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**The Effect of The Organizational Structure and Employee
Competence on The Organizational Performance of Microfinance
Enterprises in Accra, Ghana**

Submitted by

Agatha Ayodele Squire

Ph.D in Business Administration

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DECLARATION

I hereby declare that this work was produced because of extensive field research except for where specific references have been made and duly acknowledged. The work has not been submitted for the award of any other or publication. I have therefore personally, under supervision, undertaken the study herein submitted.

AGATHA SQUIRE PhD 16C2007	June 2021
(STUDENT)	Signature	Date

PROF. DADSON AWUNYO-VITOR
(SUPERVISOR)	Signature	Date:

DEDICATION

I dedicate this work to God for granting me the grace to go through this program and to my wonderful family for their support.

ACKNOWLEDGEMENT

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ABSTRACT

This research primarily explores the effect of the organizational structure and employee competence on the organizational performance of microfinance enterprises in Accra, Ghana. It has been largely argued that the organization's structure plays a significant role in the attainment of the set goals and the accomplishment of the strategic objectives of many business entities. The specific objectives of the study were to examine the effect of organizational structures on the organisational performances of Microfinance Institutions (MFIs) in Ghana, determine the moderating effect of employee's competencies on the relationship between organisational structure and organizational performances in the microfinance institutions, and investigate how organizational structures influence performance (successes and failures) of microfinance institutions in Ghana. The study adopted mixed methods in the gathering of data. First, the quantitative was done followed by the qualitative study. For the quantitative study, Simple random sampling was used to select the MFIs in Accra from the GHAMFIN database, whereas, the quantitative phase interview guide was employed. The data was analysed using SPSS version 25.0 and IBM Amos version 23 and above, while thematic and content analysis were used for the interview. The findings were first; that there is a significant relationship between organisational structure measured by decision-making, job codification, the hierarchy of authority and rules of observation on organisational performance. Finally, the finding of the study shows the moderating effect of employee competency measured by business competency, functional and technical competency, and personal competency increase the significant relationship between organisational structure and organisational performance. It is recommended that organizations must ensure that employees must observe rules. This can be achieved by regularly reminding employees of the need to observe rules in the workplace. The findings of the study will serve as the basis for regulatory bodies such as the Bank of Ghana (BoG) and the Ghana Association of Microfinance Institutions to be aware of the structures of MFIs in Ghana and which of the structure's employees are not giving much attention.

Keywords: Microfinance, Microfinance Institutions, Organizational Structure, Organisational Performance, Employee, Employee Competence, Business Competency, Functional and Technical competency, Personal Competency

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LIST OF ABBREVIATION

ADB	–	African Development Bank
ASIP	–	Agricultural Services Investment Project
CBRDP	–	Community Based Rural Development Programme
DEA	–	Data Envelopment Analysis
FINSSP	–	Financial Sector Strategic Plan
FNGOs	–	Financial Non-Governmental Organizations
LDCs	–	Least Developing Countries
MFI	–	Microfinance Institutions
MSEs	–	Micro and Small Enterprises
NAMB	–	National Association of Microfinance Banks
NBFI	–	Non-Bank Financial Institution
NGOs	–	Non-Governmental Organizations
OPR	–	Organization Public Relationship
RASCAs	–	Rotating and Accumulating Savings and Credit Associations
RCBs	–	Rural Community Banks
REP	–	Rural Enterprise Project
RFSP	–	Rural Financial Services Project
RMSEA	-	Root Mean Square Error of Approximation
ROE	–	Return on Equity

- SEM – Structural Equation Modelling
- SEM-PLS – Structural Equation Modelling Partial Least Square
- SIF – Social Investment Fund

CHAPTER ONE

INTRODUCTION

1.1 Background

Since the preliminary works of McKinnon (1973) and Shaw (1973), the relevance of organizational structure to the performance of microfinance institutions has received heightened attention (Adombila, 2018; Osei & Ackah, 2015; Owusu-Nuamah, 2014; Nelson & Quick, 2011). The subject matter of organizational structure has been severally reported in journal articles (Khandwalla, 1973; Wilden, Gudergan, Nielsen, & Lings, 2013) and is the major topic in numerous book publications (Robbin & DeCenzo, 2005). The literature argues that organization structure plays a significant role in the attainment of the set goals (Robbin & DeCenzo, 2005) and the accomplishment of the strategic objectives of many business entities, especially MFIs. Hall (1977) stated that “First, structures are to minimize or at least regulate the influence of individual variations on the organization”. In a detailed definition, Hall (1977, p. 109) states that “Structure is the setting in which power is exercised..., decisions are made ..., and ..., the organization's activities are carried out”. Organizational structure is the coordination of particular people and the way they cooperate to work with one another (Vanagas & Stankevic, 2014). On the importance of organisational structure, Conner and Douglas (2005) suggest that organizational structure is an important aspect of many business organizations scale of measurement whereas Armstrong and Rasheed (2013) state that the importance attached to organization structure is due to its effectiveness in helping the business organization to achieve their goals.

In the Least Developing Countries (LDCs), financial institutions are essential in the alleviation of poverty and are more organized with strong organizational structures. Critical among institutions that make up the financial sector are MFIs which operate in the Microfinance Industry. Globally, MFIs are established to achieve two main objectives, thus, to serve as many poor people as possible and to ensure financial sustainability. According to Ledgerwood (1999), MFIs have evolved as an instrument that is intended to benefit men and women from low-income countries. Ledgerwood (1999) further indicates that the term MFI might also be referred to as an institution responsible for the provision of financial services to low-income

customers, comprising the self-employed. Robinson (2001) shows that MFI's have put at the disposal of many Micro and Small Enterprises (MSEs) saving and credit facilities which the traditional banking systems have failed to provide for the low-income people. MFIs are vital institutions since they help in the alleviation of the poverty levels among the informal populations in many LDCs. MFIs are the first institutions that lend to the rural unbanked population and do not have stringent and bureaucratic procedures like the commercial and universal banks, hence, their successes or failures grievously affect the informal sector.

The goal of halving severe poverty by 2015 is one of the eight Sustainable Development Goals with a specified achievement date of 2030 but not yet the number one agenda of poverty reduction. MFIs have played important role in the reduction of poverty in various parts of the world, as they target the poor through the implementation of innovative initiatives (Kimando & Kihoro, 2012). In a similar spirit, Guntz (2011) states that MFIs when properly ran have the potential of improving the lives of the poor in varied ways. However, the ability of impoverished people to access basic financial services is constantly changing, and many developing nations and partners continue to be plagued by poverty. According to Helms (2006), around 3 billion impoverished people in the globe need basic financial services to manage their precarious existence. Access to loans and deposit services from MFIs and its effect on empowering individuals all over the world demonstrate MFI's cascading potential. Microfinance will undoubtedly remain on the agenda of developing countries like Ghana and donor partners for the foreseeable future, and as suggested by Guntz (2011), following the success of the Grameen Bank in the 1970s, micro-lending procedures have dramatically improved. MFIs have become financially viable because of the cost-recovering interest rates and increased repayment quota activities, as well as the significant expansion in its business activity and volume.

To examine the factors leading to the successes or failures of MFIs, many studies either focus on one of the objectives to serve as many poor people as possible or to ensure financial sustainability. According to Hermes and Lensink (2007), the debate on which of these two objectives is a good measure for the success or failure of MFIs has largely remained inconclusive since it is difficult to establish the definition of failure or success of MFIs (Marulanda, Fajury, Paredes, & Gomez, 2010; Rozas, 2011). Despite this, empirical studies

on MFIs have examined the success and failure of MFIs from a financial sustainability point of view (Marulanda, Fajury, Paredes, & Gomez, 2010; Rozas, 2011). The financial sustainability of MFIs is influenced by the operational structure of the MFI (Marulanda, Fajury, Paredes, & Gomez, 2010; Rozas, 2011; Kratovac, 2013). The structure of microfinance institutions is worthless except they are sustained by proper systems (Nelson & Quick, 2011) since the structure is greatly linked to the financial and non-financial performance of the MFI. The effect of the structure of MFIs on performance is not very clear in the empirical literature. For instance, Qingmin, Helmut, and Juegen (2012) point out that there is a direct and indirect association between the organizational structure and organisational performance of business entities in Austria and China respectively. Thus, the effect of organisational structure on organisational performance should be argued from a geographical point of view. Oyewobi, Windapo, Cattell, and Rotimi (2013 p.104) revealed: “that organizational structure has an explanatory effect on the relationship between strategy and organizational corporate performance among businesses operating in South Africa”. Lai and Limpaphayom (2003) study examined the impact of organizational structure on the firm performance of the Japanese non-life insurance industry and confirmed that organizational structure affects the organisational performance of business organizations. Lai and Limpaphayom (2003) fell short of identifying the direction of the effect of organisational structure on performance. Asiama (2007) opines that the activities of MFIs when properly harnessed promote higher investment resulting in economic empowerment, which in turn promotes confidence particularly for the vulnerable.

To achieve economic empowerment, the role of the employees is important. The employment of competent personnel also ensures that the financial and non-financial objectives of MFIs are achieved. Since MFIs are usually owner-driven, the structure and the funds available does not usually permit the employment of competent persons (Boateng, Nortey, Barnie, Acheampong, & Ackom-Sampene, 2016). Mullins (2005) emphasizes that structure affects the type of employee recruited, which also affects both productivity and economic efficiency as well as the morale within the microfinance company. An important notion stemming from Mullins assertion is that good structure will affect the employee, which will have a tangible and intangible effect, thus, impacting organizations' operational effectiveness as employees carry

out operations/tasks of the organization. Lawler and Boudreau (2012) posit that business entities need employees to create competitive advantage and the effectiveness of the business entity depends on its ability to address its intellectual capital and human resource needs and issues. Empirically, existing studies show a strong relationship between human resource competency and an enterprise's performance (Lawler & Boudreau, 2012; Li, 2000). For the forebear, employees are the most valuable asset of a business entity as their actions and inactions can affect performance and to a larger extent profitability. The performance and success of any business entity, therefore, depend on its skilled employees and how efficient the organization can tap into that resource and make effective use of it (Osei & Ackah, 2015). The human resource of a business entity is arguably its bloodstream measuring the competencies of the human resource are directly related to its general performance.

In terms of the factors responsible for the successes or failures of MFIs in Ghana, Boateng et al. (2016) investigate the factors leading to the collapse of MFIs in the Ashanti region of Ghana. This investigation shows that the leading problems resulting in the collapses of MFIs are related to unduly risky, mismanagement and disregard of due diligence, and unethical and illegal practices. These factors according to Boateng et al. (2016) were convoluted by external factors such as panic withdrawals and macroeconomic instabilities that raise the risk levels of MFIs beyond the point of containment. As indicated by Kyereboah-Coleman & Osei (2008) discussions on governance and structures of corporate organizations have largely focused on large business entities and in many cases on developed countries to the neglect of least developing countries. The mixed organisational performances of MFIs have attracted quite noteworthy attention in recent years, both from academia and policymakers (Berger & Patti, 2002; Bogan, 2007). The effect of organizational structure on the MFI on organisational performance in Ghana is therefore explored in this report.

1.2 Problem Statement

Tackling the issue of improving the livelihoods of the poor in Ghana and countries all around the world will continue to place a demand on the time, efforts and financial resources of governments and donor agencies alike. Programmes carried out to address these problems have employed several tools including microfinance. Up until the late 70s, the importance of this

tool was not realized until the success of the Grameen Bank became evident. Governments and their partners have since then employed this tool as a catalyst for poverty alleviation. The same can be said for Ghana, notable growth in the microfinance industry has been experienced in the past three or four decades. However, in recent times there has been a continuing rise in the number of failing and troubled MFIs (1st Eye Microfinance Company Limited, ABEPA Microfinance Limited, ACEA Microfinance Co. Limited, Adom Sika Microfinance Limited, Advalue Microfinance Limited, AE Microfinance Company Limited, AF Microfinance Company Limited, Afrique Capital Microfinance Limited, Akad Microfinance Limited, Aki Microfinance Company Limited, All Ghana Microfinance Limited, All-Inclusive Microfinance Limited, Alliance Trust Microfinance Limited, Amisgold Microfinance Services Limited, A-N Microfinance Services Limited, A-One Trust Microfinance Services Limited, Appiaduman Microfinance Limited, Aspeta-A Microfinance Limited, A-Star Microfinance Limited, Axis Direct Microfinance Company Limited, Benkoston Microfinance Limited, Best Microfinance Services Limited, BlueHills Microfinance Limited, Booafo Ne Nyame Microfinance Limited, across Ghana and this has become a matter of concern for stakeholders across the board (Gyimah, Appiah, & Lussier, 2020).

This disturbing trend of closing down many MFIs by the BOG due to their bankruptcy has led to public outbursts and currently leading to the lack of confidence in the microfinance industry. The Bank of Ghana (BoG) has revoked the licenses of 347 insolvent Companies. The licences of 192 of them were revoked in addition to that of another 155 that have ceased operations. The statement issued by BoG on the closure of MFIs in 2019 were actions taken under section 123 (1) of the Banks and Specialised Deposit-Taking Institutions Act, 216 (Act 930). This step requires the BoG to revoke the licences of a bank of Specialised Deposit-taking Institution (SDI) when it determines that the institutions are insolvent or is likely to become insolvent within the next 60 days. Due to this action, the BoG has designated Mr Eric Nipah as Receiver for the abovementioned Institutions. The nomination of the receiver is in accordance with section 123 (2) of Act 930. According to the statement, the cancellation of these institutions' licenses was done to get rid of insolvent and dormant institutions that have no reasonable prospects of rehabilitation. Furthermore, the closure of these institutions is because the organizations have denied depositors access to their funds, posing a threat to the financial

system's stability. The BoG claimed that by revoking these licenses, it was attempting to protect the financial system's stability as well as harmed depositors. The government had made cash available to enable the Receiver to compensate depositors, according to the statement.

Earlier empirical studies conducted analysed a combination of actors and how each or a combination of the factors affect the sustainability of the microfinance entities within countries, regions, local municipalities and in some studies on a global basis. Ayayi and Sene (2012), were of the view that Microfinance is a tool for poverty alleviation hence the continual existence of MFIs is paramount in addressing the poverty issue. Ayayi and Sene (2012) report the drivers that make MFIs financially sustainable, such as, a good quality credit portfolio along with the right interest rate charged on these loans and sound management practices. Furthermore, the researcher reported that lending to women did not suggest a significant effect on MFI financial sustainability. Annim, (2012) focused on how the drive-in attaining financial sustainability coupled with a source of funding of MFIs could influence clientele targeting. The finding of the paperbacks, the traditional view shows that there is generally a trade-off between the self-sufficiency of MFIs and the capability of reaching poorer clients. This reported that MFIs upholds the view of the not so poor clients targeted by MFIs in dispensing funds.

As earlier suggested by Hall (1977), the organizational structure has two essential functions, each of which has a higher probability of affecting organizational performance and individual behaviour. Since not all structural forms are effective when implementing a specified strategy, the selected structural forms should affect an organization's financial and non-financial performance. Although the relationship between organizational structure and firm performance has been well documented and researched, very little empirical research has been conducted on organizational structure and organizational performance in LDCs (Armendáriz & Morduch, 2010; Aveh, 2011). Despite the important roles played by MFIs in the amelioration of the poverty of its clients, most MFIs are not well structured as the owners act as both Directors and Chief Executive Officers (Kyereboah-Coleman & Osei, 2008). From the 'principal-agent theory, the conflict of interests between owners of microfinance institutions (principal or shareholders) and directors or employees (agent or director) give rise to important corporate governance issues and the 'principal-agent problem'.

Usually, the principal-agent problem in the MFIs arises because of the poor organizational structure. This inhibits organizational performances and affects the successes of MFIs and results in their failures. Armendáriz and Morduch (2010) argue that the myth that all MFIs operate successfully and persist efficiently with limited failures have been propagated in the academic literature for a long time. There have been many reported cases of collapsing microfinance institutions in many LDCs (Boateng, et al., 2016). Many of these companies start well but along the line end up as business failures. Whereas Rozas (2011) indicates that the collapse of most MFIs during the 2008/2009 financial crisis is associated with the weak management structure and poor portfolio quality, Ledgerwood (2013) opines that the changing nature of the microfinance market has also led to the transformation and comprehension of what makes MFIs a success or a failure. Though there is an amount of literature on the success factors of MFIs in the academic circles, increasingly MFIs are collapsing and failing to achieve their financial sustainability.

The collapses of MFIs are not a new phenomenon but there are no reliable statistics on the number of the collapse of MFIs in LDCs (Opare-Djan, 2008). For instance, in Ghana, Belnye (2011) states that in 2008, the Bank of Ghana (BoG) moved to close down numerous MFIs due to their rampant failure and collapses. The first quarter of 2013 also witnessed approximately 30 unnamed MFIs collapses. Later that same year, the BoG moved further to close an additional 20 Microfinance enterprises, which became insolvent. In recent times, BoG indicates that of the 566 licensed MFIs in Ghana in 2018, 211 is active but distressed or folded up (Adombila, 2018). The structure of MFIs is largely owner-driven and the owner dictates the business patterns and the investment of the microfinance without recourse to the structure of the organization.

Moreover, the lack of research in this study area, particularly, in Africa and Ghana create maximum gaps. The current breakdown of the organizational structure further accounts for the demise of some MFIs in Ghana (Adombila, 2018; Boateng, et al., 2016; Kyereboah-Coleman & Osei, 2008). According to Ogyem (2016), the collapse of the MFIs is even more evident in the many bank runs and bankruptcies, which have characterized the MFIs in recent times. Salakpi (2015) posits that MFIs have suffered nationwide collapses in LDCs. In Ghana, there

have been more reported cases of MFI collapses between 2013 and 2018. Most MFIs in Ghana are managed by private individuals who act as both the CEO, the manager, and the Chairman of the Board of Microfinance enterprises. For most of these MFIs, there is no proper laid out organizational structures to regulate how decisions and strategies are taken and implemented (Owusu-Nuamah, 2014), and how the structure affects the organizational performance of Microfinance enterprises. The collapses of these MFIs have been largely attributed to the poor structures and the owner directing the activities of these MFIs (Salakpi, 2015; Kratovac, 2013).

The association between employment competency and organizational performance and also the organizational factors are contributing to the success or failure of MFIs in developing countries (Armendáriz & Morduch, 2010; Aveh, 2011). In Ghana, the relationship between organizational structural variables and organizational performance has been largely ignored in empirical research. More importantly, the significant role of employee competency in the organisational performance of Microfinance enterprises has been under-investigated. The Ghanaian economy is largely driven by the financial sector. The financial sector in Ghana is made up of 24 universal banks, 37 savings and loans, and 137 microfinance institutions (Bank of Ghana financial literacy, 2019). Among the institutions that make up the financial sector, MFIs are a key component for the building of a strong economy. Although the value of the intellectual capital within business entities cannot be understated, the empirical literature on the subject matter in Ghana is either non-existent or missing. Aside from the non-existing literature in the Ghanaian context, most recruitments of staff and business activities in MFIs have been largely undertaken based on the owners' directive. This hurts the performance of many MFIs in Ghana. In the wake of many collapsing MFIs in LDCs; cost-effectiveness (Schreiner, 2001; Abate, Borzaga & Getnet, 2014; Oteng-Abayie, Amanor and Frimpong, 2011; Rao and Fitano, 2014) and more importantly Ghana due to non-performance and poor management issues (BoG annual report, 2019), it is, therefore, important to examine the effect of the structure of microfinance enterprises on the financial performances of these institutions.

1.3 Objectives of the Study

The primary objective of this study is to investigate the effect of organisational structure on organisational performance and the moderating role influence of employee competence in microfinance institutions in Accra, Ghana.

The secondary objective read as follows:

To determine the moderating effect of employee competencies on the relationship between organisational structure and organisational performance in microfinance institutions in Accra, Ghana.

The specific objectives are to:

1. Examine the effect of organizational structures on the organisational performances of MFIs in Ghana.
2. Examine the moderating effect of employee's competencies on the relationship between organisational structure and organizational performances of MFIs.
3. Investigate how organizational structures influence the organizational performance (successes and failures) of microfinance institutions in Ghana.

1.4 Research Questions

The main research question asked in this study is, does the organizational structure, defined by the decision making, hierarchy of authority, job codification, rule observation and employee competence of MFIs in Ghana affect its organisational performances? The specific research questions that are asked in this study are:

- What is the effect of organizational structures on the organizational performances of MFIs in Ghana?
- What is the effect of employee's competencies on organizational performances in MFIs?
- How do the organizational structures influence the organizational performance (successes and failures) of MFIs in Ghana?

1.5 Research Hypotheses

Based upon the research objectives of the study, the following hypotheses were formulated to guide this study:

H1: Decision-making exerts a significant positive influence on organizational performance.

H2: Hierarchy of authority exerts a significant positive influence on organizational performance.

H3: Job codification exerts a significant positive influence on organizational performance.

H4: Rule observation exerts a significant positive influence on organizational performance.

H5: Employees' competencies moderates the relationship between decision-making and organisational performance.

H6: Employees' competencies moderates the relationship between the hierarchy of authority and organisational performance

H7: Employees' competencies moderates the relationship between job codification and organisational performance

H8: Employees' competencies moderates the relationship between rule observation and organisational performance

1.6 Significance of the Study

Though the concept of microfinance is not a novelty in Ghana, the formalization of the MFI is usually thought to be at the infantile stage of its life cycle. The role of MFIs in the progress of the economy of LDCs cannot be easily overlooked. The financial efficiency of MFIs has importance for the growth of MFIs itself due to its impact on the organizational performance and by extension the growth of the Ghana economy. The failure of MFIs in Ghana will bring harmful consequences to the progress of the economy. Therefore, the organizational structure of MFIs has much importance.

The significance of this study is three folds. The study is primarily significant to individuals and academic institutions. This study extends the existing literature on the relationship between organizational structure and financial performance by examining the structures of MFIs and the association between the structure of the MFI and financial performances. To achieve this objective, the study assesses the performance of MFIs from both the financial and the non-

financial perspectives. This approach extends the existing literature, which has purely focussed on measuring performance from either a financial or a non-financial perspective. One of these approaches is to help ascertain whether the structure of MFI is positively or negatively affected by non-financial or financial variables or both, hence, serving as a reference point for academia.

Secondly, this study will benefit regulatory bodies' in-charge of microfinance industries. In Ghana, for instance, the Bank of Ghana (BoG) has descended on the many MFIs who are charging exorbitant interest rates and promising "too good to be trusted" interest on their investment with them. Added to this, there are many cases where the MFIs dupes unsuspected customers and later become bankrupts and fail to exist. This study, therefore, seeks to make relevant policy recommendations that will help regulatory bodies, such as the BoG, avert these situations and spend huge sums of money to clean the financial mess going on in the microfinance industry. For the regulation of MFIs, the findings of this study served as an important basis on which better regulatory policies can be developed for the smooth functioning of the microfinance subsector in Ghana.

Lastly, since this study focuses on the relationship between the structure of MFIs and organizational performance and also the factors responsible for their successes or failures, MFIs will benefit tremendously from the policy recommendations of the study. The study will help companies, especially, identify how the various structures that they operate affect their organizational performance and how they can harness these strengths to their advantage. Additionally, by identifying the factors responsible for the failures of these MFIs in operating in a developing country such as Ghana, MFIs will be able to overcome the failure factors.

1.7 Limitations and Delimitations of the Study

Limitations are concerns that researchers cannot control but can influence the outcome of the study (Simon and Goes, 2013). Though this study was comprehensive and very elaborate, it is important to note that there were some challenges encountered in the conduct of the study. The first methodological limitation of the study was the number of MFIs sampled. Although the entire population of MFIs in Ghana should have been sampled for this study, the study sampled

three hundred (300) respondents (MFIs). The sample size of 300 was assumed appropriate and gave significant relationships from the data.

Another limitation of the study was the unwillingness of some sampled MFIs to participate in the empirical research study. Though sampled MFIs were first served with an introductory letter from the University and managers agreed to participate in the study, the managers declined participation in the study citing personal reasons.

Other cited and in “the interest of the company” as indicated by their secretaries. The delimitation of this study was that it focussed on MFIs operating in the business centre of the Greater Accra region of Ghana. The choice of MFIs operating in the central business area of the Greater Accra region of Ghana was because they were the MFIs willing to participate in the study.

1.8 Definitions of Key Terms

The following are definitions of key terms and phrases as they are used in this study:

1.8.1 Organizational Structure

An organizational structure defines the lines of authority and communication, it influences the formal allocation of work roles, channels collaboration, allocates power and responsibility, and prescribes levels of formality and complexity (Child, 1972).

1.8.2 Sustainability

This term refers to the ability of an MFI to cover all of its costs through interest and other income paid by its clients. The subsidy dependence index is commonly used in measuring the sustainability of MFIs, and Schreiner and Yaron (1999) suppose that it is the summation of sustainability of MFIs. According to researchers, the sustainability and success of MFIs is their capability in moving from subsidy dependence to fully cover their operational expenses (Khandker & Khan, 1995; Morduch, 1999; Schreiner, 2000). Morduch (1999) also views the sustainability of MFIs in two ways; operational sustainability which entails the ability of an MFI to recover its operational cost and financial sustainability which entails its ability to operate without relying on subsidy from donors.

1.8.3 Organizational Performance

The organization's performance is a function of the potential return to the inculcation of strong culture into the organization's systems enabling it to execute its routines (Richard, 2002). The organizational performance consists of the output of an organization against its planned outputs or objectives. Richard et al (2009) state that the performance of an organization comprises the market performance, the financial performance and the shareholder returns. According to Brown & Walker (2004), organizational performance refers to the organization's achievement in the marketplace and the diverse programme of actions accomplished. Innocent, Okwo and Ordu (2013) also identifies performance as an enterprise's capability in achieving its laid down goals and being in a position to take advantage of the economic resources available. Velez-Gonzalez et al (2014) also state that performance is vital in the growth of the organizational plan and in assessing the goals of the organization. Hofer (1983) views performance as the assessment of results of an organization by resolutions by management on the capital of the organization and implementation of decisions taken by members of the organization. Measuring the performance of an organization is vital because it assists in the preparation of comprehensive goals, norms and values, which are aligned, to the measurement of their achievements (Schack & Kravchuk, 1996). Organizational Performance in the context of this research is measured by group loan repayment rates.

Measurement of performance in MFIs has lately experienced changes in the intrinsic and extrinsic factors such as technological changes, the environment and the role of commercial banks in the activities of MFIs and growth in competition due to the change in MFIs performance measurement style (Hermes et al, 2011). The organisational performance of MFIs can be observed as a triangle consisting of poverty impact, financial sustainability and outreach to the poor, (Zeller & Meyer, 2002). Rosenberg (2002) however believes that organisational performance measurements of MFIs comprise of four important areas, repayments rates, productivity, outreach to the poor and sustainability. According to CGAP MFI performs better when it assesses and reveals its performance. The reporting of the MFIs performance not only helps stakeholders to do cost-benefit analysis but also could improve the performance (CGAP, 2006). This research will assess the organisational performance of the MFIs based on one area of Rosenberg's performance measurements, which is repayment rates. The measurement of

performance is the assessment of the results of an organization based on decisions made by management on the resources available to the organization and how the resources are utilized by teams in the organization. (Hofer, 1983).

1.8.4 Micro Finance Institutions (MFI)

MFIs collect deposits and give out loans or credits to potential clients hence are likened to commercial banks (Hartarska, 2005).

1.8.5 Employees' Competencies

According to McClelland (1973), competence is a characteristic trait of a person that is related to superior performance and a demonstration of particular talents in practice and application of knowledge required to perform a job.

1.9 Organization of the Study

The study is organised into five chapters. Chapter one is the introduction of the study, which presents the background to the study, a statement of the problem, research questions, objectives of the study, the contribution of the study to knowledge and practice, the significance of the study, definition of operational terms and delimitation of the research.

Chapter 2 will give a detailed review of the scholarly literature of the study. In this chapter, the empirical literature on organizational structure and financial performance regarding the microfinance industry both in Ghana and outside Ghana are extensively presented.

Chapter 3 talk about the evolution of the theoretical and conceptual framework. The theoretical framework identifies the research's central notion, suggests connections between them. The framework further examines important theories in the literature review.

Chapter 4 discusses the study area and research methodology. Thus, the profile of the study area, the sample size, sampling technique, the mode of data analysis and the ethical consideration followed in the conduct of this research is extensively discussed in this chapter.

The results and discussions are presented in Chapter 5. Chapter 5 also presents the results under the various objectives of the study and discusses these results with references to the empirical literature on the subject matter of this study. Finally, Chapter 6 concludes and summarises the study. Also, Chapter 6 presents policy recommendations and areas for future research.

1.10 Chapter Conclusion

This chapter gives a general overview of this study. It outlines the background to the study and discusses the research problem and objectives. The research questions are formulated as the main guide to the study whereas the contribution and significance of the study are discussed. The chapter concludes with a definition of key terms, delimitation and organisation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter of the study reviews earlier research works conducted in the area of MFI's sustainability. First and foremost, varying definitions of the term "microfinance" are compared, contrasted and critiqued, followed by a discussion of the underlining mission of MFIs. The study moves further to discuss the evolution, history and origins of MFIs with emphasis on the Ghanaian environment.

2.2 Conceptual Overview of Constructs

2.2.1 Microfinance Definitions

Microfinance is not a novel idea. Its roots reside in both conventional and informal credit networks that have persisted for centuries in emerging economies. Most existing microfinance activities have been focused on trust-oriented, non-collateral financing and repayment in collective loan cooperative transactions (Adongo & Stork, 2015). Microfinance is described, according to Putzeys (2012), as the provision of a comprehensive variety of financial services for tiny, low-income households and micro-enterprises, such as deposits, loans, payment of services, money transfers, and insurance. Microfinance goes further than access and distribution of money. It addresses how capital is used, spent and how investments are made. The delivery of financial resources goes beyond microfinance by supplying citizens with exposure to new opportunities.

Micro and Small Enterprises (MSEs) receives knowledge, training and learn how to handle their money along with the opportunity to increase their revenue. Themes including organisation's and organizational facets, leadership growth, trust raising, small business administration, awareness and exchanges of knowledge are also included in micro-finances. Such non-financial resources determine the basic essence of microfinance and therefore increase the appeal of microfinance schemes (Putzeys, 2012). Robinson (2013) submit that microfinance incorporates all kinds of financial intermediation services that are available to

low-income households and enterprises in urban and rural areas, including public and private sector and self-employed people (saving, transferring loan funds, insurance, reimbursement of pension, etc).

Microfinance, according to Hagan and Martins (2014) includes institutions other than traditional financial institutions that provides a wide range of complementary financial and other services (savings, insurance, money transfer, and so on) to both the poor and the wealthy. Credit, savings, insurance, money transfer, and other services are all included in the entire definition of the term. It is also stated because citizens, particularly the poor and very poor, lack access to traditional formal financial institutions and require a variety of financial products to alleviate ongoing deprivation and difficulty (Putzeys 2012). The above definitions provide a more detailed interpretation of the terms microfinance (Hagan & Martins, 2014), as opposed to other definitions that appear to over-concentrate on financial assistance (credit) to the vulnerable while ignoring more aid, such as capability development, investment, insurance, and many other ways of the capacity building than financial assistance.

Therefore, the concept of microfinance derived from the definitions above is taken from any kind of financial services other than traditional financial intermediation services, which provide a broad range of additional financial and other services, such as deposits, insurance, cash transfer, etc., and consultancy services for the poor and low-income enterprises. MFIs strengthen and improve individuals self-confidence and trust in society's cultural, social, and political existence (Hagan & Martins, 2014). It appears from the above discussions that various researchers concur with the headline definition of microfinance as the activity of making available to the poor and the unbanked financial services, which hitherto were not accessible to these groups of individuals or persons due to the focus of mainstream banking (Baten, 2009; Guntz, 2011; Hartarska, 2005; Wrenn Eoin, 2005). The traditional view held on the definition of microfinance made it synonymous with microcredit (Guntz, 2011). Meanwhile, (Dokulilova, Janda, & Zetek, 2009; Guntz, 2011), define microcredit as the process of lending small-sized loans to small micro-enterprises, which are most often family-owned and to individuals who are more often than not unemployed.

Quayes (2012), defines microcredit as the provision of small loans to the poor by employing

innovative strategies distinct from that of formal credit, which is accessed within the financial sector where these loans are predominantly disbursed without collateral. There is, however, a clear dichotomy between the definitions of microcredit and microfinance although some researchers have used the terms interchangeably (Wrenn Eoin, 2005). Thus, the traditional definition of microfinance has evolved into a more contemporary view of providing not only microcredit but in broader terms products to include insurance, savings and transaction services (Barr, 2009).

Whilst, Hartarska (2005), held the view that microfinance is the provision of other financial services including microcredit, Guntz (2011) portrays an evolution resulting from the demand for other financial services by the poor enlarging the philosophy from microcredit or micro-lending into microfinance. Wrenn (2005), on the other hand, concludes on microcredit is a subset of microfinance, as it comprises the provision of loans and other financial services in the form of pensions and payment services as well as savings and insurance. A major distinction between microcredit and microfinance, according to Sinha (1998), is that, whereas microcredit particularly denotes small loan facilities, Non-Governmental Organisations (NGOs) and other identifiable MFIs usually supplement these loans with other financial services such as savings and insurance.

As a result, microcredit is only one aspect of microfinance activities, which encompass a wide range of financial services for the poor, such as savings, money transfers, and insurance (Helms, 2006). Dokulilova, Janda and Zetek (2009) have made similar assertions in discussing the evolution and transformation of microcredit into microfinance. Baten, (2009) posits the contemporary view of microfinance as consisting of a broad spectrum of financial services available to the poor and their businesses, which includes loans, payment services, money transfers, deposits and insurance. Wrenn (2005), further emphasized microfinance as the effort put into making accessible to poor and unbanked households, small loans and savings products.

In defining microfinance, Dailey (2005) and Quayes (2012), iterate that it is the provision of a broad range of financial services, but distinctly different from traditional lending practices where loan securitization is a key requirement but absent in micro-financing. Hence, the mode of operation differs significantly from transitional banking activities where lending groups,

liberal loan structure, immediate, regular payment arrangement, and collateral substitute are employed. Although demand for services other than microcredit, has increased in recent times, lending continues to be the main focus of microfinance activities (Guntz, 2011).

With a loan tenor averaging between six to twelve months as against weekly and fortnightly instalments, the credit cycles of these loans are typically shorter than the normal loans given by the commercial institutions (Barr, 2009; Dokulilova et al., 2009). Dokulilova et al. (2009) added that microfinance is a financial development tool targeted at the poor by making available to same financial services, which are focused on improving their livelihood. Aside from the provision of non-securitized loans being peculiar to microfinance, another distinguishing feature is the quantum and purpose of these disbursed loans. Thus microfinance is generally related to small working capital credit given to microenterprises and advanced into businesses that can generate returns (Guntz, 2011). Generally, apart from farmers who predominantly form a large portion of the clientele of MFIs, other microenterprises that benefit from microfinance activities include businesses where goods are fabricated, mended, recycled and sold (Dokulilova et al., 2009b). Those who provide services or work for commissions and daily or weekly wages are not left out.

Broadly, microfinance is the extension of financial services to individuals and groups in developing economies dwelling within the rural and urban areas (Dokulilova et al., 2009b). The traditional definition of microfinance emphasizes a mono-product line of micro-credit whereas the contemporary view portrays the availability of varying products and services (Baten, 2009). On the contrary, however, both the traditional and the contemporary views of the definition of microfinance are in tandem with the particular target group or persons and/or market segment to which microfinance services are directed, which is the poor (Barr, 2009; Baten, 2009; Quayes, 2012; Wrenn Eoin, 2005). Thus the focus group has been constant within the contemporary and traditional approach to micro-financing as Copestake (2007), confirms, the definition of microfinance tends to relate to its users rather than the forms of financing it provides. In summary, the World Bank's Impact Evaluation for Microfinance (2007) makes, the definition of what is "small" or "poor" critical to determining what constitutes microfinance.

Table 2.1: Summary table of microfinance and microcredit definitions – Bullet definitions

Microfinance	Traditional View: Microfinance is synonymous with microcredit in the traditional sense (Guntz, 2011).
	General View: Making available to the less privileged and unbanked, financial services which are not obtained from formal banks (Baten, 2009; Guntz, 2011; Hartarska, 2005; Wrenn Eoin, 2005). Distinctly different from traditional lending practices is loan securitization, which is key in mainstream banking, but absent in microfinance (Dailey, 2005; Quayes, 2012).
	Contemporary View: Microfinancing activities are not limited to microcredit but include broader products in the form of insurance, savings and transaction services (Barr, 2009).
Microcredit	The lending or advancing of small-sized loans to small micro-enterprises, which are family-owned and to unemployed individuals (Dokulilova, Janda, & Zetek, 2009; Guntz, 2011).

Researcher's Compilation, 2020

2.2.2 Critique of Definition

Although the target market in microfinance activities are easily identifiable as the poor through the various definitions, the critical component absent in the definitions has to do with the classification of those who are termed as the poor since poverty has different meanings to different people (Westover, 2008). Are the poor as defined in microfinance activities referring to the poorest of poor (extreme poor), which, according to the United Nations (UN) in 2002, are persons living below \$1 a day (Hermes & Lensink, 2007)?

On the other hand, it comprises those slightly above this threshold and classified as non-poor, which is the target group of some MFIs in their quest to remain sustainable (Annim, 2012). The broad and general mention of the poor as the target group for microfinance activities leaves a lot of room for manoeuvring, selectivity and discretionary evaluation by the MFIs. This is because the question is which block within the poor should be the focus when it comes to the possible elimination of the extremely poor (Hermes & Lensink, 2007). Since the contemporary view in the definition of microfinance is to do with an increasing number of products other

done microcredit as driven by customer demands (Barr, 2009), the demand for these products will continue to increase and as such may not be as specific and conclusive in defining microfinance activities. The holistic view adopted by Wrenn (2005) may be a more inclusive approach in addressing the varying and increasing activities of microfinance companies.

From the issues mentioned above, the suggested definition of microfinance can be expressed as the provision of a range of financial services including microcredit, savings, insurance, pensions transfers and other financial services to the poor comprising of the poorest poor, the very poor, and poor who are outside the scope and target group of mainstream, traditional and commercial Banks. (Guntz, 2011; Hartarska, 2005; Quayes, 2012; Wrenn Eoin, 2005). The summarised definition of microfinance is to provide a range of financial services and products to a specific target group comprising the poor and unbanked. This leads the researcher into discussing the role and mission of Microfinance.

