EUROPEAN ACADEMIC RESEARCH
Vol. V, Issue 8/ November 2017

Impact Factor: 3.4546 (UIF)
DRJI Value: 5.9 (B+)

ISSN 2286-4822
www.euacademic.org

Institutional Entrepreneurship in Ghana's Informal Microfinance Institutions

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Abstract:

This paper demonstrates how Microfinance institutions (MFIs) in Ghana have acted as institutional entrepreneurs in the in bringing change in the financial industry. Based on a qualitative case study (spanning January – June, 2016) of selected MFIs operating in 3 regions (Greater Accra, Eastern and Ashanti) of Ghana we follow a non-participant observation method at the community levels where customers and key informant interviews were conducted. We analysed the secondary data regarding the study. Our findings revealed that

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majority of the stakeholders embraced and transacted business with the MFIs especially in the rural and sub-urban settlements than in the urbanized areas. Key community or social stakeholders were engaged as part of the community entry strategy at the initial stages to gain legitimacy and acceptance. Customers are essential part of product/service design, implementation phases by the MFIs. The alternative use of group security in place of the traditional collateral to secure loans emphasized the relationship and trust among the players. The MFI practice as institutional entrepreneurs has diffused into the mainstream financial players and is evidenced in the adoption of MFI portfolios, inversely, the technological and processes within the traditional players have gained prominence in the practices of most MFIs giving it a two-dimensional interplay. These findings show how innovative MFIs have emerged to fill the demand gap created within the scope of the financial institutions logic leading to its legitimacy in Ghana.

Key words: Microfinance Institutions, Institutions, Institutional Entrepreneurs, Legitimacy, Ghana

1. INTRODUCTION

The idea of institutional entrepreneurship extends over the phases in the business environment. It is a new and interesting phenomenon related to understanding organizations (Scott, 2000; Greenwood et al., 2008, Battilana et al., 2009) and how individuals or institutions facilitate changes through their emerging innovative actions to influence their institutional environment to alter their practices (Beckert, 1999; Oliver, 1991). The institutional entrepreneur is an individual or organization or institution whose ultimate objective is the success of their venture, but their innovation is also external, and not just within their firm (Li et al., 2007). Previous studies undertaken on the subject of microfinance institutions (MFIs) within the growth of the informal economy stretching through themes under informal deposit making and ensuring financial security to provision of credit schemes and MFIs serving as enablers or catalysts of micro businesses usually within the informal domains in the developing regions including Ghana (Ardener, 1953; Ardener, 1964; Aryeetey, 1993; Aryeetey and Udry, 1995; Steel, Aryeetey, Hettige & Nissanke, 1997). The context of informal microfinance institutions acting as institutional entrepreneurs, has received a considerably less attention especially within a highly institutionalized environment. This has both practical and theoretical significance for both practitioners and academicians and therefore makes it compelling to study the phenomenon. In what ways can MFIs through the process of institutional entrepreneurship diffuse their innovative strategies within highly institutionalized environments? How can institutional entrepreneurship lead to legitimacy of informal MFIs? How do informal MFIs find the space created by formal financial institutions? The onset of MFIs can be traced to the vacuum created by the mainstream traditional banking institutions inability to extend their services to people considered to be within up the poor region and not typically able to access financial services by these conventional financial institutions. This trend of dearth of the mainstream finance providers constitutes a major setback in the general to dwellers in sub-urban and rural communities. Our research setting is in Ghana where the microfinance concept has gained dominance in recent years. A higher level of the Ghanaian population, about 70% remain uncaptured by mainstream traditional banks (News Ghana, 2015). This market failure has therefore created a demand gap in financial services especially in the sub-urban and rural regions. Steel and Andah (2003) assert that about 60% of the cash flow is outside the boundaries of commercial or formal financial institutions and rather the semi-formal and informal finance institutional actors' function as a crucial part in ensuring development in the private sector to foster development and reduce the incidence of poverty. Our study contributes to the theoretical discussions underlying the institutional entrepreneurship by providing insight into how a considerably less matured field contributes to impact changes in a highly institutionalized environment (Beckert, 1999; Oliver, 1991) and having such ideas diffused into that environment while at the same time utilizing the best practices from such institutionalized environments. The first part of the paper is organised by highlighting the institutional theory and the institutional changes concept, both which underline the theory of institutional entrepreneurship. In addition, the concept on the MFIs under which the informal MFIs operate is elaborated on within the financial industry of the research setting. This is a case study and we utilize completely a qualitative paradigm based on observations, interviews and documented records.In examining the transformational function of MFIs and assessment of hindering elements which challenge their operations and advancement. We observe and examine their operations and make recommendations for practice and academia to conclude the study.

