Master Thesis

Exploring High Performing Businesses of Microloan Borrowers in Northern Ghana
An exploratory qualitative research

April, 2015

Author	A.F. Dubbink
Student number	S1356534
Programme	Msc Business Administration
Specialisation	International Management
Faculty	School of Management & Governance
First supervisor	Dr. M.L. Ehrenhard
Second supervisor	Dr. ir. E. Hofman

UNIVERSITY OF TWENTE.

The journey of a thousand miles begins with one step.

Lao Tzu

EXECUTIVE SUMMARY

Due to the fact that poverty appears to mean different things to different people in different parts of the world (Karelis, 2007), a large number of interventions and solutions arise in the struggle against poverty. One possible solution that has grown rapidly in popularity and scope in recent decades is the area of microcredit. Looking more closely to the concept of microcredit, it can be concluded that studies found contradictory results about the effectiveness of microcredit on reducing poverty. For instance, some microloan borrowers create high performing businesses while others fail and, in turn, create low performing businesses. This study investigates why only a small minority of borrowers, who take microloans in developing countries, is able to create high performing businesses. In addition, the primary purpose of this study is to find out which concepts have an influence on the degree of business performance of borrowers who take a microloan. Based on this purpose, the following research question is formulated: *Why is only a small minority of borrowers, who take microloans in developing countries, able to create high performing businesses?*

Earlier research discussed the effectuation theory, which is used as an overall classification in this research. This theory assumes that an entrepreneur begins with three categories of means – their own traits, tastes and abilities; the knowledge corridors they are in; and the social networks they are a part of. On the basis of this classification a theoretical framework is written, eight propositions were formulated and a conceptual framework was composed. In order to answer the research question, twenty respondents were divided into two groups – ten borrowers who create high performing businesses and ten borrowers who create low performing businesses – and interviews were conducted. Besides documents, received from UMO staff, were analyzed and a daily diary was kept to write down all relevant observations made. Subsequently, the data was analyzed qualitative as well as quantitative. Five specific findings emerged from the qualitative data analysis. On the other hand, quantitative data analysis transformed the interview answers into a six point Likert scale and data was analyzed with the help of SPSS Statistics 17.0.

The findings of this study, taking qualitative and quantitative together, demonstrate that future orientation of the borrower has a (significant) positive influence on the business performance of the borrower. These findings suggest that business performance of North Ghanaian women borrowers can be improved by developing a clear future orientation, consisting of understanding the risk that microloans present, having a clear vision and clear ideas to achieve this vision and having the ability to clearly discuss the terms of the loans.

In a practical point of view, this study might inspire microcredit organizations to give more specific training to their microcredit borrowers to obtain future orientation. On the other hand, in a theoretical point of view, this study contributes to the modest research done about the businesses that borrowers start with microloans. At the same time it contributes to previous research by focussing on performance of women-owned businesses in developing countries. This study might inspire researchers to investigate the influence of other people, business and environmental factors on the business performance of the borrower.

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LIST OF ABBREVIATIONS

GHABA   Ghana Hairdressers and Beauticians Association
NGO   Non Governmental Organization
UMO   Unnamed Microcredit Organization

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1.   INTRODUCTION

1.1   ORIGINS OF MICROFINANCE

Poverty appears to mean different things to different people in different parts of the world (Karelis, 2007). This is largely due to the fact that the origin of poverty is uncertain (Yanagisawa, 2011). According to Yanagisawa (2011) there are two perspectives concerning the origin of poverty, a macro- and micro-level perspective. A macro-level perspective views poverty as a structural effect of society, while a micro-level perspective places the origin in the deficiencies of the individual. Both perspectives are used as the umbrella term for many different origins of poverty. As a result of such diverse origins of poverty, a large number of interventions and solutions arise in the struggle against poverty. One possible solution that has grown rapidly in popularity and scope in recent decades is the area of microfinance.

The origins of microfinance take root in the early 1980s, when Muhammed Yunus first lent $27 of his own money to 42 Bangladeshis women involved in the manufacturing of bamboo stools (Sengupta & Aubuchon, 2008). One of his goals was to eliminate the presence of loan sharks who grew rich by preying on the poor. In 1983, Muhammed Yunus founded the Grameen Bank to provide small loans to the extremely poor people, which gave them the chance to become entrepreneurs and to earn sufficiently high income to break themselves free from the poverty cycle (Yunus, 2011). Since then, microfinance institutions continue to grow and expand.

Looking more closely to the concept of microfinance, it can be concluded that it strives to sustain entrepreneurship and enable people to generate an income and exit the poverty cycle (Yunus, 2003). Microfinance refers to financial services offered to poor and low income individuals that are excluded from the formal financial system (Westover, 2008). These poor and low income individuals cannot afford to travel long distances to formal financial systems and even if they could, they are excluded due to lack of collateral. However, microfinance provides new organizational forms and contractual structures that minimize the risks and costs of making small, uncollateralized loans (Morduch, 2000). Moreover, a loan officer who comes to the village promotes an understanding of the financial process for the borrower (Roodman & Qureshi, 2006). Consequently, this shows that microfinance provides needs which previous formal financial systems cannot provide.

Microfinance exists of a broad category of financial services, such as microcredit, microsavings and microinsurance (Hulme, 2008). Although microcredit is an aspect of microfinance, microfinance and microcredit are often used interchangeably, due to the fact that the majority of projects still concentrate on credit only. Nevertheless, it is important to recognize the difference between the two. Microcredit refers to the act of the provision of small loans, which are called microloans[1], often $100 or less, to the poor that have been ignored by traditional financial system. Meanwhile, microfinance refers to the act of providing these same borrowers with financial services, such as insurance policies and savings institutions. This shows that microfinance encompasses the field of microcredit (Sengupta & Aubuchon, 2008). From now on the terms microfinance and microcredit will not be used interchangeably.

In recent years, much research has been conducted towards the effectiveness of microcredit. There is evidence from several studies that microcredit is an effective way for assistance in developing countries. Namely, the implementation of microcredit programs empower woman (Nawaz, Jahanian & Manzoor, 2012), offer a way to give poor people access to small loans (Gupta, 2012) and reduce poverty (Imai & Azam, 2012). On the other hand, in recent years, critics have brought to light some of

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[1] The definitions of microcredit and microloan are the same and therefore these concepts are used interchangeably in this study.

the problems associated with microcredit. Bateman and Chang (2012) argue that microcredit possibly generates some positive short run outcomes for a couple of poor people, but on the longer run the total development outcomes remain arguable. Moreover, microcredit leads to the emergence of microcredit dependency among some households (Ghosh, 2011: Levin, 2012).

1.2   PROBLEM DESCRIPTION
As mentioned previously, much research has been done on the effectiveness of microcredit. Nevertheless, few studies pay attention to the businesses that borrowers start with microloans. According to Bruton, Khavul and Chavez (2011) studies fail to explain why only a small minority of borrowers create high performing businesses that generate additional employment. In other words, many academic domains have examined the effectiveness of microcredit, but the knowledge of business performance of microcredit borrowers is not conclusive.

1.3   PURPOSE
As the problem description shows, there is little known about why only a small minority of borrowers create high performing businesses that generate additional employment. Therefore, the primary purpose of this study is to explore why some borrowers create high performing businesses while others fail and, in turn, create low performing businesses. In other words the purpose is to find out which concepts have an influence on the degree of business performance of a microloan borrower.

1.4   RESEARCH QUESTION
Based on the purpose of this study, the following research question is formulated: **Why is only a small minority of borrowers, who take microloans in developing countries, able to create high performing businesses?**

1.5   RESEARCH STRATEGY
In order to answer this research question, it is important to know what "microloans" and "high performing businesses" actually entitle in this study. Moreover, it is important to know which concepts may influence the performance of a business. To investigate this, a theoretical framework is developed. The literature for this study is selected, using search engines like Web of Science and Google Scholar. Thereby, several terms and keywords are used in different combinations, to acquire relevant scientific articles and academic literature. Subsequently, references of articles are used to look for further useful literature.

1.6   RELEVANCE OF THIS RESEARCH
The study "exploring high performing businesses of microloan borrowers in Northern Ghana" has both scientific and practical relevance. The scientific relevance of this study is to complement the reasons why some borrowers are able to create high performing businesses while others cannot.

The practical relevance of this study can be derived from the introduction. Namely, in recent years much research has been conducted towards the effectiveness of microcredit. However, it remains unclear why only a small minority of microborrowers create high performing business. This study investigates which concepts have an influence on the business performance of borrowers. In this way, the results of this study are valuable for microcredit organizations. For example, microcredit organizations can influence several concepts (see Figure 1, which is elaborated on in chapter 2) by specific training for microcredit borrowers.

2. THEORETICAL FRAMEWORK

This chapter will give a review of the existing literature on several topics to provide a theoretical framework. The review will describe high performing businesses and the concepts which create these high performing businesses are also described. At the same time the review will provide a conceptual framework from which propositions are drawn.

2.1 HIGH PERFORMING BUSINESSES

Assessing performance of the business of a microborrower is of interest to several parties including society, the micro lender and the microborrower herself. For society, the promise of microcredit as a poverty alleviation tool is noticeable. However, the performance of microcredit has not yet met the expectations. Although several researchers argue that microcredit is an effective way, there are also researchers who argue that microcredit is an ineffective way to reduce poverty. Some of these views are displayed in Table 1.

Table 1: Conflicting views on the implementation of microcredit

Microcredit is effective		Microcredit is ineffective	
Khandker (2005)	Reduces moderate and extreme poverty of especially women as well as for the village as a whole which helps to eradicate extreme poverty and hunger.	Ghosh (2011) Levin (2012)	Leads to microcredit dependency.
CEP (2006)	Women engaged more in decision making at the household and community levels.	Bateman and Chang (2012)	Generates some positive short run outcomes for a couple of poor people, but on the longer run the total development outcomes very much remain arguable.
Duflo (2003)	Empowers women to make financial decisions.	Navajas et al. (2000) Morduch (2000)	Does not reach the poorest of the poor but rather those near the poverty line.
Gupta (2012) Aghion and Morduch (2000)	Give poor people access to small loans and in this way it raise incomes of low income households and broaden financial markets.	Goetz and Gupta (1996)	Microcredit is especially focused on women, which may result in men requiring wife to get loans for them.

Table 1 shows that the findings in the literature on the effectiveness of microcredit vary and that the effectiveness of microcredit on poverty reduction remains arguable. For microlenders, performance often means organizational sustainability without subsidies. To be sustainable, microlenders aim for high loan repayment rates. These high repayment rates are their industry's most visible signal of performance. This makes clear that the performance of microcredit rests on the shoulders of the borrower. Namely, society expects economic growth by means of new businesses while microlenders expect them to repay loans on time (Bruton, Khavul & Chavez, 2011). But what does business performance actually mean in this study? This question will be answered in this section.

Business performance, in other words firm performance, organizational performance or venture performance, is a frequently recurring term in the scientific literature. According to Richard, Devinney, Yip and Johnson (2009) business performance is the ultimate dependent variable of interest for researchers concerned with just about any area of management. Precisely because much research have investigated business performance, there are many competing theories and concepts. For example, are high performing businesses the ones with the greatest return on sales, or the ones with the greatest return on assets or simply the ones with the greatest market share growth? Due to these competing theories and concepts no single construct has emerged in the literature (Hansen &

Wernerfelt, 1989; Kirby, 2005). This makes it especially important to specify the concept of business performance, because without any accurate and appropriate measurement of performance, theory development is impeded (Murphy, Trailer & Hill, 1996).

