microfinance entails providing financial services to poor or low-income clients who, as a result of their failure to provide collateral, constant employment and verifiable credit history are generally excluded from traditional financial systems because they are considered not capable of banking (Koomson et al., 2018).

2.6 Economic Growth

Economic growth describes the rise in the production of commercial products and services in a country for a given period (Rezai et al., 2018). This can be assessed nominally or in actual terms using inflation figures. The gross national product (GNP) or gross domestic product (GDP) is traditionally determined by overall economic output, although different metrics are often added (Chirwa et al., 2019). Generally, the economic growth of various countries is compared using GDP to a country (per capita income), which is seen as a reflection of the living standard of people in a country (Greiner et al., 2016). Jones (2016) indicates that the size of an economy is reflected in GDP growth, which in turn, indicates a country's economic growth and development.

Van den Berg (2016) presents factors used in national income accounting for calculating per capita output; these include labour productivity (which represents the output per unit of labour input), working hours, and the ratio of working population to the total

population. These factors are indirect reflections of employment rate, poverty, and the rate of commercial activities of a country, which are indicators for measuring the level of economic growth. This means that the socio-economic circumstances of a population of a given country are used as the main measure of economic growth. However, various theories of economic growth explore and discuss the parameters that determine growth and economic development (Chirwa et al., 2019).

2.7 Conceptual Framework on Microfinancing

There are various concepts available in the existing literature which help researchers and practitioners assess economic growth (Chang, 2011; Jhingan, 2011). However, the conceptual framework adopted by this study to research MFIs and economic growth takes from the finance-led growth theory used by Madsen et al. (2016). Interestingly, financial development has been established to promote economic growth in literature, however, the mechanisms through which financial development impact growth is not established (Madsen et al., 2016). Besides, various economic theories demonstrate that adequate funding and financial inclusion promotes economic growth via various measures including GDP (Greiner et al., 2016). This helps to measure employability, productivity, living standards, and the ratio of the working population to the total population (Chang, 2011). Therefore, the concept for this study assumes that MFIs have a direct relation to economic growth by influencing employment, SMEs, and poverty alleviation due to their ability to reach out to every member of society including, marginalised and vulnerable communities. Figure 1 shows a graphical representation of the conceptual framework of the current study design.

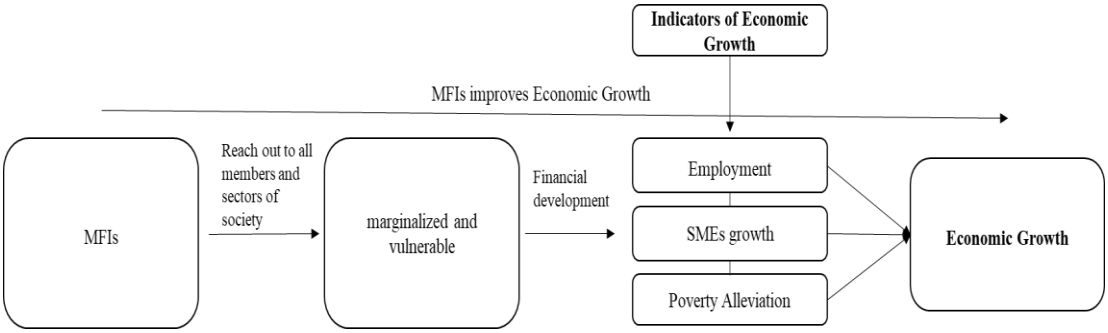

Figure 1. Conceptual framework (Quaye et al., 2014)

3. RESEARCH METHODOLOGY

Research methodology defines the research design used by a researcher for gathering and analysing field data (Creswell et al., 2017). This study employed a quantitative methodology to achieve the study objectives. To determine the contributions of microfinance institutions on the economic growth of Ghana, a descriptive and

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correlational analysis was used to examine a sample of small and medium business owners in the Greater Accra Region of Ghana.