2.3 History and Evolution of Microfinance

Guntz (2011) points out that microfinance can be traced back to medieval Europe, specifically Ireland and Germany. As early as the eighteenth and nineteenth centuries microfinance activities were practised in developing Asia as well as in Europe were, the practice began as informal banking predominantly directed at the poor. Microfinance has been built on the precepts of self-help and informal banking, which has led to financial innovation (Baten, 2009). Lending charities sprung up in England during the seventeenth and eighteenth centuries offering funds to borrowers at zero percentage, and in the event, where interest was charged, they were paid to some local charity. The practice was especially beneficial to aspiring young traders. With time, the misuse of these funds by the trustees, increase in administrative costs coupled with increasing default by borrowers made these charities move away from their original focus of lending to the poor to funding established traders who can provide security and are thus able to access funds from commercial banks (Hollis & Sweetman, 1998). The authors attested to a similar practice in Ireland around the same time where the funds were directed towards very poor agricultural labourers, farmers and dealers. The loans were small amount and the rates were as high as twelve per cent to be paid over twenty weeks. The Irish loan funds, which were established by philanthropic individuals by donating to the fund

increased their initial capital by growing interest-bearing deposits and subsequently lent out with interest. The extremely poor benefited from these funds during its over a hundred years existence. Thereafter, the financial intermediation between lender/savers and borrowers and stringent regulations sponsored by the commercial banks brought the practise to a halt (Baten, 2009; Hollis & Sweetman, 1998). The German Raiffeisen credit cooperatives evolved in the 1840s as an unlimited liability cooperative spreading not only in Germany but to other European countries, North America, China and India, offering microcredit in an organised manner. These cooperatives metamorphosed into credit unions in the early twentieth century.

The concept of central banking was born through this activity by accepting the excess deposits from these individual cooperatives and lending to them when demand credit is far more than supply (Hollis & Sweetman, 1998). Helms (2006) asserts that, due to the expense of loans charged by moneylenders, pawn shops were founded as an alternative by the Catholic Church in Europe during the 15th century. During the century, pawn shops expanded in popularity across Europe's cities, resulting in an influx of larger, more formal savings and credit institutions focusing mostly on the poor in both urban and rural areas. This European movement gave birth to many of today's financial cooperatives in Africa, Latin America, and Asia. The creation of the Indonesian Peoples' Credit Bank in 1895, which became the largest microfinance system in Indonesia in 1895, was another important historical event in microfinance (Guntz, 2011). Alongside, were developments in rural Latin American during the early 1900s where variations of credits and savings themes emerged with the focus of funding the agricultural sectors while mobilising excess funds into savings leading to investment through credit to the poor (Helms, 2006). The author confirms that the mid-twentieth century saw the influx of government and donor partnerships to provide agricultural credits to small and relegated farmers to hopefully increase productivity and incomes.

Microfinance history will not be complete without a reference to Muhammad Yunus' revolutionary progress in the 1970s. This accomplished economic professor and creator of the Grameen Bank Bangladesh began by crediting a group of small traders and craftsmen with USD 28 for work capital (Dokulilova et al., 2009b). In Bangladesh and later elsewhere the Professor has pioneered the concept of microfinance efficiently with his Grameen Bank (Guntz,

2011). These strategies were used in many environments around the world. Particularly the concepts of ACCION International, which began around the same time in Latin America spread to Africa and the United States of America (Guntz, 2011). The 1990s saw the growth of several MFIs with the primary aim of increasing outreach and thereby gaining prominence in developmental programmes (Wrenn Eoin, 2005). Microfinance activities by this time had been embraced as a developmental tool gaining further recognition by the declaration of the year 2005 as the year of microcredit by the United Nations (UN) (Guntz, 2011). This expansion birthed the increase in the range of product offerings of MFIs to cover not only microcredit but savings, pensions and transfer services, which were in tandem with demands from poor clients for varying financial services (Wrenn Eoin, 2005).

Improvement in microfinance programmes was experienced during the same time where well-managed ones proofed that the poor especially women, were creditworthy and are willing and able to service their loans (Helms, 2006). Baten (2009) confirmed the new wave of microfinance initiatives produced innovations into the sector, in that experimental programs revealed that the poor could be trusted to pay back their loans thus decreasing dependency on donor subsidies by these very institutions. Current developments, however, indicate that these MFIs are pursuing commercialisation strategies thus seeking to be profit-making, which may conflict with the focus of serving the poor. This modern-day microfinance approach has been precipitated by the quest to reduce dependency on donor funds and raise capital on the market while reaching the poor. Thus, there is now greater emphasis on MFIs becoming profitable as well as being sustainable. (Guntz, 2011; Helms, 2006).

2.3.1 History and Evolution of Microfinance in Ghana

The history of microfinance in Ghana dates back to the pre-independence era where informal “banking” services, loans as well as savings were relied upon among families, small cooperatives of cocoa farmers and traders in the 1920s to start and boost local businesses (Botei-Doku & Aryettey, 1996; Egyir, 2010). Thus, microfinance activities during this period were mainly self-help initiatives presented sometimes in the form of Susu where members made regular (usually weekly) contributions in the form of savings to the group and were permitted to make withdrawals when the need arose. According to a research paper of the Bank of Ghana (BOG, 2007), the first credit union in Africa was probably established in northern Ghana in the

1950s, whereas the Susu concept, which is currently used as a microfinance scheme in Ghana, is believed to have originated from Nigeria in the 1900s and spread throughout the world from the continent. The latter part of the 1920s to the 1940s saw the formation of the first true cooperatives. The Gold Coast Cooperative Bank, according to Egyir (2010), for instance, was created in 1946 to provide financial assistance both in the form of credit and savings to the existing highly informal farmer groups. The ultimate goal then was for small, well-managed cooperatives and Susu groups to serve as a kind of vehicle through which individual members will access credit facilities either to boost production or to finance costs related to storing and processing their yield.

It must be noted here that these facilities were mostly short-term loans with varied sizes in proportion to the level of confidence reposed in these borrower groups by the lenders (Egyir, 2010). Cooperatives, which enjoyed a loyal membership base, owned or controlled huge assets and financial reserves and for that matter had high confidence levels (e.g. the then Rice Farmers' Cooperative in Dawhenya) were able to continuously access loans from formal financial institutions such as the Agricultural Development Bank. The 1950s to the post-independence era however saw a revolution in the microfinance industry with the proliferation of some credit unions, cooperative societies and other forms of MFIs in the country. Catholic missionaries introduced the first of these efforts in the North in 1955 from Canada (Gheneti, 2007 cited in Mintah et al., 2014). Government interventions created several loan schemes with the view to making funds available to the country's poorest populations to be able to undertake economic ventures and generate income that would improve their living standards (WP/BOG, 2007).

While these interventions were mostly aimed at poverty alleviation among rural dwellers, they also served to regularize and somehow "formalize" the microfinance sector (Egyir, 2010). The establishment of the National Investment Bank and the Agricultural Development Bank, which operated credit schemes for these cooperatives alongside the Ghana Commercial Bank was part of government efforts to mitigate the dangers and risks associated with erstwhile lending and savings schemes by groups that were highly informal and limited in their outreach capacity. The history of the proliferation of community-owned rural banks in the country has been traced

to the need in the 1970s to expand microfinance outreach. It was the same need that fuelled the government's decision to strengthen the country's financial sector by deepening financial intermediation and the creation of new investment instruments as was manifested in the historic Structural Adjustment Programme implemented in the 1980s (Egyir, 2010). The ultimate solution is to implement the 1991 PNDC Act No 328 enabling numerous groups of non-bank financial entities, including savings and loan companies and credit unions to be established. Policies also culminated in three (3) wide types of institutions of microfinance being established (Asiama, 2007). The first microfinance sector includes structured lenders including savings and loans companies, rural and community banks, and other commercial and development banks. The other class of microfinance is semi-formal suppliers such as credit unions, financial non-governmental organizations (FNGOs), and cooperatives. Informal suppliers such as distributors of Susu and societies, transforming and collecting savings and loan associations (ROSCAs and ASCAs), dealers, moneylenders and other private individuals are the final levels in the microfinance industry. Regulatory mechanisms are controlled by the Banking Legislation of 2004 (Act 673), while the Savings and Loans Firms (NBFI) Act 1993 (PNDC 328) directly governs the non-Bank Financial Institutions (NBFI).

The latest sub-sector projects in Ghana include the Financial Sector Development Project (FINSSP) as well as the rural financial services project (RFSP), according to Asiama (2007). The Financial Sector Strategic Strategy (FINSSP) the remaining programs include the United Nations Development Programme (UNDP), the Microfinance Programme, the Social Investment Fund (SIF), the Rural Business Initiative (REP), and the Agricultural Services Investment Programme (ASSIP). In the year 1995 when the vision 2020 strategic document for Ghana was launched, awareness of the government's strategy to combat poverty as outlined in the Development Strategy for Poverty Reduction document in which institutional arrangements to tackle poverty reduction were drawn (Gallardo, 2002). As confirmed by the author, the initial policy framework for the microfinance sector in Ghana was derived from this developmental strategy document on poverty reduction. A decade later, Ghana was positioned in the year 2007 as the top recipient of funds from developmental partners into its microfinance programmes within sub-Saharan Africa giving an indication of expansion in microfinancing over the years (Annim, 2012). Today in Ghana, the microfinance sector is considered a major

pillar of the country's economy comprising over 143 rural and community banks; translating into more than 650 branches and sales points. There are more than 24 registered saving and loans companies; over 660 tier 2 microfinance entities are permitted to take deposits. Some 550 and more credit unions; more than 40 financial non-governmental organisations. There are 107 and 304 corporate money lenders and individual money lending enterprises, respectively, as well as more than 490 Susu collectors/enterprises (GHAMFIN Report, 2016).

2.3.2 Structure of Microfinance Institutions

Generally, microfinance institutions are structured along with three board areas depending on the initial regulatory framework, which largely depicts their organisational structures. A considerable degree of consensus among researchers points to three major classifications of microfinance institutions according to the regulatory frameworks within which they operate. These include the formal, semi-formal and informal MFIs (Dokulilova, Janda, & Zetek, 2009a). Within the league of informal MFIs are the individual money lenders, credit unions, self-help groups such as the Susu collectors, families and other individuals (Gallardo, 2002).

The semi-formal institutions comprised those MFIs that are usually registered with state authorities for such purposes and as such are expected to operate within the remits of the relevant state laws; mostly registered for credit-only activities and are not permitted to collect deposits, and are more prevalent than any other type of MFIs. Notable examples of MFIs in this category are the financial cooperatives, credit unions, financial NGOs and postal saving banks (Dokulilova et al., 2009a). Finally, the formal MFIs fall under traditional banking regulations. The private, public banks and include finance companies and insurance firms. Some sources have described MFIs as comprising mainly the rural banks and cooperatives (Baten, 2009).

2.3.3 Microfinance Institutional Structure in Ghana

The structure of MFIs in Ghana is a tiered approach, with the three basic types of MFIs depicted in the preceding paragraph: formal suppliers of microfinance are mostly through rural and community banks, savings and loan businesses, and other private entities. These institutions are incorporated under the companies code 1963 (Act197) thus registered as companies limited

by liability. These institutions are licensed by the Bank of Ghana and governed under the Banking Act, 2004 (Act 673) as amended by Act 738 or the Non-Bank Financial Institutions Act, 2008 (Act 774). The target market in this sector of MFI is focused on high net worth clients and middle-income groups within the urban cities (Gallardo, 2002; Steel & Andah, 2003).

Semi-formal suppliers of microfinance are largely through credit unions, financial non-governmental organizations (NGOs) and cooperatives most of which are formally registered albeit as companies limited by guarantee especially with the NGOs and governed under the Non-Bank Financial Institutions Act, 2008 (Act 774). They are generally inclined to serve the poor and underprivileged (Steel & Andah, 2003). The informal suppliers are predominantly, susu collectors, clubs and money lenders. These operators are generally not registered companies and ungoverned by the Banking Act, 2004 (Act 673) and the Non-Bank Financial Institutions Act, 2008 (Act 774). Typically, these susu-collectors are not in the practice of managing loans but use intermediation of the composite savings, though members simply draw down against amounts saved (Gallardo, 2002).

2.4 Mission of Microfinance

Developmental strategists have been aggressive in driving the agenda of poverty alleviation in recent times. These programs have been fuelled by the declaration of the year 2005 as the year of microcredit by the United Nations (Dailey, 2005), and a decade later, a millennium developmental goal and agenda of eliminating poverty by the year 2015 was announced (Barr, 2009). Microfinance has become one such developmental tool to tackle the perennial problem of poverty, this point is buttressed by Morduch (1999), who stated that the world's poverty situation is equalling one billion people living below one dollar a day. Poverty elimination in Africa is a priority developmental strategy and as such intermediations through the use of microfinance has agreeably been accepted as an instrumental tool by policymakers to address poverty (Tehulu, 2013).

Thus, the primary focus of MFIs is to eradicate poverty through the offering of finance and financial services to the poor (Kinde, 2012). Rai & Rai (2012), affirm that MFIs mission, as

evidenced by the lives of millions of people in poor nations who now have access to formal financial services thanks to MFIs operations. Whilst, Westover (2008) holds the view that causes of poverty vary and thus require different interventions, such as microfinance, Kevane and Wydick (2001) held the view that as policymakers and the impoverished become price sensitive, microenterprise finance has become the preferred tool for poverty alleviation. The mission of microfinance as a financial development tool to eliminate poverty through the provision of financial services is predominantly the focus of MFIs (Barr, 2009).

Morduch (1999) agreeably creates the excitement of the dawn of microfinance practices that promise to transform fundamentally social and economic structures. Barr (2009) stipulates the solid track record posted by microfinance over the past thirty years, which has led to the improvement in income diversification and savings within poor households. Bhatt and Tang (2011) confirm significant improvement in income and employment for low-income households in the last decade from the growth of MFIs. Taking cognizance of the fact that 15% and below of the population of developing countries have access to mainstream banking, microfinance is increasingly becoming the main financial intermediation system for this segment of the population if not the most crucial (Tehulu, 2013). For Schreiner and Colombet (2001), MFIs have a core focus of enhancing access by poor and financially neglected people and households to savings and loan products.

Hence, in proliferating this system of financial intermediation to the poor, it intends to promote entrepreneurship and self-employment, which should result in poverty reduction (Hartarska, 2005). Crabb (2008) emphasized that about one billion people lack access to basic financial systems, and to break the cycle of poverty, small loans should be available to the poor for business development. The proponents of microfinance argued in Wrenn Eoin (2005) that microfinance plays fundamental developmental roles, by providing to the poor a means to meet basic household needs, improving the economic welfare and empowering women by supporting their economic participation, thus, microfinance activities extend beyond financial services.

Baten (2009) adds that services given by microfinance include non-financial ones such as social intermediations by providing training in financial literacy, managerial skills and self-confidence development among members of a group, both men and women alike (Hulme,

2000). Anderson, Locker, and Nugent (2002) support the non-financial benefits through the development of humans and the strengthening of social capital within the locality by employing microfinance methods such as group lending leading to group meetings and further collaboration among members.

The complementary role played by MFIs to traditional banking is seen as part of its mission. The ability to step in to cater for poor but creditworthy persons whose demand the traditional banks have failed to meet for lack of collateral is discussed by Hollis and Sweetman (1998). The authors attest that sourcing information about the borrower within the locality by organizations in the form of micro-financing institutions are obtained at low cost and thus promotes its activity in providing useful capital. In as much as there are studies that confirm that microfinance generates social and economic benefits that tie into its mission, there are opposing views that echo the adverse impact of MFIs (Hulme, 2000).

2.4.1 Dual Mission of Microfinance

Amidst the consensus on the mission of microfinance, many researchers have identified the dual role played by MFIs where the efficient provision of credit to the poor, is expected to yield short-run improvements in household expenditure and welfare leading to economic growth (Kevane & Wydick, 2001). Hartarska (2005), pointed out that MFIs will need to generate dual positive achievements by covering their costs whilst providing financial services to the poor.

Wrenn (2005), held the view that microfinance is not only about offering microcredit to the poor individual but also institutionally providing to the poor financial services, thus addressing the gap in the industry sustainably. Kinde (2012) similarly believed that up until microfinance clients are enabled to progress from continual reliance on microfinance to long-run development, it cannot be said to be the weapon for alleviation of poverty. The win-win proposal, as illustrated by Morduch (2000), addresses the challenge of the dual role and the promise of MFIs in delivering cost-effective financial services to the poor and fighting poverty at the same time. Morduch (2007) reckon sound banking practice as the catalyst in poverty alleviation. Similarly, Barr (2009) believes MFIs have shown that it is possible to be financially sound like an institution whilst serving the poor and increasing in reach. Proponents of sustainability hold the view that for MFIs to achieve their mission of provision of financial

services to the poor, to eradicate poverty and aid development, the institutions themselves will have to be sustainable to fulfil this mission and dual role (Barr, 2009; Crabb, 2008; Tehulu, 2013).

2.4.2 Mission Drift

Though many researchers agree on the primary mission and dual purpose of MFIs, there appears to be an apparent shift in the mission of microfinance in recent times (Vanroose & D'Espallier, 2013). This has stirred up many discussions among microfinance practitioners, policymakers, donor agencies and governments. The drift in mission occurs when MFIs tend not to serve the very poor who are their primary focus, the women for social empowerment, groups for developmental participation and rather increase the sizes of loans to individuals or group of persons (Copestake, 2007; Cull, Demirgüç-kunt, & Morduch, 2007; Hermes, Lensink, & Meesters, 2011; Mersland & Strøm, 2010). Most researchers have noted that the shift in mission has mainly been aggravated by keeping the fine balance between efficiency, financial sustainability and outreach as microfinance institutions mature (Hermes et al., 2011). Serrano-Cinca and Gutiérrez-Nieto (2014) add that among the number of reasons precipitating MFIs to drift in their mission is the high cost of extending microcredit to the very poor, depletion of donor support and hence the necessity to attract commercial funds and the need to achieve viability as an institution.

Thus, the fear of the socially biased and developmental partners is the possible commercialization of MFIs, which may eventually lead to a decrease in outreach (Hermes et al., 2011). The question that arises, however, is whether the focus of alleviation of poverty supersedes the cost of provision of these financial services or the mission is to stay sustainable as other forms of the business whilst attending to the poor in society. Can outreach, financial sustainability and efficiency be compatible objectives or conflicting goals (Ayayi & Sene, 2010)?

2.5 The Main Stakeholders of Microfinance Institutions in Ghana

As of 2016, Ghana has 534 licensed microfinance companies in operation (BoG, 2016). The microfinance industry has turned out to be one of the most exciting financial service innovations in the country today. The service is conventionally perceived to be a way of

reducing poverty levels and a tool for supporting economic expansion. Currently, there are three major kinds of MFIs operating in Ghana. They comprise Semi-formal, Informal and Formal suppliers of microfinance. The formal institutions comprise commercial banks, rural and community banks, and savings and loans companies. The semi-formal is made up of financial non-governmental organizations (FNGOs), credit unions, and co-operatives while the informal include rotating and accumulating savings and credit associations (ROSCAs and ASCAs), susu collectors and clubs, traders, moneylenders and others. The characteristics that differentiate microfinance products from other semi-formal and formal products are the non-existence of loan guarantees, easiness of organizational procedures, accepting small savings deposits and giving out small loans (Boateng, 2015).

Table 2.2: The Formation and Main Stakeholders of Microfinance Institutions in Ghana

Stakeholders	Institutions
Microfinance Institutions	<ul style="list-style-type: none"> • Financial NGOs • Primary Societies of CUA • The Rural and Community Banks, • Savings and Loans Companies • Susu Collectors Association of GCSCA • Micro-insurance and micro-leasing services. • Development and commercial banks with microfinance programs and linkages
Microfinance Apex Organizations	<ul style="list-style-type: none"> • Ghana Cooperative Susu Collectors Association (GCSCA) • Association of Financial NGOs (ASSFIN) • ARB Apex Bank • Ghana Cooperative Credit Unions Association (CUA) • Association of Rural Banks (ARB)
End Users	<ul style="list-style-type: none"> • The energetic deprived are customers of microfinance services. <p data-bbox="552 1509 1059 1538"><u>Contributors to Microfinance Delivery:</u></p> <ul style="list-style-type: none"> • Business Development Service Providers to MFIs and their clients. <p data-bbox="552 1641 895 1671"><u>Supporting Organizations:</u></p> <ul style="list-style-type: none"> • The Ghana Microfinance Institutions Network (GHAMFIN); • Universities, training and research institutions. • Microfinance and Small Loans Center (MASLOC); • Development partners and international non-governmental organizations (NGOs)

Governmental Agencies	<ul style="list-style-type: none"> • Municipal and District Assemblies (MMDAs) • Ministry of Finance and Economic Planning • Ministries, Departments, Agencies (MDAs) and Metropolitan,
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Source: (GHAMP, 2015).

2.5.1 Ghana Microfinance Institutions Network (GHAMFIN)

The Ghana Microfinance Institutions Network is the umbrella body of the Rural MFIs (RMFIs) and Apex Bodies with the sole responsibility of supporting and promoting members within the network. Their mandate requires them to liaise with other stakeholders including microfinance Apex bodies, MASLOC, member institutions, MDAs and other stakeholders in the industry in the areas of business best practices, information sharing and monitoring of performance.

2.5.2 Microfinance and Small Loans Center (MASLOC)

Microfinance and Small Loans Centre (MASLOC) is a microfinance apex body with the obligation of implementing the Government of Ghana's (GoG) microfinance programmes targeted at poverty reduction. The institution is involved in microcredit and giving out a small loan to businesses and advises Government on strategies that could be employed to improve the creation of a well-distributed microfinance scheme.

2.5.3 Development Partner

Development Partners facilitates and coordinate the delivery of technical and financial support through grants and loans. The Partners engage in discussions with other shareholders by participating in microfinance forums and sharing knowledge concerning local and global microfinance best practices.

2.5.4 Rural and Community Banks (RCBs)

Rural and Community Banks is a network of 127 autonomous banks situated across Ghana. They are part of Ghana's financial sector, which is regulated by the Bank of Ghana, and are the primary suppliers of formal financial services in rural regions, with nearly half of the country's banking facilities (IFAD, 2008).

2.5.5 Regulations governing the Establishment of Microfinance Institutions in Ghana.

The consequences of commotion in the financial system are the basis for intervention by the government in the microfinance industry. The collapse of even one MFI could have dire

implications on the economy (Peprah & Obeng, 2015). By this, the public interest theory of regulation necessitated regulation due to failures in the market (Joskow & Rose, 1989) although current researches argue that it does not fall within the framework of theory (Cetin & Ertigit, 2013). Actions are generally with the consent of the MFI and these have sprouted very great innovations in the microfinance industry. Whereas regulators are in favour of capping interest rates, most microfinance professionals are against it (Pouchous, 2012).

There are several stakeholders in the microfinance industry. For instance, Rural and Community Banks (RCBs) are banks that belong to members of a community and have the largest geographical coverage as well as the biggest outreach to rural areas (Basu, Blavey & Yulek, 2004; Andah, 2005). These stakeholders commit to ensuring that there are no fold ups in the microfinance industry. As of the year 2013, the number of RCBs stood at 143 with 546 branches countrywide and a total number of 150,000 borrowers and a little above 1.2 million depositors.

Regulations though may be seen as a good measure, could, however, prevent MFIs from exploring innovative lending technologies, which has been MFI's ability to increase outreach to the deprived and underserved customers (Dichter, 1997; Hardy et al, 2003). According to Bank of Ghana (the regulatory body of financial institutions in Ghana) regulations, only corporate entities put together in Ghana are entitled to apply for a license to operate Tier 2 and Tier 3 microfinance businesses. The corporate body is also mandated to obtain a license from the Bank of Ghana for that purpose. Tier one (1) activities comprise those that are carried out by Finance Houses, Rural and Community Banks, and Savings and Loans Companies. Act 673 (Banking Act, 2004) governs these organizations. Financial service providers, such as deposit-taking and profit-making Financial Non-Governmental Organizations (FNGOs) and Susu firms, perform Tier 2 activities. The Banking Act, on the other hand, does not apply to credit unions.

2.5.5.1 The Legal and Regulatory Framework for Microfinance Institutions:

The legal and regulatory framework, which governs the operations of microfinance institutions, include the following:

- Companies Act, 1963 (Act 179)
- Bank of Ghana Act 2002, Act 612
- Bank of Ghana (Amendment) Act, 2016 (Act 918)
- Bank and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)
- Non-Bank Financial Institutions Act, 2008 (Act 774)
- Bank of Ghana Notices/Directives/Circulars/Regulations

The Bank of Ghana is mandated to make sure that there is stability, wealth creation, growth and development in the financial system. They have been given the task of regulating, overseeing, and managing the banking and credit systems to ensure the overall success and smooth operation of the microfinance system. The Bank of Ghana has been given authority to appoint an official as the head of the Banking Supervision Department, as well as to consider and recommend changes to the legislation governing microfinance and the banking industry in general. Their primary responsibility is to ensure that depositor funds are safe, that payments are well-organized, and that competition among microfinance companies is fair. In addition, the Bank of Ghana must ensure that there is no insolvency and that profitability is maintained. To improve the legal and regulatory framework, the supervisory roles of the Bank of Ghana are crafted in conformity to the Bel Core Principles for Effective Banking Supervision (Bank of Ghana, 2018).

Table 2.3: Regulatory Position of Microfinance Institutions as of March 2014

Tier	Institution	Total Membership & APEX	Licensed Members	Minimum Capital GHc	Remarks

Tier 1	RCBs	136/ARB Apex Bank	136	300,000	Regulated by BoG under the Banking Act
	S & Ls	23/GHASALC	25	15m	Regulated by BoG under the Banking Act
Tier 2	MFCs	638/GAMC	344	500,000	Under BoG & NBFI
	CUs	538/CUA	538	N/A	Under Department of Cooperatives & CUA
Tier 3	Money Lender Companies	135/MLAG	45	300,000	BoG & MLAG, No minimum capital
	FNGOs	42/ASSFIN	5	300,000	Regulated by BoG under the NBFI Law MLAG & BoG, No minimum capital
Tier 4	Individual Money Lenders	250/MLAG	71	N/A	BoG & MLAG, No minimum capital, cannot open branches
	Individual Susu Collectors	472/GCSCA	317	N/A	Under GCSCA and BoG, No minimum capital

Source: GHAMFIN, 2015

2.5.5.2 The Supervisory Role of Apex Bank

In support of the challenges that were encountered in the supervision of RCBs, and by a law passed in 2006 (LI 1825), the BoG delegates its supervisory role of the RCBs to ARB Apex Bank to conduct routine inspections and monitoring in conformity to laid down rules and

regulations (BoG, 2011). The BoG despite the delegation to ARB Apex Bank still carries out some forms of supervision (The World Bank, 2010).

2.5.5.3 Credit Union Association

The Ghana Co-operative Credit Unions Association Limited (CUA) is the umbrella body of all the Co-operative Credit Unions in Ghana. It offers a conducive atmosphere for technical and financial support and promotion of the Credit Union model and improvement of confidence in the Credit Union. The CUA is authorized on behalf of the Bank of Ghana, to supervise and regulate all Credit Unions across the country to ensure stability in the industry. The CUA in conjunction with other stakeholders, formulate rules and regulations to govern all the credit unions nationwide. It is an affiliate of the Ghana Microfinance Institutions Network (GHAMFIN) and collaborates with the Ghana Cooperative Council and the Department of Cooperatives of the Ministry of Employment and Social Welfare.

2.5.5.4 Ghana Cooperative Susu Collectors Association.

The Ghana Co-operative Susu Collectors Association (GCSCA) enforces a series of regulatory restrictions to entry into the industry and offers services to members of the association. The Association also observes the performance of the industry and lays down a measure to increase the confidence of the public in its members.

2.5.5.5 Ghana Microfinance Institutions Network (GHAMFIN)

GHAMFIN was developed from a study program that was supported by the World Bank to reinforce MFIs and to support viable local institutions that offer financial services to the deprived. It has risen to become a major initiator in the microfinance industry. The main aim of GHAMFIN is to assist in capacity building, removal of bottlenecks that frustrate its members in the industry and putting in place performance measures by CGAP and MIX criteria. Its members include rural banks and susu collectors.

2.5 Microfinance Methodologies

The uniqueness of microfinance about traditional banking and lending services consists in the fact that, unlike the conventional lending practices, microfinance does not require collaterals to securitize loans and credit facilities advanced to customers (Dailey, 2005; Quayes, 2012).

Their structure, as well as a mode of operation, therefore differs significantly from the traditional banking systems. The credit cycles of MFIs are far shorter than those of the commercial banks and are always meant for the poor to improve their livelihood (Barr, 2009; Dokulilova et al., 2009). Microfinance intermediaries use alternative methods instead of securitization of loans. This includes joint liability of group members in the case of group lending, assessment of clients' repayment potential by running cash flow analyses, peer monitoring by members of the group. (Baten, 2009; Snow & Buss, 2001a). Common business models and methodologies are described below:

2.6.1 Group Lending

Guntz (2011) outlined the most prevalent lending methodologies and microfinance credit models, as well as their advantages and disadvantages. The first type of lending is known as solidarity or peer group lending, and it is comprised of four to five persons who come together to borrow a loan in solidarity with one another. The group lending approach as described by Baten (2009) confirms this methodology as a leading approach in administering microcredit to several poor clients without securitization. The process commences with forming groups comprising of five to eight members followed by selecting eligible members among themselves to whom the loans will then be disbursed. It is further explained that the cohesiveness among members by similar characteristics such as economic backgrounds, gender and habitation contributes to the success of these groups as members take responsibility for each other's loan, thus peer pressure and joint liability works very well not only for the repayment of current loan but for future disbursement (Baten, 2009).

Hartarska, Shen, and Mersland (2013) confirm the responsibility of group borrowers to screen, monitor and enforce contracts, which invariably leads to cost reduction in the delivery of the service. Bhatt and Tang (2001) explain further that some group models advance loans to the group. These loans are then made available to individual members of the group, or disbursement is made directly to individual members. This becomes a revolving credit within the group depending on the performance of the initial borrower hence making members individually and collectively responsible for the credit rating of the group and the sustenance of the funding cycle of the group. A Grameen solidarity method is a group-based approach, which was invented by Professor Muhammed Yunus. Similarly, the individual make-up of the

group is between four to seven persons and they jointly guarantee loan repayment and access to subsequent loans as determined by successful repayment by all members of the group (Morduch, 1999; Wrenn Eoin, 2005).

Cull et al. (2007) admits to group lending being the best-known approach, which uses self-created groups of customers assuming joint liability in the settlement of loans given to members, these joint liability arrangement can, in reality, lessen moral hazard and adverse selection by harnessing local information and enforcement opportunities, which will be useful for the MFI. Bhatt and Tang (2001) posit that group-based microfinance could be the link between flexibility and transaction cost reduction characteristics of informal credit market within the confines of financial intermediation and if designed well it can be a powerful economic tool for disadvantaged communities.

2.6.2 Village Banking

Another type of microfinance model is village banking, which refers to a community-based credit and saving association that is set up within the boundaries of a village to provide residents with access to financial services (Baten, 2009; Guntz, 2011; Wrenn Eoin, 2005). Cull, Demirgüç-kunt, and Morduch (2007) add that village banking operates on a similar joint liability arrangement as solidarity groups although members of groups are much larger. As founded by John Hatch and having been in existence from the mid-1980s, village banks are typically made up of 25-50 low-income members of the village predominantly women coming together to collect a large loan from an MFI acting as guarantors in the process (Guntz, 2011; Morduch, 1999; Wrenn Eoin, 2005). The Grameen model practised within a village follows a similar set of strategies. The exception is that a field officer and a group of qualified workers who have already conducted preliminary research on the population in a particular village and have made their selection based on the potential demand and financial need in that village will then open a new branch of the MFI in that village (Guntz, 2011). The author explains further another peculiar practise using the Grameen model, which involves word of mouth and personal advisory from MFI employees by engaging the local poor people and making them aware of microfinance possibilities, hence supporting several surrounding villages. However, the loan method is comparable to the strategy of the solidarity group. The distinction here is that two members out of the group of five will receive the initial loan, and the credibility of the group

will be determined by the performance of the first two individual members in the group of five (Cull et al., 2007; Guntz, 2011; Morduch, 1999; Wrenn Eoin, 2005).

2.63 Individual Lending

Individual-based lending is another method, it mimics the traditional lending approach of a standard bilateral agreement between the bank and the customer (Cull et al., 2007). The model is the most expensive and labour-intensive approach for lending by MFIs. Loans are directly disbursed to the borrower with the sole responsibility to settle the full amount plus interest without financial support from a group in the event of default (Guntz, 2011). The labour-intensive nature of individual lending to low-income persons and its associated low returns makes it less attractive to conventional financial institutions, thus MFIs are deploying various lending techniques to make the venture worthwhile (Baten, 2009). These techniques include securing loans with non-traditional collateral to ensure high repayment performance rates among the poor together with regular repayment schedules as well as dynamic and progressive loans (Serrano-Cinca & Gutiérrez-Nieto, 2008).

Although these mechanisms were dominant with joint liability programmes such as Grameen's or other group contracts, practitioners and theorists are now supporting the use of these mechanisms with individual contracts especially in areas of the low-density population since these bilateral arrangements between bank and borrower have been successful (de Aghion & Morduch, 2000). Typically, the individual lending model will include the following features:

- Loans are guaranteed by some form of collateral, which is normally distinct and less stringently as compared to formal lenders. In place of the collateral, a co-signer not affiliated with the MFI is sought, who would be legally responsible for the loan.
- Potential clients are assessed by the MFI for credit history and character reference.
- Loan size that best suits the business needs of the client.
- The regular increase over time of the loan size and term depends on performance.
- Relationships are built over time between staff of MFIs and clients to foster and develop such associations so that each client represents a significant investment of staff time and energy (Baten, 2009; Kodongo & Kendi, 2013).

2.6.4 Sustainability of MFIs

The report of Brundtland (WCED, 1987) proposes that sustainable development is “the development that meets the demands of today's generation while allowing future generations to meet their own needs”. Pezzey (1922) thought sustainable development would imply the non-declination over the very long term of certain measures of social welfare or progress: development is continued. Thus, the principle of sustainability underpins the survival activity of microfinance institutions as the programmes, designed as a tool for economic growth for low income, should thus continue to contribute to poverty reduction (Al-haidi, 2009; Fouillet & Augsburg, 2010; Kinde, 2012). Sustainability is a comprehensive topic with various aims that all focus on the development desires of future and current generations under different situations (Jose & Chacko, 2017). Sustainability is referred to by certain researchers as a cornerstone of sound microfinance and is the MFIs ability in covering its expenses and offer profits (Kimando, 2012). Sustainability also refers to the continuation of the particular program in its entirety (DeMiglio et al, 2013).

Talwar and Haugh (2010) also agree with Brundtland Commission that sustainability means achieving the requirements of the current devoid of compromise of potential future achievements. Questions have been asked about donor support helping in the sustainability of MFIs and the fact that reaching out to the poor will make institutions sustainable. Guntz (2010) does not believe in this assertion and argues otherwise. According to Letenah, (2009) sustainability is defined as the ability of an MFI to cover its operating and other costs from generated revenue and provide for profit. It is a measure that illustrates how a microfinance institution could independently function without any financial support. This change in emphasis has created a different perspective on the analysis of the performance of the MFIs. Guntz, (2010) was of the view that sustainability could be referred to as the continued existence of the Microfinance programme after the project activities have been terminated. It entails that appropriate systems and processes have been put in place that will enable the Microfinance services to be available continuously and the clients to continue to benefit from these services in a routine manner or day-to-day activities.

This also would mean that the programme would meet the needs of the members through resources raised on their strength, either from among themselves or from external sources.

With the emergence of the microfinance model, the uncertainty about the necessary support from donors in helping to achieve high performance in the long term has surfaced profoundly. It could be argued that the long-term sustainability of MFIs is not important as long as the money was given to micro-entrepreneurs and startup help was given. This means that sustaining the micro-enterprises is very essential compared to commercial banks who offer great support to new companies. As MFIs seek to reach as many poor people as possible in the long run to fulfil their goal to fight against worldwide poverty, it became clear that this crusade is achievable only in a sustainable and well-organized way. Some antagonists of this argument state that sustainability is not possible by reaching the poorest people on the planet (Guntz, 2010). According to Adongo and Storck (2005, p.13 - 24), the major possible determinants of high performance of MFIs are the approach (level) of support by supporting institutions, Forms of Incorporation (Business ownership). Also included are the Flexibility of repayment, the provision of start-up capital by donors, the provision of collateral and ways of provision of the loan. The amount of saving mobilized by MFIs, the number of loans, and Per capita income of the area. Another factor is where the MFI is located, which contributes to the high organisational performance of MFIs. It is theoretically expected that MFIs supported by a body with a hands-off approach (relatively with lesser support) will have a positive (negative) relationship to financial un-sustainability (sustainability). Those supported by a body with closer support will be negatively related to financial un-sustainability. This is because; the ones with closer support have a relatively greater possibility to reduce the problems resulting in diminishing financial sustainability, with the help of the closer support (Adongo & Storck, 2005).

There are a couple of opinions associated with the sustainability of microfinance. A significant amount of literature on microfinance has placed much emphasis on the sources of funds as a major determinant of sustainability (Robinson, 2001; Christen & Drake, 2002; Fernando, 2004; Chu, 2006; Ledgerwood & White, 2006). The ultimate aim of microfinance is to guarantee a drastic reduction in poverty levels through MFIs that are sustainable by reaching out to more deprived people and at the same time sustain the business operations over a long period (Abdulaio & Tewari, 2017). In Asia and Latin America, the success of MFIs in terms of sustainability and outreach is attributed mainly to savings mobilization and access to

commercial loans. The funds from the poor are reportedly used by BRI, Indonesia in supporting most of the companies' lending products. BancoSol in Bolivia is also reported to be relying deeply on commercial loans to fund its loan portfolio (Robinson, 2001a, cited in Okumu, 2007). White and Campion (2002, p.28) also state that Mibanco in Peru between 1998 and 2000, improved its customer base from about 32,000 to 58,000 and the lending products from US\$14 million to US\$40 million by the changes and access to interventions through savings. The exclusion of the poor from financial services has led to the evolution of MFIs with the primary goal of alleviating poverty through the provision of financial services to the poor (Morduch, 2000). This revolution as pioneered by Muhammed Yunus and the Grameen Bank has given rise to the recognition of microfinance as an important tool in the fight against poverty by communities, governments and donor partners alike (Serrano-Cinca & Gutiérrez-Nieto, 2008). The proliferation of MFIs has been viewed as a development policy able to tackle the market failures in the traditional banking system, which has been embraced as a tool for poverty reduction (Barr, 2005). Over the decade the United Nations (UN) has come up with programs goals and target to tackle the perennial problem of poverty. The year 2005 was declared by the UN as the international year of microcredit to eradicate poverty. The following year 2006 saw the revolutionist in microfinance Muhammad Yunus winning the Nobel Peace Prize as world leaders sought to create the awareness and the fight against poverty. At the Millennium Summit in the year 2000, the General Assembly of world leaders adopted the Millennium Declaration Goals (MDGs) (Resolution 552).

