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EFFECTS OF COLLAPSE AND DELICENSING OF SOME MICROFINANCE INSTITUTIONS ON MICROENTREPRENEURS IN LA NKWANTANANG-MADINA MUNICIPALITY

by

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DECLARATION

I hereby declare that except for the quoted statement and reference from other works, which was duly acknowledged, this dissertation is the original work of Alfred Asante carried out under the supervision of Prof. Peter Quartey and Prof. William Steel

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DEDICATION

I dedicate this work to my late father Daniel Asante, my mum Grace Kwakyewaa and all my siblings.

Thanks for being there when it matters most.

ACKNOWLEDGMENT

I give thanks to Jehovah God for his faithfulness, love, and kindness towards me which gave me the strength to complete this course. I also express my sincere gratitude to my supervisors, Prof. Peter Quartey and Prof. William F. Steel, for their guidance and contribution toward the completion of work despite their busy schedules. Am grateful for your contribution.

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List of abbreviation

BoG	Bank of Ghana
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
CBs	Community Banks
DTM	Deposit-Taking Microfinance Institutions
FNGOs	Financial Non-Government Organization
GoG	Government of Ghana
LANMA	La Nkwantanang-Madina Municipal Assembly
MFBs	Microfinance Banks
MFCs	Microfinance Companies
MFIs	Microfinance Institutions
MSMEs	Micro, Small and Medium Scale Enterprises
NBFI	Non-Bank Financial Institution
OLR	Ordered Logit Regression
ROSCAs	Rotating Savings and Credit Associations
SACCOS	Savings, and Credit Cooperatives Societies
SSA	Sub-Saharan Africa
TPB	Theory of Planned Behavior

ABSTRACT

The microfinance sector in Ghana witnessed rapid growth in the late 2000s across the country without effective regulation and licensing, resulting in frequent collapse. In response, in 2011 the Bank of Ghana issued a licensing regime to regulate the microfinance sector. Despite the licensing of MFIs, the industry still faced liquidity issues and insolvency, causing significant loss of deposits across the country.

Later in 2019 BoG revoked the licenses of hundreds of MFIs that were insolvent or dormant, without realistic prospects of bouncing back as part of the restructuring of the financial sector. The purpose of this exercise was to restore confidence in the microfinance sector and salvage depositors' funds. The extent to which the goal has been achieved is yet to be investigated.

This study aims at identifying the effects of delicensing on microentrepreneurs in the La Nkwantanang-Madina municipality. This study interviewed 450 microentrepreneurs to ascertain their perceptions about the delicensing, how it has affected their business, and their willingness to patronize microfinance services. The study initially used stratified sampling in selecting microentrepreneurs, while the snowball technique was used to overcome the challenges of getting clients of defunct MFIs.

Logistic regression was used to identify the relationship between willingness to patronize microfinance and their perception towards the delicensing exercise. Ordered logit regression was used to find the relationship between the confidence level and their demographic characteristics and type of microfinance client or non-client. T-test of different means was used to compare microentrepreneurs' perceptions before and after the restructuring.

The study found that delicensing has reduced the perception of risk in the MFIs, created a positive perception in MFIs, and also somewhat increased the confidence in the sector. Additionally, it was realized that perception about the delicensing positively affected the microentrepreneurs' willingness to use microfinance services.

The study recommended that a customer services desk should be created to provide information and address customers' problems relating to microfinance services. The study also recommends BoG collaborate with Apex Bodies to conduct monthly or quarterly spot monitoring checks to ensure adherence to practices and report to the BoG. Additionally, recommend the extension and scale-up of the Coronavirus Alleviation Program Business Support Scheme and Ghana Cares Guarantee scheme program beyond the pandemic to lighten the financial constraints that microentrepreneurs encounter.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

Microfinance activities in Ghana grew rapidly in the early 1990s and late 2000s as a specialized financial methodology for reaching lower-income individuals and micro, small and medium scale enterprises (MSMEs) who generally lacked access to formal financial institutions (World Bank Group, 2016). The microfinance industry in Ghana witnessed the unbridled and indiscriminate springing up of MFIs across the country, using names such as “susu” and “microfinance” to convince people to deposit money with them (Gyima-Larbi, 2019). These institutions were operating without specific and consistent policy guidelines, licensing, and regulation. This resulted in an “*apparent lack of direction, inappropriate institutional arrangements, fragmentation, and lack of coordination”* which partially affected the growth of the industry (Asiama and Osei, 2007).

The Bank of Ghana (BoG) became concerned about the influx of unlicensed and unregulated microfinance institutions, the rate at which they mobilize deposits from the client, and the frequency at which MFIs were collapsing in the country, and intervened to protect depositors’ funds and ensure a sound financial system to avoid the collapse of the sector (Reiter and Peprah, 2015). Therefore, in 2011, BoG issued a licensing and a regulatory framework to bring the microfinance business under control, help manage risks that threaten the sustainability of MFIs, and provide support in the process of reducing poverty and facilitating financial inclusion. During the process, such companies were required to include “microfinance” in their name, while money lenders were changed to “microcredit”. BoG issued hundreds of provisional licenses to MFIs, albeit without adequate screening and sorting out. (Gyima-Larbi, 2019)(Bank of Ghana, 2011)

Despite the licensing and regulatory framework established by the BoG, the industry still faced liquidity challenges and insolvency, which caused the collapse of some microfinance companies nationwide and sizable losses for a significant number of depositors. This is because most of these companies that were issued licenses were financially weak, did not follow proper financial procedures, or were outright pyramid or other fraudulent schemes, while others were unable to comply with BoG regulations (World Bank Group, 2016). Also, some directors were mismanaging depositors' funds by either investing in risky ventures or diverting funds for their personal use. The most popular of them is the DKM microfinance, which affected numerous Ghanaians. These incidents threatened the confidence of individuals in the microfinance sector as well as the financial system in Ghana.

Later in 2019, as part of the restructuring of the financial sector, BoG revoked the licenses of hundreds of microfinance companies to weed out insolvent and dormant institutions without realistic prospects of bouncing back. This exercise was to safeguard depositors' funds and restore confidence in the finance sector by assuring depositors that they would receive their money back. However, both the collapse of insolvent microfinance companies (MFCs) during the 2010s and BoG actions to de-license MFIs led to a loss of public confidence in "microfinance" institutions, due to loss of savings for some depositors, including microentrepreneurs, and loss of the source of loans for some MSMEs.

In this context, the study seeks to find out how microentrepreneurs perceive the collapse and the delicensing of microfinance companies and the effects on their businesses.

1.1 Research context and background study

The role of microfinance is important in the economic development of a country. Therefore, understanding the effect of the microfinance sector on micro-economies is very important to the development of every country. Microfinance comprises formal, semiformal, and informal financial institutions providing financial services to the micro economy (Quiñones Jr and Dieter Seibel, 2000). The World Bank defines microfinance as small financial transactions and the use of specialized methodologies to meet the needs of low-income households, micro-enterprises, small-scale farmers, and others who do not have access to traditional banking services (as cited by Odoom and Amofa, 2019). Similarly, the BoG described microfinance as a solution to microentrepreneurs who may fall below the standard of the commercial bank lending criteria and also as a means of making finance available to the poor (Bank of Ghana, 2007).

Microfinance focuses on delivering loans and providing non-financial services as well as capacity building in business development. It is also seen to be more responsive to micro businesses in terms of providing financial services such as savings, loans, and insurance to these microentrepreneurs, due to their socio-economic profile (Labie, 1999). Microfinance services are typically used by microentrepreneurs, especially, traders, street vendors, small farmers, and service providers such as hairdressers, artisans, and small producers belonging to the economically poor population that are living close to the poverty line and are therefore self-employed, in both urban and rural areas" (Ledgerwood, 1999). It creates an avenue for individuals to save gradually and accumulate capital for them to venture into the productive sector. It provides material capital, a sense of dignity, and empowers them to participate in the economy and society as well as contribute to the GDP of the country.

Most countries around the world have brought their MFIs under prudential regulation. These regulatory and supervisory frameworks vary across countries depending largely on the development of the sector and capacity of the regulatory authorities. The main motive of these international norms is to prevent a system failure of the financial system and protect the savings of depositors. For instance, countries such as New Zealand, Russia, Nigeria, and Algeria have incorporated financial inclusion strategies into their regulatory legislation in the form of deposit insurance, capital requirement, and monitoring (Lahaye, Hoover and Abell, 2017) (Mylenko and Nataliya, 2010).

In sub-Saharan Africa (SSA), various governments introduced regulation of microfinance by adding microfinance into their banking legislation, widening their non-banking financial institution (NBFI) legislation, or instituting microfinance-specific laws or regulations. Approximately 31 countries in Sub Sahara Africa have implemented new or reviewed microfinance legislation, while 24 countries adopted a nationwide microfinance policy (MIX and CGAP, 2008). In some countries in the region, regulation and supervision of MFI are a joint responsibility of the central bank and Apex bodies, while in some instances Apex bodies are delegated to regulate and supervise the activities of these MFIs. In some situations, the agency responsible depends on the legal identity of the MFIs while others, the non-deposit-taking institutions have not been subjected to any form of regulation (Peprah and Oeng, 2015) (CDC Consult Limited, 2010).

In Ghana, BoG licenses, regulates, protects the interests of depositors, and safeguards stability in the financial system through the BoG Act, 2002 Act 612 (BoG, 2002) and under the Banking Act, 2016 (Act 918) as well as Specialized Deposit-Taking Institutions Act, 2016 (Act 930). Ghana witnessed a rapid emergence and growth of microfinance activities in the late 2000s, triggering the introduction of a licensing regime for the industry in 2011 after the enactment of the Non-Bank Financial Institutions Act, 2008 (Act 774). Upon the introduction of the new licensing procedure, microfinance that existed without a license from the Bank of Ghana had to be incorporated into this regime under the now-repealed Banking Act of 2004 (Act 673). Initially, 300 licenses were issued, and an additional number of licenses were issued to microfinance companies on an annual basis, reaching 572 by the end of 2016 (Gyama-Larbi, 2019). About 128 microfinance companies were denied and 70 microfinance institutions that were given provisional licenses were revoked. Bank of Ghana in 2015 published a list of 130 MFIs operating illegally without a license. Additionally, in 2016 about 70 microfinance institution licenses were revoked. (World Bank Group, 2016).

Publicity in Ghana about microfinance service providers posing a risk to the sector, fraud, insolvency, loss of savings by low-income people, etc. was rampant despite the new regulations and operational guidelines. These caused BoG to revise its measures in regulation and issue stricter supervision and monitoring. As part of their oversight responsibilities to ensure clients are protected as well as to strengthen the MFI capital base, BoG revoked licenses of non-compliant MFIs and raised minimum paid-up capital requirements to discourage unqualified new entrants. In June 2019, 347 microfinance companies' licenses were revoked by the Bank of Ghana. These comprised 192 microfinance companies which were insolvent but operating and 155 microfinance companies which had ceased operations. These revocations of the license were to protect the depositors and for clients to have confidence in the microfinance industry. To ensure depositors' funds are retrieved, the Bank of Ghana appointed a receiver to pay depositors with funds provided by the government of Ghana after validation and to realize value from the assets of these microfinance institutions (Bank of Ghana, 2019a).

1.2 Problem statement

Most microentrepreneurs are faced with the challenge of funding, which sometimes impedes their business growth. Due to inadequate collateral and proper financial records to serve as security for loan facilities from commercial banks, they usually turn to MFIs. According to ILO (2009), some micro and small businesses depend on microcredit for working capital and investments in tools and machinery.

According to the World Bank Group (2016), MFIs have been able to reach out to around 8 million clients with over 3,000 outlets within various market niches across Ghana. The clients range from traders to urban micro-small enterprises. Therefore, the collapse and closure of microfinance companies would limit the lending option available to microentrepreneurs while increasing the pressure on the existing microfinance institutions. These would invariably limit the source of capital of microentrepreneurs.

Additionally, as a result of the collapse and delicensing of microfinance companies, microentrepreneurs would lose their deposits, investment, or capital. Though with the delicensing, customers' monies are being refunded, not all depositors have gotten their monies back as of now. According to the receiver, Eric Nipah, customers are to be validated before monies can be paid.

However, some microfinance companies did not have proper accounting and record-keeping systems; therefore, it has been difficult to validate the claims of the customer. The receiver further stated, "*Given challenges experienced in the realization of assets of these resolved companies, and considering the order of Creditor payments per Act 930 enumerated above, full or partial settlement of depositor claims from asset realizations of these companies is likely to be minimal; in some cases, depositors of some of these companies are not likely to receive any payments in the resolution process*." (The Receiver, 2020)

Consequently, 96 out of 347 defunct institutions remained operational for customers to claim their locked funds or repay their loans. However, if the branches are not close to the client or the client doesn't know about these branches, he/she might lose his/her funds. (Jonas Nyabor, 2019)

From a USAID report on governance issues in microfinance, "*the low-income micro-entrepreneurs, borrowers, and savers lack access to multiple sources of financing and are at greater risk than middle-income savers if their savings are lost. An insolvent microfinance institution, in most countries, means the end of a client's access to capital at commercial rates, and a loss of their savings"* (USAID PRISMS, 2005).

The prime motive of the BoG for delicensing microfinance companies was to protect depositors' funds and increase public confidence in the financial system. Nonetheless, an afro barometer survey by CDD Ghana released on 27th November 2019, showed that there is a loss of public confidence in the financial institutions in Ghana, with over 60% of respondents indicating that it is unsafe to save with MFIs and other micro-level savings agencies and individuals e.g. Susu collectors. (CDD Ghana, 2019)

This becomes a huge challenge concerning public confidence in microfinance and possible spillover to well-established categories of MFIs, Ghana's economy, and the financial system generally (World Bank Group, 2016). This raises the question as to how the public especially microentrepreneurs perceive the delicensing from other collapses of the microfinance institutions.

Thus the continuous existence of MFIs and their contribution to the economic development of Ghana depend on the confidence of individuals and microentrepreneurs in the sector. This motivates the study.

1.3 Research objective

1.3.1 General objective

To understand how the collapse and delicensing of microfinance companies have affected microentrepreneurs and their perceptions of the use of microfinance services.

1.3.2 Specific objectives

- To find out the perception of entrepreneurs on the collapse and delicensing of MFIs in terms of their willingness to patronize microfinance services.
- To identify how the collapse and delicensing of microfinance companies has affected the confidence of microentrepreneurs in the financial sector and what direction.
- To identify the effect of the collapse and delicensing of MFIs on the business activities of microentrepreneurs.

1.4 Research question

1. How do entrepreneurs perceive the collapse and delicensing of MFIs in terms of their willingness to patronize microfinance services?
2. How has the collapse and delicensing of microfinance companies affected the confidence of microentrepreneurs in the financial sector and in what direction?
3. How has the collapse and delicensing of MFIs affected the business activities of microentrepreneurs?

1.5 Research hypothesis

H1: The delicensing of microfinance companies has led to a more positive perception of the entrepreneurs toward microfinance institutions.

H2: Microentrepreneurs with a negative perception toward MFIs have not changed their perception due to the delicensing exercise.

H3: The borrowers from defunct microfinance companies may benefit from the collapse/delicensing by not repaying their loans.

H4: Microentrepreneurs who usually borrow from microfinance companies, have no change in perception toward microfinance despite the collapse/delicensing.

H5: Microentrepreneurs who rely on MFIs primarily for saving have negative perceptions of the collapse of MFIs; and negative perceptions of the BoG restructuring exercise if they have savings locked up, but positive perceptions if they have been able to access their deposits.

1.6 Justification

Microentrepreneurship is one of the oldest forms of employment and income-generating activity for urban dwellers. Identifying how the collapse or delicensing of microfinance companies affects them will help improve their business as it is their major source of funding for their business.

The research work would serve policymakers by revealing the relevance of microfinance to the growth of micro-entrepreneurship and how effective regulation of MFIs can improve the financial environment for microentrepreneurs. The research would help enlighten and influence the policies of the government in terms of ensuring the sustainability of microfinance institutions to promote financial inclusion and microenterprise development.

1.7 Organization of the study

The report has five chapters. Chapter one introduces the study and provides the background of the study, statement of the problem, objectives, hypothesis, research questions, and significance of the study. Chapter two comprises a review of the relevant theoretical and empirical literature and explains the evolution of MFIs in Ghana, as well as the institutional reforms and regulatory framework surrounding the microfinance sector. Chapter three details the methods used for the study. This includes the strategies and techniques used for data collection and also a brief overview of the profile of the La Nkwantanang-Madina Municipality. Chapter four comprises the analysis of the study. Chapter five highlights the key findings, conclusions, and recommendations for policy consideration and for addressing the problems of microfinance and microentrepreneurs.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews relevant literature on the evolution of microfinance in Ghana, the introduction of regulation, reasons for the collapse of MFIs, de-licensing of MFIs, the theory supporting the research work, the role of microenterprises, and their financial constraints.

2.1 Overview of microfinance regulation in some selected countries

The type and scope of regulation for MFIs vary across countries, intended to implement a preventive and protective regulation to reduce the failure of these institutions, and protection of clients (ACCION International, 1997); Ali, 2015). Most countries have adopted a specific regulatory framework to strengthen the MFIs as a result of poor governance and management, reduce the debt trap, promote financial inclusion for low-income households and microentrepreneurs (SOS Faim 2015).

According to Gallardo et al. (2004), the regulation of MFIs could take three forms: simple registration, non-prudential, and prudential regulation. They further argue that non-prudential regulation provides some standards and oversight to protect consumers or members and is usually self-regulatory, while prudential regulation involves the authority to sanction non-compliant institutions. ACCION International (1997:23) indicated that prudential regulation is needed to create "*a competitive market for microfinance, protect the quality of the microfinance portfolio, and provide adequate and appropriate supervision*."

In the early 1990s, Latin America's supervisory frameworks were weak, hence increasing the risk within the financial sector. However, many countries in Latin America undertook reforms to correct these challenges. Some countries introduced the multiple-service banking system and/or regulation that oversees banks that work as financial intermediaries to serve microenterprises, leading to a strong microfinance regulation and supervisory framework(ACCION International, 1997).

In sub-Saharan Africa, 49 out of 52 countries have specific legislation that regulates the financial sector and have to integrate microfinance into their financial system. (CGAP, 2009 as cited by SOS Faim, 2015).