The research methodology involved the sampling of 400 respondents using a close-ended questionnaire. Questionnaires were randomly administered to SME owners and entrepreneurs in Accra. The entire data collection process lasted approximately two weeks. The responses obtained from respondents to the items on the questionnaire were analysed using Statistical Package for Social Science (SPSS) version 23. All responses were edited and coded to ensure consistency in the data. The inferential statistics adopted in this study was Pearson correlation analysis. This analysis was used to establish the relationships between dependent or outcome variables and independent or predictor variables under study. Therefore, the test of hypotheses is anchored on four research hypotheses to determine the relationships between the dependent and independent variables.

3.1 Research Hypotheses

1. R_1H1_0: There is statistically no positive impact of MFIs on the employment rate.
   R_1H1_1: There is a statistically positive impact of MFIs on the employment rate.
2. R_2H2_0: There is statistically no positive impact of MFIs on the development of small and medium scale enterprises.
   R_2H2_1: There is a statistically positive impact of MFIs on the development of small and medium scale enterprises.
3. R_3H3_0: There is a statistically no positive impact of MFIs on poverty alleviation.
   R_3H3_1: There is a statistically positive impact of MFIs on poverty alleviation.
4. R_4H4_0: There is statistically no positive impact of MFIs on supporting the marginalised and vulnerable in society.
   R_4H4_1: There is statistically positive impact of MFIs on supporting the marginalised and vulnerable in society.

4. RESULTS AND DISCUSSION

4.1 Correlation

Table 1 shows Pearson's correlation analysis between the dependent and independent variables. The analysis presents the correlation coefficient of various relationships. The dependent variables are employment rate, small and medium enterprises (SMEs), poverty alleviation, and support for marginalised and vulnerable communities; whereas, the independent variable is microfinance institutions (MFIs). The analysis is performed to determine whether there are any relationships between the dependent and independent variables. Furthermore, the correlation analysis provides the means for estimating the values of the variables.

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4.2 Test of Hypotheses

Table 1 shows Pearson's correlational analysis between MFIs and employment rate. The analysis is done to determine the relationship between MFIs and the employment rate. The results from the table indicate that there is a negligible negative relationship between the two variables at a correlation coefficient of -0.044. This implies that the relationship is not statistically significant, showing that MFIs have no predictable impact on the employment rate. Hence, the null hypothesis which states "that there is no statistical relationship between MFIs and employment rate" should be accepted.

Table 1: Pearson Correlation Analysis of Variables

	Pearson correlation	MFIs	Employment rate	SMEs	Poverty Alleviation	Outreach to vulnerable
MFIs	Sig. (2 tailed)	1				
Employment rate	Sig. (2 tailed)	.-044 .000	1			
SMEs	Sig. (2 tailed)	.408** .000	.025 .000	1		
Poverty Alleviation	Sig. (2 tailed)	.535** .000	.-024 .000	.218** .000	1	
Outreach to vulnerable	Sig. (2 tailed)	.000 .000	.000 .000	.000 .000	.845** .000	1
Note: **Correlation is significant at 0.01 level (2-tailed); *Correlation is significant at 0.05 level (2-tailed)						

Source: Field data, 2020

The Pearson correlation analysis between MFIs and SMEs in Table 1 indicates a positive relationship between the two variables. The correlation coefficient is 0.408 at p=.000. A correlation coefficient at 0.408 means the relationship is not strong (Creswell et al., 2017). This indicates that MFIs have 40.8% predictability on SMEs. A positive relationship means that as MFIs activities expand, SMEs will also increase and vice versa. Therefore, the null hypothesis which states that "there is no relationship between MFIs and SMEs" should be rejected.

Table 1 shows Pearson's correlational analysis between MFIs and poverty alleviation. The analysis is done to determine the relationship between MFIs and poverty alleviation. The results from the table show that there is a strong positive relationship between the two variables at a correlation coefficient of 0.535 at p=.000. P=.000 implies that the relationship is statistically significant. This means that MFIs have 53.5% predictability on poverty alleviation. Hence, the null hypothesis which states that "there is no statistical relationship between MFIs and poverty alleviation" should be rejected.