The declaration had the number one agenda of eradicating extreme poverty and hunger. Consequently, the progress on the implementation of this agenda was reviewed at the 2005 World Summit of leaders. Although the researcher does not seek to evaluate the impact of the programs and goals implemented, the focus is to establish the importance of this agenda of poverty alleviation and how microfinance sustainability is crucial in achieving the agenda. Ten years on, the Sustainable Developmental Goals (SDGs) found in paragraph 54 of United Nation General assembly resolution A/RES/70/1 of 25 September 2015 still carries the number one agenda of compacting poverty. The SDGs replaced the MDGs in the year 2016. Suffice to say that world leaders are still driven by a singular aim in dealing with poverty. Authors (Afrane, 2002; Copestake, 2007; Haque Ashraful Mohammed & Harbin, 2009) have echoed and

concluded on employing microfinance and microcredit as an important tool in combating poverty. Serrano-Cinca and Gutiérrez-Nieto (2008) in their work, established that the Microfinance revolution has come a long way after the success of Yunus in Bangladesh. Manyumbu, Mutanga, and Siwadi (2014) stressed, the important role of microfinance in developing countries like Zimbabwe because it is an important developmental tool for the eradication of poverty. Ayayi and Sene (2010), Kinde (2012), Nyamsogoro (2010), and Wambugu and Ngugi (2012) have, on the other hand, not only stressed the fact that microfinance is an important tool in Ethiopia, Tanzania and Kenya, but that it has to be sustainable to carry out its all-important role as a developmental tool within developing nations in Africa. Sustainability in microfinance is an important agenda that permeates across all stakeholders including development partners, donors, government, borrowers, lenders and owners of microfinance institutions since the eradication of poverty continues to be the top agenda of world leaders (Al-haidi, 2009; Hartarska, 2005; Kaburu, 2015).

Microfinance interventions by donor partners within the African sub-region including Ghana illustrate a goal of assisting the poor that will have to be pursued in the foreseeable future and be self-sustaining to have a long term impact on future generations (Al-haidi, 2009; Annim, 2012; Kaburu, 2015). Original players within the microfinance sector were not-for-profit lenders motivated by seeking to reach as many disadvantaged customers with credit within their constraints and limited budgets unless intervened by more subsidy and donor participation is high (Fouillet & Augsburg, 2010). In the 1970s, these organizations were focused on explicitly reducing inequality and stimulating social change. In the process, they established that through the use of new advancing technologies such as joint liability contracts and dynamic incentives, a portion of this new market could be offered loans profitably (Fouillet & Augsburg, 2010; Serrano-Cinca & Gutiérrez-Nieto, 2014). Such insights have drawn profit-seeking lending institutions into these markets and donors are questioning the need for continued subsidies, resulting in the recent focus on “institutional sustainability” in the microfinance sector. Microfinance has become a business. (Fouillet & Augsburg, 2010; Serrano-Cinca & Gutiérrez-Nieto, 2014). Vanroose and D’Espallier (2013) confirmed that, while most MFIs commenced as Non-Governmental Organizations (NGOs), they have progressively transformed into commercial institutions thus influencing the objectives these MFIs are pursuing. Currently,

MFIs attempt to fulfil a dual objective, which is to reach both the unbanked poor as well as to become self-sustainable institutions (Armendariz & Morduch, 2010).

Schreiner (2000), held that unsustainable MFIs will not help the poor in the future because the MFIs will be gone by then, thus it is paramount that MFIs have continuity to support the poor. Alternatively, Nyamsogoro (2010) believes it is better not to have MFIs than to have unsustainable ones indicating how important the sustainability of MFIs is to society at large. The sustainability of MFIs, according to Malua (2013), lays in their ability to retrieve as many loans as possible and to satisfy their cost obligations so well that they can continually provide for the service needs of their customers and clients even in the absence of donor or external support and subsidy. It measures the extent to which MFIs cover their expenses from their revenues and accumulate enough surplus to finance their growth. Hermes et al. (2008) have expressed similar views. These authors stated that sustainability emphasises the need to and the importance of MFIs being able to cover the cost of lending money out of the income generated from the outstanding loan portfolio and to reduce these costs as much as possible.

Khandker et al. (1995) and Rai (2012) outline four main inter-connected components of microfinance sustainability namely; financial viability, economic viability, institutional viability and borrower viability. The study explained financial sustainability in line with previous thoughts by stating that it denotes the ability of the lending institution (MFI) to ensure some level of equity or proportionality between the cost related to every dollar it advances in credit and the interest it charges. Economic viability refers to meeting the economic cost of funds (opportunity cost) used for credit and other operations with the income it generates from its lending activities. Moreover, the borrowers of MFI funds must demonstrate the capacity or willingness to repay loan facilities advanced to them (Rai, 2012). This is because virtually all MFI arrangements, repayment default rates have been used as determinants of and qualification for access to future facilities. It is sustainability that enables MFIs to seamlessly implement and execute their range of complex activities and render services that are targeted at financially empowering the poor (Guntz, 2011).

Furthermore, Fouillet and Augsburg (2010) portrayed sustainability as the only means by which MFIs can attract the required capital equity and debt to achieve massive outreach both in

breadth and depth to become fully independent. Whereas some researchers have considered the growing focus of MFIs on sustainability as a drift by these institutions from their core mission (Vanroose & D'Espallier, 2013), others such as Hermes et al. (2011) and Serrano-Cinca and Gutiérrez-Nieto (2014) have sought to justify it by asserting that MFIs need to maintain a balance between efficiency, financial sustainability and outreach as they grow. They argued that financial sustainability is even more crucial to microfinance institutions because of the high costs associated with achieving depth of outreach (extending microcredit to the very poor) as well as dwindling donor support for microfinance operations.

However, as has been observed by Hermes et al. (2011), these justifications are not intended to obviate or cloud out the possible dangers associated with the commercialization of microfinance namely a decrease in outreach and consequently, failure to exert the desired social impact. Prescriptions by scholars and practitioners concerning the choice as to whether MFIs should focus only on their poverty alleviation objectives or strive towards financial sustainability or whether the two objectives are compatible have become major topics on which opinions diverge (Ayayi & Sene, 2010). In other words, researchers have been concerned about the consequences of this seeming shift in direction by MFIs and the impacts it will exert on their fundamental objective of outreach. Studies reveal two distinct schools of thought on the impact of this drift on outreach: the welfarist and institutionalist approaches (Hermes et al., 2008). On the one side of the argument, Hermes and his team reviewed several institutionalist opinions and observed that the commercialization of microfinance or, more appropriately, the pursuit of financial sustainability, will have the long-term effect of enabling MFIs to generate and accumulate enough funds and consequently enhance the attainment of their outreach objectives.

Thus, advocates of this view held that MFIs first of all need to work towards the attainment of financial sustainability to better position themselves towards achieving their outreach goals among others. They posited that financial sustainability will significantly improve the capacity of MFIs to advance larger credit facilities to larger numbers of the poor and for longer durations than their current capacities and hence will guarantee enhanced outreach (in breadth, depth and cost).

However, a study by CGAP (1995) adheres to a tendency of financial non-sustainability of MFIs in general and believes that small loans are too costly to provide, thus the resulting income from their activities is inadequate to guarantee profitable operations. Ayayi and Sene (2010) collaborate on this hypothesis and confirm that many MFIs will not thrive without the subsidies that they receive from governments and other funders and donors. Additionally, Brau and Woller (2004) proved that unlike financial institutions in the formal sector; most MFIs are not financially sustainable

In Vanroose and D’Espallier (2013), the authors argue that limited access to financial services is a major setback for people in emerging countries wanting to improve their livelihoods. Thus, the peculiar task of dealing with this issue in sub-Saharan African including Ghana where about ¼ of the population live below the poverty line, according to the Ghana Poverty and Inequality Report (2016), makes the sustainability of MFI an all-important agenda for governments, donors partners and the very poor. This study is even more important in recent times where the nation Ghana, has been plagued with failing MFIs. Not only is it a concern for supervising authorities like the Bank of Ghana but for the Public confidence in the financial system on the whole, which is a concern for all stakeholders.

The issue of MFI sustainability has become more important in Ghana as the nation has recorded several defunct and failed institutions. The Bank of Ghana publishes the list of MFIs in good standing, which is not static. Subsequently, the central bank keeps updating the general public and potential customers on the activities of some MFIs engaging in improper activities to create the needed awareness for stakeholders to be mindful of the activities of these MFIs (BOG website).

2.6.5 Financial and Operational Sustainability of MFIs

The financial sustainability of an MFI can be defined as the extent to which it covers its expenses by its revenue and generates surplus to finance its growth. This connotes the capacity of an MFI to carry out its activities exclusive of subsidies in the form of concessional loans or donations (Ayayi & Sene, 2010).

In Tehulu, 2013, the definition of sustainability has been given several interpretations. Scholars

and experts have lately converged to identifying two main levels of sustainability as operational self-sufficiency (OSS) and financial self-sufficiency (FSS). The objective of FSS is to ensure that an institution earns enough revenues from loans to cover operating expenses, financing costs, provision for loan losses and cost of capital, which is excluded from the OSS. Thus, for an MFI to be sustainable can mean one of two things either the organization can be operationally sustainable or it can be financially sustainable (Bogan, 2012). An operationally sustainable MFI raises enough revenue to cover the cost of operating the business paying loan supervisors, opening branch offices, etc.

Subsidies might still be used to issue loans or cover defaulted loans. A financially sustainable institution does not require any subsidized inputs or outside funds to operate. Instead, it raises money through its lending operations. The Micro Banking Bulletin (2003) survey (Serrano-Cinca & Gutiérrez-Nieto, 2008), Bogan et al. (2007) described an MFI as operationally sustainable when OSS reaches 100% and financially sustainable when OSS reaches 110%. Operational self-sustainability (OSS) is measured as $\text{total financial revenue} / (\text{Financial expense} + \text{Operating expense} + \text{Loan loss provision expense})$ (Tehulu, 2013). In general terms, Guntz (2011) was of the view that financial sustainability describes the ability of an MFI to cover all costs on an adjusted basis and depicts the institution's ability to operate without ongoing subsidy (i.e. including soft loans and grants) or losses. To buttress the link between OSS and Operational sustainability Hollis and Sweetman (1998) agreed that operational self-sufficiency (OSS), which measures operating revenue as a percentage of operating and financial expenses, including loan loss provision expense and the like is complemented by the concept of Operational sustainability hence, achieving OSS may lead to sustainability.

The main difference between these two dimensions of sustainability, therefore, consists in the fact that, operationally, sustainable MFIs are characterised by the capacity to generate adequate inflows either internally or by partly relying on external support and subsidy to cover all of their "operational" costs to stay in business. Whereas, a financially sustainable MFI relies solely on internal sources of funding without recourse to external loans or subsidies to run (Kimando et al., 2012). The other side, according to Crabb (2008), concludes that sustainability is being sought by MFI whether operational or financial to free themselves from donors and

government agencies and have a vital long-term success as an institution and the microfinance system as a whole. In simple terms and as indicated by Guntz (2011), sustainability of MFI typically means the ability of a program to uninterruptedly carry out activities and services in pursuit of its main objectives, which is the ability to continue operating as a development financial institution for the rural poor. Alternately, sustainability can be portrayed as the only way to attract capital equity and debt, which is needed to achieve the massive outreach that is required, and to reduce dependence on donors (Fouillet & Augsburg, 2010).

Amid sound microfinance lays the concept of sustainability, which refers to the ability of an MFI to cover all costs with interest earned from lending and other revenues, thus the institution would have reached sustainability when operating interest income from lending to clients is enough to cover all operating costs (Kaburu, 2015). While the debate among researchers and advocates on financial systems approach, which upholds achieving sustainability by MFIs as paramount and poverty lending approach that promotes lending and reaching the poor masses carries on, other writers and researchers have sought to establish the factors that make microfinance sustainable (Hermes & Lensink, 2007; Snow & Buss, 2001b; Robinson, 2001).

Various researchers and writers have discussed and established several endogenous and exogenous factors affecting the sustainability of MFIs. While Bogan (2012) concluded that there is a decrease in operational self-sufficiency of MFIs if portions of their assets are from grants. Dailey Stephen (2005) agrees with the inappropriateness of increased funding of MFIs amidst many barriers, but rather stresses the need for institutional reforms, greater mobilization of savings, and the formalization of property rights. In Annim (2012) where the evidence was drawn from microfinance institutions in Ghana, the author confirms the traditional argument of a trade-off between the self-sufficiency of MFIs and reaching out to the poor, thus the institutions cannot operate at optimal levels and still reach the poor customers.

The study by Ayayi and Sene (2010) concludes that the sustainability of MFI largely depends on credit risk management and the effects it has on the quality of the portfolio. Other factors affecting sustainability revealed by the research included charging the appropriate high-interest rates, quality management, good expense control, adequate information systems and adopting good banking practices. The study will outline a number of these factors in the following

paragraphs and how well these factors may be applicable in the Ghanaian MFI environment.

2.6.6 MFIs and Outreach

Deductions from discussions on the meaning and nature of microfinance have presented a forehand of this review which suggest emphatically that the fundamental objective of all microfinance enterprises is to make financial services available to an otherwise poor and financially excluded population (Baumann 2001; Satta, 2002 cited in Malua, 2013). The researcher observed, based on Hartungi (2007) cited by Malua (2013), that the capacity of these destitute, mostly rural dwellers to start up and/or expand their small-scale businesses relies significantly on the extent to which microfinance entities fulfil this core mandate. Thus, researchers have unanimously advocated the need for MFIs to continuously “reach out” to larger segments of their target groups to exert the desired social impact. Researchers such as Rhyne (1998) have maintained that reaching out to the poor with financial services is the only objective, which justifies the existence of microfinance. Many scholars and industry practitioners measure the success or otherwise of microfinance services based on the number of poor people those services extend to or cover.

The UNDP’s Evaluation Office (1999) defines outreach as the principal purpose of microfinance, which is aimed at providing financial access to a substantial number of poor people. Thus, it is the extension of microfinance services to cover a large number of destitute people to enable them to either start or expand small businesses and fight their way out of poverty. Although outreach in microfinance is the drive and effort to extend services and products to the segment of the market that is not served by formal financial institutions (Lafourcade et al., 2006) outreach can denote breadth, depth, range and sustainability (Copestake, 2007). A proper understanding of the concept of outreach requires a distinction between two key dimensions (although there are more); *breadth* and *depth* of outreach. Whereas breadth of outreach denotes the extent or number of beneficiaries or customers covered by the services of MFIs, depth of outreach measures how deep into the target population the services have reached (Aveh, 2011). Thus, according to Conning (1999), Schreiner (2002), Brau and Woller (2004) and Hermes et al. (2011), *Outreach* is employed to describe all efforts by MFIs to extend credits and other financial services to a large number of

clients or customers (breadth of outreach) and with special focus on the very poor among these clients (depth of outreach).

Thus, reaching the poorest within the target group represents depth while covering a large number of the target group regardless of their comparative levels of destitution denotes breadth of outreach. According to Copestake (2007) cited in Malua (2013), depth and breadth of outreach may be explained in terms of the social and/or economic conditions (very poor, poor or not poor) of MFI customers as well as the extent of access to MFI credits and general services, respectively. It was Copestake's view, therefore, that the mere number of active clienteles indicates the breadth of outreach whereas the outstanding credit per client is indicative of the depth of outreach (Weiss & Montgomery, 2004). The debate on outreach and the sustainability of MFIs rages on with researchers being on opposing sides as to whether both targets of sustainability and outreach can be met concurrently or there is a trade-off with being sustainable as an MFI and still reaching out to the poor and unbanked (Annim, 2012; Conning, 1999; Quayes, 2012).

In another research carried out by Quayes (2012), in which he utilized data from 702 MFIs across 83 countries the relationship between depth of outreach and financial sustainability was established. Evidence drawn from the study concludes that there is indeed a two-way positive correlation between the depth of outreach and financial sustainability and vice-versa. Among high disclosure MFIs deemed to provide accurate results and an adverse negative correlation between outreach and sustainability among the low-disclosure MFIs. The depth of outreach in this study was the average loan size of a borrower normalized by the gross national incomes of the respective countries (Quayes, 2012). Adding to the traditional view held by practitioners and researchers on the trade-off between sustainability MFI and breadth of outreach, Annim (2012) in his study agreed to a trade-off but revealed the effect that sources of funds and other institutional characteristics emanating from the focus of the MFI influences the ability to reach out to the poor sustainably. Von Pischke (1996) iterated the trade-off between outreach and sustainability, which is plausible in the medium-term horizon of two-three years with all types of lending.

As MFIs reach out to more people, the propensity to attract less creditworthy clients increases

so does the cost of expansion. Conning (1999) assess the perennial and traditional problem MFIs have to solve as they increase outreach and maximize impact among the poor and remain sustainable. Again, trade-offs between outreach, sustainability and financial leverage are tamed by internal factors consisting of monitoring and delegation of agency relationship and staff costs, MFI owners and outside investors. Keeping all these factors in equilibrium, MFI wanting to reach the very poor will have to charge higher interest rates, higher staff costs per dollar loan and be less leverage to be sustainable. In Navajas, Schreiner, Meyer, Gonzalez-Vega, and Rodriguez-Meza (2000), the authors examined five MFIs from Bolivia for evidence of the depth of outreach. Conclusions were that poor households reached by these MFIs were near the poverty line—they were the richest of the poor.

The more likely borrowers were the urban poorest while rural borrowers were more likely to be the untargeted group by the MFIs who are among the poorest. The trade-off between outreach whether by depth or breadth has been established by several researchers and the suggestions to tackle the problem ranges from market segment targeting, donor funding, staff costs per dollar loan, funding option/alternatives and the list goes on. Mersland and Strøm (2010) for instance conducted investigations into assertions of mission drift among MFIs. Having found no significant possibilities of mission drift, they advocated an emphasis among MFIs on cost efficiency rather than on revenues and concluded with the observation that there exists a co-existence (compatibility) of objectives. On the other hand, advocates of the welfarist view underscore the need for outreach and highlight the dangers associated with placing too much emphasis on financial sustainability (Ibid). This school of thought observes a trade-off between the pursuit of sustainability and outreach and argued that when too much attention is placed on sustainability and its resultant efficiency, the cost of outreach increases to negate the expected gains. They held that reaching to the poor with credit facilities is a rather expensive enterprise and that the transactional costs per very small loans in terms of screening and other administrative expenditure are relatively higher than the unit costs of large loans (Lapenu & Zeller, 2002; Paxton & Cuevas, 2002).

This, to them, signifies a trade-off between efficiency and outreach in that, as MFIs become more focused on sustainability and efficiency, they are less likely to lend to the very poor (which actually should be their main focus and justification to exist) (Hermes et al., 2008). Cull

et al. (2007) have empirically supported this position. For instance, these investigations into the performance (measured in terms of profitability) and the extent of outreach in 124 MFIs across 49 countries indicated among other findings that MFIs that lend to individuals tend to focus more on wealthier customers as they grow bigger. This reason is causing them to drift away from their core mission of serving the poor...the very poor.

Empirical findings by Olivares-Polanco (2005) who studied the determinants of outreach with an emphasis on loan size observed Makame and Murinde (2006) when they analyzed the two variables using loan size and a trade-off between sustainability and outreach. Several borrowers (depth and breadth of outreach, respectively) recorded similar findings.

Welfarists such as Woller (2002); Montgomery and Weiss (2005); Hashemi and Rosenberg (2006) have been particularly concerned about the changing face of microfinance activities over the years. They are worried about the drift from a “welfare paradigm” (a feature that truly distinguishes MFIs from the activities of traditional financial institutions) to a “rent-seeking paradigm”. This is where numerous entities under the guise of microfinance have intruded the financial space, expanded their economy of scale and consequently reap huge profits through their being focused mainly on the rich and neglecting the poor who are financially excluded (Rishad, 2012; Yuge, 2011 cited in Bairagi & Bin Shadat, 2016). According to Bairagi and Bin Shadat (2016), even the non-profit microfinance institutions have begun to compete with the commercial MFIs by increasingly shifting their objectives towards profit generation. To curb the negative effects this phenomenon will likely have on the ability of small-holder businesses and individuals to access MFIs services, therefore, the welfarists advocate the supremacy of the outreach objective over the pursuit of financial sustainability and efficiency as has been supported by institutionalists such as Rhyne (1998), Christen (2001) and Isern and Porteous (2006).

In recent times, however, the lines of distinction between the two viewpoints seem to be gradually fading away. This is because, the researcher’s review of available inquiries into the subject again portrays a certain level of growing consensus between the two factions who have come to acknowledge the fact that the compatibility or otherwise of sustainability and outreach is largely dependent on the prevailing circumstances and certain conditions (Morduch, 2005).

For instance, the trade-off between sustainability and outreach adduced earlier based on Cull et al. (2007) was found to be absent with group-focused MFIs. Based on their findings, Cull et al. made a very profound and over-cited postulation that has sought to bring some form of closure to the debate that “MFIs make individual, conscious choices when it comes to their focus on objectives, and are not driven by an overall need for financial returns”.

2.6.7 MFIs and Cost-effectiveness

Another factor that has been largely considered as crucial in ensuring microfinance sustainability is cost-effectiveness. There is consensus among researchers that the proliferation of microfinance institutions and activities across the world is a result of growing reports on the success stories of those institutions in helping to expand financial inclusiveness and to curb poverty (Schreiner, 2001). Specifically, the positive reviews about the microfinance subsector have been attributed to the challenges involved in lending as well as providing financial services to the poor (Abate, Borzaga & Getnet, 2014).

According to them, the provision of financial services to small borrowers comes at high costs and as such, mainstream financial institutions and commercial banks are not motivated to venture into the area. In areas where such costs are high and financial exclusion is endemic, therefore, Abate et al. observed that microfinance developed as an institutional innovation to fill the void. Even though MFIs have been innovatively successful in ensuring high repayment rates in their lending activities, their ability to continue doing so in a cost-effective manner has been a major challenge. Although research into how cost-effective the services and operations of these institutions are is quite scanty, the role of cost-effectiveness or cost management in ensuring the sustainability of microfinance institutions is not in doubt. Schreiner (2001) observed that the multiplicity of approaches available in measuring the cost-effectiveness and efficiency of MFIs has contributed to the stifling of efforts at any inquiries into the subject.

First of all, the concept of cost-effectiveness has been defined by Tahir et al. (2009) cited in Oteng-Abayie, Amanor and Frimpong (2011) as the provision of services at maximum levels at the lowest cost possible with a given number of inputs. Their review of this definition suggests that cost-efficiency represents the conversion of a specified amount of inputs to produce the maximum attainable output at the lowest cost possible. It represents the ability of

MFIs to remove wastes in terms of costs while aiming at the attainment of maximum output levels. In microfinance, therefore, cost-efficiency would mean the effectiveness, with which a microfinance institution assigns or deploys its resources for example employees, grants and other assets in generating optimum results in the form of loans, outreach and sustainability without worsening its cost variables. According to Balkenhol (2007) cited in Oteng-Abayie et al. (2011), this efficiency is often measurable in terms of input and output variables such as customer base, loan staff size, loan amounts and the key constituents of the loan portfolio. Gonzalez-Vega (2003) cited in Martinez-Gonzalez (2008) for example asserted that due to inadequacies in technically trained staff at the disposal of MFIs, funds and resources are likely to be misapplied leading to wastages and high costs.

Again, inefficiencies and avoidable costs have been attributed to wastages and misappropriations resulting from MFIs engaging in operations not suitable for them or when favouritism exists in the choice of clients (Baumol & Blinder, 1994). Martinez-Gonzalez (2008) insists that financial sustainability is not possible where wastages exist and persist. Oteng-Abayie et al. (2011) have identified two major types of efficiency namely; technical and economic efficiency. According to them, economic efficiency, which relates to cost management, occurs when there is a minimum cost set about the production or provision of a specified amount of goods or services given specified inputs. Thus, economic efficiency reflects the ability to yield specified outputs at minimum cost. It demonstrates an MFI's ability to employ existing resources in the appropriate ratios to provide services and products: their ability to equate marginal cost with marginal benefit (Guerrero & Negrin, 2005; Manjunatha et al., 2009).

A major challenge however has been how to measure the cost-effectiveness of microfinance institutions. According to Benjamin (1994), Hashemi, (1997), Hulme and Mosley (1996), Khandker et al. (1995), Morduch (1999b) and Yaron et al. (1997) whose sources have been cited by Schreiner (2001), most previous attempts at measuring MFI cost-effectiveness have been characterized by major setbacks and flaws. In particular, while some sources consider cash grants as revenue, "others fail to impute an opportunity cost to all resources, and still, some fail to discount cash flows through time" (Schreiner, 2001). In general terms, cost

efficiency is mostly perceived based on the closeness between actual costs incurred by MFIs when lending and what those costs ought to have been when measured against best industry practices under similar circumstances (Hermes et al., 2009).

MFIs that are desirous of attaining financial sustainability, therefore, ought to strive towards reducing the cost elements of their operations and transactions. An effective way to do this is for MFIs to begin to implement strategies that ensure rapid approvals and disbursements by cutting down on loan processing periods and through other related measures. The volume of information required in the loan application process for instance may be reduced and field agents may be appointed and authorized to select customers for credit facilities (Otero & Rehyne, 1994). This usually helps Microfinance institutions to reduce key components of their costs to appreciable levels that support their sustainability efforts. With time, Levitisky (1998) cited in Rao and Fitamo (2014) suggested that Microfinance institutions would find it possible to considerably reduce their administrative costs if they can adopt Non-Governmental Organisations or Self-Help Organisations as intermediaries between them and local groups as well as members.

Compelling empirical findings on the correlation between cost-effectiveness and the attainment of financial sustainability among microfinance institutions have been presented in detail under the appropriate heading in the subsequent sections of this review.

Hermes et al. (2008) defined cost-efficiency in terms of how close the actual costs of the lending activities of an MFI are to what the costs of a best-practice MFI would have been. The research concluded that if MFIs focus on maximizing efficiency, mission drift might be inspired since MFIs serving the poorer parts of the population are less efficient. Mersland and Strøm (2010), who studied the development of average loan sizes offered by MFIs, believe MFIs should increase efficiency to offer smaller loan sizes. In establishing that aspects of costs are fundamental in the assessment of mission drift, the average loan sizes may be increased due to inefficient management of the organizations on the contrary and not by a change in markets the MFIs operate. The costs the MFIs carry may be a determination of the mode of operation and the segment of the markets they can reach.

Another aspect of costs as discussed by von Pischke (1996) are those not related to credit operations/risk but affects the operations of the MFI on the whole. These increasing costs may be temporary. This is resulting from 1) increased growth, which is extremely high, 2) loss of financial control through unreconciled accounting backlogs, which has accumulated over time, 3) failure to put in place systems that can adequately manage increasing volumes of transactions, 4) over-dependence on unprofessional staff, 5) lack of proper assessment of the creditworthiness of clients, and 6) penetration of opportunistic and cunning borrowers clients or even staff of the very MFIs. Since the cost can connote all charges other than revenue, the focus of this study is to identify costs that may not be directly related to the generation of loans (directly related to the generation of revenue). This affects the bottom line of the MFI, which will eventually translate into how efficient and effective the MFI operates and to what extent it can achieve sustainability. Hartarska, Shen and Mersland (2013) assumed in their study that MFIs strive to minimize their costs to reach as many clients as possible, with inputs, such as labour, capital and financial capital, to produce outputs, such as loans and deposits. If the MFIs can be efficient in doing this, then they will be able to meet the needs of microfinance clients who have entrepreneurial ability but lack capital.

In comparison, the study carried out by von Pischke (1996) concludes on costs being believed to increase and become permanent or fixed if programmes seek to reach people in secluded locations or highly unreachable areas. In such cases, cost determines how far MFIs can expand. Other correlated costs within MFIs are ownership related costs. The study carried out by Mersland (2007) analyses and implies that the costs of microfinance market contracts are generally higher in Shareholders Firms (SHFs) than in Cooperatives (COOPs) and Non-Profit Organizations (NPOs), while the costs of ownership-practice are somewhat lower. The cost-variables analysed under the cost of market contacts and cost of ownership are not all of similar importance, as this is influenced within local contexts. While the study supported the growth of SHF ownership type because it turns to have lower costs of ownership-practice and by their structure attractive to new investors, this should not be done at the expense of COOPs and NPOs who can mitigate the costs market contract effectively.

2.6.8. MFI and Business Model – Methodology

Reference to the evolution of MFIs and the characteristics of same depicts a general mode of

operation as MFIs are focused on providing financial services to the poor and unbanked. Microfinance methods have predominately been structured over time as the target group influence deploying these methodologies. As the traditional notion of microfinance indicates a single product or service limited to the provision of microcredit, (Baten, 2009) methodology deployed among MFIs will similarly be the same. In a recent view where the understanding is one, which is characterised by a multiplicity of services and products mode of operation will, in turn, be different as these varying product offerings are rolled out (Baten, 2009).

de Aghion and Morduch (2000) indicate that the traditional view of Microfinance has been tied closely to the idea of group lending with joint liability, which happens to be the most populous mode of carrying out MFI programs as evident in the examples of Muhammad Yunus's Grameen Bank of Bangladesh and China. The researchers believed that if group lending is used, it is one part of a set of overlapping mechanisms adopted to help in the servicing of the loan/facility of clients. Bhatt and Tang (2001) agree to the well-documented benefit of group-based programs and the lack of empirical evidence of the positive contribution of these programs and the effect on the poor. However, new programs in Russia and Eastern Europe have confirmed greater benefits of employing individual-based contracts, which need to be securitised or guaranteed by a third party (de Aghion & Morduch, 20

2.7 MFIs and Organisational Commitment

Given the myriads of challenges inhibiting the sustainability of MFIs in Ghana, many researchers have affirmed the role played by organizational commitment in the continuing existence and financial viability of these institutions. Varying viewpoints have been held and expressed on organizational commitment about the operations and success of microfinance institutions by previous researchers. For this study, however, organisational commitment is conceptualized in terms of (1) unflinching commitment on the part of top management of microfinance institutions to key strategies, processes and procedures that deliver financial performance or sustainability, and (2) commitment on the part of employees to the core objectives and mission of the microfinance institutions. It extends, albeit loosely, to the importance of commitment among customers towards a particular organization.

In Bolander (2009), the organisational commitment was defined as the degree or extent of employees' identification with their organisation and its objectives. Put differently, it refers to a certain emotional and psychological affection and attachment displayed by employees towards the goals, vision and values of the organisations, for which they work (Mulki, Jaramillo, & Locander, 2006). Fu and Deshpande (2013) viewed it as the extent of association between an organisation and its employees. To Henkin, and Singleton (2006), it is a yearning on the part of employees to remain loyal to their organisations. Relating the concept of organisational commitment to sales management and its performance, for instance, Bagozzi (1992) cited in Bolander (2009) asserted that all sales efforts within firms are a result of the organisational commitment of sales teams. Thus, when (sales) employees are fully committed and have come to view the firm's success as their success, they become more willing to give the best of their ability towards further success (Jaramillo, Mulki, & Marshall, 2005). For the organisation to succeed, a committed employee therefore will spend additional time and more effort to improve their performance when necessary.

In their quest to establish and explain the relationship between organisational commitment and business performance, Meyer and Allen (1991) developed a model comprising three categories or forms of commitment: affective, continuance, and normative commitment. Normative commitment has to do with an employee's perceived obligation to remain in the organisation while continuance commitment emphasizes the calculable costs involved in the employee's decision to leave the organisation

The third and most relevant to this work, affective commitment, represents the employee's emotional affiliation and identification with, as well as their participation in the organisation. The vast experiences and knowledge acquired by frontline employees, especially sales teams of MFIs during service encounters with customers gives them a uniquely critical role in designing and executing strategies and efforts aimed at ensuring the sustainability of these institutions. The importance of employees' commitment, therefore, makes it mandatory for all organisations to invest in strategies and means that create high levels of commitment among their staff towards the organisation.

Furthermore, the level of organisational support and general disposition of management towards employees, especially field staff (whether favourable or not) therefore is a key metric of the firm's commitment towards achieving financial sustainability and success (Choi & Chang, 2009; Damanpour & Schneider, 2006; Jung, Chow, & Wu, 2003; 2008). Thus, while employees' loyalty and commitment to the organisation is crucial for its sustainability and financial performance, a demonstration of commitment to their needs by top management is equally important. The setting of clear targets, allocation of adequate resources to enable sales teams and field staff to gather and update accurate customer information, empowerment of employees through regular training and education and the provision of required technical and process support for them are a few means, by which their usefulness to the organisation can be enhanced (Suff & Reilly, 2006). In other words, the success or otherwise of MFIs to achieve financial sustainability will, to a large extent, rely on management's ability and willingness to commit the required time and resources towards improving upon their products, services and processes as well as their employees to extend their outreach, retain as many of their customers as possible and ultimately generate enough returns to sustain their operations (Marsh et al., 1998).

Thus, MFIs will most likely achieve sustainability when top management demonstrates commitment in terms of capacity, willingness and undertakes the responsibility for the effective execution of their core objectives and strategies (Keramati & Azadeh, 2007). This commitment may take the form of clear communications regarding the firm's quality value, regular meetings with employees, acknowledgement of deserving employees, job training activities etc. (Ibid). They are responsible for designing and ensuring the execution of their firms' mission, vision and corporate values through proper strategies. For MFIs to remain sustainable and profitable in the face of competition. Rahab (2012) advises that top management focuses a lot more attention on strategies that render the best service qualities to their customers.

According to Rahab, financial institutions should not only aim at wooing customers but also aim at maintaining and keeping them committed to the business relationship as well as preventing them from engaging in switching behaviours in favour of field competitors. In this regard, MFIs ought to create and adopt marketing strategies aimed at providing highly

personalized service encounters through effective communication and sharing of valuable information with their customers to create trust and win their long-term commitment to the brand (Rahab, 2012). All of these activities are collectively known as relationship marketing. It aims to provide mutual benefits for both the organization and its customers to secure the long-term commitment of both parties to the business relationship (Ibid).

The basic assumption here is that MFIs and other financial institutions will be better off if they adopt ways of entrenching the commitment of core loyal customers rather than spending on costly advertisements and promotional campaigns to woo new clients whose commitment to the brand is not guaranteed. It is asserted that, when customers enjoy satisfactory service encounters, they are more likely to increase their savings and engage in repetitive transactions as well as referral behaviours that will reduce costs related to adverts, customer research, etc. and ultimately enhance the financial capacity of these institutions (Barney, 2001).

Organizational commitment, whether on the part of top management, employees or customers, therefore, constitutes a key variable, which deserves critical attention by all MFIs that are desirous of becoming or remaining financially sustainable and profitable.

2.8 MFI Focus: Poverty Alleviation or Provision of Banking Services

As explained elsewhere, MFIs are necessarily banking institutions engaged in banking activities but whose operations are primarily focused on the provision of those services to the poor as well as those financially excluded (Mersland & Strøm, 2010). As such, the subsector has been noted and commended for its ability to modify regular banking services and practices to effectively meet the banking needs of poor rural dwellers to enhance their living conditions (Roberts, 2013). The question however is, what should be the key focus and motivation for MFIs? Should their activities be fashioned towards the provision of conventional banking services or should they focus their key competencies and products on poverty alleviation? Or will it be possible for them to blend the social goals with purely “business” ideals? These questions have troubled scholars, researchers and practitioners for years (Morduch, 2000; Roberts, 2013).

Specifically, there is intense scholarly debate over whether profit-oriented MFIs address the financial needs of poor clients more sustainably than those that are poverty-driven. It must be recalled that MFIs mostly pursue dual missions. Traditionally, they are expected to ensure financial inclusion for the very poor extensively and secondly, achieving wider and deeper outreach requires that they pursue financial sustainability objectives (Mersland & Strøm, 2010). Some researchers have maintained that most MFIs do not generate enough income to even take care of their operational costs let alone expand in outreach. What this means, according to Roberts (2013), is the persistent need for MFIs to rely on grants and subsidies to sustain their operations. These sources are mostly unreliable because proponents argue that MFIs ought to pursue profit motives if they are to stay in business and remain relevant (Mersland & Strøm, 2010).

Consequently, MFIs are to assume “business-like” approaches, adopt the traditional banking practices, set profit-driven interest rates, and become more efficient to attract the necessary investments into the subsector. When this is achieved, Hermes and Lensink (2007) cited in Roberts (2013) opine that MFIs will become so sustainable financially that they will deliver the social impact objectives of poverty alleviation and improved standards of living. However, this position has faced fierce criticisms from other stakeholders who argued that the pursuit of profit and financial performance will negate the need for MFIs altogether and lead to MFIs trading off social performance for financial gains (Mersland & Strøm, 2010). Thus, they maintained that the pursuit of profitability will relegate concerns and needs of poor customers to the background.

Consequently, MFIs will abandon the very poor clients in their quest to become more profitable and financially sustainable, a phenomenon referred to earlier based on Copestake (2007) as a “mission drift”. The fear expressed throughout extant literature is the temptation of even those MFIs that are focused on poverty alleviation to begin to manipulate the mix of costs and benefits offered to customers once they begin to strive mainly for financial sustainability (Yunus, 2011) cited in Mersland and Strøm (2010). Kevane and Wydick (2001) held the view that policymakers and the impoverished (who are the main focus of MFIs) are likely to become price sensitive and switch behaviour. The question then arises, should microenterprise finance

focus more on being the preferred tool for poverty alleviation instead of maintaining a commercialized banking focus?

More importantly, microfinance has become generally accepted especially in the Third World as a major tool for tackling development challenges caused by extreme poverty. In Africa for instance, poverty alleviation is the topmost developmental focus and as such intermediations through the use of microfinance has agreeably been accepted as an instrumental tool by policymakers to address poverty (Tehulu, 2013). The primary focus of MFIs, therefore, is to eradicate poverty through the offering of finance and financial services to the poor (Kinde, 2012). Rai and Rai (2012) confirmed the mission of MFIs as evident in the lives of millions of people in developing countries who now have access to formal financial services through the activities of MFIs. Westover (2008) holds the view that causes of poverty vary and thus require different interventions, and microfinance has proven to be one such intervention, which is reliable.

The mission of microfinance as a financial development tool to eliminate poverty through the provision of financial services is predominantly the focus of microfinance institutions (Barr, 2009). In Morduch (1999), the author agreeably creates the excitement of the dawn of microfinance practices that promise to transform fundamentally social and economic structures. This is because only 15% or less of the population of developing countries have access to mainstream banking. Microfinance is increasingly becoming the main financial intermediation system for the poor and financially marginalized, if not the most crucial (Tehulu, 2013).

Furthermore, if the assertions of Crabb (2008) that almost a billion people lack access to basic financial services and systems, then, the obvious means of breaking the poverty cycle will be for MFIs to focus more on strategies that make small credits available to the poor. The role of microfinance in national development by reducing poverty should not be substituted with a focus on profits and commercialisation. When MFIs focus on poverty alleviation, they can provide the poor with the means to meet basic household needs, improve the economic welfare and empowerment of women by supporting their economic participation (Wrenn, 2005).

Aside from banking services, MFIs also provide numerous non-financial activities and services such as social intermediations by providing training in financial literacy, managerial skills and self-confidence development among members of a group (Hulme, 2000), whose services are mostly unavailable if they focus mainly on the provision of traditional banking services.

2.9 MFI: Role and the Development of SMEs

Most developing-world governments prioritize improving the poor's livelihoods to achieve higher levels of human development. Microfinance has been formed as one of the key instruments for improving the livelihoods of low-income households in industrialized countries to attain these goals (Adongo & Stork, 2015). According to the United Nations Capital Development Fund (2004), Microfinance has three specific development positions. It helps vulnerable households in fulfilling their essential needs and protects them from threats. Second, it is linked to household economic well-being improvements. The final step is to further motivate people by encouraging the economic inclusion of women, thus ensuring fair opportunities for men and women.