2. THEORETICAL FOUNDATION:

2.1 Institutional theory

The institutional theory clarifies the dual relations that engages institutions and facilitates its justifications. It has commonly been utilized stable as a foundational theory in many reviews and studies related to institutions or organizations whether in political science (Bonchek and Shepsle,1996; Bruton,2010), humanism (DiMaggio & Powell,1983,1991), or financial matters (North,1990), institutional infrastructure (Stankiewicz, 1995), a network of institutions (Freeman,1987), emergence of new organizational forms through an innovative diffusion (Edquist,1992,1996) and to the theory of organizations (Meyer &Rowan, 1991; DiMaggio and Powell, 1991). There are many studies to clarify the interactions between the institution and its environment and vice versa, the concept of institutions is complex encompassing rules or laws (Lundvall, 1992). Also Breton et al, (2014) cited works by Seo and Creed (2002) who pointed out an ongoing strain occurring in institutional determinism including actors in regard to particular activity (Greenwood and Suddaby,2006; Battilana et al.,2009),while Williamson (1985,1998,2000) grouped institutions using four categorises of social analysis. Motivated by these works, we study such patterns in the financial industry of Ghana with reference to MFIs at the informal levels acting as institutional entrepreneurs. The agents that dominate the financial institutions environment are the State actors, Bank of Ghana (BoG) who monitor all the financial activities and hold normative powers on the other actors in the financial institutions environment (FIE). The MFIs as informal actors face a stiffer constrain in meeting the capitalisation requirements of regular banks. The market forces in the FIE remain high and are not fully met especially among informal actors. The client actors then resort to MFIs to meet their financial demands since their characteristic nature affords them the leverage compared to the traditional financial providers. The institutional theory manages the outer institutional condition (Meyer &Rowan, 1991; Scott, 2007) following up on the organization, that is, the communications that occur between the organizations and other outside performers. These have a specific level of intelligence and impact among the two performing actors inside the field. It is about the path in which foundations and substances improve their positions and authenticity through conformance to set up standards and standards in the formal setting (Meyer &Rowan, 1991; Scott, 2007). The institutional theory additionally clarifies the inner interactions inside an organization and how those cooperation influences the outer organizational condition. The utilization of institutional assumptions has developed over the period in entrepreneurship and has equally been valuable. It has supported to give unequivocal perspectives of variables that alter accomplishments in business enterprise aside the accessibility of assets (Ahlstrom and Bruton, 2002; Peng, 2006).This theory of institutions is differed, and are societal courses of action which have picked up a high level of strength and capacity at various stages of purview outside the global framework towards limited social collaborations (Scott, 2001). They are the extra tireless components of social life that gives strength crosswise over time and space (Giddens, 1984). They implement limits by characterizing the lawful, moral and social impediments that sets-off authentic from fake activity and players, revealing and setting the rules and guides and the resource for performance in addition to restrictions and limitations on activity. The expression "establishments" by and large mean an arrangement of formal rules (North, 1990), less endorsed common community oriented courses of action (Jepperson,1991), ex ante contracts (Bonchek and Shepsle,1996) which persons, entities or associations are to fit in with or take after (Scott,2007). The institutions perform their roles assigned them tend to experience changes both incremental and radical, nonetheless, they have a tendency to be constrains bounded on individuals (North, 1990). DiMaggio (1988) expanded the study by Eisenstadt (1980) that such notion dealing with institutional entrepreneurship within these domains of institutional reasoning provides an avenue to clarify how various stakeholders modify to dynamic establishments in spite of the pressure toward inaction(stasis) (Seo & Creed,2002;Holm,1995).The pressure on institutions in the environment for them to conform to the set standard in their respective industrial jurisdictions and to enable them attain legitimacy is termed as isomorphism and these external pressures manifest either through normative,coercive or mimetic forms (DiMaggio & Powell,1983). Furthermore, institutions encompasses intellectual and regulative arrangements and events that offer a stable and deeper understanding to social conduct. They are transported by different ethos, arrangements and schedules and work at numerous levels of purview, they are transferred in many ways - beliefs, arrangements as well as practices which function within several stages within its purview (Scott, 1995). Institutions are characterized by assigning importance on a boundary to free articulation of activities or a level of regulation (North, 1990). Organizations as indicated by Jutting (2003) can likewise be categorized under the level of formality, the distinctive levels of chain of command structure and the sectors of study.

The World Bank (2002) asserts that both the affluent and deprived depend on informal institutions to encourage their dealings, yet these establishments or institutions are moderately more critical in deprived nations where formal organizations are less advanced. This phenomenon is a typical characteristic in most immature economies or regions as these needy individuals frequently do encounter ill-service by these less accessible formal institutions. Confirmation from under-developed nations and districts particularly authenticate that informal institutions substitute for formal ones. In such occurrences, the nations and the groups can go far towards settling data and authorization issues without the utilization of existing open legitimate frameworks (World Bank, 2002). North (1990) underscores the significance of the informal requirements and detected that from the proof that a similar formal guidelines and constitutions forced on various social orders deliver distinctive results (Assaad, 1993). Both organizations, formal and informal work to supplement each other inside their particular locales and there is the need to completely comprehend their separate operational exercises and their effect on the monetary suitability of particularly deprived individuals in under-served districts of the world (Jutting, 2003). In a summary, drawing from the above evidence it is implicit that the institutional environment dictates to actors the various ways to find solutions in tackling issues that affect it. It is on this basis that we develop two hypotheses as a measure of such occurrences as noted in the propositions below:

H1 The institutional environment positively influences the emergence and usage of innovative strategies.

H2 The institutional environmental actors positively influence the attainment of legitimacy.

2.2 Institutional Change

The concept on institutional change outlines the social orders occurring overtime that enables an understanding underlying such changes. The institutional theory approach gives the establishment for surveying such changes (Hinings et al., 2004) and its related radicality that adjusts to such variations. Institutional entrepreneurs do not work in confinement and the institutional stage gives the space to institutional entrepreneurs to decide and use the different prospects. Institutional scholar, Scott (2001:181) sees it as a "source of stability and order" and additionally makes the presumption that the outer condition yields an under-estimated solution on the organization (Beckert, 1999; Seo and Creed, 2002). Van de Ven and Hargrave (2004) explained that the institutional change symbolizes the "forms, qualities, and the state covering a stipulated period of time" of the foundations highlighted inside its outer condition field (Van de Ven and Hargrave 2004), this incorporates adjustments of the establishment's rationale. Institutional change is about the bi-directional phenomena that pre-supposes, de-regulation of built up practices and a re-

regulation of actions which fuse such anticipated changes (Hinings et al.,2004;Greenwood et al.,2002).The theory associated with institutions is a key approach used to get comprehension of the hierarchical phenomena (Battilana et al., 2009) that is the very embodiment of the theory. The exchange in the measure of impact applied on the institution and vice versa constitute a noticeable piece of this theory. This is what has become known as the "paradox of embedded agency"(Seo and Creed,2002).It demonstrates how pressures that exist among the impacts of institutional determinism and agency regarding indicated activities. This credits to the strain that exist amongst the agencies and the structures (Holm, 1995;Greenwood and Suddaby,2006; Breton et al.,2014). Battilana et al., 2009;). The phases of progress inside the outer environs are viewed as suggestions by Hinings et al. (2004) as pressure for modifications, source of innovative practice, procedures of de- institutionalization and re-institutionalization, the changing aspects of de-institutionalization and re-institutionalization.