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Pearson's correlational analysis also analyses the relationship between MFIs and supporting the marginalised and vulnerable in society. The analysis is done to determine the relationship between these two variables. The results from the table indicate no relationship between MFIs and supporting marginalised and vulnerable communities in society. The correlation coefficient is 0.00. This suggests that there is no relationship between the two variables which means that MFIs have no predictability vis-a-vis supporting the marginalised and vulnerable in society. Hence, the null hypothesis which states "that there is no statistical relationship between MFIs and supporting the marginalised and vulnerable in society" should be accepted.

4.3 Regression Models

Regression analysis is conducted to assess the relationships between predictor (also termed independent variable) and outcome variables, also referred to as dependent variables. The regression analysis aids in our understanding of how the dependent variables change when the independent variable is varied, while the other variable is held constant. The four outcome variables are employment rate, SMEs, poverty alleviation, and support to the vulnerable and marginalised; and the predictor variable is MFIs. Detailed analyses of these relationships are presented below.

4.4 Regression model 1: MFIs and Employment Rate

The model one specification for the first hypothesis is that MFIs influence employment rate (see Table 2), correlation coefficient (R) of the two variables stands at 0.044. The adjusted R^2 of the model show -0.001 which means that the linear regression explains -0.1% of the variance in the data. This represents a negligible relationship and predictability between the two variables of interest in model one. The Durbin-Watson d = 1.493, falls between the two critical values of $1.5 < d < 2.5$ and therefore it can be assumed that there is no first-order linear auto-correlation in the data.

Table 2: Model One Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.044[a]	.002	-.001	.53504	1.493

Note. a. Predictors: (Constant), MFIs; b. Dependent Variable: Employment rate
Source: Field data, 2020

Table 3 shows the results for the analysis of variance of the multiple linear regressions in model One. The F-statistic which tests the null hypothesis "there is no relationship between MFIs and employment rate" ($R^2=0$) indicates an F-value of .788 and 1 degree of freedom, at p = .375. Therefore, the null hypothesis which claims that there is no

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relationship is accepted. The result shows a negligible relationship between MFIs and the employment rate.

Table 3: Model One ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.226	1	.226	.788	.375[b]
	Residual	113.934	398	.286		
	Total	114.160	399			

Note. a. Predictor: (Constant), MFIs b. Dependent Variable: Employment rate Source: Field survey, 2020

Table 4 shows the regression coefficients for model one. The table presents the intercepts and the significance levels of the standardised and unstandardised coefficients in the model. The model shows that the unstandardised slope of -.059 was not statistically significant (t=-.888, df=1, p=.375). The intercept of the employment rate where there are no MFIs is 4.050 and is statistically significant, different from 0(t=18.778, p=.000). The linear regression analysis estimates the linear regression function to be Y = 4.050 + -0.059 X1. This tests the null hypothesis that the coefficient is zero. The t-test finds that the variable and intercept are not statistically significant (p=.375). This implies that the null hypothesis should be accepted on grounds that there is no significant relationship between the level of MFIs and the employment rate.

Table 4: Model One Coefficients[a]

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.050	.216		18.778	.000
	Level of CSR	-.059	.067	-.044	-.888	.375

Source: Field survey, 2020 Note. a. Dependent Variable: employment rate

4.5 Regression Model 2: MFIs and SMEs

The second hypothesis is that MFIs influence SMEs (see Table 5). From the table, R, which is the correlation between the predictor and outcome variable, is 0.408. The R=40.8% shows a positive relationship between MFIs and SMEs. The R^2 is 0.167, which implies that the linear regression explains a 16.7% variation in the data. The Durbin-Watson d = 1.497, falls between the two critical values of $1.5 < d < 2.5$ and therefore it can be assumed that there is no first-order linear auto-correlation in the data.

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Table 5: Model Two Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.408[a]	.167	.165	.44834	1.497

Note. A. Predictors: (Constant), MFIs; b. Dependent Variable: SMEs
Source: Field survey, 2020

Table 6 shows the results for the analysis of variance of the multiple linear regressions in model two. The F-statistic which tests the null hypothesis "there is no relationship between MFIs and SMEs" ($R^2=0$) indicates an F-value of 79.600 and 1 degree of freedom, at p=.000. Therefore, the null hypothesis which claims that there is no relationship is rejected as the study results show a significant relationship between MFIs and SMEs.