2.1.1 Kenya's experience

The microfinance sector in Kenya was regulated under a different legal framework. The financial legislation in the 1990s lacked regulations that clearly define the roles of the Central Bank of Kenya (CBK), government, and the microfinance practitioners as well as guiding their operation. It was not able to address the issues relating to ownership, governance, and accountability of MFIs, constituting a major obstacle to the growth and development of the microfinance sector (Ali, 2015; Omino, 2005). Subsequently, the Government of Kenya developed the microfinance Act 2006, which was later amended in 2013 as the legal and regulatory framework for the deposit-taking Microfinance Institutions (DTM) to stimulate a sustainable and conducive environment for the microfinance sector (Ali, 2015). Also, a complete microfinance unit was established under the Ministry of Finance and the CBK "*to formulate policies and procedures to address the challenges facing MFIs, especially in the rural areas, and to build a database to facilitate better regulation and monitoring of their operations*" (Omino, 2005)

Kenya through the DTM bill adopted three different tiers of MFIs with the various regulatory and supervising bodies. The first tier constitutes DTMs that take deposits from the public, which are licensed, regulated, and supervised by the CBK. Their supervision comprises onsite supervision and the use of external audits annually (CDC Consult Limited, 2010). Also, MFIs were required to join the Deposit Protection Fund Board for a deposit insurance scheme to protect depositors to the tune of Kshs 100,000 (Ali, 2015; Omino, 2005).

The second tier comprises credit-only MFIs (such as NGOs), which may nevertheless accept cash as collateral tied to loan contracts is regulated and supervised by the microfinance unit under the Ministry of Finance.

The third tier constitutes MFIs under the informal microfinance providers like rotating savings and credit associations (ROSCAs), financial services associations, and club pools. This category is not under external supervision but is supervised by their funding sources, i.e. donors, commercial banks, and government agencies (Ali, 2015; Omino, 2005).

2.1.2 Tanzania's experience

Before 2019, through the World Bank Rural and Micro Financial Services Project in charge of legal and regulatory framework issues for microfinance, Tanzania drafted and approved a national microfinance policy in 2001 to ensure the development of the microfinance industry as an essential part of the financial sector (Randhawa and Gallardo, 2003).

The National Microfinance Bank which was established, inspire Tanzania to institutionalize a multi-tiered regulatory framework, "*to assist engagement of formal financial institutions in microfinance and ease the graduation of unregulated MFIs to formal status*" yet were in the process of providing a complete regulatory requirement (Gallardo et al., 2004).

In 2019, the Bank of Tanzania issued a full-fledged set of Microfinance Business regulations to provide guidelines to support the administration, management, and supervision of the microfinance sector. This was based on the Microfinance Act 2018, Cap. 407, which categorizes MFI into four tiers. Tier 1 constitutes DTMs and is being regulated under the Banking and Financial Institutions Act, Cap. 342; whereas tiers 2, 3, and 4 are regulated under the new legislation i.e. Non-Deposit Taking Microfinance Service Providers, Savings, and Credit Cooperatives Societies (SACCOS), and Community microfinance groups respectively (Fin and Law, 2019).

2.1.3 Benin's experience

Benin has witnessed a varied array of MFIs with a large number in the West Africa monetary union. These comprise credit unions or mutuelles (the only licensing format which is recognized), credit-only MFIs, NGOs, and various informal groups and associations that are into microfinance (Gallardo et al., 2004); Ouattara, 2003).

Before the introduction of PARMEC law in 1993, all MFIs in Benin were regulated under laws such as the banking law, the usury law, and cooperative law. Later in 1997, Benin passed the legislation to implement the PARMEC law which gives full-fledged licenses exclusively for credit unions and their association, while other MFIs operate under the Ministry of Finance (Ouattara, 2003).

Some business entities, e.g. investment consultancy and computing services, started fraudulent financial dealings to attract deposits from the public; however, many collapsed in 2010. The collapse of Ponzi schemes in 2010/11, led to an improvement in regulatory supervision and licensing requirements (International Monetary Fund, 2016).

Through legislation in 2012, the West African Economic and Monetary Union Banking Commission and Central Bank of West African States were assigned 90 percent of loans and deposits from authorized top 10 MFIs because they possess stronger capacities than national authorities. Larger MFIs are supervised by the regional supervisors while smaller MFIs are supervised by an agency under the Ministry of Finance (International Monetary Fund, 2016).

Additionally, government and development partners provided technical and financial support including setting aside the National Fund for Microfinance to help in the rapid growth of MFIs (International Monetary Fund, 2016).

2.2 Reforms due to microfinance distress

In the early 1990s, due to incomplete legal and regulatory frameworks for the microfinance sector, some companies sprouted up and took advantage of legal loopholes to set up pyramid schemes. The most famous was the MMM Corporation, which defrauded millions of Russian citizens of their savings, and then moved to other countries, including South Africa, Nigeria, and Ghana. In December 2003, at an annual meeting by the Russian Microfinance Center, the Ministry of Finance was given the mandate to regulate and supervise the sector (Bossoutrot, 2005).

The Moroccan microfinance sector, which grew into the largest in the Middle East and North Africa, fell into crisis as a result of the sharp growth of their loan portfolio, totaling USD733 million between 2003 to 2007 (CGAP, 2013). Competition within the sector resulted in multiple borrowing by clients. It is estimated that 40% of its customers accrued loans from several MFIs, resulting in a high credit risk of 13.7% in 2009 (Opoku Antwi, 2015; CGAP, 2013)). However, the Moroccan central bank, in pursuit to strengthen small MFIs, provided common management tools, financial education, and improved regulatory machinery. Also, the MFIs worked tirelessly to improve their systems by engaging devoted recovery teams, as well as taking legal actions against felonious borrowers at the same time creating an information exchange platform to blacklist customers and assets. (Opoku Antwi, 2015; CGAP and MIX, 2009).

Likewise, the microfinance sector in Nigeria faced some challenges. In 2005, the Central Bank of Nigeria (CBN) issued the Microfinance Policy, Regulatory and Supervisory Framework to promote MFIs sustainability, financial inclusion, as well as formalize and regularize community banks (CBs) and MFIs as a whole. (World Bank Group, 2017)

Despite the regulatory and supervisory framework, Nigeria microfinance banks (MFBs) were increasingly becoming distressed, especially CBs, because many MFBs that were licensed were weak, undercapitalized, and could not attain financial sustainability. However, the CBN was reluctant to bail them out, which led the National Association of Microfinance Banks Lagos State chapter to set up an Intervention Fund to deal with MFBs' financial needs (Vanguard, 2010). The distress brought about the delicensing of insolvent MFBs and the revision of the legislation in 2011.

Additionally, in 2019, the CBN revised the types of MFBs and increased the minimum capital base of each category. This review was intended to improve the performance of MFBs. (CSL Stockbrokers, 2020)

In August 2014, the Reserve Bank of Zimbabwe, which is the country's central bank, passed the Microfinance Act to regulate the activities of MFIs due to the anomalies in the system, as dishonest MFIs continued to dupe the public. Before that, the public was warned by the Zimbabwe Association of Microfinance Institutions against deposit-taking MFIs (Masanga and Jera, 2017; Szebeni, 2014).

2.3 Evolution of microfinance in Ghana

The precursors of microfinance in Ghana go back to individual susu collectors and money lenders providing financial services for people to save and/or take small loans, as well as to self-help groups to help members undertake businesses or farming activities. According to Steel and Andah (2003), the microfinance sector in Ghana has experienced four different phases in its evolution since its independence through to the 2000s. Additionally, the various governments have enacted policies and programs that helped the evolution of the industry to its current stage. The first stage was the provision of subsidized credit by the government to individuals and enterprises in the 1960s to eliminate poverty under the hypothesis that poverty was a result of the lack of capital. The second stage was between the 1960s and 1970s, with a focus on the provision of financial interventions through NGOs. Here, the objective was to get to as many poor people as possible, without considering the financial sustainability of these NGOs. During this period in the 1970s, there was a regulation for commercial banks to set aside 20% of their loan portfolio to finance agriculture and small-scale businesses.

The third stage occurred in the mid-1980s. During this era, there was a change from the restricted financial sector to a liberalized era. The fourth stage occurred in the 1990s where there was the commercialization of MFIs and formalization of certain forms of MFIs under the Non-Bank Financial Institutions Act (1993). In this period, MFI began to receive prominence and acceptance in the financial circles of the country.

In 2011, the bank of Ghana (BoG) introduced a new phase into the microfinance industry by using regulations under a tiered approach, which was consistent with international trends. The regulations covered the entire microfinance sector, both the operations of MFIs and individuals engaged in micro-financial intermediation such as deposit-taking, non-deposit taking, and credit delivery. This new phase provided a licensing regime and a regulatory framework for deposit-taking institutions already licensed by BoG and also created a category to accommodate the new forms of businesses engaged in microfinance services and lending (World Bank Group, 2016); (Trombetta et al., 2017).

2.4 MFI regulations in Ghana

In Ghana, MFI regulation began with statutory backing to microfinance activities where Money Lenders were licensed to work under the Moneylenders Ordinances[1] (Cap. 176) of 1941 and 1957. The government of Ghana, to further strengthen the Financial Institutions, passed Non-Banking Law 1993 (PNDCL 328) then later replaced by the Non-Bank Financial Institutions (NBFI) Act, 2008, (Act 774) as the main law to govern Non-Bank Financial Institutions.

In 2006, the Ministry of Finance drafted the Ghana Microfinance Policy (GHAMP), which provided guidelines on microfinance operations in the country (GHAMFIN, 2014)). This served as a guide for microfinance activities in Ghana and provided the government with strategies to enable microfinance to thrive in the country.

Then, in the late 2000s, a growing number of businesses entered into financial services with a focus on profits, using the names of “susu” and “microfinance,” but without appropriate practices, relevant skills, and licenses. The growth of unregulated financial businesses and malpractices led the Ministry of Finance and BoG to consult with stakeholders and prepare a draft report on the regulation and

[1] The NBFI Act, 2008, (Act 774) was instituted to nullify the Money Lenders Ordinance (Cap. 176) of 1941 and 1957 while deposit-taking Microfinance Institutions remained under the Banking Act, 2004 (Act 673), and was later amended by Act 738. (Trombetta, et al, 2017)

supervision of the microfinance sector (Gyima-Larbi, 2019). Bank of Ghana also set up the Microfinance Supervision Office within the Banking Supervision Department. These efforts led to BoG's publication in 2011 of "Operating Rules and Guidelines for MFIs" and the "Licensing Requirements for MFIs" (Godwin Boateng et al., 2016).

The new Operating Rules and Guidelines for MFIs were essentially intended to cover the processes of MFIs and individuals engaged in deposit-taking, non-deposit taking, and giving credit facility. It targeted the Financial Non-Governmental Organizations (FNGOs), companies, and individuals collecting savings (or Susu), and Money Lenders, both Companies and Individuals (Adjei, 2018). The main reasons for this regulation from BoG, indicated by Gyima-Larbi, (2019) were to;

- regulate and bring under control microfinance business in Ghana.
- support the microfinance sector given its huge potential and streamline its operations and thus make them more relevant to the whole process of poverty reduction and growth as well as agents for Financial Inclusion.
- offer the sector an opportunity to apply itself to the wheels of economic growth and development and;
- ensure the safety of depositors and help manage the risks associated with MFI's sustainability.

The regulations required some simply to register (e.g., individual susu collectors and money lenders) and others to become licensed according to the types of financial services they provide. The Guidelines introduced a four-tiered classification of MFIs and specified their respective registration requirements and permissible activities (Reiter and Peprah, 2015). These guidelines also contained unambiguous rules and procedures for establishing MFIs, opening new branches, loan disbursement, deposit-taking, minimum paid-up capital, and liquidity requirement. (GHAMFIN, 2014). Refer to Appendix A for details on the various categories of the MFIs.

According to Okoye and Siwale (2017), when the operation of microfinance is regulated, it creates a conducive environment that promotes financial access and growth of MFIs. The understanding of this led the bank of Ghana to provide a regulatory and supervisory framework for MFIs to deal with the operations and risks associated with microfinance and to mitigate the risk.

Furthermore, to promote microfinancing in helping MSMEs, the bank of Ghana in 2020 launched guarantee schemes to promote business activity. These programs include the Ghana Cares program to support Small and Medium-Scale Enterprises as well as reduce the perceived high risk surrounding them. Also, the Coronavirus Alleviation Program Business Support Scheme was implemented to cushion Micro, Small and Medium-Scale businesses access to funding due to the impact of Covid-19 (Opoku-Afari 2020),

2.5 Factors leading to collapse/delicensing of MFI

This section discusses some factors mentioned in some literature as to what accounts for the collapse of MFIs, including unsustainable ventures, overtrading, mismanagement, poor credit risk management, disregard of due diligence, and violation of central bank rules and guidelines

2.5.1 Unsustainable ventures and overtrading

The unregulated MFIs that sprung up in the 2000s often had little investment capital, relying instead on deposits to mobilize funds. A paper by Owusu-Nuamah (2014) shows that as more MFIs sprout up, competition becomes tight, leading MFIs to roll out products that will attract more deposits and other funds. Some were giving incentives like cloth or a bag of cement to clients who deposit an amount in their account or maintain a certain minimum balance for a period. Additionally, Opoku Antwi (2015) argues that some MFIs, to be competitive in raising funds, resorted to paying outrageous interest rates to customers on fixed deposit accounts. When this became unsustainable, since their investment return on loans is not commensurate with that of the interest they give on fixed deposits, it became a Ponzi scheme, in which they continually have to seek more new depositors and "investors" to generate funds to pay the existing clients, which in turn breaks down as they fail to get sufficient additional new funds.

Overtrading refers to companies that are under-capitalized and still trading. Overtrading is also defined as "when the operational level of a business is such that the amount of working capital is inadequate to support business commitments" (Addo, 2014). Overtrading in MFIs is when MFI expands their operations rapidly by opening up new branches with an expectation of increasing profitability through expanding the client base and attracting more savings. Some MFIs were behaving like commercial banks, opening huge branches, investing in risky ventures, etc. (Addo, 2014).

MFIs that overtrade usually run out of working capital or have liquidity problems or experience both. Overtrading MFIs usually experience a negative cycle, that is as interest expense on deposits increases, net profit declines, which leads to a decrease in working capital and increases borrowing, which eventually affects interest expense, and then the cycle continues. When funds are misappropriated through overtrading, it reduces the MFIs' working capital sharply. This can be attributed to MFI managers who come from a business background and might be ignorant of prudential financial management practices (BAKU, 2015).

2.5.2 Mismanagement

According to Hoelscher (n. d.) and Mariana (2015) as cited in (Opoku Antwi, 2015), "Methodological flaws, regular frauds in management, unregulated growth, operating in new markets outside microcredit, lax lending practices, and weak risk control systems have been cited among others as the possible causes of banking crises." Literature has cited mismanagement as a major cause of microfinance failure worldwide, including reckless expenditures and poor risk management.

Godwin Boateng et al. (2016) argued that during 2013, about 50 MFIs became defunct due to their inability to sustain their operations. This comprises 30 collapsed and 20 insolvent MFIs. Additionally, Dream Well and Double Up, an MFI in the Ashanti region in Ghana, became broke because they focused on acquiring big buildings for offices, purchasing cars, landed properties, etc. without considering that their current asset and monies are people's deposits, and thus should be treated as liabilities rather than assets (Godwin Boateng et al., 2016).

2.5.3 Lack of qualified staff

According to Asiama and Osei, (2007), most MFIs do not employ qualified personnel to manage their operations, which is also an important factor leading to the collapse of MFIs. Research has shown that staff educational background, skills development, and incentive schemes can have an impact on microfinance sustainability (Addo, 2014); Odoom et al., 2019). It is worth mentioning that most MFIs usually employed senior High School leavers and diploma holders to manage the affairs of the company, but most of these people have little or no knowledge about microfinancing. In other instances, a week or less of training is given to staff as a way of skill development before their commencement of the work (Opoku Antwi, 2015). Studies from Owusu-Nuamah (2014) and Godwin Boateng et al. (2016) show that the top hierarchies to the bottom of management were not having knowledgeable experience in banking or microfinance.

2.5.4 Fraudulent activities by staff

Opoku Antwi (2015) argued in his paper that fraudulent activities of the staff of MFI contribute to the collapse of these institutions. According to Owusu-Nuamah (2014), some staff of MFIs created non-existing accounts to apply for loans or sometimes recorded fake expenditures. In peculiar cases where the software used by the companies allows users to delete transactions, some clever staff finds a way to delete withdrawals for their accounts to increase and pave the way for more withdrawal. These fraudulent activities could be attributed to weak internal control measures, poor supervision, and poor accounting system.

2.5.5 Poor credit risk management

The essence of credit risk management is to reduce costs and increase returns for banks or MFIs. Studies have found a positive link between MFIs' financial performance and credit risk management practices. Tuema Loko (2018) posited that better credit risk management results in better bank performance and tends to experience lower loan default. However, some MFIs have failed to apply credit risk management measures to achieve financial stability. It was therefore noted by Nair and

Fissha (2010) that poor credit risk management is the core of the problem of MFIs' sustainability. Poor credit risk management for MFIs comes in two forms: before loan application or pre-disbursement; and after loans are disbursed. It has been identified that most MFIs have problems with asymmetrical information about the client before granting the loan because it comes with a higher cost, and most MFIs are not prepared to bear that cost, hence affecting their credit management.

A study by Silikhe (2008) on credit risk management in MFIs in Kenya brought to light that, even though some MFIs have set up necessary guidelines to credit risk management, yet loan recovery is still critical to most of these institutions. Also, evidence by Afriyie and Akotey (2011) and Opoku Antwi (2015) in Ghana revealed that MFIs' credit appraisal procedures do not adequately address credit risk for informed decision making. These are among the many reasons for the collapse of MFIs.

2.5.6 Disregard for due diligence

Due to increased competition among MFIs in Ghana as a result of their large number, available clients could access loans from competitors easily, instead of yielding to the due diligence of some MFIs, which is time-consuming (Osei-fosu and Osei-fosu, 2017). Most often clients are impatient when it comes to accessing loan facilities, posing a problem to ethical MFIs for clients troubled by due diligence procedures. In other instances, there is a "double-dip"; that is, clients borrow from one MFI when in distress to settle a loan contracted from another MFI, making them more indebted. This can also be attributed to the MFIs' eagerness in recruiting clients (Godwin Boateng et al., 2016); Baku, 2015).

Additionally, Owusu-Nuamah (2014) argues that most MFIs in pursuit of clients promise them loans double, thrice, or more the amount they save over a certain period, without proper assessment. Moreover, the means of verification of the debt profiles of prospective clients from competitors and also control of competitors' loan disbursements by MFIs were problematic. Hence, clients play them against one another (Andersen, 2009, as cited by Godwin Boateng et., 2016).

2.5.7 Poor recovery rate

Due to a high client to loan officer ratio in most companies, they have inadequate time to pursue loan defaulters, making it very difficult to recover these loans. Some MFIs opted to finance capital-intensive projects, which most often get their money locked up at a certain point in time. In some instances, a substantial amount of the money was "lent" to a subsidiary company, which becomes difficult to recover when the subsidiary company is struggling to survive, resulting in non-performing loans. (Opoku Antwi, 2015).