Murphy, Trailer and Hill (1996) evaluated performance measurement. They studied 51 published studies using performance as the dependent variable and analyzed some of the more popular objective performance measures. The review of this sample showed that a majority of performance measures were related to one of eight performance dimensions. The most commonly considered dimensions were efficiency, growth and profit. The other dimensions were size, liquidity, success/failure, market share and leverage. Brush and van der Werf (1992) did a comparative study and came to the same conclusion. They found that the most popular performance measures were changes in sales, operating business, changes in employees and profitability (return on sales, return on investment and net profit). These measures can be assigned to, and are in this way similar to, the dimensions efficiency, growth and profit as considered by Murphy, Trailer and Hill (1996).

This study will focus on the dimension growth. Murphy, Trailer and Hill (1996) found this dimension of performance in 29 out of 51 studies. Although several empirical studies used more than one dimension for measuring performance, for example Jo and Lee (1996) who classified the business performance by profitability and the degree of growth, this study deliberately focuses on one dimension. This is chosen because the mentioned dimensions of Murphy, Trailer and Hill (1996) measure different aspects of performance and therefore it is possible that one dimension will fluctuate at the expense of the other dimension. For example, the dimension growth can be achieved at the expense of the dimension profit on the short term (Lee & Tsang, 2001). Therefore, it may not be appropriate to combine the dimensions growth and profit to create a single business performance measurement (Chandler & Jansen, 1992).

The focus on the dimension growth can be explained by the fact that the research focus is on microbusinesses. Namely, many microbusinesses in Ghana do not keep accounting records on their operations (Marfo-Yiadom & Kwaku Agyei, 2012). It is therefore difficult and almost impossible, given the time, to use one of the other performance dimension of Murphy, Trailer and Hill (1996). In this way, growth becomes the most appropriate dimension for this study. Besides, this dimension fits best to the research goal. Namely, the problem description, which is related to the research goal, stated that there is little known about why only a small minority of borrowers create high performing businesses that generate additional employment. In this way, high performing businesses are partially defined as businesses that generate additional employment which has to do with a change in employees which is one measure of the dimension growth.

To ascertain the dimension growth, Murphy, Trailer and Hill (1996) use the following measures: change in sales, change in employees, market share growth, change in net income margin, change in CEO/owner compensation and change in labor expense to revenue. To specify the concept of growth in this study the focus will be on two measures, namely change in sales and change in employees. The focus on these two measures can be explained in the same way as how the use of the dimension growth is explained. Namely, the majority of microbusinesses in Ghana do not keep accounting records on their operations (Marfo-Yiadom & Kwaku Agyei, 2012). As a result change in sales and change in employees become the most relevant measures for growth. Next to change in sales and change in employees the microlenders expectation of high performing businesses, which is labelled "good credit history", is added. This is inserted because microlenders expect microborrowers to repay loans on time (Bruton, Khavul & Chavez, 2011).

Accordingly, high performing businesses are (1) businesses that generate additional employment outside their own family, (2) businesses that have to deal with an increase in sales and (3) businesses with a good credit history. The emphasis on employment generation is intended. Employment

generation has, according to Bruton, Khavul and Chavez (2011), important multiplier effects in the economy, and is a meaningful performance criterion that clarifies the growth potential of a business. The emphasis on employment for those outside their own family is purposeful. In developing countries all over the world and also in Ghana, small firms employ family members, but they are usually unpaid or underpaid. Moreover, these workers are often children. Therefore the focus is on the ability of borrowers to create businesses that produce non-family employment.

2.2   ORIGIN OF HIGH PERFORMING BUSINESSES

In this section the origin of high performing businesses will be described, but first the classification of potential concepts, which have an influence on high performing businesses, and the conceptual framework will be discussed.

2.2.1   MICROCREDIT AND ENTREPRENEURSHIP

Microcredit is the most popular form of microfinance and it strives to sustain entrepreneurship among the poor to give them the chance to break themselves free from the poverty cycle (Sengupta & Aubuchon, 2008). It is clear that entrepreneurship is an important aspect of microcredit, and that precisely this aspect is so important for the results arising from microcredit. Namely, when a borrower is a successful entrepreneur this will lead to an improvement in the socio-economic situation of the borrower and her family as well as for society as a whole. Subsequently, it will provide for repayment of interest rates to microlenders. So, in microcredit, entrepreneurship is used for development.

Over the past decades entrepreneurship is a much discussed research topic, nevertheless there is no generally accepted definition of this concept. Managers describe entrepreneurship with terms as innovative, dynamic, creative, risk taking and growth oriented. On the other hand, dictionaries describe entrepreneurship as organizing and operating new businesses. According to Sarasvathy and Venkataraman (2001) entrepreneurship is concerned with how the opportunity to create value in society is discovered and acted upon by some individuals.

Sarasvathy (2001) did research on entrepreneurship and one of the first things she discovered was that entrepreneurs did not start with a vision of some big opportunity, but they actually start with the means that are available to them. In this way, she made a distinction between two theories of entrepreneurship: 1) the causation theory and 2) the effectuation theory. The causation theory is the more traditional perspective on entrepreneurship whereby an entrepreneur decides on a predetermined goal and then selects between means to achieve that goal. On the other hand, the effectuation theory assumes that an entrepreneur begins with three categories of means – their own traits, tastes and abilities; the knowledge corridors they are in; and the social networks they are a part of – to select possible effects that can be created with that set of means (Sarasvathy, 2001). According to the effectuation theory entrepreneurs ask themselves the following questions: Who am I? What do I know? and Who do I know?.

Microcredit borrowers start their business in the same way as described by the effectuation theory. They do not start with extensive market research to the needs of their products or services, but they start from their own abilities and see how it goes.

In order to understand the ways in which borrowers of microloans create high performing businesses, several potential factors of these borrowers will be discussed on the basis of scientific literature. Overall, the classification of Sarasvathy's (2001) effectuation theory will be used, as borrowers of microloans start their business in the same way. Sarasvathy (2001) divided the potential factors into three groups: (1) Traits, tastes and abilities, (2) Knowledge corridors, and (3) Social networks. Respectively, traits, tastes and abilities include the personal character traits, future

orientation and discretion in decision making. Knowledge corridors describe education and experience, and social network consists of membership to an association. Finally, general demographic characteristics of the borrowers, such as marital status, age, number of children and age of children, will be discussed as a separate group, besides the three groups of Sarasvathy (2001).

The variables belonging to the traits, tastes and abilities and social networks were selected on the basis of previous research done by Bruton, Khavul and Chavez (2011) who probed the causes and consequences of high performance and business failure for microloan recipients. Subsequently, variables belonging to demographics and knowledge corridors emerged on the basis of informal conversations with UMO staff. Moreover, observations during the fieldwork showed that demographics possible influenced the business performance of the borrowers.

Looking at the classification of Hansen and Wernerfelt (1989), who divided the potential factors which are able to create high performing businesses into environmental factors, business factors and people factors, it can be stated that the chosen classification of Sarasvathy (2001) can be assigned to the people factors of Hansen and Wernerfelt (1989). This because the three groups of Sarasvathy (2001) all have to do with characteristics of the borrower, and not with the business or business environment. The focus in this study is only on people factors, because the research question is focused on why the borrower is able to create high performing businesses.

2.2.2 CONCEPTUAL FRAMEWORK

Studies fail to explain why only a small minority of borrowers create high performing businesses that generate additional employment. On the basis of this problem description, the literature review started with the specification of the concept business performance, which is the dependent variable. Subsequently, the review will continue with the classification of the independent variables, namely the potential concepts which influence the business performance. On the basis of the literature review so far, a conceptual framework is created (see Figure 1). The conceptual framework is created as a visual recap, namely it shows the concepts and the relationships of the literature review.

In the following sections of the literature review the relationships between the independent variables and the dependent variable will be explained.

Demographics
- Marital status
+ Age
- Number of children
- Average age of children

Traits, tastes and abilities
+ Future orientation
+ Discretion in decision making

Knowledge corridors
+ Education
+ Experience

Social networks
+ Membership to an association

Business performance
Change in employees
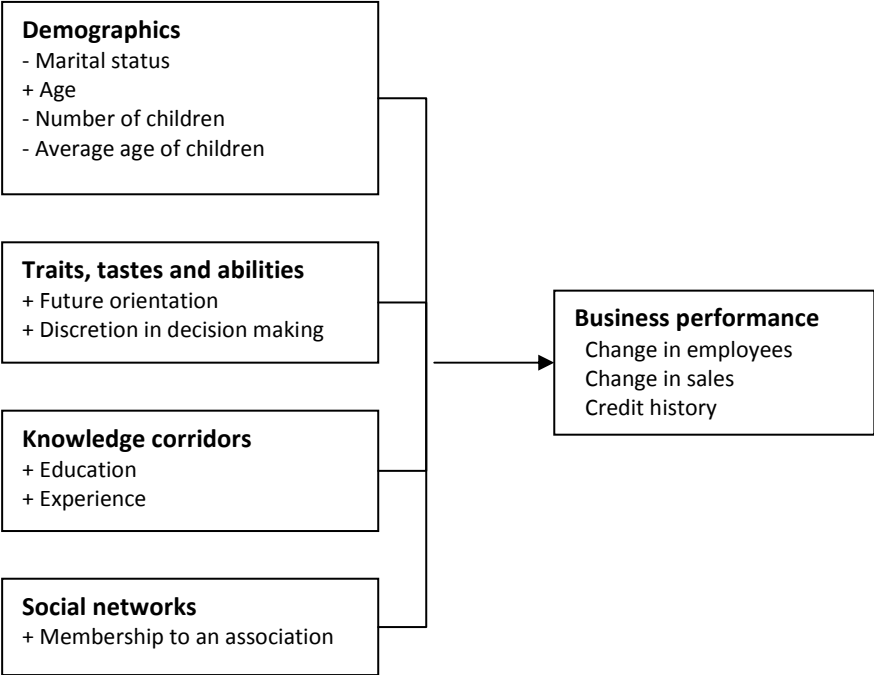Change in sales
Credit history

Figure 1: Conceptual framework

2.2.3 TRAITS, TASTES AND ABILITIES

Future orientation
According to Bruton, Khavul and Chavez (2011) future orientation means that borrowers understand the risk and reward trade-offs that microloans present, and focus on value generation. Future orientation offers individuals the ability to create a clear vision of what they want to achieve and plan a course towards it. This is an important aspect in order to create performance. Mike Peters who is the founder of Universal Laboratories confirmed this, he said; "the secret is to have vision and then build a plan and follow it. I think you have to do that, otherwise you just flounder about…" (Peters, 2004).

In addition, future orientation has a profound impact on the behaviour of the borrower. In particular, it has been suggested that a future orientation can help an individual to delay gratification whereby less risky behaviour occurs and to heighten planning (Rabinovich, Morton and Postmes, 2010). Another prominent indication of future orientation among borrowers of microloans is their awareness of interest rates and the time value of money that debt imposes on their business. Although financial issues as this are seen as a matter of course, it cannot be taken for granted (Bruton, Khavul and Chavez, 2011). Bruton, Khavul and Chavez (2011) noticed in their own research on borrowers of microloans that only those women who created high performing businesses were able to clearly discuss the terms of their loans. So, in conclusion, it can be stated that, in order to create high performing businesses, borrowers need to have a clear future growth orientation.