MFIs existing literature on financial resources also indicate that microfinance can improve the livelihoods of low-income households in pre-entrepreneurial operations and microenterprises. The effects of microfinance would also have important consequences for the global economy (Adongo & Stork 2005). The outcomes include households and micro-enterprises. Development experts, policymakers and multilateral and bilateral borrowers agree, under the African Development Bank (2003), that it is of considerable importance to provide an effective microfinance operation for the vulnerable, in specific rural segments. The first explanation is that the secret to a successful poverty mitigation policy may be microfinance. An additional argument is that micro-finance would allow deposits, credit and insurance services more affordable and effective. It will help the poor in particular to comfortably consume themselves, handle their risks better, and develop their finances. Microfinance services can gradually develop, enhance their income generation capacities and improve the quality of life of their micro-enterprises. Those capital resources, business expansion and the implementation of new technologies may also lead to microfinance services; hence, microfinance helps foster economic development and progress. The second rationale is that if most poor households do

not have permanent access to institutional microfinance, they will continue to rely on modest self-finance or informal sources of microfinance, limiting their ability to actively engage in and profit from development opportunities. The third point is that microfinance may be an effective tool for supporting and empowering poor women, who account for a big percentage of the poor and suffer disproportionately from poverty. Finally, by causing financial markets to converge, microfinance may help the overall expansion of the financial system.

Adongo and Stork (2005) claim that microfinance programs will enable low-income people to expand their livelihoods through pre-enterprise activities and micro-enterprises. Microfinance, they believe, provides low-income households with advantages across numerous networks. For starters, low-income households can use micro-finance credit facilities to make low-cost transfers. The discomfort of commuting long distances for shopping is expected to be considerable.

Wright et al. (2009) Consider that low-income families often have sporadic sources of income and are subject to various life cycles, economic and disaster dangers beyond their control, all of which can reduce income below the poverty line. Empirical evidence suggests that microfinance-based savings facilities can help enhance household financial management and make intertemporal decisions more successful. Rather than providing aid for dealing with shocks as they occur (CGAP, 2014), this protects low-income households from dangers before they occur. Reducing the risk of unintended shocks increases the likelihood of low-income families engaging in riskier, higher-income behaviours. Low-income people can convert non-financial assets into liquid, high-income forms, which can eventually be used as collateral for larger loans, thanks to De Soto's (2013) safe and convenient saving facilities.

The utilization of low-income households' savings facilities typically aids them in accumulating funds for future use and establishing a credit history. This is especially important because many low-income households lack the types of collateral required by commercial banks to acquire loans from this funding source. The flexible and accessible loan facilities provided by microfinance companies enable poor households to borrow funds to deal with crises when they

are unable to meet the prevailing savings requirement. Even though actual income does not increase, the gap between deprivation and luxury will narrow (Robinson 2003).

Micro-financing savings facilities, according to Quartey (2010), allow micro-enterprises to spend their surplus funds, generating an investment return. This will make it easier for them to manage liquidity and boost their self-financed investment rates. Specific access to these insured properties is frequently legalized and can be utilized to meet collateral requirements.

Microfinance organizations give micro-businesses loans that allow them to lease funds to satisfy a variety of short-term financial needs, including operating capital. Financial costs paid throughout the pre-start-up training, planning and start-up phases of the microenterprise life cycle are also included in these requirements. Microfinance may bear more funding risks for more schooling and other unforeseen circumstances (Robinson, 2003; and Mushendami et al., 2004).

Microfinance credit facilities also allow micro-entities to use predicted revenues for current expenditure, according to Adongo and Stork (2005). The exposure of growing micro-enterprises to many shocks is reduced, and the micro-income entrepreneur's stream is stabilized. To the extent that this loan is used to create resources, the reduced risk encourages the micro-entity to continue operating at its current rates (either physical or human). Microfinance increases microentrepreneurs' revenues and encourages them to diversify and grow their businesses. Microfinance has a positive economic impact on low-income families and microbusinesses. Financial investment services are being developed by mobilizing assets that are not usually part of the money supply. the way financial markets work This rise in gross savings creates a greater pool of capital that may be diverted into gross domestic spending incentives that boost economic growth.

According to the International Centre for Economic Crew, microfinance aids the sustainability of microbusinesses by allowing them to gain greater control over their financial operations (1999). This must lead to a strengthening of the domestic production system, which will have a favourable impact on balanced development across industries and regions.

2.10 Chapter Summary

The chapter concludes with a detailed analysis of the various constructs and their effect on the dependent variable financial sustainability and the formulation of the hypothesis. Earlier on, background information on the history and evolution, definitions, mission and structure of MFIs were discussed. MFI methodologies are discussed followed by financial and operational sustainability of the MFIs, which are then discussed in light of the constructs outreach, cost-effectiveness, business model and organisational commitments.

CHAPTER THREE

THEORETICAL AND CONCEPTUAL FRAMEWORK

3.1 Theoretical Foundations

This section of the thesis focused on the theoretical and conceptual framework - review, concepts such as organizational structure, organizational performance and employee competencies. The section further reviews empirical studies and ends with a conceptual framework. This study is underpinned by the theory of structuring organizations, agency theory and relationship management theory. The theories backing the study are discussed and the conceptual model leading to the hypothesis is explained.

3.1.1 Theory of Structuring Organizations

Henry Mintzberg (Mintzberg, 1979) postulated the theory of structuring organizations first in 1979. Through this framework, Henry found out that the coordination of organisations is important. There are five co-ordinations, which include reciprocal improvement, active control, standardisation of work procedures, normalization of job performance and the normalization of employee skills. The glue that keeps organisations together as a cohesive entity is among the most important structural components. The model added that all else proceeds, like hierarchical structuring. He continues, however, that such synchronization processes appear to be in rough order. This indicates the corporate research is getting more difficult. The preferred management strategy appears to switch from joint change to active control through standardization. This is superior to job, development or other abilities, and eventually to mutual adaptation. It's because a person who operates alone doesn't require any communication structures. After all, this occurs in one brain. The condition changes dramatically as you introduce one or more brains when synchronization between brains is required. Participants in tight community's function side by side, uncomfortably acclimatized. Reciprocal adaptation is the preferred teamwork process. When the party expands, coordination is less easily feasible.

The research was based on Henry Mintzberg's 1979 system, which he advanced further in 1992 (Mintzberg, 1992) and clarified further in 2009 (Mintzberg, 2009). In this context, each existing organization has a goal(s) and goal(s). In general, both workers have priorities that are separated into practical roles. Jobs are also organized into divisions. These divisions may be defined, among others, as advertisement, distribution, marketing and development. Moreover, still more differences between workers within each organization can be identified. Such ministries constitute a branch of an organization. This argument is backed by Nelson and Swift (2011). In their research, they found that the framework of the organisation provides them with the model for achieving their goal in the area. Galbraith (2012) and Greenberg (2015) agreed with the calculations Nelson and Fast (2011) stated that the word "structure of the organisation" relates to the arrangement of roles, duties and authority within the organization, which is official among individuals and organisations.

3.1.2 Agency Theory

The Agency Theory was propounded by Jensen and in 1976. They define their workers as self-important, opportunistic and extrinsic, and require near management measures, which may take the form of assessment of success and appraisal processes (Franco Santos et al., 2014). The focus on international inspiration is on the theory of the Agency. The strategy was criticized for "failure to tackle inherent motivation and other psychological causes that are relevant in the Public sector" (Frey et al., 2013; Larkin et al., 2012; Vandenabeel and Hondegheem 2005, quoted in Frey et al., 2013). Analysis undertaken by Doolin (2002) showed that workers were likely to reject qualified autonomy management activities. The stewardship hypothesis, on the other hand, approaches this by transforming staff leaders as stewards, under which conduct that is pro-organizational and collectivistic more beneficial than individualistic activities and whose goals might be compatible with organizational objectives (Davis et al., 1997).

Agency The theory relies on natural incentives. Stewardship should be defined at all levels of the organisation, not only through those in control (Hernandez 2012, pp 174-5), which describes stewardship as "to the degree to which the adult actively sub-due his or her interest in behaving in the interests of others' long-term wellbeing." Any organizational paradigm is based on the framework of results. Essentially, this is the primary element based on the

corporate study. Experts have established a wide variety of insights and concepts on organization efficacy that correlates to frameworks to measure corporate success over the past 60 years in the fields of organizational theory that management. Among the models for organizational performance are:

3.1.2.1 The Goal Model

The Goal Model measures corporate success because the organization's priorities are entirely or partly achieved (Latham & Locke, 1991). Goals as part of the philosophy, architecture and function of the organisation are widely recognized, and the purpose of an entity is operationalized through a single goal or collection of objectives. The aim of a successful business, for example, should be to produce a return for its shareholders. The basic targets should be applied with regards to asset returns, sales development, market position, efficiency and cost minimisation. The basic organizational goals set the foundations for the implementation of the plan and success indicators promoting the purpose. For a non-profit entity, it may be meant to meet a common group need. This will be measured depending on the number of consumers serving, the success of its programs, organizational performance and neighbourhood effects, among others. In both cases, the connection of an organization's aim with its targets confirms the inherent propensity and validity to determine the organization's success as the correct criteria.

The initial researchers in the Goal Model centred on findings or outcomes resulting from the activities of the organization. Both the Criterion Model (Blum & Naylor, 1968) and the guide to behavioural objectives (Glaser, 1969) centred on identifying such operational activities or actions, accompanied by assessing the accomplishment of a certain collection of target-based parameters. The relevant measure of performance is a determination of which objectives were achieved and which were not. In the goal Model, the relevant measure of performance is a determination of which objectives were achieved and which were not. The goal Model presumes organizations are rational, deliberate, and goal-seeking.

3.1.2.2 Systems Model

The early advocates of the program approach to the evaluation of corporate efficiency were Katz and Kahn (1966) and Yuchtman and Seashore (1967). The efficiency of the program and the environmental protection capacity (i.e. the balance of resources) are better known. Katz and Kahn's pioneering work (1978) was focused on the idea of the general theory of structures. The researchers proposed, however, that a theoretical paradigm for understanding organizations is an input-output framework where organisations "flagrantly transparent processes in their transfers within the organisation, which are the supply of energy and the conversion of production into further energy input" (p. 20). The effective procurement of finite and useful capital in a constantly evolving world thus implies a productive organisation. Many versions of the early program method include analysis (Ackoff, 1973) and business growth (Beckhard, 1969; Likert, 1967). Models of open structures that build on the principles of complexity sciences and interpret organisations in large sections as dynamic adaptive processes are the key mode of organizational structure analysis at present (e.g., Lisboa & Gunz, 1999; Regine & Lewsin, 2000; Richardson, 2005; Stacey, 2010).

The Framework does not place the objective of the organisation behind it but instead treats it as one of the metrics for assessing operational success. Whilst a goal attainment approach is based on the consequences or ends of an organisation's operations, the purpose is to assess operational efficiency, a method approach incorporates process operation or indicators as another element. This larger viewpoint not only considers what is achieved but also how it is accomplished. Throughout fact, the procedure aspect should always take into consideration the legitimacy, integrity and accountability of the activities of the organization.

3.1.2.3 Process Model

The Process Leistungs Model builds on the basic aspects of aim and system-based models and stresses the internal processes of a business. Initially endorsed by Steers (1976), the process model provides evaluators with a structure for assessing the primary output processes. Goals in a process model are used to measure operational efficiency, but the emphasis is on goal optimisation rather than objective achievement. Optimizing the goal requires into consideration the optimal aim depending on the constraints encountered.

Therefore, optimization of goal aims to identify external factors that impede or prohibit such objectives from being entirely met by integrating distinct objectives focused on defined constraints that may inhibit progress towards achievement of the goals. A unique feature of the method paradigm is that human behaviour is taken into account as it impacts the efficiency of the enterprise. A shift of the model from an organizational to a person level focus; it shifts from a macro to a micro level of study. The reasoning behind this move is that if workers identify with the objectives of the company, they would provide more influence to help the company accomplish those objectives. It means that the interests of the company and the specific ambitions of the individual ought to be harmonized. It does not mean mutual interests, however, but only joint efforts to serve organizational members' diverse and competing purposes. With interest in process efficiency, comprehensive process sophistication model creation and implementation have been developed and are still being utilized (i.e. Hammer 2007; Software Engineering Institute 2011). While not explicitly developed to measure organizational efficiency, these frameworks describe behaviours that are key to successfully executing procedures and are also used to derive evaluation results from the viewpoint of companies from the experience of the mechanism.

3.1.2.4 Strategic Constituencies Model

The model was established to take into consideration disparate views and beliefs through the participation of several organizational members. Freeman (1984) became the first organizational researcher to completely articulate the stakeholder idea in his seminal book Stakeholder Leadership. In this article, the author claimed that the Stakeholder Approach allows businesses to take account of voting limits to produce better outcomes. Every grouping of individuals engaged in the company is considered a strategic party. Other legitimate players (employees, consultants, assistants, board of governors etc.) and others that function on his behalf or are influenced by the actions of participants may be given particular consideration (Clarkson, 1995, Collier & Robert, 2001). Similarly, the board may be given consideration. More specifically, the organization will define the structural framework. In addition, Fassino (2009), however, recommends three distinct classes of actors involved in categorizing boundaries within the company (e.g., Friedman & Miles 2002; Frooman 1999; Pesqueux & Damak-Ayadi 2005; Phillips 2003; Post, Preston & Sachs 2002). This is true of various

typologies. The following are suggested: Definitions of this type raise uncertainty among market stakeholders. These are the common domestic components and associates. The company is still under pressure and the government must eventually implement international laws and legislation.

The Paradigm for Strategic Stakeholders says that a strong organization meets the circles' standards. Various organizational scholars have put together their definition of performance inside an entity that negotiates and respects a variety of political realms in the form of an alliance (Jensen, 2010; Jun&Shiau, 2012; Salancik, 1984).). In comparison to the goals, tactics and operational approaches, the Conceptual Compounds paradigm derives its demands from the desires of the different components of the organizations. This links an organization to a democratic system in which different people of different authorities seek to manage capital. This function has a specific set of principles to be taken into account when assessing organizational efficiency.

3.1.3 Relationship Management Theory

In general, the OPR is established as a relationship or a collaboration between an individual and its representatives of the public. Grunig and Huang (2010) have developed an overall theoretical structure for the OPR in collaboration between Stafford and Canarys (2001) on relationship cohesion strategies and Plowmans (1995) on conflict resolution techniques. At every stage, they presented methods to assess relationships: background relationships, growth techniques and relationship results. The study was mainly based on Grunig and Huangs (2010) three-stage research as it was considered a functional way to explain the various dimensions of OPR to explore partnerships management perspectives. Further research was proposed on the history of partnerships by examining the sequence. Within this study, the assessment of interactions within a working group involved two kinds of connections and four types of tests. Theoretically, organizational structures can be classified into models such as mechanistic and organic structures (Lawrence, 1967). In the mechanistic structures, authority and control, where decision-making is made at higher levels, indicates a centralized organization. Written rules and regulations are common, as the formalizations in a mechanical organization are stressed. The roles, including duties, authority and dignity associated with every particular

function, are specifically described in the mechanical structure. According to Hatch et. al, (2014) in the mechanistic organizational structure, each employee is answerable to the person seated one level higher in the hierarchal pyramid. Mintzberg (1983) reported on the mechanistic structures that there are differences to the extent an organization is mechanical, where the extreme mechanical structure can be said to have an obsession for control to reduce all possible uncertainty for a smooth going machine where informal communication between employees at lower levels can be avoided.

Granström (1999) shared the opinion that proposals on changing working practices are not viewed in the mechanistic system as effective because a different approach to do it would entail re-writing of rules and the full execution of supervisors. The strategy then inhibits and hampers workplace creativity. Furthermore, Hatch (2006), observed that in the mechanistic organizational structures, work processes are usually standardized. The employees working in such a structure knows exactly what they are expected to do and how it should be done as well as their well-delimited task. It has a vertical communication system where the superior gives instructions to the subordinate and this is used for discussions.

Organic organizational structures, on the other hand, has a decision-making process as a decentralized organization where the ones possessing the right knowledge and experience regarding the decision at hand make the decisions. Hatch (2006), noted that in the organic structure, authority is based on knowledge and competencies rather than the level in the hierarchy and problems-solving and interaction allow for a redefinition of tasks and work methods. An organic structure is flexible with the authority and responsibility placed on the individual rather than on a position hence there can be many different combinations of how employees are put together to reach organizational outcomes (Jacobsen et. al, 2002).

Roles and responsibilities are redefined depending on the situation and this allows for the use of personal expertise and creativity of the employees in the organization. Formalization is used to a smaller in the organic organizational structure and uses more of the horizontal communication and consulting between departments rather than vertical instructions as in the case of the mechanistic organization structure (Hatch, 2010). The employees seek advice from each other than give instructions. The organic structure allows for innovation and is thus more

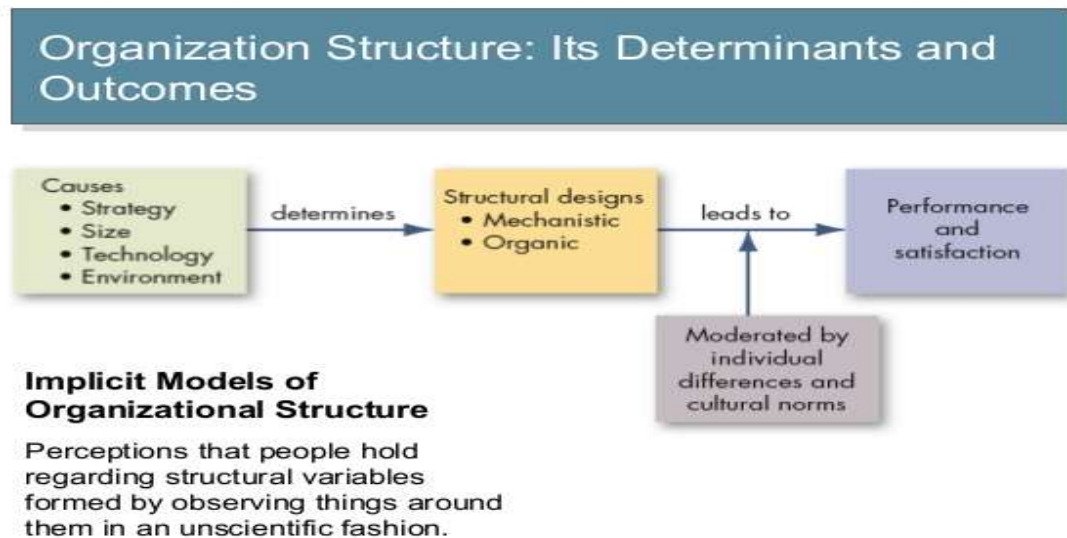
suitable and beneficial when used in a changing environment with a high requirement for adapting to the surroundings (Hatch, 2010).

The organic system is taken into consideration to preserve maximum versatility because there is no means of standardization or the formalisation of actions and work specialisation. Rather than supervisors who work as subordinates who have greater control from experience and skills than their specific roles should be monitored, oversight should be carried out.

Adestam (2015) recognized a lesser form of the organic structure that involves the formation of teams to solve problems and the selection of the team members is based on competence rather than according to their level in the hierarchal system. The creation of such teams as part of the organic structure leads to an increase in initiatives taken by the non-managerial employees. The flexibility accorded to team leaders enables the various talents and skills of employees to be best exploited. Teams are generally created to solve problems instead of as an answer to directives and orders for the work to be carried out. In this lesser form of organic structure, the focus of management is on the integration of the teams but not telling team members what and how to do their work. In this case, the individual team members have high responsibilities where the work requires a great deal of cooperation. The other side of this organic structure is the risk of teams becoming too autonomous and creating their own goals, and can, as a result, deviate from the larger organizational goals (Granström, 2009).

Researchers have observed that the changes occurring in organizational structure would affect the performance of the organization, and the possibility of a vice versa situation (Robbins, 2016). Two extremes for possible models of organizational structures have been given by researchers and theorists as the organic structure and mechanistic structure. While the organic structure would be a flat and cross-functional team, with low formalization, possessing comprehensive information and relying on participative decision-making, the mechanistic structure would be characterized by extensive departmentalization, high formalization, limited information and centralization (Robbins, 1996). Thus, the organic Model of structure would have the maximum width (span) but the minimum height (level), While the mechanistic Model or structure would have the reverse, minimum width and maximum height. The figure gives a vivid illustration of the two extremes - organic and mechanistic structures.

Figure 3.1: Models of Structures



Source: Stephen, (2003).

3.2 Concepts Defined

3.2.1 Organizational Structure

The structure of the organization was defined as the distribution of responsibilities and power among the members of the organization and as the work process is carried out (Gerwin & Kolodny, 1992, Germain, 1996; Dewar & Werbel, 1979; Blau, 1970). Robbins (1990) points out that the organizational system specifies the distribution of activities, reporting lines and structured management processes and patterns of interactions echoed this. Goldhaber, Dennis, Dichetto, and Wiiio (2014) also define the organizational structure as a network of relations and roles existing across the organization. The most important question in organizational structure research is what the best organizational form is and why it is the greatest (Grunig et al., 2002). According to Weber (1947) and Grunig et al. (2002), it is critical to analyze the factors of influence that contribute to organizational structure, as they did more than 50 years ago.

According to Robbins (2010), organizations shape systemic trends for three key reasons. The researcher first indicated that the model of natural selection is present and only a few organisational forms are available in the environment. Secondly, organizations are looking for

structural characteristics of internal consistency that work well together to balance themselves in the environment. Thirdly, the number of possible settings is restricted to those that are now popular, because managers are inclined to follow the current fashion, whether it is participatory management, bureaucracy, or matrix management, among others. Another influential element mentioned by Hall (2017) is technology, which is related to the match between technology and structure, not only to the technical structure that is influenced but also to the success or effectiveness of the organization (p. 120).

Miller (2015) recently affirmed that technical innovation has also had an impact on organizational structure. It is no longer important for people to work together from the same location, as technology enables contact at great distances and intermittent times. Miller provided four variations on the time and place of work delivery. The first variant is the central office (work carried out concurrently by individuals at the same place), and the second is telecommuting (working carried out concurrently but in a different location). The third amendment is the flextime (work done at different times at the same place). Virtual offices are the last variant (work at various times at various places, with multiple information and computer technologies). Such innovative principles open up new avenues for the organisation.

3.2.1.1 Dimensions of Organizational Structure

In organizational studies and innovation studies, most work on organizational structure is found. Most work has found that there are several aspects to the organizational structure. The organic and mechanical dichotomy is a classic description of the organizational structure. Most of the literature on organizational theories indicates that a mechanistic (inorganic) versus organic structure can be differentiated (Daft, 2003; Nahm, Vonderembse, Koufteros, 2003; Zammuto & O'Con, 1992). In response to changes in society as a whole, Daft (2003) announced that significant changes were happening in organizations (p. 11). The researcher also indicated that when environments are highly certain, innovations tend to be continued, organisations, and people are treated as another resource, the mechanistic paradigm is successful. Vertical, functional and bureaucratic internal structures tend to be. This organization, which uses logical reasoning, is motivated by parochial ideas that are expressed in the vertical hierarchy and hierarchical power disparities. The organic model acknowledges that the outside world is unpredictable, even chaotic. Usually, technology is not continuous and size is less significant.

Organizations are more based on teamwork, personal interaction, learning and innovation. Innovation. Egalitarian values such as dignity, democracy, horizontal relations and the building of consensus are increasingly relevant (Daft 2003).

Even though organizational scholars distinguish between organic organizational structures and mechanical organizational structures, innovation researchers have discovered that it is feasible to split the system into industrial and post-industrial modes of activity. When a company transitions from an industrial to a post-industrial mode of operation, researchers advise that it needs a system that meets specific characteristics (Koufteros & Vonderembse, 2016). First and foremost, rules and laws must be in place that foster innovative, autonomous work and learning. For a quick response, the second criteria are that there should only be a few levels of hierarchy in the organization's organizational hierarchy. Third, there is a high level of horizontal integration, which helps to increase the transmission of knowledge. Fourthly, collective decision-making will be made to deal with organizational problems effectively and rapidly. Finally, a high degree of horizontal and vertical contact guarantee concerted action. (p. 22) The external climate of the company is partially influenced by the organizational structure (Nahm et al., 2013). Investigations suggest that companies structured for competitive and secure markets in diverse and rapidly evolving environments may not be successful (Gordon and Narayanan, 2009). The more favourable the environment, the more likely it is that a centralized hierarchy with established rules and procedures will be able to exist in the organization of a company's operations (Nahm et al., 2013). Environmental uncertainty organizations should decentralize decision-making (Ruekert, Walker Jr., & Roering, 2009). The business depends less on official rules and regulations and breaks down hierarchies (Jaworski, 2008) (Walton, 2011).

Owing to an extensive analysis of the organizational literature, Damanpour (2011) provided an exhaustive list of structural characteristics. He has documented that research has been examining their organizational determinants using specialisation, functional distinguishing, professionalism, formalisation, centralization, management's attitude toward change, managerial tenure, technological knowledge resources, administrative intensity, external communication, internal communication, and vertical differentiation are all factors to take into

consideration. The list of formalizations, specializations, standardisation, authority structure, complexity, centralization, professionalism and staff ratios is given by Daft (2003). In its research on the role of contexts and systems in the adoption of logistical innovation Germain (1996) concentrated on specialization, decentralization and integration. Paswan, Dant, and Lumpkin (2008) employed formalization, centralization, and participation to explain the relationships between environmental instability and bureaucratization on distribution routes. Among the different sub-dimensions of the organizational structure, the four that have received the most attention are the most intricate ones. The essence of formalization, the hierarchical structures, the degree to which the authority has been distributed horizontally and its centrality has been centralized (Damanpour, 2011, Germain, Droge & Daugherty, 2014; Gerwin & Kolodny, 2012).

3.2.1.2 Nature of Formalization

The formalization is focused on the degree to which workers have rules and processes that hinder innovative, self-employed practice and learning and encourage creativity. The literature on organizational theory divides formalization into two categories: high formalities and low formalities. A high degree of formalization is attributed to a mechanistic framework, whereas a low degree of formalization is linked to an organic system (Nahm et al., 2013). According to the research on innovation, a high degree of officialisation is associated with a negative link with innovation, whereas loose working regulations are associated with the invention.

3.2.1.3 Several layers in the hierarchy.

The number of levels is the size of the number of management rates in the organization versus the few (Walton 1985). It is generally accepted in the literature on innovation that hierarchy strengthens linkages across contact networks, making it more difficult to connect across rates and so restricting the flow of innovative ideas (Hull and Hag, 1982; Damanpour, 1991). Organic organizations, according to Burns and Stalker (1961) and Walton (1985), have a low level of hierarchical structure.

3.2.1.4 Level of Horizontal Integration

Departments and employees who specialize in their work, abilities, and training (the high level of horizontal integration) rather than being integrated into the work (Doll and Vonderembse, 1991; Walton, 1985; Davenport & Nohria, 1991; Raganathan & Rao, 1997; Gerwin & Kolodny,

1992) are considered to be horizontally integrated. Horizontal integration is based on departments and employees who specialize in their work, abilities, and training (that is, the high degree of horizontal integration). In the spirit of labour division, organisations usually work separately so that work can be done sequentially (Davenport & Nohria, 1994). The work is divided up among various departments. To respond to the changing environment and give value to clients, post-modern firms form independent work teams, inter-functional teams, and task forces, which are made up of employees from a variety of departments. The majority of employees receive cross-trainer training to gain a deeper understanding of the entire process and be better prepared to respond to the changing needs of their clients (Vonderembse et al., 1997; MacDuffie, 1995). This contributes to strong rates of horizontal incorporation for organic entities (Davenport and Nohria, 1994; Gerwin & Kolodny, 1992).

3.2.1.5 Locus of Decision-Making.

The degree to which higher-level choices in the corporate structure are taken more forcefully than lower-level choices is the emphasis of decision-making (Daft, 2003; Doll and Vonderembse, 1991; Germain, 1996; Germain and other., 1994; Paswan et al., 1998; Ruckert et al., 1985; Swamidass and Newell, 1987; Walton, 1985). According to Walton (1985), management control organizations place a strong emphasis on management prerogatives and positioning authority, as well as the assignment of status symbols, to enhance the hierarchy. Companies should outsource decisions in an unpredictable environment to the extent that staff can quickly adjust to changing circumstances and provide additional value to their consumers (Doll & Vonderembse 2011).

3.3 Organizational Performance

The organisation, in conjunction with its goals and priorities (Virgina 2016), contains the real outcomes or performance of an entity. This means that the success of organisations can be defined by how well an organisation performs its goals. To determine what improvements they should create, the owners or administrators of a company must determine their results. The management of the company can't recognize whether there are any improvements in the organisation, without the awareness of the results (Virgina, 2016). Quality tends to be a rather nuanced term from historical literature. The further focus must be given to the measurement of results. Higher production implies quick and productive jobs. Organizational success

corresponds to a long-term attempt to enhance the problem-solving capability of an organisation with the help of permanent or existing behaviour psychologists or shift staff, as often named (Virginia, 2016). The opportunity to deal with shifts in their external world is a long period.

Chen et al. (2012) report that corporate performance involves the achievement of goals by transforming inputs into outputs. In terms of quality, economy, productivity and effectiveness are all about results. It establishes a correlation between cost-effective and minimal (economy), results and results (performance), and cost-effectiveness and output (performance). Bad results will be the foundation for the organization's management to initiate the reform phase. That can be demonstrated in the organization's income or market share. While meeting this circumstance, the management of an organisation may begin looking for new strategic or managerial approaches that can enhance the organization's condition. Now it is time for the efficacy of the organizational change after those changes have been made. Performance metrics and results are important to take into consideration. A metric of success is an organisation's assessment matrix. Any organization management use income, stock price and revenue to help understand the organization's well-being. The performance criterion is used to make sense of the state of an entity along with a metric of output (Short & Palmer, 2013). Managers may use specific forms of performance metrics to track their organizations' progress.

3.4 Employee Competence

Spencer et al (2013) define talent as the basic attribute of a person connected with high success in carrying out a job or mission. Herling et al. (2010) emphasized the value of human resources and their competencies as their direct effect on the performance of an organisation. An organization's intellectual resources consist of the workers' abilities and knowledge. Accessibility to knowledge is considered to be the secret to effectively operating an enterprise, gaining and developing skills (Herling et al. 2010). Furthermore, skills are seen as insinuating that an individual will illustrate successful and timely progress and results through preparation and practice at a workplace (Herling et al., 2010). Such accomplishments may be enhanced. An employee may get acquainted with the company and its goods by engaging in coordinated training. Also, during proven preparation, people can ask questions, fix misunderstandings and

satisfy curiosities. Capacity building can be challenging, with several barriers to the skills and expertise needed to carry out operational activities. Goh et al. (2009) also suggested some of the challenges faced in this process, such as lack of preparation, inadequate knowledge or a poor standard of knowledge.

3.5 Empirical Literature

Empirically, several articles have been published on organisational structure, performance and employee competencies, though, limited literature has focussed on establishing the mediating role played between organisational structure and organisational performance.

Mumi, Joseph, and Quayes (2018) analysed the effect of organizational structure on the performance of MFIs. The empirical findings of 1,518 MFIs from 105 different countries indicate that thenongovernmental organizations (NGO) MFIs have a better social structure than all the other types of MFIs. This is because the NGO MFIs exhibit better financial performance than registered commercial banks or credit unions MFI.

Rupa and Manoharan (2017) analysed the financial performance of MFIs in India using panel data for the fiscal year 2007 to 2011 from the Microfinance Information Exchange. Rupa and Manoharan (2017) report that Indian MFIs has better Return on Equity (ROE). The findings also show that MFIs in India exhibited higher financial revenue by the yield on the gross portfolio (nominal), assets but lower operating expense by assets. Furthermore, Indian MFIs have better efficiency and productivity when measured by operating expense by loan portfolio, average salary by GNI per capita and loans per staff member.

Madudenyi, Oluremi, and Ajagbe (2015) examined the impact of organizational structure on organizational performance using secondary data. Maduenyi et al., (2015) found out that a well-defined organizational structure has a significant impact on organizational performance while the opposite is true. Employing the Data Envelopment Analysis (DEA), Sedzro and Keita (2010) compare the relative efficiency of diverse forms of Microfinance Institutions (MFIs): Banks, cooperatives, Non-Bank Financial Institutions and Non-Governmental Organizations (NGOs). Sedzro and Keita (2010) found out that MFI that functioned as NGOs are more technically efficient than a bank of MFIs. Using the same labour, physical and financial assets,

NGOs serve more clients in terms of the number of borrowers or depositors than Bank of the MFIs.

Meijaard, Brand, and Mosselman (2005) analyzed the relationship between Organizational structure and performance in small firms. Using a stratified sample of one thousand four hundred and eleven (1411) Dutch small firms, Meijaard, et al (2005) by examining the nine empirical classifications and its relationship with the firm performance concluded that organizational structure has an impact on the sales growth, profitability and innovativeness of small firm performance. According to Tse (1991), the general belief is that organizational effectiveness is important to its structure and the type of structure determine the type of strategy chosen and how it can be implemented to achieve the desired performance in an organization. Tse (1991) reports show that the variables of structure affect performance. Thus, financial indicators of performance are significantly affected by the structure operated by the business. Chandler (2011) states that a contemporary company's self-perpetuating potential is the product of two parallel processes: sustained expansion, with development providing fresh incentives for renewal; and constant life, which has to do with the organisation's desire to preserve its reputation and not becoming a costly resource (Selznick, 1957).

Empirical studies on the effect of organizational structure on the successes and failures of MFIs is generally missing in the empirical literature. Marfo (2017) assess the level of critical success factors on microfinance operations by focusing on core competencies, marketing strategies, company resources, non-financial resources, competitive advantages, customer loyalty and brand as a measure of critical success factors. The finding of the study based on a sample size of three hundred (300) staff shows that six out of seven critical success factors contributed positively and significantly to the level of sustainability except for non-financial resources considered as negative related impact.

Aveh, Dadzie and Krah (2013) investigated factors leading to the success of MFIs in Ghana by focusing on the level of impact of success factors on the sustainability of Ghanaian MFIs. Employing both quantitative and qualitative approaches using four perceived success factors of MFIs as the independent variable and sustainability of the MFIs as the dependent variables, Aveh et al., (2013) reported that these perceived factors lead to the success of MFIs in Ghana.

In Nigeria, the Vanguard (2010) report managerial factors and MFIs offering abnormal interest in investment as a major factor contributing to the failure of MFIs. The increasing collapses of MFIs has made the Central Bank of Nigeria unwilling to bail them out but has led to the Lagos State chapter of the National Association of Microfinance Banks (NAMB) to set up an Intervention Fund in 2010 to cater for MFBs financial needs.

Martini, Rahyuda, Sintaasih, and Piartrini (2018) examined and analyzed the effect of employee competency on employee performance using the mediation dimension of organizational commitment. Using 112 weaving employees in Klungkung Regency and employing the structural equation modelling-partial least square (SEM-PLS), the study found that the dimensions of employee competency and organizational commitment have a statistically significant positive impact on employee performance. In addition, the dimensions of organizational commitment made up of normative commitment, affective commitment and ongoing commitment acted as a partial mediator relationship between employee competency and employee performance.

Osei and Ackah (2015) investigated the relationship between employees' competence and a firm's performance. Conducting the study in the pharmaceutical firms in Ghana and using two hundred and eighty (280) respondents, the data acquired was used to test the stated hypothesis of the relationship between employee competency and performance. The result from the linear regression analysis supports the positive relationship between employee competency and performance in pharmaceutical firms in Ghana.

Adopting the qualitative research, literature, and multiple case studies, Elnaga and Imran (2013) analyze and understand the theoretical framework and models associated with the employee development programs and their effect on employee performance. Elnaga and Imran (2013) from the argument of employees being the bloodstream of business, the research showed that the quality of preparation and expertise of employees leads to the organization's increased efficiency. Arguing from the perspectives that management competencies are viewed to have a long-term Strategic advantage of any company, though corporate experience shows that 10% of the knowledge acquired is transferred into performance. Šparl, Žnidaršič, Kasper,

Mühlbacher, and Kovač (2013) investigated the effect of competency on performance. Šparl, et al., (2013) used both closed and open-ended questionnaires to collect competency attributions of managers attending executive courses in Austria and Slovenia on performance. The results of the findings show that to a lesser extent, represent the basis of the relationship between managerial competencies and organizational performance.

Zaim, Yasar, and Ünal (2013) analyzed the effects of individual competencies on performance in the services industries in Turkey. The study used a sample of three thousand (3000) employees in thirty (30) companies and employed an exploratory factor analysis (EFA) to assess the influence of individual competencies on performance. The investigation, which was based on an 89 per cent response rate, reveals that there is indeed a positive association between individual performance and competencies. The result also suggests that core competencies have the most significant effect on individual performance and managerial competencies appeared to be the most significant factor affecting organizational performance. Jabbouri and Zahari (2014) explored the effect of core competencies on the private sector's organizational efficiency in the Iraqi banking sector in another article. Jabbouri and Zahari (2014) used a sample of 200 managers and SPSS to extract the results from the questionnaire administered. In this study, the findings reveal that there is a statistically significant positive relationship between core competencies and organizational success.

According to Kolibáčová (2014), there is a relationship between staff competencies and organisational performance inside a specific organization. Using the semi-structured interviews and an analysis of the 2010 and 2011 internal documents of the selected company, Kolibáčová (2014) gave a characterization of the competency and performance of employees. Evaluating competency and organisational performance of one hundred and ten (110) employees made by 22 evaluators, the results of the study suggest that when the competency rate of one employee is a unit higher than the competency rate of another employee, it can be assumed that his performance rate is seven per cent (7%) to twelve and a half per cent (12.5%) higher. Researches by Boso, et al (2013), Makria, Theodosiou, & Katsikea, (2017) points to the fact that the financial performance of microfinance companies is influenced by the structure of the microfinance company. According to Boso, et al (2013), the organizational structure is a critical

precursor to business innovation, which directly affects the financial performance of the business organization.

Quangyen & Yezhuang (2013) also indicate that the structure of an organization is the framework from which the purposes of the organizations are undertaken while Nelson & Quick (2011), further posit that the organization structure is worthless except it is sustained by proper systems and a well-conceived organizational culture. By organization structure of MFIs, the research is referring to the hierarchy through which delegation of responsibility is accomplished. It gives employees and the board of directors a sense of direction and the role played by the MFI management (Hudon, 2009).

3.6 Development and Presentation of Hypotheses

The hypotheses that have been developed are validated through testing the following: Sedzro et al. (2010) in their study on the impact of organizational structure on the organisational performance of microfinance found out that, there is a significant and positive relationship between the two. For instance, MFIs that operated as non-governmental organizations were found to be more technically efficient than banks, using labour, physical and financial assets. The authors employed the use of data envelopment analysis to compare the performance of different forms of financial institutions. The organizational structure of the institution played a key role in terms of performance (Sedzro et al., 2010). Mumi et al. (2018) also in their study asserted that their empirical results from a panel data of 1,518 Microfinance companies from about 105 countries over 20 years, exhibited better financial performance than those registered as commercial banks or credit unions. Thus, NGO organization structure is better suited to achieve the dual objectives of social outreach and financial self-sufficiency of a Microfinance company. The key hypothesis arising from this study concerning the above finding is:

3.6.1 Relationship between an Organization's Decision-making and Organisational Performance of MFIs.

Obi and Agu (2017) opined that the organization's decision making has a relationship with its performance. For the organization to reach its performance goals, the decision-maker must be able to choose the best option among a set of alternative courses of action using structured

decision guidelines. Decision making becomes efficient when designed to minimize costs and maximize gains while, at the same time leading the decision-maker to the desired performance goal (Obi & Agu, 2017). The study found out that effective decisions with cutting-edge knowledge can lead to the achievement of desired organizational goals and thereby performance. They employed the chi-square to test and validate the hypothesis.

