THE SEED OR THE SOIL? MICROFINANCE, SOCIAL NETWORKS AND OPPORTUNITY DEVELOPMENT IN GHANA

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CHAPTER 1 – INTRODUCTION

"To me, the poor are like Bonsai trees. When you plant the best seed of the tallest tree in a six-inch deep flower pot, you get a perfect replica of the tallest tree, but it is only inches tall. There is nothing wrong with the seed you planted; only the soil-base you provided was inadequate. Poor people are bonsai people. There is nothing wrong with their seeds. Only society never gave them a base to grow on." (Muhammad Yunus, 2007, p.247)

1.1 Entrepreneurship for Development

Entrepreneurship is widely acknowledged as being a crucial component of the most prosperous nations in the world. The word 'entrepreneurship' tends to conjure perceptions of risk-taking, passionate and often wealthy individuals who have created some of the most successful organisations in the world. However, if one were to spend some time walking through the streets of Accra, Lagos or Mumbai it would quickly become apparent that this is incongruous with a large portion of entrepreneurial activity in the developing world. In many such contexts, entrepreneurial activity is ubiquitous, vigorous and a feature of the daily lives of millions who look to make ends meet. As a result, entrepreneurship scholars, amongst others, are becoming increasingly interested in how entrepreneurs use their initiatives to alleviate their own circumstances (Bruton, Ketchen, & Ireland, 2013).

Historically, the role of entrepreneurship in alleviating poverty has received a wide berth. Despite its prominence in such contexts it has previously been seen as symptom of the systematic problems which characterise many developing countries (Baumol, 1990). It is reasonable to say that poverty reduction interventions have been driven by a well-placed moral consciousness which has led to prominent campaigns that have focused on bilateral aid and charitable donations (Moyo, 2009). It would also be reasonably to say that the $2.6 trillion flow of financial resources from developed to developing economies has had mixed results (OECD, 2013). Therefore, the application of aid efforts has dominated the development discourse until very recently.

However, in 1973, Muhammad Yunus, a Bangladeshi economist, inadvertently started a social movement which would grow into a multi-billion dollar global industry which saw him win the Nobel Peace Prize in 2006. Microfinance emerged from the idea that by giving the poor access to financial services that they could not previously access, they could navigate away from their financially and socially precarious circumstances. Although the development narrative has classically been focused on programmes of bilateral aid, the microfinance perspective has argued that true sustainable development stems from the 'bottom-up' – local entrepreneurs who understand and can act upon local problems (Easterly, 2001). Consequently, the microfinance initiative has been part of a broader trend of thinking about poverty reduction strategies which seek to actively engage with the poor to solve local problems which has led to a significant shift in the development discourse (Sachs, 2013).

Subsequently, entrepreneurs in developing countries have been thrust into the spotlight based on the premise that their endeavours can help stimulate the innovation, economic growth and job creation needed to improve social welfare. If economic growth can be stimulated from the bottom-up by local entrepreneurs, this requires the poor to be what Yunus (2007) describes as 'bonsai people'. For Yunus, the poor are the key to unlocking economic potential based on their entrepreneurial talents; they are the seed to be planted. However, they lack the fertile soil and platform needed to transform their lives and the lives of others. This seed can only be allowed to fully grow when entrepreneurs are able to access transformative microfinance services. Are entrepreneurs in developing countries the seed needed to transform local economies?

This thesis zooms in on this critical question and assumption. More specifically, the thesis argues that insufficient academic attention has been paid to (1) opportunities as a development process, in the entrepreneurship literature; (2) the role of microfinance lending mechanisms and institutional policies in this process and further (3) the social network relations sought, maintained and transformed by entrepreneurs who draw from microfinance resources. In this respect, it represents an integration of critical discussion within the entrepreneurship and microfinance literature.

Unpacking these areas, the contribution of the thesis is to demonstrate how patterns of behaviour across entrepreneurs within the microfinance population are shaped by the reservoir of cultural resources that they are able draw from as they utilise microfinance resources (Swidler, 1986; 2001). As such the thesis offers a much needed insight into the teleological nature of entrepreneurial action – the *substantive* nature of entrepreneurial opportunities (Dimov, 2011). Furthermore, the thesis offers a contextual insight into opportunity development by synthesising how culture and action manifests itself across urban and peripheral areas (Hess, 2004).

The thesis emphasises the particular entrepreneurial journeys that microfinance enables, requiring an appreciation of how and why particular entrepreneurs organise their actions to meet particular ends, as products of their life circumstances. These organising patterns are simultaneously and thoughtfully engaged with by loan officers and decision-makers of MFIs as they develop approaches to lending that cater for such actions. Is it the seed or the soil? Clearly, it would not make for an interesting thesis if there was an answer to such a binary question. It is hoped, however, that will assist in offering insight into both the seed of entrepreneurship and the soil of microfinance.

1.2 The Nature of Entrepreneurial Opportunity

Given the clear political importance of entrepreneurship, it has emerged as a major focus of academic research. The field of entrepreneurship is now widely recognised as seeking to understand how and by whom entrepreneurial opportunities are discovered, evaluated and exploited (Shane & Venkataraman, 2000; Venkataraman, 1997). Entrepreneurial opportunities are those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production (Casson, 1982). Consequently, the notion of 'opportunity' appears regularly in the literature and understood from the vantage point of a wide variety of theoretical perspectives.

The bulk of entrepreneurship research has focused on the individual-opportunity nexus which has promoted two research traditions over the last decade. The first perspective of opportunities is developed through entrepreneurship's relationship with economic theory. In this trend, economists have attempted to explain the principal drivers of economic growth. Classically, economists have viewed entrepreneurs as pursuing opportunities that drive innovations (Drucker, 1985) and creative destruction (Schumpeter, 1934). These opportunities emerge through market inefficiencies which entrepreneurs look to correct through their actions (Kirzner, 1973). These actions take place in the face of an unknowable future, which means that entrepreneurial pursuits are inherently uncertain (Knight, 1921).

The second major perspective in entrepreneurship research has focused on the individual. Historically, research has considered entrepreneurs to have a series of psychological traits that are not held by the wider population such as entrepreneurial 'alertness' (Ardichvili, 2003; Baum, 2004; Gaglio, & Katz, 2001). The cognitive perspective has had a strong foothold in the literature and particularly as a theoretical perspective which seeks to understand opportunity recognition (Baron, 2004), success factors (Rauch, 2000), and entrepreneurial intentions (Boyd, 1994; Zhao, 2005). This perspective has therefore been influential in understanding why some individuals pursue particular opportunities.

The commonality of these research efforts is the inherent survival bias involved with the pursuit of an opportunity. In this strand of the literature, opportunities are assumed to exist, primarily because they have already been recognised, evaluated and exploited. Their understanding is therefore subject to a problematic retrospective bias which does not capture the inherent uncertainty of the aspiring individual (Mcmullen & Shepherd, 2006). Therefore, as a theoretical proposition, opportunities are inoperable at the level of the individual actor because they can only be considered to have been opportunities when accessed retrospectively (Dimov, 2011).

In that case, what does an opportunity look like prospectively? In the first instance, entrepreneurs have to engage with some kind of idea which can be determined by their immediate situation or stimulated by their social context (Dimov, 2007). It could be subsequently shaped by a series of actions and learning (Davidsson, 2003). Thus, the markers of the process are the successive actions and ideas that the entrepreneur formulates and executes along the way as well as the exchange relationships s/he seeks to institute with other market participants (Dimov, 2011; Venkataraman, Sarasvathy, Dew, & Forster, 2012). The venture idea coevolves with these actions and interactions: it informs them and at the same time is being informed and modified by the new information they produce. As venture ideas continuously evolve, entrepreneurial behaviour is embedded in a broader journey in which it may be difficult to draw lines between different opportunities (McMullen & Dimov, 2013).

This thesis is informed by this particular premise for studying entrepreneurial opportunities. It bridges this debate from mainstream entrepreneurship theory with recent discussion regarding entrepreneurial behaviour in developing countries and specifically within the microfinance debate. The role of entrepreneurship as a mechanism for poverty reduction is now firmly established within the entrepreneurship literature (Bruton et al., 2013). More concisely, this thesis addresses the particular mechanisms that Microfinance Institutions (MFIs) engage with to allow entrepreneurs to pursue their venture ideas and engage in market relationships (opportunities). As such, the contribution of the thesis lies at the intersection of these important theoretical and practical debates.

1.3 Thesis Overview

1.3.1 Research Questions

In broad terms, this thesis asks 'how does microfinance facilitate and alter the nature of the opportunity development process?' The literature review builds upon previous discussion by emphasizing the intellectual heritage of the opportunity debate. In doing so, the review ties in with perspectives from development economics which criticises normative rational decision-making frameworks which have dominated economic thought. It establishes the premises of understanding opportunities from the point of view of an entrepreneur's ideas, associated actions which are embedded in a series of network relationships (Dimov, 2011). This view of understanding the substantive nature of opportunities is also crucial in understanding the methodological approach adopted.

RQ1: How does the delivery of microfinance through joint and individual-liability lending programmes shape the opportunity development process?

The more specific questions in the thesis relate to how MFIs lend to entrepreneurs in developing countries. As such, the thesis focuses specifically on the much vaunted group-lending mechanism in comparison with the more conventional individual-lending strategy as methods of distributing financial capital. Recent findings from the microfinance industry suggest that the social network component of group lending is merely an institutional risk-sharing mechanism which has a limited impact on entrepreneurial behaviour (Bruton, Khavul, & Chavez, 2011). Therefore, the thesis proposes that the decision making policies, screening practices and lending logics of the MFI may be more crucial and an understanding of this can help to extend this debate in the literature.

RQ2: How does microfinance alter the nature of social networks and, as an information context, shape the opportunity development process?

Given that group dynamics have a limited social network impact for entrepreneurs, this thesis proposes that the broader set of network relationships that entrepreneurs have to develop and maintain are likely to be more important. As such, the research draws from previous research from social network theory to build an argument for researching networks within a microfinance context. Further, with the addition of microfinance, the thesis proposes that these additional financial resources are likely to alter the nature of network relationships accessed and maintained. Bringing these perspectives together is the discussion regarding the novelty of opportunities that entrepreneurs pursue in microfinance settings (Bradley, McMullen, Artz, & Simiyu, 2012). The fundamental concern of developing economies is that only a limited number of entrepreneurs are able to create the types of organisations that innovate, grow and create jobs. Therefore, understanding why some and not others are able to use microfinance resources in a transformative way is an area of central academic importance (Sautet, 2013).

1.3.2 Methodology

In order to examine the aforementioned research questions, the methodology adopted a process driven approach. In taking this approach, the thesis highlights the contrast between variance and process methodological theory (Mohr, 1982). Whilst variance theory relies on relationships between variables to explain causality, process theory necessitates an understanding of key events and actions that lead to particular outcomes. The thesis argues that the bulk of current entrepreneurship research has used variance based approaches to retrospectively understand opportunities, an outcome-driven approach (Van de Ven, 2004). In drawing from process theory, the research presents an event-driven methodology which takes into account the unfolding series of events as entrepreneurs consider their venture's development.

As a result, the thesis is primarily a retroductive/inductive exercise with the purpose of developing theoretical insights at the intersection of discussion on opportunity development, microfinance and social network theory. The research considers opportunities as operating at the level of the individual through a combination of the entrepreneurs considered venture ideas, their associated actions which are tied to a series of network relationships. Consequently, it was designed around considerations of a configuration of Aristotle's material, final and formal causes (McKelvey, 2004).

The methodology draws from a critical realist paradigm as a suitable vehicle for understanding the nature of process. The critical realist approach is particularly pertinent to understanding this type of research methodology because it acknowledges that individuals are not always the agents of their own fate (Blundel, 2007). Instead, it allows for thinking about emergent processes as being inseparable from past events and heavily influenced by a variety of contextual factors (Pettigrew, 1990). This led the research to think about the spatial and temporal dimensions entrepreneurial action. It is additionally pertinent when thinking about the unforgiving and turbulent nature of observing aspiring entrepreneurs in developing country contexts.

The data were collected over a 15 month period in the developing economy of Ghana from February 2012 to May 2013. This involved three waves of data collection across this period with 10 entrepreneurs involved in either group or individual-liability lending programmes. Primarily, data were collected through semi-structured interviews and secondary data were ascertained from records held by the MFI. The research also draws from the perspective of the members of staff at the organisation to understand the logic of particular lending methods. The research was organised alongside a local MFI, Opportunity International Savings and Loans.

The data were analysed in a manner consistent with qualitative process research. In this respect, it was developmental as cases and subsequent interviews gradually became more idiosyncratic after each wave. The analysis involved the building of chronological event listings which were then turned into descriptive process maps which acted as a visual aid for understanding the order and influence of key events (Langley, 1999). Based on prior theory, the research utilised a coding scheme in order to categorise the raw data. Subsequently the coded raw data were transformed into 2nd order themes and aggregate theoretical dimensions (Gioia, Corley, & Hamilton, 2012). The last analytical technique was to present this data in a dynamic theoretical model which involved seeking relationships between 2nd order themes and aggregate theoretical dimensions.

1.3.3 Results & Contributions

The findings of the thesis present a number of theoretical insights into understanding the nature of opportunity, microfinance and social networks. The primary finding of the thesis is to consider entrepreneurial action as a cultural product which influences how entrepreneurs organise their actions in particular situations (Swidler, 1986). The basic premise of this argument is that certain entrepreneurs enjoy certain streams of knowledge and skills which are organised to take advantage of cultural competences. This means that certain entrepreneurs can be heavily influenced by their culture which determines how they respond to certain situations facing them (Swidler, 2001). The thesis therefore proposes an integration of this perspective with human capital theory in order to demonstrate how entrepreneurs construct images of the future and plan towards them.

The thesis highlights how these cultural repertoires become embedded within microfinance lending logics across group and individual-liability arrangements. The results highlighted that these cultural repertoires were characterised by varying degrees of agency and market risk lending perceptions. This led the MFI to adopt an approach with group entrepreneurs that focused on both financial and personal development. Additionally, the results emphasise the important role of loan officers who offer continuous judgments with respect to the viability of opportunities in individual liability lending. The thesis therefore depicts the lending process as one of agency and market risk mitigation.

The thesis also offers a heavily contextualised understanding of these cultural repertoires which highlights the socio-spatial nature of network development. As such, it builds upon Hess's (2004) discussion about considering relations with respect to their relational, territorial and historical components by demonstrating the microfinance population as being spread across dense urban areas or residential peripheral contexts. It argues that how entrepreneurs deploy microfinance resources to develop their networks depends upon these three components as they engage in a process of accessing, legitimising and communicating with their network.

These varying spatial contexts therefore provided the material settings for social relations which had a demonstrable impact on the new types of value that entrepreneurs subsequently tried to exploit. New knowledge created in the periphery was contextually bounded which meant that entrepreneurs invested in numerous small-scale experiments needed by the community. However, entrepreneurs in the denser urban centre had been able to advance their network positions through microfinance and had subsequently been able to gather complimentary information from new markets and/or competitors. Depending on the scope and scale of these new ideas, the thesis also demonstrates the limitations of microfinance once entrepreneurs begin to pursue opportunities which no longer focus on known opportunities.

The aforementioned results offer a number of contributions to discussion regarding opportunities, social networks and microfinance. The notion of a cultural repertoire offers an *ex ante* theoretical concept for understanding how entrepreneurs organise their actions when faced with new situations (Swidler, 2001). Therefore, it brings into this discussion the notion of particular entrepreneurial world-views which offers a caveat of current conceptions of entrepreneurial behaviour through a theoretical convergence with human capital theory. In this sense, it highlights an early empirical attempt to consider theorising in entrepreneurship around the nexus of action and interaction (Venkataraman et al., 2012).

Further, the results contribute to social network theory by offering a dynamic understanding of their development within microfinance settings. The results highlight the importance of network position as being a central impetus in driving the creation of new, complimentary and valuable streams of knowledge (Aldrich & Kim, 2007). In doing so, it emphasises the importance of proximity between actors in order to understand the potential for interactive and predominantly tacit learning. This was closely understood to be linked to the ever-changing spatial context which helps in understanding the heterogeneity and connectivity of an entrepreneur's network.

The above arguments offer a compelling insight into understanding the microfinance phenomena and therefore offers important contributions to the discussion regarding why some but not others are able to use microfinance in a transformative capacity (Bradley et al., 2012; Khavul, 2010). Furthermore, the use of a process-driven explanation offers an important methodological contribution towards an understanding of entrepreneurial action which is not blinded by *ex post* retrospection. It therefore demonstrates what process-driven research can offer to the development of theory in the field of entrepreneurship. In addition, it is with hope that these findings can help influence microfinance practitioners better understand the behaviour of the entrepreneurs that they strive to assist and empower.

1.3.4 Thesis Structure

The thesis is structured in the following way. Chapter 2 outlines the literature review, bringing together some perspectives from development economics with current discussion concerning entrepreneurial opportunities. It discusses the precise mechanisms that allow microfinance to work, highlighting the pertinent literature from that field. In drawing these pieces together, Chapter 2 concludes by outlining the emergent research questions which the thesis focuses on. Chapter 3 highlights the research design deployed in the research. This builds upon a previous critique of discussion regarding the nature of entrepreneurial opportunities to highlight the need for a process-driven approach within a critical realist paradigm. This chapter proceeds to highlight the data and analysis procedures.

Chapter 4 presents the raw data under the categories of various emerging themes. The raw data are presented in numerous tables and selectively within the overall text linking back to the depicted emerging themes. The purpose of Chapter 5 is to take this raw data and place it within a dynamic, theoretically-driven model of opportunity development. Therefore, this discussion section outlines the emerging theoretical insights of the thesis. In Chapter 6, these insights are articulated more precisely with reference to the specific contribution of the thesis. This chapter additionally outlines areas for future research, limitations and policy implications before offering some concluding comments.

CHAPTER 2 - LITERATURE REVIEW

This chapter offers a review of the literature at the intersection of entrepreneurship, international development and microfinance. The first two sections 'set the scene' and emphasise why this is an important area of discussion and what is being studied. In the first instance, the review highlights how the role of the entrepreneur within developing economies has become more pronounced in recent years (2.1) and demonstrates the limited narrow conceptions of economic behaviour in environments characterized by poverty (2.1.1). Secondly, microfinance is introduced as an activity instigated by socially minded organizations who seek to fill institutional voids in the banking sector in developing countries and alleviate poverty (2.2).

Having 'set the scene' the review offers a more thorough critique of the literature leading into the research questions in the thesis. The review discusses prior research on entrepreneurial opportunities and introduces recent advances in how to examine the micro-processes associated with their development (2.3). This is complemented by a section on the nature of opportunities in developing countries (2.3.1). Following this, the review looks more closely at the prior research on microfinance and synthesises these findings with the previous section on entrepreneurial opportunities. This section of the review highlights the role of financial (2.4) and social (2.5) capital in the opportunity development process and links them to the two lending mechanisms of interest: joint and individual-liability. The final section is used to explicitly highlight the literature gap and the emerging research questions in this thesis. This allows for the introduction of the two principal research questions (2.6).

2.1 Entrepreneurship and International Development

Poverty reduction has been one of the major economic challenges in modern times. At the beginning of the 1980's, development economics witnessed a paradigm shift in how to think about alleviating poverty. The Washington Consensus brought about a series of strategies which sought to curtail the role of the state and liberalize developing economies (Naudé, 2011). Structural adjustment programmes were designed to provide finance to nations in return for trade protection and price incentive reform leading to the efficient management of resources and a general move towards trade liberalization (Kapur, 1997).

Building on this more recently, the focus of development economists has been to highlight the effects of globalization and trade liberalization on poverty (Stiglitz, 1998). As such, poverty reduction strategies have generally focused on shaping the institutions which ultimately provide services to the poor and prepare the environment for economic prosperity (Sachs, 2005). One typical approach has been through bilateral aid, whereby resources are transferred from a donor to a recipient with the purpose of improving the institutional capacity of the developing country recipient (Moyo, 2009). These approaches have generally been accompanied by non-governmental organizations providing social services at a local level (Fowler, 2000).

Despite the vast transfer of resources to developing economies, the challenge of economic development remains elusive. Efforts to liberalize macro-economic conditions through structural adjustments had a negligible impact on per capita income (Burnside & Dollar, 2000; Easterly, 2005). For example, liberalization exposed some frail industries to global commodity prices creating greater economic instability (Loxley, 1990). On a practical level, these efforts have largely been hindered by the destructive effect of poor governance, conflict and corruption which create natural resource traps (Collier, 2007; Pak Hung, 2001). As such, it has been argued, that insufficient attention has been paid to 'bottom-up searchers', who offer solutions to local problems in society (Easterly, 2001). This type of piecemeal solving of local problems helps to break down some of the most obstructive barriers in society (Popper, 1971).

In order to foster long-term economic growth from the 'bottom-up', there is a growing recognition that strategies need to focus on entrepreneurial activities (Acs & Virgill, 2010). The study of entrepreneurship is concerned with how, by whom, and with what affects opportunities to create future goods and services come into being (Shane & Venkataraman, 2000). Entrepreneurship is a vital component of economic growth (Minniti & Lévesque, 2010) and societal change (Schumpeter, 1934) which goes hand-in-hand with poverty reduction (Dollar & Kraay, 2002). Entrepreneurship is a particularly powerful force in society; through the pursuit of profitable opportunities, entrepreneurs create new markets, raise incomes and shape institutions (Venkataraman, 1997).

The market for goods and services in the developing world is vast. In C.K. Prahalad's (2005) seminal work on *Bottom of the Pyramid* (BoP) markets, he identifies the enormous purchasing power of such markets. He argues that business models need to be targeted towards the poor who are willing to pay for goods and services which ultimately improves well-being and creates long-term economic prospects (Prahalad & Hammond, 2002). Development research has moved away from traditional views such as 'the culture of poverty' (Lewis, 1959) to embrace a view of the poor as hard working initiative takers who often pursue many small activities in order to break the cycle of poverty (Collins, 2009; Narayan, 2009). In this respect, entrepreneurship can act as an elixir for poverty reduction because it is the driver of social change.

2.1.1 Poverty and Entrepreneurship

If we are to view the entrepreneur as being fundamental to economic development and therefore poverty reduction then it is necessary to understand what is actually meant by 'poverty'. Historically, research has conceptualized poverty as a lack of income, suggesting that individuals living on between $1 and $2 per day reflect the poorest (Prahalad, 2005). In this definition and with recent estimates, there are one billion people living in 'extreme poverty' and 2.6 billion living in 'moderate poverty' (UNDP, 2007). However, it is now widely acknowledged that income measures represent an incomplete way of understanding what poverty may be (Stiglitz, 1998). Income measures help to understand the outcomes of poverty but not what causes and perpetuates its existence (Robeyns, 2005).

In order to holistically understand how development works, it is necessary to look at what an individual does and is capable of doing (Sen, 1999). This approach argues that mainstream economic theory is based on the very narrow *homo-economicus*, a utility-maximizing approach, whereby the efficiency of the market mechanism is brought about by the self-interest of rational decision-making economic actors (Giovanola, 2009; Robeyns, 2005). In this view, there tends to be a focus on the 'culmination outcomes' of the economic system rather than the process through which these outcomes emerge where individual choices can be motivated by a series of factors beyind pure utility (Sen, 1985) Building on Sen (1999), McMullen (2011, p.206) argues that:

> *Political, legal, social and cultural institutions that constrict economic freedom obstruct participation in global markets and prevent the division of labor and the benefits it can convey in terms of not only income potential but also the full development of human capabilities.*

In this respect, McMullen links the notion of entrepreneurship and economic freedom as being a fundamental component of human capability development. In acknowledging human diversity, this philosophical position allows for an understanding that the entrepreneurial landscape in developing countries is characterized by limited capacities to act and exploit opportunities which lead to market failure (ibid).

In order to comprehensively understand the behaviour of economic actors, it is necessary to understand that economic decision-making takes place within specific circumstantial contexts shaped by institutions and social relations (Swedberg, 1994). Similar criticisms have been voiced of frameworks which seek to understand entrepreneurial behaviour. Baker, Gedajlovic, & Lubatkin (2005) argue that understanding entrepreneurship across nations with varying institutional arrangements requires a greater appreciation of social forces, reasoning that social circumstance and the institutional environment interact to form what a person may be reasonably expected to achieve (Robeyns, 2005). For North (1990, p.3) institutions are the "humanly devised constraints that shape human interaction." In this sense, in order for entrepreneurship to emerge, individuals require some degree of economic freedom to influence the process of production (von Mises, 1949). Institutions allocate roles by determining an economy's reward structures which accounts for the productivity of entrepreneurial activity within that country (Acemoglu, 2003; Baumol, 1990).

Therefore, poverty is not only about a limited income but also limited opportunities as a result of personal and social circumstances set by the institutional environment within which an individual is embedded. As such, economic development is regarded as the process of the removal of the fundamental obstacles to what people can achieve in their lives (Fukuda-Parr, 2003). In comparison to mature economies, institutional structures within and across developing countries can vary widely and have a crucial role in determining the behaviour of entrepreneurs (Bruton, Ahlstrom, & Obloj, 2008).

2.2 Microfinance and Entrepreneurship

The institutional environment accounts for the type of business activity that emerges across and within developed and developing countries. One perspective has argued that institutions shape entrepreneurial activity by safeguarding property rights (Acemoglu, 2003). If land titling is largely absent, entrepreneurs are unable to own land, obtain credit and acquire the assets needed to be able to expand (De Soto, 2001). This results in potentially productive entrepreneurs being allocated a non-productive role because economies of scale are inaccessible and incentive structures are largely absent (Banerjee, 2007; Baumol, 1990).

One such institutional failing is in the banking sector. The poor tend not to have access to land which weakens the sector by increasing the risk of lending. This leads to problems of information asymmetry, moral hazard and increasing transaction costs whereby banks are unable to lend non-collateralized loans (De Soto, 2001). The dominance of economic informality means that banks also have little information about ventures that have little or no collateral and who tend not to keep records (Frese, 2000). The result of this is an institutional void – situations where institutions that support markets are absent, weak or fail to carry out what is typically expected of them (Mair, 2009). Consequently, entrepreneurs in developing countries have generally been ostracised from borrowing, reducing their capacity to operate in the market mechanism (McMullen, 2011).

As a response, Micro-Finance Institutions (MFIs) have emerged as social enterprises whose primary objective is to facilitate this change. As social enterprises, they use market based approaches to facilitate social change by stimulating entrepreneurial action (Zahra, Gedajlovic, Neubaum, & Shulman, 2009). To accomplish this, MFIs facilitate access to small amounts of financial capital, in the form of microcredit, for poor individuals who cannot access the traditional banking system. MFIs thus offer micro-credit to borrowers with the expectation that they will repay loans with interest and within an agreed period of time. In doing this, MFIs are able to meet their economic needs by covering for operating expenses, loan losses and the expansion of their capital base and fund expected growth (Fernando, 2006; Morduch, 1999).

Through the provision of microcredit, MFIs use a bottom up approach based on which the poor's' integration into formalized financial systems can facilitate their movement out of poverty. In improving access to finance and raising household finances, individuals have greater social and economic choices (Imai, Arun, & Annim, 2010) and can gain greater household decision making power, freedom of mobility and access to social networks (Pitt, Khandker, & Cartwright, 2006). The poor are able to help themselves to improve their overall capabilities by building assets and economic resources whilst creating employment opportunities and services for local communities (Helms, 2006).

Microfinance was pioneered by Muhammad Yunus in 1973 when he established the Grameen Bank. He discovered that the poor in Bangladesh had entrepreneurial talent but would often approach scrupulous informal lenders to access financial capital for their micro-enterprises. Through the introduction of microcredit, poor entrepreneurs have access to a reliable lender whom they can trust (Yunus, 1999). The Grameen Bank alone has 8.349 million borrowers, 2565 branches in 81379 villages across Bangladesh where 97% of borrowers are women (Bank, 2011). Consistent with 'bottom-up' strategies for development (Easterly, 2001), MFIs directly engage with the poor and look to stimulate BOP markets through the provision of financial capital to the poor. The focus of this thesis is on those entrepreneurs whose investment decisions are seen as critical to raising the economic fortune of communities across the developing world (Khavul, 2010). Although MFIs offer a series of financial services from savings to insurance, this research focuses on entrepreneurs who receive and invest microcredit loans.