Proposition 1 - *Future orientation*: *Borrowers that have a high future orientation will have higher performing businesses.*

Discretion in decision making
Discretion in decision making can be compared to autonomy, which is one of the five dimensions of the entrepreneurial orientation. Autonomy refers to an independent action of an individual with the aim to create a business concept or vision and carrying it through to completion (Lumpkin & Dess, 1996).

Related to discretion in decision making is patriarchy. As a result of patriarchy, men are more powerful in contrast to women and have often the final say in most matters, including the participation of women in microcredit organizations as well as the business decisions women take. This influence on women by men can affect the business performance of the women negatively as well as positively (Akpalu, Alnaa & Aglobitse, 2012).

Chalfin (2000), who did research in Northern Ghana, found that many men assist their wives with the overall management of their businesses but do not appropriate the credit. On the other hand, there is evidence that a significant proportion of microcredit loans are directly invested by men, while women borrowers bear the liability for repayment (Goetz & Gupta, 1996). Following this, Akpalu, Alnaa and Aglobitse (2012) did research on whether involving men in business decision making influences the efficiency of microfinance businesses. They found that businesses of borrowers with men-influence were less efficient in comparison to businesses that were independently managed by women. Thereby, according to the study of Bruton, Khavul and Chavez (2011), women with high performing businesses were either married but kept the business separate from the influences of their men and families, or were single and in control of the businesses they started.

Proposition 2 - *Discretion in decision making*: *Borrowers that show discretion in decision making will have higher performing businesses.*

2.2.4 DEMOGRAPHICS

Marital status
Closely related to discretion in decision making is the marital status of the borrower. Lerner, Brush and Hisrich (1997), who investigated which factors have an influence on the performance of women-owned businesses, found that marital status is less influential to business performance.

On the other hand, when a borrower is not married, she probably shows a greater extent of discretion in decision making because there is no husband who can influence or force her. In an evaluation report from UMO one woman said; "we ourselves belong to the men… whatever you have is his" (UMO, 2001). Protests from women will often lead to divorce, which carries a stigma in Northern Ghana, so most of the women will avoid divorce by accepting the demand of the men for the loan she received. A borrower said; "if you refuse to give the money up you can be divorced and he will marry a different wife and your children will become slaves" (UMO, 2001).

Proposition 3 - *Marital status:* *Borrowers that are not married will have higher performing businesses.*

Age
Some researchers, for example van Aardt et al. (2008), assume that age is no barrier to business performance. In other words, age has not a negative nor a positive influence on the performance of a business. Namely, according to van Aardt et al. (2008), there are young successful entrepreneurs with the age of twenty as well as successful entrepreneurs who are above the age of sixty. Therefore, van Aardt et al. (2008) stated that business performance is not dependent on age but that other relevant factors create the performance of a business, for example experience and the contacts of the entrepreneur.

On the other hand, a considerable number of researchers have found a relationship between the age of an entrepreneur and the performance of the business. Among them, Sinha (1996) found a negative relationship and emphasized that younger entrepreneurs tend to be more successful. However, most of the researchers found a significant positive relationship between age of an entrepreneur and business performance (Cressy, 1996: Kristiansen, Furoholt & Wahid, 2003). Hereby, Calvo and Wellisz (1980) add that age and experience are more important in a relatively static society in comparison to a society where technology evolves at a rapid pace. This shows that age and experience are relatively more important in Northern Ghana in comparison to the Western world.

Proposition 4 – *Age:* *Borrowers that are of high age will have higher performing businesses.*

Family composition
Lerner, Brush and Hisrich (1997) examined which individual factors influenced the business performance of Israeli women-owned businesses. They found that the age of the entrepreneur's children influenced the performance of a business. They suggested that women with older children have more time making their businesses successful, whereas women with younger children are expected to first fulfill their family responsibilities consistent with the Israeli culture.

Due to a predominantly patriarchal society it is normally the case that men take decisions as head of the family whereas women are in charge of the household, prepare food, search for firewood and take care of the children (van Rijssel, 1999). Therefore, women are housebound and many microbusinesses are home-based, whereby the activities of the business and the household are linked to each other. This close link makes it hard to clearly separate the entrepreneurial activity from the family environment (UMO). In comparison to the West, households in Northern Ghana are

composed entirely different. The whole family including grandfather, grandmother, uncles, aunts, nieces and nephews live together in one compound house, consequently there is always activity in and around the compound. As a result, it is likely that this type of living will influence the business performance of the borrower. Especially the care of the children will take a lot of time, mostly because there is no such thing as childcare.

Proposition 5a - *Family composition:* *Borrowers that have a small number of children will have higher performing businesses.*

Proposition 5b - *Family composition:* *Borrowers that have grown-up children will have higher performing businesses.*

2.2.5 KNOWLEDGE CORRIDORS

Bontis, Chua and Richardson (2000) did research on how intellectual capital – consisting of human capital, structural capital and customer capital – reflects on business performance. The results of their research showed that human capital has a positive relationship with business performance. According to Bontis (2001), human capital can be defined as the combined knowledge, skill, innovativeness and ability of the company's individual employees to meet the task at hand. Besides, it includes the company's values, culture and philosophy. In turn, Hudson (1993) defined human capital on an individual level as the combination of genetic inheritance, education, experience and attitudes about life and business. Both definitions make clear that education and experience are an important part of human capital. Seleim, Ashour and Bontis (2007) did a similar study but focused only on the relationship between human capital and business performance. They stated that individuals and businesses increasingly recognize that high levels of human capital are important to future success. In the following two sections, education and experience are separately linked to business performance.

Education

Psacharopoulos (1985) made a distinction between private and social return to education. Hereby, private return can be seen as the results arising from education on an individual level, whereas social return represents the results of education on a national level.

According to Psacharopoulos (1985) it can be stated that the more developed the region, the lower the social return to education. In other words, the higher the level of education in a region the lower the returns. Looking at a developing country, it can be stated that the social return to education is higher in comparison to a more developed country. This could be the reason why many governments of developing countries implement policies that increase educational attainment. Weber (1988) confirms the positive impact of education, he stated that education leads at a national level to cultural, political and social success. Lynn and Vanhanen (2002) confirm that cognitive abilities influence national wealth positively and according to King and Hill (1993) education is necessary to economic and social development.

Looking at an individual level, it can be stated that education increases the managerial ability, which is defined as the rate at which individuals are capable of acquiring and applying new knowledge. Managerial ability, in turn, increases the probability of entrepreneurship (Calvo & Wellisz, 1980). This makes clear that education increases entrepreneurship but it is not established that education leads to higher performance of an entrepreneurs' business. However, the following studies have found evidence that education positively affects business performance. Firstly, Thapa (2007) did research in Nepal and found that education strongly influenced successful entrepreneurship. Namely, the higher the entrepreneurs educational level the bigger the chances of success. Secondly, van der Sluis, van Praag and Vijverberg (2005) did a similar study and found a positive relationship between education and entrepreneurial performance. Thirdly, Storey (1994) showed the results of many studies and

concluded that the level of education of an entrepreneur is positively related to the growth of the firm. However, the benefits that women gain through education vary widely according to culture, level of development and region (Jejeebhoy, 1995).

Nevertheless, the evidence found is not conclusive and not all studies have found a positive relationship between education and business performance. Tan and Tay (1995) did research on the growth of Singaporean firms and the characteristics of owners. They found that the level of education of the owner is negatively related with growth. Stuart and Abetti (1990) even found that education beyond the bachelor degree is negatively related to performance. Lastly, Jo and Lee (1996) found that education is only positively related to profitability and not with growth.

So, the literature is not conclusive about the relationship between education and business performance. However, education provides an individual for analytic and technical skills which are in turn beneficial to the running of a business. Therefore, it was chosen to use the positive relationship in the proposition.

Proposition 6 - *Education: Borrowers that have a high degree of education will have higher performing businesses.*

Experience
According to Lee and Tsang (2001) entrepreneurial experience, in general, consists of three main elements; entrepreneurial, industrial and managerial experience. Entrepreneurial experience refers to "the number of previous new venture involvements and the level of the management role played in such ventures" (Stuart & Abetti, 1990: 151). Industrial experience is the total experience in the industry, which the business is in. Finally, managerial experience can be defined as the total experience in management, regardless of the industry and business (Lee & Tsang, 2001). The focus in the current study is on industrial experience. Namely, how many years of experience does the borrower has in the industry, which the business is in. This section briefly reviews the relation between experience of the borrower and business performance.

Researchers found mixed results on the relationship between experience and business performance and stated that experience can affect performance negatively as well as positively. For example, in the study of Stuart and Abetti (1990), entrepreneurial experience affected performance positively, whereas industrial experience had a negative influence on performance. Roure and Keeley (1990) confirmed this negative relationship. They found that industrial experience did not influence business performance. On the other hand, Jo and Lee (1996) found a positive relationship for industrial experience but a negative one for managerial experience.

However, most studies reported a solely positive relationship between experience and business performance. For instance, Duchesneau and Gartner (1990) reported a significant difference between successful and unsuccessful businesses regarding the breadth of managerial experience, which can be assigned to industrial and managerial experience. Subsequently, in a study conducted by van de Ven, Hudson and Schroeder (1984) the outcome indicated that industrial experience has some positive effects on performance. Furthermore, Kristiansen, Furoholt and Wahid (2003) indicated that the length of time the business is in operation is significantly related to business performance. Moreover, Bosma, van Praag, Thurik and de Wit (2002) stated that experience in the specific industry enhanced performance. Finally, according to Jo and Lee (1996) entrepreneurs who have experience will certainly have an advantage in comparison to entrepreneurs without any experience. This advantage is even greater in Ghana, because Ghana is a developing country, where there is often a lack of documentation and support services. Therefore, experience in Ghana will be an even more important factor to obtain business performance.

Proposition 7 - *Experience:* *Borrowers that have many years of experience in the industry, which the business is in, will have higher performing businesses.*

2.2.6   SOCIAL NETWORKS

Broadly defined a social network is a web of personal connections and relationships for the purpose of securing advantages in personal and/or organizational action (Granovetter, 1985; Zhou, Wu & Luo, 2007). In this way, a social network refers to social contacts or relations that are built upon mutual trust, for example people who an individual knows or who are known by people the individual knows (Greve & Salaff, 2003; Hitt, Lee & Yucel, 2002). The borrower uses her social network to manage her business. Namely, the borrower gets support, knowledge and access to distribution channels through her personal connections, in this way a social network creates value. The collective value of all relationships and the inclinations that arise from these social networks to do things for each other is called social capital (Putnam & Feldstein, 2003). This social capital is also successfully used by microcredit organizations. Namely, microcredit organizations use group lending and therefore peer pressure. In this way they have created payback rates that even banks in the developed world would envy (Londen & Hart, 2004).

Lee and Tsang (2001) indicated the importance of social networks. They stated that to become a successful entrepreneur, an entrepreneur needs to manage the internal operation of the firm as well as to establish external networks. Besides, Bosma et al. (2002) stated that membership of an association for small business entrepreneurs generates more promising businesses. Moreover, social networks are especially important in developing countries due to weak institutions. Namely, in countries characterized by ineffective or unstable institutions entrepreneurs rely more on personal connections and relationships (Peng & Luo, 2000). Therefore, social networks play an important role in enabling business transactions and increasing economic activity (Peng, 2003). In other words, social networks substitute for the weak institutions and provide stability to the undertaking business activities (De Clercq, Danis & Dakhli, 2010).