2.5.8 Disrespect for BOG rules and guidelines

Research has demonstrated that about 85% of the collapsed MFIs in Ghana, violated prudential guidelines such as single deposit threshold, maximum loan amount to a customer, the indiscriminate opening of branches, etc. From the details provided in Box 1, it was obvious that there was a disregard of the BoG rules (Godwin Boateng et al., 2016) and operational guidelines covering the permissible activities for microfinance activities (Bank of Ghana, 2019; Bank of Ghana, 2011).

BOX 1: Violations of BoG Microfinance Guidelines

Guideline 1: Lend to customers up to a ceiling of 5% of the company's net worth for unsecured exposures;

An anecdote from one of the interviews depicts "it was BoG rule that we should not give a single customer more than 5% of our stated capital. But we did. Our company did. Most of the companies too. Our stated capital was a hundred thousand that is one billion old Ghana Cedis but we were giving a single client a loan of about GH10, 000, which is 10% of our stated capital. As of now, we have a customer who owes us about fifty thousand [Ghana Cedis]. It could have taken care of about three branches. If we had just 50% of that single customer's loan, we could have been able to solve our problem" (Godwin Boateng et al., 2016)

Guideline 2: No single deposit shall exceed 5% of the Company's paid-up capital.

This rule clearly states that a deposit transaction including the balance on a deposit account at any point in time should not exceed 5% of the institution's paid-up capital. This was to prevent a situation whereby a depositor withdraws a huge amount impromptu the MFI would not have enough money to readily serve customers. Yet, some collapsed MFI ignored the guidelines and took deposits that were 10% or more of their stated capital. (Godwin Boateng et al., 2016)

Guideline 3: To establish branches subject to prior approval of the BoG and compliance with the higher capital requirement as determined by the BoG

The BoG rules state that "not more than 25% of initial paid-up or additional capital for branches shall be spent on property, plant, and equipment (capital expenditure) and with at least 75% of the initial paid-up capital shall be in liquid cash resources to support operations." Evidence shows from several studies that MFI was not complying with the directive. MFIs were spending huge sums of money opening new branches which are far above the yield from that branch. Additionally, some MFIs were opening branches without approval from the BoG. (Godwin Boateng et al., (2016); Opoku Antwi (2015); Adjei, (2018))

2.6 Locating customers of collapsed and delicensed MFIs

Most of the MFIs delicensed were insolvent, while some had stopped operation for as much as five years before the restructuring. Therefore, the receiver was appointed to ensure depositors are refunded, contracted managers or staff of the various MFIs, and some individuals to help trace customers. For MFIs who had stopped operations, customers were contacted via phone calls or one on one visits for validation and other processes. Likewise, borrowers were called while others were traced to their homes or workplace for new negotiations on payment terms.

2.7 Micro-entrepreneurs/enterprises

Micro-entrepreneurship is a common way that workers get employed in developing countries where formal wage jobs are scarce. It lightens the burden on job creation by the government and promotes self-sufficiency with minimal resources required (Reeg, 2015). It contributes to improving the well-being of individuals, increases GDP, and creates a robust economy, as well as promoting social development in developing countries (Trombetta et al., 2017).

Micro-entrepreneurs own businesses and see to the day-to-day activities of the business. These business entities are not distinct from the owners, who bear responsibility for everything that happens in the business, including the losses and debts (Permwanichagun, et al., 2020). They operate small businesses and shops, transport services, etc.

According to White (2018), micro and small enterprises are private enterprises at the smaller end of the size spectrum. However, definitions vary by country and international organization. For instance, the World Bank (1978) defines microenterprise based on a country's "stage of development, policy objectives, and administration." Nevertheless, most countries define micro-enterprise based on the number of employees and/or its fixed capital under a specific threshold or value of sales (Camilleri, 2005).

Regarding Ghana, the Ghana Statistical Service (GSS) (2016) in its Integrated Business Establishment Survey (IBES) II study, describes a micro-enterprise as an establishment that employs not more than five people. Therefore, for this study, the GSS definition has been adopted.

In Ghana, micro-entrepreneurs are required to register their business name with the Registrar-General under the Companies act 1963 (Act 179). Nevertheless, it is legal to operate a business in one's name without registering, and the majority of MSMEs do not register at the national level, although they may do so locally (Steel and Andah, 2003), In Ghana, micro and small-scale entrepreneurship dominate urban centers, consisting mostly of traders, food processors, artisans, etc., who are either operating from homes or in available public space. Microenterprise activities are heterogeneous, including agricultural, distribution, transport, services, crafts, etc (Osei-Boateng and Ampratwum, 2011; Xaba et al., 2002). This forms part of the informal sector in Ghana, which originated from colonial capitalism during the Gold Coast era (Osei-Boateng and Ampratwum, 2011). In the 1980s, under the economic recovery program, the structural adjustment policies pushed micro and small enterprises to be more competitive to survive, with a structural change taking place within the subsectors and among firms. Nevertheless, difficulty in accessing finance for working capital and new investment slowed their growth (Steel and Webster, 1991).

2.7.1 Traders

Traders serve as agents in distributing products such as food, equipment, accessories, etc. to the final consumer. Their services may be provided through shops, market stalls, and itinerant selling of specific items (Bhattacharya and Londhe, 2014).

2.7.2 Transport owner

The transport business has been one of the sectors where microenterprises have thrived because of the high level of movement and population size in big cities. It has developed microentrepreneurs' opportunities and increased inter and intra-city connectivity as traders, businessmen/women, and other workers rely on it (Swaniti Initiative, 2016). The transport business is one of the main areas for the development of microenterprise. (Swaniti Initiative, 2016)

2.7.3 Skilled service providers

The provision of services is also another of the fastest growing areas for microenterprises. As individuals receive adequate training or apprenticeship, they set up their businesses with little resources. These service professionals include beauticians (hairdressing and barbers), electricians, carpenters, plumbers, among others (Bhattacharya and Londhe, 2014).

2.8 Microenterprise finance constraints

According to Bhattacharya and Londhe (2014), having access to funding is the most critical input for business growth and survival. Most microentrepreneurs self-finance their business at the initial stages and then source for external funding as the business grows. However, because of the small size of the business, capital base, lack of documentation, and other factors, MSMEs find it difficult to access credit from banks and other financial institutions. World Bank reports indicate that several factors affect the growth in MSMEs, such as lack of access to finance, infrastructure, markets, poor quality technology, and regulatory framework commonly. Among these, obtaining finance is the major constraint for most microenterprises (World Bank, 2004; World Bank, 2007).

In Bangladesh, microentrepreneurs mostly lack access to loans from formal financial institutions, due to their lack of collateral, financial literacy, and connections (Khandker et al., 2013). Therefore, they rely heavily on personal savings, and loans from family members and friends. Loans from informal lenders tend to charge very high-interest rates, making it difficult to sustain borrowing. MFIs have proven to provide some solutions to microenterprises' credit constraints by charging an interest rate between those of commercial banks and informal lenders. Thus, MFIs may enable MSMEs to borrow sustainably to support their profitability and growth.

Similarly, in the Southern African Development Community region, most entrepreneurs are challenged with access to credit. A large percentage of microenterprises are inhibited by access to finance to start-up and/or promote their growth, with very few of them having access to credit from the banks or non-bank financial institutions (Fanta et al., 2017). Most microentrepreneurs depend on personal savings or informal credit to start-up businesses.

The situation of microenterprise financing in Ghana is not different from that of other countries around the world. An impact assessment on MSMEs financing scheme shows that 75% of MSMEs in Ghana are faced with financial constraints regardless of the size, as a result of delays in loan application processing, cumbersome lending procedure, and collateral requirements (Ernst and Young and ISSER, 2007). Therefore, they rely heavily on internal and informal sources of funding such as family, friends, money lenders, etc.. (Amoah and Amoah, 2018).

Though several MFIs have diversified their loan products to meet the growing demand for microenterprises, however financial access remains a major barrier (Clark, 2004), This constraint has hindered microenterprises' ability to operate at the optimum level, by limiting their operation, productivity, and profitability (The International Fund for Agricultural Development, 2008).

2.9 Theoretical framework

A change in behavior towards an outcome occurs not necessarily because of the action that was performed but the consequence of it taking into consideration the context in which the action took place and the time (Ajzen and Fishbein, 1977, as cited by A. S. R. Manstead, 2001).

2.9.1 Theory of planned behavior (TPB)

The Theory of Planned Behavior (TPB) was derived from the Theory of Reasoned Action (TRA). It looked at predicting human behavior as affected by their decision-making processes and their intention to act (Hardeman et al., 2010; Zhang, (2018). TPB was first used in social psychology to widely explore the intended human behavior against the backdrop of three influences: the person's attitude towards the behavior, subjective norms, and perceived behavioral control. TPB is a universal theory that not only indicates a particular set of beliefs that is linked to a specific behavior but gives the liberty for researchers to determine the actual behavior based on those beliefs (Ashraf, 2014). According to Zhang, (2018), TPB has specific areas of application. First of all, TPB looks at individuals' rational behavior, that is, how individuals behave in a group as well as their behavior as a result of their emotions. Additionally, it focuses on individual behavior based on a specific time, context, and objective other than general behavior. For instance, “watching UEFFA champions league on Wednesday” is a specific objective, whereas “watching football” is general behavior. Moreover, TPB considers the principle of consistency. All elements of the TPB model must focus on the objects belonging to the same levels. Finally, TPB is used to forecast new behaviors without adding repetitive behaviors and habits. According to Ajzen (2012), both internal and external factors can affect behavioral patterns, which are usually based on their skills, information, ability, social support, absence, or presence of barriers.

2.9.2 Attitudes towards an outcome

Attitudes can be described as an individual's personal beliefs that behavior will result in a certain outcome (Hagger and Armitage, 2004). Ajzen (2012) argues that "behavioral belief and outcome evaluation combine to produce an overall positive or negative attitude towards the behavior." Therefore, a person's attitude towards a particular product means "*the individual's positive or negative evaluations of an object* (product)," which affects the person's intent to use or purchase that product (Ajzen,2005, p.118, as cited by Jebarajakirthy and Lobo, 2014).

2.9.3 Subjective norm

Subjective norm can be referred to as the belief relating to how others expect us to behave given a certain circumstance. It is also seen as a social pressure that individuals experience in performing particular acts, which come from persons or groups who are significant to the individuals in approving or disapproving the individual's decisions (Yoon, 2011; Zhang, 2018). Subjective norm is usually measured by the extent to which an individual is willing to conform or get along with what others perceive or think (Williams et al., 2018).

It can be argued that different social environments bring about social pressure. Someone's attitude towards something might be different from the subjective norm because the person might have a favorable attitude toward a product or services but no social pressure to pursue it or have a negative attitude towards something yet have a good perceived subjective norm or probably both favorable attitude and social pressure.

2.9.4 Perceived behavioral control

Perceived behavioral control is usually based on one's competence, which Bandura (as cited by Ajzen, 2012) describes as "one's capability to organize and execute a course of action required to produce given attainment." Perceived behavioral control captures how individuals possess or lack the willingness to accommodate intrinsic tendencies; that is, how hard or easy an individual thinks it is to perform an activity. TPB also postulates two assumptions in explaining perceived behavioral control. The first deals with motivation; that is, an individual with high perceived behavioral control and the purpose to do something will try harder to pursue that action than someone with a similarly strong purpose but lower perceived behavioral control. The second assumes that if someone decides to undertake a behavior but fails to act on that decision, the failure can be attributed to the lack of control over that behavior (Ajzen, 2002).

The TPB argues that someone with a high perceived behavioral control concerning certain behavior is more likely to form their purpose to perform that behavior and more likely to act on that purpose in the face of difficulties and setbacks, than someone with low perceived behavioral control (A. S. R. Manstead, 2001).

2.9.5 Perceived risk

Risk is an important aspect of every economic activity. It is a subjective feeling of an individual about the uncertainty that might occur. Risk is described by Stone and Gronhaug (1993) as "a state in which the number of possible events exceeds the number of events that will occur, and some measure of probability can be attached to them." The concept of risk is introduced when actions bring about unpleasant consequences (Quintal et al., 2010).

Perceived risk, on the other hand, can be conceptualized as an intuitively determined anticipation of a potential loss, and it can be measured using probability. Siddique (2012) argued that perceived risk is a critical factor in explaining the client's behavior since clients are motivated to reduce risk as well as to maximize their utility during their purchase processes. Therefore, there is a strong relationship between perceived risk and product and service usage behavior.

2.9.6 Perceived benefit

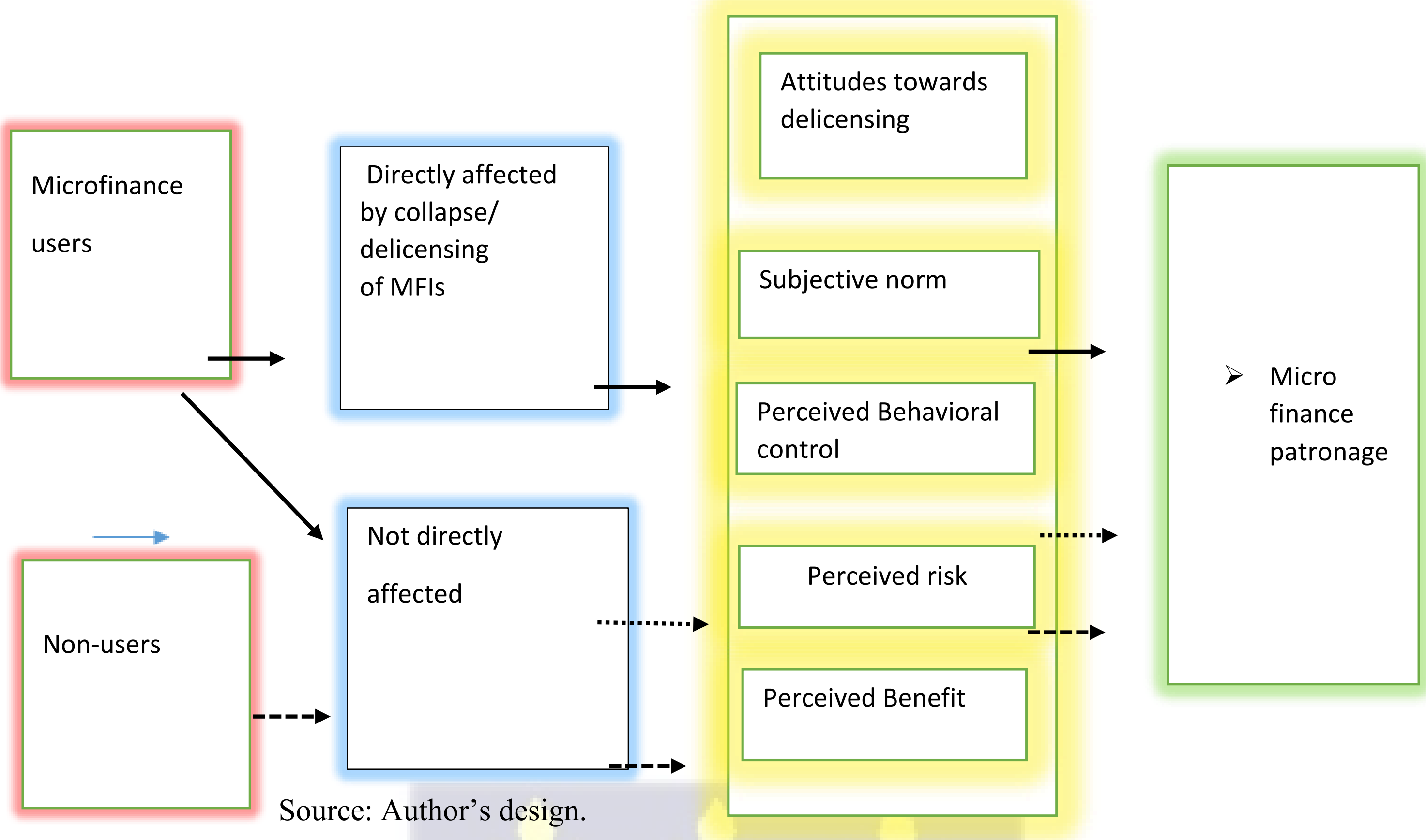
Perceived benefits are the positive outcomes that individuals believe they might experience. Clients tend to envisage the benefits associated with using a product or service, including microfinance. This informs their attitudes, which in turn affects their decision (Jebarajakirthy and Lobo, 2014). Thus, customers may expect that gaining credit or saving up would affect their economic and social well-being, and might so act despite all odds.

2.10 Conceptual framework

The conceptual framework is based on the theory of planned behavior. Uncertainty related to the outcome of an action is likely to affect the client's behavior. For instance, the higher the perceived risk of financial loss associated with an MFI, the higher the negative behavior towards patronage likewise, a positive attitude towards delicensing may increase patronage.

Therefore, the conceptual framework (figure 1) illustrates how microfinance users or non-users who might be affected or not affected by the collapse or delicensing of MFIs may be influenced by factors such as attitude towards delicensing, subjective norms, perceived behavioral control, perceived risk, and perceived benefit in their intention to use microfinance services, as well as which MFI to operate with.

Figure 2.1: Conceptual framework



Source: Author's design.

CHAPTER THREE

METHODOLOGICAL FRAMEWORK

3.0 Introduction

This chapter is divided into two sections. The first section discusses how the necessary data were gathered and provides information on the research design, the research methodology, techniques used to conduct the study, as well as the sample size, and the sampling procedures. It discusses the method of data collection, data organization, and analysis. The second section gives a brief background of the study area. It covers the demographic characteristics, economic activities, social services, and infrastructure in the La Nkwantanang-Madina Municipality.

3.1 Section one: Research methodology

3.1.1 Research design

The study used both inferential design and a descriptive survey. Inferential research design is a method of collecting data for testing hypotheses or answering research questions (Creswell, 2003), while the descriptive survey is intended to display in-depth the features of certain individuals, phenomena, or groups (Avoke, 2005) and was adopted to ascertain and describe the characteristics of the variables of the phenomenon under study. This is largely because the design is considered to be relatively easy to conduct, it produces a good amount of responses from a wide range of respondents, and interpretation can be done using simple descriptive statistics (Blaikie, 2000; Sarantakos, 2006).

The La Nwantanang-Madina municipality was chosen because it broadly represents a section of urban areas in the country, which are usually dominated by micro, small-medium enterprises. Moreover, Madina is one of the major hubs of commerce in the Greater Accra region, attracting people from other towns and regions. It is served by a range of financial institutions, including microfinance institutions (MFIs), which are the subject of this study.