Ejimabo (2015) also found out in their qualitative critical ethnographic study that decision making was a factor influencing organizational performance. The finding indicated that there is a great need for change and improvement in decision making among organizational executives while accommodating technology, diversity, globalization, policy, teamwork, and leadership effectiveness. The key hypothesis arising from this study for the above finding is:

H1: There will be a significant relationship between an organization's decision-making and the organisational performance of MFIs.

3.6.2 Relationship between an Organization's Hierarchy of Authority and Organisational Performance of MFIs.

Chattopadhyay & Malhotra (1991) in their study opined that an organizational hierarchy of authority present in almost all modern organizations is a breeding ground for non-performance. They also argue that the concept of hierarchy and modern organizations cannot co-exist without producing enormous problems for the personnel of modern organizations which includes microfinance. Diefenbach and Sillince (2011) also argue that despite all organizational change towards flatter and postmodern organizations, the hierarchical order of authority is quite persistent. Their findings indicated that hierarchy is much more widespread than thought. Postmodern and representative democratic and network organizations are much less 'alternative' and 'hierarchy free than their labels and which common understanding may suggest. Organizational performance is influenced in this regard. The key hypothesis arising from this study to the above finding is:

H2: There will be a significant relationship between an organization's hierarchy of authority and the organisational performance of MFIs.

3.6.3 Relationship between an Organization's Job Codification and organisational Performances of MFIs.

When Chakrabarty et al. (2015) conducted their research on job codification, they discovered that job codification has a statistically significant but unfavourable link with the performance of the organization when it comes to salespeople. The authors explain that for instance, sales managers who engage in strict monitoring and directing of salespeople's activities may be hurting their productivity by stifling their creativity to be customer-oriented and adaptive. This may impact organization sales negatively. Salespersons rather prefer a less bureaucratic organizational structure to align their sales messages to the uniqueness of each selling situation (Chakrabarty et al,2015). Johari & Yahya (2019) also reported that job codification has a significant and negative influence on the overall job performance of public servants. This assertion was also corroborated in the studies of Nasurdin et al. (2006) and Pandey and Welch (2005). The key hypothesis arising from this study for the above finding is:

H3: There will be a significant relationship between an organization's job codification and the organisational performances of MFIs.

3.6.4 Relationship between the Organization's Rule Observation and Organisational Performance of MFIs

The organization's rule observation plays a significant role in the functioning of the organization since it is an important aspect of the organizational structure of MFIs. Rule observation is found to measure the degree to which employees are monitored and supervised so that they conform to the standards developed in job codification. In order not to break the laws of the organization, rule observation shows the organization how far its employees are supervised. If engineered properly, it will inure to the benefit of the microfinance company in terms of financial performance (Johari & Yahya, 2019; Hage & Aiken,1967). The key hypothesis arising from this study for the above finding is:

H4: There will be a significant relationship between the organization's rule observation and the organisational performance of MFIs.

3.6.5 The Moderating Role of Employee Competence

An effective Job Performance model is one of the key models that is used to explain how the organizational performance of MFIs is influenced by employees' competencies. Effective action and organizational performance occur in the organizational environment, job demands, and ensure that an individual's competencies are in agreement with each other. The employee's competencies refer to his or her capability that is brought to bear on the job situation concerning job responsibilities. Organizational performance is achieved through specific actions which are certain characteristics of the competencies of employees (Boyatzis, 1982). Vathanophas (2007) found out in a study on the required competencies for effective job performance that, there were about twenty-three (23) competencies that superior job performers used in carrying out their job well. Organizational performance is greatly impacted by these competencies. Mahmood et al (2018) also found out in their study that employee competency is a partial mediator between training functions and employee performance. Employees would be able to perform to the fullest and thereby enhance organizational performance as they are given effective training.

Employees are critical to the success of the organizational performance, and as a result, the organization must invest in the competencies of individuals who work for the organization. There should be a mobilization of all the necessary interventions to enhance the competencies of the organizational workforce towards achieving organizational performance (Owoeye & Muathe, 2018). The key hypothesis arising from this study to the above finding is:

H5: Employees' competencies will moderate the positive relationship between decision making and organisational performance.

3.6.5.1 Relationship between personal Competencies and organisational Performance of MFIs

The performance of microfinance enterprises is inversely proportional to the level of personal competencies in the workforce. They bring onboard the knowledge, skill, attitude, experience and traits that enable the success of microfinance. Mufti et al. (2016) also found out that personal competencies are to influence the performance of the organization by about a five per cent significance level. Boselie & Paauwe (2005) however, also observed a significant

relationship between personal competencies and organisational performance. The key hypothesis arising from this study concerning the above finding is:

H6: Employees' competencies will moderate the positive relationship between the hierarchy of authority and organizational performance.

3.6.5.2 Relationship between Business Competencies and organisational Performance of MFIs

The result of the existence and functioning of a particular culture based on a specific management system that includes a specific structure is what typifies business competencies. Business competencies involve for instance attracting the necessary human resource for the organization to perform efficiently or to maximize business efficiency (Câmpeanu-Sonea et al., 2011). Fulfilment of tasks and taking responsibilities are determined by individual competencies. This leads to business competencies which invariably influences the performances of microfinance (Câmpeanu-Sonea et al., 2011). The key hypothesis arising from this study for the above finding is:

H7: Employees' competencies will moderate the positive relationship between job codification and organizational performance.

3.6.5.3 Relationship between Functional and Technical Competencies and organisational Performance of MFIs.

Functional competencies, which include manufacturing, marketing, research and development, and human resources, influence organizational performance in terms of profitability and market performance. More focus placed on them by the organization has been found to have a favourable and considerable impact on the profitability of the firm in question (Nguyen, 2008). Mufti and colleagues (2016) discovered that technical competencies are highly related to the performance of a company. This was proven to be statistically significant at five per cent. The research conducted by Long (2008) also shows that there is a statistically significant and favourable association between technical competencies and performance. The key hypothesis arising from this study for the above finding is:

H8: Employees' competencies will moderate the positive relationship between rule observation and organizational performance.

Kwagala, M. (2015) studied how external and internal factors affect the success or failure of microfinance performance using data from microfinance institutions in Uganda. The author opines that the external and internal environment of microfinance institutions is largely defined by the influence of family relations in the context of ownership, internal decision-making, employee recruitment and deployment. It is very difficult for the institutions to perform efficiently if, for instance, negative external environment influence is left unabated (Kwagala, 2015). Concerning the enterprise's external environment, organizations normally operate in continuous and inevitable interaction with the larger system or ecosystem within which they exist. The environment affects microfinance's from the outside as rivalry, consumer behaviour, supplier behaviour, macroeconomic dynamics and global dynamics (Alkali, 2012). Internal factors like liquidity and risk management challenges, distribution challenges and human resource challenges can affect the success or failure of microfinance greatly. Microfinance, for instance, is capital-intensive and requires sustained capital injections for purposes of on-lending (Njogu, 2011).

3.7 The Effects of Control Variables on Organizational Performance

Several variables influence the organizational performance of the MFIs; gender, educational qualification, training, and years of experience affect the performance of MFIs. The effect of gender on the organizational performance of MFIs is diverse. Odhiambo et al. (2018) argue that gender positively influences performance in their work. The authors explain that gender diversity promotes employee performance in institutions, especially when female employee representation is increased in leadership positions in teams not just as a fulfilment of affirmative policies but as positive gender diversity practice (Odhiambo et al.,2018).

Most studies on microfinance, however, focus more on women empowerment. That could have bad consequences for microfinance having to deliberate gender bias agenda towards women. This could affect certain aspects of financial performance. Conscious gender bias is mostly associated with female leadership (D'Espallier et al.,2013).

Education qualification and training have also been found to influence organizational performance. Education and training can advance employee task performance by giving people explanatory and procedural information with which they can finish their tasks effectively. Employees with high levels of education and training are less inclined to engage in causing peril to colleagues or customers by overlooking security guidelines (Ishola et al., 2018). Good tertiary education, for instance, should make employees obey principles, train and upkeep high good models, and the capacity to exhibit choice taking conduct (Ng and Feldman, 2009).

Years of experience can also influence the performance of the organization. An increase in years of experience would also increase skills in program planning, employee motivation and preparation of the strategic plan for the institution. Microfinance institutions that have managers with a lot of experience can better manage conflicts and motivate employees because over time their leadership skills have improved (Ochonma et al., 2018). Microfinance employees with more experience can help junior colleagues under stressful conditions to direct their attention to well-learned and familiar tasks. Experience can also help employees improve their current products, the beliefs of self-efficacy, and the response time when faced with work challenges, which lead to the overall improvement of the job performance of such an employee (Njogu, 2017).

3.8 Conceptual Framework of the Study

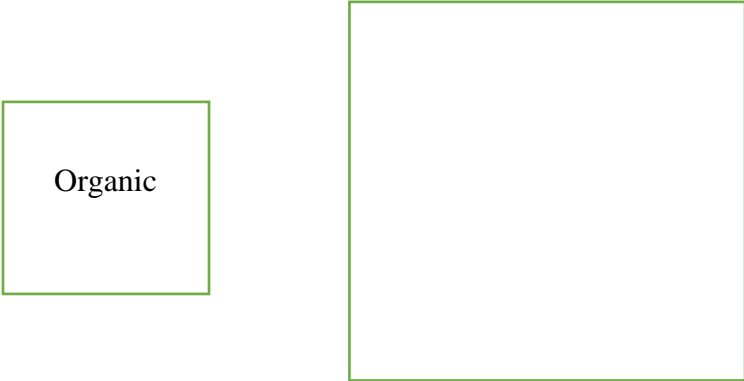
The organizational structure consists of activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational goals. Aryeetey and Gockel (1991), applied that MFIs are pivotal for the provision of credit for development. However, the missing gap in the literature is the critical issue of the factors responsible for the survival of some MFI's and the collapse of other MFI's. This research study responds to numerous calls for Research into the success or failure factor in MFIs (Khavul, 2010; Mersland, Randøy, & Strøm, 2011), by drawing on the literature relating to organizational success or failure. This implies that organizational structure is the hierarchy, which is made up of the control mechanism, ownership mechanism and delegation structure. Based on this, the study hypothesizes to show that any business organization that earns a profit is said to be a successful business. To ensure organizational success, the role played by the MFI management is critical

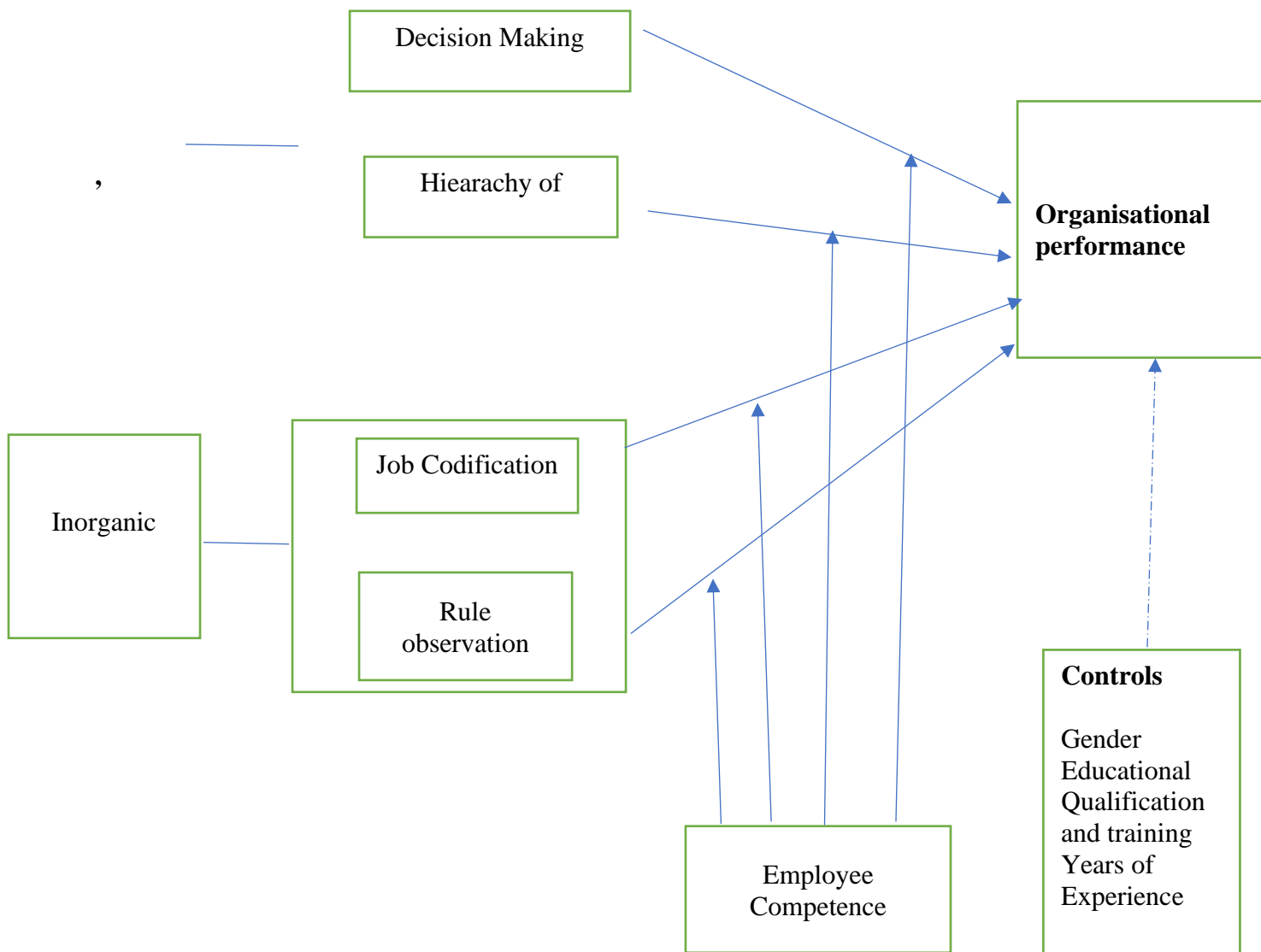
(Hudon, 2009). The collapse of MFIs is bound to worsen the already copious demands on both the central and local governments. This intends to lead to some serious issues relating to the sustainability of MFIs particularly those operating in the developing world (Parveen, 2009). The failure or success of MFIs should be of major concern to policymakers and implementers since the activities of MFIs are beneficial to the growth and development of developing countries as a whole and Ghana in particular.

Further, to increase the confidence of the public in financial institutions and patronize their services, it is important to investigate the success and failure of MFIs. More importantly, it is also important to assess the factors that are responsible for the failure of some MFIs and the other factors that are responsible for the success of some MFIs serving thousands of people in Ghana. From the discussion on employee competency and its impact on performance, it is important to state the third hypothesis. The conceptual framework, which was developed from the hypotheses, is depicted in Figure 2.2. From Figure 2.2, it can be concluded that the hierarchical structure, management structure, and control structure significantly determine the organizational structure of MFIs in Ghana. This intends to affect the performance of the MFIs. The performance was measured using both financial and non-financial variables. Financial performance was measured using the profit ratios, such as return on asset, return onequity among other variables. Thenon-financial performance variables were measured using customer satisfaction.

Conceptual Framework of the Study

Figure 3.2 The Study’s Conceptual Framework





Source: Researchers own conceptualization, 2020

From Figure 3.2, it can be concluded that the hierarchical structure, management structure, and control structure significantly determine the organizational structure of MFIs in Ghana. This intends to affect the performance of the MFIs. The performance was measured using both financial and non-financial variables. Financial performance was measured using the profit ratios, such as return on asset, return onequity among other variables. Thenon-financial performance variables were measured using customer satisfaction.

3.9 Chapter Summary

This chapter presents the theoretical and conceptual framework. The justification for the use of all the theories is discussed in detail in the chapter by providing a discussion on theoretical

literature on organizational structure and performance. It further looked at the key concepts that undergird the study. The chapter also concentrated on empirical literature on organizational structure and financial performance on MFIs, success and failure and employee competencies. The chapter also designed the conceptual framework that has the objectives of the study. Most studies have been done on capital structure and the performance of MFIs but have not focused on the effect of organizational structure and Employee Competence on the organizational performance of microfinance enterprises in Ghana. This study examines and investigates and determines organizational structure on organizational performance and employees' competencies and how success and failure affect the performance of MFI and seeks to bridge the gap.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

The methodology is described as the compilation of techniques that are used in particular research and the philosophies underlying a certain approach to the research work (Somekh & Lewin, 2005, p. 346). Corbin and Strauss (2008) also view methodology as the manner or approach in which social occurrences are studied. Scholars in social science have discarded the phoney option between quantitative and qualitative data, and have accepted a mixture of the two which uses the most important characteristics of both. Merton and Kendall (1946) envisage the dilemma in choosing which approach to use at which point.

This chapter establishes the research methodology employed in this study. First of all, important basic principles relating to the research paradigms and research approaches were examined. The chapter assessed the effect of the organizational structure on the organisational performance of microfinance enterprises in Ghana. This chapter was structured into a research paradigm and described the ontological perspective, the epistemological perspective and the axiology. The research approach, research design, time horizons, population of study, sampling technique and sample size, scale development, reliability and validity, data collection methods, data analysis and data analysis techniques and the summary conclusion of the chapter are also discussed in this chapter.

4.2 Research Philosophy

Philosophical assumptions about the nature of reality are vital to understanding how meaning is made on the data being gathered. These assumptions, perceptions or proposals help to orient the researcher's line of thought about the research problem, its importance and how the research could be approached to answer the research questions, make meaning to the problem being investigated and make a significant contribution to its solution. Kincheloe and Berry (2004:2) propose the essence of the researcher to be aware of the 'way the researcher perceives and the social scope and to concentrate on the explanation of his or her stance in the network of reality. Social science research unlike the sciences, can either employ qualitative research, quantitative research or a mixture of the two. This research will employ a mixed-method approach.

Research philosophy is related to the belief associated with how data about a phenomenon ought to be gathered, analysed and utilised. What is known to be true (epistemology) and what is believed to be true (doxology) incorporate the diverse philosophies of the research approach. Scientific research aims to transform Doxa (things believed in) to episteme (things known). Two main research philosophies identified in the literature is positivist and interpretivist. This study uses the positivist (usually referred to as scientific) and not interpretivist (sometimes called anti-positivist). Positivism holds the opinion that only “truthful” knowledge acquired by observation as well as measurement is reliable. The positivist approach was originated by John Locke, Emmanuel Kant, August Comte and Aristotle (Merten, 2005, p.8) and was adopted in this study because of the belief in the independence of the research work being conducted and its objectivity.

Furthermore, the choice of the positivism approach was because the phenomenon being investigated can be isolated and the observation can be repeated. Furthermore, this study involves the manipulation of reality and the change is associated with one independent variable to identify regularities in and to form the relationship between certain parts of the social world. Using positivism for this study was because the study seeks to reduce the effect of any form of subjective bias through the following of standard procedures and processes. This was undertaken through a set of hypotheses testing, which will enable the researcher to piece together disconnected parts of the research to disprove or affirm these hypotheses, which is meant to provide impartial results (Punch, 2013). Furthermore, there is the assumption that the researcher is separated from the object of research thus reducing the likelihood of the researcher influencing the research results, thus, choosing positivism as the most appropriate philosophy for this study. Another reason for choosing the positivism approach is that it assumes a definite, quantifiable and measurable object, which this study seeks to do. The quantification of knowledge as it is in the study helps the researcher sheds light on the exactness of the parameters and the relationship that exists amongst them whilst allowing for the use of the survey questionnaire to objectively assess and find out relationships between constructs.

4.3 Research paradigm

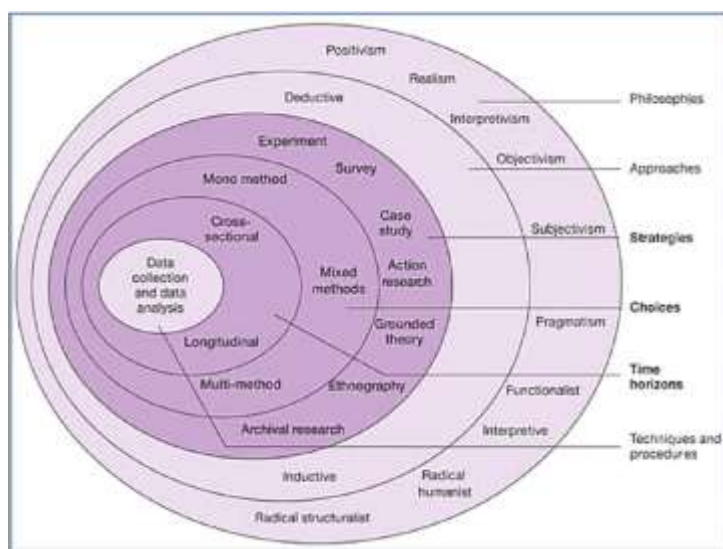
Thomas Kuhn is the originator of the term paradigm and describes it as a wholistic theoretical research structure (Kuhn, 1962). Egon G. Guba & Yvonna S. Lincoln (1989) view paradigm as a couple of primary philosophies or values that deal with crucial or premier standards and advises on the existence of the world and how it is arranged.

Burrell and Morgan (1979, p.24) also interpret paradigm as to how the world is viewed. Burns (1997) describes research paradigms as a methodical exploration or the collection of data, analysis and interpretation with the intention of understanding, explaining, forecasting or managing a mental or emotional occurrence or empowering people in similar circumstances (Mertens, 2005, p.2). Schools of thought are usually presided over by five main paradigms namely; positivism, post-positivism, critical theory, constructivism and interpretivist paradigm.

Guba (1990) thinks that paradigms are described by four philosophical suppositions; Ontology which is the natural world of realism (Silverman, 2010; 109) Epistemology which is the foundation of (knowledge), Methodology which is the relationship between individuals and their surroundings and Axiology which analyzes their worth. Bogdan and Biklen (1998, p.22) define a paradigm as a free compilation of rationally associated postulates and proposals that get used to thoughts and investigations. Crotty (1998) is of the view that researchers can decide whether to start their research from the ontological, epistemological, methods or methodology worldview.

A research paradigm is a research viewpoint of a research group focused on a set of common premises, principles, values and practices (Johnson & Christensen 2004). In a simpler sense, it is an approach to analysis and learning. Taylor, Kermode, and Roberts (2007) claim that a paradigm is "a wide-ranging view or viewpoint of something." In addition, the paradigm concept of Weaver and Olson (2006) illustrates how work can be informed and driven by a certain paradigm. Paradigms are beliefs and practices, which govern investigation within a discipline by providing lenses, frameworks and processes by which study is carried out. Paradigms form the way researchers view the methods and techniques of study to be used (Krauss 2005). A review of the paradigms adopted for this analysis is thus addressed to explain the researcher's investigation framework and methodological choices. The use of the research onion as envisaged by Sander et al (2012) is justified by the relationship between the adopted research philosophy, problem and methodology

Figure 4.1: Research Onion



Research Onion (Source: Saunders et al, 2012)

4.3.1 Ontological perspective

According to Scotland (2012), ontology is an area of philosophy that deals with the assumptions that something is real or makes sense or the importance of the social phenomenon that is being examined. Thus, it is the philosophical research of the nature of reality of being or becoming including the primary groups of things that exist and their relationships.

Ontology is the discipline of “being” and deals with the nature of reality. It is a structure that replicates an explanation given by an individual about what establishes a fact and is related to the fundamental inquiry into whether social beings should be viewed subjectively or objectively (Blaikie, 2010). Consequently, subjectivism and objectivism (positivism) can be quantified as two very vital features of ontology.

4.3.1.1 Objectivism

Objectivism depicts “the position that social entities exist in reality external to social participants concerned about their existence” (Saunders et al, 2012). Objectivism can also be seen as “the ontological position that emphasises the fact that social phenomena and their connotations have an existence that is independent of social participants” (Bryman, 2012).

4.3.1.2 Subjectivism

Subjectivism (or interpretivism), unlike objectivism, perceives that social phenomena are shaped from the observations and actions of those participants who are concerned about their existence. It also establishes that social phenomena and their meanings are continuously being accomplished by social participants (Bryman, 2012).

4.3.2 Epistemological perspective

Epistemology deals with the sources of knowledge and is concerned with nature, sources, potentials, boundaries and classifications of knowledge in the area of research and generally concentrates on what is recognized to be factual (Hallebone & Priest, 2009). In the field of philosophical research there exist diverse sources of knowledge, however, the sources of knowledge that relate to business research is categorized into four areas namely;

- a. Authoritarian knowledge is built around information gotten from experts, research papers, books, supreme powers among others
- b. Empirical knowledge primarily relies on the objectivity of facts that are known and can be verified
- c. Intuitive knowledge depends on one's beliefs, faith, intuition among others. Intuitive knowledge relies more on human feelings and not on facts.
- d. Logical knowledge is a formation of new knowledge by the application of logical reasoning.

In the process of particular research, all of the sources of knowledge could be employed. (Hallebone & Priest, 2009).

Presently, five main paradigms form research based on Epistemological perspective:

4.3.2.1 Positivist paradigm

Positivism holds the opinion that only "truthful" knowledge acquired by observation as well as measurement is reliable.

Positivism started from John Locke, Emmanuel Kant, August Comte and Aristotle (Merten, 2005, p.8) and is at times known as the scientific research or method. It reveals a concluded viewpoint (Creswell, 2003, p.7). Researchers think that the positivist method of study depicts

the belief of being independent of the research work being conducted and objectivity in the research. Positivism holds that the researcher is the spectator of purposive realism. Owing from this perspective, the ontology, methodology for examination in natural sciences was accepted for research in social science.

A person's observation of the world view, that is, the reality as it relates to and how knowledge is attained between the known and unknown can be described by the ontological and epistemological questions asked. Answers emanating from these questions have an impact on reality. Whenever reality is perceived as a concrete structure in which one can only respond to the environment but not influence it, then the epistemological stance is that of a positivist approach grounded in objectivism. Researchers in this school of thought are of the firm belief "...that there is an absolute truth, a 'reality which they are trying to discover'" (Kuper, Reeves & Levinson 2008, p. 405).

According to Easterby-Smith, Thorpe and Lowe (2002, p. 25), the Positivists' perceived world view is that "exploration can only be based upon observed and captured facts using direct data or information because of the concrete and external nature of the world". This perception in their view helps to minimize any form of bias resulting from human intervention in the research process. The Positivists perceive that to reduce the effect of any form of subjective bias, one needs to follow standard procedures and processes in undertaking the research. This is done mainly through a set of hypotheses testing, which will enable the researcher to piece together disconnected parts of the research to disprove or affirm these hypotheses. In the view of Punch (2013), the Positivist paradigm provides the researcher with impartial results given that the researcher is separated from the object of research thus reducing the likelihood of influencing the research results.

At the level of reality, which is the ontological level, positivists assume a definite, quantifiable and measurable object of the study. The quantification of the knowledge base, here, sheds more light on the exactness of the parameters studied and the relationship that exists amongst them. Reality at this point is deemed to be independent of any social construct, thus human behaviour is regarded as passive and controlled by external forces (Walsham, 1995). Epistemologically,

the positivists' belief system of human perception is based on either truth or falsehood, which can be methodologically measured and quantified through manipulation to suit reality. The positivist paradigm makes use of survey questionnaires which are objectively assessed to find out relationships between constructs without manipulations.

The positivist paradigm is typically linked with quantitative approaches. In the positivist paradigm, social truth with a clear objective reality are expected to be segregated from the individual's emotions and beliefs. However, qualitative approaches are usually linked to the interpretive model. Interpretivism contrasts sharply with positivism and provides a foundation for criticism of progressive philosophy. The school of thought, which is symbolic interactionism, contributes significantly to the understanding. Contrary to the positivists, interpretive theorists do not consider it to be an unacceptable and observable truth. There are unlimited numbers of truth and these can change and change in time and place. It is because the world is formed by people's minds; the world is perceived internally and generated through human experiences. The methodology of the mixed method is linked with the philosophy of critical realism, which provides a useful and realistic link between the contrary principles of positivism and interpretation. It also allows the researcher to explain the ethical use of quantitative and qualitative techniques.

4.3.2.2 Interpretivist paradigm

The interpretivist paradigm was formulated as a response to positivism and often stresses the capacity of the person to make meaning. Ernest (1994) believes that the cyclical process of studying, understanding and interpreting past data formed the foundation for the setting up of interpretivist paradigm. Interpretivism refers to approaches emphasizing the meaningful nature of people's participation in social and cultural life. Myers (2008) thinks that accessibility of reality is by perception, language and collective connotations and instruments. Saunders et al (2012) state that interpretivism research is mostly directed towards connotations, and could make use of diverse procedures to be able to reproduce diverse perspectives of the research problem.

4.3.2.3 Pragmatism paradigm

The fundamental importance of pragmatist ontology consists of changes, actions and individuals acting in a society that is in a steady state of being. Blumer (1969, p.71) thinks that the fundamental importance of society is embedded in continuous procedural action and not an imagined structured relationship. Rescher (2000) also describes pragmatism as an extensive research paradigm that spans diverse areas. Goldkuhl (2008) expresses pragmatism in three ways; functional pragmatism, referential pragmatism and methodological pragmatism.

Dewey (2008/1930) tried to support pragmatism by changing the focus from theoretical concerns towards individual practice. He thought that a crucial point in pragmatism is the fact that knowledge has to create a distinction in actions.

In the pragmatist paradigm, the notion of several ontologies and epistemologies is abandoned and substituted with an investigation into the nature and consequences of human actions in a social context (Morgan, 2007, 2014). The purpose of research in the pragmatist paradigm is not to acquire eternal knowledge, but rather to solve provisional problems, understanding research as involving a succession of experiences where previous beliefs are reviewed based on specific research actions.

Johnson and Onwuegbuzie (2006, p. 54) established that “pragmatism comprises of a strong dosage of diversity by which means that it is not rationally inconsistent to assert that quantitative and qualitative research are both valuable, even if it sometimes seems to be contradictory but probably what could be identified as contradictory are different viewpoints that are complementary and allows a person to more appropriately see his or her world”. Pragmatism hence permits for a single reality with different individuals having their explanations of that single reality.

4.3.2.4 Realism

Realism evolves out of positivist and interpretivist ‘paradigm conflicts’ which dates back to the 1980s and serve as a substitute for both of them (Denzin & Lincoln, 2011). Realism believes that social reality and the researcher are autonomous from one another and will therefore not generate partialities in results. Realism thinks that scientific procedures are not flawless. It

believes that theory can be reviewed and to know for certain what reality is about may be non-existent without incessantly studying and keeping an open mind about the use of modern methods of research. Notwithstanding the explanatory power of realism, certain philosophers have complained about the nonexistence of a ‘methodological development’ in applying realism in experimental research (Nielsen, 2002; Oliver, 2012). Bhaskar (2014) whose work in the 1970s birthed the philosophy of realism lately detailed that for realism to be measured as important, it should be valid.

Critical realism is a useful alternative to existing positivism and interpretivism paradigms (Houston, 2001; McEvoy and Richards, 2003), and a mixed argument theoretical base. The critique distinguishes between three different modes of truth, according to Bhaskar in 1978 (the leading supporter of this philosophic paradigm), and Delorme in 1999. The first mode is empirical (facets of truth that can directly or indirectly be experienced). The second technique is actual (the facets of nature that exist but are not necessarily experienced) and lastly, the third technique is real or 'deep' phenomena-generating systems and mechanisms. The latter is not available for direct observation but can be inferred by a mixture of empirical research and theory. For critical realists, the purpose of the research, therefore, is not to identify generalizable trends (positivism) or to identify social actor perceptions and beliefs (interpretivism), but rather to provide clarity on the structures and/or mechanisms support phenomena.

4.3.3 Axiology

Axiology is a branch of philosophy that researches into personal values specifically, beliefs and aesthetics and their relationship with knowledge, while the logic of inquiry reveals the research reasoning (Steup, 2015) which is, Deduction or induction. The two types of reasoning or their combination can be employed in dealing with essential knowledge founded on a theory or observation of data. Edwards (2017) stipulates that axiology emphasizes forms of value and assessment and subsequently uses them to the tangible specifics of ‘what we value’ and ‘how we value’. Lee & Lings (2008) stipulate that axiology tries to find out whether the purpose of the research is to describe the world or attempt to appreciate it. Carnaghan (2013) emphasizes the need to report biases and value-laden aspects of the data that has been collected.

4.4 Research Approach

Creswell (2014) views the research approach as the roadmap and processes for research that cuts across a wide range of hypotheses to a more specific collection of data, analysis and drawing of inferences. The researcher also outlines three approaches to research, that is Qualitative Research, Quantitative Research and the Mixed Method Research Approach. Qualitative research tries to make a prior investigation to ascertain the important procedures and characteristics of the research (Loomis & Maxwell, 22). The research approach can be categorised into the deductive, inductive approach, and abductive approaches. The deductive approach focuses on the development of a hypothesis based on current theory, and designing a research strategy that will test the hypothesis (Wilson, 2010) whereas the inductive approach is an examination of a pattern from observation to the building of theories by the use of hypothesis (Bernard, 2011). The abductive approach encompasses deciding what the most likely inference is that can be made from a set of observations. This study is largely deductive since it moves from the perception from a specific viewpoint to a more generalized focus.

4.4.1 Deductive Approach

The deductive approach is the largely quantitative approach or reasoning. The deductive approach was used in this study because it is used for analysing objective theories through using inferential methods. The deductive approach to this study was also chosen because the researcher seeks to make inferences based on a widely accepted premise or facts. The deductive approach was employed because the study begins with the hypothesis and generally want to test causality among the variables, such as organisational structure and performance. Aside from explaining the causal relationship, the choice of the deductive theory in the study over the inductive theory is because the deductive theory is usually used when the data used for measuring is quantitative. This approach is utilised because the researcher wants to generalise the findings of the study on the effect of organisational structure on organisational performance to a larger extent. The deductive research approach was utilised in this study because it helps test a phenomenon based on the theory whilst also following the path of logic most closely. In other words, the deductive approach takes into consideration the formulation of hypotheses and their subjection to testing during the research process.

Deductive implies that perception from a specific viewpoint to a more generalized focus. That is, a linkage is perceived to be indirect (Pelissier, 2008). An explicit theory could be true in most cases and a deductive design could be used to verify this connection (Gulati, 2009).

Quantitative Research is an approach for analyzing objective theories through examination of the correlation between the various variables. Bryman (2016) views quantitative research as a natural science model which is positivist in nature and involves a strategy that stresses quantification in the data collection and its analysis. McCusker and Gunaydin (2014) are also of the view that the use of quantitative research needs the extracting of data from a larger group by the use of homogenous methods that comprises of more comprehensive samples where the focus is not on the observations of an individual, but instead on numerical data. McRoy (2009) also asserts that such numerical investigations permit for a deductive approach and therefore allow for hypothesis testing. In this instance, the participant acts independently and the researcher adopts a passive posture and the analyzed data is generalized across the groups of people to describe a specific phenomenon. (Simon, 2011; Babbie, 2010). Quantitative researchers most times work from the positivist paradigm and is objective, measurable, motivated by hypothesis and free of values (Teddlie & Tashakkori, 2009). Positivists make use of deductive reasoning and try to investigate causes that occur before, concurrently as their effects.

4.4.2 Inductive Approach

Bernard (2011) views the inductive approach as the examination of a pattern from observation to the building of theories by the use of a hypothesis. The inductive approach starts with a comprehensive observation of the world, which is driven more towards intangible generalizations and philosophies (Neuman, 2003). Also defines inductive approach often referred to as inductive reasoning as the methodical process which could be employed in the analyses of qualitative data by which the analysis is steered by particular valuation purposes.

Qualitative research is characteristically connected with the perceptions of the participant, focus groups, unstructured and semi-structured interviewing, the qualitative investigation of scripts, and several procedures including chatting and analysis of discourse (Bryman, 2017). The role of the researcher in this instance is to attempt to access the thoughts and feelings

of study participants. (Simon, 2011). Robson (2011) also describes qualitative research as flexible and not rigid and does not follow the stringent progression.

The qualitative method, according to Patton (2002), is prone to inductive reasoning, focusing on the comprehension and interpretation of specific events in the actual world, with an emphasis on language or words rather than figures. Qualitative research, according to Flick, Von Kardorff, and Steinke (2004), is founded on four key assumptions: assumptions about the meanings of words and the settings in which they are employed. This is primarily formed through individual interactions and aids in the comprehension of social reality. Second, the assumption of flexible and repetitive behaviours is marked by the emergence of a social world in which the many characters' actions contribute to the everyday formation of a common universe. Third, there is the assumption of subjective meanings, and fourth, there is the premise that reality is created by people interacting with one another, but that meaning is created subjectively. They went on to say that a qualitative research approach allows the researcher to make sense of the subjective meanings of participants' experiences. This research does not lend itself to a qualitative approach and therefore the need to proceed to discussion relating to the quantitative research approach.

Qualitative researchers most times make use of the constructivism paradigm which thinks that there are a lot of realities that are constructed as the researcher engages with participants and believes in the description of reality rather than finding out the cause and effect of a problem. Arguments about reality are restricted to the time frame and the framework of the study, hence generalization is restricted to the transfer of outcomes from one framework to the other (Teddlie & Tashakkori, 2009).

4.5. Research Design

Lin (2008) refers to Research Design as the whole strategy adopted to combine the various aspects of the study by employing a consistent and rational approach.

The academic literature reports several research designs. Key among these research designs is the descriptive survey design, which was employed in this research. The descriptive research design is described as quick, inexpensive, accurate and appropriate for investigating a

population through concise survey designs (Zikmund, 2003). Orodho (2003) further states that in introductory and research studies concise sample structures are used by researchers to collect and summarize, present and interpret data for clarifying purposes. Eventually, the analysis using a descriptive design of a populations sample offers a qualitative overview of behaviours, views and patterns of populations, thereby facilitating conclusions. The fact that descriptive study decides and retransmits matters as they stand and establishing the current status of the population being studied is a relevant (Mugenda and Mugenda, 2003) reason for choosing it for this study.

4.5.1 Mixed Method of Research

This study employs the mixed-method descriptive research design. The mixed-method is made up of both qualitative and quantitative research approaches which overcome the challenges of independent shortfalls of the qualitative and quantitative research design. The mixed method of research draws from the strengths and reduces the biases in both qualitative and quantitative research approaches (Johnson & Onwuegbuzie, p.14). Mixed methods offer an opportunity to bridge divisions between qualitative research and quantitative research. (Leech & Onwuegbuzie, 2004). Mixed methods have developed in the behavioural and social sciences in the past few years as a third research method apart from qualitative and quantitative methods (Teddlie & Tashakkori, 2009, p.4). Gorard (2004) views mixed methods research as a fundamental element in the advancement of social science and can reduce the throwing away of very important facts. The choice of the mixed method is because it enables the researcher to collect information both in words and in figures in a way that the records represents both quantitative and qualitative information. Greene et al (1989) recognized the reasons for mixed methods as complementarity, triangulation, initiation, development and expansion grounded on their evaluation of mixed-method research. Triangulation of qualitative and quantitative methods is viewed as an antecedent to mixed methods as it is identified currently (Jick, 1979; Patton, 1980; Creswell 2011). Mixed methods offer an opportunity to bridge divisions between qualitative research and quantitative research. (Leech & Onwuegbuzie, 2004).