2.2.1 How Does Microfinance Work?

As transaction costs, information asymmetry and moral hazard are problems for traditional banks - MFIs adopt a series of novel strategies to be able to widely operate whilst reaching the poor in developing countries. Group-lending has been the dominant method of providing finance to the poor. Entrepreneurs are enrolled within groups and their collective capacity to repay loans determines further access to finance. Contracts are enforced by entrepreneurs monitoring one another's decisions and ability to make repayments (Khandker, 1995). Thus, MFIs create a type of 'social collateral' which binds contracts and allows for lending to the unbanked poor.

MFIs overcome information asymmetries and moral hazard by exploiting knowledge of local entrepreneurs who form groups and screen out potential bad borrowers (Ghatak, 1999). Groups tend to be structured of anywhere between 5 and 20 entrepreneurs who meet on a weekly or bi-weekly basis in pre-defined local areas. This allows the MFI to balance the task of achieving organizational sustainability whilst tending to their social mission of providing financial services to the poor (Fernando, 2006). Through the group mechanism, organizations such as Grameen have reported extraordinarily high loan repayment rates of around 97% (Sullivan, 2007). However, there is now a growing recognition that high rates of repayment are not an adequate proxy for success because entrepreneurs can use loans for various productive and non-productive purposes and often go to extraordinary lengths to repay even in conditions of venture failure (Bruton et al., 2011).

Following the widespread implementation of the group-lending model, individual loans were introduced by Grameen II in 2002, representing a split in the classic microfinance model (Dowla, 2006). In this arrangement, borrowers are solely responsible for their repayment efforts and do not enrol within groups (Armendariz, 2000). These arrangements can also involve less frequent repayments as well as slightly longer terms of repayment. Therefore, one component of this research is to explore exactly what these lending mechanisms accomplish as entrepreneurs develop their ventures. There has been a large volume of research on group-lending practices but very little is currently known about individual-lending despite their growing importance in the microfinance industry (Khavul, 2010).

2.2.2 Joint and Individual-Liability Lending

If MFIs throughout the world are now adopting both group and individual liability microfinance contracts, why are some entrepreneurs enrolled in groups when some are able to take loans individually? Prior research suggests that attitudes towards risk from the perspective of both the individual and the MFI may have a role to play. According to Lopes (Lopes, 1987, p.275) “Risk-averse people appear to be motivated by a desire for security, whereas risk-seeking people appear to be motivated by a desire for potential. The former motive values safety and the latter, opportunity”. In this vein, Barr (1999) demonstrates that in developing countries, the poor tend to form small cohesive risk-sharing networks which allow them to overcome environmental uncertainty. The evidence from current microfinance research demonstrates that some individuals avoid groups because it can involve covering for other defaulting members (Gine, 2010).

The group-lending product was developed by MFIs because of a lack of information about borrowers. In this arrangement, individuals monitor one another’s project investments thus reducing moral hazard problems (Varian, 1990). Ghatak (1999) argues that this leads to ‘positive assortative matching’ whereby entrepreneurs self-select into groups with other entrepreneurs of the same risk-type. This leads to what Kim and Aldrich (2005) describe as 'homophily', where groups/networks have homogenous structures because they are bound with local communities and family relationships. Thus, prior research suggests a dichotomy in risk motivations and point towards the risk-sharing component that groups provide. In this respect, the additional burden of individual repayment suggests that these entrepreneurs may be more willing to bear extra risk.

However, dichotomising on grounds of risk may not tell the entire story. Marr (2002) rejects Ghatak's (1999) arguments by arguing that it is impossible for borrowers to have perfect information about each other and so groups often have a more heterogeneous structure. This is consistent with recent evidence which demonstrates that when groups mature in age, there tends to a divergence in loan demands. In early loan cycles, group entrepreneurs tend to take very similar loan amounts and do not test the social capital in the group. As they progress through loan cycles their aspirations and needs can alter which creates heterogeneity in loan demands which can cause tensions as some members are less willing to cover the potential default of large loans (Gine, 2010).

In addition, there are also risk-related discussions regarding how the MFI assorts entrepreneurs into particular arrangements. Stiglitz (1981) argues that the lending policies of financial institutions assort credit recipients into particular risk categories and financial products are designed around this. Technological systems which are used to analyse credit history in developed financial institutions tend to be absent in developing countries and so the MFI must be cautious in their lending approach (Khavul, 2010). The MFI makes a judgement based on a firm's cash flow, savings levels and ownership of assets but they tend not to assess the business opportunity of the entrepreneur (Yunus, 1999).

The significance here is that microfinance arrangements have been criticised because of their focus on collecting repayments and their institutional fiduciary obligations. As such, MFIs are likely to organize entrepreneurs into certain financial arrangement with respect to their own resource situation. Although they are socially minded organizations, they have to create a balance between their social mission and economic capacity (Battilana, 2010). Therefore, individuals who are regarded as less risky because they have access to some form of collateral may have a wider choice of financial products. However, social collateral may be needed to guarantee against riskier clients, leading to the formation of groups. This is consistent with what Armendariz (2000) describes as the split in microfinance where more established borrowers can access individual loans and groups are offered to those less established. Given that opportunity costs in developing countries tend to be very low, leading to high levels of entrepreneurship (Baker et al., 2005), this split could be important as prior research indicates that high growth ventures tend to emerge from entrepreneurs with relatively high opportunity costs (Cassar, 2006).

This raises interesting questions which sets up the research for this thesis. Firstly, the social component of the lending process in groups warrants greater attention given the mixture of results. Whilst there is a trend of thought that entrepreneurs self-select into homogenous groups, whether or not this has any substantial impact on the entrepreneurial process is not clear. Furthermore, if some entrepreneurs rely on the support of groups then how entrepreneurs outside of groups support themselves needs to be explored. These contracts are also structured differently and, as will be highlighted in proceeding sections, are likely to have implications for the behaviour of entrepreneurs as they develop their businesses. The following sections will take this discussion further by discussing prior research on entrepreneurial opportunities and highlight the current gap in the entrepreneurship literature. The subsequent section then discusses prior research on the nature of opportunities in developing countries which provides the research with its broad research question.

2.3 Entrepreneurial Opportunities

The notion of the opportunity is at the heart of entrepreneurship research. Opportunities are those situations within which new goods, services, raw materials and organizing methods can be sold at a greater cost than their production (Casson, 1982). In an Austrian-economic approach, opportunities are exploited when there is a "temporary absence of full adjustment between input and output markets" (Kirzner, 1997, p.69). Consequently, markets operate in a constant state of disequilibria where, through the distribution of knowledge, some entrepreneurs have access to information that others do not which allows them to pursue certain opportunities (Hayek, 1945). It is this disequilibrium framework, originally proposed by Venkataraman's (1997) seminal paper and then subsequently by Shane and Venkataraman (2000) which has been at the core of advances in the field of entrepreneurship.

In a disequilibrium framework, when individuals are 'alert' enough then they begin to form an image of the future by searching for potential opportunities (Gaglio & Katz, 2001). Opportunities are initially recognised when individuals form new knowledge which enables them to fill a gap in the market (Smith, 2002). The varying stocks of individual knowledge and information acquired from past experiences shape the type of opportunity that is discovered (Shane, 2000; Shane & Venkataraman, 2000). The entrepreneur subsequently evaluates the viability of the opportunity based on its feasibility with respect to the resources that it requires and the potential future rewards it may create (Haynie, 2009). They then gather the necessary resources in order to capture the value in the opportunity whilst mobilizing further resources to remain competitive and neutralize threats in the nascent firm's environment (Sirmon, 2007).

Thus, a large body of literature draws from this framework with such efforts resting on the fundamental assumptions about the nature of economic opportunity. In this view, they are viewed as existing objectively where the language used is about 'discovering' or 'recognising' pre-existing opportunities. Although they are argued to exist objectively, their discovery is a subjective process whereby particular individuals hold different beliefs about the value of resources. As such, opportunities are not known to everyone all of the time, instead their discovery operates as a nexus of both the individual and the opportunity (Shane & Venkataraman, 2000).

This framework has been prominent within the field of entrepreneurship's intellectual debate. The foremost feature of this debate has focused on whether opportunities should be viewed objectively or subjectively. For Alvarez and Barney (2007), they suggest instead that opportunities should be seen as subjective phenomena which are created endogenously by the actions of entrepreneurs. They argue:

> *In creation theory, opportunities do not necessarily evolve out of pre-existing industries or markets. The term 'search' has little or no meaning in creation theory. 'Search' implies entrepreneurs attempting to discover opportunities…In creation theory, entrepreneurs do not search….they act and observe how consumers and markets respond to their actions. (Alvarez and Barney, p. 131)*

In their language, they propose that opportunities are created by the previous actions of entrepreneurs which subsequently guides the knowledge afforded to future actions within a cyclical process. These opposing perspectives argue that market imperfections allow for the possibility of a new opportunity but how such imperfections come into being and are exploited by new actors is the grounds for dispute.

In a disequilibrium framework, market imperfections (and therefore opportunities) emerge exogenously from some aspect of the market context such as technological shifts or changes in consumer demand (Kirzner, 1973). It therefore reflects a natural state of the economy – pertaining to an uncountable combination of technological change, imperfect knowledge, and changes in values and preferences (Davidsson, 2003). As such, research that assumes this philosophical position also rests on the assumption that opportunities arrive exogenously and are 'out there' somewhere in the environment waiting to be recognised by searching entrepreneurs. In the opposing perspective, Alvarez and Barney (2007) argue that these market imperfections are created by the actions of entrepreneurs and opportunities are formed as a result of the subjective perceptions of individual entrepreneurs.

These opposing perspectives can be better understood with reference to their epistemological underpinnings. This was subsequently addressed by Alvarez and Barney (Alvarez & Barney, 2010) who argue that disequilibrium frameworks are drawn from a critical realism epistemology whereas creation theory is more closely associated with constructivism and evolutionary theories. According to Blundel (2007 p.52) critical realism asserts that "the social world consists of real objects that exist independently of our knowledge and concepts". In the critical realism perspective, discovery theory takes the position that opportunities exist and are waiting to be discovered by a rational economic agent who follows a linear decision-making process.

In contrast, Alvarez and Barney (2010) argue that creation theory is derived from evolutionary realism and constructivism. Drawing from evolutionary theory in entrepreneurship, this brings into discussion variation, selection, retention and struggle processes through which opportunities are formed or abandoned (Aldrich, 1999). Alvarez and Barney state:

> *Individuals are still assumed to construct the social conditions within which they operate…Creation opportunities begin as social constructions that do not exist independent of the perceptions and beliefs of entrepreneurs and then are enacted by entrepreneurs themselves…Actors test their perceptions of the existence of opportunities within the social context in which they are being enacted (Alvarez and Barney, 2010, p.565)*

In this perspective, the development of opportunities is viewed as an adaptive process as they interact with their environments and learn from the feedback afforded by their context (Aldrich & Martinez, 2001). A constructivist perspective argues that “opportunities are born out of entrepreneurs’ ideas about the experiential world (including current social structures), developed through individual and collective beliefs, and come to fruition via the process of social construction” (Wood, 2010, p.69). Indeed, structuration theory has proposed that opportunities co-evolve within their social settings; they shape and are shaped by their contexts (Sarason, Dean, & Dillard, 2006).

Therefore, to date, the nature of opportunity is yet to be reconciled because of the epistemological contrasts polarizing the debate. As such, there exists a degree of infinite regress within the debate because they are embedded within epistemological and ontological debates which polarize philosophy. In reference to this, Dimov (2011, p.60) argues that “simply arguing about and refining definitions can instill a dejecting sense of frivolity”. The basic idea of Dimov’s argument is that these theoretical definitions cannot be (dis)proven and so they have limited empirical application because they lack relevance to what an entrepreneur actually does. In this recent development, it is interesting to turn to a clarification by Kirzner (2009) who argued his earlier notion ‘alertness’ to market imperfections and the discovery of opportunities was merely metaphorical. He states:

> *My 1973 exposition of the role of the merely alert entrepreneur was deliberately couched in the context of the very simplest theoretical model....Rather, alertness refers to a sense of what might be ‘‘around the corner,’’ i.e., the sense to notice that which has hitherto not been suspected of existing at all. We know very little that is systematic about what ‘‘switches on’’ alertness (to notice something that has been staring us in the face without our having an inkling of its existence). (Kirzner, 2009, p.149-151)*

Kirzner further places emphasis on the notion that all entrepreneurial activity is speculative in nature. The complexity associated with when the entrepreneur ‘switches on’ provides the field with a more productive avenue for future research on opportunities.

Building on this, Dimov (2011) further argues that in order to advance discussions on opportunities, research needs a “substantive conception of entrepreneurial behavior” which is “rooted in depicting and understanding the empirical reality of aspiring and acting entrepreneurs” (Dimov, 2011, p.62). Knight’s (1921) classic exposition on individual-level uncertainty moves the discussion away from thinking about entrepreneurial opportunities as an economic inevitability but rather as something inherently ambiguous in prospect. On economic systems, Knight states:

> *If all changes were to take place in accordance with invariable and universally known laws, they could be foreseen for an indefinite period in advance of their occurrence, and would not upset the perfect apportionment of product values among the contributing agencies, and profit (or loss) would not arise. Hence it is our imperfect knowledge of the future, as a consequence of change, not change as such, which is crucial for the understanding of our problem (Knight, 1921, p.198).*

Therefore, the substantive position is one which seeks an understanding of action at the level of the individual entrepreneur, the ideas underpinning those actions and their interactions with the market system under conditions of uncertainty.

In highlighting the complexity of such research endeavours, McKelvey (2004) argues that theory derived from *ex post* narratives accounts of entrepreneurs is incongruous with the sort of data collection methods their epistemologies necessitate. *Ex-post* opportunities represent an unobservable construct where retrospective sense-making is problematic in grasping the substantive complexities of *how* opportunities develop (Dimov, 2011) and the inherent uncertainty of the economic actor (Knight, 1921). They do not represent an opportunity as a potential because that potential has already been fulfilled. *Ex-ante* opportunities are viewed as uncertain ideas which the entrepreneur takes a series of actions towards before it is elaborated, reaches some form of finality and brought into the economic domain (Dimov, 2007; Mcmullen & Shepherd, 2006). Therefore, in substantive terms, opportunities are initially viewed in the minds of the entrepreneur as an idea which is constantly modified (Davidsson, 2003). It is this observable substantive approach to understanding entrepreneurial action that guides this thesis. The next section will now move on to look at the nature of opportunity in developing countries.

2.3.1 A Systemic View of Entrepreneurship in Developing Countries

This section gives a brief overview of the nature of opportunities in developing countries and synthesizes this with discussion regarding ideation and enactment processes. The discussion of this prior research will give this review an insight into how opportunities have typically been conceptualized in developing economies and the significance this may have for the ideas that entrepreneurs conceive of in such settings.

This section largely avoids debates on microfinance. Subsequent sections will discuss prior research on microfinance and the relevance it has for the framework for this thesis.

Conceptualizations of entrepreneurship in developing countries have typically focused on macro-level systemic issues which direct the nature of entrepreneurial opportunities. Section 2.2 briefly outlined the rationale for microfinance; a social entrepreneurial response to institutional failings in financial markets. Institutions are widely cited across the entrepreneurship literature as being crucial to understanding entrepreneurship because they guide human interaction (North, 1990). Baumol's (1990) seminal paper argues that each nation has a population of individuals ready to engage in the market process but the type of institutional environment determines whether the type of entrepreneurship that emerges is productive, unproductive or even destructive.

Building on this, development economists have devoted a lot of attention to the issue of institutions. Institutions which support productive entrepreneurship (e.g. strong legal environment, developed infrastructure etc.) allows for economies to emerge which have high degrees of specialization ultimately leading to economic growth (North, 1987; Rigobon & Rodrik, 2005). Institutional failure is reflected in what Estache and Wren Lewis (2009) define as limited accountability: since institutions in charge of transferring resources to one party to another and designed to serve on behalf of the government or the people (including, thus, the government itself) may not be answerable to their principals, they are free to use their position for private or personal benefits. Political institutional contexts are described by Acemoglu and Robinson (2012) as being 'extractive' in nature when they do not support innovation and the radical change this brings. When they are extractive in nature, they create economic institutions (i.e. markets) which are largely unproductive, offering limited incentives for and actively opposing innovative economic activity.

In a conceptual paper, Sautet (2013) offers a critique of such theories which seek to explain the lack of growth in low income countries. He argues that the lack of growth in the developing world is a result of incentives structures which limit the productivity of entrepreneurship, meaning that firms tend to focus their opportunities locally. Sautet suggests that there exists a large amount of productive entrepreneurship in developing countries but institutional weaknesses mean that there are insufficient incentives within the system for entrepreneurs to create the types of organizations that accumulate large volumes of capital and economic specialization.

These systemic theories offer an insight into understanding the puzzle of entrepreneurship and economic development in a broader sense but they offer limited insight into understanding the drivers behind entrepreneurial action in these contexts. In particular, the position of Sautet (2013) is that it is an issue of incentives which makes the basic assumption of the rational choice frameworks which underpin extant theory in understanding the nature of opportunities (Dimov, 2011). Thus, incentives are likely to be insufficient to explain the logic of entrepreneurial action in this research. Understanding the logic of action in the microcredit context requires a closer, ability-driven explanation of entrepreneurs developing opportunities (McMullen, 2011).

This thesis focuses on the observable entities associated with the development of opportunities at the level of the individual actor; (1) the conception of venture ideas; (2) the associated actions involved in the pursuit of such ideas and; (3) their interaction with particular market relationships. Opportunities are viewed as a cyclical process between ideas which are expressed in actions, subsequently modified and so forth (Dimov, 2007, 2011). New ideas emerge when new information is afforded to the individual actor which is additionally shaped by the nature of the supporting environment determining the actions taken which are embedded within social relationships. Linking back to the research context of interest in this thesis, it is necessary to comprehend the origins of the ideas which inform the projects and investment decisions of entrepreneurs receiving microcredit (Khavul, 2010). In order to understand the ideas generated by entrepreneurs it is firstly necessary to review the literature on opportunities in developing countries and in subsequent sections make specific references to the two areas explored; financial and social capital.

2.3.2 The Nature of Opportunity in Developing Countries

The discussion in section 2.3.1 argues that institutions account for the type of entrepreneurship observed in developing countries. However, this is largely outside of the remit of microfinance institutions and it certainly does not preclude a number of entrepreneurs investing microcredit to improve their livelihoods and enrich communities across the world. As postulated by Bradley et al. (2012), explaining why particular entrepreneurs in the developing world pursue more prosperous economic lives than others requires an understanding of the ideas they pursue and the micro-drivers behind their actions.

Ideas vary by their creativity which is determined by the information afforded to it and the willingness of the entrepreneur to absorb that information. On a continuum of novelty, ideas can vary between obvious problem solving solutions to cognitively complex inventions. As such, idea novelty is determined by the efforts extended by the entrepreneur and/or the information which may be available (Hill & Birkinshaw, 2010). A 'presented problem' is one which is given directly to the entrepreneur (Pretz, 2003). Solving immediately obvious solutions entails the lowest amount of creativity because it simply involves pairing problems with solutions (Hsieh, 2007). This is something which has been observed within prior research on microfinance clients who sometimes channel loans towards smoothing consumption (i.e. solving household problems) rather than focusing on the development of their ventures (Morduch, 1999). If an idea is not an immediately obvious problem to solve then the progression of the idea becomes more action orientated as entrepreneurs "seek to convince, engage, or organize other social actors" (Dimov, 2007, p.714).

To an entrepreneur, ideas represent mental simulations: "cognitive constructions of an event or a series of events based on a causal sequence of successive interdependent actions" (Gaglio, 2004, p.537). However, the picture is rarely complete and characterized by uncertainty. Entrepreneurs with less knowledge in an area (e.g. a certain industry) will be less well prepared to solve problems and will have reduced capacity to know where to search for new information (Hsieh, 2007). For example, it is argued that individuals with expert knowledge consider situations very differently to novices (Pretz, 2003). This implies that the lack of sophistication of entrepreneurship in developing countries stems from an entrepreneur's knowledge set and social learning opportunities (Banerjee, 2007; Dimov, 2007).

In this respect, cognitive research has highlighted how conditions of poverty blight an individual's capacity to think long-term. Bauer et al. (2008) argue that the poor are susceptible to hyperbolic preferences i.e. there is a tension between their future plans and current actions. Bruton et al. (2011) suggest that entrepreneurs receiving microfinance loans lack a future orientation. Behavioural biases are common regardless of socio-economic status but they tend to be more prevalent for the poor. The poor have low but also inconsistent streams of income which means that mistakes matter more and planning courses of action is difficult (Mullainathan, 2008; Rutherford, 2000). Poverty involves the anticipation of household emergences which can create anxiety where financial "risk is omnipresent" (Collins et al., 2009, p.66). As a result of greater uncertainties, the incentive of rewards is pushed further into the future, making resource allocation decisions challenging which reduces the entrepreneur's capacity to mentally construct future scenarios (Sirmon, 2007).

In developing nations, low employment levels created by a weak private and public sector create high levels of income poverty, reducing economic choices which push a large portion of individuals into entrepreneurship out of economic necessity (Acs & Szerb, 2009). Consequently, developing economies tend to have higher levels of entrepreneurship than mature economies but a large portion of these entrepreneurs are driven by their need to subsist rather than a particular consideration of an opportunity (Acs, 2006). Consequently, the development of valuable opportunities – which is typically associated with innovative products or services - may not be appropriate in such settings (Ireland, 2006).

According to Baumol (1986) entrepreneurial activity has two broad categories: initiating and imitative. Initiating entrepreneurship is generally associated with high levels of innovativeness. However, imitative entrepreneurship, more pronounced in developing economies, is concerned with imitating the products and processes of others businesses. Drucker (1985, p.3) defines innovation as "the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth". The degree to which products are inimitable in the market is likely to be important for wealth creation because entrepreneurial profit is diluted with increased competition (Kirzner, 1997; Shane & Venkataraman, 2000).

Therefore, the content of ideas can be viewed as having varying degrees of novelty and value logics which are informed by nature of information flows. Schumpeter (1961) discusses the importance of 'entrepreneurial profit' which needs to be distinguished from all other forms of economic profit:

> *The search for new markets in which an article has yet been made familiar and in which it is not produced is an extraordinarily rich, and in former times was a very lasting source of entrepreneurial profit…Entrepreneurial profit is not a rent like the return to differential advantages in the permanent elements of a business; nor is it a return to capital, however one may define capital (135-153)*

On the one hand, the purpose of novel ideas is to pursue new means-ends frameworks thus creating new value in the economic system (Shane & Venkataraman, 2000). However, drawing from Schumpeter (1934), Bradley et al. (2012) argued that differentiated-related ideas were more beneficial to firms receiving microcredit because the institutional climate hinders entrepreneurs to consider cognitively complex ideas.

Therefore, ideas in developing countries may focus on appropriating value from an existing opportunity by increasing the efficiency with which goods are brought to the market. In these contexts, a lack of environmental munificence means that it is difficult for entrepreneurs to be sure of market demands (Sirmon, 2007). In addition, the volume of opportunities means that novel ideas do not necessarily require complex information processing but can involve the introduction of a simple product or service to a local setting such as those which cater for basic social needs (Carney, 1998; McMullen, 2011).

Mambula (2002) argues that the scope of opportunities in developing countries is more restricted because of market failure and the high costs of discovering new information (Fafchamps, 2001). For example, Frese (2000 p.33) noted that entrepreneurs in Uganda "did not search for unmet demands when they wanted to enter a market, but often emulated the existing firms, which led to increasing competition". The result of these features of the market is that entrepreneurship in developing countries is dichotomized between a minority of highly skilled Schumpeterian entrepreneurs and a majority who pursue entrepreneurship merely for a living (Thurik, 2004). This is reflected in evidence which demonstrates the ubiquity of entrepreneurial activity in urban areas where petty traders, market hawkers, vendors and small store owners line the streets (Banerjee, 2007). Indeed, anyone who has visited a developing country cannot escape the ubiquity of this type of economic activity.

However, entrepreneurs do not simply engage with ideas; they enact them (Klein, 2008). Entrepreneurial action in developing economies is also characterized by a number of obstacles. In these contexts, the simple task of making product offerings can be a major hurdle to overcome. At an institutional level, Webb et al. (2010), Khanna and Palepu (1997) highlight how infrastructure problems such as transportation or access to energy make it increasingly difficult for entrepreneurs to physically offer products. Baker et al. (2005) argue that this diminishes the appropriability of opportunities – perceived value to be exploited - which reduces incentives for entrepreneurial action. As such, opportunities in developing economies are affected by the extent to which entrepreneurs can make products available, affordable and acceptable to their context (Anderson, 2007).

This discussion highlights recent efforts to discuss features of the entrepreneurial process in developing countries. Ideas are reflected in the mental constructions and imagination of the entrepreneur on what the future may be if actions are taken to exploit the idea (Klein, 2008). Clearly, uncertain market conditions and the information context determine how entrepreneurs develop opportunities. On the one hand, it is argued that entrepreneurs in developing countries tend to engage in opportunities which differentiate themselves from competitors (Bradley et al., 2012). However, it has been traditionally argued that such ideas do not reflect entrepreneurial opportunities because they lack fail to create new means-ends relationships (Shane & Venkataraman, 2000). However, the maturity of developing economies means that effective imitative entrepreneurship may be more useful to the long-term development of markets (Baumol, 1986). More generally, the role that microfinance has in stimulating this process remains an important question.

2.3.3 General Summary of Research Problem

The equation, therefore, may appear relatively simple - if you give the poor access to financial capital through either group or individual loans this allows them to develop their ventures which stimulate markets, raises household income and the externalities associated with entrepreneurship flow and poverty is reduced. However, the previous sections highlight some of the challenges of pursuing opportunities in developing countries. Yunus' (1999) and Narayan's (2009) view the poor as innovative problem solvers who cleverly manage the adversity of life in developing countries. This position is laudable but it rests on a similar under-socialised decision-making assumption brought forward by some entrepreneurship scholars. Given the high inequality of economic and social systems, the poor can vary in the sort of skill set they are able to bring to entrepreneurial tasks. In section 2.1 this literature review acknowledged the role of human diversity in order to better understand poverty. The previous section brought that discussion into the context of entrepreneurship by demonstrating the need to move away from formal entrepreneurship models to more contextualised realities of the ideation and enactment process thus bridging the gap between our conception of poverty and opportunities.

Accordingly, there exists a gap in the literature on dynamic accounts of entrepreneurial processes in developing countries and a critical need for understanding how the process unfolds over time. Bradley et al. (2012) propose that there may be an 'idea problem' for entrepreneurs receiving microfinance loans but are unable to capture the mechanisms which help or hinder their emergence. Their use of a cross-sectional research design elicits the same problems associated with understanding opportunities *ex post* and in the absence of uncertainty. Therefore, the absence of a theoretical grounding for understanding the development of opportunities in microfinance settings severely limits knowledge in the area.

In broad terms, the primary question for this research is to ask how do entrepreneurs in these settings enact opportunities and how does the provision of microfinance impact upon this process? In the absence of the basic understanding of the micro-processes which enable or constrain entrepreneurs to develop opportunities, the purpose of this research is to offer a contextualised understanding of opportunity development within microfinance. In order to delve into this research question deeper, this literature review will now move on to discuss more specifically the elements of microfinance with specific reference to individual and group liability contracts. It synthesises discussion on prior research in microfinance with discussion on the role of financial and social capital on the entrepreneurial process.

2.4 Financial Capital and Opportunity Development

The ability to access financial capital is crucial for entrepreneurs. Brush, Green, Hart and Haller (2001) argue that financial capital is an instrumental resource which allows for other resource combinations. A lack of financial resources has significant negative effects on entrepreneurship because of the liability of firms to their size and newness (Shelton, 2005). Access to financial resources allows firms to be competitive and neutralize threats from competition (Barney, 1991). Financial slack can give entrepreneurs the time and freedom to consider new ideas and attempt incremental trial and error (Hitt, 2002). For developing economy settings, greater access to sources of capital equates to a greater ease of market participation and exploitation of opportunities (Sen, 1999).