Microentrepreneurs in the La Nwantanang-Madina municipality were targeted, with a focus on traders, hairdressers/beauticians, and taxi drivers. Hairdressers and barbers were selected to represent a section of microentrepreneurs based on apprenticeship training and who are relatively skilled service providers. These categories of entrepreneurs usually require some capital to start up, and basic assets, therefore, often depend on MFIs. Besides, apprenticeship forms a significant part of MSMEs in Ghana and accounted for a majority share of MSMEs employment for most youth who could not afford formal education or dropouts (Steel and Webster, 1991).

Though drivers also undergo some form of apprenticeship or training before obtaining a driver's license, the study focused on the transport business as one of the evolving micro-entrepreneurship activities in Ghana, with diverse innovation. Formerly, the dominant mode of transportation was a taxi and 'trotro.' However, in recent years several forms of transport have sprouted up like Uber, Yango, Bolt, etc. According to Dupas and Robinson's (2013) study in Kenya, bicycle-taxi drivers were putting significant average daily savings in a cost-free account. Similar studies show that savings and credit cooperatives (SACCOs) in Kenya grew more under the transport business i.e. 'matatu' (public taxi) owners (Johnson, 2004). Hence, the choice of taxi drivers to represent those in the transport business.

Finally, foodstuff sellers were also selected to represent the category of MSMEs in the production and distribution value chain. These are the category of entrepreneurs who are illiterate or semi-illiterate and largely acquire their knowledge and skills from family or friends (Osei-Boateng and Ampratwum, 2011). They tend to find it difficult to transact business with banks, and hence are more likely to use microfinance services.

3.1.2 Sampling technique and sample size

Because it is impossible to study everyone, everywhere, doing everything, sampling is needed to select a limited number of people to interview and which actions to observe, as well as the locations and procedures (Punch, 1998). For this study, respondents in the informal sector were considered with an estimated targeted population of 98,431 (Ghana Statistical Service, 2014)(LANMA/MPCU, 2019). The sample size was then determined using the formula $n = \frac{Z^2\, p(1-p)}{E^2}$ which yielded a minimum sample size of 384 based on 95% confidence level and 5% margin of error. However in order to increase precision, the sample size was enlarged.

The informal sector workers were sub-categorized into three groups:

1. Hairdressers/beauticians and barbers
2. Taxi drivers
3. Foodstuff sellers

The survey was carried out to represent the categories of microentrepreneurs in random sampling. A total of 450 respondents were sought for the interviews, to provide adequate degrees of freedom for statistical analysis, within the time and resource constraints. These respondents include foodstuff sellers, drivers, hairdressers/beauticians, and barbers who are clients of defunct MFIs, non-client of MFIs, and clients of existing MFIs.

Table 3.1: Sampled microentrepreneurs

	Foodstuff sellers	Taxi Drivers	Hairdressers and barbers	Total
Non MFC client	50	50	50	150
Client of defunct MFC	50	50	50	150
Client of existing MFC	50	50	50	150
Total	150	150	150	450

No comprehensive list was available for all microentrepreneurs nor clients of existing/defunct MFIs to be used as a sample frame from which the sample would be selected. Therefore, the sampling

strategy was developed from the actual population of microentrepreneurs on the ground and the limited information from the unions (market queens, transport union, and beautician association).
The study employed both probability and non-probability sampling methods. For probability sampling, the study used stratified sampling to gather information from respondents who are clients of defunct MFIs, non-client of MFIs, and clients of existing MFIs with occupation being the stratified variable.

According to Saunders, et al. (2007), "dividing the population into a series of relevant categories or sections means that the sample was more likely to be representative, as you can ensure that each of the categories or sections was represented proportionally within the sample."

The interviewers were divided into four teams with their starting point at the Madina traffic light near the footbridge. Using the road network at the junction as a demarcation point, the first team took the main lorry story lane while the second team took the market lane, the third team started from the Oman FM lane while the last team used the Zongo junction lane.

The target population was first separated into mutually exclusive, homogeneous segments (foodstuff sellers, taxi drivers, and hairdressers and barbers), and then a sample was selected randomly from each segment using the ratio 1:5 for high-density areas and 1:3 for low-density areas. In a high-density area, when an interviewer visits the first respondent in one category, he/she moves to the 5th market structure for the next interview in the same category. Additionally, in the low-density area, when the interviewer visits the first respondent, the next respondent was in the 3rd market structure. For instance, when an interviewer speaks to a hairdresser, his/her next hairdresser was in the 5th shop in a high-density area or the 3rd shop in a low-density area.

An interview was truncated when a respondent does not fall into a specified category. Interviewers then continued interviewing respondents until the specified number in all the various categories was captured. When the specified number of respondents for defunct MFIs could not be attained, the snowball technique, which is a non-probability sampling, was used to locate these microentrepreneurs who were difficult to reach. Here, clients of the defunct MFIs who were interviewed were asked if they know any individual within our categories of microentrepreneurs who saved or borrowed from any of the defunct MFIs. The interviewers then recorded the name, where they operated their business and other information that would help identify and locate these individuals. These individuals were tracked and interviewed.

Additionally, two sessions of focus group discussions (FGDs) were conducted to provide more insights into the perceptions of the collapse and delicensing of MFIs, how it affected their confidence and their business in general. In each focus group, nine people were selected from the respondents who were interviewed, including at least one person from each category of workers, and their relationship with MFIs was discussed. Participants were selected randomly from the respondents that were interviewed. Respondents were informed about a further discussion on the subject, and those willing to participate provided their contact details to the interviewer. The list was compiled based on their category, and they were randomly called.

3.1.3 Sources of data

The study used primary and secondary sources of data. Primary data were collected from respondents directly using interviews and FGDs. Secondary data were the information collected from sources other than the respondents. These sources included selected books, journals, the internet, publications as well as reports and official documents from the La Nkwantanang-Madina municipality which were relevant to the study.

3.1.4 Data collection instrument

3.1.4.1Interview

A structured interview with unambiguous questions was used to minimize and ease the analysis of responses. Many question formats were used in the interview to elicit information from the respondents. The majority of the questions used were either closed-ended binary or multiple choices, with some attuned to a Likert scale to limit the respondent's choices and elicit information on perceptions and attitudes on the patronage of the MFIs. According to Osei-Boateng & Ampratwum (2011), most of the entrepreneurs engaged in the informal sector have little or no education; hence the choice of the interviews method of collecting data.

The survey was conducted in the local language, to ensure the robustness of the interview and the quality of the information. First, the interview was pretested at Amasaman in the Ga West municipality, to help the researcher to eliminate possible misunderstandings, biases, or ambiguity, as well as minimize lapses in interview administration. A one-day training session was conducted for the interviewers to ensure they were abreast of the interview and some key terminology in the local language to help administer the interview well and record the right responses.

A copy of the interview guide is found in Appendix B.

3.1.4.2 Focus group discussion

With the FGD, some microentrepreneurs in our sample were gathered to discuss their perceptions and ideas about the collapse and delicensing of MFIs, how it has affected their confidence in the financial sector and their business as a whole. The moderator used a guide to help the flow of the discussion. To ensure their anonymity, participants were given pseudonyms and hence were able to express themselves freely. This helped in providing background explanations for some key findings of the study.

3.1.5 Definition of variables

Table 3.2: Definition of variables used in the study

Variable	Definition
Dependent Variable	
Microfinance Patronage	The patronage of microfinance services represents microentrepreneurs' willingness to demand microfinance

	services. It is a binary response coded in dummy variables where 0= Yes and 1=No
Confidence	The extent to which the respondent trusts MFIs and is willing to use their services. The response was coded using a continuous measurement scale where 1= Strongly less confident, 2 =Somewhat less confident, 3=Neither more nor less confident, 4=Somewhat more confident, 5=Strongly more confident
Independent Variable	
Gender	Gender is a dummy variable that represents the sex of microentrepreneurs where 0= male and 1=female
Education	Education is also a categorical variable and represents the educational level of the microentrepreneur where 0 = microentrepreneur without formal education and 1, and 2 with basic, and secondary and higher, respectively
Type of business	It is a categorical variable that represents the occupation or the economic activity of the microentrepreneur where 0 = taxi driver, 1 and 2 represent hairdresser/barbers, and foodstuff sellers, respectively
Type of MFI Client	It is also a categorical variable representing whether the microentrepreneur was a user of microfinance or not, and if user, what the type of user, where 0 = Non-microfinance client, 1 = Client of defunct MFIs and 2 = Client of an existing MFI

Attitude towards delicensing	Microentrepreneur personal belief and evaluation of the delicensing and the microfinance industry. The response was coded using a continuous measurement scale with accumulated (sum of questions 16 and 17) scores ranging from 2 to 10 where the larger the scores (i.e. ≥7) the more positive attitude toward using microfinance.
Subjective Norm	The rate at which a microentrepreneur is influenced by family, friends, and close acquaintances. The response was coded using a continuous measurement scale with accumulated (sum of questions 18 and 19) scores ranging from 2 to 10 where the larger the scores (i.e. ≥7) the higher the microentrepreneur is influenced to use microfinance.
Perceived Behavioral Control	Comfortability and knowledge about the microfinance industry. The response was coded using a continuous measurement scale with accumulated (sum of questions 20 and 21) scores ranging from 2 to 10 where the larger the scores (i.e. ≥7) the more Perceived Behavioral Control influencing the use of microfinance.
Perceived risk	The level at which microentrepreneurs think microfinance is risky. The response was coded using a continuous measurement scale with accumulated (sum of questions 22 and 23) scores ranging from 2 to 10 where the larger the scores (i.e. ≥7) the higher the negative influence to use microfinance.

Perceived Benefit	Opportunities that microentrepreneurs see in the microfinance industry. The response was coded using a continuous measurement scale with accumulated (sum of questions 24 and 25) scores ranging from 2 to 10 where the larger the scores (i.e. ≥7) the more positive influence to use microfinance.

3.1.6 Data analysis and presentations

The data analysis involves transforming the raw data into a manageable size, developing summaries, and applying statistical inferences. Data collected from the field were analyzed using descriptive statistics. The Stata Version 13.0 Software was employed to process and analyze the quantitative data. Frequencies, percentages, proportions, charts, and diagrams were used to present the results. Also, data gathered from the FGDs were transcribed and thematic analysis was employed to analyze the data.

3.1.6.1 Analytical model

In answering the research question and objective, the study engaged statistical tools such as descriptive statistics, frequency, and cross-tabulations to determine the relationships that exist between them. Models such as T-test, Chi-square test, ordered logit regression (OLR), and Logit regression was used to explain the relationship between the variables under consideration.

Table 3.3: Summary of the method of Analysis

Objective	Method of Analysis
1. To find out the perception of entrepreneurs on the collapse and delicensing of MFIs in terms of their willingness to make deposits and borrow.	Logit regression Descriptive analysis using frequencies, percentages, and graphs

2. To identify how the collapse/delicensing of MFIs affect the confidence of microentrepreneurs in the financial sector and in what direction	OLR T-test Descriptive analysis using frequencies, percentages, and graphs
3. To identify the effect of the collapse and delicensing of MFIs on the business activities of microentrepreneurs	Chi-Square test Descriptive analysis using frequencies, percentages, and graphs

3.1.6.2 Logit regression

Logit regression was run to check the correlation between the independent variable and the dependent variables. This is seen as the most suitable way of testing hypotheses regarding the relationship between a categorical dependent variable and more categorical or continuous independent variables (Park, 2013). In this study, one of our dependent variables was microfinance patronage and the independent variables include subjective norm, perceived risk, perceived benefit, attitude toward delicensing, perceived behavioral control, type of microfinance client, age, marital status, education, and gender.

The equation for the logit model is specified as:

$$P\left(y = \frac{1}{x}\right) = \alpha + \beta 1x1 + \beta 2x2 + \beta 3x3 + \beta 4x4 + \beta mXm + \mu \quad \ldots\ldots\ldots\ldots\ldots..1$$

Where $P\ (y = 1/x)$ is microfinance patronage coded as 0 for no and 1 for yes

3.1.6.3 Chi-square test

The Chi-square test was also employed, as some variables are categorical. This test was used to find if there is a significant relationship between defunct MFIs and micro-entrepreneurial activity. With results, when $p < 0.05$ then it is statistically significant, whereas $p > 0.05$ is considered statistically insignificant. The test statistic was compared to the critical value. The null hypothesis of no significant difference is rejected when the test statistic is less than the critical value.

3.1.6.4 T-test

A T-test was performed to ascertain the difference in means and relative significance between affected microentrepreneurs and non-affected microentrepreneurs. It was also used to examine the similarities and differences across the sampled entrepreneurs as well as the level of confidence across gender, education, and patronage of microfinance services.

3.1.6.5 Ordered logit regression (OLR)

To estimate the cumulative likelihood of responses in a linear regression on our dependent variable, which was an ordinal variable OLR was employed to identify the effect of MFIs (defunct MFIs) and perceptions of microentrepreneurs concerning their confidence level. It helped in concurrently considering the effects of the independent variables across possible repeated cumulative splits in the results.

The dependent variable was confidence in MFIs, while the independent variables were gender, age, marital status, education, type of microfinance client of respondents. The confidence indicator was framed in scale as 1=Strongly less confident, 2=Somewhat less confident, 3=Neither more nor less confident, 4= Somewhat more confident, 5=Strongly more confident.

3.1.7 The Expectation of the effect of the variable on microfinance patronage

This portion explains the independent variable in our data set and the expected outcome (hypothesis) from the analysis. Table 3.4 gives an explicit explanation of the variables and the hypothesis.

Table 3.4: Expected signs and outcome of the variable on microfinance patronage

Variable	Expected sign	Expected outcome
Gender	Positive (+)	Females would have more confidence and patronize microfinance
Education	Positive (+)	The higher the level of education the lower the microfinance patronage
Type of business	Neither positive nor negative	There is no significant relationship between the type of business and microfinance patronage
Type of MFI Client	Negative (-)	Defunct MFI clients and non-MFIs clients would have a lower willingness to patronize microfinance
Attitude towards delicensing	Positive (+)	A positive attitude towards delicensing would positively influence their willingness to patronize
Subjective norm	Positive (+)	It is expected that the higher the subjective norm the higher the willingness to patronize microfinance (positive correlation with microfinance patronage)
Perceived behavioral control	Positive (+)	The higher the microentrepreneurs Perceived Behavioral Control towards microfinance, the higher their willingness to patronize

Perceived risk	Negative (-)	The perceived risk would be negatively related to willingness to patronize microfinance.
Perceived benefit	Positive (+)	The higher perceived benefit would lead to an increase in willingness to patronize microfinance

3.1.8 Ethical consideration

The study identifies ethics as a crucial element in conducting research. An introductory letter was sent to La Nkwantanang – Madina Municipality for documents and information relating to the defunct microfinance institutions and the municipality. A consent form was designed comprising the purpose of the study, confidentiality, and anonymity of the respondent, voluntary participation, and perceived benefit and risk, for respondents to consent to before administering the interview. The consent forms were read to the respondents by the interviewer, for respondents to agree to participate in the interview. The respondents were assured that the research was for educational research purposes only and that any information given to us would not be disclosed to a third party. They were also assured that neither their names nor any personally identifiable information would be used in our report. Additionally, the data entry and analysis were configured in a way that will make it difficult to attribute a particular response to an individual respondent. The respondents were prompted that their participation is voluntary, and therefore they can decide to stop the interview in the middle of the survey or refuse to answer a question. Therefore, respondents who participated in this study were not under any compulsion or intimidation.

Additionally, audio recording devices were used to record the interview to maintain the actual intent of the respondent aside from note-taking for the FGD.

3. 2 Section two: Profile of study area

3.2.1 Location

The La Nkwantanang-Madina Municipal Assembly (LANMA) is was inaugurated in June 2012. The Municipality is in the northern part of the Greater Accra Region, which is in southeastern Ghana. It shares boundaries with Akuapem South District Assembly on the north, which is in the eastern region; Accra Metropolitan Assembly on the south; Adenta Municipal Assembly on the east; Kpone Katamanso District Assembly at the northeast of the municipality; and Ga East Municipal Assembly on the west.

3.2.2 Demographic characteristics

The Municipality has a population of 111,926 based on the 2010 Population and Housing Census with a projected population in 2020 of 146,913. The population constitutes 51.5% female and males 48.5% ,with a population density of 1,909 people per KM^2.

The bulk of the population in the municipality is the youth, between the ages of 20-29 years. This could be attributed to a large number of migrants into the Municipality, possibly for employment.

3.2.3 Economic activities

The Ghana Statistical Service (GSS, 2014) estimated that about 70% of the population between the ages of 15 years, and 65 are economically active with 92.3% employed. Out of those employed about 35.5% are engaged in service and sales, 22.0% in craft and related trade, 10.5% are professional technicians, and 8.4% are engaged in a basic occupation. Additionally, 43.4% of the employed population are self-employed without employees while 8.5% are self-employed with employees. It is noteworthy that the private informal sector in the municipality employs 69.7% of the population, with females constituting 78.8% of the employed (GSS, 2014).

Commerce is the main economic activity in the Municipality aside from agriculture, with services and manufacturing concentrated mostly at the capital. Due to the Municipality being a hub of trading, most people travel far and wide to trade.

Another economic activity engaged by citizens in the municipality is agriculture, both crop and animal farming. With crop farming, cereals, tubers, fruits, and vegetables such as maize, cassava, pepper, okro, cabbage, Mangoes, pineapple, watermelon are mostly cultivated. Animal husbandry includes livestock, poultry, snail, grass cutters, and rabbits, among others.

Also, many manufacturing industries are into food and agro-processing, packaging, and fabrication, among others. Some of these factories that are found in the municipality include the Nkulenu Industry, Royal Aluminum Company, Special Ice Water Company, Voltic Water Bottling, etc.

3.2.4 Social service

Development in every community and country depends on the availability and delivery of social services such as health, education, financial institution, telecommunication, etc. The municipality has 70 health facilities, comprising eight hospitals, two Poly Clinics, four Health Centers, 18 Clinics, 35 CHPS compounds, and three Maternity Homes. They provide treatment to major diseases in the municipality such as malaria, upper respiratory, urinary tract infection, diarrhea, skin diseases, hypertension, pregnancy-related complications, etc. The doctor-patient ratio in the municipality is 1: 8,641 whiles the nurse-patient Ratio is 1: 890 and Midwife – Population Ratio is 1: 1,907. (LANMA/MPCU, 2019)

Literacy in the municipality is very high: 91.3%, compared to the national level which is 74.1% of the entire population according to GSS, associated with a relatively high level of educational facilities in the municipality (GSS, 2013, 2014). The municipality has 169 kindergarten schools, 175 primary schools, 133 junior high schools (JHS), 14 senior high schools (SHS), one Technical and Vocational Educational Training (TVET), two Tertiary institutions, and one Nursing College.