This study adopts a mixed method of research. This is due to the combination of quantitative and qualitative analysis approaches in mixed research (Creswell, 2009). In this study, mixed research methods were used because both qualitative and quantitative data were collected from

respondents. Sequential mixed method was used because questionnaires were administered first followed by the interview guide. It is a rapid assessment, semi-structured data gathering method in which a purposively selected set of participants gather to discuss issues of concerns based on a list of key themes drawn up by the researcher. According to Tashakkori and Teddie (2003), combining the quantitative and qualitative approaches help each to complement the other. The researcher is of the view that these methods helped to provide a comprehensive and holistic representation of the study.

This research will employ a mixed-method approach and will focus on both narrative and numeric data and analysis. This will offer a practical approach to addressing research questions and problems and the likelihood for a more enlarged applicability since these questions and problems are evaluated in diverse ways. The researcher will use the pragmatist paradigm to assess the effect of the organizational structure on the performance of microfinance enterprises in Ghana. That is, the researcher will employ a worldview that is consistent with her beliefs about the nature of reality, her philosophical views and the scientific field that she is part of. (Teddlie & Tashakkori, 2009).

4.5.1.1 The ideal research approach

Opponents of the qualitative approach wonder if research can be led by subjectivity based on people's subjective perspectives and still be valid. Despite Denzin and Lincoln's (2005) acknowledgement of qualitative approaches' success in describing social constructions of reality, they also stress their difficulty to generalize predictions, which they believe is the omission and the overriding result of research. Blanche, Durrheim and Painter (2006) support this position by stating that the nature of qualitative research limits the generalization of its findings. This is primarily the critique made at this approach by Positivists, who believe that any research findings must be free of bias, subjected to strict quantitative verification, and generalizable.

While the quantitative technique focuses on the generalizability of research findings, the qualitative approach focuses on transferability, or how transferable the findings are in one context to solving problems in another. According to Blanche et. al (2006) and Willis (2007), This methodology's capacity to transfer results from one context to another allows for a better understanding of the meanings associated with certain phenomena. The argument about the

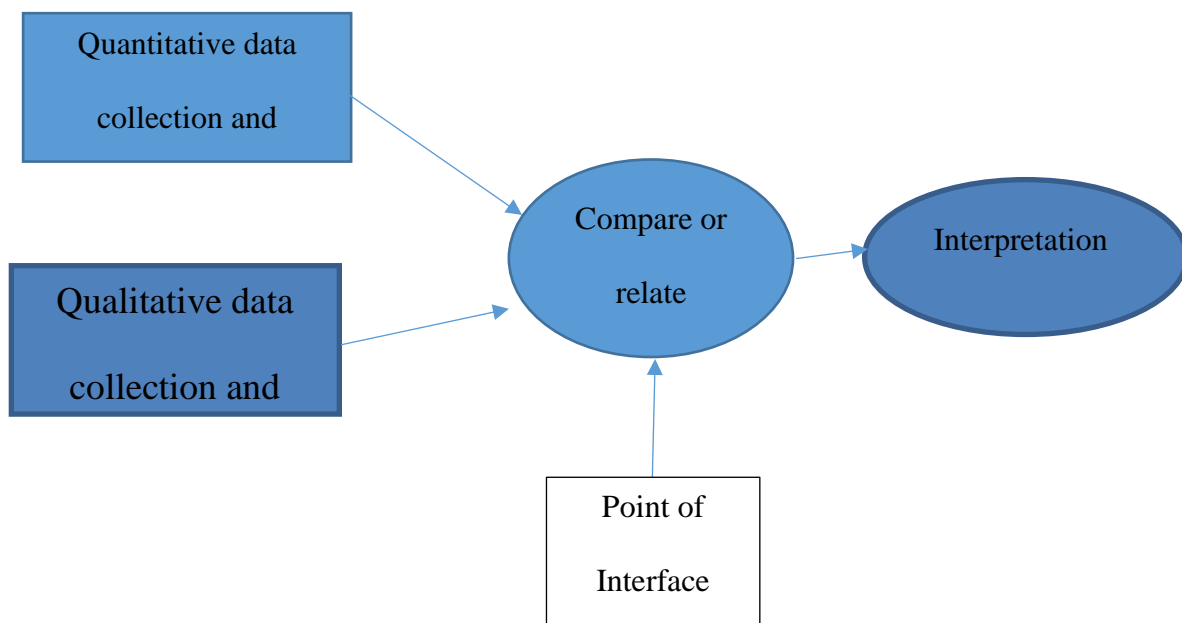
non-generalizability of findings across settings has been debunked by Patton's position (1990). He points out that, despite the approach's lack of applicability, the abundance of data provided could be quite useful in other situations. Nonetheless, Thomas (2003) warns that applying this method to other contexts without first setting it in its correct context could have negative consequences because the possibility of errors or biases is considerable due to the subjective nature of the method. Bouma and Atkinson (1995, p.208) state that “some subjects are best investigated using the quantitative approach whilst for others; qualitative approaches will give better results. However, in some cases, both methods can be used”. The research topic, challenges under investigation, and available resources, including time and finance, will all play a role in determining which technique is used.

The core objective of this study is to ascertain the effect of the organizational structure and Employee Competence on the organizational performance of microfinance enterprises in Ghana. The dependent variable in the model is organizational performance (MFI's performance). The independent variables are (a) decision making (b) hierarchy of authority (c) job codification (d) rule observation. These explanatory variables constitute some kind of proxy variables for organizational structure, which has a direct impact on organizational performance.

4.5.1.2 Convergent parallel design

Creswell and Pablo-Clark (2011) define convergent parallel design as a design that requires that the researcher simultaneously performs both qualitative and quantitative essentials in one phase of the research procedure and conduct equal analysis of methods individually and interprets the results altogether.

Figure 4.1: Diagram of applied convergent parallel design



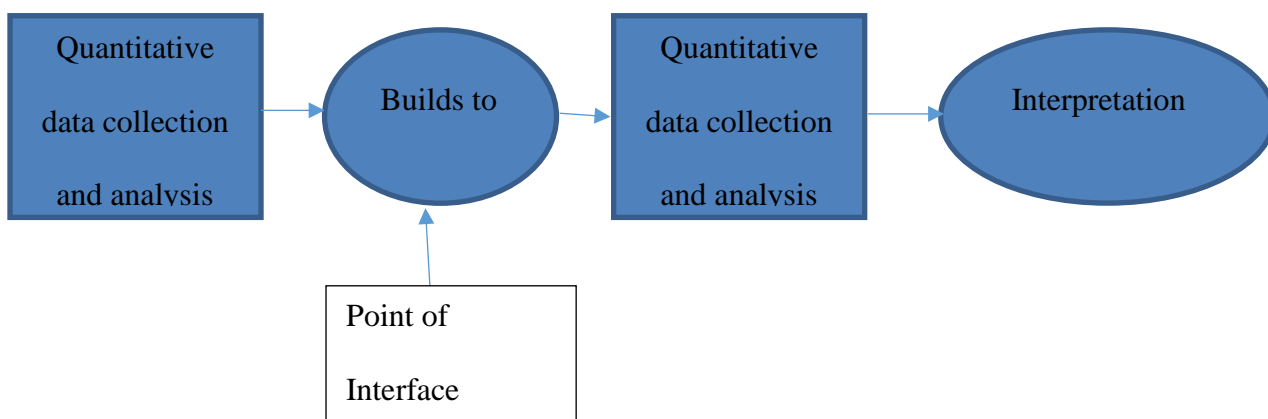
Source: Creswell & Plano-Clark (2015, p.56)

4.5.1.2 Explanatory research design

The purpose of this design is to use a qualitative approach to explain quantitative results whether significant, non-significant, outliers or surprising results as well as to guide in the formation of group based on results from quantitative analysis (Ivankova & Stick, 2007).

This means that data is collected at different times and in two phases.

Figure 4.3: Explanatory research design



Source: Ivankova & Stick (2007)

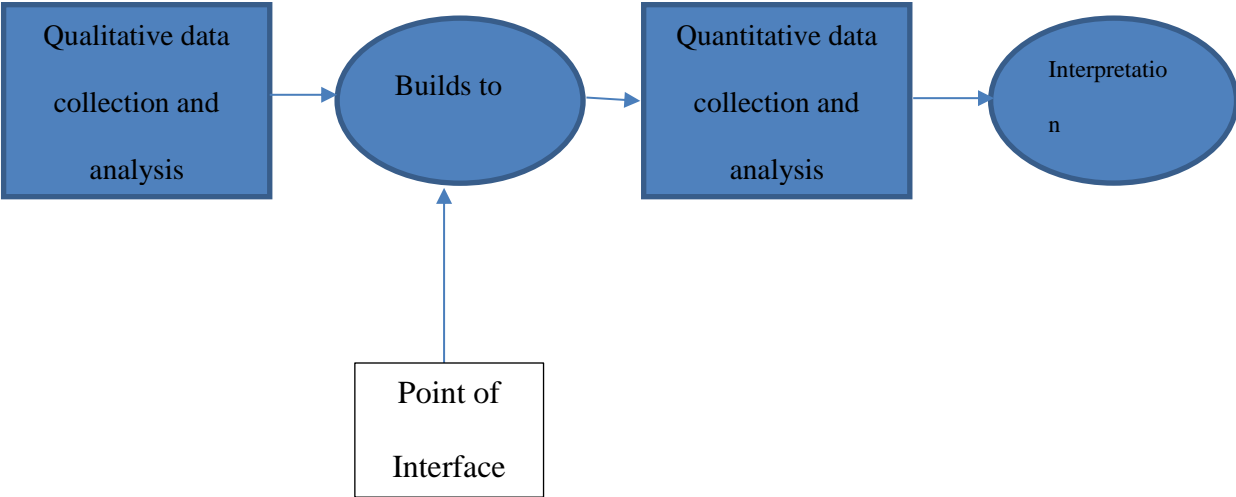
The explanatory research design which is in line with the quantitative research is adopted. Explanatory research emphasizes why social events occur and the factors that influence or lead to their occurrence. The purpose of explanatory research is to address the ‘why’ questions (Neuman, 2014) and assess the causal link between variables involved in a research problem (Levitt et al., 2018; Van Wyk, 2012).

Given that it seeks to explain the presumed factors that link one event to another (Yin, 2003, 2017), it is thus useful in illuminating the effect of social and organizational practices on firm performance. Neuman (2014) explains that explanatory studies usually define the framework of a prevailing theory and test the theory or define its application within a new setting or context.

4.5.1.3 Exploratory design

This design uses the qualitative phase to help develop quantitative research and employs instrument design for exploration and grounded theory for the generalization of the qualitative results (Kroman et al, 2003).

Figure 4.4: Exploratory research design



Source: Ivankova & Stick (2007)

4.5.1.4 Case study design

Pavone (2017) records a new combination of case study selection methods described as “no fewer than five different kinds; that is anomalous, representative, most synonymous, critical, and most varied (Pavone 2017; Gerring & Cojocar 2016; Honig (2018).

If the main objective of a method of experimental investigation is filling gaps as well as making additions to that study, how a person starts is dependent on the nature of the gaps to be filled. If qualitative case study research is filling gaps in large-N observational analysis, then, the choice of cases that the researcher employs and how the cases are constructed and analyzed is dependent on the details of the gap to be filled.

Yin (2003) and Stake (1995) employed diverse definitions to portray different types of case studies. Yin classified case studies into explanatory, exploratory, or descriptive Stake however, recognized case studies as intrinsic, instrumental, or collective. Case study empirics in a mixed methods setting are usually considered as giving a more refined examination of assertions made in quantitative research. Gilardi (2008) conducted a primarily quantitative investigation, but concluded by probing into the formation of the German energy regulator as an illustration of an “exciting case.” Therefore, making inference from Lieberman (2005), Gilardi contended that qualitative cases can be selected based on the deductions of the quantitative analysis. Qualitative and quantitative analyses are regarded as complementary, but in specific instances, they are built upon one another with the suitable connections between quantitative and qualitative backgrounds to portray a more holistic view that would otherwise be accessible.

- a. *Explanatory Case Study Design:* This kind of case study is normally used when you seek to answer a question that seeks to describe the supposed fundamental associations in real-life mediations that are very complicated for the survey or experimental approaches. In appraisal language, the descriptions would connect program implementation with program effects (Yin, 2003).
- b. *Exploratory Case Study Design:* This type of case study design is used to explore those circumstances in which the intervention being assessed has no clear cut, a single set of conclusions (Yin, 2003).
- c. *Descriptive Case Study Design:* This type of case study is used to describe an intervention or phenomenon and the real-life context in which it occurred (Yin, 2003).

- d. *Multiple Case Study Design:* A multiple case study allows the researcher to explore variances inside and among cases. The main objective is to replicate outcomes across cases. The comparisons will be drawn, the cases must be selected cautiously so that the researcher can forecast comparable outcomes across cases, or predict contrasting results based on a theory (Yin, 2003).
- e. *Intrinsic Case Study Design:* Stake (1995) introduces the word intrinsic and proposes that researchers who have a sincere interest in the case should employ this method when the intent is to understand the case better. It is not started mainly because the case signifies other cases or because it demonstrates a particular peculiarity or problem, but because in all its particularity and ordinariness, the case itself is of interest. The aim is not to come to an understanding of some abstract construct or generic phenomenon. The objective is not to build theory (even though that is an option; Stake, 1995).
- f. *Instrumental Case Study Design:* This type of case study is used to achieve something other than appreciating a specific condition. It offers understanding into a problem or assists in refining a theory. The case is of secondary importance; plays a supportive role, aiding our understanding of something else. The case is usually investigated deeply, its circumstances examined thoroughly, its normal actions exhausted, and because it helps the researcher pursue the external concerns. The case might or might not be perceived as characteristic of other cases (Stake, 1995).
- g. *Collective Case Study Design:* Collective case studies are related in nature and explanation to multiple case studies (Yin, 2003).

4.5.2 Pre-test

The study performed a pilot test to assess the functional function of the questionnaire. The researcher provided respondents out of the target population with ten (10) questionnaires. The pilot results helped the researcher to recognise and address the problems that occurred during the experiment on issues related to the duration of queries, wording, format, coding and guidance that lead to the type of data/responses, which are likely to affect them. The validity and reliability were checked in the refined questionnaire. The choice of 10 respondents for the

pilot study was because the questionnaire used for this study was a standard construct that has been variedly tested in the diverse field of study.

4.6 Time horizons

4.6.1 Cross-sectional survey design

The conduct of a large group of people at a single point in time is measured using a cross-sectional survey design. A cross-sectional survey gathers information to enable researchers to conclude a population of interest (universe) at a specific point in time (Nour & Plourde, 2019; Lavrakas, 2008). Even though the cross-sectional survey design is mostly used for descriptive occurrence studies, this design could also be used to explore the relations between variables. The choice of the cross-section survey design was because it permits researchers to gather data on multiple cases from the MFIs and factors concurrently. In addition, its permit the extensive analytical liberty to explain and make a comparison to subdivisions within the sample population (Arnett et al., 2017).

4.7 Study Population and Sampling Procedures

Population refers to the complete collection of things out of which samples could be extracted to conduct a study. The Ghana Statistical Service refers to institutions with employees being less than 29 as small-scale enterprises, those between 30 to 99 as medium scale enterprises and those above 99 as large-scale enterprises. The National Board for Small-Scale Industries (NBSSI) in Ghana (now Ghana Enterprises Agency) defines Small Scale Enterprise as an entity that has not more than 9 employees, possesses plant and machinery (but not including buildings, vehicles and land) that does not exceed 10 million Ghana cedis.

According to Bank of Ghana (the regulatory body of financial institutions in Ghana) regulations, microfinance institutions are classified under Tier 2, Tier 3 and Tier 4 microfinance businesses. In conducting this research, the population will be taken from microfinance institutions under Tier 1 and Tier 2 which are Susu companies, and other financial service

providers including Financial NGOs that are deposit-taking and profit-making. This study makes use of customers (those involved in group borrowing) of MFIs in Ghana.

The target participants of the investigation are all licenced MFIs who are in good standing across all seven categories, according to the Bank of Ghana (2016). Members in good standing totalled 429, which is subject to review based on the firm's adherence to regulations of the central bank, according to BOG. Within these MFIs, the unit of analysis included Owners of these MFIs, top, middle Management and Officers of the institutions. Since this unit of analysis gives rights to a large population, the size of the population was reduced to a manageable size by using the sampling methods discussed below. In this study, therefore, the target population is defined as all registered microfinance companies in Ghana. Using simple random sampling Greater Accra region was selected and hence the research focused on the companies in the Greater Accra region of Ghana and coincidentally it hosts most of the enterprises in the country because of its high population.

4.8. Sampling Procedure and Sampling Size

The examined population was divided into strata covering all divisions that provide functional support for the daily activities of the organization. The MFIs in Accra constituted the sampling frame. It was out of this sample frame that the researcher selected the MFIs to be used in the study. In this study, the target population was divided into homogenous sub-groups with stratified random samples. A sample framework was then used to determine the sample of interest of the research. The sampling framework included all the departments of the investigated MFIs. The fact that it provides greater precision over simple random sampling told the option of stratified sampling. This accuracy allows for the use of a smaller sample with lower costs for collecting information.

4.8.1. Sampling Size

In arriving at an appropriate sample size of respondents from the various MFIs, the researcher adopted the Raosoft formula to obtain the appropriate sample size for MFIs (Raosoft, 2004) given that a 10% margin of error and a confidence level of 90% would reflect the sound representation of the population. The study settled on a sample size of 46 but enlarged the size based on a response rate of 92% proposed by Saunders et al. (2009) as illustrated below:

$$Ne = n * 100/re\%$$

Where Ne is the actual sample size, n is the minimum sample size (calculated by Raosoft 2004), re% is the estimated response rate expressed as a percentage. Using a minimum sample size of 46 and an estimated response rate of 87% actual sample size was set at 53 (Table 3). To ensure the representativeness of MFIs, the selection was made on a category basis by employing the use of quota sampling methods. Bryman (2008) explains quota sampling as a sample that reflects relativity in the proportion of the units by category within the study population. In this study, the quota assigned was to the various MFI categories based on the numerical strength of the particular MFI category as compared to the total number of MFIs. Each MFI category was selected giving a total of 7 MFI categories. The study employed random sample techniques to select respondents from the various MFIs, which included owners, management and officer of the MFIs. This particular sampling method was used to ensure that each member within these categories had an equal opportunity of being selected.

Additionally, the purposive sampling technique was used to select the MFIs that participated in the case study. In deciding sample size, the researcher used a sample size determination table developed by Bartlett, Kotrlik and Higgins (see Appendix). Since this research aims to obtain categorical data, and this table provides this provision. This table also specifies the sample size for continuous data. Sample proportion was obtained by dividing the total number of employees by department by total target population. This would ensure fair, impartial representation in deciding sample size.

Table 4.1: Sample Size for MFI by Category

MFI – Category		No of MFIs	%	QR	NR(n=53)
Credit Unions	CUA	71	6%	0.4	24
Financial NGOs	GHASSFIN	12	1%	1.0	53
Micro-Credit	MCAG	70	6%	0.4	23
Savings and Loans Companies	GHASALC	25	2%	0.2	8
Microfinance Companies	GAMC	482	43%	3.0	160
Rural and Community Banks	ARB/ARB Apex Bank	141	13%	0.9	47
Susu Collectors	GCSCA	317	28%	2.0	105
Total		1118	100%	7.0	370

Source: Ghana Microfinance Institutions Network (GHAMFIN) Report 2012 and BOG Report (2016)

The study employed random sample techniques to select respondents from the various MFIs, which included owners, management and officer of the MFIs. This particular sampling method was used to ensure that each member within these categories had an equal opportunity of being selected.

This study therefore distributed three hundred and seventy (370) questionnaires to the ten selected microfinance companies from the accredited Microfinance institutions in Ghana. Out of this number of questionnaires distributed to the management staff in their respective institutions, the valid questionnaires of two hundred forty-five (245) were collected and then used for the study. This represented a response rate of seventy per cent (70.0%). Therefore, with a total population of four thousand and fifty-four (4,054) students, a sample size approximated to two hundred and forty-five (245) was selected for the study.

4.9 Data Collection Procedures

The study gathered primary data using questionnaires administered to respondents and interview schedules administered to interviewees. Secondary data was collected from the different microfinance institutions on their different measure of performance. To ensure quick access to the data and ensure its credibility, an introductory letter was taken from the university. The authorization was obtained to persuade their employees that the project was purely for scientific purposes before the collection of results.

The research employs both analytical and empirical methods together with descriptive methods, hence, primary data from the financial performance of the MFIs. Since the population involve the whole microfinance institutions in Ghana, it is expedient to use appropriate sampling method to select a sample size adequately represent the entire population. The sample refers to the MFIs selected representing the microfinance industry in Ghana. There is a varying scope of microfinance institutions due to their informal statutes and evolution over time from their original purpose be it religion, government policy direction and the drive to serve the need of the poor (Annim, 2012). As such selecting the institutions, the informal and non-regulated are excluded, capturing the regulated MFIs are included in the BOG list (2016) of licensed

microfinance institutions. The quality of data submitted to the regulator influenced the selection progress (Rai & Rai, 2012). Thus, allowing for commonality among the MFIs quota and purposive sampling methods were employed. The multi-stage sampling technique was used in the selection of employees, management members and owners of the MFIs studied. The data collection is in two stages: testing first and systemic review second step. SEM would be used to analyze the partnership occurring between the overall efficiency and environmental moderating impact of interactivity technologies and services firms. Software (Amos 25) is would be used for calculating the five-factor unit of measurement of the proposed scale. The CFA is used to test the measurement scale's goodness of fit. In some experiments (Alegre et al., 2006; Rieflier et al., 2012; Lin & Hsieh 2006), the CFA was used to evaluate the psychometric properties of measuring measures, and CFA is suggested in assessing the efficacy and efficiency of subjective calculation instruments in the design of the structure (Montoya-Weiss & Calantone, 1994). During the refining process, CFA will facilitate the congeneric calculation of scales (Anderson & Gerbing 1988; Arnold & Reynolds 2003; Lin & Hstieh 2006).

Additional convergent validity would be identified, as all items in the CFA are supposed to be significantly loaded with broad coefficient patterns (Gerbing & Anderson, 1988). Once more, calculating the average variance extracted (AVE) shows how well the scale components calculate a specific component, underlining the convergent nature of the scales. The scales indicated prejudice when the researcher used Fornell and Larcker's AVE Test (1981).

4.10 Common Method Variance

Common method variance refers to the "... variance that is attributable to the measurement method rather than to the construct of interest" (Podsakoff et al., 2003, p.879). Moreover, the term method is explained as "... the form of measurement at different levels of abstraction, such as the content of specific items, scale type, response format, and the general context" (Fiske, 1982, pp. 81–84). Most researchers have posited that common method variance is a major problem in behavioural research (see for example Podsakoff et al., 2003). Over the past few years, the issues of common method variance have received a lot of attention from scholars and the debate concerning common method variance have continued unabated to the present day (see for example Podsakoff et al., 2003; Sulsky & Rever-Moriyama, 2000; Lindell &

Whitney, 2001; Millsap, 1990; Parker, 1999; Schmitt, Nason, Whitney, & Pulakos, 1995; Scullen, 1999). The attention received by scholars is deservedly because common biases in research are one of the main sources of measurement error (Podsakoff et al., 2003). It is important to overcome common method problems and for that matter measurement errors (either random or systematic) problems because they threaten the validity of the outcome of a conceptualised relationship (Bagozzi & Yi, 1991).

Although both types of measurement error are problematic, it is argued that the systematic measurement error is more because it provides an alternative explanation for the observed relationships between measures of different constructs that is independent of the one hypothesized. Based on the validity issues regarding common method variance, measures must be put in place to address it. In the context of this study, measures are put in place both at the questionnaire design stage and the data analysis stage to check against common method variance problems. At the questionnaire design stage, the researcher strategically positioned questions measuring the independent and the dependent variable such that it was difficult for the respondent to easily guess the conceptualised relationships the study seeks to investigate. This eliminated the possibility of respondents answering the questions based on how they think the constructs should relate.

At the data analysis stage, since responses for questions measuring the independent and dependent variables were solicited from the same source, the data likely gathered may be fraught with common method variance issues. Thus, to check and to be sure that the data was not fraught with common method issues, the researcher applied, Harmon's one-factor test where all of the items used in the study were subjected to exploratory factor analysis (Harman, 1967). According to Harman (1967), common method variance bias is absent from data if exploratory factor analysis with component rotation reveals more than two factors or if the extraction of one factor reveals a variance below 50%.

4.11 Research Instruments

This research used a questionnaire and interview guide as tools for data collection. The questionnaires contain open and closed questions, with the former aimed at supplying

quantitative data for statistical analysis. The interview guide questions, on the one hand, were prepared to produce qualitative knowledge for content analysis. The design of the questionnaire followed the study goals with the first part capturing the demographic features of the respondents. The instrument was chosen by its capacity to reach a large number of respondents in a short period; it is the potential to provide sufficient response time to respondents; and its protection and confidentiality (Owen, 2002). In addition, it is a simple and cost-effective way to collect data. Also, an interview guide is used to solicit responses from managers of existing MFIs to have an in-depth understanding of the dynamics of MFIs.

4.12 Description of Measurement Scales

The main research instrument used in this study was a questionnaire. The questionnaire was categorized into four parts. These sections were named as section A that shows demographic details of the participants. Section B questions were on the effect of organizational structures on the performances of Microfinance Institutions in Ghana. Section C is on the effect of employee's competencies on organizational performances in microfinance institutions, and the last is Section D, which is on how organizational structures influence the performance (successes and failures) of microfinance institutions in Ghana. The variables apart from section A were measured using both 5 and 7 Likert scales. The following briefly described the various sections of the questionnaire.

Section B of the questionnaire measured organizational structure. The structure of the organisation applies to the hierarchical formalization and centralization of the company administration (Hage and Aiken 1967). Hage and Aiken (1967) and Wang and Ahmed (2003) have both been adopted. Decision-making (four items) assessed the incentives presented for decision-making by the employees. A sample item is "*Management in this organizational ways seeks inputs and feedbacks from employees in the process of making important decisions.*" The authority hierarchy consists of four (4) elements that assessed employees' dependence on their bosses to make their own decisions about their employment, (e.g. "*Little action can be taken until a supervisor approves a decision.*").

The job codification comprises of four items which discuss job requirements or job standardization criteria (e.g. "*Most people here make their own rules on the job*"). Observation

of rules (two items) assessed the form of supervision employees have to make sure they comply with the job coding standards. A sample item is “*I feel as though I am constantly being watched to see if I obey all the rules.*” Four (4) items were calculated for centralized decision-making and five (5) items were used for the hierarchy of authority. Furthermore, the formalization concept has been evaluated by 9 questions. Hage and Aiken (1967) were both adopted. The items were classified on a Likert scale of seven points, namely 1=very disagree, 2=disagree, 3=slightly disagree, 4=moderate, 5=slightly agree, 6=agree, 7=very agree. The values in the scales are added up and distributed between the total numbers of items in each scale to assess the score of this measure. Section C measured employee competence. Measures for employee competency were adopted from Kahirol et al (2014). All the study variables were measured using the Likert scale. Section D further measured organizational performance.

4.12.1 Qualitative Data Analysis

The thematic and content analysis was employed in analysing the interview data gathered. The thematic analysis is made up of five steps, namely: “transcription, checking and editing, analysis and interpretation, and verification” (Sarantakos, 2012).

Step 1: Transcription

Here the information gathered from the interview is transferred from the recorded data onto paper and read to obtain the idea of what the data was about.

Step 2: Checking and Editing (Coding)

The data gotten from the interview was grouped into smaller related (meaningful) units. This was accomplished through reading each paragraph and recording the themes that were in every paragraph. Similar themes were then grouped to make related units.

Step 3: Analysis and Interpretation

To apply the thematic and content analysis From step 2, the logical flow was used to interpret the themes. This was arrived at by using the author’s understanding of the themes that were presented.

Step 4: Generalization

The similarities and differences, between the different interviews, were identified, permitting typologies to be advanced. The author summarized the units so that suited and related themes are presented in paragraphs, likewise the differences.

Step 5: Validation

Validity of the qualitative data on the success and failure of MFIs was done going through the transcripts once more and through the assistance of a colleague who was allowed to read it to validate the findings. The dominant theme was then obtained (Sarantakos, 2012).

4.12.2 Validity of the Research Instruments

The validity of the instrument indicates, as Kothari (2004) notes, the degree to which the measurement objectives and instrument has been acquired. The validity of the inferences drawn by the researcher from another sample is the appropriateness, meaningfulness and usefulness. The correctness and importance of the findings are therefore extracted from the results of the analysis. The quantity and quality of proof collected by scholars to justify hypotheses is the foundation of this method. That is why the instrument is accurate as well utilized and correctly portrayed elements of the instruments. Pershing (2006) and Srinivasan and Lohith (2017) explain validity as an indication of the extent to which a test or instrument measures what the researcher aims to measure. Validity is thus concerned with truthfulness (Neuman, 2014) and this show whether the results are accurate and correct. It is noteworthy that valid measures are always reliable but reliable measures are not necessarily valid.

The methods for assessing the validity of an instrument include face validity, content validity, predictive or concurrent validity and construct validity (Creswell, 2014; Neuman, 2014; Ogbechie, 2012; Yin, 2017). Face validity evaluates whether an instrument measures what it should be measuring. Face validity was enhanced in this study by the conduct of a pilot test to verify that the various items were appropriate and representative of the intended setting. This was done for a quantitative research method assignment presented to the awarding institution. Content validity builds on face validity by seeking to establish that the items measure the content intended for measurement and assesses their significance to the phenomenon of interest. Predictive validity determines whether scores predict a criterion measure or have a correlation with other results. Construct validity results when the items measure hypothetical constructs or

concepts or behave by theory. In this study, construct validity was established by ensuring the statements in the questionnaire were constructed to align with the theoretical underpinnings of microfinance in Ghana. This study thus established the validity of the scores in the survey to confirm that the instrument was appropriate for the survey research (Creswell, 2014). The study equally ensured that the research instrument covered constructs and contents relevant adopted from some scholars.

4.12.3. Reliability of the Research Instruments

Reliability, similar to validity is important considerations in the application of measurement instruments in a research process (Bowen et al., 2017). Neuman (2014) explains that reliability indicates dependability, stability, and consistency of results over time. It expresses the extent to which the same results are produced from the repetitive use of an instrument or procedure. Thus, a questionnaire is said to be reliable if the results of a study can be repeated applying the same methodology. To establish reliability, research experts subjected the instruments to extensive review and scrutiny. The research experts' scrutiny determined the appropriateness of the instruments and the constructs under investigation. The degree of reliability of the quantitative study instrument was statistically conducted to determine Cronbach's alpha values. The Cronbach Alpha measures the internal consistency of the questionnaire using the inter-correlation of the items.

As a reliable indicator of the extent to which the various questions of the questionnaire are positively associated with one another, the Cronbach alpha coefficient is widely used in the field of psychology. Each portion of the questionnaire was subjected to a Cronbach alpha test, and the results were recorded. The general rule is that for a questionnaire to be reliable the Cronbach alpha result should be in the range +0.5 to +0.9 (a higher value represents higher reliability) (George & Mallery, 2003; Taber, 2017). A negative value is not accepted and a value less than +0.5 is not regarded as reliable. For the 10 chosen respondents from the survey, the researchers used a split-half method. The reliability coefficients were determined using the SPSS. The determined Spearman-Brown coefficient generated 0.839701 and suggested that the reliability of the instrument was guaranteed. Internal consistency was attained as similar questions were maintained and therefore similar results are likely to be achieved.

4.13 Method of Data Analysis

The analysis of data was performed using the Statistic Product and Services Solution (SPSS) 22.0 and IBM Amos versions 22.0. The descriptive statistics, factor analysis (FA) and correlations were used to perform some preliminary analysis. For example, descriptive statistics were used to analyse the demographic profile of the research participants and for the univariate test of normality. The FA was used to assess construct validity while the correlational analysis was conducted to assess some assumptions regarding regression and SEM analysis such as multicollinearity, among others. The hypothesized relationships (direct and mediational) were however tested for confirmation or otherwise using SEM. Confirmatory factor analysis (CFA) is used to test the measurement scale's goodness-of-fit. The CFA will facilitate the congeneric calculation of scales (Anderson & Gerbing 1988; Arnold & Reynolds 2003; Lin & Hstieh 2006).

Additional convergent validity would be identified, as all items in the CFA are supposed to be significantly loaded with broad coefficient patterns (Gerbing & Anderson, 1988). Once more, calculating the average variance extracted (AVE) shows how well the scale components calculate a specific component, underlining the convergent nature of the scales. The scales indicated prejudice when the researcher used Fornell and Larcker's AVE Test (1981).

4.13.1 Structural Equation Modelling (SEM)

The study adopted SEM to test direct hypothesized relationships. SEM is a powerful collection of multivariate analysis techniques, which specifies the relationships between variables with two main sets of equations: Measurement equations and structural equations (Byrne, 2010). The SEM process focuses on two phases in general. Initially, the calculation model is tested in terms of testing the interaction between latent conceptual structures and clusters of observable variables behind each structure. Confirmatory Factor Analysis (CFA) also does measuring model validity. The second step is to suit the structural model by measuring the significance of the relationship between latent variables, mostly achieved through path analysis (Kaplan 2000). SEM, therefore, allows the use of confirmatory factor analysis to reduce measurement error by testing multiple indicators per latent variable measuring offering superior model visualization through its graphical modelling interface (Kline, 2005). SEM was used because

basic statistical methods such as bivariate correlation or regression “only utilize a limited number of variables, which are not capable of dealing with the sophisticated theories being developed. The use of a small number of variables to understand complex phenomena is limiting”. However, SEM permits complex phenomena to be statistically modelled and tested (Schumacker & Lomax, 2010, p7). Using SEM allowed the researcher to ensure greater accuracy of the estimated coefficients. Furthermore, SEM is less stringent when working with non-normal data because the PLS algorithm transforms non-normal data by the central limit theorem (Beebe et al., 1998; Cassel et al., 1999). The basic idea is that complexity inside a system can be studied taking into account a causality network among latent concepts, called latent variables, each measured by several observed indicators usually defined as manifest variables.

4.14. Ethical Issues.

It is highly critical that when conducting research ethical standards are taken into consideration to prevent the researcher or anyone from causing harm (Saunders, Lewis and Thornhill, 2007). The risk stems primarily from the possibility of the participants and their organisations that the thoughts, perceptions, and details of the incidents contained in the report are perceived negatively by others. Therefore, several ethical considerations were followed in achieving the objectives of the study. These ethical considerations are:

Privacy: Privacy implies that the respondents’ personal information will be limited to the research only. Not all other information will be divulged to third parties (Kokolakis Spyros, 2015).

Confidential data: This implies that personal or identifiable information about the individual will not be disclosed to another party without the consent of the respondent.

Risk of Harm: The researcher will do everything in its power to protect the participants who voluntarily participate in the study. Thus, in this study, the researcher made sure that the benefits that will be derived from the study outweighs the risk associated with a participant in the study.

Inform Consent: The respondents to the study before their participation were informed of the objectives of the study and the reasons for the conduct of the study. An agreement form was given to participants to sign and thereafter the interview was conducted.

4.15 Chapter Summary

This chapter was on the methodology followed and used in this study. This chapter displays a general knowledge of research methodological protocols ranging from philosophical assumptions through research paradigms to research approaches and designs. An explanation of the positivism, deductive, quantitative research as used in this study are reported and presented. The structural equation model was explained and the descriptive statistics as used in the study was also discussed in this chapter. Measures followed during the data collection were discussed in this chapter and the information about the sample was provided. The ethical consideration used in this study was also presented in the study. The methodology chapter serves as a basis for the next chapter which focuses on results and a discussion of the results.

CHAPTER FIVE

PRESENTATION OF RESULTS AND DISCUSSIONS

5.1 Introduction

The chapter provides the analysis and interpretation of the field data for the study on exploring the effect of the organizational structure of microfinance enterprises on the financial performances of these institutions in Ghana. The overall goal of this research is to examine the impact of organizational structure on employee performance (by a hierarchical arrangement of lines of authority, communications, rights and duties) and organization performance of microfinance institutions based on evidence from the Greater Accra region of Ghana. This chapter of the study presents the research results on the demographic profile of the research participants, tests of normality and outliers, exploratory factor analysis (EFA), structural equation modelling results (measurement and structural models) and the hypothesized relationship results. Analyses such as correlation, reliability and validity, common method bias and diagnostic statistics are also considered in this chapter.

5.2 Demographic Analysis

This section of the chapter discusses the demographic characteristics of the respondents sampled for this study. Measures like gender, age, educational qualification, job classification, current department at work, number of years worked, ownership of their respective organizations and the industry in which their organization finds itself are considered. A total of 370 questionnaires were administered but a total of 245 pieces of feedback was received yielding a response rate of 66.22%, which is acceptable to proceed with the analysis of data for the study. Face to face administration of questionnaires was used with the help of research assistants and professional data enumerators. Most of the questionnaires were self-administered. Table 4.1 reports the distribution of gender, age, educational qualification, job classification, current department at work, and the number of years. The researcher used valid percentage points due to non-responses to certain questions from respondents.

Table 5.2: Profile of the Research Participants

Details	Frequency	Percentage
Age		
16-25 year	76	34.5
26-35 years	111	50.5
36-45 years	26	11.5
46 and	7	3.2
Gender		
Male	123	55.9
Female	97	44.1
Educational level		
Secondary	87	39.5
Vocational and Technical	9	4.1
Tertiary	124	54.4
Years of Experience		
Less than 1 year	15	6.8
1-5 years	124	46.4
6-10 years	70	31.8
11-15 years	11	5
Position in the Organisation		
Top level	41	18.6
Middle level	73	33.2
Frontline	106	48.2

Source: Field Survey (2019)

The following table displays the study participants' overview profile, about age, sex, educational background, years of experience and position. As depicted in Table 5.1, 76 respondents representing about thirty-five per cent (34.5%) were between the age bracket of 16-25 years old. 111 respondents representing about fifty-one per cent (50.5%) were between the age bracket of 26-35 years old, 26 respondents representing about twelve per cent (11.8%) were between the age bracket of 36-45 years old and 7 respondents represented about three (3.2%) were 46 years and above. In terms of gender, 123 respondents representing about sixty per cent 55.9% were males whilst 97 respondents representing forty-four per cent (44.1%) were females. Concerning the educational background, 87 respondents representing about forty per cent 39.5% had secondary education, 9 respondents representing about four per cent (4.1%) had a vocational and technical education and 124 respondents representing about fifty-six per cent (56.4%) had tertiary education. With years of experience, 15 respondents representing

about seven per cent (6.8%) had less than one year experience, 124 respondents representing about fifty-six per cent (56.4%) had between 1-5 years' experience, 70 respondents represented about thirty-two per cent (31.8%) had between 6-10 years' experience and 11 respondents representing about five per cent (5.0%) had between 11-15 years' experience. In terms of position, 41 respondents representing about nineteen per cent (18.6%) were top-level managers, 73 respondents representing about thirty-three per cent (33.2%) were middle-level managers and 106 respondents representing about forty-eight per cent (48.2%) were frontline managers.