These procedures stated above indicate how new regulated practices replace old ones and subsequently progresses toward becoming legitimized and diffused in the institutional environment. This study draws its motivation from these procedures that focuses on the changes. MFIs have acquired the financial related institutions environment. The study applies this in three stages in particular the emergence, implementation and diffusion and leading to its legitimacy.

2.3 Institutional Entrepreneurship

This concept derives its influence from both institutional theory and the institutional change concept. In dealing with the institutional entrepreneurship concept, credit is given to the proposition by DiMaggio (1988) which states that both the concept of agency and institutions should be integrated. The source of the entrepreneurship study is tracked to the mature market economy and Schumpeter (1934) pioneered studies of entrepreneurs by emphasizing that entrepreneurs are innovators who integrate resources in production for the marketplace. The frame and structure of institutions include various players who work to overcome institutional or established standards. The MFI field operates with a network of actors. The field is characterized by both players and regulators who set the rules for operations. The institutional changes signify reasonably a multi-faceted process which connects with numerous players displaying traits of embeddedness (Battilana et al,2009). The capacity of the players to impact the change procedure through starting change and in the long run prompting a change in existing practices or the production of new establishments is named as institutional entrepreneurship (DiMaggio, 1988). Within the FIE, MFI actors identify the need of client actors to access financial services. These actors capitalize on the market forces of demand and supply where the major FIE actors in financial service provision, that is the traditional banks are unable to extend service these low income earners predominantly located in the sub-urban and rural. Battilana et al. (2009) in their reviews made reference to the definition as actors who use assets to make innovative change in current organizations (Maguire, Hardy & Lawrence, 2004, Garud, Hardy & Maguire, 2007; DiMaggio, 1988). These persons or group of persons comprehensively fall under the institutional entrepreneurs classification otherwise they essentially could be the as associations or gatherings of associations (Maguire et al., 2004; Greenwood et al., 2002; Garud et al., 2002; Fligstein, 1997).

Institutional entrepreneurs occasionally force institutional change on disagreeing players without attracting them to their side (Battilana & Leca, 2008; Dorado, 2005). They check and justify their condition (Rao et al., 2000) and are able to organise legitimacy, financial resources, plus people on condition that they can capture the various and interests of aggrieved populations, establish grounds, apportion faults, offer the way forward solutions, and empower aggregate attribution procedures to (Snow & Benford, 1992). These MFI actors facilitate this position by leading the path to financial freedom through breaking away from the institutional logic to make such financial services accessible to these client actors. Institutional entrepreneurship has assumed a key part and according to Hoffman and Ventresca (2002) it has added to the presentation and improvement of agency inside institutional theory requiring more explanation, an intricate and expanded perspective researching the neo-institutional ideology. The operations inside the microfinance system will uncover and give a record of this new measurement of the procedures of institutional enterprise inside their arrangement of operations inside the informal financial area in Ghana.

These actors or players (institutional entrepreneurs) need to overcome the solid force of idleness in their current establishments (Battilana et al., 2009) which are the conventional institutional operational logics and they epitomise to the endogenous point of view of organizational change as implied by Selznick (1949, 1957). These players or actors that empower us to gain a more profound meaning to the changes in the organization (Battilana et al.,2009) in considering their part and they are by their activity as institutional entrepreneurs ready to embrace position of authorities in the stages of building establishments (Colomy,1998). It is imperative to give a dense importance to their parts in making, dispersing and steadying organizations (Dacin et al., 2002; Christiansen et al.,1997). In carrying out their capacities as institutional entrepreneurs, there is a contention between defeating the officially acknowledged existing standards in which these specialists work in, institutional entrepreneurs must manage the embedded agency paradox (Seo & Creed,2002; Holm,1995) which uncovered various cracks amongst operators and organizations. Battilana et al.(2009) regarding the matter of how actors change establishments distinguished that reviews on institutional entrepreneurs has gotten reactions for neglecting to highlight the effect of the institutional burdens on the conduct of the agent and depicting institutional entrepreneurs as an exceptional "species" who are excessively sound and not embedded (Meyer,2006,p.732).

Institutional entrepreneurs are operators connected to changes in establishments that outcome in the entry of 'new institutions' (DiMaggio, 1988). This locus is a balancing one when contrasted with the one held by neo-institutional scholars (Greenwood and Suddaby,2006) who keep up that the norm of elements ought to stay as it is and standards and directions entirely authorized with no intrusions to the set operations of such organizations. The transformation in existing procedures of institutions and resources organization prompts such contrary deviations (Breton et al., 2014). DiMaggio (1988) in his meaning of institutional entrepreneurship referred to two pre-requisites which should have been satisfied for any player to qualify as an institutional entrepreneur, these are initiating divergent change and taking a dynamic part in the execution of such unique changes.

It is when such changes commence that are divergent in nature that is one that splits from the standards or existing institutional norms, practices and layout for the sorting out in the given setting of the institutions that can be said to be an act of institutional entrepreneurship (D'Aunno et al.,2000; Battilana,2006; Amis et al.,2004; Greenwood & Hinings,1996). Institutional rationale or logic alludes to a structure or layout which is utilized as a part of sorting out in the establishment. Even as divergent change is required to be eligible as institutional entrepreneurs, setbacks to actualize such changes is very normal, but at times specify in literary works identified with establishments (DiMaggio, 1988; Greenwood et al., 2002). The activities of players in the institution could be in their own particular organization or inside their institutional setting where the organizations fit in and opined that the building of innovative establishment does not make such players institutional entrepreneurs until the conditions are fulfilled (Battilana et al., 2009). With regards to our review, the MFIs introduced another approach by identifying and working with clients who for the most part were not the target market by most conventional commercial banks attributable to their distinctively low salary status and geographic reach of such customers. Bourdieu (1988) recommended that the empowering circumstances in accomplishing feats in institutional entrepreneurship are the characteristics of the field and how actors are socially positioned (Battilana et al., 2009). There additionally exist an interaction between the societal standing and the empowering circumstances of actors (Battilana et al., 2009) over the span of such institutional entrepreneurial plans.