According to Bruton, Khavul and Chavez (2011) borrowers who create high performing businesses are skillful at managing relationships. These relationships include those within the borrowing groups as well as between the groups and the lenders. Surin and Wahab (2013) investigated the effect of the social network on business performance in Malaysia. They found that the social network had a positive effect on business performance. Sparrowe et al. (2001) did a similar study and found that the social network probably influenced the individual performance as well as enhanced the business performance.

Proposition 8 - *Social networks:* *Borrowers that are member of an association will have higher performing businesses.*

3. RESEARCH METHODS

This chapter of the paper will describe the methodology which is used for this study. The research methodology is the process towards acquiring a valid answer to the research question. To describe this process, the research design will be discussed. Subsequently, the data collection consisting of the research methods, the research sample and the research procedure will be described. Finally, attention will be paid to the way the data is analyzed.

3.1 RESEARCH DESIGN

To gain insight as to why only a small minority of borrowers, who take microloans in developing countries, are able to create high performing businesses, data is collected through case studies. As a research strategy, a case study can be defined as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context (Robson, 2002). Such a phenomenon might be individual people, social groups, organisations, institutions, events, relationships or countries. Benbasat, Goldstein and Mead (1987) argue that a case study examines a phenomenon in its natural setting, employing multiple methods of data collection to gather information from one or a few entities (people, groups, or organizations). This definition is, in comparison to Robson's (2002) definition, more extensive in the way that it adds the aspect of using multiple methods of data collection. Bonoma (1985) defined the case study strategy with a focus on business management. He argues that a case study is a description of a management situation. Besides these mentioned definitions there are many more, each with their own focus. This makes clear that there is no generally accepted definition of case study research. This is perhaps caused by the fact that case study research is a pluralistic research strategy which can be applied in many different ways. Namely, case study research can be carried out taking an interpretivist or a positivist research philosophy, subsequently it can take an inductive or a deductive research approach and qualitative or quantitative methods (Cavaye, 1996).

The current study uses a case study research strategy with multiple methods of qualitative data collection. Qualitative data collection is chosen because it goes beyond the measurement of observable behaviour. It is not just looking for what people are doing, in a behavioural sense (the "what" question), but it seeks to understand the meaning underlying the activity (the "how" and "why" question) (Buckley and Chapman, 1996). Yeung (1995) confirms this, he states that qualitative data gives the researcher a more realistic feeling of the world that cannot be experienced in cold statistics. Therefore, qualitative data can benefit of rich data and allow the researcher to acquire more meaningful results (Marschan-Piekkari & Welch, 2004). Besides, qualitative data collection is chosen because it suits the particular location in which the study is conducted. According to Marschan-Piekkari and Welch (2004) qualitative research may be preferable in developing countries because in those cultures the emphasis is on the development of social, face-to-face relations and trust. Furthermore, respondents from these countries may be unfamiliar with surveys and secondary data required from random samples may be lacking. Therefore researchers in cross-cultural contexts have to focus on naive listening (Harari & Beaty, 1990).

As stated in the introduction, the purpose of this study is to explore why some borrowers create high performing businesses while others fail and, in turn, create low performing businesses. This study included low performing borrowers to avoid success bias. Besides, low performing borrowers are included to explore patterns and differences between high and low performing borrowers. Moreover, the added low performing borrowers can be seen as a strength of this study because it is a challenge to find and convince them to participate. The purpose makes clear that this study has an exploratory aim as it attempts to develop an in-depth understanding of a specific phenomenon (Babbie, 2013).

The research philosophy used in this research is an interplay between the positivist and the interpretivist research philosophy. Positivism is commonly characterised by a deductive research approach which works from more general to more specific information. On the other hand, interpretivism is characterised by an inductive research approach which works from specific observations to broader theories (Cavaye, 1996). Consequently, the researcher does enter the real life context with a priori constructs[2], at the same time the researcher allows constructs to emerge while she is in the field learning about and trying to understand the particular phenomenon. In this way the conceptual framework is capable of conveying other interesting variables which might have influence on the business performance of the borrower. Jarrahi and Sawyer (2009) advocated in their study for a more proactive interplay between the positivist and interpretivist research philosophy. As such interplay will allow researchers in both traditions the possibility of reaping benefits by drawing findings from studies conducted under one research philosophy into the conceptual frameworks of another.

3.2   DATA COLLECTION

The previous section explained which research philosophy and research approach is used and why qualitative methods are chosen. The following step is the data collection. As said before, the present study uses a case study research strategy with multiple methods of qualitative data collection. In this section the multiple methods will be explained. Thereafter, the research sample and the research procedure will be discussed.

3.2.1   RESEARCH METHODS

The multiple methods used in the case studies consist of primary data consisting of interviews and observations, and secondary data consisting of documents. In this way the opportunity was created to explore in depth information about concepts which might have an influence on the degree of business performance of the borrower who takes a microloan. This study used a two step data collection design. In the first step documents were studied, observations were made and informal conversational interviews took place. Subsequently, documents, observations and informal conversational interviews continued and standardized open-ended interviews were conducted with microloan borrowers of high and low performing businesses. The data, which arose from the first step, was used in the standardized open-ended interviews to gather more detailed views on concepts which create these high and low performing businesses.

Documents
The documents included websites and printed documents – for example evaluation reports, financial policy manuals and business plans – received from UMO staff. These documents provided valuable information about the group and individual loans, the borrowers as well as general information about the way UMO works. Through document analysis it is possible to gather information which may not be obtainable by other means, simply because activities took place before the research started or the evaluator did not participate in a specific activity.

Observations
Participant observations took place during the entire fieldwork period between September and December 2013 in and around Bolgatanga in the Upper East region in Ghana. Participant observation is a method whereby an observer takes part in the common and uncommon activities, rituals, interactions and events of the people being studied (de Walt & de Walt, 2002). This method is used to receive in depth information about the way microloan borrowers think and act as well as gathering general information about UMO activities and processes.

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[2] A priori means predetermined. A priori constructs are derived by conceptual reasoning without an explicit model manipulation, experiment, or empirical analysis (Kaplan, 1986).

Interviews
Subsequently, this study made use of two types of interviews. Namely, informal conversational interviews which were gathered during the participant observation and standardized open-ended interviews which were conducted after the participant observation started. According to Gall, Gall and Borg (2003: 239) informal conversational interview means "spontaneous generation of questions in a natural interaction, typically one that occurs as part of ongoing participant observation fieldwork." This type of data collection will provide originality in the type of questions, because the questions come from "in the moment experiences". Many criticize this type of interview because of the lack of structure (Turner, 2010). Therefore this study also used standardized open-ended interviews. This means that the type of questions are structured in terms of the wording. All participants will answer identical questions, but the questions are worded so that responses are open-ended (Gall, Gall & Borg, 2003).

An interview containing eight themes was designed for borrowers who get a microloan from UMO. All variables in this study were measured with this standardized open-ended interview. The type and amount of questions as well as an example of a question of each variable are described below (see Appendix A for the full interview).

Future orientation
To investigate whether future orientation has an impact on the business performance of a borrower, three items, respectively create a vision, discuss the terms of the loans and understand the risk and reward trade-offs, were inserted by means of ten open questions in the interview. An example of an open question is "What is your vision for the future?".

Discretion in decision making
To measure discretion in decision making, three items were constructed. Namely, 1) women manage and invest their own money, 2) women are not helped by their men and 3) common that husbands let their wives use the business money. These items were measured by means of seven open questions. An example of such a question is "The money you have earned, who managed it?".

Demographics
The demographic variables marital status, age, number of children and average age of children were measured with four open questions. Two examples of questions are "What is your marital status?" and "What is your date of birth?".

Education
To examine whether or not the degree of educational level had an influence on the performance of a business, three open question were added in the interview. An example of a question is "What is your highest educational level?".

Experience
To measure the experience of the borrower, the following open question was used "What experience do you have in the field of this business?". This question helped to examine the influence of experience on the business performance of the borrower.

Social network
To investigate whether membership to an association will lead to higher performing businesses of borrowers in and around Bolgatanga, the following open question was inserted in the interview, "What associations do you belong to that are related to your business?".

Summarized, this study used informal conversational interviews during the whole fieldwork period to provide more general information about concepts which might have an influence on the degree of

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business performance. Subsequently, this study used standardized open-ended interviews to gather more in depth information about these concepts.

3.2.2 RESEARCH SAMPLE

Looking back at the mentioned case study definitions, it makes clear that the research phenomenon is an important aspect of the definitions. Closely related to the research phenomenon is the research sample. The sample in this study consists of twenty borrowers in the region of Bolgatanga, located in Northern Ghana, who get a microloan from UMO and create high as well as low performing businesses. This sample is created by using stratified sampling, which is extremely useful in comparing groups. Stratified sampling divides the population into separate groups, called strata, and then selects a simple random sample from each stratum, in this research the low and high performing businesses. In turn, stratified sampling is part of probability sampling, which means that each possible sample in the study has the same probability of selection (Agresti & Finlay, 2008).

The sample for this study was obtained in collaboration with UMO. UMO, established in 1993, is a non-political, non-religious, non-ethnic and non-governmental women's membership organization which operates in the three Northern regions of Ghana (Northern, Upper East and Upper West). UMO provides 328 groups with microloans, comprising 210 groups in the Northern region, 53 in the Upper East region and 65 in the Upper West region. Each group consist of five to 25 women and is formed through self initiation. In this way, members of the group know each other well and are of the same socio-economic level. The amount of the microloan that members can take is dependent on their personal requirements, abilities and the type of activity that they seek financing for. UMO offers four types of loan products: agro processing, grain banking, trading and individual loans, each with their own duration, interest rate, amount and grace period.

Developing countries, like Ghana, are especially interesting to study because the majority of businesses in such countries consist of micro businesses (Chu, Benzing and McGee, 2006), which is the topic of this study. Subsequently, Ghana is useful to study because the microcredit sector in Ghana is one of the most vibrant of whole Africa (Stimpfle, et al., 2011). Furthermore, due to British colonial rule the official language is English, therefore educated people were able to speak English, which facilitates doing research.

The twenty businesses, which were selected by stratified sampling, were classified on the basis of the three conditions, change in employees, change in sales and credit history, which are set for business performance in this study. The first two conditions, change in employees and change in sales, were measured with the standardized open-ended interview. The third condition, credit history, was measured with documents received from UMO staff. Due to the small sample size of this study few borrowers met all three conditions. Therefore, it was chosen to add the borrowers who met two out of the three conditions, which is also a majority of the conditions, to the high performing borrower group. In this way, the sample was divided into two groups, microloan borrowers who create high performing businesses and microloan borrowers who create low performing businesses, wherein each group consist of ten borrowers. Table 2 shows an overview of the number of conditions that are met related to the number of borrowers.

Table 2: Overview of borrower groups

	# of conditions that are met	# of borrowers
High performing borrowers	3 out of 3	5 (1-3-5-6-10)
	2 out of 3	5 (2-4-7-8-9)
Low performing borrowers	1 out of 3	4 (13-16-17-19)
	0 out of 3	6 (11-12-14-15-18-20)

Of these twenty borrowers, 17 women were married (85%), one was single (5%), one was widower (5%) and one woman was divorced (5%). Besides, all borrowers were between the ages of 25 and 55 (M = 39.45, SD = 8.04). Furthermore, all women had children wherein the number of children varied between one and six (M = 3.40, SD = 1.14) and the average age of these children ranged between the ages of 6 and 25 (M = 14.03, SD = 6.39). Finally, three borrowers listed that they had no education (15%), six borrowers listed primary school as their highest education (30%), six junior high school (30%), two secondary school (10%), one technical school (5%), and two women listed university (10%). More detailed information about these twenty borrowers are presented in Table 4.