There are numerous financial institutions, providing financial services to entrepreneurs and individuals in the municipality. These comprise 18 Commercial Banks, four Rural Banks, and 10 Microfinance Institutions (Savings and Loans and Microfinance Companies (LANMA/MPCU, 2019).

CHAPTER 4

ANALYSIS AND DISCUSSION OF THE FINDINGS

4.0 Introduction

This chapter presents the analysis and discussion of the findings from the data obtained from the interviews conducted in the La Nkwantanang-Madina Municipality. The main focus of the study was to determine how microentrepreneurs perceive the collapse and the delicensing of microfinance companies and the effects on their businesses. The researcher randomly selected respondents from the category of entrepreneurs under study. Descriptive and inferential statistics were used to determine the relationship between microfinance patronage, confidence level, type of MFI clients, and how the collapse/delicensing affected their business.

4.1 Demographic characteristics of respondents

The demographic characteristics give a brief background of the respondents. For this study, information such as age, marital status, educational attainment, type of business, and business ownership was collected. The demographic characteristics of respondents were also compared across the three groups of clients to ascertain whether they have similar characteristics. This helps to understand the characteristics of clients who patronize the services of MFIs.

Table 4.1: Demographic characteristics

Characteristics	Category of Respondent			
	Foodstuff seller	Taxi driver	Hairdresser and barbers	Total
Gender				
Male	2.0	100	39.3	212 (47.1)
Female	98.0	0	60.7	238 (52.9)

Age (mean)	39.98	39.41	30.96	36.78
Marital status				
Single	24.0	30.0	56.7	166 (36.9)
Married	76.0	70.0	43.3	284 (63.1)
Education				
No Formal	8.7	4.0	0.7	20 (4.4)
Basic	78.7	70.7	52.0	302 (67.1)
Secondary and higher	12.6	25.3	47.3	128 (28.5)

	Category of microfinance client			
	Non-microfinance client	Client of defunct MFIs	Clients of existing MFIs	Total
Gender				
Male	46.7	47.3	47.3	212 (47.1)
Female	53.3	52.7	52.7	236 (52.9)
Age (mean)	35.31	37.2	37.85	36.78
Marital status				
Single	44.0	30.0	36.7	166 (36.9
Married	56.0	70.0	63.3	284 (63.1)
Education				
No Formal	1.3	7.3	4.7	20(4.4)
Basic	70.0	62.7	68.7	302 (67.1)
Secondary and higher	28.7	30.0	26.7	128 (28.5)

Source: field study, 2020

4.1.1 Gender of respondents

From Table 4.1, 212 of the respondents were male representing 47% of the microentrepreneurs selected while the female was 238 representing 53% of the sampled population. From the sample selected randomly, there were no women who are taxi drivers; 98% of the sample under foodstuff sellers were females; while 60.7% of the hairdressers and barbers were female. The overall sample average of 53% female is consistent with the findings of Gomez (2008) and Mead and Liedholm (1998) that women dominate microenterprises in developing countries.

Hairdressers/barbers were selected to represent microentrepreneurs who undergo an apprenticeship. The study found out that there are more females than males in these categories of microentrepreneurs, 60.7% as against 39.3%. This tallies with the Ghana Statistical Service (2013) census report which states that 2.9% of females get into an apprenticeship as compared to 2.5% of males.

Additionally, from Table 4.1, there is no difference in the shares of female microentrepreneurs among microfinance users and non-microfinance users: around 53% in our study. This is consistent with GHAMFIN (2014), which indicates that "*just under half of reported clients of MFIs are women*" in Ghana, although inconsistent with global figures in Morduch and Armendariz (2005) which indicate that women constitute 75% of microfinance beneficiaries.

4.1.2 Age of respondents

Figure 4.1: Age of Respondent

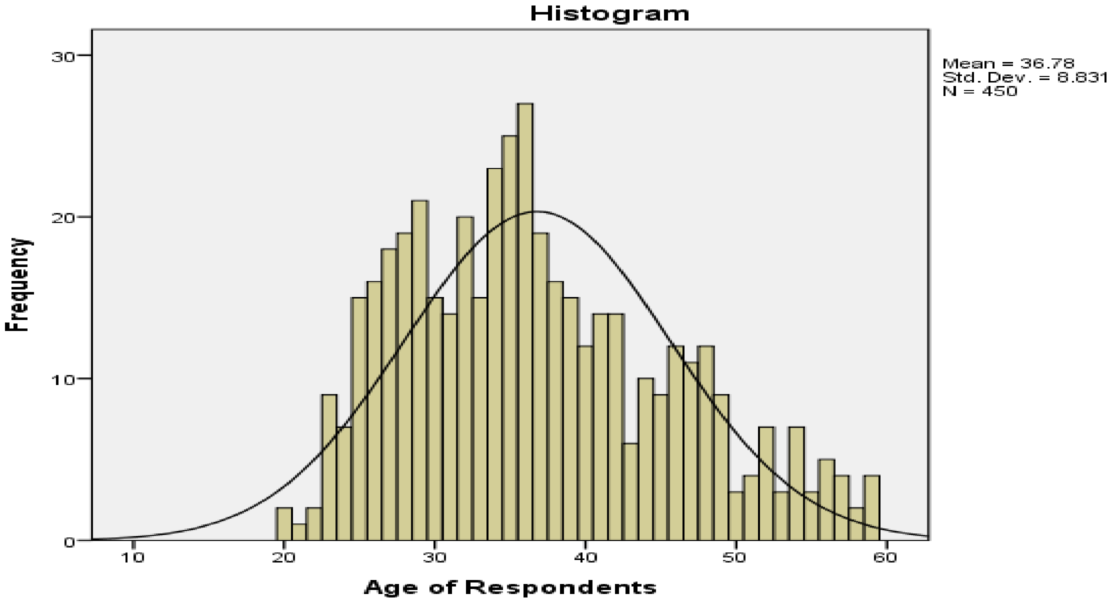


Figure 4.1 shows that the majority (72.9%) of microentrepreneurs in our sample are between the ages of 25 and 45 years old. This suggests that the majority of the sampled economically active population in Madina is in their youthful age or middle age, which is consistent with the age structure of the La Nkwantanang-Madina municipality as reported by Ghana Statistical Service (2014).

The mean age for the sampled microentrepreneurs was approximately 37 years, with the minimum age being 20 years and the maximum being 59 years.

Table 4.2: Age of categories of respondents

Type of Business/occupation	Mean	N	Std. Deviation	Minimum	Maximum
Taxi driver	39.41	150	8.405	24	59
Hairdresser / Barber	30.96	150	5.379	20	45
Foodstuff sellers	39.98	150	9.166	20	59
Total	36.78	450	8.831	20	59

Type of microfinance client	Mean	N	Std. Deviation	Minimum	Maximum
Non-microfinance client	35.31	150	8.934	20	59
Client of the defunct MFIs	37.2	150	8.148	23	59
Client of an existing MFIs	37.85	150	9.234	21	58
Total	36.78	450	8.831	20	59

Source: field study, 2020

However, as shown in Table 4.2, the mean, minimum, and maximum ages differ when it comes to the type of business they are operating, and the type of microfinance client. When it comes to the type of business, the mean age for taxi drivers is 39 years while the minimum age is 24 years and a maximum of 59 years, while the foodstuff seller's mean age is 40 whereas the minimum and the maximum ages are 20 and 59 years respectively. When it comes to hairdressers and barbers, the minimum and maximum ages are 20 and 45 years respectively with the mean age around 31 years; this indicates that those currently engaged in hairdressing and barbering are younger relative to the other income-generating activities.

In terms of the type of microfinance client, the minimum age for non-microfinance clients is 20 years and the maximum 59 years, with a mean age is 35. The minimum and the maximum ages for defunct clients are 23 and 59 years, respectively, with a mean age of 37 years, while existing MFIs clients have a minimum age of 21 and maximum age of 58 with a mean age of 38 years. This conforms to the study by Dzisi and Obeng (2013) which noted that microfinance clients in Ghana are in the economically active ages of 21 to 40 years.

4.1.3 Marital status

All other things being equal, marriage is a social institution that has the tendency of affecting individuals in diverse ways. The responsibilities emanating from children, spouses, or other dependents might affect the decision to engage in an income-earning activity outside the home.

From Table 4.1, 166 respondents are single, representing 36.9%, whereas 284 respondents are married, representing 63.1%. In respect to the type of business, 70% of the taxi drivers are married while 30% are single; hairdressers/barbers have 56.7% single and 43.3% married; whereas foodstuff sellers have 76% married and 24% being single.

Also when it comes to the type of microfinance client, 44% of non-microfinance client respondents are single while 56% were married; the existing MFIs clients comprise 36.7 single and 63.7 married. In terms of the clients of defunct MFIs, 70% of them are married and 30% single. This indicates that clients of defunct MFIs are more likely to be married than are non-clients and clients of existing MFIs within the La Nkwantanang Municipality

4.1.4 Educational attainment

Regarding the level of education of microentrepreneurs in the selected sample, Table 4.1 shows that 4.4% of respondents have no formal education, 67.1% have attained basic education, while 28.5% of the respondents have attained secondary education or higher. This indicates that 95.6% of microentrepreneurs in our sample are educated in terms of having a basic educational qualification. This is consistent with the Ghana Statistical Service (2014) report that about 73.5% of residents at Madina municipality have attained primary to secondary education, although higher than Ghana as a whole, which is 69.2% (Ghana Statistical Service 2013 census report; and Osei-Boateng and Ampratwum (2011) assessment of the informal sector).

Further analysis in terms of the type of business shows that hairdressers are more educated in terms of secondary and higher compared to other microentrepreneurs in the sample. This is consistent with World Bank (1996) which indicates that entrepreneurs who are better-educated move into apprenticeships more often than entrepreneurs without formal education, thus leading to the path of self-employment.

Additionally, foodstuff sellers have lower education compared to other microentrepreneurs. This is consistent with Osei-Boateng and Ampratwum (2011), who find that urban food traders are illiterate or semi-literate, as well as McCormick (2001) which indicates that women entrepreneurs are less likely to be educated compared to their male counterparts.

Concerning the type of microfinance client, among non-microfinance clients, 8.7% have no formal education, 78.7% basic education, and 12.6% secondary and higher; defunct MFI clients have 4% with no formal education, 70.7% basic education, and 25.3% attaining secondary education; and existing MFI clients have 0.7% without formal education, 52% with basic education, and 47.3% secondary and higher. Therefore, comparing the various levels of education, non-microfinance clients have the highest percentage when it comes to no education and basic education; while existing MFI clients are most likely to have secondary and higher education. This indicates that other things being equal, the more a microentrepreneur is educated, the more likely they are to patronize a formalized and regulated financial institution within the La Nkwantanang Municipality.

4.2 Perception about the collapse/delicensing

To understand how microentrepreneurs perceived the delicensing, respondents were asked about their opinion concerning the reasons for the delicensing by the BoG. Respondents were asked to mention some of the reasons for the delicensing, as shown in Table 4.3.

Table 4.3: Perceptions about the cause of delicensing

Responses	N	Percent of cases
Did not meet minimum criteria and licensing requirement	344	76.6%
To protect the depositors' savings and investment	286	63.7%
To restore confidence in the microfinance sector	131	29.2%

Politically motivated to sabotage some individuals	122	27.2%
To sanitize the microfinance sector	34	7.6%
To restructure the financial institutions as a whole	27	6.0%
Other	5	1.1%

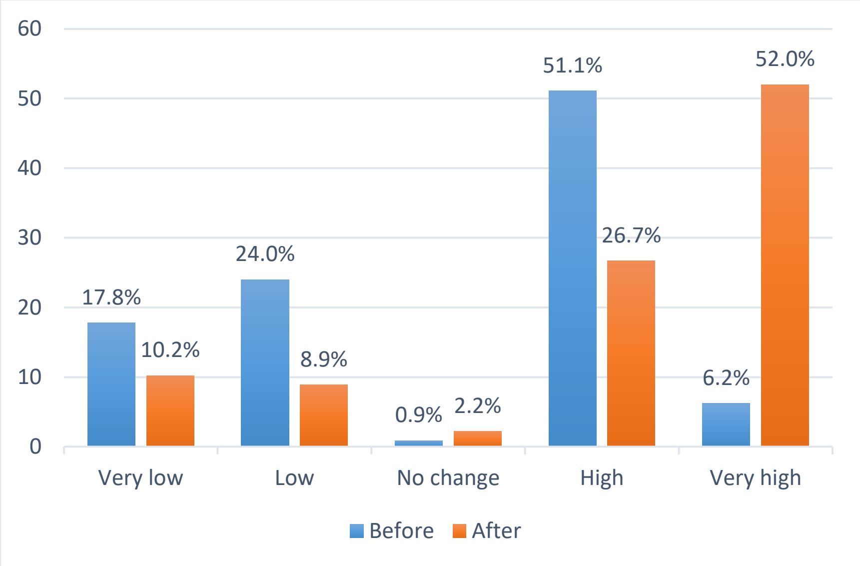
Source: field study, 2020. Multiple responses were permitted.

From the data, 76.6 % of microentrepreneurs believed that these institutions did not have a license or didn't meet the minimum criteria to set up a microfinance institution. From the FGDs, some microentrepreneurs explained that when some of the institutions acquired their license, the subsequent requirements were not followed, and they did things haphazardly. Also, 63.7% thought it was to protect depositors' savings and investment. Participants in the FGDs were of the view that some of the MFIs existed in name only but were bankrupt because the institutions could not dispense money as and when needed. Only 6% of respondents believed it was part of the restructuring of the whole financial sector.

4.2.1 Perception before and after restructuring

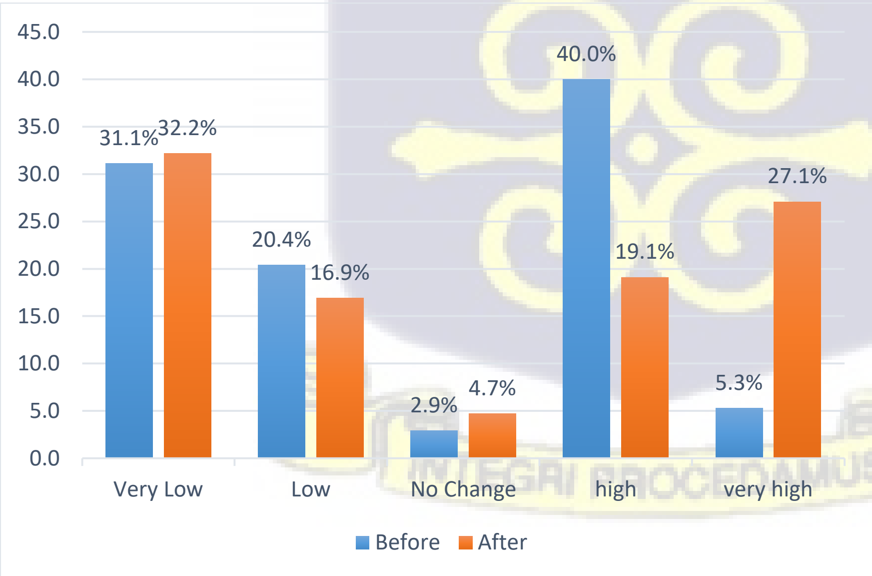
The study attempted to find out how people perceived the microfinance industry before the restructuring exercise and how they perceive it now after the restructuring in terms of confidence, saving, and riskiness.

Figure 4.2a: Perception before and after delicensing in terms of confidence in MFIs



From figure 4.2a even though the confidence of microentrepreneurs in MFIs before the restructuring was a cumulative 57.3% of high and very high, after the restructuring the confidence in MFIs increased to 78.7%, indicating a substantial increase after the restructuring. Also, 41.8% of microentrepreneurs were having low confidence in the MFIs before the restructuring, but after the restructuring, this reduced to 19.1%.

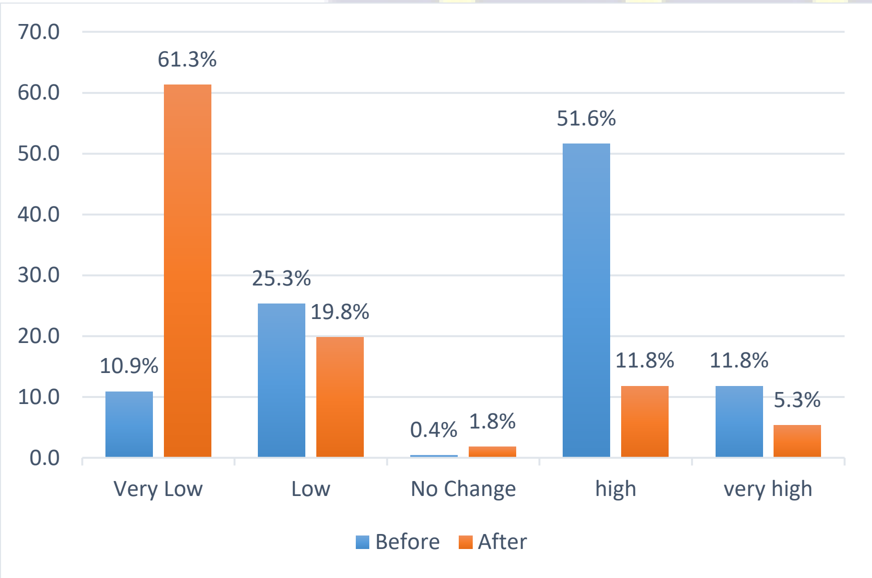
Figure 4.2b: Perception before and after delicensing in terms of personal savings



The study sought to ascertain microentrepreneurs' attitudes towards personal savings at MFIs before and after the delicensing. From the data, attitude towards personal savings before the restructuring, cumulative of low and very low, dropped from 51.5% to 49.1% while after the restructuring attitude towards personal savings cumulative of high and very high increased from 45.3% to 46.2% (figure 4.2b).

The changes in perception of the safety of saving in MFIs were not as strong, but the share reporting very high confidence in saving rose from 5.3% to 27.1%. This suggests that the restructuring enhanced people's willingness to save in MFIs (though they generally prefer banks – based on their attitude towards personal savings).

Figure 4.2c: Perception before and after delicensing in terms of the riskiness of MFIs



In terms of how microentrepreneurs perceive the riskiness of MFIs, before the restructuring exercise, 63.4% of microentrepreneurs saw MFIs as highly or very highly risky (figure 4.2c). Reasons given included the rampant collapse of these institutions and their inability to access funds as and when they needed it. After the restructuring, however, perception of MFIs as risky (cumulative of high and very high) reduced substantially to 17.1%, while those who saw MFIs as low and very low risk increased from 36.2% to 81.1%.

4.2.2 Changes in perception/confidence in MFIs associated with the restructuring

4.2.2.1 Overall change in perception

The study hypothesizes that the delicensing would lead to a more positive perception of MFIs. Therefore, a t-test was performed to ascertain the significance of the difference in mean before and after the delicensing.