5.3 Missing Value Analysis

The Missing Value Analysis technique has three basic functions, which are as follows: (a) It describes the pattern of missing data in detail. What are the locations of the missing values? What is the scope of their activities? Do pairs of variables frequently lack values? Are the data values outlandish? Are values being omitted at random? (b) Calculates means, standard deviations, covariances, and correlations using a variety of missing value approaches, including listwise, pairwise, regression, and EM (expectation-maximization). Additionally, the pairwise technique returns counts of paired complete examples and (c) replace missing variables (imputes them) with estimated values using regression or EM approaches. However, multiple imputations are generally thought to produce more accurate results (Ender, 2010).

When data disappears at random, missing values must be addressed. That is, proceeding with analyses even when data are missing at random will harm the overall quality of the research. The results indicated that no values were missing. For modelling purposes, situations with missing data present a significant difficulty because standard modelling approaches simply exclude these occurrences from the study. According to Tabachnick and Fidell, (2012), it is relatively "safe" to use the traditional listwise deletion method when there are few missing values (roughly, less than 5 per cent of the total number of cases) and those values can be considered to be missing at random; that is, whether a value is missing does not depend on the values around it. The Missing Data option can assist you in determining whether or not listwise deletion is sufficient, and gives techniques for dealing with missing values if it is not.

Missing value analysis aids in resolving a variety of issues raised by missing data. If missing value situations are consistently different from non-missing value cases, the results can be deceptive. Additionally, missing data may impair the precision of derived statistics, as there is less information available than anticipated. Another issue is that many statistical processes include assumptions about complete cases, and missing numbers can complicate the required theory (Byrne, 2013).

5.4 Investigation of Outliers

According to (Byrne, 2013; Schmider, Ziegler, Danay, Beyer, & Buhner, 2010), outliers are observations or measures that are suspicious because they are much smaller or much larger than the vast majority of the observations. These observations are problematic because they may not be caused by the mental process under scrutiny or may not reflect the ability under examination. The problem is that a few outliers are sometimes enough to distort the group results (by altering the mean performance, by increasing variability, etc.). Outliers were examined in the Statistical Package for Service Solution (SPSS) version 21.0 software. In EFA and SEM analysis, the data must be normally distributed which means that there must not be outliers in the data. A univariate outlier is when an observation point is distant from other observations whilst a multivariate outlier is when a combination of scores from several variables represent an outlier compared to other combinations. Stem and leaf were used to examine univariate outliers. The results indicated that there were few outliers and they dealt with.

5.5 Test of Data Normality

The assumption of test of normality needs to be examined for many statistical procedures, particularly when conducting parametric tests because their validity depends on the outcome of the normality test. Statistical analyses including correlation, regression, *t*-tests, analysis of variance (ANOVA), structural equation modelling (SEM) which are named as parametric tests, are built on the assumption that the data follows a normal distribution assuming that the populations from which the samples are taken are normally distributed (Field, 2009). Thus, this current study explored whether the distribution of data deviated from normality and found that all measurement items utilising the Kolmogorov-Smirnov test to establish normality. The

choice of the Kolmogorov-Smirnov test was appropriate due to the sample size employed for the study if the sample sizes less than 500 is recommended (Field, 2009). Furthermore, the KS test is based on the correlation between the data and the corresponding normal scores (Peat & Barton, 2005) and provides better power than the Lilliefors normality (Steinskog, 2007).

The recommended threshold of the normality coefficient or the significant value is 0.05 and above (Hair et al., 2010). The two well-known tests of normality, namely the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test were therefore employed. The Shapiro-Wilk Test is more appropriate for small sample sizes (< 50 samples), but can also handle sample sizes as large as 2000. For this reason, we will use the Shapiro-Wilk test as our numerical means of assessing normality. One can also use skewness and kurtosis values to determine normality, rather than the Shapiro-Wilk test. From table 5.2 below, it can be realized that all the variables had skewness and kurtosis within the range of -2 and +2 proposed by George and Mallery (2010). This indicates that the data are fit and appropriate for any further examination. The representations were made during the coding process of the analyses; DMT represents Decision-making; HAT represents Hierarchy of Authority; JCT represents Job Codification; ROT represents Rule Observation; PCT represents Personal Competencies; BCT represents Business Competencies; FTCT represents Functional and Technical Competencies and OSPT represents Organizational and Structural Performance respectively (Table 5.2).

Table 5.3: Skewness and Kurtosis of the Study Variables

Variable	Min	Max	Skewness	Kurtosis
DMT	1.00	4.22	0.72	-0.45
HAT	1.44	4.56	-1.06	-0.13
JCT	1.11	4.44	0.61	-0.93
PCT	1.00	3.14	0.84	-0.75
BCT	1.00	3.60	0.80	0.18
FTCT	1.17	4.17	1.50	1.61
OSPT	1.90	4.30	0.64	-0.74
ROT	2.83	7.00	-0.55	0.06

Source: Field Survey (2019)

5.6 Exploratory Factor Analysis

Exploratory factor analysis (EFA) is a multivariate statistical technique to model the covariance structure of the observed variables by three sets of parameters: (a) factor loadings associated with latent (i.e., unobserved) variables called factors, (b) residual variances called unique variances, and (c) factor correlations. EFA aims at explaining the relationship of many observed variables by a relatively small number of factors. Thus, EFA is considered one of the data reduction techniques. EFA is a technique within factor analysis whose overarching goal is to identify the underlying relationships between measured variables. Researchers commonly use it when developing a scale (a *scale* is a collection of questions used to measure a particular research topic) and serves to identify a set of latent constructs underlying a battery of measured variables. It should be used when the researcher has no *a priori* hypothesis about factors or patterns of measured variables. *Measured variables* are any one of several attributes of people that may be observed and measured.

Usually, researchers would have a large number of measured variables, which are assumed to be related to a smaller number of "unobserved" factors. Researchers must carefully consider the number of measured variables to include in the analysis. EFA procedures are more accurate when each factor is represented by multiple measured variables in the analysis. Exploratory factor analysis was done using the principal component analysis (PCA) with the varimax rotation to identify the structure of each of the dimensions of the proposed model of all the variables therein. DeCoster (1998) posited that exploratory factor analysis is used in finding the number of factors underlying key variables. The eigenvalue cut-off used for all cases was 1.0. Exploratory Factor Analysis (EFA) was performed to retain the items with high correlation with their variables. The sampling adequacy evaluation of the variables by Kaiser-Meyer-Olkin (KMO) showed that $0.6 >$ was achieved (Table 5.3). The sphericity check of the variables by the Bartlett test was significant, too. The Cumulative Variance Explained of the variables met the $50 >$ threshold. This is shown in the table below.

Table 5.4: Test Results for Exploratory Factor Analysis of the Study Variables

	Factor loadings	Eigenvalues	%Variance explained	Cumulative variance Explain	KMO	Bartlett's test (p-value)
DMT	0.768	22.868	33.141	33.141	0.781	0.000
HAT	0.643	12.639	18.317	51.458	0.757	0.000
JCT	0.845	6.820	11.869	63.327	0.815	0.000
PCT	0.712	4.446	10.443	73.770	0.798	0.000
BCT	0.563	2.821	9.351	83.121	0.849	0.000
FTCT	0.634	2.312	6.602	89.723	0.736	0.000
OSPT	0.599	2.084	5.852	95.575	0.648	0.000
ROT	0.548	1.830	4.983	100.558	0.659	0.000

Source: *Field Survey (2019).*

The factor loadings for all the variables were below 1.0, which is the minimum requirement, needed for the performance of the factor analysis. The job codification (JCT) is 0.845 had the highest factor loading followed by the decision making (DMT) with 0.768. The next factor loading is the hierarchy of authority (HAT) with 0.643. The Personal Competencies (PCT) has 0.712, the Functional and Technical Competencies (FTCT) has 0.634 factor. Organizational Structural Performance (OSPT) has 0.599 factors whereas; Business Competencies (BCT) has 0.599 factors. The least factor identified by the factor loading was Rule Observation (ROT) with 0.548.

The Eigenvalues for all the variables were above 1.0, which is the minimum requirement, needed for the performance of the eigenvalues. The Decision Making (DMT) is 22.868 had the highest eigenvalue followed by the Hierarchy of Authority (HAT) with 12.639. The next eigenvalue is Job Codification (JCT) with 6.820. The Personal Competencies (PCT) has 4.446 and the Business Competencies has 2.821 eigenvalues. The Functional and Technical Competencies FTCT) has 2.312 eigenvalues. Organizational Structural Performance (OSPT) has 2.084 eigenvalues. The least eigenvalue identified is Rule Observation (ROT) is 1.830.

The percentage (%) variance explained for all the variables were below 100, which is the minimum requirement, needed for the performance of the variance explained. The Decision Making (DMT) is 33.141 had the highest percentage variance explained followed by the

Hierarchy of Authority (HAT) with 18.317. The next percentage explained is the Job Codification with 11.869 percentage explained. The personal competencies (PCT) has 10.443 and the Business Competencies (BCT) has a 9.351 percentage variance explained. The Functional and Technical Competencies has a 6.602 percentage variance explained. Organizational Structural Performance (OSPT) has 5.852 percentage explained. The least percentage variance explained identified was Rule Observation (ROT) with 4.983 percentage variance explained.

Furthermore, the KMO for all the variables were below 1.0, which is the minimum requirement, needed for the performance of the KMO. the Business Competencies (BCT) is 0.849 and had the highest KMO followed by the Job Codification (JCT) with 0.815. The next KMO is the Personal Competencies (PCT) has 0.798, the Decision Making with 0.781. The KMO for the Hierarchy Authority (HAT) is 0.757. The Functional and Technical Competencies (FTCT) has 0.736 KMO. The Rule Observation (ROT) has 0.659 KMO; The least KMO identified was Organisational Structural Performance with 0.648 KMO.

5.7 Structural Equation Modelling Results

Structural equation modelling is used to show how models that better match with the theoretical relations among variables can enhance interpretability and lead to quite different conclusions. The overall objective of structural equation modelling is to establish that a model derived from theory has a close fit to the sample data in terms of the difference between the sample and model-predicted covariance matrices. This section, therefore, presents the Measurement Model (Confirmatory Factor Analyses) and the Structural Equation Modelling results.

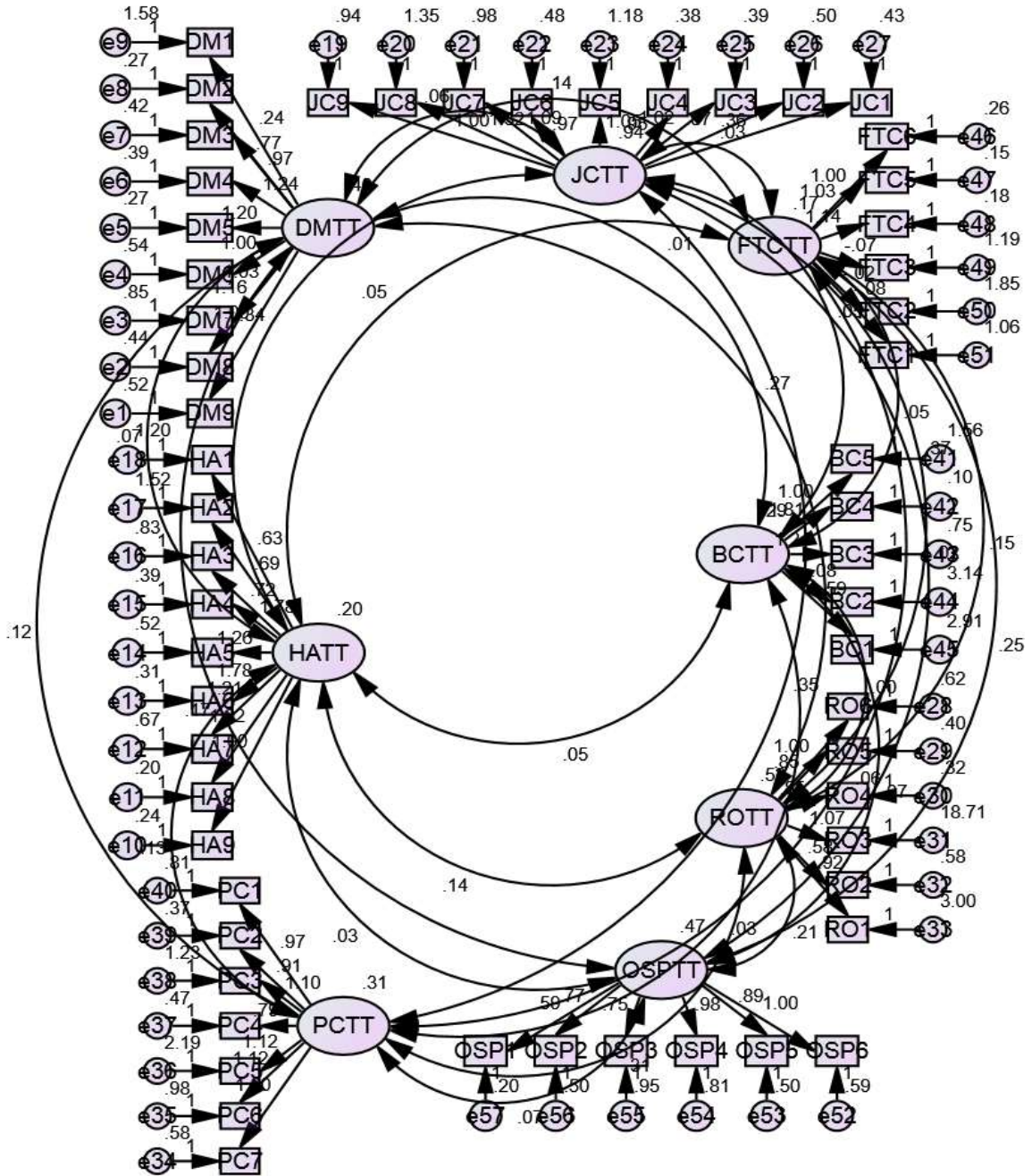
5.7.1 Measurement Model Assessment

A confirmatory factor analysis (CFA) was also conducted with AMOS 23 to assess the validity of the measures and also to test the measurement of the fit model. The model fits used in the assessment of the overall goodness of fit of the model includes the ratio of χ^2 to the degrees-of-freedom (d.f.), Root Mean Square Error Of Approximation (RMSEA), Normed Fit Index (NFI), Comparative Fit Index (CFI), Goodness-of-Fit Index (GFI), Adjusted Goodness of Fit Test

(AGFI). The fit indices that were present in the research indicated a model fit of the data. All scales and items had standard loadings for each of the constructs. Also, all scales and items supported the dimensionality of the constructs and were significant ($p < .001$).

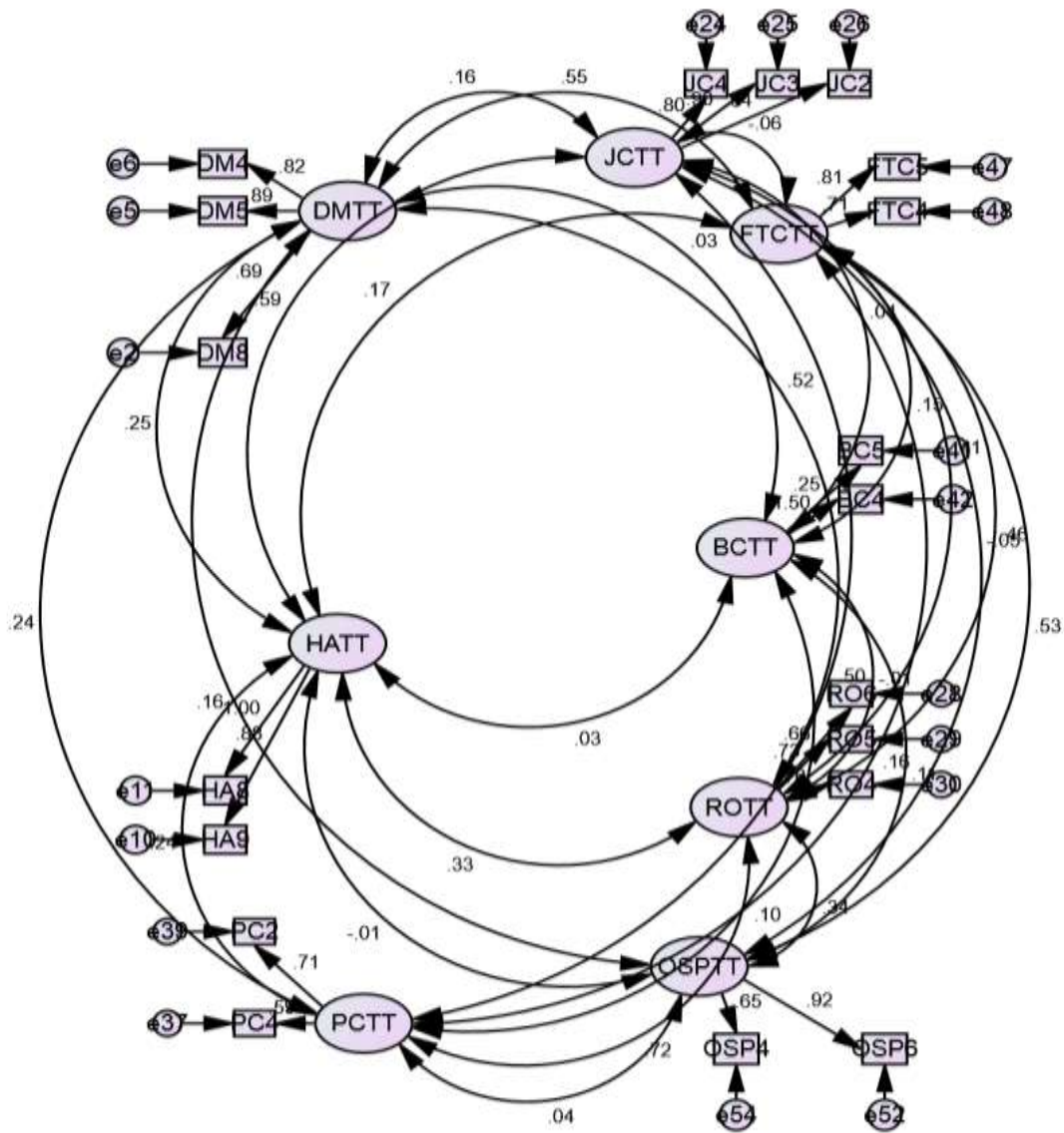
The CFA will facilitate the congeneric calculation of scales (Anderson & Gerbing 1988; Arnold & Reynolds 2003; Lin & Hstieh 2006). Additional convergent validity would be identified, as all items in the CFA are supposed to be significantly loaded with broad coefficient patterns (Gerbing & Anderson, 1988). Confirmatory Factor Analysis (CFA) was conducted to ensure further analysis of the fitness of the data. In the Measurement model, decision-making was represented by DM, Hierarchy of Authority was represented by HA, Job Codification was represented by JC, Rule Observation was represented by RO, Personal Competencies was represented by PC, Business Competencies was represented by BC, Functional and Technical Competencies was represented by FTC and Organizational Structure and Organisational Performance were represented by OSP. To get the measurement model fitting, the results were examined several times. This led to the deletion of some of the items which were not loading well with their variables. According to Kenney (2016), 2 items can still be used to conduct analysis. Figure 5.1 and 5.2 below shows the Initial and the Final Measurement Model (CFA).

Figure 5.1: Initial Measurement Model (CFA) showing Unstandardized Loadings



Source: Field Survey (2019)

Figure 5.2: Final Measurement Model (CFA) showing Standardized Loadings



Source: *Field Survey (2019)*

5.7.2 Validation Test of the Measurement Model

The model indices were also within the accepted levels, confirming the measurement model as a good fit. In Subramanian, et al. (2016)'s studies, it is recommended that the ratios of $\chi^2/d.f.$ should be smaller, if possible, for a good model fit. However, there is no specific requirement

as a ratio of 2 and 3, respectively, indicating a —good or acceptable model. While it is believed that RMSEA of less than 0.05 is good for a good model, Hu and Bantler (1999) recommended this to be at a cut off of equal to 0.08. Even though 0.95 is considered to be an indication of a good fit for NFI, 0.90 is considered to be acceptable and 0.80 considered permissible. Also for CFI, a threshold of greater than 0.95 is considered to be great, traditionally, 0.90 is acceptable and sometimes 0.80 is permissible. Whereas a value of GFI which is greater than 0.90 is interpreted as acceptable, 0.95 indicates a good model fit. Also, the value for a good fit for IFI must be greater than 0.90 (Subramanian, Rajakumar, & Rajini Kanth, 2016).

The measurement model indicated that the various fit indices met the thresholds. The Chi-square of 1.471 was within the threshold. The others are CFI (0.968), GFI (0.920), AGFI (0.935), RMSEA (0.048), SRMR (0.069) and PCLOSE (0.559). The table below shows the Goodness of fit indices, their benchmarks, authors and the model results.

Table 5.4: Cutoff Criteria for Several Fit Indexes (CFA)

Goodness-of-fit Indices	Benchmark	Authors	Study Model
CMIN/df (χ^2/df)	>1 Excellent; 3 - 6 Acceptable	Hu & Bentler (1999)	1.471
Root Mean Square Error of Approximation(RMSEA)	<0.06 Excellent; 0.06 – 0.08 Acceptable	Hu & Bentler (1999)	0.048
Comparative fit index (CFI)	≥ 0.95 Excellent	Schreiber et al. (2006)	0.968
Goodness-of-fit index (GFI)	≥ 0.95 Excellent	Schreiber et al. (2006)	0.960
Adjusted Goodness-of-fit index (AGFI)	≥ 0.90 Excellent	Schreiber et al. (2006)	0.935
Standardized Root Mean Square of Residuals (SRMR)	<0.08 Excellent	Hu & Bentler (1999)	0.069

PCLOSE

>0.05 Excellent

Schreiber et al.
(2006)

0.559

Source: *Field Survey (2019)*

5.8 The Retained Items Factor Loadings

There is a high correlation with their variables as indicated by the loadings of the items. For instance, the results indicated that all the loadings of the items were above 0.50 and also significant (p-values < 0.01) which further indicate the quality of the data. The table below shows the items and their loadings.

Table 5.5: Factor Loadings for (CFA) Measurement Model

Decision-making		
Item	Estimate	t-value
DM4: Employees in this organization are not given opportunities to involve in decision-making.	0.816***	10.111
DM5: Management allows employees to take part in formulating policies and procedures	0.889***	10.406
DM8: Management consults employees on the company's policies.	0.687	
Hierarchy of Authority		
Item	Estimate	t-value
HA8: My boss values my suggestions and requests.	1.005***	15.658
HA9: My boss encourages me to suggest ways to improve upon the activities of this company.	0.876	
Job Codification		
Item	Estimate	t-value
JC2: A person can make his or her own decisions without checking with anybody else.	0.840***	13.268
JC3: How things are done here is left up to the person doing the work.	0.905***	14.233
JC4: People here are allowed to do almost as They please.	0.802	
Rule Observation n		
Item	Estimate	t-value
RO4: Employees are mostly made to obey rules as possible	0.762***	8.546
RO5: Employees are constantly reminded to observe rules	0.731***	8.329

RO6: Management expects employees to observe acceptable behaviours	658	
Personal Competencies		
Item	Estimate	t-value
PC2: Creativity	0.707***	6.063
PC4: Initiative	0.590	
Business Competencies		
BC4: Communication	1.504	0.739
BC5: Managerial Expertise	0.250	
Functional and Technical Competencies		
FTC4: Strategic training and development	0.706***	8.353
FTC5: Motivation: secure, reliable and permanent position.	0.815	
Organizational Structure and Performance		
OSP4:	0.654***	6.041
OSP6:	0.918	

Source: *Field Survey (2019)*

5.9 Reliability and Validity Test

To evaluate the measure of the constructs in the measurement model, a reliability test analysis was performed. This was estimated by the Cronbach Alpha value and composite reliability. The composite reliability was calculated by dividing (square of the summation of the factor loadings) by (square of the summation of the factor loadings) + (summation of error variables) to obtain the composite reliability. The interpretation of the resultant coefficient is similar to that of Cronbach's alpha, except that it takes into account the actual factor loadings rather than assuming that each item is equally weighted in the composite load determination.

Table 5.6: Validity and Reliability Analysis

Variable	Cronbach's	CR	AVE
Decision-making	0.896	0.842	0.643
Hierarchy of Authority	0.789	0.941	0.888
Job Codification	0.833	0.886	0.722
Rule Observation	0.842	0.761	0.561
Personal Competencies	0.932	0.799	0.634

Business Competencies	0.811	0.845	0.743
Functional and Tech Comp	0.811	0.845	0.743
Organisation Structure	0.747	0.772	0.636

Source: Field Survey (2019)

To evaluate the measure of the constructs in the measurement model, a reliability test analysis was performed. This was estimated by the Cronbach Alpha value and composite reliability. The composite reliability was estimated using the square of the summation of the factor loadings/ {(square of the summation of the factor loadings) + (summation of error variables)}. The interpretation of the resultant coefficient is similar to that of Cronbach's alpha, except that it takes into account the actual factor loadings rather than assuming that each item is equally weighted in the composite load determination. The results in Table 5.7 shows that the composite reliability of the main constructs in the study was above .90 and the Cronbach Alpha value of the measures of the constructs are all above 0.70 which met the recommendation by Nunnally (1975). The reliability of the variables was analyzed in Statistical Package for Service Solution (SPSS) version 21.0 software. The reliability results indicated that all the variables had sufficient reliability. Composite Reliability was also examined during Confirmatory Factor Analyses and the results indicate that data reliability is sufficient as the variables met the threshold of 0.7 and this is presented in table 5.6. Concerning Average Variance Extracted (AVE), the results indicated that the variables met the threshold of 0.5 proposed by Fornell and Larcker (1981) which indicate that validity was sufficient. The Discriminant Validity was also sufficient for all the variables and this is shown in table 5.7 below.

It was determined that the constructs in this study were valid by using the convergent validity and discriminant validity procedures to examine their reliability. As the primary focus for convergent and discriminant validity in this investigation, the correlation between the latent components was employed as the primary measure of association. The degree to which the items of a single factor converge or share a high proportion of variation was determined by examining the Average Variance Extracted (AVE) from the items of the specific factor. The AVE for establishing convergent validity for each construct exceeded the suggested cut-off point of 0.5 (Hair, Babin & Krey, 2017) as presented in Table 4.10, thereby providing evidence of convergent validity.

In addition to examining the convergent validity, discriminant validity was examined by determining the extent to which a factor was distinct from other factors both in terms of how much each factor correlated with other factors and how items represented distinctly only the single factor. This was done by first, comparing the AVE and the Maximum Shared Squared Variance (MSV) of each factor (Farrell, 2010) and next assessing the inter-construct correlation matrix. The AVE for each construct was greater than the highest shared correlation, shown as maximum shared variance (MSV) in Table 5.8, between the focal constructs (Fornell & Larcker 1981). The AVE of a latent construct was higher than the construct's highest squared correlation with any other latent construct, showing evidence of discriminant validity (Hair, Babin & Krey, 2017).

The correlation analysis of all the constructs obtained from the loaded items was examined to assess the relationship and interrelationship between the latent constructs to check for the initial statistical validity of the existing relationship before testing the hypotheses. A combined score was calculated for each construct and Pearson correlation was used to test the relationship. As indicated in Table 5.9, the loadings for the measures of each construct derived from the confirmatory factor analysis results were all quite substantial and positive above 0.50, indicating that the confirmatory factor analysis was successful. When the squares of these loadings are equal, the measure's communality, or the variance that it shares with the construct, can be determined. Because of the standardization of communality measurements, the average communality of a block of indicators is referred to as Average Variance Extracted (AVE) in the literature (Fornell & Larcker, 1981).

It is necessary to have AVE measurements that are more than 0.50 to verify that, on average, the measures share at least half of their variation with the hidden variable when determining validity (Fornell & Larcker, 1981; Hjorth, 1994). As can be shown in Table 4.7, the AVE criteria were met for all of the latent variables investigated. This means that for all of the constructs having an average value of .50 or higher, the validity of their measures was supported. In this investigation, the correlation between latent constructs was used as the primary emphasis for discriminant validity, as it had been before. It was decided whether the constructs had discriminant validity by comparing the squared root of the AVE with the

correlations between them, as indicated by Fornell and Larcker (1981). A review of Table 4.8 reveals that the squared root of the AVE was considerably bigger than the correlation between latent variables, indicating that the construct had discriminant validity (Table 5.10).

Table 5.7: Fornell-Lacker Procedure for Discriminant Validity

Variables	1	2	3	4	5	6	7	8
Decision-making	0.802							
Hierarchy of Authority	0.25	0.942						
Job Codification	0.164	0.587	0.85					
Rule Observation	0.52	0.033	0.408	0.718				
Personal Competencies	0.236	0.239	0.499	0.717	0.769			
Business Competencies	0.032	0.026	0.036	-0.01	0.1	1.078		
Functional and Tech Comp	0.551	0.167	-0.058	0.456	0.161	0.15	0.763	
Organisation Structure	0.162	-0.012	-0.048	0.336	0.042	0.111	0.0526	0.797

Source: Field Survey (2019)

5.9 Correlational Analysis

Correlation analysis is a statistical method used to evaluate the strength of the relationship between two quantitative variables. A high correlation means that two or more variables have a strong relationship with each other, while a weak correlation means that the variables are hardly related. In other words, it is the process of studying the strength of that relationship with available statistical data. This technique is strictly connected to the linear regression analysis that is a statistical approach for modelling the association between a dependent variable, called a response, and one or more explanatory or independent variables. The correlation coefficient is measured on a scale that varies from + 1 through 0 to - 1. Complete correlation between two variables is expressed by either + 1 or -1. When one variable increases as the other increases the correlation is positive; when one decreases as the other increases it is negative. The complete absence of correlation is represented by 0 (Table 4.9). Table 4.9 shows the correlation matrix representing the linear relationship that exists among the variables under study. The results show that Decision-making, Job Codification, Personal Competencies and Functional Competencies have a positive relationship with Organizational Structure and

Performance (dependent variable). However, the Hierarchy of Authority, Business Competencies and Rule Observation had a negative relationship with Organizational Structure and Performance (dependent variable). DMT represents Decision-making, HAT represents Hierarchy of Authority, JCT represents Job Codification, ROT represents Rule Observation, PCT represents Personal Competencies, BCT represents Business Competencies, FTC represents Functional and Technical Competencies and OSPT represents Organizational and Structural Performance. This is presented in the table below.

Table 5.8: Correlation Matrix of the Study’s Variables

	1	2	3	4	5	6	7	8	9	10
1 OSPT	1									
2 DMT	.16*	.18**	1							
3 HAT	-.61**									
4 JCT	.43**	.79**	-.22**	1						
5 PCT	.10	.60**	-.23**	.69**	1					
6 BCT	-.28**	.28**	.12	.27**	.71**	1				
7 FTCT	.06	.48**	-.13	.55**	.87**	.73**	1			
8 ROT	-.04	-.02	.02	-.07	.01	.08	.05	1		
9 Gender	.02	-.24**	-.07	-.11	-.27**	-.22**	-.24**	-.03	1	
10 EducBack	-.16*	-.11	.21**	-.22**	-.28**	-.03	-.20**	.06	-.12	1

Source: Field Survey (2019).

5.9 Validation of the Structural Model

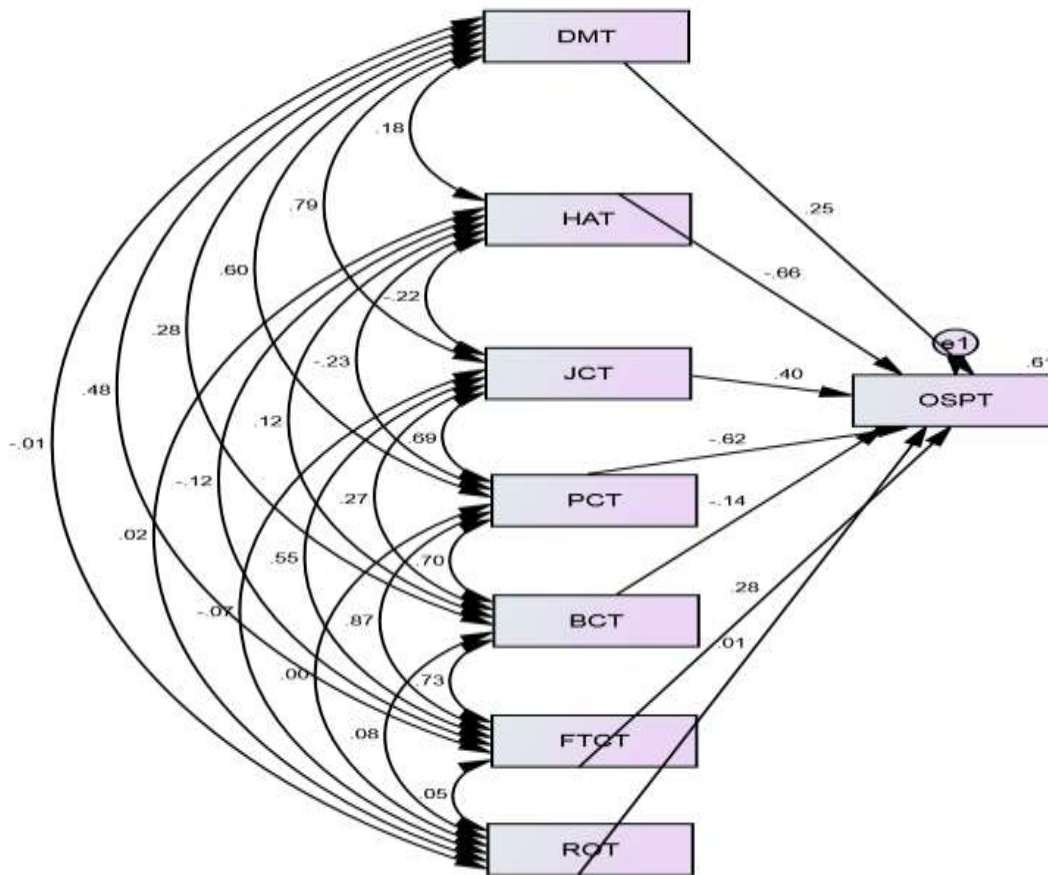
The Structural model indicated that the various fit indices met the thresholds. The Chi-square of 1.285 was within the threshold. Other important fit indices that worth noting are CFI (0.989), GFI (0.981), AGFI (0.932), RMSEA (0.037), SRMR (0.064) and PCLOSE (0.633). The table below shows the Goodness of fit indices, their benchmarks, authors who proposed these benchmarks and the model results (Table 5.8).

Table 5.9: Model Fit Indexes for the Structural Model

Goodness-of-fit Indices	Benchmark	Authors	Study Model
CMIN/df (χ^2/df)	>1 Excellent; 3 - 6 Acceptable	Hu & Bentler (1999)	1.289
Root Mean Square Error of Approximation(RMSEA)	<0.06 Excellent; 0.06 – 0.08 Acceptable	Hu & Bentler (1999)	0.037
Comparative fit index (CFI)	≥ 0.95 Excellent	Schreiber et al. (2006)	0.989
Goodness-of-fit index (GFI)	≥ 0.95 Excellent	Schreiber et al. (2006)	0.981
Adjusted Goodness-of-fit index (AGFI)	≥ 0.90 Excellent	Schreiber et al. (2006)	0.932
Standardized Root Mean Square of Residuals (SRMR)	<0.08 Excellent	Hu & Bentler (1999)	0.064
PCLOSE	>0.05 Excellent	Schreiber et al. (2006)	0.633

Source: Field Survey (2019)

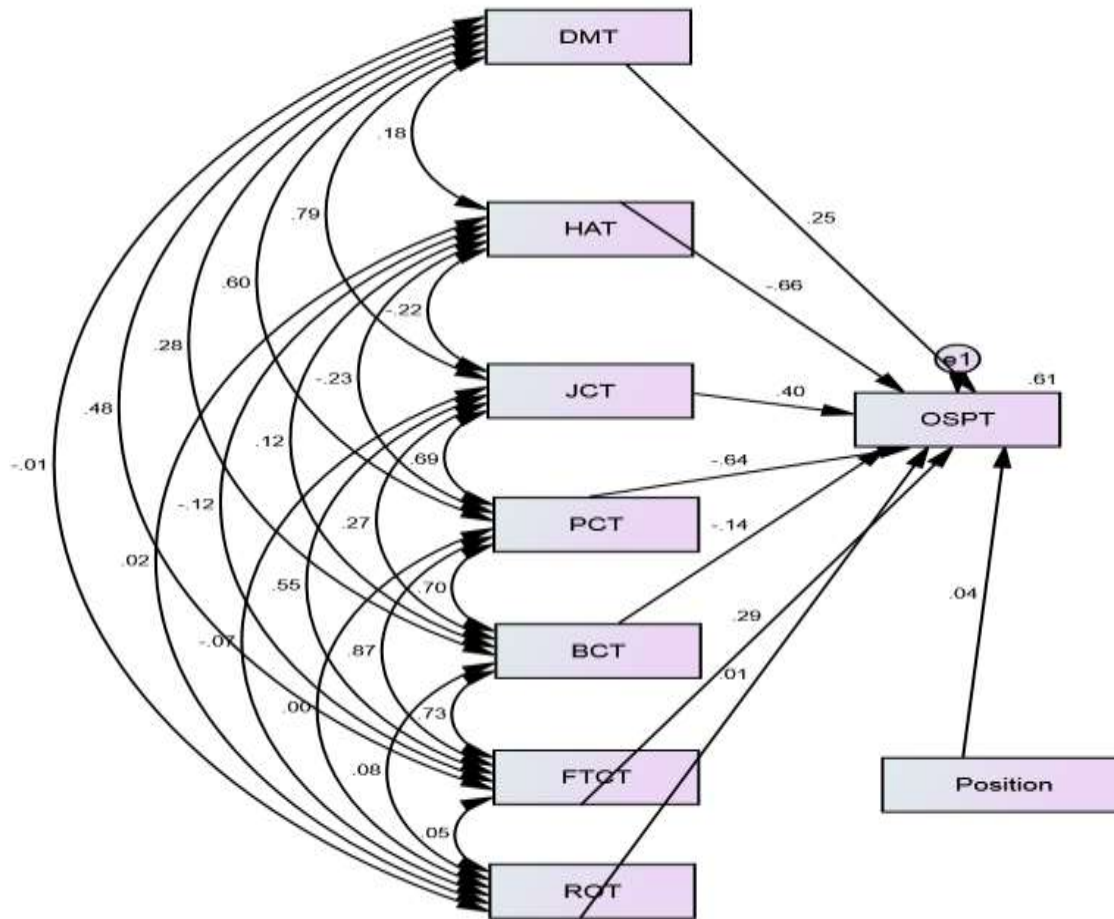
Figure 5.3: The Initial Structural Model



Source: Field Survey (2019)

The assessment of the Initial Structural Model indicated that the threshold for the various indices was not met. Different controls were therefore introduced, but the position got the model fit the data. The final structural model is shown in fig. 5.5 below. DMT represents Decision Making, HAT represents Hierarchy of Authority, JCT represents Job Codification, ROT represents Rule Observation, PCT represents Personal Competencies, BCT represents Business Competencies, FTC represents Functional and Technical Competencies and OSPT represents Organizational and Structural Performance.