Table 6: Model Two ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.000	1	16.000	79.600	.000[b]
	Residual	80.000	398	.201		
	Total	96.000	399			

Source: Field survey, 2020
Note. a. Predictor: (Constant), MFIs b. Dependent Variable: SMEs

Table 7 shows the regression coefficients for model two. The table highlights the intercepts and significance levels of the standardised and unstandardised coefficients in the model. The model shows that the unstandardised slope of 0.500 is statistically significant (t=8.922, df=1, p=.000). The intercept of SMEs where there are no MFIs is 2.000 and is statistically significant, different from 0(t=11.066, p=.000).

Table 7: Model Two Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.000	.181		11.066	.000
	Level of CSR	.500	.056	.408	8.922	.000

Note. a. Dependent Variable: SMEs
Source: Field survey, 2020

The linear regression analysis estimates the linear regression function to be Y = 2.000 + 0.500 X1. This tests the null hypothesis that the coefficient is zero. The t-test finds that the variable and intercept are significant (p=.000) and thus suggests that they are equal to zero. This implies that the null hypothesis should be rejected on grounds that there is, in fact, a significant relationship between MFIs and SMEs.

4.6 Regression Model 3: MFIs and Poverty Alleviation

The third hypothesis, MFIs influence poverty alleviation (see Table 8) with R, 0.535. The R=53.5% shows a strong correlative relationship between MFIs and poverty alleviation. The R^2 is 0.268 implies that the linear regression explains 26.8% variation in the data. The Durbin-Watson d = 2.512, falls between the two critical values of 1.5 < d < 2.5 and therefore, it can be assumed that there is no first-order linear auto-correlation in the data.

Table 8: Model Three Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.535[a]	.286	.284	.63404	2.512

Note. a. Predictors: (Constant), MFIs; b. Dependent Variable: Poverty alleviation
Source: Field survey, 2020

Table 9 shows the results for the analysis of variance of the multiple linear regressions in model three. The F-statistic which tests the null hypothesis "there is no relationship between MFIs and poverty alleviation" (R^2=0) indicates an F-value of 159.200 and 1 degree of freedom, at p=.000. Therefore, the null hypothesis which claims that there is no relationship between the two is rejected as the results point to a significant positive relationship between MFIs and poverty alleviation.

Table 9: Model Three ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	64.000	1	64.000	159.200	.000[b]
	Residual	160.000	398	.402		
	Total	224.000	399			

Note. a. Predictor: (Constant), MFIs b. Dependent Variable: Poverty alleviation
Source: Field survey, 2020

Table 10 shows the regression coefficients for model three. The table displays the intercepts and significance levels of the standardised and unstandardised coefficients in the model. The model shows that the unstandardised slope of 1.000 is statistically significant (t=12.617, df=1, p=.000). The intercept of poverty alleviation where there are

no MFIs is -1.554E^{-14} and is not statistically significant, different from 0(t=0.000, p=1.000). The linear regression analysis estimates the linear regression function to be Y = -1.554E^{-14} + 1.000 X1. This tests the null hypothesis that the coefficient is zero. The t-test finds that the variable and intercept are significant (p=.000) which means that the null hypothesis should be rejected on account of evidence that there is a significant relationship between MFIs and poverty alleviation.

Table 10: Model Three Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.554E^{-14}	.256		.000	1.000
	Level of CSR	1.000	.079	.535	12.617	.000

Source: Field survey, 2020 Note. a. Dependent Variable: Poverty Alleviation

4.7 Regression Model 4: MFIs and Support for Vulnerable and Marginalised People

The model four specification for the fourth hypothesis is that MFIs influence the level of outreach to vulnerable and marginalised. To investigate this relationship, the variables are tested (see Table 11). The table shows that the correlation coefficient (R) of the two variables stands at 0.000. The adjusted R^2 of the model show -0.003 which means that the linear regression explains -0.3% of the variance in the data. This demonstrates that there is no relationship and predictability between the two variables of interest. The Durbin-Watson d = 2.675, falls outside the two critical values of 1.5 < d < 2.5 suggestings that there is first-order linear auto-correlation in the data.