Table 4.4: T-test on the overall perception toward microfinance institutions

	Confidence	Savings	Riskiness
Before (mean)	3.04 (.062)	2.893(.224)	3.28 (.060)
After (mean)	4.013 (.064)	2.92 (.078)	1.8 (.059)
diff	-.973 (.082)	-.027 (.232)	1.48
Pr(|T| > |t|)	0.0000	0.9085	0.0000
Obs	450	450	450

Standard errors in parentheses. Mean based on a 5-point Likert scale.

From the analysis in Table 4.4, before the delicensing exercise, microentrepreneurs' level of confidence in MFIs had a mean of 3.04, as against 4.013 after delicensing, which shows an increase in the perceived confidence in MFIs with a level of significance (Pr(|T| > |t|) 0.000). In terms of the perception of riskiness, before the delicensing, the mean was high around 3.28 while after the mean fell to 1.8, at a significance level of (Pr(|T| > |t|) 0.000). Therefore, concerning confidence and riskiness, we reject the null hypothesis of no significant difference, and the hypothesis of improved perception is accepted. This is what is expected as a reduction in risk leads to an increase in confidence. However, for the perception of the safety of saving, before the delicensing, the mean was 2.893 and after 2.92;

the level of significance (Pr(|T| > |t|) 0.9085) indicates no significant change concerning the perceived safety of savings.

4.2.2.2 Differences (or absence of differences) between different categories.

The study also hypothesizes that microentrepreneurs with negative perceptions toward MFIs would not change their perception of MFIs despite the restructuring. Therefore, a t-test of the significance of the difference in means was performed to ascertain whether the above results hold for microentrepreneurs with a negative perception of MFIs.

Table 4.5: T-test on change in perception of microentrepreneurs with a negative perception toward MFIs

	Confidence	Savings	Riskiness
Before (mean)	1.574 (.036)	1.397 (.032)	4.186(.023)
After (mean)	3.771 (.096)	2.457 (.099)	1.789 (.070)
diff	-2.197 (.101)	-1.060 (.098)	2.396(.072)
Pr(|T| > |t|)	0.0000	0.0000	0.0000
Obs	188	232	284

Standard Errors in parenthesis

We hypothesize that microentrepreneurs with negative perceptions towards microfinance would not change their perceptions after the delicensing. However, from Table 4.5, the mean for those who were having negative perceptions in terms of confidence increased from 1.574 to 3.771; the increase of 2.197 is significant at 0.05. For saving, it changes from a mean of 1.397 to 2.457 a difference of 1.080 – a statistically significant increase (contrary to the finding for the total sample). Similarly, those who perceived MFIs as risky fell from a mean of 4.186 to 1.789, showing a decline with a difference of 2.396, which is statistically significant at 0.05. Hence we fail to reject our null hypothesis and conclude that the restructuring did have a significant effect on the perceptions of even those microentrepreneurs who began with a negative view of microfinance.

Additionally, the study hypothesizes that microentrepreneurs who usually borrow would have no change in perception toward microfinance, despite the collapse/delicensing. Thus we conducted a t-test on the sub-sample of microentrepreneurs who borrowed and compare the mean before and after the delicensing.

Table 4.6: T-test on borrowers' perception before and after restructuring

	Confidence	Savings	Riskiness
Before (mean)	3.812(.130)	3.562 (.205)	2.469 (.224)
After (mean)	3.375(.268)	2.406 (.272)	2.218 (.257)
diff	.438 (.330)	1.156 (.360)	.25 (.373)
Pr(|T| > |t|)	0.1943	0.0030	0.5076
Obs	32	32	32

Standard Errors in parenthesis

From Table 4.6, the mean of these microentrepreneurs' perceptions about MFIs before the delicensing or restructuring was high at 3.812 relative to the overall average; however, the mean declined to 3.375 after the restructuring. The mean for the perception of riskiness also declined slightly, from 2.469 to 2.218. However, these changes were not statistically significant (although this may be partly attributed to the low number of borrowers in the sample size). Perception of saving went from a mean of 3.562 to 2.406; although statistically significant (*0.0030)*, this represents a worsening rather than the expected improvement. Therefore, we do not reject our hypothesis that the perceptions of borrowers would not necessarily be improved by the delicensing

The study hypothesizes that microentrepreneurs who received compensation for their locked-up deposits would have a positive perception after the restructuring exercise. Thus a t-test was conducted to identify the difference of mean between groups.

Table 4.7: T-test for the perception of those compensated for deposit

Group (deposit received)	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
No	12	.333	.167	.5	-.051	.718
Yes	106	.680	.046	.469	.588	.771
combined	118	.652	.045	.479	.562	.741
diff		-.346	.164		-.671	-.022

diff = mean(No) - mean(Yes) t = -2.1141

Ho: diff = 0 Degrees of freedom = 110

Ha: diff < 0 Ha: diff != 0 Ha: diff > 0

Pr(T < t) = 0.0184 Pr(T >t) = 0.0368 Pr(T > t) = 0.9816

Table 4.7, shows that there is a statistically significant difference at a 95% confidence interval (T >t = 0.0368) in perception between those who received their deposit (mean of 0.680) and those who did not (0.333). Therefore, we reject the null hypothesis and accept our alternative hypothesis that those who were compensated for their deposit have a more positive perception.

Table 4.8: perception before and after restructuring by Type of Microfinance Client

The table below, explains how the restructuring has changed the perception of the various type of clients of the MFIs or otherwise. It compared their perception before and after whether they were positive/high or negative/low.

In terms of Confidence in MFIs						
	Positive/High		No Change		Negative/Low	
	Before	After	Before	After	Before	After
Client of an existing MFIs	73.40%	94.00%	1.30%	1.30%	25.30%	4.70%
Client of the defunct MFIs	70.70%	74.60%	0.00%	2.00%	29.40%	23.30%
Non-microfinance client	28.00%	67.40%	1.30%	3.30%	70.70%	29.30%
In terms of savings in MFIs						

Client of an existing MFIs	60.60%	83.40%	4.70%	2.00%	34.60%	14.60%
Client of the defunct MFIs	68.00%	44.00%	2.70%	4.70%	29.30%	51.30%
Non-microfinance client	7.40%	11.30%	1.30%	7.30%	90.70%	81.30%
In terms of riskiness in MFIs						
Client of an existing MFIs	53.30%	6.00%	0.70%	0.00%	46.00%	94.00%
Client of the defunct MFIs	54.70%	20.60%	0.00%	1.30%	45.30%	78.00%
Non-microfinance client	82.00%	24.70%	0.70%	4.00%	17.30%	71.30%

From Table 4.8 the perceived confidence among existing microfinance client microentrepreneurs in MFIs after the restructuring increased to 94.0%, indicating a substantial improvement in their confidence. Likewise, among microfinance clients of defunct MFIs, before the restructuring, their perceived confidence in MFIs was 70.7%, but after the restructuring, this increased to 74.6%. This indicates a marginal increase in their perceived confidence after the restructuring. Additionally, non-microfinance clients perceived confidence of 28.0% before the restructuring, however, after the restructuring, their confidence increased substantially to 67.4%.

From the data, the client of existing MFIs' positive attitude towards saving increased from 60.6% before the restructuring to 83.4%. With clients of defunct MFIs, the perceived attitude towards saving was positive at 68.0% before the restructuring and reduced to 44% after the restructuring. Also, the positive attitude towards personal savings before the restructuring was 7.4% and after the restructuring increased to 11.3%.

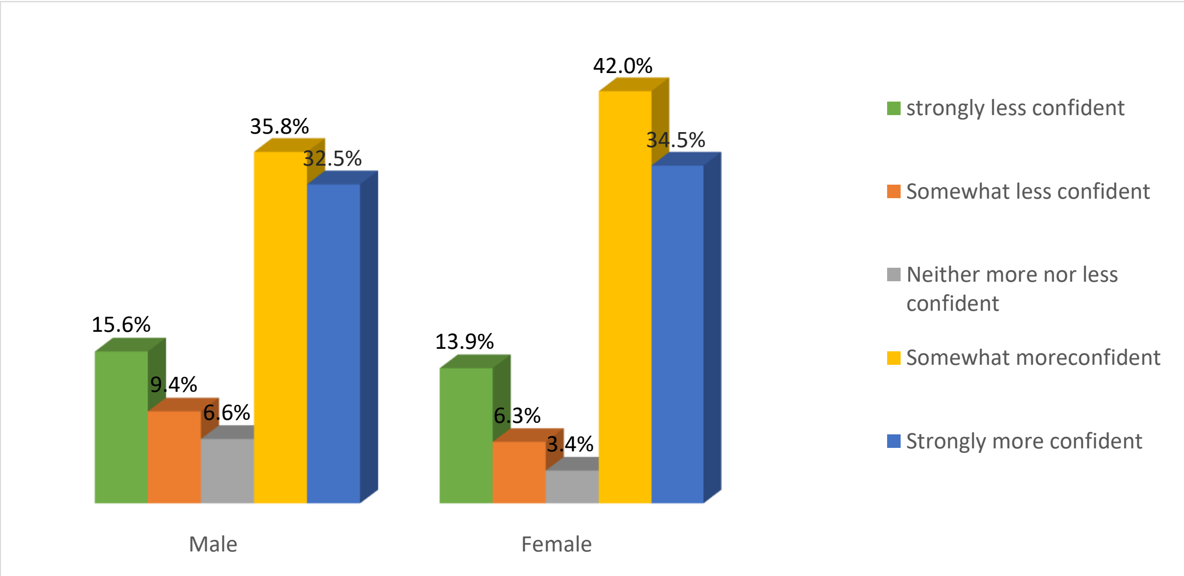
In terms of riskiness, micro entrepreneurs’ perception of the riskiness of MFIs has reduced drastically after the restructuring. From the data, only 6% of clients of existing MFIs, 20.6% of the client of defunct MFIs, and 24.7% of non-client of MFIs have negative perceptions about MFIs in terms of riskiness.

4.3 Confidence in microfinance by socio-demographic characteristics

This section analyzes the change in the confidence level of microentrepreneurs in MFIs after the delicensing exercise. Respondents were asked the extent to which the restructuring affected their confidence level. This was compared to the socio-demographic characteristics of respondents to help understand the dynamics in the level of confidence of microentrepreneurs.

4.3.1 Confidence and sex

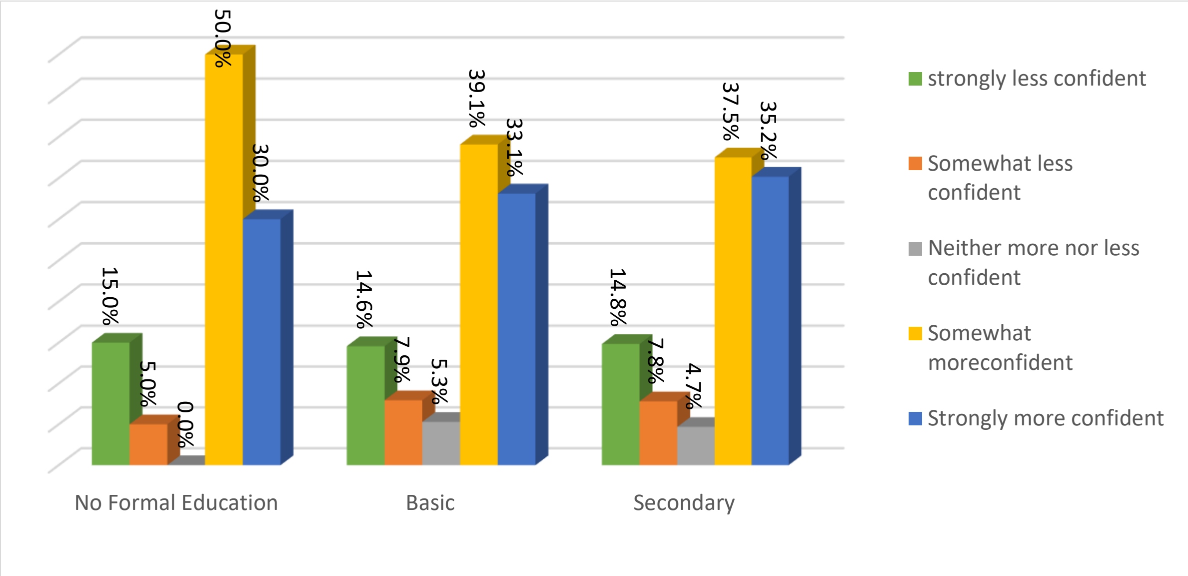
Figure 4.3: Confidence and sex



From figure 4.3, in terms of the general confidence in MFIs, 15.6% of men whereas 13.9% of women had strongly less confidence in the microfinance sector after the restructuring, while 9.4% and 6.3% were somewhat less confident for males and females, respectively. At the same time, 35.8% of men and 42.0% of women had somewhat more confident in MFIs. For those who were strongly more confident in MFIs, 34.5% of women compared to 32.5% of men fell in this category. Generally, the confidence level of microentrepreneurs in our sample study in the microfinance sector after the restructuring is higher in women (76.5% more confident) compared to men (68.3% more confident).

4.3.2 Confidence and educational attainment

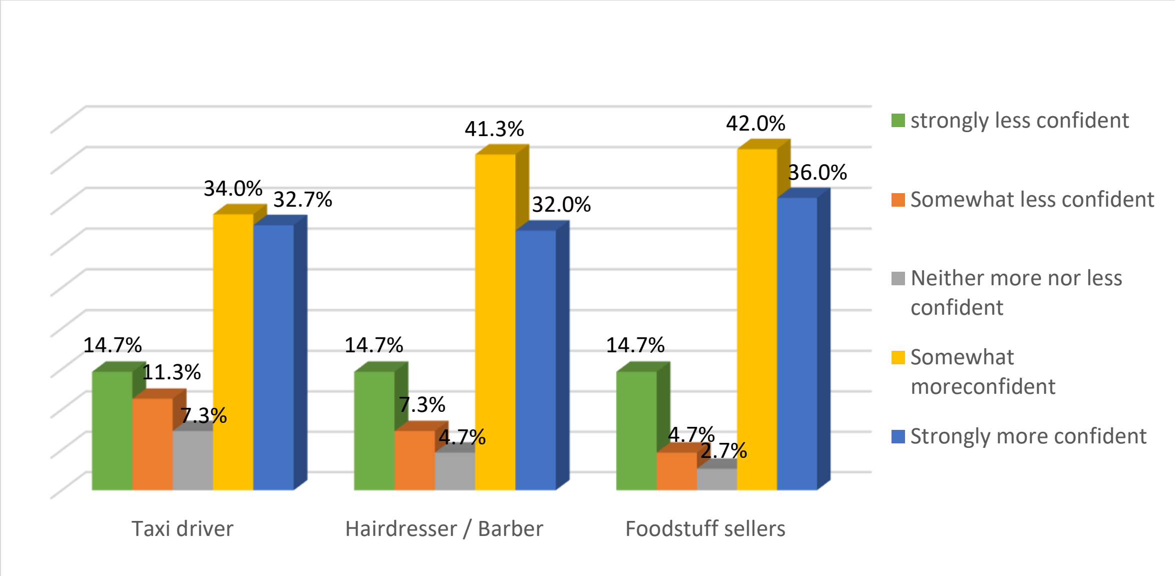
Figure 4.4: Confidence and educational attainment



From figure 4.4, 15.0 % of microentrepreneurs who have no formal education became strongly less confident, similar to 14.6% and 14.8% for basic and secondary, respectively. For microentrepreneurs with no formal education, 5.0% became somewhat less confident, while 7.9% with basic education, and 7.8 with secondary and higher, were having somewhat less confidence in MFIs. In terms of those who have somewhat more confidence in MFIs, 50.0% for no education, 39.1% basic education, 37.5% secondary, and higher. Whereas those with no formal education 30.0% have strongly more confidence in MFIs, 33.1% of those with basic education, and 35.2% of those having secondary and higher education have strongly more confidence in MFIs. This indicates that the improvement in confidence was greater for those with no formal education than basic and secondary education, which have about the same percentage increase.

4.3.3 Confidence and type of business

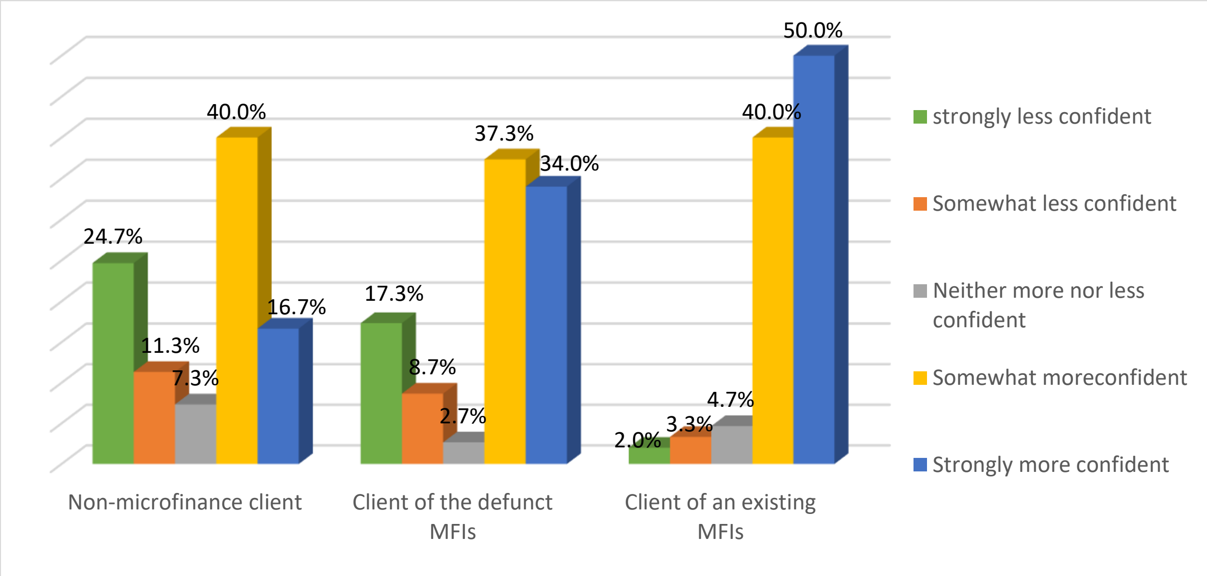
Figure 4.5: Confidence and type of business



From figure 4.5, respondents were having the same 14.7% strongly less confidence in MFIs across all the categories of the respondents within our sample. Microentrepreneurs with somewhat less confidence in MFIs accounted for 11.3% of taxi drivers, 7.3% of hairdressers, and 4.7% of foodstuff sellers. However, foodstuff sellers generally have somewhat more confidence in the microfinance sector: 42.0% compared to hairdressers/barbers and taxi drivers, which had 41.3% and 34.0%, respectively. Likewise, those who were strongly more confident accounted for 36.0% for foodstuff sellers, 32.7% for taxi drivers, and 32.0% for hairdressers/ barbers. Thus, the overall improvement in confidence was highest for foodstuff sellers and lowest for taxi drivers.