H3 The institutional entrepreneurship process has a positive influence on the development of mutual trust leading to legitimacy.

H4 The institutional entrepreneurship process positively influences the diffusion of MFI best practices.

2.4 Microfinance Concept

The concept of Microfinance Institutions (MFIs) introduced a system of banking which afforded the poor to access basic financial services to improve their livelihood. The origin of this system of microfinance dates back to the successful innovation of this banking methodology by the 2006 Nobel Award for Peace recipient Prof. Mohammed Yunus through the Grameen bank in Bangladesh. It is disseminated in a 'bottom-up' method particularly focusing on the deprived areas majority of whom are women. The practice has developed overtime and has now been fully accepted and practised as a means to both reduce rural poverty and ensure financial accessibility (financial inclusion) by all.

There is a proliferation in the MFIs with the objective of giving the poor financial access as a means of alleviating them from suffering and ensure their economic engagements. (Otero, 2000). This novel has led to competition within the financial industry as MFI providers increase their grip on the technological processes to advance their businesses (Wijesiri and Meoli, 2015). The primary role is ensuring that finance services are extended to the poor not captured by already established financial institutions. Three elements which recognize microfinance from other formal monetary items are the low level of credits or savings deposited, the lack of security, and the simplified operations. Formal banks typically require guaranteed security before giving out credits for business purposes. This remains a crucial aspect as an assurance for recouping of advances given out by these banks in the case of non-payment (Ogunleye, 2009). MFIs are characterized by low level monetary facilities that includes savings and credit support to the deprived in society (Robinson, 2001). MFIs are an essential piece of advancement, decreasing poverty and monetary recovery procedures around the globe (Arum and Hulme, 2008).The institutional entrepreneur signify one variable among a collection of others, which are important during in the development of the societal transformation (Eisenstaedt, 1980) and a selection by people and groups of position of authorities in scenes of institutional building (Colomy, 1998). We focus on how within the change perspective in the financial industry in Ghana, MFIs perform the role as institutional entrepreneurs.

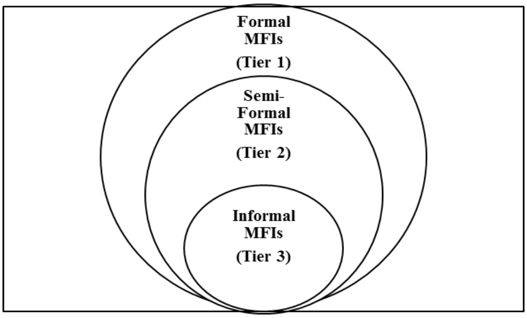

Figure 1: A Stack Venn diagram showing the Structure of MFIs in Ghana by Tiers
Source: Author's construct based on Bank of Ghana (BoG) Report on MFIs.
(Tier 1: Rural/Community banks, some Development/Commercial banks; Tier 2: Financial Non-Government Organizations (FNGOs), Savings &Loans Companies, Credit Unions/ Cooperatives; Tier 3: Credit Groups, Money lenders, Susu Collecting Groups, Rotating & Accumulating Savings Groups)

Table 2: Ghana Economy Overview

Indicators	Measure
Country Population (2015)	27.41 million
Gross Domestic Product (2015)	$3754 billion
Gross Domestic Product Growth (2015)	3.9%
Inflation (2016)	17.5%

Source: World Bank, 2017

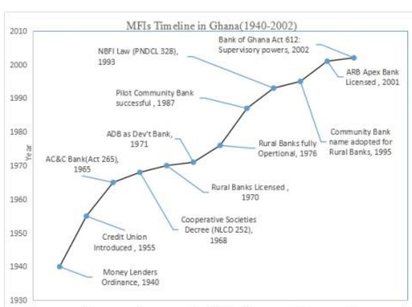

Figure 2: Timeline of MFIs in Ghana (Longitudinal description of institutional change in MFIs)
Source: Authors Construct based on Banking History of Ghana

3 RESEARCH METHODOLOGY

3.1 Research setting

We understudy the operations of microfinance entities in Ghana.The informal sector constitute almost 80% of the workforce in Ghana (Homerku, 1998) and are critical to the nation's development. The study covered the capital city of Accra, the Eastern and Ashanti regions respectively. The BoG with approving and oversight responsibilities over the operations of microfinance institutions as the main regulator. The Ghana Microfinance Network, serves as the umbrella body of all microfinance institutions in Ghana. It facilitates training and collaborations to promote the growth of the sector through advocacy and other mobilization activities. All these microfinance institutions had sub-branches and outreach units in smaller communities and villages. We analyse the role of the microfinance institutions in the current phase of imminent reform by the state regulator owing to a nation-wide outcry for reforms in the operations of microfinance. This follows a series of financial misappropriation by several operators or owners of microfinance companies leaving their depositors and investors to lose their investments. We studied the process of bringing financial inclusion to those engaged in the informal sector by MFIs. It captured their mode of operations which tends to cause a reformation and bringing about their financial inclusion. In all, we focused on the operations of twenty-two MFIs (seven savings and loans agencies, a rural bank, nine money lenders and five Susu collectors). These were spread across three regions in Ghana; Greater Accra, Eastern and Ashanti region.

The banking and financial activities in Ghana are guided by the Banking Act 2004(Act 673) which received amendment through Act 738. In addition, Act 2008 (Act 774) streamlines Non-bank Financial Institutions. The Rural /Community banks and Savings & Loans Companies are regulated through Act 2004

(Act 673). The importance the informal sector plays in the economy, government of Ghana had facilitated the laws to bring these financial institutions to provide the needed financial and banking services to the population. It forms part of a more liberalized approach to ensure financial inclusion, with the overall supervisory body being the central bank of Ghana. The belief that the framework bothering on the operations of MFIs under the banking laws should be structured in a way to facilitate the attainment of institutional development and to transform MFIs , although not all of them may follow that way (Gallardo,2002).