As previously demonstrated, access to financial capital in developing countries represents the most crucial resource for entrepreneurs. According to Beck and Demirgüç-Kunt (2008) as well as Honohan (2007) and Frese (2000), access to finance is the single most pervasive issue facing businesses in Sub-Saharan Africa, with 41.2% of small businesses revealing credit constraints, more so than any other region in the world. Ajzen (1991) argues that the resources and opportunities available to a particular person are likely to determine their capacity to achieve. Entrepreneurs tend to be more willing to take risks and seize opportunities when greater financial capital is available (Evans, 1989). In terms of firm development, Wiklund and Shepherd (2003) build on this by arguing that access to resources and opportunities moderates the relationship between aspirations and growth. Entrepreneurs must successfully match the combination of resources needed with a valuable opportunity determining the potential scope of the opportunity (Mckelvie, 2010).

Therefore, access to varying forms of financial capital can elicit particular behavioural responses. Honig (1998) argues that access to external capital for microbusinesses in Jamaica is crucial to performance but their effects are diminished for more sophisticated ventures. Thakur (1999) argues that limited resource access reduces the range of opportunities open to firms. Indeed, as Haynie (2009 p.338) argues: "opportunity evaluation decisions are constructed as future-oriented, cognitive representations of 'what will be….specifically the wealth generating resource combinations to be controlled by the entrepreneur post-exploitation". They argue that current resource levels and the incentive of attaining future resource levels determine whether an entrepreneur takes any action towards an idea. Although they specifically refer to knowledge resources, financial resources are similarly crucial to decision evaluations and help to shape the cognitive processes of entrepreneurs as they consider ideas and their implementation (Baker et al., 2005).

In this area, there is prior research which looks at behaviour, finance and poverty. This stems from discussion which demonstrates that individuals are not always able to think rationally as they do not have access to all of the relevant information all of the time (Busenitz, 1997; Kahneman, 1982). Therefore, when individuals make decisions with reference to their finances, they are susceptible to such decision-making errors. For example, Pennings (2005) finds that as a result of income insecurity, the poor have limited self-control when it comes to managing their finances. Banerjee (2007) argues that this miss-allocation of financial resources leads to a disparity between desired future states and what is needed for the individual in that specific moment.

This suggests that entrepreneurs respond differently to certain financial situations as they consider the investment of microfinance loans. There is a general consensus within the microfinance debate that financial capital is not enough to allow entrepreneurs to perform adequately, although it is likely to be one component of the solution (Bradley et al., 2012; McMullen, 2011). However, the admission of how the financial instruments available to the poor shape this process seems somewhat surprising. If poverty enacts a series of cognitive processes to the decision-making situation then how the efforts to combat these challenges are designed is likely to have implications for how opportunities are formed.

2.4.1 Financial Capital in Microfinance

As discussed in section 2.2, MFIs tend to be cautious in their lending approaches. Among other factors, this has contributed towards the high rates of repayment in organizations such as Grameen (Sullivan, 2007). For MFIs, ensuring high rates of repayment is perhaps one of the most important of their activities because it is directly related to their sustainability and growth potential. In contrast to more technologically advanced financial institutions in developed countries, the operating costs for MFIs are very high. Administrative and personnel costs are the major financial burdens for MFIs (Fernando, 2006). Loan officers are the fieldworkers who disperse loans, interact with entrepreneurs and handle repayments. The process of recovering loans can be very labour intensive with added pressures such as poor road infrastructure and communication systems (Khanna & Palepu, 1997).

Therefore, operating costs for MFIs are high and they must carefully manage their lending portfolio. Microfinance is often referred to as a ‘double bottom line’ sector, whereby MFIs have to create and manage the balance between social and economic returns (Copestake, 2007; Emerson, 2003). The economics of MFIs has generated a debate which is polarized between the *financial systems approach* and the *poverty lending approach* (Robinson, 2001). The dominant financial systems approach focuses on a model of financial self-sustainability as opposed to the poverty lending approach which centres on the use of government subsidies and donations in order to serve clients (Hermes, 2007).

In order to meet the ‘double bottom line’ of MFIs they can either rely on subsidies (poverty lending) to drive down interest rates on loans or use interest rates to raise additional commercial investment (financial systems) to drive outreach (Cull, Demirgüç-Kunt, & Morduch, 2009). In addition, Fernando (2006) as well as Morduch (1999) report that the predominantly commercial MFIs tend to charge high interest rates to cover their operational and transaction costs. Research has demonstrated that the application of high interest rates by MFIs can have an adverse effect on poverty reduction (Conning, 1999) As such, MFIs have to make trade-offs between their intended social mission and profitability (Cull, Demirgüc¸-Kunt & Morduch, 2007).

2.4.2 Progressive Lending and Repayment Incentives

According to Cull et al. (2009), the average operating cost per borrower can vary from $156-$299 depending on the organization. This is a similar amount to the initial loans dispersed to many entrepreneurs meaning that there are slim financial margins per borrower with MFIs simultaneously thinking about their own financial circumstances. Thus, it is within the organization’s interest to incentivize larger loans which feeds into the growth and sustainability of the MFI. One tactic adopted by MFIs to achieve this aim is through the ‘dynamic incentives’ of loans (Khavul, 2010). Due to the lack of information on the history of ventures, MFIs are unable to greatly consider the scope of the business opportunity and subsequently incentivise the entrepreneur to demonstrate their capacity to build their ventures and raise their incomes. The successful repayment of one loan cycle leads to access of the next loan which increases in size (if needed) consistent with their economic performance (Egli, 2004). Consequently, financial capital in microfinance contracts is distributed progressively and designed according to needs of the entrepreneur and potential risk to the MFIs lending portfolio.

Progressive lending has received some attention as a repayment enforcement mechanism. In fact, the bulk of prior research in microfinance has focused on repayment rates and used high rates of repayments rates to assume success in venture performance (Zeller, 1994). Hulme (Hulme, 2000, p.26) offers a rejection of this assumption. He states:

> *MFIs have created the myth that poor people always manage to repay their loans because of their ability to exploit business opportunities. This is nonsense, and Pischke’s dictum that we should call microcredit ‘microdebt’*

> *can help us be more realistic about the different ways in which loans can impact on the livelihoods of poor people.*

Therefore, studies such as those by Afrane (2002) and Mosley (2001) have sought to address venture success more holistically. Emerging from this discussion is the peculiarity that entrepreneurs repay loans which appear to have a negligible impact on the performance of their ventures (Khavul, 2010). A subsequent study by Bruton et al. (2011) showed that failing businesses go to extraordinary lengths to meet loan obligations whilst the perceived power of the lender over the borrower appears to have a similar effect.

Building on this discussion is the idea that repayment obligations shape entrepreneurial behaviour. However, relatively little is known about these effects on the opportunity development process. It is furthermore unclear how variations in the lending mechanism elicit certain behavioural responses. Kumar (2012) demonstrates how progressive lending works within groups as entrepreneurs incrementally increase their loan size and suggests that entrepreneurs may prefer individual-lending models because access to further loans depends entirely on their own capacities to develop ventures (Gine, 2010).

The progressive lending mechanism means that loan sizes are initially small but when entrepreneurs make successful repayments and grow their ventures they are able to access higher loan amounts. One of the debates within microfinance has centred on what constitutes appropriate loan sizes. Karnani (2007) has been critical of overall small loan sizes, suggesting that they have a negligible impact on the development of ventures. Karnani subsequently argues that MFIs should focus on giving large loans to the most promising ventures and highly skilled entrepreneurs. In this respect, Wiklund and Shepherd (2003) found that access to sufficient financial (as well as human) resources moderates the relationship between aspirations and firm performance.

Prominent microfinance scholars such as Morduch (2000) have used loan size as a proxy for firm performance and ultimately poverty reduction. However, Bradley et al. (2012) found that the high loan size does not lead to higher performance. In fact, their study discovers that higher loan sizes actually lead entrepreneurs to pursue less novel ideas. In this argument, the progressive nature of loans actually leads to lower degrees in novelty of venture ideas and may be consistent with the notion that entrepreneurs may use loans for consumption rather than investment purposes (Morduch, 1999).

Nonetheless, the impact of microfinance contracts is a largely unexplained phenomenon with insufficient evidence to suggest exactly why certain mechanisms lead to particular behavioural outcomes.

2.4.3 Contractual Flexibility

Progressive lending and the obligations associated with repayments appear to instigate certain behavioural responses on behalf of entrepreneurs but the day-to-day reality of being enrolled in certain microfinance contracts may have a powerful impact. Jain and Mansuri (2003) highlighted that repayments and dynamic incentives are not only important for explaining client behaviour but the regularity of repayments has an important role to play. They argue:

> *A feature common to most Grameen Bank-like microcredit schemes is that borrowers are required to repay their loans in tightly structured instalments…This little-remarked aspect of the repayment schedule is usually explained on the grounds that it inculcates 'fiscal discipline' or gets borrowers used to the idea of making regular repayments (Jain and Mansuri, 2003, p. 254)*

However, the need for 'fiscal discipline' rests on the assumption that the poor have no understanding of how to manage financial instruments. Collins et al. (2009) used extensive financial diaries to demonstrate how the poor use a series of formal and informal financial instruments to balance business and personal cash flow. Indeed, Buckley (1997) offers a critique of microfinance services by highlighting the ubiquity of Rotating Savings and Credit Associations in local communities which could be undermined by the spread of microfinance. However, entrepreneurs may prefer to opt into microfinance contracts because they are able to offer access to loan amounts which informal arrangements cannot provide.

Further to this, interest rates on loans have also been cited as an important component of microfinance loans, closely linking to the economic sustainability of MFIs as well as the behaviour of entrepreneurs investing them. Morduch (1999) highlights BancoSol in Bolivia as having annual interest rates of 48%, Rakyat in Indonesia of 34% and Kredit Desa in Indonesia of between 46% and 56%. MFIs who adopt a *poverty lending approach* as opposed to a *financial systems approach* are typically able to subsidise a reduction in interest rates through grants (Robinson, 2001). However, it is generally an essential social-economic mission trade-off of for-profit

MFIs. A variety of academics have criticised this approach because high interest rates enhance debt risks. Adams and von Pischke (1992) attest to this arguing that high interest rates from MFIs may indebt entrepreneurs. Rankin (2002) suggests that this diminishes the impact of loans which leads to a dependency on subsequent loans. Morduch (2000) proposes that this could be one of the reasons that entrepreneurs tend not to make long-term investments.

There is a growing debate regarding the inflexibility of microfinance contracts and their potential behavioural outcomes which has generally focused on group-lending mechanisms. This is one area in which groups and individual-liability lending differs. Individual-liability borrowers do not have the responsibility of group meetings. Comparisons of group and individual liability mechanisms are sparse although a field experiment by Field and Pande (2008) found that varying the regularity of repayments made no difference to repayment rates. Firstly, this suggests that groups are either a risk-sharing mechanism of the MFI or that there is something inherently important about the group to the entrepreneur in the long-term. Secondly, the increased flexibility of individual-liability mechanisms raises questions about how the opportunity development process unfolds in comparison to group-liability entrepreneurs.

2.5 Social Networks and Opportunity Development

As highlighted in the previous discussion, the successful application of microfinance loans necessitates an understanding of more than just financial capital (Bradley et al., 2012; McMullen, 2011). The second component of this research is to address the role of social (capital) networks in the opportunity development process. The role of social networks is described by Putnam (1993, p.167) as “features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions”. Rankin (2002) argues that entrepreneurs primarily use their social and financial resources to navigate their way through the market mechanism and the promotion of social capital is viewed as a primary vehicle through which enriching the lives of the poor can be achieved (Ansari, Munir, & Gregg, 2012). However, a full appreciation of networks requires a dynamic understanding of their development in the development of opportunities.

The study of social networks has gained prominence within the entrepreneurship literature in recent years. An appreciation of the social context within which entrepreneur’s enacting their opportunities is crucial to understanding how they are formed. Granovetter (1985, p.506) argues that an understanding of economic actions needs to be understood with reference to an individual's embeddedness within the social structure:

> *When their position and ambitions in intrafirm networks and political coalitions are analyzed, the behavior is easily interpreted. That such [economic] behavior is rational or instrumental is more readily seen, moreover, if we note that it aims not only at economic goals but also at sociability, approval, status, and power.*

Thus, the content of the social relations that individuals maintain is a crucial force in understanding the economic decisions they make. An entrepreneur's social network reflects their information context and this exposure determines the types of opportunities they pursue (Hoang & Antoncic, 2003). Nahapiet and Ghoshal (1998) demonstrate how exchange and interaction with other individuals or firms creates the conditions for the creation of 'intellectual capital' i.e. the creation of new knowledge. Privileged access to information not held by others is central to understanding why entrepreneurs recognise certain opportunities (Hayek, 1945). Understanding social networks, therefore, becomes crucial to understand how and when new value creation emerges.

In addition to information, social networks can also help to access resources which can be crucial in the early stages of the entrepreneurial process (Hite, 2005). In the early stages, ventures tend to lack the reputation to access formal financial institutions and so they regularly turn to friends and family who also help to provide advice and emotional support (Hite & Hesterly, 2001). Like financial capital, access to the necessary social resources is crucial to overcoming issues such as legitimacy associated with a liability of smallness and newness (Partanen, Chetty, & Rajala, 2011). As such, the contribution of social networks to the entrepreneurial process is multiple, acting as a bridge which links numerous individuals (Jack & Anderson, 2002).

Structural and relational dimensions are the two principal components of social networks which have largely dominated discussion in the literature (Nahapiet & Ghoshal, 1998). In structural terms, the function of networks is determined by *who* you have access to which subsequently effects *what* you have access to. Hoang and Antoncic (2003, p.170) define network structure as "the pattern of direct and indirect ties between actors. A general proposition is that actors' differential position within a network structure has an important impact on resource flows, and hence, on entrepreneurial outcomes”. Entrepreneurs find their networks to be more useful when their contacts have access to valuable information or resources (Aldrich & Martinez, 2001). The position of a person within a social network is shaped by their role within the social structure which subsequently determines the utility of their network (Adler & Kwon, 2002).

The utility of a person’s social network can also be determined by its relational dimension. Discussion on the relational component generally focuses on Granovetter’s (1973) strength of weak ties proposition. Strong ties involve relationships with others where there is frequent contact and a degree of reciprocity involved which is often, but not necessarily, family and friends. Granovetter argues that weak ties are less relational, more calculative in nature and therefore the most useful because they can offer diverse information and are more efficient to the entrepreneur. This allows entrepreneurs to exploit what Burt (1992) describes as ‘structural holes’. These are situations in which an entrepreneur can combine knowledge from their ‘cluster’ with that of another in order to create new knowledge combinations, which ultimately informs entrepreneurial ideas (Hill & Birkinshaw, 2010).

At the heart of a tie’s particular strength is the degree to which there is mutual trust between the two individuals. Trust tends to emerge when individuals have a mutual interest and respect which is developed over time by consistent interaction; when trust is absent then individuals are likely to withhold information from one another (Coleman, 1988; Granovetter, 1973). However, there are mixed results on the effects of strong ties on the entrepreneurial process. Jack et al. (2008) highlight that as firms grow they actually strengthen and internalize relationships rather than weaken them. However, the general prognosis as argued by Kim and Aldrich (2005) is that high trust and strong ties tend to stifle the autonomy, innovation and creativity of the entrepreneur due to a lack of openness to new information. The next section narrows the context and the focus towards the role of social networks in microfinance as well as prior research on networks in developing economies and how this may affect the opportunity development process.

2.5.1 Social Networks and Microfinance

The utilisation of social networks has been a central feature of microfinance since its inception. As previously highlighted by Ghatak (1999), groups are formed by drawing from locally embedded knowledge and bringing individual entrepreneurs together. However, the precise role that groups play in determining the outcome of ventures remains unclear. It is argued that the social capital created between group members has been used to explain the high rates of repayment in groups (Khavul, 2010). This is consistent with the view that groups are a mere mechanism for the MFI to be able to be able to lend to entrepreneurs in a cost-effective manner (Bruton, et al., 2011).

Alternatively, research has argued that groups act as a crucial support mechanism to members through mutual trust and solidarity which allows for cooperation and collective action (Rankin, 2002). In this vein, they can also provide tangible support in times of personal need (Marr, 2002). Through the creation of social capital within their respective communities, groups also help to empower individuals through cognitive structural links (Grootaert, 2003). Empowerment through groups is viewed as the method through which individuals are able to take greater control of their lives and make valued, reasoned decisions about their family's well-being (Hulme & Mosley, 1996; Swain & Wallentin, 2009). Additionally, groups can provide the necessary platform to consolidate business contacts by building mutual trust and respect whilst developing skills and participation which can lead to the exchange of valuable information for opportunity development (Bradley et al., 2012).

In contrast, the potential negative effects of groups have been highlighted, demonstrating the 'dark-side' of social networks (Welter, 2011). Ghatak (1999) argues that because entrepreneurs perform the role of screening out bad borrowers they tend to self-select individuals of the same risk-type which leads to the formation of homophilous groups (Kim & Aldrich, 2005). Indeed, prior research on groups has shown that they tend to be characterized by a number of entrepreneurs who share similar low-levels of human capital. Therefore, prior research emphasises the homogenous structure of groups through self-selection as well as the density of the relationships within those groups. This type of solidarity between a group's members can lead to what Janis (1972) describes as 'groupthink' where individuals are myopic to the information which informs new ideas. Therefore, theory suggests that such strong group ties may not be useful in information terms for entrepreneurs but prior research in microfinance demonstrates that the supporting role of the group mechanism could have an important role to play.

However, Marr's (2002) critique of Ghatak's (1999) position suggests that groups tend to be more heterogonous in structure because individuals tend not to have perfect information with one another. Although they remain economically and socially accountable to another, group heterogeneities can lead to variations in the different risk-levels, resources and/or aspirations which can cause tensions when it comes to the renegotiation of loan sizes (Gine, 2010). Group accountability could manifest itself in a number of ways. For example, research from Nepal has demonstrated how the vigorous monitoring between members can help to perpetuate the economic subordination associated with poverty (Rankin 2002).

2.5.2 The Nature of Social Networks in Developing Countries

There are two notable gaps in the previous discussion on the role of groups. Firstly, groups are likely to represent only one component of an entrepreneur's broader social network. Indeed, an entrepreneur's network tends to have both inner and outer circles which involve long-term stable relationships (inner) and less stable weaker (outer) ties (De Koning, 1999). Therefore, the pure analysis of the social dynamics within groups ignores some of the crucial exchange relationships which may make or break the success of the venture. Secondly, research has yet to grasp the social network situation (and therefore the information context) of entrepreneurs who choose not to elect into groups. This raises important questions about those entrepreneurs not in groups, their social context and how this informs their opportunities.

Beyond groups, research from developing economies suggests that entrepreneurs tend to form small cohesive trust-based networks (Barr, 1999). Entrepreneurs typically find it difficult to maintain weak ties without the support of strong legal systems which can enforce contracts. Indeed, given the self-evident limited size of microbusinesses, diverse networks are typically viewed as being inefficient and inappropriate to the poor in situations of uncertainty (Fafchamps, 2001). In addition, Frese (2000) argues that 'collectivism' can be a cultural feature in many developing countries where strong reciprocal ties are the norm whilst Khavul (2009) found that family business entrepreneurs actually tend to disassociate themselves from family members and rely on strong ties within the community. Nevertheless, what is consistently discussed within the literature is the notion that the poor tend to network with the poor whilst the wealthy network with the wealthy (Leana, 2011).

The basic premise of the group format is based around overcoming issues with moral hazard and adverse selection (Khandker, 1995; Stiglitz, 1981). Therefore, for individual-liability borrowers, MFIs require some form of additional guarantee against any potential default. This often comes in the form of collateral substitutes such as savings or assets of the business. As such, they may also represent a marginally wealthier group of entrepreneurs who are also ostracised from the formal banking system (Coleman, 2006; Madajewicz, 2011). Gine (2010) argues that entrepreneurs avoid groups because they prefer the autonomy associated with individual-liability and are uncomfortable at the prospect of repaying when others default. This raises the question that because entrepreneurs in individual-liability lending programmes may not require the support of groups they also maintain varying types of meta-social networks.

Network relationships can also be characterized by the shared obligations between actors (Nahapiet & Ghoshal, 1998). In groups, actors are obliged to meet their repayment meetings whilst being socially and economically bound to one another for this responsibility (Khandker, 1995). This type of accountability is the social mechanism through which repayments are made and is closely linked to dynamic incentives discussed in the previous section. Tetlock (1985) argued that every decision is made within a particular social context and individuals naturally seek approval of others, protect one's self-image and gain access to certain resources through social approval. This is of particular importance in closed networks where membership may stem from a particular local community. Consequently, Tetlock argues that individuals use the 'acceptability heuristic' and conform to an acceptable position in order to gain and continue to seek approval of others. Building upon this, Tetlock (1994) highlighted how this can amplify the status-quo because individuals who are accountable tend to avoid controversy. Hence, the variation in these social decision-making contexts between group and individual-liability contracts may have implications for how entrepreneurs develop opportunities.

2.6 Emerging Research Questions

2.6.1 Financial Capital & Opportunity Development in Microfinance

Section 2.4 demonstrated the literature which highlights the behavioural implications of lending mechanisms and the general role of financial capital in the entrepreneurial process. The principal challenge to the microfinance narrative has been the assumption that all entrepreneurs require is access to financial capital in order to successfully exploit business opportunities. This has been highlighted most poignantly by Karnani (2007) and McMullen (2011). Karnani states:

> *Entrepreneurship is the engine of Joseph Schumpeter's dynamism of "creative destruction". An entrepreneur is a person of vision and creativity who converts a new idea into a successful innovation, into a new business model. Some clients of microcredit are certainly true entrepreneurs, and have created thriving businesses – these are heart-warming anecdotes. However, the vast majority of microcredit clients are caught in subsistence activities with no prospect of competitive advantage. The self-employed poor usually have no specialized skills and often practice multiple occupations (Karnani, 2007, p.104)*

This critique offered by Karnani and McMullen brings the investment decisions of entrepreneurs into the forefront of discussion with McMullen suggesting that it is necessary to consider others forms of capital as crucial to venture performance. They offer an important caveat to the microfinance industry by demonstrating that many of the entrepreneurial poor are engaged in unsophisticated business activity which may diminish the potential influence of entrepreneurship on economic growth (Banerjee, 2007).

This is an important critique of the microfinance narrative but they do not refer to the behavioural implications of specific methods of lending financial capital. As such, they assume uniformity in how loans are distributed, invested, repaid and renegotiated. The literature in this review suggests that they may have profound implications for how entrepreneurs act. The subsequent study by Bradley et al. (2012) attempted to unpack which forms of capital may be important to the business ideas that they form. However, they restricted their sample to firms enrolled in groups and so they are unable to explicitly conclude that "the higher the level of indebtedness might diminish search for alternative business ideas" (Bradley et. al., 2012, p.708). Drawing from prior discussion on understanding opportunities and entrepreneurial action, Dimov (2011, p.73) argues "it is only in the context of these immediate goals that different actions can be compared and their drivers systematically understood". Therefore, a much closer examination of the relationship between ideation and enactment in microfinance is necessary to comprehend how opportunities actually unfold in these settings.

The rhetoric stemming from the microfinance industry is one of profound change and poverty reduction which has led to an explosion in microfinance investment

(Allison, McKenny, & Short, *forthcoming*). Given the explosion of credit access to the poor, entrepreneurs are increasingly able to exploit opportunities by allocating an increased level of resources to existing supply and demand (Kirzner, 1997). As entrepreneurs are better able to function in local markets, this diminishes the potential returns for subsequent opportunities. As markets become more efficient and returns diminish, there may become a greater need for entrepreneurs to create new sources of demand, requiring a higher level of sophistication and greater uncertainty.

In addition to this, recent evidence points to the role of groups as merely an institutional mechanism which allows MFIs to provide capital (Bruton et al., 2011). Consequently, this moves the discussion away from thinking about groups as a social network and towards thinking about the role of the MFI in distributing financial capital to entrepreneurs. Bradley et al. (2012) suggest that the specific development policies of particular MFIs are understated within the literature in understanding the types of ventures that entrepreneurs develop. As such, the logic that MFIs apply to entrepreneurs across their lending platforms and carried out by loan officers and other staff members may be more impactful on entrepreneurial development than the social component of groups.

Shaw (2004) argues that the group-guarantee tends to be reserved for poorer clients with lower skill sets. Entrepreneurs who choose individual-liability lending, therefore, may represent the marginally wealthier poor who are also ostracised from the formal banking system (Coleman, 2006; Madajewicz, 2011). This suggests not only better access to resources but also a fundamentally different way of organizing their actions. Indeed, research has demonstrated the fundamentally different ways in which individuals go about organising their economic lives, by drawing from the resources they have to hand (Baker & Nelson, 2005) or heterogeneous bits of culture that include identities, stories, roles, justifications and moralities (Weber & Dacin, 2011). It is therefore a complex dynamic depending on how MFIs perceive the entrepreneurial environment and how those entrepreneurs deploy their microfinance loans in a way that is meaningful to them.

In comparing lending methods, Gine and Karlan (2010) highlight the endogeneity problem of comparing lending methods due to reasons of self-selection. Like Field and Pande (2008), they show that lending method has no bearing on repayment rates. Interestingly, they also show that entrepreneurs who start off in groups are more likely to stay with the programme if they are phased into individual-liability loans. As such, the group format is not a permanent entity; members default and are ostracised from further loans, some find that it no longer meets their capital needs whilst many become uncomfortable with covering for others deviating behaviour (Gine & Karlan).

In summary, this places the creative capacities of entrepreneurs and the role of MFIs in this process at the forefront of discussion. As investors in the entrepreneurial poor, MFIs represent key market players in the provision of finance. As such, there are important questions about the reciprocal relationship between entrepreneurs, MFIs and particular lending strategies as they conceive of (1) venture ideas; (2) take subsequent associated actions and; (3) engage with one another to take the business forward (Dimov, 2011). Section 2.4 has highlighted the importance of financial capital in the opportunity development process with the proceeding sub-sections emphasising how MFIs structure the provision of financial capital in group and individual liability lending arrangements. In respect of the recent interest in understanding the ideas that inform microfinance projects but the absence of perspectives which look at how lending mechanisms may shape this process; the research proposes this question:

RQ1: How does the delivery of microfinance through joint and individual-liability lending programmes shape the opportunity development process?

2.6.2 Social Networks and Opportunity Development in Microfinance

Social networks also exert a powerful influence over the creative capacity of entrepreneurs, playing a crucial role in determining the information afforded to new business ideas and the potential resources available to push the opportunity forward. However, there is no theoretical consensus regarding how networks develop over time. This highlights the weakness of cross sectional research designs where the effects of network ties may be due to phase effects within the entrepreneurial process (Slotte-Kock & Coviello, 2010). This suggests that networks and opportunities simultaneously co-evolve, depending on their stage of development.

In terms of understanding the development of opportunities and networks, one study by Larson and Starr (1993) attempted to capture the temporal dynamics of network evolution but, as Hoang and Antoncic (2003, p.179) argue, they "understate the extent to which network contacts play a role in shaping the very nature of the opportunity that is being pursued". Indeed, according to Birley (1985), entrepreneurs make use of strong ties at first before establishing more formal business and financial contacts whilst Jack et al. (2008) found that ties tend to strengthen as ventures grow. This highlights the weakness in current research which does not sufficiently take into account the varying role of contexts and how this affects the content of entrepreneurial networks and opportunities formed (S. L. Jack, 2010).

As such, understanding networks within certain contexts is important because it determines the information afforded to opportunities. Hoang and Antoncic (2003) argue that the information afforded by social networks has a crucial role in determining opportunities but it remains an under-examined aspect of entrepreneurship. Dimov (2007) argues that business ideas are shaped by a learning process within specific social contexts as entrepreneurs explore the viability of a particular idea. It is subsequently argued that access to resources acquired through social networks can increase or decrease the scope and scale of the idea. Therefore, social networks, like opportunities, exist "as potentials" (Jack, 2010, p.130) which operate within a particular time and space and change according to their enactment as the entrepreneur engages (or abandons) certain relationships. It is in this sense that social networks effect the proportion of entrepreneurial ideas considered as well as those abandoned, deferred or modified (Hill & Birkinshaw, 2010).