4.3.4 Confidence and type of microfinance client

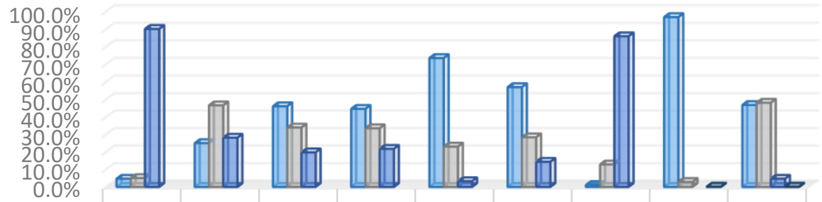
Figure 4.6: Confidence and type of microfinance client



From figure 4.6, when it comes to confidence and type of microfinance clients, 24.7% of non-microfinance clients reported being strongly less confident after the restructuring, whereas clients of defunct and existing MFIs were at only 17.3% and 2.0% respectively. Those who were somewhat less confident accounted for 11.3% of non-microfinance clients, but only 8.7% of clients of defunct MFIs and 3.3% of clients of existing MFIs. Subsequently, microentrepreneurs with somewhat more confidence account for 40.0% of non-microfinance clients, 40.0% of existing MFIs clients, and 37.3% of defunct microfinance clients. Likewise, those strongly more confident in MFIs account for 50.0% of the existing clients, but 34.0% of defunct MFIs and only 16.7% of non-MFIs clients. Therefore, the study can conclude that the restructuring exercise increased the confidence of the microentrepreneurs in the microfinance sector across all the categories of microfinance clients, but with the greatest effect on clients of existing MFIs.

4.3.5 Confidence in financial institutions

Figure 4.7: Confidence in financial institutions



	Commercial bank	Saving and loan	Rural bank	Credit union	Microfinance Company	Micro Credit Company	Mobile Money	Susu	Home
Not willing to save there	4.7%	25.1%	46.2%	44.7%	73.6%	57.1%	1.1%	96.9%	46.9%
Somewhat confident	5.1%	46.7%	34.0%	33.6%	23.1%	28.4%	12.9%	2.9%	48.2%
Very confident	90.2%	28.2%	19.8%	21.8%	3.3%	14.4%	86.0%		4.7%
No Response								0.2%	0.2%

From figure 4.7, microentrepreneurs have more confidence and are willing to save in commercial banks compared to other types of financial institutions, whereas confidence in microfinance companies is very low. That is 90.2% of respondents felt confident to save in commercial banks, followed by mobile money (MoMo) which was 86.0%. This is based on the safety and reliability of these institutions, as well as convenience for MoMo usage. In contrast, microentrepreneurs have low confidence and willingness to save with Susu collectors and microfinance companies, at 96.9% and 73.6%, respectively.

4.3.6 Effect of socio-demographic characteristic on the microentrepreneur confidence level

Ordered logit regression analysis was conducted using the confidence level of microentrepreneurs in microfinance, which is a Likert scale from 1 to 5 where 1 is strongly less confident and 5 is strongly more confident, being the dependent variable. The independent variables were dummy variables for gender, age, marital status, education, and type of microfinance clients or non-client.

Table 4.9: Ordered logit results on microentrepreneur confidence level and sociodemographic characteristics

VARIABLES	Model 1
Gender	
Female	0.223
	(0.180)
age	-0.00189
	(0.0136)
Marital status	
married	0.139
	(0.245)
Level of education	
Basic	0.203
	(0.393)
Secondary and higher	0.266
	(0.424)
Type of MFI client	
Client of defunct MFIs	0.796***
	(0.240)
Client of existing MFIs	1.688***
	(0.212)
Constant cut1	-0.779
	(0.769)
Constant cut2	-0.218
	(0.769)
Constant cut3	0.0697

	(0.769)
Constant cut4	1.915**
	(0.777)
Observations	450

Robust standard errors in parentheses. NB: the results are marginal effects

*** p<0.01, ** p<0.05, * p<0.1

From the results in table 4.9, controlling for demographic characteristics, the type of microfinance client was statistically significant (0.05) relative to the non-microfinance client. All other variables remaining constant, a unit increase in a client of a defunct MFI leads to 0.796 unit, an increase in the ordered log-odds of being strongly more confident. For existing microfinance clients, a unit increase in microfinance would result in 1.688 units, an increase in the ordered log-odds of being strongly more confident, the other variables held constant.

Generally, demographic characteristics do not have a significant effect on the confidence of respondents in MFIs.

4.4 Factors affecting microentrepreneur willingness to patronize microfinance service

Logit regression analysis was performed using Stata software and binary variables, with the willingness to patronize microfinance services as a dependent variable. Independent variables included demographic characteristics (i.e. gender, age, marital status, education); type of microfinance clients or non-clients; and perception about microfinance (i.e. attitude toward delicensing, subjective norm, perceived behavioral control, perceived risk, and perceived benefit).

Table 4.10: Logit regression on factors affecting microentrepreneurs willingness to patronize microfinance

VARIABLES	Model 2
Gender	
Female	-0.00480
	(0.0329)
age	-0.000374
	(0.00256)
Marital status	
married	0.000667
	(0.0441)
Level of education	
Basic	-0.00895
	(0.0704)
Secondary and higher	-0.0513
	(0.0772)
Type of MFI client	
Defunct MFIs client	-0.00957
	(0.0420)
Client of existing MFIs	0.219***
	(0.0503)
Attitude towards delicensing	0.0469**
	(0.0239)
Subjective Norm	0.136***
	(0.0321)

Perceives behavioral Control	0.0587*
	(0.0353)
Perceived Risk	-0.0574***
	(0.0145)
Perceived Benefit	0.144***
	(0.0185)
Observations	450

Standard errors in parentheses. NB: the results are marginal effects

Pseudo R2 = 0.3987, Wald chi2(12) = 77.66, Prob > chi2 = 0.0000

*** $p<0.01$, ** $p<0.05$, * $p<0.1$,

From the results presented in Table 4.10 using the Logit model, the independent variables explain about 40% of the variation in the willingness to patronize or use microfinance services. The results indicate that the demographic variables, such as gender, age, marital status, and level of education, are insignificant concerning the willingness to patronize or use microfinance services. However, being a client of an existing MFI has a positive (and highly significant, at p>z = 0.000) average marginal effect of 22% on the patronage of microfinance services, as would be expected.

For perception relating to their attitude toward delicensing (i.e. personal beliefs of microentrepreneurs about the delicensing) it was found that a unit change in an attitude towards delicensing would have a positive average marginal association of 4.7% on the willingness to patronize microfinance service at a significance level of (p>z = 0.050).

Similarly, the subjective norm (i.e. social pressure or influence that microentrepreneurs experience) has a positive average marginal effect of 13.6% on their willingness to patronize microfinance services at a significant of (p>z = 0.000).

Perceived risk has a negative marginal association of -5.7% whereas perceived benefit has a marginal association of 14.4% on their willingness to patronize microfinance services at a significance level of ($p>z = 0.000$) respectively.

However, perceived behavioral control (i.e. microentrepreneur's capability to organize and execute an action) has a significant association with their willingness to patronize microfinance services only at a 10% confidence interval.

4.5 Type of microfinance client and willingness to patronize microfinance service

Logit regression analysis was performed, with the willingness to patronize microfinance services as a dependent variable. Independent variables were the type of microfinance client or non-client, and perception about microfinance (i.e. attitude toward delicensing, subjective norm, perceived behavioral control, perceived risk, and perceived benefit).

Table 4.11: Logit regression type of microfinance client and factors influencing microentrepreneurs willingness to patronize microfinance

	VARIABLES	Model 3
	Attitude towards delicensing	0.174***
Non-client of MFIs		(0.0534)

	Subjective Norm	0.202***
		(0.0754)
	Perceived Behavioral control	-0.115*
		(0.0649)
	Perceived Risk	-0.0658**
		(0.0322)
	Perceived Benefit	0.267***
		(0.0357)
	Attitude towards	0.0196
		(0.0421)
	Subjective Norm	0.135***
		(0.0516)
Client of defunct MFIs	Perceived Behavioral control	0.164***
		(0.0503)
	Perceived Risk	-0.0724***
		(0.0250)
	Perceived Benefit	0.187***
		(0.0354)
	Attitude towards	-0.00704
		(0.00714)
	Subjective Norm	0.0137

		(0.0122)
Client of Existing MFIs	Perceived Behavioral control	0.0261*
		(0.0147)
	Perceived Risk	-0.0221*
		(0.0127)
	Perceived Benefit	-0.0125
		(0.0172)
	Observations	450

Standard errors in parentheses NB: the results are marginal effects

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

From the results presented in Table 4.10 using the Logit model, the category of microfinance clients and their perception of microfinance has some or no influence on their willingness to patronize or use microfinance services.

For non-client of MFI, attitude toward delicensing has a positive and significant (at p>z = 0.000) average marginal effect of 17.4% on the patronage of microfinance services, as do subjective norm (i.e. social pressure or influence that microentrepreneurs experience) and perceived benefit, with an average marginal effect of 20.2% and 26.7%, respectively, all at a significance level of (p>z = 0.000). Thus a unit change in these factors would have a positive average marginal association of 17.4%, 20.2%, and 26.7%, respectively, on the willingness to patronize microfinance service at a significance level of (p>z = 0.00).

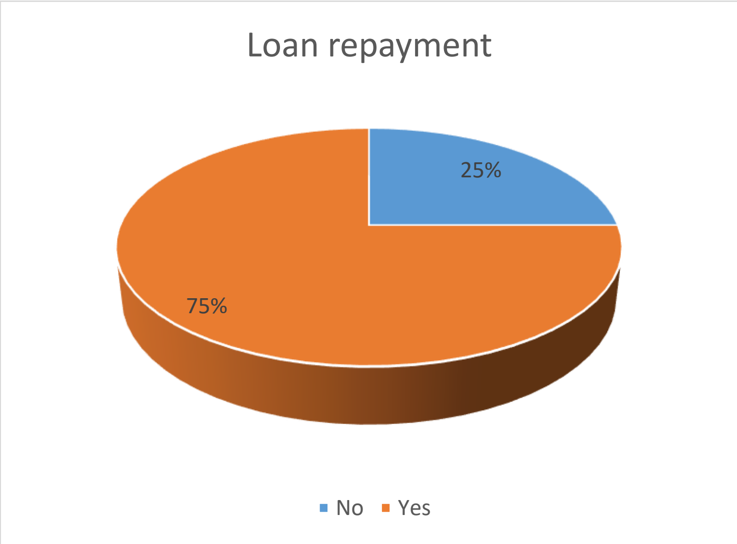
Similarly, perceived risk has a negative marginal association of -6.6% on their willingness to patronize microfinance services (at a significance level of p>z = 0.050), and also perceived behavioral control (i.e. microentrepreneurs capability to organize and execute an action) has a negative marginal association of -11.5% with their willingness to patronize microfinance services only (at a 10% confidence interval).

The attitude of clients of defunct MFI toward delicensing has no significant relationship with the patronage of microfinance services; nevertheless, subjective norm, perceived behavioral control, perceived risk, and perceived benefit are highly significant (at (p>z = 0.000). Subjective norm, perceived behavioral control, and perceived benefit had an average marginal effect of 13.5% 16.4%, and 18.7%, respectively, on the willingness to patronize microfinance services, while perceived risk has a negative marginal effect of -7.2% on their willingness to patronize microfinance services.

Finally, for clients of existing MFIs, attitude toward delicensing, subjective norm, and perceived benefit have no significant effect on their willingness to patronize microfinance services; nevertheless, perceived behavioral control and perceived risk have a minimal marginal association with their willingness to patronize microfinance services (at a 10% confidence interval). While perceived risk has a negative marginal effect of -2.2%, perceived behavioral control has a positive marginal effect of 2.6% on their willingness to patronize microfinance services.

4.6 Effect on loan repayment

Figure 4.8: Loan repayment after delicensing



From figure 4.8, the number of defunct MFI clients who borrowed immediately before the collapse were 32 respondents. Out of these, 24 respondents (75%) repaid the loan to the receiver through the manager and/or the agent assigned to that particular MFIs, while 8 respondents did not pay, representing 25%

Further interaction indicated that the new managers of the defunct MFIs contracted by the receiver visited them at their workplace and home to negotiate with them how they can pay the loan balance. According to the respondents, some of their colleagues decided not to pay, so were always hiding from the manager. It was reported that some borrowers have also vacated where they are, making it difficult for the managers to reach them to collect loan repayments.

4.7 Effects of delicensing on microenterprise

Although microenterprises may have been affected differently by MFI closure/delicensing, the study focused on the general effects on microenterprises, with some differentiation by type of activity where appropriate.

4.7.1 Access to finance

MFIs were promoted in Ghana as one means to offset the challenge of limited access to finance, which is found to be an important constraint in microenterprises (Jayachandran, 2020). Nevertheless, from the field interactions, it was realized that the delicensing exercise has reduced the number of microfinance operators in the Madina Municipality, thereby reducing the potential sources of finance for their businesses. Additionally, the procedure for accessing loans has been strengthened by the remaining MFIs to prevent loan default and increase repayment, which some microentrepreneurs reported has discouraged them from applying for loans for their business. For example, one respondent said: "*formerly when I am going for a loan, they check my savings then based on that give me a loan; but after the collapse of some of the companies, the man wants me to send him to my house and also get someone to guarantee, so I stopped*."

4.7.2 Decline in business operations

Generally, microenterprise operations are related to the provision of goods and services. Nonetheless, because of the delicensing some of their customers, especially in the case of taxi drivers who were providing services to staff of these defunct MFIs, lost that business and saw a decline in revenue.

With foodstuff sellers, the delicensing reduced their working capital. This is because the capital which would have been used to restock the produce got locked up for a period, thus limiting their business operations and causing their revenue to fall. Secondly, during the peak season where sales are high, there was insufficient access to credit to buy more products, thus dampening sales and revenue.

Likewise, taxi drivers who wanted to use their deposit for body works and maintenance delayed in doing that, negatively affecting their business.

4.7.3 Access to lost deposits for business

Some microentrepreneurs faced the challenge of a decline in business operation and working capital because the MFIs, they were saving with, stopped operation before the delicensing exercise. This made it difficult if not impossible to access their deposits. Most of them were not expecting that they would be able to get their money back. But, subsequently, some were called by a representative of the receiver in charge of the closed MFIs to validate their deposits. Finally, when they received their deposited funds (as part of the settlement of closed MFIs), they viewed that as an increase in working capital.

One of the respondents stated that *"the company I was saving with stopped operating 2 years before the delicensing and I didn't know how I could get my money, and have psych myself. But thanks to the government I had a token, though it was not all the full amount because they said it was difficult getting records from the company. At least it served as a capital injection for my business*"

Therefore, though the collapse of many MFIs reduced working capital to the microentrepreneurs who had been saving with them and couldn't get their deposits out, this situation was relieved somewhat by the repayment of deposits in defunct MFIs under the restructuring exercise.

4.7.4 Effect of collapse/delicensing on business activity

Table 4.12: Effect of delicensing on microentrepreneurial activity

Type of microfinance client	Did the closure of MFIs affect your businesses		
	No	Yes	Total
Non-microfinance client	145 (39.5)	5 (6.0)	150

Client of the defunct	82 (22.3)	68 (81.9)	150
Client of an existing	140 (38.2)	10 (12.0)	150
Total	367	83	450

Pearson chi2(2) = 108.6996 Pr = 0.000 *percentages in parenthesis*

Table 4.11 indicates that there is a statistically significant relationship between the closure of microfinance and business activity (p-value less than 0.05 (Pr = 0.000)). Among non-microfinance clients, only 6.0% were affected by the closure, while 81.9% of the clients of the defunct MFIs reported that they were adversely affected, as against just 12.0 % of clients of an existing MFI. Therefore, we can conclude that the closure of MFIs did somewhat affect the business activities of its clients.

4.8 Discussion of findings

This section in this chapter discusses the findings from the study and compares them with similar studies from the literature.

4.8.1 Perception about the collapse/ delicensing

The collapse of many MFIs before the delicensing made most microentrepreneurs perceive the delicensing as eliminating MFIs that did not meet the minimum criteria as well as MFIs that initially met the criteria but later failed to conform to the guidelines of BoG. Salvaging depositors' savings and investment was the second most perceived reason given for the delicensing from our findings

The perception of the riskiness of MFIs before the restructuring exercise was high among microentrepreneurs because of the frequent collapse of MFIs and other issues aforementioned. As expected, after the restructuring perception about the riskiness of MFIs reduced substantially, creating a more positive perception.

The study found out that the restructuring improved the perception of clients of surviving MFIs toward saving but adversely affected the perception of clients of defunct MFIs. For non-clients of MFIs, the restructuring appears to have slightly improved their generally poor perception of savings.

4.8.2 Factors influencing willingness to patronize microfinance services

Overall, there was a significant relationship between the perception of microentrepreneurs toward delicensing and willingness to patronize microfinance services.

Microentrepreneurs who perceive microfinance services as important to the growth of their business and also are comfortable with the delicensing exercise are more willing to patronize microfinance services. This finding conforms to Manstead (2001) and Kautonen et al. (2013), which indicate that attitudes towards an action predictive of entrepreneur behavior or intention have an increasing level of participation in said activity.

Similarly, microentrepreneurs that perceive the microfinance sector as risky after restructuring are less likely to utilize microfinance services. This is consistent with the study by Diacon and Ennew (2001) and Xue (2015), which indicate that perceived risk has a significant effect on the participation of the client in the finance sector. They further argue that negative perceived risk negatively affects innovative financial services and products targeted at customers.

Similarly, microentrepreneurs who perceived the restructuring exercise as beneficial to their well-being are more willing to use microfinance services. This is consistent with Thaler (1985) as cited by Engström (2016), Roig et al. (2006), and Liang et al. (2009) that individuals invest in financial institutions based on the value they expect and also the value they attach to their performance. They argue that high perceived benefit leads to customer satisfaction

4.8.3 Confidence in financial institutions

From the study, demographic characteristics are insignificant concerning the confidence level of microentrepreneurs. This conforms to a similar study in Ghana by Abunyuwah (2020) which shows that gender, age, and education are insignificant concerning confidence level, and to Fungáčová et al. (2019), which indicates that being married is not significant when it comes to the confidence level, as well as Carbo-Valverde et al. (2013) for education. On the other hand, evidence from Knell and Stix (2015), Carbo-Valverde et al. (2013), Fungáčová et al. (2019), and Mosch and Prast (2008) suggests that there is a higher trust of women in banks [financial institutions]; and Knell and Stix (2015) find a significant effect of education.