3.2 Research approach

This paper is as a result of the changing paradigm in the informal financial sector in Ghana especially among microfinance institutions. We present the findings from a cross-section of interviews and observations conducted and particularly the case studies of selected MFIs in areas where these MFI activities are highly concentrated. Overall, the operational approaches employed by these MFIs to ensure financial inclusion of those engaged in the informal sector especially based in the rural and small communities formed a strong basis for the study.

We examined and it uncovered that their creativity in giving this novel type of finance facilities qualified them as institutional entrepreneurs as they veered from the business rationale standard and the outreach approach utilized by conventional banks. We used the convenience and stratified sampling methods to reach respondents within the respective regions in the country.

3.3 Data collection

This case study followed the non-participant observer strategy as well as used interviews. Various archival material was studied and semi-structured interviews formed the components for data collection for a six month period spanning January-June, 2016. Data was collected in various forms from observing various meetings at community level and interviewing key informants (customers and service providers). The interviews helped to triangulate information gathered from field officials and archival documents. A total of 11 meetings took place in the period in addition to interviewing 96 respondents (71 customers; 12 field officials - made up of 7 senior officers; 9 community leaders; 4 finance experts). Meetings with senior officials took place in their offices and the rest on the field. Archival materials were in the form of studies on MFIs, industry reports, reports and news reports.

3.4 Data analysis

The data gathered were carefully scrutinized and screened to ensure it reflected only the opinion of the respondents. Interviews were transcribed carefully to reflect the context and ideas of the respondents especially since mostly the interviews were done in the local Twi and Ga languages. We used the process theory strategy in our data analysis to provide insights into how the events occurred overtime (Breton et al., 2009; Langley, 1999; Miles and Huberman, 1994). A clear insight in the process theory strategy takes into account the outlining and development of the case history to gain an understanding of the key processes leading to the implementation and identification of key players and actors in the institution or organization as well as the environment (Denis et al., 2009). As indicated earlier, we highlighted the approaches of the operations of the sampled MFIs and based our validation on the expert interviews and various industry reports. As dynamic institutions, these MFIs keep adapting to new strategies to remain competitive in their service deliveries.

4. RESEARCH FINDINGS

The study identified that MFIs liaised and coordinated their resources aimed at identifying and meeting the real demand of their clients. This institutional space is the result of market failure in meeting the growing demands for financial services provision in the informal actors. MFIS therefore mobilised their resources through provision of innovate services to fill the gap created by the space and share such best practices with both formal establishments where they usually source their funding. All these actions happened owing to MFIs acting as divergent actors (institutional entrepreneurs) within the financial industry. The following are the main results that the study found.

MFIs were found to be more accepted in the rural and sub-urban settlements easily where they mostly operated than in the urban settlement. The reason mostly was, MFIs had the ability of meeting the financial needs of the customers leading to their endorsement and receiving legitimacy in their activities at their designated environment of operation. These actions align to the strategies by the World Bank's African Region master plan in achieving and supporting the Millennium Development Goals (MDGs) to eliminate poverty (Steel and Andah, 2003). We found that the managers of these MFIs were conscious of the needs of these customers and required a 'not so complex' system to mobilise and organize them to access funds for their businesses. The stakeholder theory explains the premise of respected management and professional principles that places integrity and standards in dealing with a relationship. These MFIs clearly identified their stakeholders among which included their customers, other operators (competitors), formal financial entities, government, traditional, political and social leaders in their operational areas. A majority of their stakeholders were their customers who were in either trade or artisanal groupings and usually small scale business enterprises. Secondly, we observed that the MFIs used innovative means in their community entry as well as in their operations within those communities. This affirms the positive influence of the institutional environment on innovative strategies which is our first hypothesis. These strategies took cognisance of the ethnographic characteristics of the respective populations in the communities they operated in. They therefore achieved high success rates in dealing with the inhabitants in such communities because they were much acquainted to their practices and sub-cultures. These MFIs had an in-depth knowledge of the customers (Basu et al., 2004) and these enabled mutual trust to be attained overtime. A fairly large number of customers corroborated to this fact and gave different encounters to affirm the level of confidence they had in the MFI staff. These examples extend from on-site visits in their farms, hamlets and at traditional ceremonies which to them breaks away from the customary client-customer arrangements. They see the MFIs as a part of their businesses and to some they are family.

The MFIs acting as institutional entrepreneurs involve their customers and potential customers in their product and service development to meet the specific client needs. This stems from the design, implementation and development phases of their products and services. These rather unconventional ways of reaching customers and having them to be part of product planning and implementation is unique within the financial institutional logic and diverges from the conventional practice, making them prosumers instead of consumer of the final product or services. Customers form a vital part of the MFI value chain. Most of these MFIs we studied have shifted focus from the use of collateral to serve as security for loans to rather building trust. They organize the customers and empowered them with financial literacy and management skills. They employ the concept of group lending on a rotational basis. The group members had the responsibility to serve as a check and balance of the on the grants or loans to ensure repayments are done as scheduled and the cycle goes on. This system of group schemes yield greater benefits as it leverages the essence of the indigenous African communities transforming the portfolios that have yielded success among similar areas in the world as in the case of the Grameen experience in Asia (Basu et al., 2004).

The 'modus operandi' of MFIs within the financial industry shows their innovativeness in meeting the demand created in the institutional space owing to the market failure. The study areas had unique distinctions and these MFIs approached each geographical area differently and had different strategies. For instance in the Greater Accra region they had clients who were mostly market women trading in different wares as well as fishermen. They relied heavily on lending to carry out their businesses. Unlike those in the hinterland who were predominantly farmers. Their concern was more of agricultural inputs that would ensure higher crop yields and sustain their livestock. The prevailing conditions where many owners of micro-enterprises in these settings get denied by commercial banks of accessing funding to support their business owing to lack of credit history (Basu et al.,2004) which is a weakness in the traditional institutions becomes an opportunity for the MFIs. It shows the innovativeness of the MFIs in meeting the demand created in the institutional space.