The specifics of these relationships and their 'critical incidents' as the entrepreneur continuously learns about their venture are crucial to understanding the emergence of new ideas and their subsequent enactment. However, to date, social network theory has not been able to capture the complexity of networks due to its de-contextualised focus on individuals rather than the individual at the nexus of the social structure (Jack, 2010). Therefore, drawing links between networks and contexts become crucial to on-going theorizing regarding networks and their role in the opportunity development process (Welter, 2011). This necessitates an understanding of both the time and space within which entrepreneurs enact their environment (Jack et al., 2008; Schutjens & Stam, 2003).

As in the previous section, this calls for an understanding of the conception of (1) venture ideas; (2) and their associated actions; (3) which are also embedded within particular market (customer/supplier) relationships. As entrepreneurs cycle between the ideas and actions which form their opportunities, the important junctures in which social networks shape this process remains unclear. Furthermore, there is a lack of knowledge of how microfinance resources punctuate this process and alter the nature of network ties. This guides the second research question for this thesis:

> **RQ2: How does microfinance alter the nature of social networks and, as an information context, shape the opportunity development process?**

2.7 Chapter Summary

In summary, this chapter has outlined the emerging research questions for this thesis. Section 2.1 outlined the relationship between entrepreneurship and the paradigm of international development, relating prior entrepreneurship research to theories of growth and development in impoverished nations. Section 2.2 then began to discuss the emerging microfinance industry and its role in seeding entrepreneurial activity across the developing. The subsequent section outlined exactly how microfinance works and the two lending platforms of group and individual-liability lending. Essentially, these first two sections 'set the scene' for the thesis and highlights precisely *what* the area of study is.

The second half of this chapter then argued *why* it is an appropriate area of study and began to narrow down the research agenda. Section 2.3 offered a critique of current theorizing regarding opportunities and their development given the extant literature. This position was argued based on the idea that current understanding of opportunity within the literature is limited by its rational-choice assumptions and its primarily retrospective designs which miss the inherent uncertainty involved in starting a business. As a result, this thesis focuses on the observable entities of the opportunity development process as the conception (1) venture ideas; (2) their associated actions and (3) their embeddedness within network relationships. These network relationships include customer, supplier and a number of other relationships which could be crucial to the entrepreneur. It also includes the interactive relationship with the MFI but is kept separate because it is a major focus of the thesis. Following this, the next section highlighted that a large portion of research on opportunities in developing economies is done from an institutional/systemic point of view. This tells us where interventions such as microfinance may be limited but it does little to tell us what such interventions actually do.

Section 2.4 demonstrated the literature on the role of financial capital in a venture's development and offered greater contextualization by emphasizing how it is distributed within the microfinance industry. Section 2.5 similarly highlighted the importance of an entrepreneur's social network in the opportunity development process whilst subsequently demonstrating prior research on the nature of networks in developing nations. Section 2.6 was utilized in order to bring these arguments together, pin-pointing the gap in the literature and need for empirical work before closing with the primary research questions for the thesis. The next chapter will now move on to discuss how this empirical work was conducted within the microfinance context of Ghana.

CHAPTER 3 – RESEARCH DESIGN

This chapter is split into four components. Firstly, this chapter outlines the philosophical underpinnings of the research which correlate with the methodological approach taken. Secondly, the research design is discussed, underlining that the research is planned in a manner which is concomitant with the research questions highlighted in the previous section. This section emphasizes the theory of method and discusses the fundamental assumptions of research which draws from either variance or process theory approaches. In the third section, the research methods are discussed which concerns exactly how the observational data were collected and highlights its congruence with the theory of method. Fourthly, the step-by-step process of the analytical procedures is discussed. This section is constructed in a manner for the reader to be able to see the congruence between the theory of method and how the data were subsequently collected and analysed.

3.1 Philosophical Basis and Assumptions

In thinking about the nature of opportunity, chapter 2 outlined how the literature has debated their subjective and objective character. Alvarez and Barney (2010) argue that this debate is underpinned by certain epistemological differences between the two approaches. They suggest that literature which views opportunities as objective pertains to a critical realist view of the world where things exist independently of individuals and their knowledge. In contrast, their constructivist perspective posits that opportunities are socially constructed, born from social settings and relational experiences which give opportunity meaning. The purpose of this section is not to offer an extensive review of the epistemological and ontological underpinnings of social constructivism and critical realism. Indeed, this debate has been argued by some to be somewhat frivolous and misguided (Tsoukas, 2000). However, it will briefly outline their respective contributions to theorising around entrepreneurial opportunities and argue that critical realism's limitations are primarily at work when applied with an incorrect set of methodological tools.

Critical realism is a philosophical approach which is typically associated with Bhaskar (1975). The basic premise of critical realism is that it is possible to identify underlying causal forces or mechanisms by measuring correlations and causation of events on particular outcomes. However, these events may not always be observable, unlike perhaps in other scientific disciplines. Consequently, interpretations and discussion of patterns of events is generated by the inquisitor with a view to presenting underlying ‘generative mechanisms’ rather than cause and effect relationships (Madill et al., 2000). Bhaskar commits to the perspective that real-world objects, processes and events exist independently of humans but the process by which these mechanisms are discover is socially mediated. Critical realism, therefore, avoids what Norris (1997) describes as the relativist ‘trap’, of describing everything through interpretation and meaning. In this respect, what social reality is deemed to consist of determines how its explanation is approached (Archer, 1995).

Bhaskar (1975) argues that the social world is comprised of three domains which contain causal powers: the *real,* the *actual* and the *empirical.* Critical realism makes the assumption that causal properties exist independently of our knowledge of them. The *real* domain refers to all of the causal influences existing in the social world as well as a set of potential causal influences; causal powers can therefore be either exercised or not exercised. The *actual* is a proposed state for another causal influence where that influence is both exercised and actualised. Thus, the causal influence is producing some impact which is relevant to explanation. The *empirical* domain refers to the aforementioned exercised and actual powers that can be made sense of empirically for the sake of observation and/or measurement. However, causes are also deemed to exist without the observation of an empirical event - it is incorrect to assume causal influence only in the event of an empirical observation (Bhaskar, 1975). Perhaps most crucially, these three domains are crucial in understanding critical realisms position within the broader concept of emergence and structure (Archer, 2003; Blundel, 2007).

This discussion seems to resonate with the prior discussion regarding entrepreneurial opportunities. Dimov (2011) argues that researchers should look at the observable entities within the process and the systematic drivers of entrepreneurial action. In this endeavour, the *real* domain’s focus on a set of existing and potential causal influences is consistent with a need for understanding the chain of events from a new idea, to an exercised and actualised entrepreneurial action. Current entrepreneurship research appears to focus predominantly on the *actual* and *empirical* domains where causal influence (e.g. entrepreneurial action) has been realized and actualised then empirically observed in the absence of uncertainty.

Alvarez et al. (2014) have recently claimed that critical realism is not a suitable approach to studying entrepreneurial opportunities because it is accessed only retrospectively thus allowing for the "existence of unobservable objects" (p.228). As previously highlighted in their other work (Alvarez & Barney, 2010), the authors position their work within a social *constructivism* perspective. This view argues that individuals mentally construct their worlds with reference to social relationships, social situations, cultural practices and/or relationships with contexts that enable opportunities (Anderson, 2000; Fletcher, 2006). The basic premise of this position is that reality should be interpreted as existing through meaningful shared dialogue and social processes (Gergen, 2001). The pressures of daily life, unemployment and/or fleeting conversations – they constitute social processes that construct our worlds.

This seems to resonate with many of the emerging multi-faceted and multi-voiced microfinance narratives. For example, Sautet (2013) describes the web of social, political and institutional arrangements that microfinance ventures are formed around and in relation to. Mirchandani (1999) similarly describes women entrepreneurs who develop the physical premises of their businesses around their home environment. In this perspective then, the physical material entities of the business are social constructions in the sense that they reflect visions and lifestyles which are inherently related to the requirements of others such as community and/or family members. In such an approach, research gives substantial room to the language of participants where this voice is viewed as a representation of their socially constructed reality (Boje et al., 2004).

Social *constructionism* is also closely related to the *constructivist* school but has typically focused on discussions of agency and structure. This has also been widely discussed in the entrepreneurship literature. Giddens' (1984) structuration theory has been used to examine this interplay and promote the notion of co-evolving social structures and opportunities (Sarason et al., 2006). In a critical realist view, Mole and Mole (2010) criticise this viewpoint by drawing from Archer (1995) to argue that structure is objective rather than virtual and subjective (as in structuration theory). Further, critical realism asserts that structures are emergent from the past actions of entrepreneurs whereas structuration views structure as emergent from current actions. In critical realism, entrepreneurs are the products of structure which are objective in the sense that they enable and constrain agency. They also have causal influence and the ability to stand apart from structures and learn which is subsequently put into practice and, potentially, re-shaping structure (Archer, 2003).

In addition, critical realism acknowledges the fallibility of individuals; it is not seeking any universal truths and is seen as bridge in the divide with interpretivist approaches which have been argued to sometimes reduce the social sciences to pure meaning (Sayer, 2000). It is an approach which appears largely consistent with philosophical approaches in development studies which emphasise not just what individuals do but what they are free to choose from (Sen, 1999). As Sayer states "Often the success or failure of agents' strategies may have little or nothing to do with their own reasons and intentions" (p.26). This is particularly pertinent when thinking about the unforgiving and turbulent nature of observing aspiring entrepreneurs in impoverished contexts.

However, the basis for highlighting these epistemological contrasts is the assumption that a researcher is choosing between studying opportunities as being, either 'discovered or 'created' (Alvarez & Barney, 2007). As highlighted in the previous chapter, research which discusses opportunities tends to look at it only retrospectively, missing the observable entities in the process. As such, a large part of entrepreneurship research which seeks to understand why some and not others pursue opportunities focuses their empirical analysis on those who have already experienced the process rather than those who perhaps abandoned it (Alvarez & Barney, 2010). Given this almost insurmountable empirical challenge, the subjective/objective debate is unlikely to have a productive consensus and a more fruitful avenue for research is to get close to the micro-processes that actually drive entrepreneurial behaviour.

The flaws of the assumptions that underpin critical realism outlined by Alvarez and Barney (2010; 2014) remain bound to the formal entrepreneurial frameworks discussed previously (Dimov, 2011). If research moves the discussion towards a substantive appreciation of entrepreneurial opportunities – ideas, actions and exchange relationships – this critique of critical realism can be somewhat reconciled when it is accompanied by the appropriate methodological apparatus. Indeed, the previous discussion regarding the *real* domain of causal influence – the existence of potential causal influence – provides a fruitful avenue for using critical realism within a substantive approach to entrepreneurial behaviour. The next section will now look more deeply at the theory of method by highlighting the differences associated with conducting variance or process approaches and why the latter offers an avenue for interesting insights into understanding entrepreneurial action.

3.2 Theory of Method

There is a consensus amongst researchers that entrepreneurship is a *process*. The need to acknowledge these processes has been long-called for by entrepreneurship researchers (Steyaert, 2007). In this vein, Aldrich and Martinez (2001) discuss the reciprocal relationship between theory and research design where longitudinal research is necessary to help ascertain “causal linkages” that “can also provide a picture of ongoing adaptation processes” (p.53). In order to establish such causal linkages necessitates research to be designed in a manner which incorporates time. Despite this notion, entrepreneurship studies typically grant time an ancillary role, where relationships between variables are assumed by prior theory. In order to understand this better, this section outlines the logic of causality between variance and process theory. To explicate this argument, this section draws from a study frequently mentioned in chapter 2 to highlight the principal assumptions that underpin variance studies. This critique is subsequently used to sketch out how to address process research.

Mohr (1982) argues that methodologies should explicitly state whether they refer to variance or process theory. Process theory is concerned with particular events and states and how their ordering over time affects certain outcomes (Pentland, 1999). In variance theory, explanations are characterized by causal relationships where variables are thought to act upon particular outcomes as *efficient* causes; thus variables are deemed both necessary and sufficient to explain a particular outcome. Process explanations, however, only deal with *necessary* causes. Every event in a chain of events is seen as being *necessary* for the outcome to emerge but not *sufficient* (McMullen & Dimov, 2013). Process research stems from the logic that social reality is not static but dynamic evolution with the task of the researcher to capture ‘reality in flight’ (Pettigrew, 1997). Consequently, this requires researchers to acknowledge time in their research design.

3.2.1 Variance and Process Theory

The fundamental contrasts between variance and process logics are outlined in Table 1. A variance approach, naturally, deals with the effect of certain variables on a particular outcome. In this approach, a variable (X) is seen as *necessary* and *sufficient* for the outcome (Y) to occur. Thus, if variable X does not occur then neither does outcome Y. The outcome (Y) relates to the research phenomena of interest whose variance can be explained by variable (X). Looking at one of the more prominent and recent studies in microfinance can help elucidate the logic of explanation between variance and process approaches. Bradley et al. (2012) found that family business experience and business expertise were variables which lead to increased business performance. Thus, performance (Y) is seen as a function of business expertise and family business experience (X). A variance approach is appropriate when the research problem relates to the relationships between variables. If the question concerns change and development of a particular entity (e.g. opportunity development) then the assumptions of the variance approach can impede the claims of the study (Van de Ven & Engleman, 2004).

Table 1 - Variance and Process Explanations

	Variance Theory	***Process Theory***
Explanation	Deterministic - necessary and sufficient cause	Probabilistic Processes - necessary cause
Cause(s)	Efficient (*push-type*)	Final, Material and Formal (*pull-type*)
Units of Analysis	Static entities capture by the attributes of variables	Entities that participate in events and change over time
Time Ordering	Outcome-driven (immaterial)	Event-Driven (crucial)

This relates to the notion that variance approaches are seeking explanation through *efficient* cause. As described by Mohr (1982): “An efficient cause is a force that is conceived as *acting on* a unit of analysis to make it what it is in terms of the outcome variable....it may be thought of a *push-type* causality” (p.41). In variance theory, there is a limited conception of time and the ordering of the events which bring about the outcome. The time ordering of variables is assumed through the prior development of parsimonious theoretical frameworks. As McMullen and Dimov (2013) argue: “A particular reliance on efficient cause is the notion that seemingly trivial, non-consequential events early-on may have vast unintended consequences for the ultimate outcome” (p.11-12). This creates a number of problems when it comes to explaining entrepreneurial phenomena.

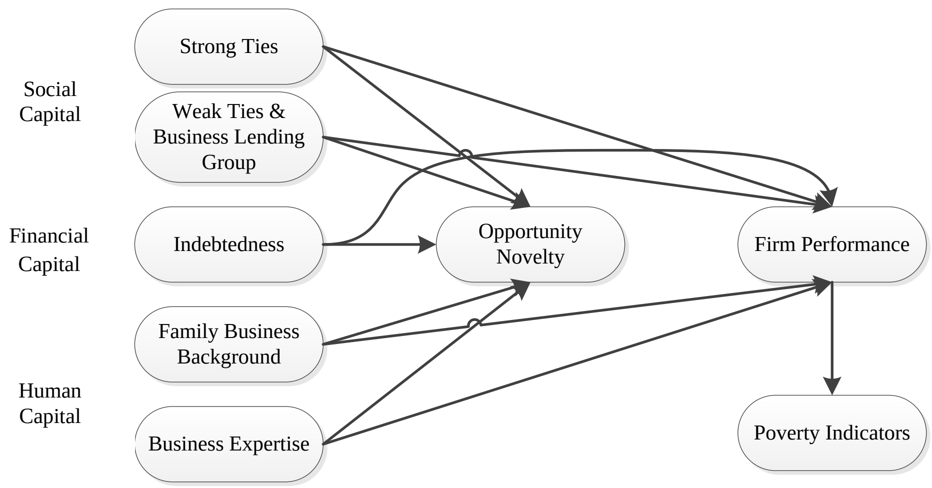
Looking a bit more closely at the example by Bradley et al. (2012); they offer an important insight into the types of opportunities pursued by entrepreneurs investing microcredit. They ask:

> *Is lack of capital the obstacle preventing the poor from enjoying higher firm performance (and related higher incomes and standards of living), or is it simply a necessary but insufficient condition that must be accompanied by innovation? If innovation is necessary, what types lead to enhanced firm performance in a developing economy, and what are their antecedents? (p.686)*

The authors develop a conceptual framework for understand the role of human, social and financial capital relating to the innovativeness of the business idea and subsequent firm performance. Within this framework is an implied process logic; (1) types of human, social and financial capital contribute to; (2) differentiated or novelty related innovations which lead to; (3) firm performance. Thus, the authors are arguing that some combination of types of capital and opportunity innovation may be needed to produce productive outcome. It is an example of how variance theories inch towards process language where sequence is considered through an arrangement between independent and dependent variables (Sutton, 1995) which is symptomatic of extant theorizing of the entrepreneurial phenomena (Dimov, 2011).

Drawing from Langley (1999), Figure 1 is illustrative here. In the model in the paper by Bradley et al. (2012), variables are used to tell a process story - a passage from one state to another which is driven by the development of pre-determined theory. However, the model in Figure 2 depicts relationships with respect to their time ordering. Capturing time is a central feature of process theory. As Mohr (1982) states: “In process theory, the precursor (X) is a necessary condition for the outcome (Y)”. Therefore, in contrast to variance theory, there are necessary conditions, probabilistic processes and external forces which lead to certain outcomes but they are not *sufficient* for that outcome to occur. Thus, cause is not deterministic; it requires many factors to increase the probability that an effect will occur (Shadish, 2001).

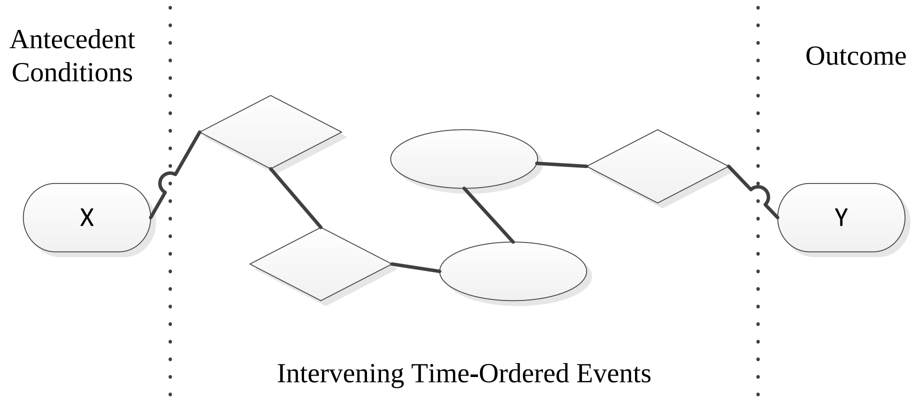
Figure 1 - A Variance Model of Venture Development in Microfinance - taken from Bradley et al. (2012)



Accordingly, process theory is primarily interested in chains of events which unfold over time as its logic of explanation. Process approaches loosely tells a story using this sequence of events and captures the sequences of actions which occur in certain social places at particular moments (Abbott, 1992). Moreover, it is some combination of events and factors which are the sources of progression or deterioration in process models. What could be viewed in variance approaches as simple one way causal relationships are actually complex interactions between phenomena (Davis, 1971). Rather than *push-type* causality, process approaches deal with *pull-type* causality (Mohr, 1982). In the sense of an aspiring entrepreneur, it is not that there are certain attributes (X) which cause them to pursue a particular path (Y). Rather, the entrepreneur goes through a particular process; a set of events that pulls the entrepreneur towards the outcome by virtue of their goals and aspirations. Indeed, these outcomes, in process theory, are better understood as inputs which then direct further activity rather than "static termination points" (Langley, Smallman, Tsoukas, & Van de Ven, 2013, p.10).

As highlighted by Figure 2, the time in between the beginning and what the researcher judge as the end of the process allows for an understanding of why that end point is so. Thus, another look at studies such as those by Bradley et al. (2012) with a process mind-set could yield alternative ways of thinking. For example, business expertise or family business knowledge may be crucial to understanding the outcome but knowledge is cumulative and acquired through an active learning process (Cope, 2005). Perhaps the novel business ideas needed to succeed in such contexts may only emerge as a result of being actively engaged in the market. Moreover, it could be that opportunities in a developmental process do not stay as discovered or created (Alvarez & Barney, 2013). The logic of the process approach is to be able to unpack these particular occurrences over time and understand how they contribute to the type of business that the entrepreneur is trying to create.

Figure 2 - A Process Model of Venture Development



This unpacking of events creates the need to have an appreciation for the chronology of events. Given that process theory thinks about causality as an interaction of certain factors, it is crucial to know when such factors do interact and how this enables or constrains actions. For example, the chance meeting of a new supplier could be crucial to understanding the next investment that an entrepreneur receiving microcredit makes. Indeed, this chance meeting could also spur new knowledge which generates new business concepts. In this sense, process theory brings these dynamic interactions into the foreground of explanation. It allows for an appreciation of unexpected exogenous events which constrain (or perhaps even enable) entrepreneurial action which is particularly pertinent to developing economy settings (Collins et. al., 2009). In variance theory, these random events are seen as an error and are explained away but in process theory they are viewed as fundamentally important to explanation (Mohr, 1982).

3.2.2 Material, Final, and Formal Causes

Variance explanations focus on making inferences from the co-variation of variables relying on the assumptions of pre-determined theory hence *efficient* cause is central to its definition. A process theory, however, calls for an understanding of the generative mechanisms of specific pathways leading to a holistic understanding of actions, intentions and circumstances (Pentland, 1999). A process approach to understanding opportunity development in a microfinance context requires an understanding of the successive actions that the entrepreneur formulates and executes along the way as well as the exchange relationships s/he seeks to develop with other market participants (Dimov, 2011; Venkataraman et al., 2012).

It is in this sense that *pull-type* causality offers the most suitable gateway for understanding the nature of change and development. A variance approach is seeking deterministic causation, process logic thinks of change more closely linked to the notion of contingency rather than inevitability in effectuation processes (Sarasvathy, 2001). This movement away from *efficient* causality is positioned against the axiomatic assumptions which are brought about by rational decision-making analytical frameworks. Essentially, these contrasting approaches are handling two different types of questions. A variance approach would seek to ask 'why' a particular outcome has emerged where as a process logic would seek to understand exactly 'how' something has come about.

Van de Ven and Engleman (2004) look at this contrast with reference to outcome vs. event-driven studies. Outcome-driven studies ask 'why' questions and they are generally built backwards to reflect upon a particular outcome e.g. growth/opportunity recognition. The authors describe this as problematic because it involves selecting cases based upon the dependent variable thus acting as a source of sampling bias in studies. An event-driven study, however, pertains to the process logic and involves the description of a sequence of events to describe a particular outcome. It asks questions about 'how' things occur rather than 'why' which allows research to grasp the most interesting aspects of change and developmental processes. Both approaches are characterized by their fundamental assumptions and particular logics of explanation of *push* and *pull-type* causality.

However, the search for an *efficient* cause in understanding *why* entrepreneurs pursue certain opportunities lacks empirical accessibility where the logic actions are reconstructed post-hoc thus being susceptible to a retrospective bias. Such retrospective accounts can be misleading as they do not capture how uncertain an opportunity can seem *a priori* (McMullen & Shepherd, 2006). Rather than any economic inevitability, *pull-type* causality thinks about the role of contingency; the shifting patterns of skills, resources, aspirations, knowledge and goals which pulls the entrepreneur towards a particular outcome. Thus, an understanding of the research question requires this research to ask *how* opportunities develop which necessitates an understanding of the form of actions being undertaken in a venture's development requiring consideration of Aristotelian material, final and formal causes of entrepreneurial actions (Dimov, 2011; McKelvey, 2004). Understanding actions across these dimensions helps paint a complex process picture of the unfolding entrepreneurial journey:

- *Material* cause pertains to the "organizing materials at hand" (McKelvey, 2004, p. 331). Essentially, this refers to the resources at the disposal of the individual trying to form a particular type of venture. For example, a poor entrepreneur is likely to have substantially diminished financial capital which reduces the potential scale of their ventures and necessitates the need for microcredit loans. As such, the process of taking microcredit loans acts as an element of *material* cause enabling greater access to financial resources. However, how such loans are utilised may depend on the human capital resources at the entrepreneur's disposal or the knowledge that the entrepreneur can glean from their social context.
- *Final* cause refers to an "agents purposeful objectives" (McKelvey, 2004, p.332). This relates to the aspirations of the entrepreneur and thus the ultimate purpose behind particular actions taken. Therefore, the type of venture an entrepreneur is likely to create is driven by their immediate goals and objectives. This pertains to the teleological school of science which is based on the philosophical proposition that a particular purpose or a goal is the final cause; it is purposeful, adaptive and involves a repetitive sequence of goal formulation and modification (Van De Ven & Poole, 1995). For example, necessity entrepreneurs in developing countries may have no aspirations beyond meeting their day-to-day needs of survival. Therefore, their goals, objectives and aspirations offer a blueprint for the logic of subsequent actions that can be taken towards the development of the venture. In this respect, entrepreneurs with more radical aspirations are likely to be trying to pursue more radical projects through microfinance investments.
- *Formal* cause pertains to the nature or type of venture that an entrepreneur is trying to create: for example, seeking to establish a retail shop, a software developer, an advertising agency, or a transportation service would entail different types of actions as they follow different business *templates* (Dimov, 2011). Essentially, *formal* cause is the broad business idea or blueprint behind

> the actions being undertaken (Hill & Birkinshaw, 2010). For example, if the owner of an electronic goods store is trading informally but needs more formal premises to develop the business further then searching for a new place to locate would be a logical action for them to take. Thus, *formal* causes constitute the way in which *final* and *material* ends are achieved (McKelvey, 2004). The owner of the electronic goods store has a broad business idea or template in mind (formal cause), a particular aspiration behind this idea (final cause) which requires an application of certain resources (material cause) to achieve his or her ends.

This section has sought to outline the major contrast between the logic of explanations as argued by Mohr (1982). A large portion of entrepreneurship studies tell a process story by thinking about the relationship between independent and dependent variables. However, as outlined in this section, this leads to a number of fundamental assumptions which undermine the substantive nature of entrepreneurial phenomena. In the first instance, this section used a prominent microfinance study to highlight a variance theory which rests on *efficient* cause. Drawing from recent literature, the subsequent section sought to outline how to better grasp entrepreneurial actions across *material, final* and *formal* causes providing the backdrop to the theory which underpins the methodological approach in the thesis.

3.4 Research Methodology

This section outlines the research methodology – the process and logic through which data were collected. The first section discusses how longitudinal research methods need to take into account multiple levels of analysis across context, history and process. The second section outlines the logical usage of qualitative case studies as a method of tapping into emerging processes. The third section demonstrates how the data were collected from respondents, highlighting how the research questions were integrated into the building of the data collection instrument. The final section introduces the research context of Ghana, highlighting why it is a useful context in which to study the microfinance industry. Finally, this section briefly describes the MFI that was partnered with in order to conduct the research.

3.4.1 Process, Context and History

In respect of the prior discussion regarding process theory, the research in this thesis is designed in a manner consistent with process methodologies. As previously discussed, scholars have consistently called for more event-driven research which captures temporal order stemming from a particular event (Van de Ven & Engleman, 2004). Thus, such a study requires a planned intervention which captures change with multiple observations of the phenomena of interest. This type of research design is also inherently linked to the thinking around how to best understand probabilistic causal processes. This stems from the basic premise that any understanding of causality requires a separation between the cause and the effect. As Rindfleisch et al. (2008) state: "This principle is based on a simple but important observation of the physical world – the arrow of time flows in one direction, and the future cannot influence the past" (p.263).

Therefore, given the research questions previously highlighted this research was conducted over a 15 month period. With the interest in looking at the logic of certain actions, the ideas that underpin them and their subsequent relational and structural network outcomes, the research began before a population of microfinance clients had received a fresh wave of financial capital. This was done based on the logical temporal separation between the ideas which inform such projects and their actual implementation. In the sense of an event-driven approach, the investment of the microfinance loan is seen as the 'event' from which the enactment of entrepreneurial ideas could be captured. This creates a natural experiment type situation where change is naturally occurring and is more transparently observable (Shadish, 2001).