3.2.3 RESEARCH PROCEDURE

The data for this study was obtained in collaboration with UMO between September and December 2013 in Bolgatanga, located in Northern Ghana. All interviews were recorded in full to maintain accurate accounts of information given. The interviews are conducted face-to-face and started with some general information about this study, wherein it was emphasized that there were no incorrect or correct answers. Subsequently, questions were asked about the demographic characteristics of the women, followed by questions derived from the theoretical framework. At the end of the interview, all women were given the opportunity to ask study related as well as general questions. Thereafter, the women were thanked for their participation. During the interviews memo's were made and immediately after each interview the recordings have been transcribed. Finally, it should be noticed that not all women spoke English, so it was necessary to use an interpreter.

3.3 DATA ANALYSIS

3.3.1 OBSERVATIONS AND DOCUMENTS

During the whole fieldwork period between September and December 2013 documents were received from UMO staff. At the same time a daily diary was kept to write down all relevant observations made regarding high and low performing borrowers. These observations consist for example of the way in which agreements are complied or if someone is able to speak English next to their local language or just the way in which people react on UMO staff, clients or borrower groups. Besides the documents, the daily diary was used to compose the interviews more specific. Subsequently, the daily diary is used to reinforce the answers of the interviews.

3.3.2 INTERVIEWS

The data analysis started with transcribing the interviews. All interviews were conducted face-to-face and were recorded in full. The transcripts were made directly after each interview, when it was still fresh in mind. The memo's that were made during the interviews have helped transcribing the interviews. The next stage of analysis involved open coding. This means that the transcribed interviews were carefully read and relevant words and phrases which were meaningful to the study were identified (Strauss & Corbin, 1990). Subsequently, the relevant words and phrases were categorized and labelled by using the six point Likert scale. Preference for an equal Likert scale, one in which the neutral mid-point is removed, can be explained by the fact that data is gathered using interviews which makes it possible to ask and end it by a positive or negative response. In addition, the variety in answers was decisive in the choice of the six point Likert scale instead of the four point Likert scale.

Factor and reliability analysis
The data analysis is followed by a factor and reliability analysis. The factor analysis is an important aspect of the data analysis and is used to determine the convergent and discriminant validity of groups of items. Validity refers to whether an instrument measures what it was intended to measure (Agresti & Finlay, 2008). On the other hand, reliability is concerned with the replicability and consistency of findings, and refers to; "the degree to which other researchers performing similar

observations in the field and analysis such as reading field notes transcribed from narrative data would generate similar interpretations and results (Thyer, 2010: 356)." To improve the consistency and the reliability of this study a second coder, a study colleague, is added which means that several parts of the transcripts were code by two researchers who work independently of one another.

In this study, future orientation and discretion in decision making, both consisted of three items (see Table 3). Understand the risk and reward trade-offs of the loans, discuss the terms of the loans and create a vision form together future orientation. Discretion in decision making is formed by women manage and invest their own money, women are not helped by their men and in general, husbands let their wives use the business money. First of all, it should be noted that the item women manage and invest their own money had zero variance, therefore this item was eliminated for further analysis.

The results of the factor analysis showed that four items loaded on one component. Namely, the three items of future orientation (all loadings > .806) and the item "women are not helped by their men" (loading -.669). The item "women are not helped by their men" was eliminated, because -.669 is lower than the minimum loading of .75. Together, the three items explained 54.519% of the variance. The items of discretion in decision making did not load on one component, as just said "women are not helped by their men" loaded on the first component. Therefore, only one item loaded on the second component (loading >.944). Consequently, this will be the only measure for discretion in decision making.

Table 3: Variables, items and their reliability

Variables	Items	Cornbach's alpha (α)
Future orientation	Understand the risk and reward trade-offs of the loans Discuss the terms of the loans Create a vision	0,805
Discretion in decision making	Women manage and invest their own money* Women are not helped by their men** In general, husbands let their wives use the business money	***

* This item had zero variance, therefore it was eliminated for further analysis
** This item had a loading of -.669, which is <.750. Therefore it was eliminated for further analysis
*** Only one item loaded on Discretion in decision making. Consequently, the α could not be calculated

Based on these findings, a reliability analysis was conducted (three items; α = .805). Subsequently, the three items were reduced to one variable called "future orientation". Finally, a correlation matrix and a multiple regression analysis was conducted to test the propositions as explained in chapter 2 and outlined in the conceptual framework (see Figure 1). Since all borrowers possess the independent variables, it was chosen to enter all independent variables at once in the multiple regression analysis. The results derived from this analysis are presented in chapter 4.

4.   RESULTS

The previous section explained the methodology used for this study. This section will firstly present the qualitative results consisting of five specific findings emerged from the fieldwork, followed by a comparison of these findings between high and low performing borrowers. Subsequently, these findings will be linked to the literature framework. Secondly, quantitative results will be presented. Finally, the propositions, derived from the theoretical framework, will be confirmed, refined or discarded. Overall, the primary purpose of this study is to explore why some borrowers create high performing businesses while others fail and, in turn, create low performing businesses.

4.1   QUALITATIVE UNDERSTANDING OF HIGH PERFORMING BORROWERS

4.1.1   SPECIFIC FINDINGS

Five specific findings emerged from the qualitative case study research. The first insight is that borrowers who create high performing businesses had demonstrated a notable determination and perseverance. High performing borrowers have an alert, prepared and proactive attitude, whereas low performing borrowers appear not to. The second finding is that high performing borrowers demonstrated future orientation. Borrowers who create high performing businesses understand the risk that microloans present, have a clear vision and clear ideas to achieve this vision. This in contrast to borrowers who create low performing businesses. The third finding is that borrowers of high performing businesses were helped by their husbands, decided themselves about the business money and they think this is common for all women who get a microcredit. The fourth finding is that borrowers who create high performing businesses had a higher level of education and were literate and able to speak English fluently at the same time. The fifth finding is that borrowers running high performing businesses have a different family composition in comparison to borrowers running low performing businesses. Borrowers who create high performing businesses have grown up children. The next section will discuss these five findings in detail.

Determination and perseverance

Notes, obtained by the daily diary, showed that borrowers of high performing businesses were more willing to participate in the interviews. Moreover, high performing borrowers had, in general, a proactive attitude. Namely, they told a lot about themselves and their businesses before any questions were asked. Besides, this proactive attitude was visible during the meetings with borrower groups. Borrowers of high performing borrower groups keep, despite the fact that they know 'African time', appointments. Additionally, several high performing borrower groups keep their own records next to the records of UMO.

In interviews, borrowers described that certain people do not want to work for somebody. As borrower 3 noted:

> *Borrower 3:* In this village when you tell somebody to come and help you, they will not come. That is how they are. They feel that they are to big to come and work under somebody, so they will not come. When I was in Bolga, people even come from Bongo to come and help me, but this village they do not want… That is the nature of this village, they do not like helping somebody.

Besides, borrowers indicated that to achieve their vision determination is needed. Consider the following examples:

> *Borrower 3:* I am looking at UMO and at my own. UMO help me to achieve that and my intension for doing it…. You know determination, if you determine to do something. It is determination and the loan that can help you.

> *Borrower 13:* By hard working and prayers. Do not give up till the bones are rotting.

Moreover, several Ghanaians indicated, during informal conversational interviews, that the poverty of the country has to do with the culture and mentality of themselves.

Future orientation

In this research, borrowers who create high performing businesses had, in general, a better understanding of the risk that microloans present in comparison to low performing borrowers. Consider the following example:

> *Borrower 10:* …. and I wanted to be selling the materials but my place is too small and I have a lot of girls here. I can not be selling the materials while they are doing the work. I need to get a different shop where I can go and buy them and come and put them, get someone there to be selling then I also be here and be doing, then any time I want to do I rather buy from my own shop….. I do not take loan to open the shop but rather try to use the little I have been getting here to finish the shop. When I finish everything I can go in for a bigger loan and get my materials.

This shows that she is aware of the fact that if she takes a loan, she has to repay it within a given period. Therefore, she will invest her future loan in materials instead of finishing the shop which will not immediately lead to profit. On the other hand, borrowers who create low performing businesses were not understanding the risk that microloans present.

> *Borrower 14:* I wanted the loan to do my business and pay the children school fees.

In a similar conversation with borrower 16.

> *Borrower 16:* I used the loan for this place and the time I took the loan my son went to school, so I used the loan to pay the school fees.

Borrower 10 has, besides her awareness of the risk, a clear vision of what she wants to achieve in the future. Namely, to open another shop where she can put and sell the materials. Another borrower with a clear vision is borrower 5:

> *Borrower 5:* You know about five years time.. you know we built this shop. I pray God that next five years I can buy a container. I want a container to put a fridge there. You know I am getting old in ten years and then I have to sit one place. Then I sit and sell rice, beans, millet and corn inside the container.

This in contrast to low performing borrowers. An example is borrower 17 who made no well thought future plans for her business.

> *Borrower 17:* I want to see my business grow big.
>
> *Interviewer:* Grow big in what way?
>
> *Borrower 17:* … I want to sell all things, bags and hairdresser things.
>
> *Interviewer:* and how do you want to achieve that?
>
> *Borrower 17:* I am now making my plans.

Moreover, high performing borrowers adhere more firmly to one vision and made small plans towards this vision. Consider Borrower 2 who made concrete plans.

> *Borrower 2:* I want to put shelves inside my shop, so I can stock more goods inside.

In stark relief, low performing borrowers were more lost in their vision and often moved on multiple paths simultaneously. Consider borrower 11, she was a hairdresser but is now selling fried yam and plantain for two months. Her vision is to have a saloon but she used her loan for selling firewood. This shows that she is not focussing on one vision but instead on three different businesses.

Looking at the ideas borrowers have to achieve this vision, it can be stated that high performing borrowers gave less different answers. Of the high performing borrowers (*n* = 10), five indicated to achieve the vision by doing susu, which means small savings. Four high performing borrowers want to achieve the vision by getting a bigger loan, whereas one borrower indicated a combination of a bigger loan and determination. On the other hand, the borrowers who create low performing businesses gave more different answers. Respectively, five indicated susu, two a bigger loan, one determination and two have no idea of how to achieve their vision.

Another way to create future orientation has to do with the ability to clearly discuss the terms of the loans. High performing borrowers were, relative to low performing borrowers, better able to discuss the terms of their loans.

Some examples from the interviews:

> *Interviewer:* Do you know how much interest you pay with each payment?

> *Borrower 2:* Yes I pay GHC 236.00, it's 18%.

In a similar conversation with borrower 3:

> *Interviewer:* What is the term of your loan, for how many months?

> *Borrower 3:* Eleven months, that is one year. It is twelve months, I will rest for one month and pay back in eleven months. The last time I took the loan it was 17th and the 17th I paid GHC 209. That is 2 million 90 thousand every month for the eleven months.

> *Interviewer:* And do you understand what interest is?

> *Borrower 3:* The interest is what you add on top of the loan.. on top of the capital. The capital I have taking when I work, I will add and pay back the loan.

In contrast, low performing borrowers were most of the time not able to discuss their loans.

> *Interviewer:* What is the term of your loan?

> *Borrower 15:* The loan is for six months.