Table 11: Model Four Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.000[a]	.000	-.003	.63404	2.675

Source: Field data, 2020. Note. a. Predictors: (Constant), MFIs; b. Dependent Variable: Outreach to vulnerable and marginalised

Table 12 shows the results for the analysis of variance of the multiple linear regressions in model four. The F-statistic which tests the null hypothesis "there is no relationship between MFIs and outreach to vulnerable and marginalised" (R^2=0) indicates an F-value of .000 and 1 degree of freedom, at p = 1.000. Therefore, the null hypothesis which

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claims that there is no relationship is accepted. The results show no relationship between MFIs and outreach to vulnerable and marginalised communities.

Table 12: Model Four ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.000	1.000[b]
	Residual	160.000	398	.402		
	Total	160.000	399			

Source: Field survey, 2020
Note. a. Predictor: (Constant), MFIs b. Dependent Variable: Outreach to vulnerable and marginalized.

Table 13 shows the regression coefficients for model four. The table presents the intercepts and the significance levels of the standardised and unstandardised coefficients in the model. The model shows that the unstandardised slope of 0.000 is not statistically significant (t=.000, df=1, p=1.000). The intercept of outreach to vulnerable and marginalised where there are no MFIs is 3.000 and is deemed statistically significant, different from 0 (t=11.738, p=.000). The linear regression analysis estimates the linear regression function to be Y = 3.000 + 0.000 X1. This tests the null hypothesis that the coefficient is zero. The t-test finds that the variable and intercept are not statistically significant (p=1.000). This implies that the null hypothesis should be accepted on grounds that there is no significant relationship between the level of MFIs and outreach to vulnerable and marginalised communities.

Table 13: Model Four Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.000	.256		11.738	.000
	Level of CSR	.000	.079	.000	.000	1.000

Note. a. Dependent Variable: Outreach to vulnerable and marginalized
Source: Field survey, 2020

5. DISCUSSION OF FINDINGS

5.1 Relationship between MFIs and Employment Rate

From the results, the factors describing the employment rate are found supported by evidence (overall mean = 3.95; p=.000). Results from the correlation and linear regression indicate that there is a negligible negative relationship between MFIs and

employment rate (R= -.044; Adjusted R^2= -.001). These results imply that increasing MFIs activities in the country does not influence the employment rate in any way. Moreover, the adjusted R squared of -.001 suggests that the effect of MFIs on the employment rate is -0.1%, and thus, the relationship is highly insignificant. Contrary to the study findings, Lopatta et al. (2016) results suggest that microfinance institutions directly influence economic growth by making funding available for innovators and investors who are given the opportunity by MFIs to invest, produce and expand, create employment opportunities for many. However, results obtained by Jia et al. (2013) show that microfinance institutions help individuals, especially farmers to create self-employment opportunities rather than the MFIs creating employment for an individual. Again, Panigrahi (2014) discover that MFIs help individuals, especially women to raise their work independence and enable them to participate in decision-making. Nevertheless, the study by Kahn et al. (2016) in Bangladesh and Pakistan, discovered that in Pakistan, there was no evidence that microfinance influences employment, however in Bangladesh, microfinance is found to influence the employment rate.

Again, the study findings revealed that MFIs activities were not supported by businesses (Average score of MFIs = 3.20). This result opposes the discovery of Bairagya et al. (2020) which suggests that MFIs have a positive influence on businesses and thus economic growth. Moreover, Hussain et al. (2017) study revealed that MFIs have an indirect positive influence on economic growth.

5.2 Relationship Between MFIs and Development of SMEs

Results from the correlation and linear regression analysis indicate that there is a positive and significant relationship (R=.408; Adjusted R^2=.165) between MFIs and SMEs. This result implies that a 1% improvement of MFIs activities will result in 40.8% development in the activities of SMEs. Moreover, an adjusted R squared of 0.165 suggests that the effect of MFIs on SMEs is 16.5%. These findings connote that the intensity of MFIs activities undertaken in societies has over 16% influence on SMEs. These study results are corroborated by the findings of Awuah et al. (2016) who discover that MFIs have a positive and significant influence on SMEs in society and thus SMEs increased their income, profit and asset base over time by patronising MFIs services and products. Besides, Anane et al. (2013) results establish that beneficiaries of microfinance are better off than those without microfinance programmes, as these programmes improve their SMEs' practices, enhance performance and guarantee prudent financial management. The results of Odoom et al. (2019) demonstrate that MFIs promote economic development by providing financial support for SMEs to grow as well as providing financial literacy.