Although the future cannot influence the past, the past is crucial to shaping the future. Pettigrew (1990) asserts that research on change and development should be contextual, processual and historical. As such, process research should also be cognizant towards prior antecedent conditions and previous events in the process story. Pettigrew (1990) states that "Time is captured in our work through a combination of retrospective and real-time analysis" (p.271). The past shapes the future but in reality researchers can only be present for particular windows in an emerging process (Pettigrew, 2012). For example, the sort of previous life experiences of an entrepreneur within a low-income context are likely to be crucial to the dynamics of the opportunity development process and how financial resources are utilised. Consistent with this notion, this research seeks to capture this unfolding process as well as the antecedent conditions which give the process substance and meaning (De Vaus, 2001; A. Pettigrew, 1990).

Context is a particularly crucial feature of process research because actions and perceptions are interwoven and combine with certain features of context at specific moments in time (Pentland, 1999; Yin, 1984). Context operates at multiple levels (Welter, 2011) but is not just a particular environment with tangible characteristics (i.e. a household), it can also relate to features of structure which constrains as well as enables forms of action (Sarason et al., 2006). Thus, a contextualist angle takes into account what Pettigrew (1990) describes as the interconnectedness between vertical and horizontal levels of analysis. The vertical level refers to interactions between higher level features of context such as changes in industry or perhaps institutional turbulence which affect entrepreneurial behaviour. The horizontal level of analysis refers to the temporal interconnectedness between elements of the process. Such multiple levels of understanding are crucial to process theory in stating that there can be multiple interacting causes behind a particular outcome (probabilistic causation), consistent with the critical realist paradigm (Blundel, 2007). As such, the task of the researcher is then to understand the sources of processual progression as well as the pace of their trajectories (Langley, 1999). As will be discussed in a subsequent section, acknowledging the role of context, history and process was a key to the sample selection process.

3.4.2 Case Studies and Theory

The thesis employs a qualitative longitudinal multiple case study approach (Eisenhardt, 1989). Case studies are a research strategy which allows for generating inductive theoretical insights into phenomena in single settings. They are typically utilised in research contexts which are poorly understood for which the purpose is the extrapolation of developmental theory (Miles & Huberman, 1994). Case studies draw from multiple qualitative sources of information such as interviews, observations and/or questionnaires at multiple levels of analysis (Eisenhardt & Graebner, 2007). This is not too dissimilar to impact assessment approaches in the microfinance industry where the researcher is closely involved with the key beneficiaries of MFIs (Hulme, 2000).

Case studies are typically (although not exclusively) utilised for the purposes of theory building. The small sample size allows researchers to zoom into particular phenomena with a particular theoretical angle and be able to extend that theory with their real-world insights (De Vaus, 2001). In this scenario, the researcher draws from the literature and their own experiences of the phenomena to devise some simple propositions. They subsequently use the appropriate sampling procedure and revise the prior theory in order to end up with a set of more concrete (and perhaps testable) propositions. Therefore, theory building is a purely inductive process only driven by field observations as in grounded theory (Corbin, 2008). Instead, this thesis is more retroductive in nature, driven by some experience, knowledge or theory which requires elaboration (Poole, 2000).

For McGrath (1982), there are unavoidable methodological trade-offs involved in selecting case studies as a research approach. Essentially, research can vary on the extent to which they intrude upon the research subjects and/or offer a realistic appreciation of the context within which the participants are situated. For example, the Bradley et al. (2012) study benefits from a large sample size allowing for greater generalisability to the wider population of microfinance clients. As such, case study approaches with small sample sizes are subject to the opposite dilemma of low levels of generalisability but high levels of contextual understanding (Miles, 1979). This is the basic dichotomy between how theory is used by a researcher; to test it through hypotheses development and apply that more generally (external validity) or to develop it from the ground-up.

For Eisenhardt and Graebner (2007), being able to justify theory building is crucial. The research question must be situated within a particular theoretical framework as well as being able to demonstrate sufficient mastery over that literature (Feldman, 2004). However, conflicting theory is insufficient; authors need to demonstrate how prior efforts tell stories which are inadequate or incomplete. Critical engagement with the literature must identify the unexplored gap which requires detailed appreciation of the context. Context is similarly insufficient unless the research can tie in some feature of the context with the broader theory. For example, the study by Khavul et al. (2013) argues that the literature on institutional entrepreneurship ignores the dynamism of institutional change. Drawing from multiple sources in a grounded theory approach, they track the process of change in a microfinance context in Guatemala and build a process model to map this.

If theoretical development is the aim of a study then what are we talking about when we say theory? There is considerable discussion amongst academics about what constitutes a theoretical contribution. Sutton and Staw (1995) go to considerable lengths to describe what strong theory is *not* and subsequently argue the following:

> *Theory is about the connections among phenomena, a story about why acts, events, structure and thoughts occur. Theory emphasizes the nature of causal relationships, identifying what comes first as well as the timing of such events. Strong theory, in our view, delves into the underlying processes so as to understand the systematic reasons for a particular occurrence or nonoccurence. It often burrows deeply into microprocesses, laterally into neighbouring concepts, or in an upward direction tying itself to broader social phenomena. (p.378).*

The authors subsequently state that this is perhaps an unrealistic expectation of most research but they argue that theoretical development requires the creativity and skill of the researcher to draw connections between the prior literature, data and/or constructs (Sutton and Staw). This leads to what Weick (1995) describes as theory which is able to explain, predict and delight.

In respect of this discussion and the earlier review of the literature, the critique has centred on inadequate explanations of entrepreneurial action and opportunities. The notion of opportunity plays a central role as a beacon in the marketplace it represents a central impetus for entrepreneurial action (Venkataraman, 1997). This proposition, however, is inoperable at the level of individual actors facing an unknowable future, since an opportunity can be revealed and articulated as such only retrospectively (Dimov, 2011). This requires the research to get as close to the unfolding process as possible. Further to this, the review contextualised this argument into the microfinance area arguing that the literature offers a fairly oblique explanation of the role of lending mechanisms and how such programmes alter the nature of network relationships and the information they afford to new entrepreneurial insights. In integrating these critical views, the need for further theorizing seems appropriate and necessary.

3.4.3 Sampling Procedures

When the logic of a study is to build theory then careful consideration needs to be given to why certain cases are selected in order to extend that particular area of theoretical interest (Eisenhardt & Graebner, 2007). For process research, the comparative logic is a key component of the sampling strategy. As Pettigrew (1990) states: “a judicious mixture of forethought and intention, chance, opportunism and environmental preparedness play their part” (p.274). Thus, the case selection process required a degree of involvement with the appropriate MFI in order to address the group/individual-liability element of the research. This was relatively ‘opportunistic’ in nature as a result of the researcher’s previous involvement with that MFI. With these thoughts in mind, the cases were selected based on theoretical criteria. Following recent advances in process research, the comparative case study logic has been used to observe temporal patterns within and across cases (Langley et al., 2013).

The two principal research questions drove the case selection process. In order to understand the role of lending mechanisms in opportunity development, the theoretical selection was driven by through the working proposition that the logic of entrepreneurial actions and their associated ideas (across material, formal and final cause) will vary between entrepreneurs in group and/or individual-liability arrangements (Denscombe, 2007). Thus, the selected cases explicitly offered insights into the concepts central to this research: currently taking action towards developing an opportunity (investing a loan into the business) and membership of a particular developmental approach (group/individual liability).

This additionally fed into the second area of the research which is to understand how microfinance alters the nature of network relations and the role of such relations. Given what is known about group dynamics, the research was interested in the long-term effects of group membership and the role of that as a particular type of supportive network and how those who are not in groups cope without the support of such a network. However, from the extant literature it was relatively unclear what role microfinance would have on altering the nature of other network relationships. Given that the role of microfinance is to improve incomes via entrepreneurial development, it seems reasonable that loan investments will impute a particular impact on their respective networks. This allowed the research to look beyond the efforts of previous studies and perhaps look at the more crucial interactions that entrepreneurs make outside of their lending arrangements.

Depending on the depth of the study, process research typically works well with no more than 10 cases in which change episodes with relation to particular projects can be observed (Pettigrew, 1990). Consequently, 5 entrepreneurs participating in individual-liability arrangements and 5 entrepreneurs participating in groups were selected. Based on the knowledge that groups are not a static feature of microfinance, there was also the opportunity to involve 2 entrepreneurs who were negotiating their movement away from the group and moving into the individual-liability arrangements. In this sense, there was the opening to observe 2 cases where a critical incident is unfolding before the eyes of the research which are particularly useful for developing theory (Eisenhardt, 1989). Furthermore, being part of an emerging process allowed for being close to a number of unexpected events such as the dissolution of groups, exclusion from future loans, defaulting, conflicts and personal crises. The profiles of the cases are outlined in Table 2.

In terms of case selections, the researcher was conscious of several other characteristics of the respondents and their entrepreneurial efforts. Pettigrew (1990) states that process researchers must select cases where an unfolding process is 'transparently observable'. In order to ensure this, the loan size which the entrepreneur was about to receive had to be of a significant enough size for which some change at the next interview wave could be observed. However, it also had to be relatively similar between the respondents. As highlighted by Table 1, the highest current loan amount was $2629 and the lowest $1051[1]. Although loan size has been shown to not have a significant relationship with success (Bradley et al., 2012), this was done to ensure that obvious differences between ventures and their contractual arrangement were not as a result of a large distortion in the allocation of loan amounts.

Furthermore, loan size had no bearing on whether the entrepreneur was a part of the group or individual liability process. Indeed, by the end of the final wave a number of group members were taking more substantial loans than individual liability members. Undoubtedly, there are interesting dynamics when entrepreneurs first engage with the cyclical nature of loans. The retrospective component of the research sought to capture these early stages. However, as time passes, entrepreneurs are required to make continuous judgments as a means to survive in uncertain and ever-changing contexts (McMullen & Dimov, 2013). In this respect, the research worked from the principle that the transformative effect of microfinance would lie beyond but also as a result of overcoming the initial uncertainty of a severe shortage of financial capital.

[1] Based on conversation rates between the Ghanaian Cedis (GHS) and the US (USD) dollar in February 2012 – 1GHS equivalent to $2.20

Table 2 - Case Profiles of Participating Entrepreneurs

Case	Formed	Industry	Contract	Gender	Cycles	Employees
#1	2006	Hairdressing	Individual	Male	1st loan: $630 Latest: $1577	3 Full time
#2	2009	Vehicle Services	Individual	Male	1st loan: $789 Latest: $1314	1 Family Member
#3	2007	Hardware Store	Individual	Female	1st loan: $525 Latest: $2629	3 Full time
#4	2009	General Provisions	Individual	Female	1st loan: $525 Latest: $1051	1 Family Member
#5	2006	Garment Designer	Group -Ind.	Male	1st loan: $525 Latest: $2629	5 Full time (5 trainees)
#6	2005	Bar & Restaurant	Group	Female	1st loan: $262 Latest: $1840	2 Full time
#7	2007	Frozen Foods & Sewing	Group	Female	1st loan: $157 Latest: $1157	2 Family Members
#8	2010	Farming and Hawking	Group	Female	1st loan: $157 Latest: $1577	4 Full time
#9	2008	Internet Café	Individual	Husband & Wife	1st loan: $525 Latest: $1572	2 Full time
#10	2008	Mobile Phones	Group -Ind.	Male	1st loan: $236 Latest: $2103	1 Family member

In order to capture further heterogeneity in the sample, businesses varied by industry, this can be important to the survival of ventures (Shane, 2003). This decision led to one of the most interesting findings in the thesis because industry type varied substantially by spatial context. Furthermore, despite a lot of work in microfinance on gender, this was not an explicit component of the MFIs social mission. As such, there was no gender distinction between lending programmes with 3 female entrepreneurs in both individual and groups. The sample was also restricted to entrepreneurs who were the founders of microbusinesses, defined as ventures with between 1 and 10 employees. However, in the sample, there was only one venture which had as many as 5 employees. In developing economies, the first employee is often a member of the family; these ventures are also included in the sample (Frese, 2000).

At the time of the first interview all of the entrepreneurs had formally started their business within the last 6 years. However, pin pointing precisely when firms began was a challenge because many are unregistered and operating informally. For example, one entrepreneur (Ent#8) had spent the last 25 years as a market trader and had learnt various things about farming over the years and even acquired the land for it some decade before but she didn't acquire the necessary capital to start until 2010. Thus, she had already taken some action towards reducing the uncertainty of the opportunity but no firm had been established. As the research unfolded, this became an interesting component of the findings rather than something that could have been controlled for through sampling. In contrast for example, another entrepreneur (Ent#3) started her venture in 2007 off the back of successful prior efforts with her husband. In this respect, there were certain social circumstances and various motivations for developing opportunities which became important themes in the analysis.

3.4.4 Data Collection: Semi-Structured Interviews

Consistent with the case study methodology, qualitative data were collected through semi-structured interviews with 10 entrepreneurs enrolled in microfinance programmes in Ghana. The data collection process took place over a period of three stages in 15 months. The first interviews were held with the entrepreneurs in February 2012, the second stage in September of the same year and the final stage in May 2013. The interviews typically lasted between 1 and 2 hours and were tape recorded and transcribed following each site visit. This led to a total of 30 interviews, over 40 hours' worth of tape recordings and well in excess of 100,000 words of transcriptions. The interviews took place at the most convenient time and place for the entrepreneur. The vast majority were conducted at the entrepreneur's place of business. For those travelling longer distances, group meetings offered a practical location or sometimes the office of the MFI was more suitable given the sheer noise in the local market place.

The themes in the interviews centred on the material, final, and formal causes behind the entrepreneurs' actions. Questions regarding the entrepreneur's resources (material) were discussed in terms of skills and knowledge being brought into the process, the financial needs of the venture and the nature of their network relationships. In terms of skills and knowledge, entrepreneurs were asked to discuss their activities prior to starting their businesses such as previous economic roles and educational experiences which point to certain socialisation processes. In addition, entrepreneurs were asked to describe the financial circumstances which stimulated their need for microfinance loans.

As is the convention in previous network studies (e.g. Jack, Drakopoulou Dodd, & Anderson, 2008), entrepreneurs were asked to discuss their five main network ties with whom they interacted and how they had been used to support the venture. These questions were focused on how microfinance had altered the nature of network relations and what role these networks had in taking the venture forward. Therefore, this section of the interview was focused on how the entrepreneur engages other market players such as suppliers, customers, employees and so forth. Here, the MFI is conceptualized as a market actor through their role as an investor (Dimov, 2007). Thus, group and individual-liability contracts were conceptualized in their relational sense and as a component of the entrepreneur's social network. Clearly, the relations between group members were of importance here where as the relationship between non-group members and their loan officers was an avenue of discussion.

More specifically, these questions focused on the strength of the relationship and whether they are internal or external members of the network (Adler & Kwon, 2002; Granovetter, 1973). Descriptions of the relationship were then able to ascertain the extent to which these relationships were deep, long-lasting and involving frequent contact or whether they were more transient, loose and convenient in nature. In line with the material cause of action, the second component of this part of the interview was to establish the resource contribution of each of these network ties (Partanen et al., 2011). This also enables an understanding of the entrepreneur's information context and how this particular market context assists the evolution of the opportunity which was captured in the subsequent interviews.

With regard to final cause, the motivations and aspirations of the individual's immediate and long-term goals were discussed. In the absence of a motive or an aspiration to a particular end, certain actions would never occur. As such, the form of the action is determined by the scale of the entrepreneur's aspirations. Studies have consistently highlighted that entrepreneurs have a wide variety of motivations for starting a firm (Baker et al., 2005). It is traditionally argued that necessity underpins the motivation of most entrepreneurial action in developing countries (Acs, 2010; Karnani, 2007). Drawing from Wiklund and Shepherd (2003), they highlighted the role of aspirations as being crucial to understanding the relationship between resources and performed behaviour. Thus, participants were asked to think about their immediate aspirations and goals which related to the forthcoming few months (depending on the gap between interview waves). They were additionally asked to discuss what they aspired to in the longer term and the motivation behind this.

Lastly, formal cause – *business templates* - was captured through an understanding of the flow of ideas underpinning actions, linking the knowledge afforded to them. This part of the interview sought to capture idea content, volume as well as their novelty. Drawing from the methods of Hill and Birkinshaw (2010), idea content relates to the element of the business concept such as the introduction of a new product/service or thinking about taking a product/service to a new market. Volume of ideas simply refers to the number of ideas being considered at any one time. Lastly, idea novelty pertains to the degree of creativity behind the idea as a result of the knowledge afforded to it. Based on the Schumpeterian (1934) perspective developed by Bradley et al. (2012), ideas can vary by the degree to which they are differentiated-related or novelty-related. Differentiation ideas are those where product offerings are focused on being superior to incumbents. Novelty-related ideas, however, focus on new sources of demand or supply, whether they are introducing a new product to a market, using a new source of supply or taking a product to an entirely new market. These questions assist in thinking precisely about what type of business the entrepreneur is trying to create.

The above formed the general framework for the interview schedule. In the first interviews, a detailed personal and business history from the entrepreneur was taken and they were asked to consider their business ideas in terms of what they had in mind with their current loan cycle as well as plans for the future. This intensive method of data collection allows for the probing of certain ideas, their status and the sources of change in as real-time as possible (Hill & Birkinshaw, 2010). This resulted in the subsequent interviews in September 2012 and May 2013 gradually becoming more idiosyncratic based on what the respondent had discussed in the previous interview, developing on the emerging themes but also tightly scoped around the theoretical area of interest. In between periods of data collection, theoretical ideas were revised and built upon the themes which were emerging from the previous wave of data collection.

The retrospective component of the interview was also interested in the critical incidents, dramas and unexpected events in the history of the business which could be plotted on a timeline. Following the first wave of interviews, these events were ordered and then plotted along a timeline. At the end of the second wave, the entrepreneur was presented with this graphical aid and asked to confirm the ordering of the events on the timeline. Where applicable they were also asked to give additional information about certain events and/or add new events to the timeline. This is a common approach of corroborating time order in qualitative research which also gives the respondent a degree of ownership over the interpretations of such events (Bresman, 2013).

The above description of interviews suggests quite a structured approach to the data collection. The interviews were structured in a manner consistent with previous work in the area but it did not repeatedly try to impose theoretical ideas on the research where it was clear that there was something different happening entirely. For example, during the data collection process, one of the respondents suffered a major personal trauma and an interview was conducted at what felt like a significant point in her life. It wasn't necessary, therefore, to discuss business ideas or relationships with suppliers in great detail but to recognise what was important to the person being spoken to and their respective lives. Whilst it is often the case that qualitative research has to demonstrate its methodological 'rigour' (Gioia et al., 2013) and perhaps its objectivity (Madill et al. 2000), such experiences are 'generative moments' (Carlsen & Dutton, 2011) for researchers, helping to draw attention to issues not previously thought about and bringing the research alive.

3.4.5 Data Triangulation

In addition to the semi-structured interviews, a number of steps were taken to collect additional corroborative evidence. Firstly, access to the entrepreneur's file, held by the MFI, allowed for an appreciation of increase/decreases in loan size and firm performance since they began taking loans. These data were collected with permission from the entrepreneur. Further data were also collected from the MFI to help develop the emerging themes in the research. In addition to the group members in the sample a profile of other members of these groups allowed for the triangulation of the findings from the interviews with the profiles of group members. Additionally, there was the opportunity to do a number of field visits to group repayment meetings and observe the loan officer/entrepreneur interactions. This additional data also helped to corroborate the consistency of the sample in terms of typical loan sizes, industry, gender and the physical location of the business.

Further to this, a number of conversations with loan officers were held and notes were taken from attending team meetings in the offices of the MFI. Being a loan officer is incredibly stressful, involving long hours in tough environments. It requires demonstrable patience and judgment whilst taking into account the social mission of the organization. As such, it was often informal conversations away from the office environment which were the most productive in generating insights into organizational pressures and honest depictions of the entrepreneurs they work with on a daily basis. The researcher spent a total number of 10 weeks in the offices of the MFI over the period of the three waves. All corroborative data were recorded through the use of field notes and fully written up during the field work. As promised, all respondents are referred to anonymously throughout the thesis.

3.5 Practical & Ethical Issues

There are a number of practical issues which have to be taken into account when designing a longitudinal study. To a certain degree, there are unavoidable limitations of the process of collecting data but others have to be considered and dealt with. Firstly, instrument design requires a certain amount of standardization to achieve consistency across cases. Thus, change being observed needs to be real change and not a result of changes in data collection procedures. As such, the questions used in the study, where appropriate, were used consistently across cases whilst also being developmental based upon what was said in the previous interview.

In longitudinal research, there is always some consideration over the willingness of the respondents to participate. In the interviews in Ghana this was initially a challenge. These entrepreneurs are not used to being interviewed, the format seems odd and it’s not necessarily easy for them to understand why the research may be beneficial for them. This meant that interviews took place at their convenience and not the researchers. Given the criterion for the sample, the loan officers who managed the repayments of their clients scheduled the interviews at their convenience. In longitudinal research, sample attrition can be problematic but it was found that repeated interactions and re-visits grew the researcher-respondent relationship and allowed them to discuss sensitive issues in more depth.

In addition, although Ghana is an English-speaking country many of the poor and particular those of an older generation only speak the local languages. As such, conducting interviews with those who only spoke English would have been a source of bias in the sample because it suggests a greater level of prosperity through access to a good education. All of the participants, where appropriate, were offered the opportunity to conduct the interview with an interpreter which allowed them to express themselves (often very passionately) in their local language which could be translated back into English. Consequently, being able to collect this type of data offers a glimpse into the lives of entrepreneurs which are generally tough to access.

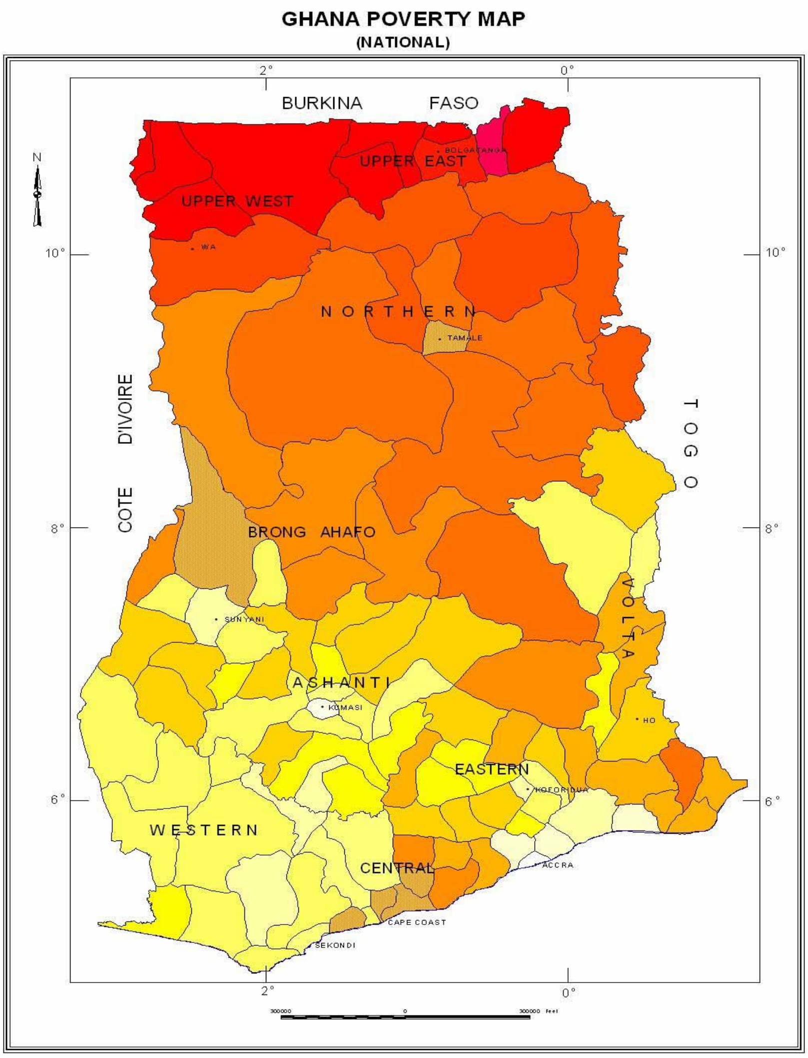
In addition, consideration over the number of interview waves needed and the gap between these waves is important when thinking about respondent recall. Firstly, given the time-scale of the research and the resources available, it was not possible to conduct the study for longer than the 15 months stated. Clearly, a longer time period would reveal additional insights and after the last wave of interviews new ideas and important decisions were being taken about the next stage of the venture. Secondly, the gap between the interviews varied between 6 (Feb-Sep) and 8 (Sep-May) months which is typically regarded as a suitable gap for retrospection of events and is consistent with other studies (Huber & Power, 1985). The more retrospective historical component of the interview was able to draw upon the presented timelines and the various loan cycles which acted as anchor points which help to remember the sequence of events more accurately (De Vaus, 2001).

3.6 Institutional Context: Ghana

The research was conducted within the developing country context of Ghana. This provides a rich institutional setting in West Africa which shares a number of similarities typically associated with African economies. Ghana has seen an upturn in its economic fortunes in recent years through improved governance and development of the business environment (World Bank, 2011). Like a number of African economies, the nature of entrepreneurial activity in Ghana is diverse. The Ghanaian economy is typified by high levels of entrepreneurial activity which operates outside of formal parameters and where access to finance is still regarded as the main barrier to business activity (World Economic Forum, 2012). The bulk of economic activity stems from the three major urban centres of Accra, Kumasi and Cape Coast which are located within 500km of one another in the south.

The researcher travelled for an hour outside of Accra to a town which has been described as the "fastest growing town in West Africa". Figure 3 is a representative map of poverty in Ghana developed by Coulombe and Wodon (2007). This particular town is situated in the Central Region of Ghana. In Figure 3, darker red colours indicate higher levels of poverty which decreases as colours move from being more yellow and to entirely white. The Northern Region of Ghana is characterized by the highest levels of poverty where the context is largely rural and arid with limited urban development. The Western Region is home to a number of companies who are exploiting recent oil discoveries. This is also the 'Gold Coast' region which is home to the former capital city, Cape Coast. Alongside the current capital city, Accra, these two areas are the most developed and least impoverished. However, as Figure 3 shows, the Central Region is still characterized by high levels of poverty and is one of the most challenging contexts for doing business in Ghana.

Figure 3 - Poverty Map of Ghana taken from Coulombe & Wodon (2007)



The particular town where the MFI is situated is known in Ghana for its never ending traffic jams but also lauded for its diversity in local tribes and religions. Almost all Ghanaian tribes (Ga, Fanti, Ewé, Ashanti, Guan) can be found there, speaking a number of different languages as well as English. A predominantly Christian country with a large and growing Islamic population; churches and mosques reside side-by-side there. In addition, by 2016 it will also be home to an ICT park, commercial and residential space which will create 50,000 permanent jobs and act as a hub of economic activity away from the capital city. As such, it is a complex and diverse cultural context with burgeoning economic potential which is challenging many of the traditional features of Ghanaian society.

The microfinance industry has a major role to play in offering finance to the micro business sector and has seen an investment boom in recent years as it seeks to keep pace with the ever changing nature of the Ghanaian economy. Most recent figures show that there were an estimated 300,878 active borrowers in Ghana, collectively borrowing $224.6million (MIX, 2011). The research partnered with one of the leading MFIs in Ghana who offer a number of services to entrepreneurs and the wider unbanked population. In this research, there is a focus on entrepreneurs receiving group and individual-liability loans. As they are not financial products idiosyncratic to this MFI, our findings allow for consideration of the impact of such lending mechanisms across other developing countries.

The research partnered with the microfinance institution, Opportunity International Savings and Loans (OISL). They are part of a larger Opportunity International network which operates out of the US and has 47 partners around the world. OISL were licensed by the Bank of Ghana in 2004 and began their savings and loan operations in September of that year. The vision of OISL is to "To see the lives of micro and small entrepreneurs transformed through a partnership in which we provide customer-focused financial and transformational services.... To serve micro and small entrepreneurs with loans, deposits and other financial services that enable them to increase their income and help transform their lives while earning appropriate returns for our shareholders." OISL offer a number of financial products to their clients from SME to church loans and including the group and individual-liability lending products which are a focus of this thesis. As they are not financial products idiosyncratic to this MFI, the findings allow for the consideration of the impact of such lending mechanisms across the developing world.