> *Interviewer:* and when do you finish paying?

> *Borrower 15:* This is my third month.. oh no, it is my fourth month.. or third. I do not remember.

> *Interviewer:* Do you know how much interest you pay with each payment?

> *Borrower 15:* …. I do not remember.

And in conversation with borrower 17:

> *Interviewer:* Do you understand what interest is?

> *Borrower 17:* Interest is maybe… an increase..? Increase, or is it not like that…

Discretion in decision making
In this study, borrowers running high as well as low performing businesses managed their own business money and decided themselves, without influence of their husbands, about the business money. Consider the following examples:

> *Interviewer:* The money you have earned, who managed it?

Borrower 2: I manage my money myself. My husband has money and I also have my money, so he does not interfere in my money.

Borrower 5: Me, myself. How can you give your money to somebody to take care of it? I know how to keep my money.

Borrower 14: My husband has his own business, so he does not enter in my business.

Subsequently:

Interviewer: Could you decide where to invest to?

Borrower 5: I can decide everything. Me, myself will do my business and I will not ask anybody.

Borrower 13: I decided, if it is good my husband will support me.

Considering the mentioned examples, it is remarkably that borrowers of high and low performing businesses answered contradictory on the question whether borrowers think it is common that husbands let their wives use the business money. Generally, high performing borrowers indicated that it is common. Some examples:

Interviewer: Do you think it is common that husbands let their wives use the business money?

Borrower 5: Yes. Men do not help the women, especially in Bolga here. If you are waiting for your husband to help you, you will fall down because the men go outside and drink and can not come and talk something good for you. You are a women, you have to put your eyes in your business so that God will help you.

Borrower 10: Most of the men do not work, most of them do not do anything. So it is the women who are trying hard to do all things. So they can not really care how you get your money or what business you do.

Only borrower 3 is an exception, she answered that it is not common.

Borrower 3: It is not common, other people monitored their wives. If they go for a loan, they feel that the loan belongs to them. My husband is not like that.

Low performing borrowers indicated, in contrast to high performing borrowers, that it is not common.

Borrower 13: Oooh it is not common because I have a lot of women who come and cry here and you do not even know what to say because my husband is not that type. If women do not have work, they do not have money to feed their children and that is were the problem starts. So I see that it is not common, a lot of women are working and complain about their husband. But my husband is helping so that is why I do not pray to be a widower. Sometimes my husband is calling that he will come home and that his car is empty and asked what I need and if I mentioned some things he will buy and bring them.

Borrower 19: It does not happen to me but sometimes it happens, some people say my business is collapsed because my husband collected my money to do this and that. I have heard such stories.

During informal conversational interviews, one of the group members of borrower 18 indicated, although borrower 18 said in the interview that it is common, that borrower 18 gave the money of the loan to her husband.

Furthermore, it is worth mentioning that high performing borrowers declared that it is common that husbands let their wives use the business money, but at the same time the high performing borrowers are the ones who were helped by their men. Consider the following conversations:

Interviewer: Does your husband help you with the business?

> *Borrower 1:* He helps me. When I am going to some place, he come and sit down and watching the place.

> *Borrower 9:* He is helping, because when I go to Kumasi he will sell. And when I want to buy something and I do not have enough money, I collect money from him and add.

> *Borrower 10:* Yes he does help. For now what he is doing is the store I am talking about. He cannot be given money all the time to buy the material and work for people. But what he is doing, he is trying to help me to put up a store at the market so that after that, then he can help me. If I get the loan, he will help me. It was his idea. When I finish the shop I apply for a new loan.

Education

In this study, borrowers who create high performing businesses had a higher level of education and were at the same time literate and able to speak English fluently. In the interviews, borrowers indicated their educational level and literacy. Besides, observations indicated whether they were able to speak English fluently.

Family composition

In the interviews borrowers declared that children are an important factor that influences the business performance, namely:

> *Borrower 2:* I feel limited in my business in the sense that I have to pay the children's school fees, all of them. Sometimes the money can not be there. This makes me limited in expanding my business, because now the students are many. Soon some will complete and my expenses will reduce. So I will left more money to achieve my vision.

> *Borrower 15:* That what influence my business performance is the loan so the money and thereby the fact that I have five dependents, my children, this also reduces my capital. Because if it was only one child the responsibilities would not have been much but I have five little children and this make my business money not to grow.

Both, borrower 2 and 15, explained that the children influence the money. Moreover borrower 2 indicated that her expenses will reduce when her children complete school. This indicates that the business performance is dependent on the age of the children. Observations confirm this, interviews with borrower 11 and 13, who are running low performing businesses, were recorded while their children constantly demanded attention. Which resulted in constant interruptions in the interviews.

4.1.2 COMPARISON OF HIGH AND LOW PERFORMING BORROWERS

Five findings emerged from the qualitative case study research. However, are borrowers who created high and low performing businesses really contradictory given these findings? The following section will make a comparison between high and low performing businesses. Table 4 gives an overview of the interview results related to the borrowers and can be used as clarification. Besides, the case comparison of Table 4 shows that none of the descriptions occur every time to get business performance. This means that none of these conditions is necessary for the occurrence of the dependent variable, business performance.

Determination and perseverance

Information, obtained by the daily diary and the interviews, indicated that the majority of borrowers said nothing about the subject determination and perseverance. However, the borrowers and other Ghanaians who mentioned the subject emphasized that this is a real problem.

Future orientation

As described above, high performing borrowers had a better understanding of the risk that microloans present in comparison to low performing borrowers. Data gathered during the interviews showed that seven of the high performing borrowers ($n = 10$) compared to one of the low performing

borrowers (n = 10) understand the risk that microloans present. Consequently, three high performing borrowers compared to nine low performing borrowers did not understand the risk that microloans present.

Furthermore, borrowers who create high performing businesses adhere more firmly to one vision and have clear ideas to achieve this vision in comparison to borrowers who create low performing businesses. However, are high and low performing borrowers really contradictory given their vision? Table 4 shows that seven high performing borrowers (n = 10) have a clear vision compared to three low performing borrowers (n = 10).

Another way to create future orientation, which is also described above, has to do with the awareness of interest rates and the ability to clearly discuss the terms of the loans. High performing borrowers were relative to the low performing borrowers more aware of the interest rate and the last repayment. Namely, as Table 4 shows four of the high performing borrowers (n = 10) compared to one of the low performing borrowers (n = 10) were aware of the interest rate. Subsequently, nine of the high performing borrowers and three of the low performing borrowers were aware of the last repayment. Moreover high performing borrowers had a better understanding of the meaning of interest. Namely, six of the high performing borrowers compared to four of the low performing borrowers.

Discretion in decision making
Answers, obtained by the standardized open-ended interviews, indicated that borrowers running high performing businesses as well as borrowers running low performing businesses manage their own business money and decide themselves about their investments. Considering this, it is remarkable that borrowers answered contradictory on the question whether borrowers think it is common that husbands let their wives use the business money. Namely, of the high performing borrowers (n = 10) seven answered that it is common, compared to three of the low performing borrowers (n = 10). Subsequently, two of the high performing borrowers answered that it is not common, compared to six of the low performing borrowers. One borrower from both groups, high as well as low performing borrowers, suggested that they have no idea.

On the question whether borrowers were helped by their men, borrowers answered contradictory. Of all high performing borrowers (n = 10), nine out of ten is helped by their husbands with their business. In comparison to five out of ten by low performing borrowers.

Education
Looking at the level of education of the borrowers who were interviewed, it can be stated that the average level of education of borrowers running a high performing business is 2.3 (SD = 1.889), compared to an average educational level of 1.5 (SD = 0.850) of borrowers running a low performing business. The classification is as follows, "no education" is valued as 0, "primary school" as 1, "junior high school" as 2, "secondary school" as 3, "technical school" as 4, and finally "university" as 5. The highest level of education is university for the high performing borrowers compared to secondary school for the low performing borrowers. Both groups consist of some borrowers that did not have any education (see Table 4).

Another determinant of the educational level is whether borrowers were able to speak English. Observations, gathered during the interviews, showed that eight out of ten of the high performing borrowers spoke English during the interviews compared to four out of ten of the low performing borrowers.

Also whether borrowers were able to read and write is an important determinant of educational level. Of the borrowers who create high performing businesses seven out of ten are literate compared to four out of ten of the borrowers who create low performing businesses.

Summarized, the results show that borrowers running high performing businesses have, in general, a higher degree of education, a higher English speaking rate and a higher literacy rate in comparison to borrowers running low performing businesses.

Family composition
Descriptive statistics showed that the ages of children of high performing borrowers ranged from 3 to 35 years, compared to 0 to 22 years for low performing borrowers. Besides, the average age of children of high performing borrowers (M = 18.15, SD = 5.50) is higher in comparison to low performing borrowers (M = 9.91, SD = 4.259).

Table 4: Case descriptions

	Future orientation						**Discretion in decision making ****								
Borrower	**Business performance***	**Understand the risk and reward trade-offs**	**Clear vision**	**Aware of interest rate**	**Aware of the last repayment**	**Aware of the meaning of interest**	**Borrowers are helped by their men**	**In general, husbands let their wives use the business money**	**Marital status *****	**Age in years**	**Number of children**	**Average age of children in years**	**Level of education********	**Experience in years**	**Membership to an association**
1	3	-	-	-	+	-	+	+	m	55	4	25	Secondary school (e/rw)	15	-
2	2	+	+	+	+	-	-	-	m	40	6	16	No education	6	-
3	3	+	+	-	+	+	+	-	m	51	5	24	University (e/rw)	26	-
4	2	+	+	+	+	+	+	+	m	35	2	13	Primary school (e/rw)	10	+
5	3	-	+	-	-	+	+	+	s	41	3	22	Junior high school (e/rw)	20	-
6	3	+	-	+	+	+	+	+	m	44	4	19	University (e/rw)	7	-
7	2	+	+	-	+	-	+	+	m	48	4	21	Technical school (e/rw)	6	-
8	2	+	-	-	+	-	+	?	w	48	3	16	Junior high school (e/rw)	10	+
9	2	-	+	-	+	+	+	+	m	33	3	20	No education	10	-
10	3	+	+	+	+	+	+	+	m	38	1	7	Primary school (e)	15	+
11	0	+	+	-	-	-	+	-	m	30	4	10	Primary school	0	+
12	0	-	-	-	-	+	-	+	d	34	2	6	Junior high school (e/rw)	13	+
13	1	-	+	+	+	+	+	-	m	39	4	7	Secondary school (e/rw)	9	-
14	0	-	-	-	-	+	+	-	m	43	3	17	Primary school	0	-
15	0	-	-	-	-	-	-	-	m	25	4	6	Primary school	8	-
16	1	-	-	-	+	-	-	+	m	43	2	14	Junior high school (e/rw)	3	-
17	1	-	-	-	-	-	+	-	m	41	4	15	Junior high school (e/rw)	25	+
18	0	-	-	-	-	-	-	+	m	25	3	6	No education	0	-
19	1	-	+	-	+	+	+	-	m	43	4	12	Junior high school	16	+
20	0	-	-	-	-	-	-	?	m	35	3	8	Primary school	8	-

* Indicates number of conditions, which are set for business performance in this study, that are met

** All borrowers indicated that they manage and invest their own money, therefore this question is excluded

*** m/s/w/d indicate whether the borrower is married, single, widower or divorced

**** e/rw indicate whether the borrower speak English and can read and write

Note Borrower 1-10 are borrowers who create high performing businesses, borrower 11-20 are borrowers who create low performing businesses

Note The + sign indicates the borrower responded positive to the variable. The - sign stands for a negative response to the variable. The ? sign indicates that the borrower had no idea.