This study of institutional entrepreneurship and its analysis is tied around the institutional change process and these processes simplified into three main areas from emergence, implementation and diffusion of new institutions and practices (Battilana et al.,2014; Hinings et al.,2004).

4.1 Emergence

A critical assessment of the operations of traditional banking and financial institutions reveal a dearth of penetration into rural and sub-urban communities. This has resulted in an institutional space owing to the gap created due to the non-availability of such services to drive the rural economy. MFIs acting as institutional entrepreneurs have identified such change space through the institutional entrepreneurship process . We refer to the space as the institutional entrepreneurship space, which is as a result of market failure. In our operational definition, the institutional entrepreneurship space refers to the opportunity gap that is created as a result of the non-provision of a product or service by an institution to a potential client or group of clients owing to its own operational restrictions or choices. This unmet or unharnessed need leads to a demand gap. The study identified that the limited access to financial services to these micro enterprises and individuals as belonging to this space. The absence of such services in these rural and sub-urban communities form the core of the emergence of MFIs in the financial institutions industry. We define gap in the service provision by the traditional finance institutions in the rural and sub-urban settings as the institutional entrepreneurship space. A field supervisor in the Greater Accra region, in-charge of debt recovery recounted that the irrespective of the interest rate they charged customers were willing to increase their loans and attested that the potential to grow into a bigger entity was high as the demand for funds have never dwindled however the supply usually could not meet the demands as attested in early morning queues at the offices even hours before the office the working hour.

The emergence stage can be described as the level of discursive strategy among actors (MFIs and stakeholders) and is in the form of identifying similar organizations involved in providing small scale micro credit schemes to people. Leca et al. (2008: p. 12) define discursive strategies based Rao et al. (2000:p.44) as actions that leads to 'framing grievances and interests of affected parties, diagnosing the cause(s),assigning blame, providing solution(s), that enhance mutual attributes to carry out their operations'. The MFIs have identified that most of the unbanked population reside in areas outside the urban business areas and centres. Generally in Ghana, these people are engaged in the agrarian and trade activities. They pre-dominantly do not have a savings habit especially with the banks (GLSS, 2000). We observed that these MFIs have the ability to scan and prioritise these group of customers' sets the tone for their operational plans and activities in the respective communities where they operate. The MFIs engage in community outreaches through which they explore new ways of meeting the needs of the customers. The results of such continuous interactions are the design of specific product and service in response to specific needs identifiable to the geographical locations of these customers. Our encounters revealed that through the system of participatory learning approach, these MFIs get to understand the true needs of these community dwellers and small scale business persons. This has become an innovative and proactive way of reaching those who hitherto experienced financial exclusion due to distance and level of income barriers. We noted in all the three regional study areas that MFIs have designed unique schemes for farmers, artisans and traders who were mostly market women. In addition, individual money lenders, Susu collectors and field staff of the rural bank also acted as a reliable financial intermediary for these farmers and market women. These collectors are entrusted with fixed amounts of deposit to be withdrawn at agreed time periods at a fee. Compared to the formal and semi-formal MFIs, these Susu collectors (informal MFI operators) may not necessarily provide any unique products other than hold their monies in trust and pay back at arranged periods. In the sense of reaching out to the unbanked population, the Susu collectors can be said to be institutional entrepreneurs in their operations as they break away from the financial institutions template with regards to outreach for customers on one-on-one deposit collection basis. Similarly, field staff from the MFIs perform a similar practice. This fundamental principle of reaching out to customers irrespective of their location and with little or no banking experience is the vision that these MFIs champion in their operations. Money lenders were either based in the communities or outskirts in the sub-urban centres but had agents in the distant communities who solicited services for a fee for these lenders. These MFIs conduct a profiling of their clients per their geographical location, identifying potential borrower's core activities, resources and general goodwill. The ability to ensure financial inclusion for the rural poor leads to the acquisition of legitimacy as what formal institutions in the traditional banking system are accorded in rendering services to the clients in the urban areas.

A breakthrough approach is the MFIs ability to liaise with the indigenous trades association or trader unions within their jurisdiction of operation and developing products and services that meet their business specific needs. It is common to find vegetable farmers and traders or teachers in the particular school circuit or district belonging to a particular MFI owing to the products and services they specifically offer to their customers. This practice eases the strenuous effort of mobilization and facilitates faster information dissemination as well as security. These initiatives align with the fact that there are complex dependencies between actors belonging to the industry, these institutional entrepreneurs require a combination of significant partners among the members of the field, institutional entrepreneurs require to legitimize the field (Déjean et al., 2004; DiMaggio, 1991).

4.2 Implementation

The identification of the institutional entrepreneurship space sets the tone for MFIs to follow and act as institutional entrepreneurs. These MFIs mobilised all the resources and embarked on strategies to reach out to their potential customers. These strategies as mentioned involved a blend of financial, human resources and political ones. Within each community, the traditional heads and local authority heads who represent the political powers that control the state of affairs were engaged. The MFIs required the express approval and sanctioning by these figures or institutions to ensure the smooth operations of the business agenda in their respective target communities. Although they could forgo seeking such approval from the traditional authorities and still operate, engaging them added more legitimacy and provided a good source of credibility in their operations in the communities. The confirms the positive pressure that these influences of the institutional environmental factors exert on towards the MFIs as in our second hypothesis. These negotiations usually helped to deepen the understanding for the purpose and operational plan in some cases the traditional authorities symbolically opened accounts with the MFIs as a form of acceptance to carry out their business in the communities. Also, in most situations, the political heads facilitated the mobilisations and help to ingrain the much needed legitimacy by the MFIs. The mobilisation of all the actors and getting them convinced is paramount for success. These interactions with the stakeholders in the community to gain their support presented its own set of challenges. The country had been hit quite a number of times by quacks operating as MFIs and absconding with depositors investments owing to the non-effective monitoring of their activities by the regulators. Gaining such legitimacy from the community forms a strong basis for success in their future operations. MFIs through the isomorphic pressures in the financial industry are able to attain the legitimacy to operate in these target communities.