3.7 Research Analysis

Like a number of qualitative studies, the analysis of the data moved along with the collection of new data and creation of new insights. The first analytical procedure was to review the literature on opportunity development and microfinance, highlighting salient research questions prior to arriving in the field. Having collected the first round of data, preliminary analysis was conducted and general themes emerged which could be built upon in the second round of interviews allowing for the movement between the theory and data. In the first instance, the aim was to capture case-by-case narratives from the interviews by going through transcripts line-by-line and reconstructing the story of each entrepreneur, allowing for initial sense-making of the data (Langley, 1999; Pentland, 1999).

Secondly, data were ordered by taking the transcripts and constructing event listings which gave the research the first level of observing process. An event listing is a simple table that arranges the raw data into chronological time periods and sorts them into categories. Poole et al. (2000) argue that at this stage of analysis the data are more like raw *incidents*, a mere description of the chronology. The second order construction of the process requires an interpretation of these *incidents* as a series of theoretically relevant *events.* Thus, an *incident* is defined as a specific occurrence mentioned by the respondent which allows us to see turning points but also stability within processes (Poole, 2000). In the listings, each event is tied to a particular time of occurrence and the supporting quote is placed alongside the event (Miles & Huberman, 1994). The data collected on the performance history of ventures was particularly useful because they are tied to loans taken at particular points in time which allowed the researcher to ask specific questions about the uses and impacts of those loans where there appeared to have been a big change in financial outcomes or large drop/increase in loan size.

Stitching together these chronologies was not a simple task, however. Incidents and events are embedded at multiple levels and within other longer-term events. For example, the event ‘meeting a new supplier’ may have happened at midday on a Monday but it could indicate the beginning of a longer-term event like ‘beginning of new partnership’ which could also be part of a broader idea to exploit a new market. It could also involve an ongoing conversation taking place in a number of locations and bringing in new people. Moreover, there is the issue of *post hoc ergo propter hoc* - after the event and therefore because of the event. For example, say that an individual has a great idea for a business after talking to some friends but decides not to start it until a few years later when they lose their job. Is it that conversation with his/her friends or being pushed into self-employment which is the most important event? According to Poole et al. (2000), there is no simple answer to such conundrums as they are part of the complexity of process research with the task of the researcher to judge what appears to be meaningful. It is at this point that the researcher must take over and use their "judgment and contextual knowledge to determine the occurrence and duration of events, as well as other characteristics, such as intensity and impact" (p.141).

Once the event listing for the 10 cases were developed, a visual mapping strategy to plot each event along a timeline was created (Langley, 1999). These flow charts have a descriptive quality which allows for the presentation of large amounts of data making it easier for the research to directly inspect what may be the key stages in the process (Miles & Huberman, 1994). This map became a type of mid-range theory and analytical tool which could be used to conduct more systematic cross-case analysis. Figure 2 shows an example of one of the maps from the cases (Ent#9). It is notable here that, despite the efforts made in the retrospective component of the research, the (near) real-time analysis provides much more rich information. As described by Golden (1992), retrospective accounts of past facts are fairly comfortably recollected but more subjective beliefs and intentions are more vulnerable to recall bias or error. Consequently, the real-time component offers detailed and fine grained data whereas retrospective events rely on the reflection of critical incidents; this is one the unavoidable limitations of the nature of this research.

3.7.1 Decision Rules & Coding

Langley and Truax (1994) developed a similar set of maps to highlight a technology adoption process. Here, the authors divided the map into horizontal bands with the adoption of technology as the central subject of the narrative. Drawing from this approach, these maps were divided into five horizontal bands with ideas and actions being the central band of the opportunity development process. The other four bands correspond to interaction(s), context, (micro) finance and performance. The idea/action band corresponds to the decisions taken as prompted by certain ideas thus observing opportunities from the vantage point of the cyclical nature of ideas and actions. Ideas prompted by new information and subsequent actions were plotted on these maps and the follow-up interviews could be utilised to understand how these ideas and the aspirations underpinning them played out.

The interaction(s) band refers to the social network angle of the research. This involved the tracking of elements of the respondent's social network that were changing, focusing on the five network ties they had previously highlighted. The context band refers to intervening elements of the contextual environment. This was broadly defined as features of the context which were largely out of the control of the entrepreneur e.g. disruptions in the process/unexpected occurrences. The (micro) finance section plotted all of the loan instalments received by the venture and the performance section highlights the subsequent performance measures taken by the MFI. These are measured by profits, sales and levels of employment which are typically seen as good indicators of performance because it highlights the acceptance of products and services in the market (McKelvie, 2010).

The development of these maps required a number of decision rules and analytical tactics. Firstly, the raw data is thought of as being either a concrete *event* which can be tied to a specific time and occurrence or a *state* which is less concrete. As in the previous example, an *event* may be 'signs contract with new supplier' but a *state* may be 'disappointment of the meeting with new supplier'. Linking these events and states leads to an event-state network which is able to demonstrate linkages in the process (Miles & Huberman, 1994). For example, a particular event may lead to the articulation of a venture idea but an idea itself is less concrete. In Figure 4, events are depicted by the rectangular boxes whereas states are portrayed by the ellipse bubbles.

The horizontal time scale on the map demonstrates the temporal duration of the events. Other horizontal lines highlight the continuity of the opportunity development process. The dashed line is used for particular ideas which remain latent for a time period and then re-emerge later in the process. In terms of vertical lines, events and states which facilitate the process are ascribed a positive outcome (+) sign whilst those which inhibit the process receive negative (-) sign. In addition, re-orienting events can be either positive or negative but they are critical events which re-shape the path of the opportunity - these events are represented by thicker arrows. Like the analytic process generally, these visual depictions were developmental and changed as new themes emerged which required new sets of decision rules.

These visual maps offer a description of the process but further analysis is required to delve into the emerging themes and offer an explanation of the process. One particular tactic for doing this is temporal bracketing, which allows for a comparison of phases within processes and an examination of the sources of influences within and across cases. As Langley (1999) states: "The decomposition of data into successive adjacent periods enables the explicit examination of how actions of one period lead to changes in the context that will affect action in subsequent periods" (p.703). Therefore, this constitutes a very useful analytic strategy given the focus of this research.

This strategy does not presume any linear sequential process; it is merely a sensemaking strategy which allows for cross-case phasic analysis (Nutt, 1984). In this research, there were a number of phases which were consistent across all of the cases; (1) antecedent conditions to starting the business, (2) the microfinance 'event', (3) the loan investment process, (5) strategies beyond the initial effort. Thus, there is a degree of continuity between how the lending process is structured which allows for the creation of temporal brackets for further analysis. However, the process itself was not clean or linear. For example, some entrepreneurs would have a clear idea of how they wanted to grow the business before they had even taken the first loan which meant that they were thinking of ideas at very early stages in the process. It is important to point out that visual maps are merely descriptive acting as an event guide to highlight temporal flow and that other more general experiential data were not discarded.

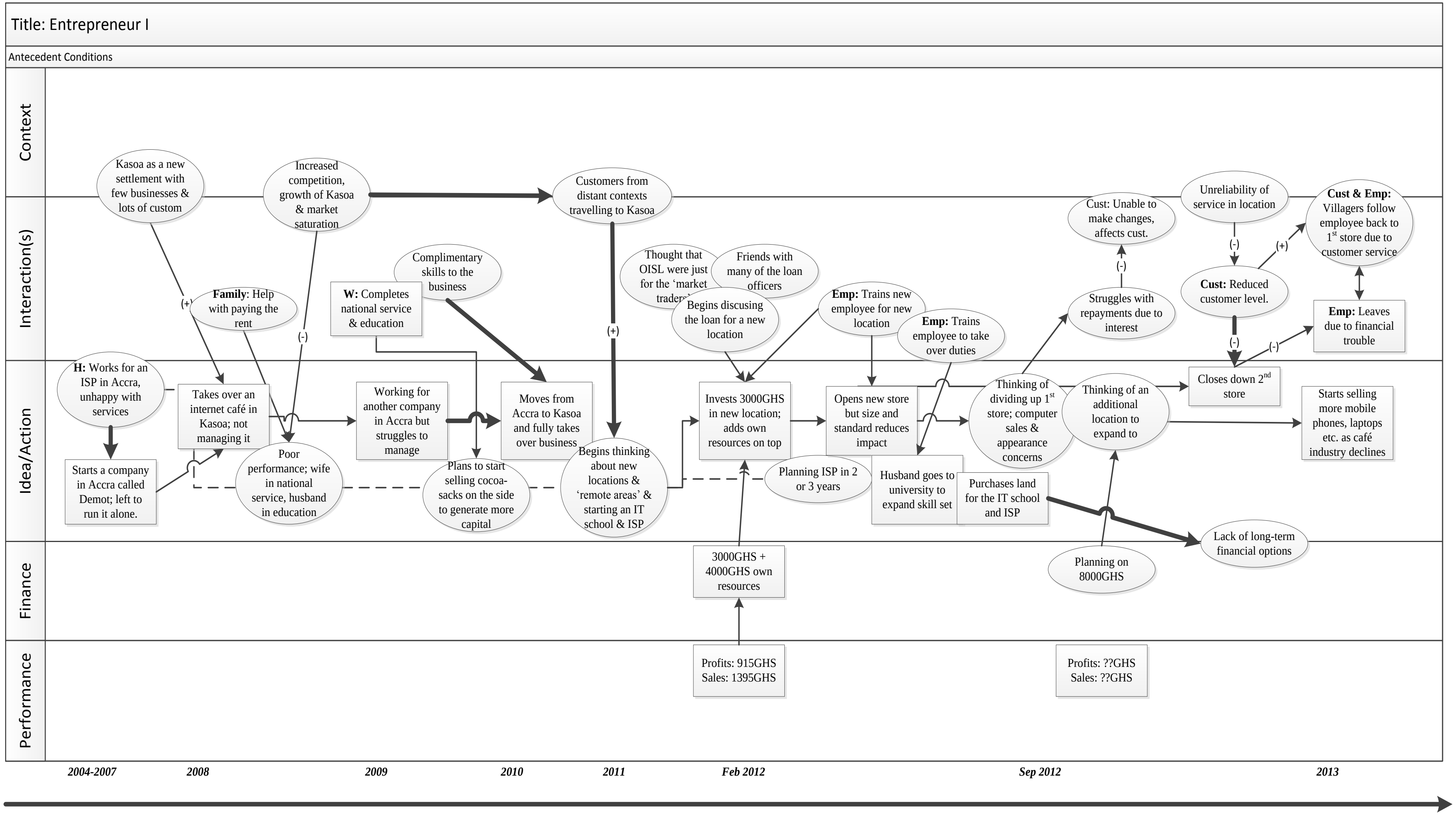
In moving from description to theory required a coding process (Saldana, 2009). Drawing from the literature review, this required the generation of a set of categories which could be refined and adjusted according to the emerging data. A scheme of codes was developed with a number of categories linked to the research questions and the interview schedule previously discussed:

(1) Antecedent Conditions – *Motivations, Origin of initial business idea, previous experience, educational background.*

(2) Microfinance Events – *Reason for choosing groups/individual, characteristics of the group, role of the MFI, loan size (+/-), interest rates (+/-), repayment (+/-), critical events*

(3) Idea Properties – *Content (product/market), novelty (knowledge), volume (number of ideas)*

Figure 4 - Descriptive Process Map of Entrepreneurial Events (Ent#9)



(4) Types of Action – *Exploratory, schematic, and exchange oriented (customers/suppliers/investors)*

(5) Social Context – *Network tie type, relational density, resource contribution, critical events*

(6) Other – *Critical events, unexpected events*

In the interviews, it is clearly not the case that all of the discussion revolves around particular events, ideas or even states. Therefore, other discussion in the interview can be coded based on themes which can is useful for stitching together the pieces of the narrative that form the basis of the process maps (Gehman, Treviño, & Garud, 2013). This is similar to the analytic tactic employed by Miles and Huberman (1994) in their searching for intervening variables which link events and states together. From the first cycle of coding, events, patterns and themes began to emerge within cases and the phases of the process. One method in the comparative logic is to select cases and look for the similarities and differences across cases (Eisenhardt, 1989). Of course, one key component of this research is a comparison between group and individual-liability lending which formed the initial basis of the comparison.

Secondly, axial coding was employed which involves searching for relationships between and among event codes and across cases. This involves moving from the first cycle of coding and numerous initial codes (raw data) to be collapsed into broader themes (Corbin, 2008). This is what Gioia et al. (2012) describe as the movement from the first order concepts (raw data) into 2nd order themes. Thus, the raw data from the process maps has moved a more theoretical domain which allowing for a gradual cross-case comparison of these themes. As the research developed, the cross-case comparisons began to move beyond the pre-determined group/individual-liability comparison becoming more theoretical and tied to observations in the field. In particular, one key observation was the importance of venture location as a central feature of spatial context which operates in tandem with the logic of the particular lending method. The organisation and initial themes were categorised using NVivo9 software as an organisational tool.

The subsequent analytical technique operated at a higher level of abstraction and distilled these themes and phases into broader aggregate theoretical dimensions (Gioia et al., 2012). This movement from 1st order to concepts to 2nd order themes and then theoretical aggregate dimensions allows the reader to observe how the research moved from the raw data into the more theoretical domain. However, the data structure (Figure 4) is a relatively static depiction of the data. The next task was to move the data structure into a more temporal model where the relationships between the emerging themes and aggregate theoretical dimensions are further developed. It is here that the generation of theory occurs and that the relational dynamics between the themes become clearer which are then discussed with relevance to the existing literature. As such, the reader is able to track the analytical process from consideration of the raw data through to the relationships between concepts in a theoretical model.

3.8 Chapter Summary

This chapter has outlined the methodological approach of the thesis as divided into four parts. Section 3.1 outlined the philosophical approach to the thesis and emphasised the suitability of critical realism in understanding process. Section 3.2 described the research design and theory of the method, highlighting the problematic assumptions that variance approaches have in explaining process stories. This led to thinking about causality beyond the *efficient cause* which drives variance approaches towards *final, formal* and *material* cause which helps us to understand the enactment of opportunities. Section 3.4 then outlined the research methodology – how the data for the study were collected. It also highlighted some of the practical issues as well as introducing the institutional context for the research (Ghana) and the MFI that was partnered with. The final section (3.7) highlighted the step-by-step process of analysing the data. In reality, however, the process was much more progressive than this. In the spirit of most qualitative studies, data collection and analysis proceeded in tandem.

CHAPTER 4 – RESULTS

This chapter presents the results from the 15 month study of 10 entrepreneurs enrolled in group and individual-liability lending programmes in Ghana. Figure 3 illustrates the data structure for this chapter. In order to ensure readability and structure to the chapter, the numbers of each section are assigned descriptive categories. Within these descriptive categories are the emerging themes in the research which are also assigned numbered sub-headings. These sub-headings emerge from the 1st order concepts or 'raw data'. The raw data is presented in a series of tables (organised in the appendices) with each category assigned a particular letter which is also present in Figure 3. Sections are also accompanied by illustrative quotations but are restricted in order to keep the essence of the story (Eisenhardt, 2007). At this stage of the thesis, this chapter focuses on the raw data and the principal emerging themes. The purpose of the subsequent discussion will be to elaborate upon the aggregate theoretical dimension and conceptualize these within a temporal model (Gioia et al., 2012).

The first section focuses on the nature of differentiated lending between group and individual lending and its relationship with the antecedent conditions to the process whilst the second section looks at the events and experiences once the entrepreneur begins taking loans. The third section looks at how microfinance changes the nature of network relationships and the fourth section looks at how these relationships, as the entrepreneurs information context, impacts the development of future ideas for the venture. The final section addresses the tail end of the development process and the suitability of such lending mechanisms once the entrepreneur does (or doesn't) decide to take the venture to the 'next level'.

4.1 Differentiated Lending

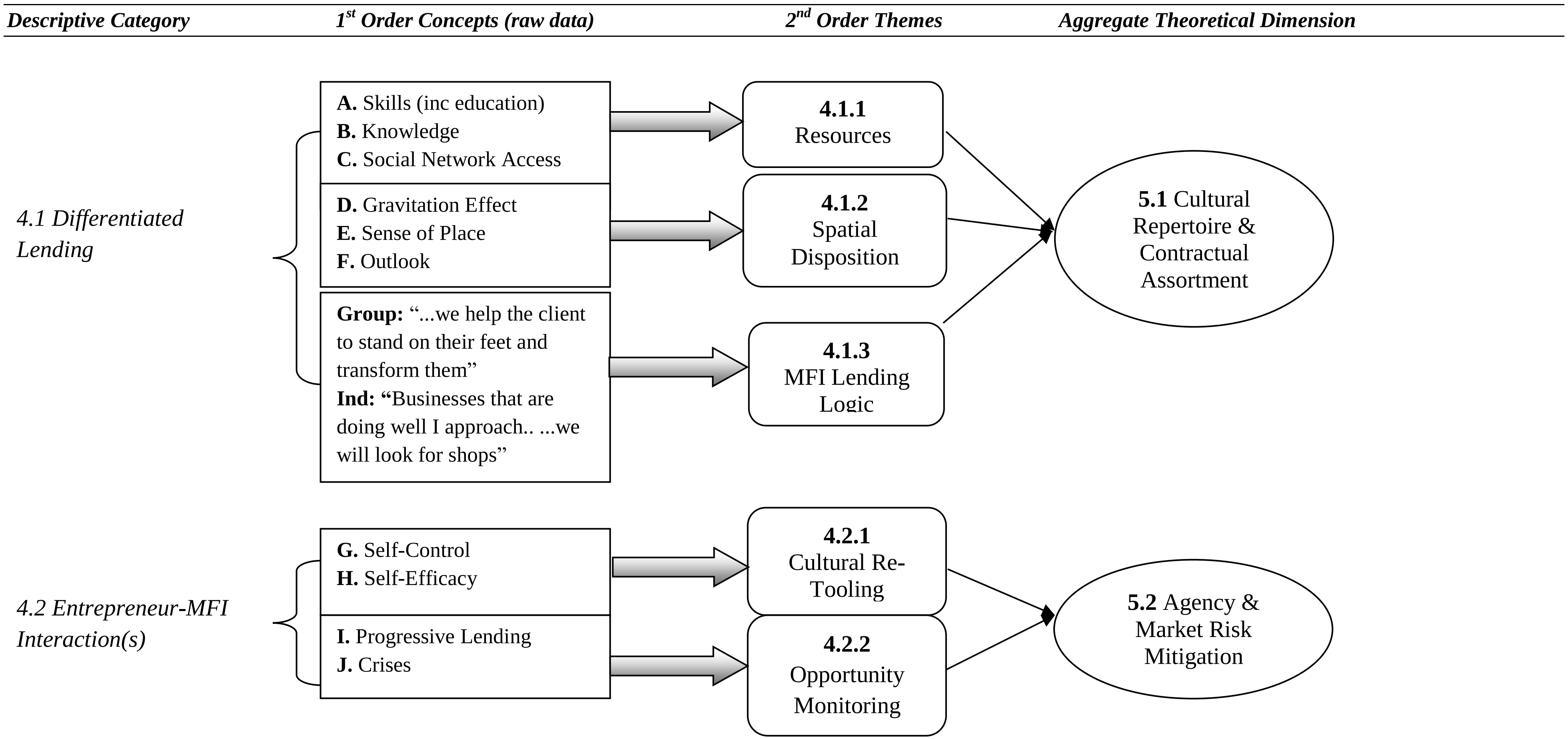
As shown by Figure 3, the data emphasize the relationship between particular lending logics in consideration of the entrepreneur's resources and their disposition towards certain spatial contexts. Even within a relatively small geographic context, large experiential variations exist between entrepreneurs who populate the local economy. Structuration theory posits the duality of social structure – where agents (e.g. entrepreneurs) put into practice their knowledge of that structure which subsequently changes that structure and perceptions within it (Sarason et al., 2006). Thus, agency is embedded within particular social structures where the present is inherently linked to past experiences (Mills, 1959). In the terminology of Sewell (1992), the dual character of social structures should be defined by *resources* and *cultural schemas* (mental structures) which are inextricably linked. This offers a perspective which blends thinking about how an entrepreneur's motives, intentions and actions are driven by social institutions (e.g. networks, education systems, division of labour) and cultures within which their respective experiences lie. This represents the starting point for thinking about the unfolding process, the opportunity path of entrepreneurs and how the MFI engages with them in the distribution of financial capital.

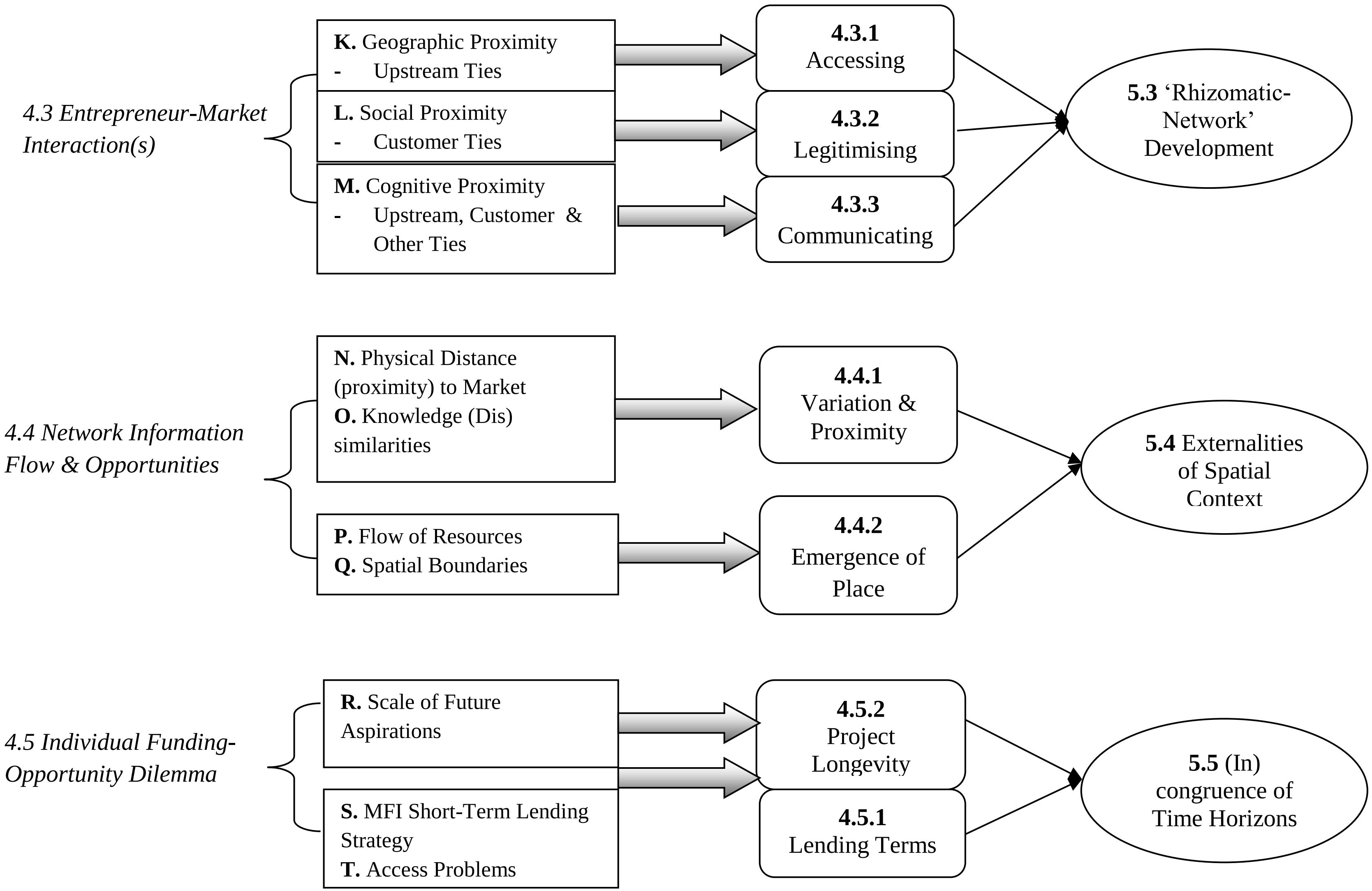
4.1.1 Resources

In a Ghanaian context, resources have a crucial role to play in shaping the emergence of opportunities. Resources have typically been conceptualized as being crucial to an ability-driven explanation of entrepreneurs receiving microfinance. McMullen (2011) highlights the importance of understanding human, financial and social resources of entrepreneurs. However, the acquisition of these resources is something which emerges as a consequence of the social structure. Therefore, resources here refer to how the life experiences of poverty and various socialisation processes shape actions taken towards the opportunity development process. In this respect, it leads us away from thinking about the poor as a homogenous grouping where subtle variations in knowledge, experience and general circumstance is important to understanding the task facing many MFIs.

First and foremost, Appendix A outlines the particular experiences of group-liability entrepreneurs and the relevant socialisation processes prior to beginning their businesses. As Baker et al. (2005) argue, nations differ in who they prepare individuals for specific labour roles creating divisions or 'knowledge corridors' (Ronstadt, 1988). Such exposure to certain streams of knowledge leads to the discovery of particular entrepreneurial opportunities. The significance of this perspective is that certain individuals are more likely to initially conceive of opportunities which have greater scope. Skills can be picked up by having business expertise through former economic roles, through the general education system or via a person's social network. Additionally, knowledge refers to the extent at which the individual's prior experience is related to the opportunity they discover and whether it is specific to that industry.

Figure 5– Data Structure




4.3 Entrepreneur-Market Interaction(s)
K. Geographic Proximity
- Upstream Ties
L. Social Proximity
- Customer Ties
M. Cognitive Proximity
- Upstream, Customer & Other Ties
4.3.1 Accessing
4.3.2 Legitimising
4.3.3 Communicating
5.3 'Rhizomatic-Network' Development
4.4 Network Information Flow & Opportunities
N. Physical Distance (proximity) to Market
O. Knowledge (Dis) similarities
P. Flow of Resources
Q. Spatial Boundaries
4.4.1 Variation & Proximity
4.4.2 Emergence of Place
5.4 Externalities of Spatial Context
4.5 Individual Funding-Opportunity Dilemma
R. Scale of Future Aspirations
S. MFI Short-Term Lending Strategy
T. Access Problems
4.5.2 Project Longevity
4.5.1 Lending Terms
5.5 (In) congruence of Time Horizons

For one group entrepreneur (Ent#6), she had spent her life as a small-scale market hawker, travelling from place to place selling bits and pieces. Due to her age, she decided it was time to start something where she could be less stressed whilst earning an income near her home. She said:

> *First, I used to hawk and sell basins and rubber bowls….So what I would normally do is I would go the factory. So, those who produce cups, basins, plates like cutlery. I would normally buy from the factories in the industrial area. I would go there and pick some up there, pay for it, and I would take it to Ivory Coast and I would normally deliver this to a Ghanaian who lives there. (Ent#6)*

Following a lifetime of informal trading she started selling bottles of beer in her community. This wasn't because she had any heavy exposure to that line of work but a result of constructing her opportunity to reflect her life course. Other entrepreneurs shared similar experiences of involvement in other labour roles which were not necessarily knowledge-relevant to the initial opportunities they were thinking of. One entrepreneur said:

> *I started from a small family with no money so you have to make it for yourself...At that time I was selling t-shirts and small things, something like that. That was only small money and it can't really help me so I decided to start this business… This mobile phone business is really moving, everyone is using mobile phones so they need the batteries and the chargers so I thought that this business will really go up for me. (Ent#10)*

Typically, a large portion of this activity is associated with necessity-driven entrepreneurship. Whilst there was some indication of this, it appeared to tail off as the venture became more established. The subsequent section will highlight a more holistic explanation of the motive for ventures.