Figure 5.4: The Final Structural Model



Source: Field Survey (2019)

5.11 Test of Hypothesized Relationships

Table 5.10: Path Relationships for the Hypothesized Relationships

Path Model Relationship	Estimate	S.E	C.R	P	Sig.
DMT< ----->OSPT	0.249	0.058	2.712	0.007	SG
HAT ----->OSPT	-0.659	0.038	-10.420	***	SG
JCT----->OSPT	0.404	0.056	4.510	***	SG
ROT----->OSPT	0.012	0.021	0.277	0.782	NS
PCT ----->OSPT	-0.641	0.087	-5.207	***	SG
BCT----->OSPT	-0.141	0.072	-1.795	0.073	NS
FTCT----->OSPT	0.291	0.75	3.236	0.001	SG
Position----->OSPT	0.037	0.029	0.897	0.379	NS

Source: *Field Survey (2019)* NB: SG = Significant NS = Not Significant

5.12 Interpretation of the Hypothesized Relationships

H1: There will be a significant relationship between an organization's decision-making and the performance of microfinance companies.

H2: There will be a significant relationship between an organization's hierarchy of authority and the performance of microfinance companies.

H3: There will be a significant relationship between an organization's job codification and the performance of microfinance companies.

H4: There will be a significant relationship between the organization's rule observation and the performance of microfinance companies.

H5: Employees' Competencies will moderate the positive relationship between decision making and organizational performance.

H6: Employees' Competencies will moderate the positive relationship between the hierarchy of authority and organisational performance.

H7: Employees' competencies will moderate the positive relationship between job codification and organizational performance.

H8: Employees' competencies will moderate the positive relationship between rule observation and organizational performance

It must be emphasised at this juncture that:

Hypothesis 1 was supported. The results indicated that the relationship between decision-making and organizational performance was significant ($\beta = 0.249$, $P < 0.01$).

Hypothesis 2 was supported. The results indicated that there is a significant relationship between the hierarchy of authority and organizational performance ($\beta = -0.659$, $P < 0.00$).

Hypothesis 3 was supported. The results indicated that a significant relationship exists between an organization's job codification and organizational performance ($\beta = 0.404$, $P < 0.00$).

Hypothesis 4 was not supported. The results indicated that there is no significant relationship between an organisation's rule observation and organizational performance ($\beta = 0.012$, $P > 0.05$).

Hypothesis 5 was supported. The results indicated that Employees' competencies will moderate decision making and organizational performance was significant ($\beta = -0.641$, $P < 0.00$).

Hypothesis 6 was supported. The results indicated that Employees' competencies will moderate the relationship between the hierarchy of authority and organizational performance was a significant relationship ($\beta = -0.141$, $P > 0.05$).

Hypothesis 7 was supported. The results indicated that Employees' competencies will moderate the relationship between the job codification and organizational performance was significant ($\beta = 0.291$, $P < 0.00$).

Hypothesis 8 was supported. The results indicated that Employees' competencies will moderate the relationship between the rule observation and organizational performance was significant ($\beta = 0.037$, $P > 0.05$).

5.13 Pathway to Practise: case analysis

The research firstly sought to analyse the success and failures factors of MFIs in Ghana. Since the researcher does not have the express permission of the MFI1 to use their names, the responding MFI1. Will be referred to as 'MFI1' Since the researcher does not have the express permission of the MFI to use their names, the responding MFI will be referred to as 'MFI1' to refer to the first MFI visited and MFI20 to refer to the twentieth MFI visited. The results of the general questions that were asked to the MFIs are presented in this section. The first question was to ask responding companies when the MFIs was established. The responses gathered shows that most of the MFIs were established before 2016. The oldest company was established in 1999 whereas averagely most MFIs sampled were between 4 to 8 years old.

The second question asked responding directors of the MFIs was "How long have you been working or managing this company?" The responses show that there were only five of the directors who started with the company. The rest of the responses show that either the directors were brought in and two after the MFI was established. The responses reasonably indicate that all the directors generally should have a fair knowledge of the strategies of the MFIs they are working in. When asked if they will describe their MFIs as very successful. The responding directors all agreed that they could describe their MFIs as very successful and will be glad to share their success stories without revealing their core strategies.

For instance, the responses of some of the directors of the MFIs are presented below:

"Yes, we are 100% successfully as a young MFI" (MFI20).

Another director said this about whether they are successful or not.

"You shouldn't have asked if we are successful as an MFI because our success story is there for all to see" (MFI10).

The final response gathered from the responding director worthy of discussion is that:

"Compare to collapsing MFI, we are very successful as a company, but compare to the other leading MFI in the industry, we are not so successful." (MFI1)

The next question after asking the MFIs if they were successful was the factors that contributed to the success of their MFIs. The responses given by the various directors were varied and are presented as follows:

“The factors responsible for our success as a business organisation are many and numerous, hence enumerating them will be very difficult. I will say that the many factors responsible for our success include, employing competent persons to run the business, setting goals and targets for each salesperson and making sure we follow the laid down financial and accounting regulation” (MFI2).

According to MFI3, the factors responsible for their success is:

“We are a very meticulous company and do not joke with our standards. The key and important stand we employ as a company is a customer-centric policy. The customer is the main focus of our organisation; hence we regularly check on the customers and ask for their opinion of the services being offered to them.”

The other reasons given for the success of the MFI are:

“The secret to our success is setting goals and visions and teaching all employees the importance of the company and ways we seek to achieve these visions and goals. Staff are also trained every six months on the current trends and the new developments taking place” (MFI14).

The next question asked responding directors of the MFI sample was “what are the reasons or the factors responsible for the rampant collapses of many MFIs in Ghana?”. The answers given to the questions asked will follow the literature review, that is, internal and external factors. The reason for following this format is because it enables the discussion of the findings by linking them up with the literature review. The responses of the MFIs on the leading factors resulting in the collapse of MFIs include:

“To raise capital to establish a business organisation, many of these collapsing MFIs are giving interest rates which are astronomical and very good to be true. The investment will attract huge investment and, in many cases, it is very difficult to pay the interest” (MFI12).

Other reasons for the high interest rate given include

“The interest paid to investors in many MFIs is too huge for some businesses to operate, even if such businesses are making 100% profit. This might be a reason for the collapsing of the MFIs in Ghana” (MFI8).

The other responses gathered from responding directors of the MFIs is the inadequate loan monitoring and non-compliance with operational policies. Responses provided by participants are outlined as follows:

“Sometimes, manager and directors approve the loans contrary to the operational policies and the worst case is that the staff of these collapsing MFI do not monitor to ensure that these customers are servicing their loans regularly” (MFI7).

“In other cases, many of these collapsing MFIs give out loans to customers who under the normal circumstances will or do not qualify for a loan. Some of these customers are relative to the loan approving officer or the members of the collapsing MFI. Due diligence and the operational standards and policies are usually not followed by the MFI” (MFI19).

As already indicated in the earlier responses, the issues of poor credit appraisal and the lack of proper peer group monitoring systems were very much reported by directors of these MFIs. For instance, the MFI3 indicated that:

“There are many cases where the MFI is collapsing because the staff and management of the MFIs do not perform poor credit appraisal before giving out the credit to the customer of the business organisation. A proper credit appraisal will lead the business to understand whether the individual applying for the loan has the well to do to pay for the loan being applied for”.

“Sometimes we ask the sales staff to go in pairs for peer monitoring. Peer monitoring when ignored can lead to serious collapses of businesses. The collapsing MFIs might have ignored the issue of peer monitoring which is very crucial for the success of MFIs” (MFI14).

Operating MFIs in Accra is very expensive, especially the renting of infrastructure and the salary of staff.

“Most customers expect that we have a nice and good office space and location but they forget that these infrastructures are very expensive to rent. Apart from the expense, there are issues of paying off the salary of staffs of these MFIs.” (MFI6). “Sometimes because recruiting competent staff is very expensive, some MFIs settle for staffs who are not very competent which cost the MFIs less” (MFI2).

The response on the external factors leading to the collapse of MFIs are macroeconomic instability and collapsing rumour. The responses gathered from responding directors of the MFI are presented in this manner:

“The general economic environments are sometimes not very friendly at all. For instance, the rising exchange rate is crippling MFIs since some MFIs might have gone for loans that are dollar-denominated or have a foreign investor. The rising exchange implies that these businesses have to pay a huge interest in foreign currencies to investors or the foreign organisation that gave out the loan” (MF7).

According to the MFI5:

“The collapsing rumour about the business organisation also negatively influence customers’ decision. Imagine taking customer deposit and giving it out as loans, only for the customer to call you and tell you that we have heard that your MFI is about to collapse so we are calling to inform you that we will be coming for our deposit” (MFI12).

5.13 Discussion

This research sought to address the following objectives: first, to examine the effect of organizational structures on the performances of Microfinance Institutions in Ghana; second is to determine the effect of employee’s Competencies on organizational performances in the microfinance institutions; third, to investigate how organizational structures influence performance (successes and failures) of microfinance institutions in Ghana.

In line with these objectives, seven hypotheses were formulated. There was a significant relationship between an organization's decision-making and the performance of microfinance institutions. The finding also shows a significant negative relationship between an organization's hierarchy of authority and the performance of microfinance institutions. Furthermore, there was a significant relationship between an organization's job codification and the performance of microfinance companies.

The relationship between the organization's rule observation and performance of microfinance companies was positive and significant, likewise the significant relationship between personal competencies and performance of microfinance institutions. The findings furthermore show that there is a significant relationship between business competencies and performance of microfinance institutions, and the significant relationship between functional and technical competencies and performance of MFIs.

The finding of this study on the factors responsible for the success and failure is in line with those reported by Marfo (2017) for MFIs in Ghana. This finding contends that the success factors of MFIs include internal factors such as competencies, marketing strategies, company resources, non-financial resources, competitive advantages, customer loyalty and brand as a measure of critical success and failure factors. Furthermore, the findings are similar to those reported by Aveh, Dadzie and Krah (2013) and those reported by the Nigerian Central bank, which posits that the success of microfinance institutions are linked to issues such as managerial factors and MFIs offering abnormal interest in investment as a major factor contributing to the failure of MFIs. Kwagala (2015) found that in Uganda external and internal factors are responsible for the success or failure of microfinance.

5.15 Summary of Hypotheses

The chapter concludes by presenting the summary in a tabular form of the 8 tested hypotheses.

5.11 Summary of Tested Hypothesized

Hypothesis Tested	Estimated β	P	Sig.	Decision
H1	0.249	0.007	significant	supported
H2	-0.659	***	significant	supported
H3	0.404	***	significant	supported
H4	0.012	0.782	not significant	not supported
H5	-0.641	***	significant	supported
H6	-0.141	0.073	not significant	not supported
H7	0.291	0.001	significant	supported
H8	0.037	0.379	not significant	not supported

Source Field survey (2019).

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATION

6.1 Introduction

This chapter presents a summary of the research findings, conclusions, and recommendations for future research. It also discusses the contributions of the study to theory, policy and practice. It further presents the limitations of the study as well as the recommendation for future studies.

6.2 Summary of the Research Findings

The study sought to examine the Effect of the Organisational Structure and Employee Competence on the Organisational performance of the Microfinance Enterprises in Ghana. The objectives of the study are to examine the effect of organizational structures on the performances of Microfinance Institutions in Ghana. The second is to determine the effect of employee's competencies on organizational performances in microfinance institutions. The third objective is to investigate how organizational structures influence the performance (successes and failures) of microfinance institutions in Ghana. To achieve the stated objectives, 8 hypotheses were formulated and tested.

The hypotheses are H1: There will be a significant relationship between an organisation's decision-making and the performance of microfinance institutions. H2: There will be a significant relationship between an organisation's hierarchy of authority and the performance of microfinance institutions. H3: There will be a significant relationship between an organisation's job codification and the performances of microfinance institutions. H4: There will be a significant relationship between the organisation's rule observation and the performance of microfinance institutions. H5: Employees' Competencies will moderate the positive relationship between decision-making and organizational performance. H6: Employees' Competencies will moderate the positive relationship between the hierarchy of authority and organisational performance. H7: Employees' competencies will moderate the positive relationship between job codification and organisational performance. H8: Employees' Competencies will moderate the positive relationship between rule observation and organizational performance.

Some of the findings are a total of 370 questionnaires were administered but a total of 245 pieces of feedback was received yielding a response rate of 66.22% was used for the data analysis. For the pathway to practice: case study analysis, 3 MFIs were employed.

The demographic characteristics of the respondents surveyed in the study provide data regarding research peculiarities. This is necessary for the determination of whether the individuals in a particular study are representative sample of the target population for generalization. Demographic information describes the study sample while the demographic variables can also be explored for their moderating effect on the dependent variable.

The analysis of the demographic characteristics of the respondents was done based on the personal information of the respondents. The findings display that the study participants' overview profile, about age, sex, educational background, years of experience and position. As depicted in Table 5.1, 76 respondents representing about thirty-five per cent (34.5%) were between the age bracket of 16-25 years old. 111 respondents representing about fifty-one per cent (50.5%) were between the age bracket of 26-35 years old, 26 respondents representing about twelve per cent (11.8%) were between the age bracket of 36-45 years old and 7 respondents represented about three (3.2%) were 46 years and above. In terms of gender, 123 respondents representing about sixty per cent 55.9% were males whilst 97 respondents representing forty-four per cent (44.1%) were females. Concerning the educational background, 87 respondents representing about forty per cent 39.5% had secondary education, 9 respondents representing about four per cent (4.1%) had a vocational and technical education and 124 respondents representing about fifty-six per cent (56.4%) had tertiary education. With years of experience, 15 respondents representing about seven per cent (6.8%) had less than one year experience, 124 respondents representing about fifty-six per cent (56.4%) had between 1-5 years' experience, 70 respondents represented about thirty-two per cent (31.8%) had between 6-10 years' experience and 11 respondents representing about five per cent (5.0%) had between 11-15 years' experience. In terms of position, 41 respondents representing about nineteen per cent (18.6%) were top-level managers, 73 respondents representing about thirty-three per cent

(33.2%) were middle-level managers and 106 respondents representing about forty-eight per cent (48.2%) were frontline managers.

Out of the 8 hypotheses stated, 5 were supported whereas 3 were not supported. Hypothesis 1 was supported. The results indicated that the relationship between decision-making and organizational performance was significant ($\beta = 0.249$, $P < 0.01$). Hypothesis 2 was supported. The results indicated that there is a significant relationship between the hierarchy of authority and organizational performance ($\beta = -0.659$, $P < 0.00$). Hypothesis 3 was supported. The results indicated that a significant relationship exists between an organization's job codification and organizational performance ($\beta = 0.404$, $P < 0.00$). Hypothesis 4 was not supported. The results indicated that there is no significant relationship between an organisation's rule observation and organizational performance ($\beta = 0.012$, $P > 0.05$). Hypothesis 5 was supported. The results indicated that Employees' competencies will moderate decision making and organizational performance was significant ($\beta = -0.641$, $P < 0.00$). Hypothesis 6 was supported. The results indicated that Employees' competencies will moderate the relationship between the hierarchy of authority and organizational performance was a significant relationship ($\beta = -0.141$, $P > 0.05$). Hypothesis 7 was supported. The results indicated that Employees' competencies will moderate the relationship between the job codification and organizational performance was significant ($\beta = 0.291$, $P < 0.00$). Hypothesis 8 was not supported. The results indicated that Employees' competencies will moderate the relationship between the rule observation and organizational performance was significant ($\beta = 0.037$, $P > 0.05$).

Several factors lead to the success and failure of MFIs. The factors are internal and external. Most of the MFIs were established between 1995 to 1999 but the oldest company was founded in 1999. MFI directors share their success stories but will not reveal their core strategies. Most of these MFIs have a fair knowledge of the strategies of their company. To have a successful business MFIs should follow laid down financial and accounting regulations. The rising exchange rate cripples MFIs which lead to dollar-denominated loans. For the external factors, it is important to note that MFIs are not sustainable due to high-interest rates and rumours of collapsing of the companies. The other reason for the collapse of MFI is inadequate loans monitoring and non-compliance with operational policies. Poor credit appraisal of the customer

should be applied before granting a loan to the clients. Also, macroeconomic instability because sometimes the environments are not very friendly at all. For instance, the rising exchange rate cripples MFIs due to high exchange rates, which lead to dollar-denominated or having a foreign investor.

6.3 Discussion of Results

The study is to investigate the effect of the organizational structure (decision making, hierarchy of authority, job codification, rule observation, rule observation) and employee competence on the performance of microfinance enterprises in Accra, Ghana.

6.3.1 Effect of organizational structures on the organisational performances of MFIs in Ghana

With regards to the effects of organizational structure on performance, it was revealed that there is a significant relationship between decision-making and performance. It was also revealed that a significant negative relationship exists between the hierarchy of authority and the performance of MFIs in Ghana. It was further revealed that a significant relationship exists between an organization's job codification and performance. There was also a positive significant direct relationship between organizational rule observation and performance, likewise the rule of observation. Furthermore, with moderation, there was even a higher effect of decision making, job codification, the hierarchy of authority and rule of observation on performance compared to a situation without moderation.

6.3.2 Moderating effect of employee's competencies on organizational performances in MFIs

In determining the effect of employee's competencies on organizational performance, the results indicated that a significant positive relationship between personal competencies and performance. Also, the results showed that a significant positive relationship between functional and technical competencies on performance. Business competencies have a positive significant effect on organisation performance.

6.2.3 Organizational Structures influence Organisational Performance (Successes and Failures) of MFIs in Ghana

Numbers factors were reported to significantly influence the success and failures of MFIs in Ghana. These factors that lead to the success and collapses of MFIs are broadly classified into two, internal and external factors. Largely, internal factors are the more predominant factors leading to the collapses of MFIs than external factors. Internal factors such as high-interest rates, overtrading, inadequate loan monitoring, non-compliance with operational policies, and poor credit appraisal while the external factors include macroeconomic instability, level of competition in the MFI sector, the strength of the legal rights and rumours about the collapses of the MFIs. Other internal factors identified in this study were the information gathering and dissemination, lack of qualified staff, non-compliance with operational policies, and also ineffective boards.

6.4 Contribution to the Study

The contribution of the study is classified into three areas, that is, the contribution to knowledge, the contribution to practice, the contribution to policy and the contribution to theory. The discussion in this section begins with the contribution to knowledge.

6.4.1 Contribution to Knowledge

The study shows that internal factors such as high-interest rates, overtrading, inadequate loan monitoring, non-compliance with operational policies, and poor credit appraisal are the major and dominant factors contributing to the success and collapse of MFIs in Ghana. On the other hand, external factors such as macroeconomic instability, level of competition in the MFI sector, the strength of the legal rights and rumours about the collapses of the MFIs contributes significantly to the failures of MFIs in Ghana. From the organisational point of view, the study indicates that the decision-making strategy of MFIs significantly influences their performances. In addition, the hierarchy of authority within the organisation essentially influences the performance of MFIs, likewise, job codification and rule of observation make MFIs. The moderation effect of employees' competencies, functional and technical competencies, and also business competencies influence the performance of MFIs. Thus, the study shows the structure of the organisation and the moderation effect has a positive and higher effect on organisational performance.

Furthermore, the study developed and presented a conceptual framework that is based on the organisational structure being embedded within the organic and inorganic aspects of MFIs. The inorganic component of the organisational structure captures job codification and rule observation, and the organic components of the organisational structure take into consideration decision making and hierarchy of authority.

6.4.2 Contribution for Practice

About the outcome of the research conducted, the ensuing strategic implications can be deduced from the research.

Firstly, based on the review of the related literature, the researcher recommends that microfinance institutions should employ joint-liability in their group-lending model to ensure a mutual guarantee between group members that supports to improve the likelihood of repayment of loans. This can be achieved by disallowing other group members to assess subsequent loans when there is a default on the part of other group members. This will encourage them to put pressure on the other group members to pay their portion of the loan. Another technique that can be utilized in making the group members share the default amount of other group members and pay for it, hence making them jointly liable.

Secondly, since social ties play an important and positive role in group loan repayment, MFIs must essentially employ group loan products in communities or environments where the people are closely knit and know each other and also allow the clients to form their groups. MFIs could explore social groupings like religious groups, family relations, work-related associations and clubs, social associations and clubs and other closely-knit groupings where individuals are well known and groups could be easily formed because they know each person's capabilities. It is also proposed that clients are allowed to form their groups since they will be able to best identify members whom they will be comfortable with.

Thirdly, the research found out that loan experience does not play a significant role in group loan repayment. This implies that the mere fact that a group has taken a loan before is not enough to guarantee that the group will repay the next time. Individuals in the group have different dynamic characteristics and any of the members in the group could have a change of

attitude which can affect repayment. The researcher, therefore, recommends that microfinance institutions still do due diligence in giving out loans to groups that have experience in taking loans and decline the loan if they find any changes in their characteristics.

Fourthly, the research findings revealed that there is a positive relationship between group size and group loan repayment of MFIs in Ghana. Based on this outcome, the researcher recommends that MFIs should consider giving loans to larger groups where a sharing of a defaulter's unpaid loan will not be much burden on the individuals in the group. Larger group sizes could also prevent the occurrence of group members absconding because an individual in the group has defaulted and the other members are not able to repay the shared loan. Microfinance institutions must also regulate the number of persons who form a group and ensure the right mix so as not to encounter defaults from clients. However, due to the large number of individuals exhibiting different attitudes and behaviours and the fact that the core values of the group could be compromised, extensive monitoring will have to be employed in such situations.

Fifthly, it was found from the research that joint-liability harms group loan repayment when it is moderated by commitment. This implies that even though joint-liability helps in improving repayment, commitment does not influence the repayment of group loans. This outcome could be because commitment involves a burden or pressure to do something and therefore is embedded in joint liability. The same circumstances apply to the moderating role of commitment to social ties and group loan repayment. It is assumed that both social ties and joint-liability have commitment rooted in them.

Last but not the least, from the analysis of the literature there was a discovery that loan experience although does not have any significant effect on group loan repayment, once the group member is committed to paying the loan, it could impact group loan repayment. It is therefore recommended that microfinance institutions facilitate programmes that will encourage group members' commitment to repay, for instance, training programmes that could help in their line of business, personal visits by loan officers to monitor and to address issues

confronting the borrower, and meetings among the group members all in a bid to improve commitment.

Finally, the research established that the level of commitment moderates the positive relationship between group size and group loan repayment of MFIs in Ghana. This means that in as much as group size helps in the repayment of group loans, commitment can also play a role in supporting group loan repayment. Also, as the group size gets larger, the ability to repay group loans is positive and if that ability is also backed by commitment, then it brings about reinforcement in repayment. The research recommends that microfinance institutions work on improving the commitment of group members especially in large groups where different characteristics and aspirations of individuals come to play.

On the success and failure aspect of the MFI practises, the study contributes to the practice by arguing that the Bank of Ghana's stringent measures must focus on arresting the macroeconomic instability and paying particular attention to the depreciation of the domestic currency.

From the organisational structure perspective and to help with the practice, the decision-making processes should involve all hierarchy within the MFIs operating in Ghana. Furthermore, job codification, which examines how and who should be assigned a job within the organisation should be practically done.

6.4.3 Contribution for Policy

From the policy perspective, the findings on the success and failure factors of MFIs shows that increasing the public confidence and trust in the activities of MFIs is an important aggressive strategy that will make MFIs successful and avert failure. This will dispel the rumour of the collapsing MFI industry in Ghana.

The structure within the organisation has importance for policy. The study shows that policy followed when designing a decision-making process and classifying jobs are vital when it comes to the performance of MFIs in Ghana.

The policy contribution concerning the organisational performance indicates that the personal development of employees which makes them competent largely improved the performance of the MFIs.

6.4.4 Contribution for Theory

The study contributes to the agency theory. Thus, the study shows that introducing moderation of competencies into the agency theory will result in a higher level of performance as seen in the result. Thus, increasing the competencies of steward will increase the degree to which the interest of employees is willing to work in the organisation. In addition, the study extends the goal model by incorporating companies as a measure of the performance of MFIs in Ghana. The extension is not limited to organisational performance but rather the external and internal factors that are very much responsible for MFIs achieving their intended objectives or goals.

6.5 Conclusion

The findings of the study revealed that there is a significant relationship between decision-making and performance. It was also revealed that a significant relationship exists between the hierarchy of authority and performance. It was further revealed that a significant relationship exists between an organization's job codification and performance.

However, no significant relationship was found between the organization's rule observation and performance. The results also indicated that a significant relationship exists between personal competencies and performance. The results also showed that a significant relationship exists between Functional and Technical Competencies and performance.

However, no significant relationship exists between business competencies and performance. It is, therefore, important for organizations to pay attention to rule observation and business competence. This is because, from the findings, employees seem not to pay attention to these two critical factors. It is also important for organizations to put the necessary structures in place to improve work processes in the workplace.

6.6 Recommendations

For an organization to be effective, there is the need to put measures in place to ensure necessary structures are in place to empower employees to be effective and efficient in the course of their duty. This is important because failure to put these structures in place will have dire consequences on the performance of employees and the organization as a whole. Based on the findings, the following recommendations are made:

Most MFIs have youthful employees between the ages of 26 – 35 years. It is recommended that further training should be given to them so that it will improve their competencies whilst also making sure that they are maintained by these MFIs. The reason is that these youthful employees are the future of MFIs.

Since the MFIs are at the forefront of the provision of loan facilities to the informal sector and females form the majority of the respondent, employing more females will serve as incentives for female customers. In addition, increasing the recruitment of females will help in the empowerment of females. This will not only help in the increase in females working but also will help in moving them out of poverty.

In addition, it is not only important to employ individuals with a higher educational background but MFIs should increase the employment of individuals who have a higher level of education. For instance, individuals with higher education, have a better understanding of the MFI environment since it is assumed that they will have the technical knowledge and know-how. Furthermore, it is important to increase the employment of individuals who have between 1-5 years of working knowledge in the MFIs setup. This is because employees with such working knowledge understand the working environment and do not need much training to understand the working MFI environment,

Finally, the frontline managers are very essential to the success of many MFIs since they are the first point of call and are the image of the company. These frontline managers should be well trained and vested in the activities and businesses operation of the MFIs. This study recommends that the MFIs should select frontline managers who have some working knowledge in the MFI industry and can portray the business in a positive light.

For an organisation to be effective, it is recommended to put measures in place. The setup is to empower employees to be effective and efficient in the course of their duty. It is recommended that MFIs use joint-liability in their group-lending model. This will ensure a mutual guarantee amongst group members, which helps to increase the possibility of loan repayment.

Social ties play such a vital and beneficial role in group loan repayment, MFIs should primarily use group loan products in communities or surroundings where people are well linked and know one another, as well as allow clients to organize their groups. MFIs could look at social groups such as religious groups, family ties, work-related associations and clubs, social associations and clubs, and other closely-knit groups where individuals are well-known and groups can be formed quickly since they are familiar with each other's talents. It is suggested that groups can be formed quickly since they are familiar with each other's talents.

The other recommendation on decision-making is that the study discovered that loan repayment experience had little bearing on group loan repayment. This means that just because a group has accepted a loan before does not ensure that they will repay it the following time. Individuals in the group have varying dynamic qualities, and any one of them could have a shift in attitude that could affect repayment. As a result, the researcher suggests that MFIs continue to exercise caution when granting loans to groups that have previously taken out loans, declining the credit if they see any changes in their features.

According to the findings, there is a favourable association between group size and MFI group loan payback in Ghana. As a result of this finding, the researcher suggests that MFIs consider lending to larger groups where the cost of sharing a defaulter's unpaid debt will not be a significant hardship on the individuals in the group.

Also, it was found from the research that even though joint-liability helps in improving repayment, commitment does not influence the repayment of group loans. It was established from the research that joint-liability harms group loan repayment when it is moderated by commitment. The same circumstances apply to the moderating role of commitment to social ties and group loan repayment.

Ultimately, from the analysis of the literature there was a discovery that loan experience although does not have any significant effect on group loan repayment, once the group member is committed to paying the loan, it could impact group loan repayment. It is therefore recommended that microfinance institutions facilitate programs that will encourage group members' commitment to repay, such as training programs that could help in their line of business, personal visits by loan officers to monitor and address issues confronting the borrower, and group meetings, all in the hopes of improving commitment.

Similarly, the literature study revealed that, while loan experience has no significant effect on group loan payback, it may have an impact on group loan repayment once the group member has committed to paying the loan. MFIs should facilitate programs that encourage group members' commitment to repay, such as training programs that can help them in their line of business, personal visits by loan officers to monitor and address issues confronting the borrower, and group meetings, all in the hopes of improving commitment.

Finally, this suggests that, while group size aids in the repayment of group loans, dedication can also aid in the payback of group loans. Furthermore, as the group size grows, the ability to repay group loans improves, and if that ability is backed by commitment, payback becomes more solid.

From the outcome of the hierarchy of authority, it is recommended that MFIs should involve all level of hierarchy in the institution as this help to build up public confidence on the activities and core strategies implemented by the organisation.

MFIs should evaluate how and who should be assigned a job inside the organization, as well as how it should be done practically when it comes to job codification.

Oorganizations must ensure that rule observation by employees must be observed. From the findings of the current studies, it is clear that employees seem not to give attention to rule observation and business competencies. It is recommended that MFIs should regularly remind employees about the need to observe rules in the workplace. Organizations must also set up monitory and evaluation teams who will have the responsibility of educating and reminding

employees of the need to observe acceptable behaviours in organizations. Ensuring employees observe rules must be done in such a way that employees are allowed a certain level of flexibility. Managers of organizations must also ensure that the business Competencies of employees are improved upon. Most often organizations tend to downplay the business competency, which in the long run negatively affect organizational performance. Organizations must invest resources for their employees to acquire business Competencies such as leadership and planning skills, critical thinking, communication skills and many others, which will improve their performance which in turn improves organizational performance.

The importance of an MFIs employees' skill level cannot be overstated because it has an impact on the organization's climate and working environment. Employees at MFIs must be well-trained and be able to demonstrate positive and timely task performance. As a result, it is recommended that MFIs engage in their workers' competency development and hold frequent training sessions to help them improve their skills. It is also recommended that MFIs ensure that workers' business competencies are improved.

On the point of the success and failure of MFIs this paper will serve as the basis for regulatory bodies such as the Bank of Ghana (BoG) and the Ghana Association of Microfinance Companies. It is recommended that these institutions should be aware of the structures of microfinance companies in Ghana and which of the structure are not given much attention by employees. The policy framework by the stakeholders can help create a platform where these stakeholders will have constant meetings to discuss the various problems facing the microfinance companies in terms of Organizational structures that enhances the performance of employees and the organization as a whole. It is suggested that stakeholders must formulate comprehensive policies that will guide the microfinance companies to ensure they put the right structures in place to enhance employees' performance.

Finally, the study recommends that the Bank of Ghana take stringent measures to arrest the macroeconomic instability being experienced by the MFIs. The Bank of Ghana should pay special attention to variables such as the depreciation of the domestic currency against the major trading foreign currencies and the inflation rates. On the internal factors, the study recommends that the Bank of Ghana makes several unannounced visits to monitor the activities of MFIs

operating in the country. It is believed that once the MFIs are aware of the unannounced visits by the Bank of Ghana, these MFIs will be willing to follow the laid down procedures and regulations of the Bank.

6.7 Limitations and Suggestionns for Future Research

First, the study was conducted with microfinance companies in Accra because of limited resources and time constraints but other researchers can focus on all the MFIs in Ghana. Future researchers may focus on commercial banks or may do comparative studies by comparing the organizational structures of commercial banks and microfinance institutions.

Second, the current study was conducted using a cross-sectional survey. Future studies may replicate the study using longitudinal studies because it takes a long period and can justify the cause-and-effect relationship. This will enable the researcher to determine variable patterns over time.

Third, the study focused on the relationship between organizational structure and organisational performance, the future researcher may include other variables such as capital structure to broaden knowledge in the area. The future researcher should look at the financial aspect of the capital structure on the securitisation of giving out loans to customers. Another key limitation of the study is that very few MFIs were interviewed for this study.

Further, researchers can focus on interviewing numerous MFIs from different and varied parts of Ghana to get their opinions on the factors responsible for the collapse of MFI. In addition, the study is very much limited to only the view of functioning MFIs. Further studies may also investigate the reasons why these MFIs collapsed by investigating the collapsing industries.

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APPENDIX A

SURVEY QUESTIONNAIRE FOR MANAGEMENT STAFF

NOBEL INTERNATIONAL BUSINESS SCHOOL (NIBS)

Dear Respondent,

This questionnaire is a research tool for a PhD student at the Nobel International Business School (NIBS). The study is on the effect of the organizational structure on the performance of microfinance enterprises in Ghana. The confidentiality of the information provided here is highly assured. To ensure the accuracy of the study's results, respondents are implored to respond accurately to the questionnaire (*Respond by choosing an option or writing out your answer*).

SECTION A: Demographic Data

1. Name of MFI.....
2. Age:
3. Gender: (a) Male (b) Female
4. What is your highest Educational Background?
 - (a) Primary and Junior High
 - (b) Senior High
 - (c) Tertiary
 - (d) Others, please specify
6. How long have you been employed in this MFI
7. What is your position (Job title) in this organization?
 - (a) Top level Manager
 - (b) Middle Level Manager
 - (c) Front Line Manager
 - (d) Others, please specify.....

APPENDIX A.1

The Effect of The Organizational Structure and Employee Competence on The Organizational Performance of Microfinance Enterprises in Accra, Ghana.

Below are statements on organizational structure and performance. Please indicate the degree to which you agree using the scale: 1=very disagree, 2=disagree, 3=slightly disagree, 4=neutral, 5= slightly agree, 6= agree, 7= very agree

	Organizational structure	1	2	3	4	5	6	7
	Decision making							
DM1	Management in this organization does not seek inputs and feedbacks from employees in the process of making important decisions.							
DM2	Management in this organization does not solicit inputs and feedbacks from employees especially on decisions that affect employees' services and wellbeing.							
DM3	Employees in this organization are not encouraged to involve in decision making.							
DM4	Employees in this organization are not given opportunities to involve in decision making.							
	Hierarchy of Authority	1	2	3	4	5	6	7
HA1	Little action can be taken until a supervisor approves a decision.							
HA2	A person who wants to make his or her own decision without consulting his or her supervisor will be quickly discouraged.							
HA3	Even small matters have to be referred to someone higher up for a final answer							
HA4	I have to ask my boss before I do almost anything.							

HA5	Any decision I make has to have my boss's approval.							
	Job Codification	1	2	3	4	5	6	7
JC1	I feel that I am my boss in most matters.							
JC2	A person can make his or her own decisions without checking with anybody else.							
JC3	How things are done here is left up to the person doing the work.							
JC4	People here are allowed to do almost as They please.							
JC5	Most people here make their own rules on the job.							
	Rule Observation	1	2	3	4	5	6	7
RO1	The employees are constantly being checked on for rule violations.							
RO2	I feel as though I am constantly being watched to see if I obey all the rules							

APPENDIX A.2

The Effect of The Organizational Structure and Employee Competence on The Organizational Performance of Microfinance Enterprises in Accra, Ghana.

Below are statements on the competencies of your management staff and performance. competencies represent a dynamic combination of knowledge, understanding, skills, abilities, and values. How competent are you in using the following competencies in your jobs? (Please tick the most appropriate).

COMPETENCIES	Totally Competent	Competent	Somewhat	Neutral	Somewhat Not competent	Not competent	Totally not competent	N o t s u r e
1. Personal								
a. Trust and Integrity								
b. Creativity								
c. Adaptability								
d. Initiative								
e. Team Player								
f. Commitment								
g. Interpersonal understanding								
2. Business perspective								
a. Leadership and planning								
b. Accountability								
c. Critical thinking								
d. Communication								
e. Managerial Expertise								
3. Functional and Technical								
a. Specific functional a technical area								
b. Technical know-how								
c. Level of knowledge in the operation								
d. Strategic training and development								

e. Motivation: secure, reliable, permanent position								
f. Earnings to boost job performance								

APPENDIX A.3

The Effect of The Organizational Structure and Employee Competence on The Organizational Performance of Microfinance Enterprises in Accra, Ghana.

Name of the organization:

1. Year of establishment:

2. Number of employees:

3. Stated Capital of operation:

Below are statements on the organizational structure and performance. Please indicate the degree to which you agree using the scale: 1=Strongly disagree, 2=disagree, 3=neutral, 4=agree, 5= strongly agree

	Organizational performance	1	2	3	4	5
OSP	Profitability has increased due to the structure of this organization					
OSP	Return on equity for this institution is negatively affected by the structure					
OSP	The structure of this microfinance organization determines the extent of the return on asset					
OSP	The expansionary activities of the firm are influenced by its structure					
OSP	The business structure of this institution is complex.					
OSP	Our structure is positively influencing our business strategy					
OSP	We always stay competitive due to our business structure					
OSP	Competency of the staff is determined by the satisfaction of customers					
OSP	Business growth and development of this firm is largely dependent on our unique structure					
OSP	Customer loyalty is problematic due to our business structure					

THANK YOU

APPENDIX B

The Effect of The Organizational Structure and Employee Competence on The Organizational Performance of Microfinance Enterprises in Accra, Ghana.

INTERVIEW GUIDE

Introduction

This is an interview guide for qualitative research. It is meant to guide the researcher during the data gathering session.

Interview Questions for Managers/Directors of MFIs

1. When was this company established?
2. How long have you been working on or managing this company?
3. How do you run your Microfinance Company (MFI)?
4. Will you describe your company successfully?
5. If yes, what factors have contributed to the success of your business?
6. What challenges do you encounter in running your business?
7. There have been rampant collapses of MFIs, what factors do you think contribute to the collapses of these MFIs?
8. What are the causes that lead to the success of microfinance companies in Ghana?
9. What are the causes that lead to the collapse of microfinance companies in Ghana?
10. What strategies can be employed to overcome failure and to be vibrant?
11. Are there any issues you wish to draw to our attention that has not been captured?
12. As a business manager, how do you attain superior performance and sustain a competitive advantage concerning your strategy?

APPENDIX C

PARTICIPANT CONSENT FORM

I, the undersigned, have been provided with information on a planned study on **‘The Effect of The Organizational Structure and Employee Competence on The Organizational Performance of Microfinance Enterprises in Accra, Ghana.**

I have been assured that all materials from the interviews will be treated with anonymity and kept confidential. Both the tapes and the transcribed text will at all times be handled with strict confidentiality. Only the researcher involved will have access to them. I have also been assured that during the interviews, I have the freedom not to answer such questions I choose not to without any obligation to explain why. Moreover, I am informed that I am free to withdraw from the questionnaire/interview at any time unconditionally.

Based on the information provided about the study, I agree to sign this document, which implies that I consent to the following (tick as appropriate):

- | | |
|--|---------------------------------------|
| | I give my consent to be interviewed |
| | I give my consent to be tape-recorded |

Name _____

(Research participant)

Signature _____ Date: _____

Agatha A. Squire (Mrs) (Researcher)