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5.3 Relationship Between MFIs and Poverty Alleviation

The results from the correlation and regression analysis show a strong and positive relationship between MFIs and poverty alleviation (R=.535; Adjusted R^2=.284). This finding suggests that a 1% progress attained by MFIs in their dealings facilitates poverty alleviation by 53.5%. Moreover, the adjusted R square value of 0.284 connotes that the influence of MFIs alone has 28.4% on poverty alleviation. These figures mean that MFIs activities account for 28% of the poverty alleviation function and has over 50% influence on poverty alleviation. This result is in line with findings from the study by Layyinaturrobaniyah et al. (2020) which shows that activities of MFIs have positive effects on the poverty rate in society. Again, the study results are consistent with Tamanni et al. (2019) findings which suggest that MFIs correlate positively with poverty alleviation by maintaining a genuine aim to serve the poor since their activities are increasingly inclined to the progressive realisation of sustainable development goals. Moreover, a past study by Tafamel (2019) also establishes that MFIs and poverty reduction are significantly and positively related.

5.4 Relationship Between MFIs, and Support for Marginalised and Vulnerable People

The results from the correlation analysis demonstrate that there is no relationship between MFIs and the level of outreach to marginalised and vulnerable communities (R=.000; p=.000). Besides, the regression analysis indicates that there is a negligible (Adjusted R squared = -.003) effect of MFIs on reaching out to the marginalised and vulnerable in society. This agrees with the findings of Odoom et al. (2019) which suggest that MFIs activities are largely confined to the city centres, and therefore, there is a need to collaborate with governmental stakeholders to penetrate rural communities. Moreover, Awuah et al. (2016) discovery suggests that challenges of MFIs such as short loan repayment schemes, high-interest rates on loans, and request for collateral among others are factors that disqualify people from various social classes to attain microfinance credits. Awaworyi Churchill (2019) present that high levels of economic performance in environments and good institutions tend to impede the MFIs outreach programmes, and thus MFIs rely on a poor economic environment given the informal nature of their business. J. Meyer (2019) results suggest that MFIs are reluctant in this regard because outreach programmes are associated with higher operational expenses; and since return figures are driven by costs as well as yields, and because the extent of the extension increases in the same way, these two effects lead to a zero-sum result in return actions.

6. CONCLUSION

The study concludes that there is a relationship between MFIs and the development of SMEs, as well as MFIs and poverty alleviation. This implies that MFIs influence the level of economic growth of Ghana. SMEs depend on MFIs for financial assistance and business development, thereby help alleviate poverty.

The activities of MFIs are not necessarily directed at people with severe financial needs or the financially weak in society but entrepreneurs with some level of collateral who want to venture into business to create employment for themselves. This implies that MFIs are interested in clients with some form of financial reward since they are in business to make a profit.

Generally, MFIs have a considerable impact on Ghana's economic growth as they supporting SMEs and help alleviate poverty. However, individual or personal economic growth of people depends on their financial reasonableness, which in turn, depends on their current financial standing, financial need, and financial prospects.

Moreover, this study concludes that the effect of MFIs on economic development growth cannot be fully understood by testing only these four economic variables (i.e. development of SMEs, poverty alleviation, unemployment rate, and reaching out to financially weak in society). MFIs can be tested using other economic indicators such as GDP, foreign direct investment, inflation, and labour market to gain a deeper insight into MFI's impact on economic growth (Obeng et al., 2014).

7. RECOMMENDATIONS

The study recommends the formulation of specific policies to regulate MFIs in the country. To this end, regulatory bodies must ensure that these policies are complied with when undertaking their regular business activities. This would enable the intended functions of MFIs to be operational.

MFIs must solicit regular feedback from customers and members of the public to improve the quality of their services as well as develop structures that would enable them to widen their scope and reach out to a greater number of people. This allows individuals to learn from feedback and perform their functions more effectively and efficiently.

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