The limitations in the ease to access financial resources by customers in the community has been the catalyst that promoted the receptiveness and approval to operate in rural and sub-urban areas by the MFIs. These MFIs knowing the needs of the communities carved out their vision to align with such needs. They scanned their identified zones and identified the key opinion leaders to facilitate their penetration into those communities. Role determination in these communities does not rely solely on the individual MFI as an actor, it require a mix of other stakeholders who share comparable interests as individual associations may not able to undertake such changes on their own (Hiatt et al.,2009;Wijen and Ansari, 2007). They virtually court them to gain their political and social influence in their bidding. These communities were close knit societies and in some situations the clan heads, government assembly members, chiefs or institutional heads were contacted and convinced to support the process of mobilisation owing to the limitless economic benefits to be derived by their communities. Canvassing and organizing these stakeholders required sometimes MFIs engaging other bodies such as trades group (market association) leaders to convince their members and similar bodies to accept. It requires demonstrating high social skills (Fligstein, 1997) even in speech mannerisms in a setting where traditions and local norms are held in high esteem.

Another important strategy that has worked for MFIs is allowing the community or beneficiary stakeholders to nominate a liaison to serve as a link between them and the MFIs. This aligns with the third hypothesis as it confirms the partnership between these actors. The institutional entrepreneurship process has a positive influence in the development of mutual trust leading to legitimacy of MFIs. As evidenced in these practices. These persons are people who have earned confidence among communities owing to specific characteristics peculiar to each community. MFIs have received training in various capacities from their respective mother associations such as Ghana Microfinance Network (Ghamfin) in community mobilisation and entry skills which usually makes their penetration and promotions seem to come with much ease. The MFI succeeded in persuading stakeholders and actors to join (Battilana et al., 2009) in their economic emancipation in the communities using all these strategies and skills.

It is common phenomenon in the districts to have these MFIs already registered in the respective Municipal and District Assemblies and they produce certifications to receive general acceptance to operate in their respective jurisdictions. Durbars and small community meetings were held to explain the concepts under the auspices of the community leaders, in this way confidence and acceptance of the MFIs was achieved and it eased their community penetration. These activities were timed to coincide with weekly market days in the communities where large numbers of people converged. This act further legitimizes their presence and authenticates their brand as they additionally have to succumb to the environmental pressures, mimetic, normative and cognitive forces in their domain of operation.

In the case of the operations by money lenders, we discovered that the basic resource of focus is the availability of funds for borrowing to customers which becomes the main resource that is mobilized. Private individuals negotiated the rate and offered to invest with such money lenders who in turn make it available to borrowers at usually high rates of interest. An assurance of repayment in the form of collateral may be demanded but not in all cases. The goodwill of the potential borrower is a key criteria for the release of such funds as loans to them. Susu collectors on the other hand are known by the communities in which they operate. The Susu collectors mobilise funds through the contributions in the form of small amounts and make them available to the members of the Susu association at intervals agreed by the savers and the collector attracting a fee. The modus operandi is that these Susu collectors mobilize are daily deposits from customers. They commence their operations usually at about midday when the traders might have had the chance to transact some business. It affords them the ability to make deposits (Steel and Andah, 2003) having had the opportunity to make some sales in the morning session of the business. Traders' predominantly female vendors and micro-enterprise operators meet at a designated place and on a specified day or days within the week to deposit their savings with the Susu collectors who run the Susu club. This innovative timing makes it convenient for them since their income levels are low (Steel and Andah, 2003). These clubs have an average of around 400-500 members (Eschborn, 2002). All these efforts the respective MFIs are aimed at persuading clients to endorse and become part of their service. The communities as a show of commitment sometimes offered to provide office space for the MFIs to operate as was the case with five of them in their operational areas as we observed from our study sample. The community centres had free spaces and it is at such places that meetings took place. The respective Apex bodies (parent bodies) of MFIs provide technical support to ensure the growth and effectiveness of these institutions in the efforts at delivering financial services to the rural citizens.

4.3 Diffusion

The MFIs after having successfully mobilised both tangible and intangible resources (Garud et al., 2002) now move further to the final stretch of institutional entrepreneurship process, the diffusion stage. This last phase relates to how the MFIs have spread out their agenda within the target markets. The successes of the MFIs have largely been attributed to their ability to identify and create a network of embeddedness in the environment, such actors in their respective societies or communities. The type of community entry strategy used enhanced their legitimacy within their jurisdictional areas. Several MFIs have started operations in most rural communities and under-served regions by the traditional banks. Potential investors have noted that the prospects for these institutions are high even though the field has its own uncertainties. The uncontrolled growth spurt in MFIs led to the central bank, the Bank of Ghana, which has oversight responsibility of all banking institutions to recently issue a statement in response to restoring confidence in depositors through the use of special stamps and an increase in the capital requirement to be licensed to operate such institutions, just to help boost the legitimacy. Informal MFIs diffuse the best practices to both semi-formal and formal financial bodies who adopt these portfolios. They intend engage the services of the informal MFIs as agents in the respective fields of operation. This affirms the stance of the fourth hypothesis, whereby the institutional entrepreneurship process positively influences the diffusion of MFI best practices. The informal MFIs benefit from technological transfer, financial mobilisation and night safe services from these formal MFIs. This makes the relationship and the legitimacy of Informal MFIs consolidated. The proliferation or an upsurge into the business of MFIs can be witnessed by some commercial and merchant banks who now have portfolios to serve the needs of such customers in their operational zones, these are still in their initial stages. Various measures are now being formulated to help sustain the growth of MFIs and adequately equip them to meet the local as well as the global challenges in the financial industry.