The restructuring exercise increased the confidence of microentrepreneurs in MFIs generally, especially for those who received back their locked-up deposits and those with existing MFIs, whose confidence rose in the capacity of their financial institution to protect their deposits. This is consistent with Lorenzo (1986) and Munoangira and Kaja (2016), which indicate that the more customers have access to their deposits, the more confidence they have in the financial institution.

From the findings, the restructuring appears to have increased confidence in financial institutions overall. Nevertheless, this has not favored MFIs (including rural banks) relative to the more formal commercial banks and savings and loan companies. MoMo seems to be considered as a safer mode of saving, which reduces microentrepreneurs' desire to save with MFIs unless to access a loan. The adoption of MoMo by microentrepreneurs could be attributed to the convenience in sending and receiving money from friends, relatives, business partners, and making purchases, as well as interest being paid on money retained in their wallets.

Most entrepreneurs are wary of private MFIs, while those who save small amounts with some MFIs withdraw when the amount becomes large and deposit it in a universal bank for security. At the same time, the formation and use of the use of rotational savings and credit associations among microentrepreneurs appear to have increased after the restructuring exercise.

4.8.4 Effect of delicensing on business activity

The delicensing exercise caused a reduction in the number of microfinance operators and tightened the process of approving loans by the existing financial institutions, thus limiting access to finance by microentrepreneurs and negatively affecting their business activity. These findings correspond to Ernst and Young & ISSER (2007), which indicates that MSMEs face challenges when it comes to financing based on cumbersome processes.

4.8.5 Loan repayment

Before the restructuring of MFIs, some MFIs were given a grace period of 24 to 36 weeks for repayment of the loan before the first payment is due. Usually, borrowers pay weekly or monthly depending on the payment schedule agreed on. However, for microentrepreneurs who borrowed from MFIs immediately before they were delicensing, the receiver for these MFIs has had to reschedule a new payment plan with the microentrepreneurs to give them enough time to pay thus more flexibility in payment.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

5.0 Introduction

This final chapter of the study provides a summary of the key findings, conclusions, and recommendations for policy formulation based on the findings.

5.1 Summary of key findings

The study set out to determine how microentrepreneurs perceive MFIs after the restructuring and delicensing by BoG and how the restructuring affected their business activities, as well as to ascertain the confidence and willingness to patronize MFIs among the various categories in the sample studied. Data were obtained from 450 respondents through administering interviews and FGDs. Descriptive, chi-square, ordered logit regression, logit regression analysis, and other hypothesis testing methods were employed to arrive at the findings summarized below.

5.1.1 Perception about the collapse/ delicensing

The study found that the collapse of MFIs had a negative effect on perceptions, making people warier of putting savings in private MFIs. However, the restructuring/delicensing has improved the attitudes somewhat (though not enough to change behavior concerning private MFIs).

The majority of the microentrepreneurs perceived the delicensing as a way of eliminating financial institutions that do not meet the minimum licensing requirement. The rate at which microentrepreneurs perceived the MFIs as risky reduced after the restructuring because they believe most of the insolvent ones have been weeded out, leaving only the vibrant MFIs. Some respondents wished the restructuring had come earlier, but they were not aware of any apex body or other channel to report their grievances when the MFIs were insolvent.

5.1.2 Factors influencing willingness to patronize microfinance services

The findings from the study indicated that factors such as attitude towards the delicensing, subjective norm, perceived risk, and perceived benefit influenced the willingness of microentrepreneurs to use microfinance services. For attitude towards delicensing, microentrepreneurs who perceived the restructuring exercise as a step in the right direction are more willing to use microfinance services. Also, microentrepreneurs usually heed advice from family, friends, and loved ones, which positively affects the usage of microfinance services. For instance, if someone going for a loan is asked to form a group, they are usually able to convince colleagues to join.

Additionally, perceived risk negatively affects microentrepreneurs' willingness to use microfinance services. The more microentrepreneurs see the microfinance sector as risky after restructuring, the less they are willing to patronize MFIs. Those who perceived MFIs as risky after the restructuring and are operating with existing MFIs were reluctant to save a huge sum of money with these institutions. On the other hand, microentrepreneurs with a high perceived benefit of MFIs are more willing to utilize microfinance services.

5.1.3 Confidence in financial institutions

The findings from the study indicate that a positive perception of delicensing has increased respondents' confidence in MFIs. The study found that confidence in MFIs improved among micro entrepreneurs who were affected because the majority of them received their deposits. Also, clients of existing MFIs (that were not delicensed) showed a greater increase in confidence than those whose MFIs were affected.

Due to the lack of confidence in some MFIs, some microentrepreneurs move deposits to commercial banks when the savings accumulate to a certain level. Other microentrepreneurs prefer to use commercial banks, mobile money, or financial institutions that belong to the government or are owned by a renowned, affluent individual. Overall, resistance to using small, private MFIs remains high;

savings and loan companies, rural banks, and credit unions are preferred over microcredit companies. Indeed, the collapse and restructuring of MFIs appear to have increased the formation and use of informal rotating savings and credit associations among microentrepreneurs.

5.1.4 Effect of delicensing on microentrepreneurs

The finding from the study shows that the delicensing affected some microentrepreneurs in our sample but not the majority. In the area of business activity, the delicensing affected microentrepreneurs' access to finance, business operations, and access to deposits.

In terms of access to finance, the delicensing exercise reduced the number of microfinance operators and limited the sources of finance for their business. Additionally, the process of approving loans has been strengthened by the existing financial institutions, hence raising the barriers in terms of the processes that microentrepreneurs have to go through.

Some microentrepreneurs experienced a decline in business operations. Customers of microentrepreneurs who lost their jobs due to delicensing were not patronizing microentrepreneurs' services as they used to. Also, during the period their deposits were locked up, some microentrepreneurs' working capital decreased.

Microentrepreneurs whose financial institution had stopped operations before the delicensing and were then paid their locked-up monies saw the money as an increase in their working capital for the business because they had not been expecting their deposits to be paid.

5.2 Conclusion

The study was instigated by the restructuring of the financial sector in Ghana, which led to the delicensing of numerous MFIs across the country to protect depositors' funds and instill confidence in the financial system.

It was found that there was no significant difference between the different categories of microentrepreneurs and their demographic characteristics, confidence level, and willingness to patronize MFIs. However, there is a significant difference across the types of microfinance clients in their attitudes towards delicensing (i.e. personal beliefs of microentrepreneurs about delicensing), subjective norm (i.e. social pressure or influence that microentrepreneurs experience), perceived risk, and perceived benefit. Also, these factors mentioned above have a positive impact on microentrepreneurs' willingness to patronize microfinance services, except perceived risk, which negatively affects patronage.

Although the delicensing increased the confidence in MFIs, the overall experience of collapse and delicensing appears to have affected the type of MFIs and financial institutions microentrepreneurs are willing to save with. It has increased the utilization of mobile money and preference to save with commercial or universal banks. The delicensing exercise did not have much direct impact on the business activity of microentrepreneurs, although the closure of MFIs did somewhat reduce access to finance and savings. Also, while the collapse of many MFIs reduced working capital to the microentrepreneurs who had been saving with them and couldn't get their deposits out, this situation was relieved somewhat by the repayment of deposits in defunct MFIs under the restructuring exercise.

On the first specific objective regarding the perception of entrepreneurs toward the collapse and delicensing of MFIs in terms of their willingness to patronize microfinance services, we found that microentrepreneurs perceived the collapse as an avenue for the government to weed out MFIs that did not meet the requirements to operate and also as a means to salvage depositor's investment and savings. Secondly, their perception of the benefit of patronizing MFIs' services has increased while their perceived risk (fear of losing money through the insolvency of MFIs) has reduced.

On the second objective, regarding how the collapse and delicensing of microfinance companies has affected the confidence of microentrepreneurs in the financial sector and what direction, it was found that confidence in the financial sector has increased. Nevertheless, microentrepreneurs are more confident about using commercial banks and MoMo than susu and microfinance companies.

On the last objective, concerning identifying the effect of the collapse and delicensing of MFIs on the business activities of microentrepreneurs, both positive and negative were found, as well as variations by type of microfinance clients. For the positives, microentrepreneurs whose financial institutions were insolvent for a long time before the restructuring was able to access their deposits, which cushioned their business. On the negative side, though customers' deposits were paid, the delay reduced microentrepreneurs' working capital.

5.3 Recommendations

Based on the conclusions drawn from the data collected from the La Nkwantanag-Madina municipality on the effect of collapse/delicensing of microfinance institutions on microentrepreneurs, it is recommended that stakeholders in the microfinance sector should consider the following:

In light of the preferences of microentrepreneurs that were revealed in the study, the government of Ghana (GoG) should encourage mainstream and commercial banks to target the poor, low-income individuals, and microenterprises by "downscaling," i.e., adapting financial instruments and procedures to the microfinance market (based on findings in section 4.5). This would include technical assistance, i.e. TA funding for the development of appropriate financial products and training in microfinance techniques, plus capacity-building of microentrepreneurs to meet requirements (as was done for MFIs and Rural Banks under the Rural Financial Services Project and Rural and Agricultural Finance Program). Also, GoG and BoG could provide incentives for commercial or universal banks to set aside some amount and a special desk in the banking hall that would focus on providing microfinancing to microenterprises. This would help reorient banks and reduce inefficiencies in the microfinance sector through greater competitiveness. Capacity-building of microentrepreneurs and the financially excluded could also help them to better comply with requirements for opening accounts and borrowing.

Customer satisfaction plays a key role in confidence in every service sector. Therefore, GoG and BoG should come together and create a customer services desk as well as a call center that would provide information to customers and also address customers' problems relating to microfinance services in the various institutions. Likewise, BoG, GoG, and telecommunication operators should motivate and incentivize MFIs to adopt the use of mobile money interoperability and other technology to enable microentrepreneurs to transact business smoothly and also monitor their accounts.

To help address limited access to finance by microentrepreneurs, programs such as Coronavirus Alleviation Program Business Support Scheme and Ghana Cares Guarantee scheme program could be extended to microenterprises and scaled up beyond the pandemic to lighten the financial constraints that microentrepreneurs' encounter.

The BoG should ensure that MFIs adopt and regularize proper corporate governance practices by collaborating with Apex Bodies who would monthly or quarterly conduct spot check monitoring and report to the BoG. To ensure that MFIs are adhering to such practices and sound management, BoG needs to strengthen off-site and on-site supervision.

We recommend further research into how MFIs can provide innovative products to target microentrepreneurs based on the commodity or the nature of the business to help serve them better. Further research should also be conducted on how the Ministry of Finance, BoG, and Apex bodies could partner with the National Commission of Civic Education (NCCE) to conduct financial literacy programs for Ghanaians in various languages to help citizens understand trends in the microfinance sector and its cost-effectiveness.

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Appendix A: Microfinance Institutions in Ghana

TYPE OF MFI	CATEGORY	PRODUCTS	OWNERSHIP	LEGAL STRUCTURES	CAPITAL REQUIREMENT	LEGAL BASES	SUPERVISING AGENCY
Rural banks	Tier 1	Consumption/working capital loans, overdraft and Money transfers. Investment, Savings deposit, Short/medium/long term loans	Community-owned BOG has preferred shares	Limited by shares Unit bank	GH¢1.0 million	Companies act 1963 (Act 179) Banking Act 2004 (674) Banking Act (amendment) Act 738. Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) ARB Apex Banking regulation 2006 (LI 1825)	BOG

Savings and loan companies	Tier 1	Consumption/working capital loans, Money transfers Investment Savings deposit Short/medium/long term loans	Private parties either Ghanaians, international or both	Limited by shares	GH¢1.0 million	Companies act 1963 (Act 179) Banking Act 2004 (674) Banking Act (amendment) Act 738. Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)	BOG
Microfinance companies	Tier 2	Consumption/working capital loans. Investment. Savings deposit	Private parties Ghanaians	Limited by shares	GH¢2.0 million	Companies act 1963 (Act 179) NBFI 2008 (Act 774) and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)	BOG
Credit union	Tier 2	Savings deposit Consumption loans working capital loans	Individuals and associations (Ghanaians)	Cooperative society	Not applicable	Co-operative Societies Decree, 1968(NLCD 252) and Co-	CUA

						operative Societies Regulations (L.I. 604)	
FNGO	Tier 3	Short term working capital loans Non-financial service	Private parties either Ghanaians, international or both	NGO Limited by guarantee	GH¢300,000.00	Companies act 1963 (Act 179) NBFI 2008 (Act 774) and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)	BOG
Moneylenders (microcredit companies)	Tier 3	Consumption loans, working capital loans		Limited by shares	GH¢300,000.00	Companies act 1963 (Act 179) NBFI 2008 (Act 774) and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)	BOG
Moneylenders individual	Tier 4	Consumption loans, working capital loans	Private parties either Ghanaians, international or both	Sole proprietorship	Not applicable	Companies act 1963 (Act 179) NBFI 2008 (Act 774) and Specialized Deposit-Taking	MLAG

						Institutions Act, 2016 (Act 930)	
Susu collectors	Tier 4	1 Month Deposits	Private parties either Ghanaians, international or both	Sole proprietorship	Not applicable	Companies act 1963 (Act 179) NBFI 2008 (Act 774) and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)	GCSCA

Source: authors design with ideas from (Trombetta, et al, 2017)

Appendix B: Interview Guide

INTRODUCTION

This information is required to enable the researcher to understand the perception of microentrepreneurs on the collapse and delicensing of microfinance institutions. Please be assured that any information provided will be kept confidential; neither your name nor any personally identifiable information would be used. The information is for purely academic purpose

SECTION A: DEMOGRAPHIC CHARACTERISTICS

This section seeks to collect information on the respondent's basic characteristics

1. Name of the respondent ……………………………………………………….
2. Gender of respondent

   [0] Male [1] Female [99] No Response
3. Age of Respondents _____ [99] No Response
4. Marital Status

   [0] Single [1] Married [99] No Response
5. What is your highest level of education?

   [0] None [1] Primary [2] JSS/JHS/ middle school [3] SSS/SHS/O' level

   [4] Vocation/technical/commercial [5] Post-secondary certificate/diploma

   [6] Tertiary [99] No Response
6. Category of business the entrepreneur operates

   [0] Taxi driver [1] Hairdresser and Barber [2] Foodstuff sellers

   [9] Other (specify) [99] No Response

   If the response is 9 or 99 end the survey
7. Type of business ownership

   [0] Sole proprietorship [1] Partnership [2] Limited liability

[3] Joint Venture [9] Other (specify) [99] No Response

SECTION B

This section deals with experience with microfinance companies and services

8. Type of microfinance client (may select both 1 and 2, if applicable)

[0] Non-microfinance client

[1] Client of the defunct MFIs

[2] Client of an existing MFIs

[99] No response

if the response is 0 or 99 skip the question to 9. Skip questions 8b to 9 if the response is 2 only.

8a. Name of Microfinance company ………………………………………………………

8b. Did the Microfinance company collapse, or it stopped operation itself, or was delicensed?

[0] collapsed

[1] stopped operation

[2] was delicensed

[3] don't know

[99] No Response

If the answer is 2, 3, or 99, skip question 8c

8c. Which year …………………………………. [99] No Response

8d. Did you borrow money from the institution immediately before the collapse or delicensing?

[0] Yes [1] No [99] No response

If 1 or 99 Skip question 8e

8e. After the collapse or delicensing did you repay the loan?

[0] Yes [1] No [99] No response

SECTION C

Perception and experience of the delicensing

This section elicits information from respondents on their perception of the MFIs and financial institutions in general

9. In 2019, BOG de-licensed a number of MFIs. What is your opinion about the delicensing of MFIs by BOG? *(select as many as apply)*

   [0] It is just a deliberate attempt to collapse MFIs

   [1] To sanitize the Microfinance sector

   [2] To protect the depositors' saving and investment

   [3] It was politically motivated to sabotage some individuals

   [4] To restructure the financial institutions as a whole

   [5] To restore confidence in the microfinance sector

   [9] Other: specify ________________________________

   [99] No response

10. What was your perception about the following activities before and after the restructuring of MFIs using a 5-point scale where 1 = very low 2= low 3= no change/effect 4= high 5= very high?

	Before restructuring	1	2	3	4	5	99	After restructuring	1	2	3	4	5	99
I	Confidence in MFIs							Confidence in MFIs						

II	Personal Savings at MFIs							Personal Savings at MFIs						
II	Riskiness of MFIs							Riskiness of MFIs						

11. To what extent has the restructuring affected your confidence in MFIs.?

[1] strongly less confidence

[2] Somewhat less confidence

[3] Neither more nor less confident

[4] Somewhat more confident

[5] Strongly more confident

12. Are you willing to patronize the service of MFI?

[0] Yes [1] No [99] No response

13. To what extent do you have confidence in and is willing to save or deposit with the following Financial Institutions in Ghana after the financial sector restructuring?

		[1] very unlikely	[2] unlikely	[3] Neutral	[4] likely	[5] Very likely	[99] No Response
I	Commercial Banks						
II	Savings and Loan						
III	Rural Bank						
IV	Credit Union						

V	Microfinance Company						
VI	Micro Credit Company						
VII	Mobile Money						
VIII	Susu Collector						
IX	Home						

14. Did the closure of MFIs affect your businesses?

[0] Yes [1] No [99] No response

If 2 and 99 Skip question 15

15. In what ways has the closure of MFIs affected businesses?

[0] it reduces working capital

[1] saved business investment

[2] reduce the trust of my supplier

[9] Other specify

[99] No response

SECTION D

This section seeks to solicit information on factors that influence their perception and use of microfinance services after the collapse and delicensing. The respondent would answer this section using a scale of 1 to 5 to determine the extent to which he/she agrees with the following statement where 1= Strongly Disagree 2= Disagree 3=Neutral 4= Agree 5 =Strongly Agree

	Question	1	2	3	4	5	99
	ATTITUDE TOWARDS DELICENSING						
16	For me, I think the delicensing is critical for the development of the microfinance sector and my business						
17	Generally, my attitude toward the delicensing is favorable						
	SUBJECTIVE NORM						
18	My closest family members, friends and people important to me say I should continue using microfinance services						
19	Entrepreneurs in the same business say I should continue using microfinance services						
	PERCEIVED BEHAVIORAL CONTROL						
20	Am comfortable using microfinance services any time						
21	I know how to utilize microfinance services						
	PERCEIVED RISK						
22	Despite the restructuring, MFCs are still likely to collapse						
23	Interest charges on loans by MFC contribute to the collapse of businesses						
	PERCEIVED BENEFIT						
24	Delicensing means that the remaining MFCs are more secure for making deposits						
25	BOG's actions have restored confidence in the microfinance sector						

Thank you