Consequently, there existed a commonality of deep rooted life experiences of group entrepreneurs. Appendix B offers a profile of the other members of these groups. There is a common trend amongst these entrepreneurs of low-levels of general education, trading in low-scale industries and operating 'table-top' businesses from home. Discussions with one loan officer offers an insight here. He said:

> *Those in groups will often have a small bit of education or none whatsoever....[They are] Traders from children [who] tend to just take up*

what their parents have been doing and their business. Let me give you an example. If you go to Winneba and Senya, most of the economic activity there is smoked fish production. So people in groups are normally doing a lot of small stuff. It gets passed down from their parents who did the same business also.

Although not exclusively, women tended to dominate these groups, accommodating their small-scale entrepreneurial endeavours such as hawking and residential businesses; often described as petty entrepreneurship and is consistent with the typology of non-specialized entrepreneurship in developing countries (Banerjee, 2007).

The evidence thus far is consistent with Shaw (2004), who highlights the low levels of human capital that exist within group membership. However, it would be misleading to begin painting a false dichotomy between individual and group members based on skills and knowledge. For example, in 2005, one entrepreneur (Ent#5) was the victim of an armed robbery, losing all of his financial resources whilst never losing faith because of the knowledge he had. He said:

They took all my money, my wedding, they took everything out. So I said to my wife lets pray. The sewing is here [points to his head]. We said [me and my wife] that it's just money they haven't taken the sewing from me. If they just take the money it doesn't mean anything. So we started again, starting doing combinations and within 3 or 4 months we were going again. (Ent#5)

Demonstrating a noticeable resilience to unexpected events, he began looking for sources of finance to re-start and did so later that year with his first loan from the MFI. Another entrepreneur (Ent#8) had spent a number of years as a village-to-village hawker but had always wanted her own farm. She said:

So now I think I have enough money to move from the hawking to owning my own farmland. So the initial idea of hawking was because I didn't have the money. If I'd had the money at the start I would have gone into the farming straight away, so I had to start from somewhere. So bit by bit by bit I've got there...before my farm I would go to other farms and buy their produce in bulk and sell it...I first started this 25 years ago. (Ent#8).

She stated that her idea had been resting in her mind for the last 25 years whilst she tacitly acquired knowledge from her hawking experiences. She enrolled in the microfinance programme as a hawker but the input of financial capital allowed her to begin the farming business after all.

In addition to skills and knowledge, Appendix A highlights the resource assistance granted by social networks. Group members consistently report that "*I started the business all alone*" (Ent#6) and "*I started from a family with no money so you have to make it for yourself"* (Ent#10). Another entrepreneur had taken the opportunity to learn from her social network but, as previously demonstrated, could not get the financial resources needed to formally begin her business. As such, the initial pursuit of opportunities for group entrepreneurs was characterized by heightened uncertainty with the only resource support coming from the MFI.

In resource terms, there are subtle differences between entrepreneurs in group and individual-liability lending arrangements. The data suggests that the purpose of groups is primarily to fill a social network void and thus groups are primarily a financial starting point for entrepreneurs in the most uncertain phase of the entrepreneurial process. The existence of this network void is brought to attention by the influence that the entrepreneur's inner social network has in the start-up process of ventures who enrol in individual-liability lending.

Individual-liability members are playing a different game, however. As highlighted by Appendix C, their social networks were important factors in the early stages, offering valuable financial inputs into the business. One entrepreneur offers an illustrative example of this. She said:

> *I'm a teacher by profession…One of my brothers was doing this business so I had to interact with him if I wanted to learn this business because there are not a lot of women who do business like this. So I had to go with him for 3 years to know how to manage the scrap metals (Ent#3)*

She had considerable engagement with their inner social network which helped to narrow knowledge into more specific economic domains, determining the information afforded to the opportunity in its initial stages. Her husband subsequently spent time abroad gathering the financial resources he could which could be invested back in Ghana (Ent#3). Other entrepreneurs were also able to take financial resources from friends' and family to get the business up and running (Ent#9; Ent#1).

Therefore, from the outset of the process, individual-liability entrepreneurs were accustomed to more organized economic lives through prior exposure to more specialized economic roles, industry experience and/or general education. They are accustomed to this way of living and that is reflected in the creation of their new ventures. As highlighted in Appendix C, education levels provided one entrepreneur early exposure to the nature of the work and the necessary skill set needed to make the opportunity economically viable (Ent#1). Since then he has begun the process of re-defining the opportunity, seeking out new ways of delivering his services in a more innovative manner.

Scholars have noted the assortment process in microfinance whereby the poorest are assigned to groups because they engage with venture opportunities which are limited in scope and scale (Banerjee, 2007; Madajewicz, 2011). The data here demonstrate one particular element of this mechanism through the resources at the disposal of these entrepreneurs. Individual-liability members have been able to support themselves through their social contacts. The strong ties of family and friends are commonly associated with helping the early stage of ventures (Birley, 1985). However, their absence leads to a venture proposition which has limited chances of feasibility without the input of a social and financial support mechanism which can carry them through this uncertainty. This ties in directly with section 4.1.3 which discusses the logic of lending strategies from the perspective of the MFI.

4.1.2 Spatial Disposition

According to Sewell (1992), the duality of the social structure should be thought of in terms of resources which give control and advantage as well as cultural schemas which guide action; the second theme of this section pertains to this duality. The evidence additionally points to a geographic representation of *spatial disposition* as a reflection of an individual's life path which is territorially embedded within particular socio-spatial contexts. A large portion of microfinance research has focused on village lending and it has been the scene of a number of important field experiments (Field & Pande, 2008). In an attempt to offer a heterogeneous sample of the microfinance community, the thesis found that variations by industry-type were also a function of spatial context.

Within the data, there are two geographic contrasts which can be observed; entrepreneurs whose businesses (and often family homes) are tied to either urban or peripheral contexts. In the terminology of economic geographers, the periphery refers to those contexts which are on the edge of economic activities and typically lack resources because they tend to cluster in urban centres (Anderson, 2000). In this view, the data points to two mechanisms between entrepreneurs of 'gravitating' towards economic opportunities in urban contexts and others who select such contexts as a result of a 'sense of place'. A gravitation effect shows that higher-order functions, opportunities and the individuals enacting them gravitate towards the contexts which are most likely to rationally be the most productive and specialized. This effect reinforces itself over time as the urban centre gradually becomes more powerful than the rural periphery.

Appendix D highlights the contrast between peripheral and urban entrepreneurs. In deciding the location of their firms, those entrepreneurs operating in the urban centre were thinking closely and evaluating the feasibility of their ventures. The geographic context of Kasoa is a relatively new development, roughly a 1 hour drive out of the capital city Accra and rapidly growing in population. As the Ghanaian capital has grown so has the need for affordable housing outside of the capital city. This has led to a number of people and businesses re-locating away from the capital city allowing entrepreneurs to see the feasibility of opportunities in this new location. One entrepreneur said:

> *You see Kasoa is a new settlement. Many people from Accra were travelling to this side to buy land and all those things. People prefer to bring their families here but work in Accra. There are now a lot of schools around here so settling here in Kasoa it will help the café business where you have to do printing, do photocopy and give people internet service. That was why we chose here but not Accra. (Ent#8).*

This was similarly the case for others who chose certain locations because they offered the most lucrative opportunities and greater chances of enhancing prosperity (Ent#5). With the growth of this area away from the capital city, the logic of starting a number of ventures was to offer services which were accessible in Accra but not yet available in Kasoa (Ent#1; Ent#3) or to take advantage of burgeoning local markets (Ent#10).

Conversely, in the periphery the thinking of entrepreneurs was driven by what Agnew (1987) describes as a 'sense of place' – a subjective emotional attachment to a particular geographic location. In this case, the emotional attachment predominantly focused on the care of children as well as personal health as a primary motive for starting ventures. One entrepreneur said:

> *Well I used to be a hawker but now I am ageing so the way I usually went through the villages and buy in bulk – there will come a time where I don't have the energy to do that so I had the vision that 'Why can't I own my own farm?' and be at my own particular place which will be easier for me because it will save me energy. I wanted to settle in one place, have my own*

farm, my own employees, less stress, more money, less energetic – this is where my idea came from. (Ent#8)

As demonstrated in the previous section, she had always wanted to run her own farm but lacked the resources to. The combination of older age and access to new financial resources spurred her on. This was a consistent feature of entrepreneurial efforts in the periphery which were principally started by women embedded in particular spatial territories and constructed to fit their personal circumstances (Ent#4; Ent#6; Ent#7).

The gravitation effect and sense of place is also coupled with this notion of a cultural schema – mental structure which guides subsequent actions. In peripheral contexts, the entrepreneurial motive was driven by family care and personal circumstance which meant that they constructed their actions and their perceptions of the future around this. As one entrepreneur said:

The reason I want it to grow is that when the business grows then I will be able to employ people in the community and that money goes to their families… Before I started the business in this area – this area was like a village at that time – and there weren't many people here, people were not residing here. If you stay here you feel lazy to go to town to buy the products that I have. If you wanted beer back then you would go all the way to Kasoa to get beer.

In this case, the logic for beginning the venture was to tend towards the needs of the family in a suitable context where economic and social needs could be adequately blended. As such, this dominated how she thinks about the future and her entrepreneurial aspirations. She pursued goals that were familiar to her and had minimal uncertainty; she understands her community and the importance of being close to her place of residence. For entrepreneurs in the periphery, cultural experiences are deep rooted, organizing actions and pursuing goals for which they are accustomed to (Ent#7; Ent#8).

In distinguishing entrepreneurs in groups and individual-liability lending arrangements, the socio-spatial distributions of opportunities is key in understanding their respective trajectories. Some group members had long-term foresight and vision (outlook) acting as a cultural schema for the organization of actions within busy urban centres. In 2002, one entrepreneur (Ent#5) purchased land with the idea of eventually being able to build a factory through his tailoring business. Soon after he enrolled in the group-lending programme to get the business up and running again and re-start the pursuit of this long-term market goal. He said:

I've got the land already. It was about 10 years ago; I've always had the plan. I start small small and every week after paying the money I will buy the cement. So maybe in 2 years if you come here you can come and see my factory…I would have the factory and then I would have plenty of boutiques. Kumasi, Accra, Kasoa, Tema - boutiques everywhere. Then the factory can supply them. (Ent#5)

This suggests that variations in an entrepreneur's outlook in groups can be delineated by socio-spatial context. This long-term market focus was consistently present amongst individual-liability entrepreneurs. For one entrepreneur, running internet cafes in remote areas was one small step in ultimately becoming a regional Internet Service Provider. He said:

Since there is a lot here, the competition I can hold because I do the computers myself. But because I have the mind of opening the ISP, I always think of distributing to the remote areas. Maintain this one [store] but eventually turn it into a provider instead of a café. So that was when I started thinking of expanding to the remote areas so that people can get the services over there. (Ent#9)

Therefore, there are quite clear distinctions between the type of entrepreneurship which exists in peripheral and urban zones. Such dispositions towards these contexts are reflections of cultural schemas, a mental representation of how actions are likely to be organized and which is central to understanding the trajectory of the unfolding process.

This section has highlighted one of the crucial themes in the research demonstrating the relationship between context and outlook. Entrepreneurial culture varies significantly between residential village areas which tend towards social needs and those entrepreneurs who have the knowledge and orientation towards the future which draws them towards greater potential in the urban centre. Therefore, an understanding of the logic of group and individual-lending mechanisms requires an account of this because these dispositions are reflections of the types of opportunities they are undertaking and subsequently how the MFI tailors their social mission.

4.1.3 Lending Logics

In order to fully grasp the differences between entrepreneurs who enrol in group and individual-lending it is necessary to comprehend the development logics of both lending models. One component of the MFIs lending model is to think about the individual entrepreneur and what they may (or may not) be capable of achieving. It is this focus on the individual which, at first, seems to be crucial to the group process. As a senior member of staff said:

> *You see we have a model that we take them through based on their economic, social and spiritual prosperity…It means that at first we help the client to stand on their feet and transform them. And when they are able to stand on their feet that are where we should come in and support them more by giving those more loans.*

Groups allow the MFI to adopt a relatively paternalistic and patient approach to the simultaneous development of the individual and their opportunities. In many respects, this constitutes a way of thinking by the MFI about how entrepreneurs should be organizing their economic lives in order to prosper and be reliable in credit terms. Thus, the MFI is taking into account the overall repertoire of entrepreneurs as a principal component of their social mission.

This leads to the suggestion that there are two elements of proximity which are important in determining the method of lending; geographic and cognitive. Proximity refers to a particular distance between a set of actors and its cognitive dimension pertains to whether these actors are able to communicate and learn from another (Boschma, 2005). As highlighted by Inkpen and Tsang (2005), cognitive proximity is facilitated by shared cultures, routines, visions and norms which allows for communication and understanding between actors when facilitated by knowledge about one another. Geographic distance is more tangible, pertaining to the physical distance between actors which tends to heighten cognitive distance. In this respect, there are two strategies for group and individual-liability lending which focus on the extent to which the MFI is geographically and cognitively proximate with the entrepreneur.

The risks associated with lending in conditions of heightened information asymmetry are at the heart of the microfinance lending model (Khandker, 1995). However, the data suggests that group-lending is a necessary mechanism for financing entrepreneurs who are cognitively and/or geographically distant from the MFI. This model of transformation relies on an assessment of individuals which takes into account the individual as reflected in the development of their opportunities. One loan officer describes his group entrepreneurs in peripheral areas. He said:

> *When you go out to those places [peripheral areas] things are very different to what they are here in Kasoa. They're traditional and often also very superstitious. Like if one of the members of the group defaults and one person knows where they are they will not tell you because they think they will be cursed.*

This dynamic also requires MFIs to overcome their own issues of legitimacy. At this stage, they are attempting to be seen as a legitimate entity because of general problems with other informal lenders (i.e. loan sharks). As such, they address cultural and language, issues of identity building social capital within the local area (Teegen, 2004). As one of the relationship managers said:

> *Credit is uncollateralized high risk debt so how you get your loan back depends on how you relate to them...we are relationship officers so it's all about how we relate to them....we need to talk to customers like they talk to other people. We need to understand the people like the market traders.*

This is a message which is promoted through loan officers and it is this initial contact which forms the foundation for the productive and interactive on-going relationship between the MFI and the entrepreneur.

However, the beginning of this relationship differs between groups, individuals and their respective socio-spatial context. Given the profound uncertainty of the early stage of ventures within groups, entrepreneurs need to be convinced that the MFI is not a scrupulous lender. As one entrepreneur said:

> *At first, I was afraid of loans because I thought that if I don't pay then I will get arrested! I was afraid to take the loan because there is a perception that if you go in for a loan and you don't repay then you will get arrested…It was my neighbour told me about Opportunity that we are good and normally gives out loans so I became interested in the need to be in a group and right away. (Ent#8)*

The MFI transmitted their social mission of lending to the unbanked poor through loan officers in communities. Using this method, new clients get involved with the MFI through local word of mouth, convincing entrepreneurs that they are a legitimate force for good – a process of bridging cognitive proximity on behalf of the MFI. This was consistently the case throughout group entrepreneurs for whom indebtedness may be a risky endeavour.

In contrast, however, individual-liability entrepreneurs appear to be much more cognitively proximate to the MFI in the sense that they are pursuing a visible opportunity path that communicates a particular identity and potential to the MFI. The individual loan officer highlighted how he often seeks out new clients. He said:

> *Often, if I don't have much to do then I go out and look for clients. Businesses that are doing well I approach. Especially on this road we will*

look for shops. You see that there are plenty of people there and they are buying from them. But you do see that it is a business with good prospects.

In the urban centre, where the MFI is situated, the loan officer will often search for potential new clients. It is noteworthy here that the loan officer is thinking largely about the business as an indicator of what the individual is capable of. When this is less certain, the group lending mechanism becomes appropriate and therefore seems to be most important under conditions of cognitive and/or geographic distance between the entrepreneur and the MFI.

4.1.3 Summary

Section 4.1 has outlined the relationship between the antecedent conditions of the entrepreneurial process and the engagement with particular lending formats. Drawing from Sewell's (1992) notion of agency as being related to resources and schemas it argues that such effects are inherently related to subjective interpretations of spatial context which subsequently determines the nature of the MFIs social mission. Prior research has highlighted low-levels of human capital in groups (Shaw, 2004) and individual-liability as a mechanism for the wealthiest of the poor (Madajewicz, 2011). The findings here suggest that what people are accustomed to and think of themselves are important predictors for the nature of the opportunities they recognise and subsequently look to develop. This being the case, how the MFI takes into account these experiences is a central component of understanding how MFIs assort their borrowers.

4.2 Entrepreneur-MFI Interaction(s)

If the initial interaction between entrepreneurs and MFIs is characterized by particular resources, dispositions and their lending logics, how does this unfold over time as entrepreneurs develop opportunities? The following process incorporates how these two particular lending models unfold as entrepreneurs begin to take the necessary action steps with their microfinance loans. Building on the previous concept of proximity, the data illustrate that the dynamic interaction between the MFI and the entrepreneur is an overall process of bridging cognitive (communicated understanding) and social proximity (constructing trust). Here, the MFI is thinking about the individual entrepreneur and their respective opportunities whilst the entrepreneurs have to prove their worth through the cyclical nature of progressive lending. Indeed, the provision of loans allows entrepreneurs to deepen the exploitation of their opportunities but how the process is staged differs between group and individual-liability models can lead to unexpected outcomes.

4.2.1 Cultural Re-Tooling

In recent years, MFIs have begun to think more closely about structuring their lending approaches consistent with the types of ventures that they are lending to (Khavul et al., 2013). As the MFI adopted a more paternalistic strategy in groups, they were not thinking especially about the business opportunity but the individual undertaking that opportunity. This is in contrast to the traditional argument that entrepreneurs are prepared to apply their knowledge and skills to develop their ventures (Yunus, 1999). There is limited lending risk on the part of the MFI because of group collateral and so they test the waters with minimal loan amounts as group members get to know each other whilst also conducting training for personal and business purposes.

This personal and business training appeared to be crucial for entrepreneurs. Through previous experiences, they had grown accustomed to particular ways of organizing their lives which the MFI sought to re-arrange. As highlighted by Appendix E, one entrepreneur (Ent#5) describes how his early loan cycles were always blessed with a prayer which he used to develop the confidence (self-efficacy) to broaden his long-term outlook. He said:

> *In fact, when I went there [the MFI] received me very very nicely. They prayed for me and a lot of things…So, they give the money to you in your hand and they pray for you to achieve… [the MFI] started me with a prayer. Anything God starts, that should be successful.... I would have the factory and then I would have plenty of boutiques. I got this plan when I entered into [the MFI] because they would train you how to do tables and your finances. (Ent#5)*

Others describe a sense of pride with how they have been able to develop their ventures (Ent#6); whilst another acknowledges how they have learnt more about how to manage their livelihoods and businesses simultaneously (Ent#7). This is a process of strengthening of the individual and what emerges from this is an increased sense of control over their personal lives, the development of their ventures and capacity to build relationships (Grootaert, 2003). It is at this stage of the process that the development of self-efficacy emerges, as has been shown to be a result of business training programmes (McGee, Peterson, Mueller, & Sequeira, 2009).

The business and life training conducted by loan officers allowed entrepreneurs to experience greater self-control when it comes to how they allocate funds between their business and personal lives. Individuals become very familiar with what they do and it becomes a cultural norm to act in certain ways. Learning new skills and changing habits requires radical intervention and access into these lives but it also requires the willingness of their cultural orientation to adapt to these new circumstances (Swidler, 1986). Coupled with their repayment schedules, this induces a type of self-discipline in entrepreneurs. One group entrepreneur said:

> *They also train us to make a budget for us in order not to outspend. The money here is being given to us and it's not for free, we have to repay it. So if you go round and anything at all you see, we want to buy it! We end up not having the ability to pay the loan. (Ent#6)*

As such, the group process appears to rest heavily on the dynamic between the entrepreneur and the social mission of the MFI rather than on relations between group members. This is consistent with recent studies by Bruton et al. (2011) which proposed that the logic of the group mechanism may lie beyond the well-researched interactions between group members.

Indeed, it is worth noting the consistent responses among group members regarding the utility of groups. One entrepreneur (Ent#6) describes a satisfactory relationship with her group members. She said: "*We show each other due respect – we have a cordial relationship if even one is in trouble the group share the trouble."* Another entrepreneur (Ent#5) indicated that they were profoundly important in an empowering sense. He said: "*We became brothers and sisters now because I know everybody, they know my house and I know their wives. Now, my group is family."* However, there was no indication that entrepreneurs felt that this had much meaning towards the development of their ventures.

It seemed to be more of a platform for good-will of entrepreneurs in similar situations. One entrepreneur (Ent#7) said: "*They are like my brothers and sisters and we respect each other and the cordiality is there…. [but] Group members are not relevant to my business."* Whilst another (Ent#8) placed the MFI as being the most crucial relationship. She said: "*We are neighbours so we see each other often… [but] they are not relevant to me. They [Opportunity] are so important for me, I really need Opportunity"*. As explained by the latter entrepreneurs, groups appear to be crucial as a risk-sharing mechanism for the MFI which provide limited support in terms of information sharing for idea generation (Bradley et al 2012).

Interestingly, the notion of the group merely as a ‘mechanism’ for delivering services at an individual rather than group level became an important component of the MFIs social mission. In 2011, the organisation shifted their policy away from the cumbersome nature of joint-liability towards a more individualistic strategy whereby entrepreneurs make repayments into their individual accounts via loan officers rather than into a group pot. As one loan officer said:

> *[It was introduced] to be able to track defaults individually since their payments are paid individually into their account. Unlike the other method where we create one drawdown account for the group and everybody’s money is paid into that account. You’ll only rely on the group leader to give you information about the defaulted [entrepreneurs] and they sometimes lie as to who really defaulted.*

As such, it seems that groups are not utilized for purposes beyond good-will but instead, from an administrative point of view, to allow the MFI to make continued judgments about the development of the individual and their ventures. This new strategy is named a ‘Msingi’ loan which is Swahili for ‘foundation’, emphasizing the notion that group loans are designed for development in its earliest most uncertain stage.

Therefore, the idea of cultural re-tooling was the exclusive preserve of the relationship between groups and the MFI. Given the cognitive distance between group members and MFIs highlighted in the previous section, MFIs begin bridging this distance and seek to establish a shared culture based on how they expect the entrepreneur to act through the provision of non-financial services. As previously demonstrated, opposing lending logics for individual members means that the MFI has reduced concerns about that entrepreneur. As one loan officer said: “*We are trying to transform our clients regardless of their educational background...We don’t ask for the education level of those in groups, we only do that for the individual loans.*” Indeed, the logic of the individual lending method suggests that the loan officer is thinking more closely about the opportunity at hand and drawing the conclusion from their interactions that certain entrepreneurs have the necessary tools to take the business forward. This focus on opportunities brings in the nature of progressive lending between group and individual-liability contracts.

4.2.2 Opportunity Monitoring

For group entrepreneurs, the initial process is about the development of the individual but it also involves the beginning of the progressive lending process. This consequently involves how the MFI thinks about the entrepreneur's opportunities and the actions of the entrepreneur in exploiting these opportunities. One loan officer describes the nature of progressive lending in both group and individual-liability programmes. He said:

> *In the group loans, most clients are not stationed at one place, like in their own store so it is difficult to give them sizeable loans....Those who come for the individual loans, we tend to negotiate the loan size more where as those in groups will have a set starting point that they have to begin with. In groups, we can't always be sure what they're capable of. They're often only doing small-small things to begin with and we have to transform them from that level.*

For a number of small-scale traders which populate groups, loan officers cannot pin point precisely how that person is likely to invest the loan because the firm may not even have a physical presence or it may be indistinguishable from their places of residence. In this respect, the nature of the opportunity being pursued is relatively unknown to the loan officer.

In agency terms, entrepreneurs are allocated into groups because of high uncertainty over both the individual and their opportunities. The MFI creates new patterns of action through a programme of cultural re-tooling. However, in individual-liability this uncertainty is shifted back to the bank which places greater emphasis on the opportunity at hand bringing in the judgment of the loan officer. The individual-liability loan officer explains this logic. He said:

> *They will normally come in for their 2000GHS but I might not have visited their shop before. So when you go there and do your assessments then you can make a judgment. So it might be that they can take the loan on paper but you have to use your own discretion and make a judgment if certain things are definitely selling well.*

Therefore, group and individual-liability contrast in terms of the dynamic between the entrepreneur and the loan officer. Because the opportunity monitoring of group entrepreneurs is not possible, group members are relied upon to discourage deviating behaviour. However, individual loans are negotiated with the loan officer a key stakeholder in guiding the amount of resources accessed and how they are subsequently utilised to exploit opportunities.

In groups, the cyclical nature of lending acts as a psychological goal-setting device for entrepreneurs as they gradually invest loans to raise their ventures. The group lending process begins with very low loan amounts but unless they opt out of the group, entrepreneurs are locked into this process and the loan size remains small because of the nature of shared risk (Gine & Karlan, 2010). This type of financing allows the entrepreneur to address the development of the venture sequentially and reduces the MFIs lending uncertainty. As such, successful repayment and renegotiation of larger loan acts as a kind of heuristic milestone where they use a specific amount of resources needed to reach a certain level before they reformulate what is needed next.

Thus, the tentative progressive nature of groups is the mechanism which allows MFIs to monitor opportunities and bear minimal risk to those investment decisions. Loans are numerous, short-term in nature and gradually increased over time as it becomes clearer about who the individual is and what they're trying to achieve. As Appendix F highlights, these entrepreneurs make evaluative decisions with respect to their opportunities based on how the MFI progresses them through the lending process. One entrepreneur said:

> *When I start with [the MFI], every year my business will change. So since last year I would see that with the money I am now far away from where I was. But I don't rush my business, I take my time, I go step by step according to how the bank proceeds. … You see my father would want me to walk but I would want to run but he would say you can't run before you walk. (Ent#5)*

They plan for the forthcoming 4-6 months with consideration of the resources that may be granted to them. Oftentimes, however, they apply for particular loan amounts, which surpass what the loan officer regards as appropriate to that person in that business at that time (Ent#7, #8). This is what others have described as group 'lock-in' (Khavul et al., 2013); where subsequent higher loan amounts are desired but entrepreneurs must work their way up through the group programme in order to fulfil these aspirations.

Locked into the cyclical nature of the group process, entrepreneurs are simultaneously utilising microcredit to exploit opportunities and penetrate markets. In developing markets, the process of effectively bringing products to markets in a cost-effective manner is hampered by fragmented supply chains (Anderson et al., 2007). As such, entrepreneurs use loans to overcome these action obstacles associated with the hard infrastructure of the institutional environment (Khanna & Palepu, 1997). Regardless of lending mechanism, this reflects the very rationale for microcredit – the initial need to exploit entrepreneurial rents which were previously not appropriable (Baker et al., 2005). As such, the first few investment cycles are typically exchange oriented aimed at creating further credibility within their social network. The next section will go into this in further detail.

However, as the opportunities being pursued by group entrepreneurs have tentative beginnings, it requires the need to invest loans in physical capital such as machinery for sewing (Ent#5), bricks and mortar for a bar (Ent#6) or a freezer to sell frozen food (Ent#7) which gives the MFI greater insight into the opportunities being pursued. As Appendix G highlights, in individual-liability loans, entrepreneurs tended to have pre-existing resource capacity and physical inputs which allowed them to use additional resources to exploit some economies of scale from bulk purchases (Sautet, 2013). In some instances it additionally allowed them to think about new markets in new locations (Ent#1; Ent#9). This gives the first indication that high-value creation possibilities may only exist if entrepreneurs are operating individually away from the group where loan officers can think more closely about the opportunity being pursued. Nevertheless, the group performs the function of raising businesses to a certain level of firm sustainability.

The beneficial component of the individual mechanism appears to be that loan officers are continually a key player in the development of the business. It is the role of loan officers to create the correct fit between the organization's social mission and local realities (Goetz, 2001). As a result of organizational pressures, there is often a clear focus on potential loan delinquents in order to manage non-repayment in groups (Dixon, Ritchie, & Siwale, 2007). They handle loan disbursement, collect repayments, and manage the demands and expectations of entrepreneurs whilst also being conscious of the risk in their own portfolio (Ito, 2003). In groups, however, the loan officer-entrepreneur interaction diminishes when social collateral takes over.