4.1.3   COMPARISON BETWEEN FINDINGS AND THEORY

Determination and perseverance
Because the construct, determination and perseverance, emerged during the fieldwork period no attention was paid to this construct in the literature framework. Therefore, this construct will be explained briefly.

Until business performance is achieved, borrowers bear numerous obstacles, including unknown competitive rivals, disappointing sales and personal and financial liabilities due to illness in the family and repayment of loans. Since entrepreneurs encounter numerous obstacles, the ability to withstand and quickly overcome these obstacles is an important personal advantage (Markman & Baron, 2003). Research indicates that under challenging circumstances, entrepreneurs high in perseverance perform more adeptly, whereas entrepreneurs who fail to persevere perform inadequately (Bandura, 1997). Besides, Crane and Sohl (2004), who did qualitative research on entrepreneurs who started successful businesses, found that determination is very important to the success of the business.

Future orientation
In support with the findings of Bruton, Khavul and Chavez (2011), high performing borrowers had a better understanding of the risk and reward trade-offs that microloans present in comparison to low performing borrowers. Furthermore, high performing borrowers adhere more firmly to one vision and made small plans towards this vision, compared to low performing borrowers who were more lost in their vision. Moreover, high performing borrowers were more aware of the interest rate and were better able to discuss the terms of the loans.

Discretion in decision making
The results showed here are contradictory to the findings of Akpalu, Alnaa and Aglobitse (2012) who stated that borrowers with men-influence were less efficient in comparison to businesses that were independently managed by women. Namely, according to the results shown here, borrowers who create high performing businesses are more helped by their husbands in comparison to borrowers who create low performing businesses. Consequently, these findings are also contradictory to the study of Bruton, Khavul and Chavez (2011) who stated that married women with high performing businesses kept business separate from the influences of their men and families.

On the other hand, the results are equal to the findings of Chalfin (2000) who found that many men in Northern Ghana assist their wives with the overall management of their businesses but do not appropriate the credit. Namely, as just mentioned, borrowers were helped by their men. Moreover, all borrowers indicated that they manage and invest their own business money.

Education
Results showed that borrowers who create high performing businesses have a higher degree of education in comparison to borrowers who create low performing businesses. Looking back at the theoretical framework, it can be stated that these results are equal to the studies of Thapa (2007), van der Sluis, van Praag and Vijverberg (2005) and Storey (1994). Automatically, the results do not meet the findings of Tan and Tay (1994), who stated that the level of education is negatively related with growth.

Family composition
The results are equal to the findings of Lerner, Brush and Hisrich (1997) who found that the age of the entrepreneur's children influenced the performance of a business positively. Namely, the average age of children of borrowers who create high performing businesses is higher in comparison to the average age of children of borrowers who create low performing businesses.

4.1.4 MORE DIFFERENCES

Contradictions between the high and low performing borrowers emerged from the daily diary, documents and the interviews. By means of a first insight, five specific findings emerged. However, besides these five findings other results will be presented in the following section.

Experience

Descriptive statistics showed that the average years of experience of high performing borrowers in this study was 12.5 (*SD* = 6.536), whereas the average years of experience of low performing borrowers was 8.2 (*SD* = 8.135). The minimum years of experience of high performing borrowers was six years up to a maximum of 26 years. Looking at the low performing borrowers the minimum was zero years up to a maximum of 25 years.

Marital status

The descriptive statistics of the variable marital status stated that seventeen high and low performing borrowers were married. Respectively, eight high performing borrowers were married, one was widower while the other one was single. This single borrower was 41 years old, had three children and a boyfriend, but due to family composition she is not married. Nevertheless, she lived as a married woman. She explained:

> *Borrower 5:* No I am single, a single mother. Due to the fact that I have only sisters I'm not married and still living at my parents' house…. I do not have a husband..

Of the low performing borrowers, nine were married, the other one was divorced.

Age

Descriptive statistics of borrowers who were interviewed, showed that high performing borrowers had, on average, higher ages in comparison to low performing borrowers. Respectively 43.3 (*SD* = 7.15) and 35.6 (*SD* = 7.23). The ages of high performing borrowers ranged from 33 to 55 years, whereas the ages of low performing borrowers ranged from 25 to 43.

Family composition

Family composition refers, in this research, to the number of children and the ages of these children. The ages of the children are already mentioned in the previous section. In the average number of children of the borrowers was a small difference between high (*M* = 3.50, *SD* = 1.434) and low (*M* = 3.30, *SD* = 0.823) performing borrowers. High performing borrowers had a minimum of one child and a maximum of six children. In turn, low performing borrowers had a minimum of two and a maximum of four children.

Social network

Overall, three of the high and four of the low performing borrowers belong to an association related to their business, such as the market women association, the weavers association and the Ghana hairdressers and beauticians association. Borrower 1 and 14, who sell respectively furniture and alcoholic drinks, explained why they are not a member of an association related to their businesses.

> *Borrower 1:* No, no, no I do not want to join them. I'm a woman and they are men.

> *Borrower 14:* There is an association, my mother was there but since my mother died I did not go there to register my name.

On the other hand, some borrowers in this study were obliged to be a member of a business association. For example hairdressers are obliged to be a member of GHABA.

Besides membership to an association, this research looked at the number of suppliers borrowers have. Most of the borrowers have few suppliers, but this is mainly dependent on the type of business. Borrower 13, who sells provisions, bags and sandals, explained:

> *Borrower 13:* The rice place is just one place, you go and buy because some people fake the rice. They can take this rice and put it in another bag so if you take it there, you know that you took it there. So if it is no good you can tell them. But for the bags you go around and when you see nice ones you buy them. The same things for sandals, you go around to pick and pay.

Borrower 3, who sells bofrot, meatpie, chips and clothes, said:

> *Borrower 3:* That is only one person where I buy from. When I started my business before I join UMO, she gave me. If I say I want 10 bags, she give me 10 bags. If I say I want oil, she is the only person who gives me. So now I have money, I can not go to any other person to buy. I have to buy it from her. So now I buy cash from her.

This makes clear that the reasons what them inform as where to buy their products depends on specific situations of the borrowers. Some borrowers buy because it's cheap, others because of quality or because they are able to get products on credit or as borrower 3 explained, because the supplier helped her to start the business.

4.2   UNDERSTANDING HIGH PERFORMING BORROWERS: QUANTITATIVE

The conceptual framework (see Figure 1) was tested with a multiple regression analysis. Besides, the means, the standard deviations and the correlations between the different variables from Figure 1, are shown in Table 5.

Table 5: Correlations between the variables from the conceptual framework (Figure 1)

	M	SD	1.	2.	3.	4.	5.	6.	7.	8.
1. Future orientation	3.67	1.12	-	-.016	.343	.261	.338	.307	.202	.632**
2. Discretion in decision making	4.20	1.99	-.016	-	-.036	-.500*	.142	-.118	-.230	.315
3. Age in years	39.45	8.04	.343	-.036	-	.249	.828**	.657**	.388*	.616**
4. Number of children	3.40	1.14	.261	-.500*	.249	-	.176	.335	.167	.170
5. Average age of children in years	14.03	6.39	.338	.142	.828**	.176	-	.470*	.337	.690**
6. Level of education	1.90	1.48	.307	-.118	.657**	.335	.470*	-	.391*	.474*
7. Experience in years	10.35	7.51	.202	-.230	.388*	.167	.337	.391*	-	.505*
8. Performance of the business	1.45	1.19	.632**	.315	.616**	.170	.690**	.474*	.505*	-

*$p < .05$, ** $p < .01$ (one-tailed)
*** The M and SD of this variable are rounded off
Note N = 20

The overall regression model was significant (F 6,80; $p = .003$). Hereby, 86% of the variance in business performance was explained by the independent variables. Subsequently, the multiple regression analysis indicated that there were three significant independent variables ($p < .05$), namely future orientation (*beta* = .433, $p = .012$), discretion in decision making (*beta* = .456, $p = .014$) and experience in years (*beta* = .424, $p = .020$) (see Table 6). This means, respectively, that if future orientation increases by one unit, the performance of the business increases by .433 unit, if

discretion in decision making increases by one unit, the performance of the business increases by .456 unit and if experience in years increases by one unit the performance of the business increases by .424 unit.

Table 6: *Beta* and *p*-value for each variable from the conceptual framework (Figure 1)

Variable	Beta	Sig.
Future orientation	,433	,012
Discretion in decision making	,456	,014
Marital status	-,031	,823
Age in years	,132	,636
Number of children	,124	,447
Average age of children in years	,166	,549
Level of education	,006	,973
Experience in years	,424	,020
Membership to an association	-,104	,539

Note The dependent variable is the performance of the business

So, the multiple regression showed significant relations between three independent variables and the business performance of the borrowers.

4.3   TESTING THE PROPOSITIONS

Proposition 1 - *Future orientation:* *Borrowers that have a high future orientation will have higher performing businesses*

Proposition 1 was concerned with the influence of future orientation of the borrower on the performance of the business. The qualitative results showed that the three items of future orientation vary between borrowers who create high and low performing businesses. Moreover, a significant relation between future orientation of the borrower and the performance of the business was found ($p \leq .05$). For this reason, proposition 1 is confirmed.

Proposition 2 - *Discretion in decision making:* *Borrowers that show discretion in decision making will have higher performing businesses*

In proposition 2 it was proposed that borrowers that show discretion in decision making had a higher business performance. Qualitative results showed that borrowers who create high performing businesses were the most helped by their men and do not show discretion in decision making. On the other hand, quantitative results showed that discretion in decision making significantly affects the business performance of the borrower ($p \leq .05$). Namely, the first step in testing this proposition was analyzing whether the three items loaded on one component, only one item loaded. Consequently this item was the only measure for discretion in decision making in the multiple regression analysis. Considering the contradictory qualitative and quantitative results no valid conclusion can be drawn and future research is needed.

Proposition 3 - *Marital status:* *Borrowers that are not married will have higher performing businesses*

It was expected that not being married would have a positive effect on the business performance of the borrower. Qualitative results did not find an obvious difference between high and low performing borrowers. Besides, quantitative results did not find a significant relation between the marital status of the borrower and the performance of the business ($p > .05$), proposition 3 is discarded.

Proposition 4 - *Age:* *Borrowers that are of high age will have higher performing businesses*

Proposition 4 proposed a positive relationship between the age of the borrower and the business performance. This research indicated the age in years, given these figures no qualitative results can

be drawn. Moreover, quantitative results showed that age is not significantly related ($p > .05$) to the business performance of the borrower. Thus, because qualitative and quantitative results differ no conclusion can be drawn and future research is needed.

Proposition 5a - *Family composition: Borrowers that have a small number of children will have higher performing businesses*
Proposition 5b - *Family composition: Borrowers that have grown-up children will have higher performing businesses*
Proposition 5a and 5b were concerned with the relationship between the family composition of the borrower, consisting of the number of children and the age of the children, and the business performance. The qualitative and quantitative results differ. The qualitative results showed that the age of children influenced the business performance of the borrowers, no influence was found for the number of children. As can be seen in the quantitative result section, the number of children as well as the age of the children did not significantly affect the business performance ($p > .05$). Therefore proposition 5a is discarded and future research is needed to gather enough evidence to draw a valid conclusion for proposition 5b.