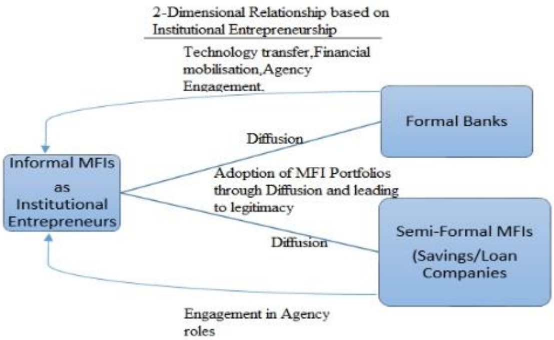

Figure 3: A 2-Dimensional Relationship among Formal, Semi-Formal and Informal Financial Providers where Informal MFIs are Institutional Entrepreneurs
Source: Authors Construct based on Research Analysis

5. CONCLUSION AND IMPLICATIONS

Following from our case study, we realised that majority of the MFIs that participated in the study have acquire comprehensive knowledge of the dynamics and characteristics of their working area. They initially carried out a registration exercise of potential clients usually taking place in their initial entry in their community mainly to capture the early customers. MFIs develop an arrangement that in effect propels them to effectively conform to the regulative and normative operating environment or institutional logics within the financial industry. They engage influential network of actors to push and support their objectives. The rules governing MFIs as establishments guide their action. The Bank of Ghana as the final authority in the licensing and supervising agency for all financial bodies in the country has revised its regulations to curb the incidence of Ponzi schemes. This aims at curbing the incidence of fraud which robs depositors and investors of their investments. Capitalization has been raised for MFIs to ₵500,000 since 2012 for companies with one branch with additional branches being subjected to further capitalization.

The multiplicity of MFIs has resulted in different practices and an effort to meet client demands have led to divergent changes in their daily operational strategies. The pressure from clients to meet their financial demands constitute the disruptions within the financial environment. The use of collective action through group savings and borrowing led to the design and implementation of group loan schemes, an innovative way of mopping up savings and ensuring a secured loan for clients within each group. Some Savings and Loans as well as the rural banks also have adopted this method in disbursing financial loans which require no collateral as members serve as security on the loan. The segmentation of financial support schemes with low rates of interest is phenomenal in the work of the MFIs. Individual clients according to the MFIs could be allowed to borrow low principal amounts and interests paid on monthly basis until the principal is fully paid up. The segmentation in the financial needs helps the MFIs to profile their customers according to an MFI Supervisor. It's a great feature that incorporates all levels of income earners. It forms part of the membership strategy (Lawrence, 1999) as these customers brace up the savings habit. It is important to note that in less matured environments, restrictions are needed for implementation in a bid to set standards and have normative bodies play prominent roles in structuring and providing professionalism for the institutional entrepreneurs.These normative carriers do not pertain only to the definition of a professional identity (Hughes, 2003), professionalization (DiMaggio, 1991) and setting standards (Garud et al.,2002).

The study was carried out to understand how MFIs operation has led to changing the banking system over the past decades which have made them become institutional entrepreneurs within the financial terrain of Ghana. It tracked the ingenuous indigenous strategies and decision making styles by which MFIs and clients engaged in as they enter their markets. It does not digress from the studies mentioned in studies by Breton et al.,(2014) which opined that studies in the past. The institutional entrepreneurship process as espoused by Battilana et al.,(2009) formed a basis of our change process discussions. We provided an account of the encounters based on the enumerated process of institutional entrepreneurship and making related accounts in previous studies. The quest to reform the operational strategy by most traditional banks was shown and an inclusive approach to providing services came up in our results.

The strategy to move into rural communities rather than allowing clients to visit these established offices is another innovative means to ensuring inclusiveness in banking and breaking away from the already established traditional ways of banking. Already it has led to a push-factor approach for a few traditional banks to carry out new portfolios to meet the demands of low income earners although with no penetration into the communities. This is reflected in for example products such as the 'kudi nkosuo' account by GCB bank intended to support and develop trade (GCB bank, 2016). Investors have realised the potential of promoting the concept in the MFI arrangements and it is reflected in the now rush into that business venture in the country. There have been incidents where investors have been defrauded and misled owing to poor monitoring and controls such as the infamous DKM financial scandal prevailing currently in Ghana. An aggregate of ¢115 million (approximately,$27,000) was collected from depositors promising returns up to about 50%, however the central bank has indicated that it was not to be blamed for such acts of fraud in a report to Finance Committee of Parliament . These criticisms obviously dents the reputation of the several MFIs working hard in the sector to improve the businesses of the public. There is the need the strengthen controls and monitoring of the MFI activity boost investor confidence. Apex bodies need to work on improving the legitimate of MFIs and this as well creates opportunities for institutional entrepreneurs in the industry to be creative and innovate approaches leading to such improved legitimacies. The process of institutional entrepreneurship is once again put to action in ensuring this happens. It therefore results in a cyclical feature owing to the fact that the completion of the implementation phase of the process is not the end. A re-evaluation of the industrial environment or any part of the process can result in activating the process to yield the desired outcomes. A re-institutionalisation of the institutional entrepreneurship process that is orchestrating the need for these MFIs to take leadership in implementing various strategic and participate in changing the stages of the industry's environment (Oliver, 1990). Finally this case provides useful inputs for practitioners, stakeholders and researchers. It grants an understanding into how MFIs operate while it spells out the needed approaches and strategies that would-be institutional entrepreneurs need to carry out in breaking away from stasis. It gives account of the changes that these actors carry out in fostering success and the need to network actors to achieve goals in unknown fields. A further empirical study to test the respective dimensional relationship and other environmental attributes of institutional entrepreneurs in MFIs would give more insight into this phenomenon.

ACKNOWLEDGEMENTS

We wish to acknowledge funding support from the National Natural Science Foundation of China Grant 'A Study on the Dual Newness Liability and Legitimation Mechanism of Emerging Technology Start-ups',NO.71772027 and National Natural Science Foundation of China Grant 'Context Identification of Emerging Technology Evolution and Its Influence on the Effectiveness of the Combination of Innovation Tacit',NO. 71302083.

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