Proposition 6 - *Education: Borrowers that have a high degree of education will have higher performing businesses*
It was expected that the degree of education would be positively related to the performance of the business. Qualitative results showed that the degree of education had a positive influence on business performance. However, quantitative results did not support this ($p > .05$). Therefore, there is not enough evidence to draw a valid conclusion for this proposition. Future research is needed.

Proposition 7 - *Experience: Borrowers that have many years of experience in the industry, which the business is in, will have higher performing businesses*
In proposition 7 it was proposed that a positive relationship would exist between the years of experience and the business performance of the borrower. This research indicated the years of experience of the borrowers. Given these figures, no qualitative conclusions can be drawn. On the other hand, quantitative results showed that the experience of the borrower contributed significantly ($p \leq .05$) to the business performance. Therefore, there is not enough evidence to draw a valid conclusion and future research is needed to confirm proposition 7.

Proposition 8 - *Social networks: Borrowers that are member of an association will have higher performing businesses*
It was expected that membership to an association would be positively related to business performance. Qualitative as well as quantitative results did not find a significant relation between membership to an association and the performance of the business ($p > .05$). However, qualitative results found that the social network is dependent on the type of business. Therefore, proposition 8 should be refined.

5   CONCLUSION AND DISCUSSION

This study explores why some borrowers create high performing businesses while others fail and, in turn, create low performing businesses. A research question and eight propositions, derived from the theoretical framework, were formulated and tested. In the following section, the conclusion is given. Subsequently, implications, limitations and recommendations for future research are described.

5.1   CONCLUSION

This research investigated why only a small minority of borrowers who take microloans are able to create high performing businesses. In addition, the primary purpose of this research was to find out which concepts influence the business performance of a borrower. To answer the research question eight propositions were formulated based on the theoretical framework. Interviews were conducted and qualitative and quantitative results were analyzed.

On the basis of qualitative results proposition 1, 5b and 6 were confirmed, whereas the other propositions were discarded. Therefore, the answer on the research question – *Why is only a small minority of borrowers, who take microloans in developing countries, able to create high performing businesses?* – based on qualitative results is that these borrowers, who create high performing businesses, have grown up children and have created the correct traits, tastes and abilities consisting of future orientation. Subsequently, they have created the correct knowledge corridors consisting of education. It is not necessary that these three variables occur simultaneously.

On the other hand, on the basis of quantitative results proposition 1, 2 and 7 were confirmed, whereas the other propositions were rejected. This means that not all concepts have a significant influence on the business performance of the borrower. Therefore, the answer on the research question, based on quantitative results, is that these borrowers, who create high performing businesses, have and have created the correct traits, tastes and abilities consisting of future orientation and discretion in decision making. Subsequently, they have created the correct knowledge corridors consisting of experience. Even here, It is not necessary that these three variables occur simultaneously.

Taking qualitative and quantitative together, only proposition 1 is accepted. Future research is necessary to find enough evidence to draw valid conclusions about the other propositions. These findings suggest that business performance of North Ghanaian women borrowers can be improved by developing a clear future orientation, consisting of understanding the risk that microloans present, having a clear vision and clear ideas to achieve this vision and having the ability to clearly discuss the terms of the loans.

5.2   IMPLICATIONS AND ADVANTAGES

The fact that the research sample of this study consisted of high as well as low performing borrowers can be seen as a strong point. Namely, the study of Denrell (2003) explains how the process of success bias can contribute to a variety of incorrect conclusions regarding the reasons for success. This research recognizes that the information available through interviews, observations and documents of high performing borrowers is not complete. Therefore, low performing borrowers were added to avoid success bias.

This study contributes, in a practical point of view, to the development of high performing businesses of microcredit borrowers in Northern Ghana. Namely, taking the qualitative and quantitative results of this study together, the variable future orientation has an influence on the business performance of the borrower. In this way microcredit organizations might be inspired to obtain this variable to their borrowers, which might contribute to more specific training of microcredit borrowers. Training

which focuses on understanding the risk that microloans present, developing a clear vision and discussing the terms of the loans. In turn, microcredit borrowers get a better understanding of how to create performance in their businesses.

On the other hand, in a theoretical point of view, this study on high and low performing microcredit borrowers contributes to the modest research done about the businesses that borrowers start with microloans. Especially, studies fail to explore why borrowers create high performing businesses while others fail and, in turn, create low performing businesses. More specified, using qualitative and quantitative research analyses, this study focuses on the business performance of microloan borrowers in developing countries. Prior research on microcredit has largely ignored this focus and mostly focused on the effectiveness of microcredit.

The study of Bruton, Khavul and Chavez (2011) is an exception. This study identifies the causes and consequences of high performance and business failure for microloan recipients in Guatemala and the Dominican Republic. This study supports, taking together qualitative and quantitative results, the study of Bruton, Khavul and Chavez (2011), which found that future orientation is positively related to the business performance of microloan borrowers. However, qualitative results of this study showed that the age of children and the educational level of the borrowers influence the business performance of the microloan borrowers as well. Furthermore, quantitative results also showed that discretion in decision making and experience have a significant influence on the business performance of microloan borrowers. Therefore, this study contributes to the study of Bruton, Khavul and Chavez (2011) in the way that the current study adds demographics and knowledge corridors as independent variables, next to traits, tastes and abilities and social networks. Moreover, the study of Bruton, Khavul and Chavez (2011) focuses on Guatemala and the Dominican Republic, while Northern Ghana is the focus in the current study.

Another contribution of this study to previous research is the focus on performance of women-owned businesses in developing countries. Whereas research on women-owned businesses in developed countries is extensive, there are comparatively few studies focussing on performance of women-owned businesses in developing countries (Lerner, Brush and Hisrich, 1997). Namely, this study explores which concepts have an influence on the business performance of North Ghanaian women which take a microloan.

5.3   LIMITATIONS

This research, like many others, is not devoid of limitations. First of all, although stratified sampling is considered as highly representative (Mc Leod, 2014), the number of participants creates a limitation towards the representativeness of the sample. Namely, this study interviewed twenty microborrowers, while there are over 13200 active borrowers within the NGO. This is relatively a low number of participants. In a study such as this, a larger number of participants in both groups, high as well as low performing borrowers, is desirable to make proper analyses and to draw valid statistical conclusions on the basis of these results.

Secondly, this research encountered the difficulty of socially desirable answers. Namely, as well as the research of Goetz & Gupta (1996), this research experienced the difficulty to do research on loan control, once credit enters the household. Subsequently, socially desirable answers were possibly given. To minimize the possibility of socially desirable answers, it was explicitly expressed in advance that the research took place to collect data for the research as well as that the data had no influence on the amount of loan they got.

Thirdly, in eight out of the twenty interviews it was not possible to collect the data in English. Therefore the interviews were translated from Frafra to English, so it is possible that some nuances

might be lost in translation. Moreover, the study is conducted by a foreign researcher. The cultural background of the researcher could have influenced the interpretation of the data.

The final limitation consists of a shortcoming in the theoretical framework. Namely, although much research is done on concepts which influence the business performance, not much research is done on concepts which influence the business performance of microloan borrowers. Moreover, the research that is done focuses on other countries than Ghana. Of course there are important concepts in the literature but other concepts might be important as well. Therefore, it was difficult to propose a theoretical framework and it might not be complete.

5.4 FUTURE RESEARCH

Using qualitative and quantitative research analyses, this study contributes to the modest literature on the business performance of microloan borrowers in developing countries. Nevertheless, future research as a sequel to this study is needed.

First, future research is needed to see whether other people factors such as determination and perseverance of the borrower has an influence on the performance of the business. Namely, borrower 3 in this research explained that most of the people in and around her village just do not want to work for somebody because they feel that they are too big. Moreover, several Ghanaians indicated that the poverty of the country has to do with the culture and mentality of themselves. This could be taken into account with further research.

A second suggestion, related to the first suggestion, for future research is derived from the study of Hansen and Wernerfelt (1989). Namely, focus, next to people factors, on environmental and business factors as independent variables. Environmental factors could consist of access to loan amounts and the location of the business, while business factors could consist of the type of business and whether the borrower sells on cash or credit.

Third, future research is needed to investigate whether the influence of the concepts differ between different industries. Future research should gather data from microborrowers who own a business in the same industry. The reason for this is that some concepts which influence the business performance of the borrower might be dependent on the type of industry. If this is the case, different trainings can be developed for borrowers of different industries.

Finally, a fourth suggestion for future research is to add quantitative research methods, for example a survey, and simultaneously expand the number of participating borrowers. In this way, qualitative and quantitative research methods are used in one study and therefore it is possible to improve the quality of (statistical) conclusions.

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Appendix A – The interview for the borrowers

Interview

I am conducting interviews to get a better understanding of possible concepts which affects the business performance of borrowers that are using microloans. I am doing this research on behalf of my study Business Administration at the University of Twente in Holland. I want to assure you that the information you give, will be used exclusively for my research.

Do you have any questions for me before we start?

1. Demographics

What is your date of birth?	
What is your marital status?	
What is your religion?	

2. Household information

What is the profession of your husband?	
What is the frequency of your husband's revenues?	0 Regular 0 Seasonal 0 Unpredictable 0 None
How many children do you have » and what are their ages?	

3. Activity profile

Status of the shop	0 Owner 0 Renting 0 In process of buying 0 No shop
Kind of business	0 Market stand 0 Container 0 Concrete stand 0 Street vendor 0 Warehouse 0 Home based
Competition level – How many other people do the same activity as you in the area?	0 High (+3) 0 Medium (2-3) 0 Low (0-1)
When was the business opened?	
Where is the business located? » observation	
What do you believe differentiates your business from others?	

4. Business performance

Do you have any employees? » how many? » inside or outside your own family?	

Which employees contribute more to your business performance (inside or outside)?	
How long are these employees working for you?	

Is your sales this year different in comparison to last year?
  » and the years before?
  » is it increasing or decreasing?	

Which factors influence this increase/decrease in sales?	
Which factors are influencing your business performance?	

5. Who I am: Traits, tastes and abilities

5.1 Future orientation

Create a vision	
What is your vision for the future?	
How do you want to achieve this?	
What opportunities exist for your activity to develop?	
Discuss the terms of the loans	
Do you know how much interest you pay with each payment?	
What is the term of your loan, how many months?	
When do you finish paying?	
Do you know how much you will pay at the end of your loan period, including the interest?	
Do you understand what interest is?	
Understand the risk and reward trade-offs	
What would happen if your business failed?	
If competition increases in the near future, what do you intend to do to minimize its effect?	

5.2 Discrtion in decision making

Do you have a husband?	0 Yes 0 No

YES

The money you have earned, who managed it?	
Was it always like this?	
Does your husband help you with the business?	
Could you decide where to invest to?	

NO

Have you never had?	
The money you have earned, have you always managed it?	

Do you think it is common, in general, that husbands let their wives use the business money?	
Do (other women's) husbands let them do with their money whatever they want?	

6. What I know: Knowledge corridors

What is your highest educational level? » No education: literacy or illiteracy?	
Can you make any analysis? » for profit or the future	
Which type of business records do you keep?	
% sales on credit or cash, how does it affects your business performance?	
What experience do you have in the field of this business?	

7. Whom I know: Social networks

What associations do you belong to that are related to your business?	
How many suppliers do you have? » What informs you as to where to buy your products?	

Thank you for your answers, I am grateful for the information you have provided.

Do you have any questions for me?