This dynamic is further highlighted by the onset of personal and business crises which are common amongst the poor and often accounts for loan delinquency (Bruton et al., 2011). As Appendix F and G show, crises and defaulting behaviour happens to both sets of entrepreneurs but how the MFI responds is markedly different. During the data collection process, one group entrepreneur (Ent#7) defaulted on her loan and was ostracised from the group programme. Sadly, her father passed away midway through one of her repayment cycles. It was an emotionally turbulent period of her life which led to the collapse of her frozen food store. She said:

> *Because of the funeral and everything, I couldn't make up with the repayments so it created some problems for me....I was really hurt because I had been working with the group and the organization for about 4 years….Because of what happened I haven't been around to maintain it [the business]...It's been quite difficult keeping the home side of things good. I don't pay the school fees, my husband does but things like cooking at home and feeding the kids have been more challenging...There were also 2 members in the group who were giving us problems and we had decided to take them out so we were left with only three and she [loan officer] said that the minimum amount is 5 and they can't give them a loan when there are less than 5. (Ent#7)*

Initially, she would sew bits and pieces of clothes for re-sale but this was largely a seasonal endeavour. The frozen food store was the most fruitful component of her endeavours and with its collapse followed a chain of events of financial hardship, lost trust from her loan officer and inability to find new group members to re-build this trust.

This appears to be one of the unintended consequences of group lending and differs markedly to the treatment of individual entrepreneurs. For example, two entrepreneurs in the individual programme experienced similar critical events whilst in the process of repaying loans but the loan officer used his decision-making discretion in order to handle the situations on a case-by-case basis. In 2011, one entrepreneur (Ent#2) had taken a loan to make a bulk purchase of products, giving him access to a new group of suppliers. The incident occurred following one of these visits. He said:

> *It was one Friday. I went to the suppliers as usual to buy the batteries. I had the feeling that I shouldn't go. The supplier added some extra items to sell which I bought on credit so when I came back I put everything here [at the front of the shop] so that those walking buy could see what I was selling. So in the evening I packed everything inside, I locked the shop for the next day. Previously, the top of the shop was not made out of metal, it was plywood. That night it rained and I thought that maybe it was the storm that had caused it. So I came to open the shop only to notice that all the batteries that I had bought the previous day had been taken away including some oil filters and stuff like that... I went to the officers and explained it to them. They said that they could not cancel my loan but they could top it up for me and they give me 2500GHC and the top up for me was about 1000GHC. That 1000GHC has helped me reach what I have now. (Ent#2)*

In this case, the loan officer used his discretion to ‘top-up’ his loan and bought him time and a window of opportunity to re-establish the shop. This was also the case with another individual member who had recently suffered the loss of one of her children mid-repayment. Whilst in hospital her shop stayed closed and she struggled to gather the finances to repay but once she recovered the loan officer granted her more time to get herself organized and he even made a small contribution to the final repayment himself (Ent#4, field notes).

By serving a large number of entrepreneurs at the same time, groups allow MFIs to increase outreach and allow for cost-effectiveness. In the case of this MFI, group loan officers were typically managing around 450 entrepreneurs at any one time. The individual loan officer, however, has no more than 120. Indeed, it was explained to loan officers in a team meeting that “perhaps with your groups and you have like 30 people then you will need to do your homework to see who needs to repay but with your individual [clients] you should know them.” Group loan officers simply do not have the time capacity to make case-by-case judgments on the relative sustainability of a business opportunity but for individual officers it is an important component of their day-to-day job.

4.2.3 Summary

This section leads to an interesting finding in the discussion regarding group and individual-liability lending. Firstly, progressive lending structures the sequential process of investments as entrepreneurs deepen their exploitation of opportunities. Due to the ‘lock-in’ nature of groups, progression is slow and incremental. However, it allows the MFI make sense of the individual entrepreneur and their respective opportunities. Sound repayment conduct and the incentives of progressive lending allows for the construction of cognitive (communicated understanding & knowledge) and social proximity (trust) between the MFI and the entrepreneur. In individual-liability there is greater proximity between the MFI and the entrepreneur which leads to the progressive lending process being more negotiated and pre-planned in the absence of group ‘lock-in’. The occurrence of unforeseen crises is particularly pertinent in highlighting how social and cognitive proximity dissipates in group and individual lending methods.

4.3 Entrepreneur-Market Interactions

The incremental nature of the progressive lending process allowed entrepreneurs to build their firm's capacity and deepen the exploitation of opportunities. Such decisions are also embedded in a number of relationships as they sought to engage other stakeholders – suppliers/customers/friends and family – into the opportunity project. As previously highlighted, entrepreneurs varied by their context to the extent that some group and individual-liability members were attached to particular spatial contexts. Developing the concept of an entrepreneur having a sense of place, Agnew (1987) argues that places can be viewed by their 'locale' which means that a spatial setting also represents the 'material setting' for social relations. As such, network interactions in this section are conceptualized with respect to an entrepreneur's socio-spatial context (Welter, 2011).

Entrepreneurs were asked to describe other members of their social network such as friends, family and other associates; it was clear and perhaps not particularly surprising that key exchange relationships were central to the venture's development. Indeed, the evidence suggests that family is a primary motive for entrepreneurial behaviour (section 4.1) but, unlike prior research by Khavul (2009), has limited impact on African microbusinesses. This section builds upon previous discussion regarding notions of proximity to argue that the development of networks is multidimensional across cognitive, social and geographic notions of proximity which is altered by access to microfinance resources. As explained by Boschma (2005), these concepts are not to be thought of individually but in conjunction and simultaneously shaping entrepreneurial efforts.

4.3.1 Accessing

In a network's most tangible terms, infrastructure constraints in developing economies have demonstrable impacts upon entrepreneurial behaviour (Khanna & Palepu, 1997). This means that geography (the 'locale') has an important influence upon the nature of social relations and how microfinance loans are logically used to maintain, develop and change those relationships. Appendix H and I highlight the first order concepts from the data which are subsequently categorised under the theme *accessing* shown in figure 3. *Accessing* refers to the physical geographical component of maintaining a relationship. As previously stated, geographical proximity refers to the physical distance between actors. In this respect, loans acted as a crucial input for entrepreneurs to be able to physically access certain upstream (supplier) relationships.

For entrepreneurs whose locale referred to their urban context (Appendix H) and who operated in product-based firms, loans were primarily utilised to access upstream ties where cost-efficient transactions could take place. Indeed, due to the short-term nature of microfinance indebtedness, entrepreneurs were initially concerned with brief transactions which allowed for the deepened exploitation of their opportunities. One entrepreneur explains that he was looking to break away from local upstream relationships which lacked cost-efficiency. He said:

> *Sometimes I go to Accra [local suppliers] and I can buy from them. You see those goods, some of those goods are very cost-worthy and the cost is not good for me. So I will not buy too much from them because often their things are not very cheap for me. When I come back from Accra I won't have bought many things. If I'm going to buy many things then I will go to the other place [Togo/Nigeria] .... I go there every 2 weeks. Because I don't want the goods to finish before I go. So when you're going for the importing that place you can buy everything and it will last. (Ent#10)*

In the early days of his venture, he would use loans to travel to purchase products from local suppliers but realised that there was better value for money if he was willing to travel outside of the country. Thus, he used his loan to bridge the geographic distance between himself and a new source of supply, improving the overall cost-effectiveness of the business.

The very premise of entrepreneurship in the fast-moving consumer goods market is one of rapid turnover of low-cost products. Coupled with the need for entrepreneurs to get as much value out of their investments as possible in order to make repayments, entrepreneurs could use loans to circumvent sup-optimal upstream relationships (Ent#5). However, where upstream ties were less pertinent to the venture's operation, as in the services sector, entrepreneurs focused their investments on the more relational features of their customer ties (Ent#1; Ent#9).

In the peripheral areas where ventures operate to primarily fulfil personal and family aspirations, bridging geographic proximity and *accessing* upstream ties was particularly crucial. In urban areas, ventures were co-located with a number of other firms meaning that upstream ties were consistently nearby or travelling through, promoting their own products and services. Entrepreneurs operating in the periphery had no such exposure meaning that they had to extend greater energy in bringing products to their respective markets. As one entrepreneur in the periphery said:

When you have enough money you can go to the Accra market. There the prices are a bit cheaper than here in Kasoa. When you don't have enough money you can't go there and buy because transportation will be deducted from your money and by the time you come back you are at zero… We have some suppliers but we don't get there often unless we have some bulk money. You see the shop [supplier] doesn't even have a name, it's not somebody I know personally…..But when you go to some of the [local] stores, some of the shops and buy them, you realise that, for instance, this one [points to product], it takes only 6 months to expire and when you go and buy them you don't look at the expiry date. You buy it and in 3 months its fine because it has been kept there for long. (Ent#4)

Primarily, she was concerned with being able to sustain the business for a number of months through one simple transaction with a supplier in the capital city, Accra. Indeed, this lack of proximity to upstream ties prompted one entrepreneur to purchase her own vehicle to circumvent the need and extra cost of her suppliers transporting drinks back to her bar (Ent#6).

This type of behaviour is incongruent with research that highlights that, in the early stages, entrepreneurs tend to engage in more complex networking and information exchange (Larson, 1993). This is perhaps not unsurprising given that the start-up phase of the business in this environment is fairly chaotic and entrepreneurs may only be able to offer a minimally diverse number of products. However, it is consistent with the view that weak upstream ties are most useful for overcoming liability of newness and smallness (Partanen et al., 2011). Building on this, urban and peripheral contexts vary in terms of how entrepreneurs seek to access upstream relationships by creating relationships beyond their immediate locale. In urban contexts, potential exchange relationships with interested parties are plentiful and microfinance loans can be utilised by entrepreneurs to negotiate their position within their network. In enabling entrepreneurs to travel further distances to new sources of supply, loans act as a mechanism which bridges geographic distance to non-local ties.

In peripheral contexts, loans could be utilised to access upstream ties within the urban environment allowing for greater cost-efficiency. It is important to note here the prior discussion regarding an entrepreneur's disposition towards these particular contexts. The respective variations of entrepreneurial outlooks between urban and peripheral contexts are important in thinking about why they look to access and garner resources from certain relationships. Given that such dispositions act as a guide for further actions, then it is logical that entrepreneurs in urban contexts attempt with greater purpose to deepen the exploitation of their opportunities by pursuing more aggressive strategies. Thus, it was a type of blueprint which is transmitted through their relational processes. It was not that entrepreneurs in the periphery were not looking for value for money from such transactions but it is not necessary to think about advancing network position because the nature of their opportunities (as guided by their outlook) does not necessitate it. As such, the type of upstream relationships that entrepreneurs were *accessing* varied according to the nature of the business that the entrepreneur was trying to create.

4.3.2 Legitimising

In thinking about interactions between individuals, the notion of social proximity typically dominates the discourse in social network studies. Social proximity refers to the relational component of network ties as conceptualised by Granovetter (1973) as strong versus weak ties. Regardless of an entrepreneur's socio-spatial context, it is still necessary to convince early customers of the credibility of the products/services on offer. Therefore, entrepreneurs are engaged in a process of *legitimising* – the perception that actions of an entrepreneur are desirable or appropriate and help to control the views of a particular audience such as members of their social network (Suchman, 1995). However, the nature of this *legitimising* process varies by the extent to which the entrepreneur can be seen as being particularly embedded in their socio-spatial context.

In order to build legitimacy, it was necessary for entrepreneurs to use microfinance loans to invest in projects which brought key market players into their opportunity project, a process of actor entrainment through the relational element of the tie (Wood, 2010). The progressive lending mechanism works in a manner which does not just think about repayment of the entrepreneur but also tracks performance (sales, profits and employees). Thus, progression through the lending stages required entrepreneurs to find their credible place. As highlighted in Appendix H and I, network change was facilitated by the affective nature of ties which serves as a demonstration of how they understand and evaluate their environment and subsequently enact it. One entrepreneur consistently valued the need to have a positive environment for the customers requiring consistent investment. It is this process of *legitimising* which sets his service apart from his competitors. He said:

> *At the beginning, I was at the same level and you have a small amount to invest. When you have that the business doesn't grow, the business stands still….When you are in the kiosk people won't purchase from you like the container. You see people will look at the environment of the place before they purchase.....In Ghana now people like very neat places. When the place is very neat you achieve more customers. So you need to put more money in, that's why I came to contact Opportunity for a loan. (Ent#1)*

Indeed, the challenge of physically providing products to customers revealed an enormous sense of frustration (Ent#2), the need to avoid disappointing and annoying current customers (Ent#5; Ent#7) and creating an enjoyable environment for the enjoyment of services (Ent#6). Therefore, entrepreneurs were gaining increasing legitimacy by constructing trust and bridging social distance in their dyadic relationship with customers.

It was the feeling of time pressure and urgency associated with developing the business which created the affective component of exchange relationships. Time was pressing as entrepreneurs looked to offer their products in a manner which could enhance their reputations whilst also offering something which was cost-effective to them and affordable to customers. Indeed, one entrepreneur supposed that his business was all about the management of time in meeting customer demands and maintaining his reputation (Ent#5). This reveals the polychronicity in the management of their networks where time is pressing and uncertainty is prevalent. Consistent with Jack et al. (2008), entrepreneurs would socially construct their environments by learning from their immediate context and responding to it.

In addition, contrasting peripheral and urban contexts gives an insight into the nature of these market spaces. Away from the urban environment, Appendix I highlights that entrepreneurs were able to enhance customer and community reputation by offering products which consumers found previously inaccessible (e.g. Ent#4). In this context, the periphery was not viewed as a challenge but instead constructed around the myriad opportunities there. In such spaces, it has been argued that networks lack diversity because they are inefficient and costly (Fafchamps, 2001). However, this appears to be a postulate based on the assumption that leads to unproductive and purely localised outcomes. As Khavul (2009) discovered in East Africa, strong community ties can be particularly useful in circumventing many of the challenges of serving such markets. As such, the development of market-community relationships is crucial in respect of what they are trying to achieve and they offer important services to these neighbourhoods.

In order to achieve this, entrepreneurs must build these community ties. A lack of geographic proximity to developed market places gives scope to their opportunity by providing residential dwellers day-to-day goods such as food and general provisions which can double as a means for feeding their family of an evening. Thus, the market space in this context leads to thinking about variations in networks and their embeddedness across spatial and temporal dimensions. Hess (2004) uses the term territorial embeddedness to describe the degree to which an individual is anchored to a particular space or place which represents the local geographic manifestation of a network. As entrepreneurs in urban spaces are anchored in territories for the purposes of opportunity development in its more economically rational sense the process of *legitimising* their ventures follows more 'logical' reasoning.

In the community environments, however, the antecedent to the development of customer ties appeared to be more affective in nature and driven by a sense of responsibility to their customers. For example, the personal crisis experienced by one entrepreneur led to a dramatic reduction in her trust with customers:

> *When I closed the shop for some time, those who had my number would call me and ask what was going on because they had come here and the shop was closed. And I told them that I was at the hospital. They would call me at any time, maybe when I want something...let's say one day you open it at 6 o clock and then the following day you open it at 7, you open, you close, you open you close…people don't trust you again. They might think when you come that you would be here so it's come and go, come and go....If I can find someone [employee] who would get it for them I would try and do it... The thing is, if you don't get someone you trust then you can't leave it for anyone. Not even for your sister or your brother.*
>
> ***I: What might happen?***
>
> *Because the person might not understand how you take care of the shop. Maybe if they're hungry they will go and find some food to eat or take something to eat from the shop which will take my profit. So it's not easy leaving it in the hands of anybody unless it's somebody you trust. (Ent#4)*

This turbulent period in her life clearly was clearly an emotional one as she had been attempting to use her microfinance loan to engage her local market (Appendix I, Ent#4). However, this also highlights her sense of responsibility to her customers where she felt that she had an obligation as a key community entity to provide products which were not easily accessible.

Hite and Hesterly (2001) use the terms identity and calculative networks to highlights the dichotomy between embedded and disembedded network types. The observations here demonstrate that customer ties in peripheral areas remain embedded territorially consistent with their particular *spatial disposition*. They are embedded in the sense that these relationships are stronger, with greater emotional intensity and subsequently their development is guided by motives beyond purely economic reasoning (Granovetter, 1985). For entrepreneurs in urban contexts, however, *legitimising* their ventures and building relationships with their customers followed more logical economic reasoning such as managing prices and thinking about strategies (Ent#3), worrying about losing money through customer retention (Ent#10) and acting under greater uncertainty to make new relationships better off (Ent#8). This more pronounced economic logic becomes more apparent when thinking about the building of relationships in their cognitive sense.

4.3.3 Communicating

Entrepreneurs utilise microfinance resources to bridge network proximity; geographically to access upstream ties and socially to legitimise with customer ties. In a previous section, the notion of cognitive proximity between the entrepreneur and the MFI was introduced. This refers to shared cultures, routines, visions and norms which allows for communication and understanding between actors (Inkpen & Tsang, 2005). Thus, in the alterations in the nature of their interactions with the market (i.e. customers and suppliers) they are also *communicating* with these ties about the viability of their opportunity projects. It is here that the physical context of the venture helps shape the nature of the relationship where communication in peripheral contexts remains spatially bound whilst allowing for greater potential for new relationships in the urban centre.

For example, the owner of a barber shop had developed his venture through the logic of having comfortable environments for his customers. The outcome of this was not just an increased level of his customers but the type of people who now saw his services as being good enough for them. He said:

> *Whenever I meet my friends they say that I am doing well and progressing even though they work in government....Some businessmen would come and they would park their car and come and barb. They would normally not*

come but when I changed the business they started coming and I would see further changes from that. (Ent#1)

Through microfinance resources this entrepreneur was now able to appeal to new demographics by bridging cognitive proximity and establishing a set norm for his services. Indeed, the other service oriented firm engaged in a similar process as they sought to take their services into remote areas where internet cafes were absent (Ent#9). As such, there exists a broader array of potential diverse network ties within more densely populated areas with the task of the entrepreneur to communicate this message through product differentiation.

Thus, in urban contexts entrepreneurs could utilise financial resources for the purposes of gradual network position advancement, consistent with their entrepreneurial outlook and the notion that their actions are guided by predominantly economic reasoning. They are therefore gradually gaining more control and power within their network. For product based businesses, this is symbolised by the specific direction of their relationship with upstream ties. As one entrepreneur said:

Initially, those times when I was not using the loan before February I would go to the suppliers for the goods and now when I'm ready to buy they will bring the goods here, to me. So I will just call, purchase and they will bring it. (Ent#2)

Another entrepreneur also said that she would have to travel at first to access upstream ties and she has saved significant costs since they started visiting her instead (Ent#3). The direction of the relationship refers to precisely *who* is making the most effort to maintain it. Evidently, a relationship has to be mutually beneficial for it to continue but it appears to shift on a continuum of control where upstream ties are drawn to their more reliable members as goals and visions are communicated through repeated interaction. Importantly, it is additional microfinance resources which are facilitating these interactions.

Such interactions are indicative of the greater control that entrepreneurs are granted within their relationships but also in their ability to avoid sub-optimal ones. One entrepreneur explains why he used his first and subsequent loans to avoid using his local suppliers. He said:

I started going to Togo 6 years ago. What happened was I reached a point where people were cheating me here in Ghana. In the beginning I wanted *people to go to Togo and supply me but the people that supply you they know that you are cutting the dresses and making the money and that I am going to pay, whether I sell it or not. So for so many years I was working for someone [local suppliers] and I would try myself to save for that bulk money. So I thought, why not go for a loan? (Ent#5)*

In more theoretical terms, they were able to circumvent sub-optimal local ties that were undermining his vision. Therefore, he utilised his microfinance resources to engage in a process of bridging geographic distance to physically access the tie which helped to simultaneously bridge cognitive distance – align of goals and visions pertaining to the development of the opportunity.

By looking at entrepreneurs in the peripheral areas more clearly highlights the contrasting features between network developments in these socio-spatial contexts. Given their lack of geographic proximity to upstream ties, there was no bridging of cognitive distance. Given the physical distance between the entrepreneur and their respective suppliers, it is unlikely that they would view such small-scale operations as being fruitful to them. As such, their efforts largely focused on bridging cognitive distance with customers – responding to their needs and developing the opportunity to match it. One entrepreneur said:

They [the customers] normally tell me to make the shop complete…The cool store goes quickly and the things you sell there go together. So the cool store goes with rice, tinned tomatoes, and cooking oils and so on but they get annoyed that they can't always get it here….. Because I have added the food stuff to the frozen food – people will now come to my shop and buy everything. (Ent#7)

This meant that the entrepreneurs in these contexts had to extend significant effort to access upstream ties in infrequent transactions with the majority of their network developments focused on their territorially embedded customer relationships.

In this respect, microfinance performs the role of advancing an entrepreneur's network position in both urban and peripheral contexts but urban contexts have the impact of being able to communicate with upstream ties through more aggressive growth strategies. In the periphery, the wheels of the business are kept spinning but entrepreneurs do not enjoy the externalities brought about by having a network situated more conveniently i.e. upstream ties are less likely to be drawn into their opportunities given the scope and scale of their projects. Thus, geography plays a crucial role in shaping the position of entrepreneurs within their networks and what microfinance is able to achieve in their endeavours.

4.3.4 Summary

This section of the results has highlighted the three principal themes determining the development of entrepreneurial networks for entrepreneurs who operate in distinctive spatial settings. The findings show that the lending mechanism has no relevance to such developments, instead the spatial context acts as a ‘material setting’ for social interactions (Agnew, 1987). This was further conceptualized as occurring in three processes of *accessing, legitimising* and *communicating* which pertain to notions of network proximity. Evidently, these themes are interlinked with one another and with the previous discussion regarding particular entrepreneurial dispositions towards spatial contexts. As the results section progresses it becomes more apparent that understanding the impact and logic of particular lending strategies to entrepreneurs needs to be taken into account these important factors which govern opportunity development.

4.4 The Information Flow of Networks

Context cuts both ways. Networks are constructed and opportunities are enacted within certain spaces which are meaningful to the entrepreneur. However, these spaces directly affect the nature of new value created which supplements their initial entrepreneurial efforts. Entrepreneurs can socially construct these spaces by the opportunities which are presented to them. As time passes, entrepreneurs are required to make continuous judgments as a means to survive in uncertain and ever-changing contexts (McMullen & Dimov, 2013). The research here highlights that what entrepreneurs accomplish above and beyond their initial microfinance investments may be crucial to understanding the nature of the opportunities that emerge.

A general theme emerging from the section 4.3 is that entrepreneurs in urban contexts have access to a greater diversity of potential network ties and new information which shape the innovativeness (novelty) of opportunities. This section highlights that entrepreneurs in an urban context were able to ‘break out of clusters’ by accessing information from under-exploited geographic contexts, a feature of the urban environment. In the periphery, entrepreneurs continue to look for value within their community and address such social needs. In this respect, this section demonstrates the spatial-temporal structures of economic action in being able to highlight the spatial configuration of networks over time (Hess, 2004).

4.4.1 Variation and Proximity

Entrepreneurs learn about their immediate environment by interacting with their social network (Dimov, 2007). This could be a fortuitous development with information funnelling its way through as a consequence of chance meetings or by intentional search methods which typically carry high costs in developing economy contexts. As highlighted by Appendix J and K, it was the degree to which this new knowledge was complimentary to their previous entrepreneurial efforts which was key in understanding how these entrepreneurs took their ventures to the 'next level' or in some circumstances deciding to do something different entirely. Building on the previous section, this is conceptualized here as a fruitful combination of *variation* and *proximity.*

As highlighted in the previous sections, entrepreneurs engaged in a process of bridging cognitive *proximity.* This bridging process also allows entrepreneurs to learn from interactions and consider new ideas for the business. For members of a social network to interact and learn from one another, there must be a degree of shared knowledge - a similarity in shared activities and capabilities. If information is too novel then an entrepreneur is unlikely to be able to process it. Similarly, if it is not novel enough then it can be easily discarded as being meaningless in its contribution. As highlighted by Maskell (2001), where entrepreneurial activity clusters, then a combination of new information sources which are complimentary to the firms currently there creates a landscape for the growing specialization of entrepreneurial activity. The results here indicates that this *variation* of knowledge is a result of geographic infrastructural factors which combine with the entrepreneurs understanding of the market (*proximity*) to enable the emergence of new knowledge and opportunity pathways.

Appendix J demonstrates the role of *variation* and *proximity* as facilitators of new knowledge for entrepreneurs within urban contexts. Following consecutive years of investing working capital loans to battle transaction obstacles, many entrepreneurs were now engaged in growth driven activities which involved moving into new markets (horizontal growth) and/or digging deeper into what is currently established (vertical growth). One entrepreneur was in the process of moving into a new market. He said:

I've chosen a place down there [points down the main road]…that area there is no barbering shop around there and the place is a very busy area for the customers to come. You see a lot of those customers will come far to come and barber here and they will always say that I should try to get a shop at the place...In that area, already I have customers who buy here from that area. So when I have a discussion with them they say it's very good and you'll be near to us for whatever they want. So they'd prefer me to be over there instead of here so I started putting the branch together gradually. (Ent#1)

The former part of this quotation highlights the perceived attractiveness of the new market location whilst the latter part demonstrates the source of the knowledge. Firstly, the knowledge is complimentary to the entrepreneur's current activities in the sense that it offers the opportunity for him to replicate what he is currently doing but in a new location. Secondly, the source of this knowledge is from a set of customers who are physically located away from the venture's current location. Thus, the *variation* in the geographic location of the entrepreneur's current market provided a path into new market locations.

In this respect, a combination of geographic *variation* and the *proximity* of that knowledge is a feature of this particular urban context. In addition, it was feature of the context which was experienced by other entrepreneurs who were taking steps towards engaging with new market locations as a result of the information granted to them by their current locations (Ent#3; Ent#5; Ent#8). For other entrepreneurs, location was also crucial in building new knowledge which was complimentary to their respective opportunities. One entrepreneur said:

The competitor used to be on the other side of the lane and now he has moved to this direction. So currently what my customers do is that they don't know his location so when they want to see him they will come to me and ask where my competitor is now!…What I'm doing now is that I'm speaking with Opportunity about the loan to acquire this store [points over the road]. So that I can open the shop just like my competitor has. (Ent#2)

The entrepreneur's idea for changing the business was fairly reactive to the situation at hand but physical location had another key role to play here as his competitor relocated to an inconvenient area which meant that he lost a portion of his market share. Indeed, for another entrepreneur it was the relocation of his shop into more formal premises which was central to his business keep-up with the pace of a buoyant mobile phone market (Ent#10).

The complementarities of knowledge sources offer an interesting insight into understanding how entrepreneurs generate the ideas that they do (Bradley et al., 2012). However, more crucial is to understand what moves the entrepreneur from their position within the local economy and status-quo to convince them to engage in new more uncertain futures. As highlighted in the previous section, entrepreneurs were engaged in entraining actors into their opportunity projects. Therefore, new ideas were pursued as a consequence of information granted by trusted strong ties. As one entrepreneur said:

> *I have a friend there that is selling different things and whenever she came to visit me she would say that if I was willing to open something there then the market would be OK and people would buy. So she is the one who gave me the idea for this. Well she's a friend but also a customer. She has been buying building materials from me so she would come here and transport it to that place. So she told me to open the same thing at that place and people would buy. (Ent#3)*

Over a number of years she had built her relationship with a customer from her new location to the extent that she now classed her as a friend which convinced her to take the steps towards starting in a new location. Indeed, for these entrepreneurs, trusted sources were a crucial component in their decisions to take steps towards developing their ventures in the way they did (e.g. Ent#2).

Mambula (2002) has suggested that entrepreneurs in developing countries may only engage in opportunities with a low-level of scope because of the costs associated with searching for information as well as the uncertainty involved. Firstly, the evidence here highlights the role of tacit knowledge accumulation i.e. they do not have to search for information to broaden the scope of their opportunities. As a result of their position within their social network they are able to gather complementary opportunity-specific knowledge. Secondly, uncertainty appears to be mitigated by entrepreneurs trusting knowledge which comes from established customer ties. Therefore, they were not engaging in a radical search for new products or services to bring to markets but thinking about positioning their opportunities in response to the knowledge brought in from other or current contexts. Consistent with recent studies (e.g. Jack et al. 2008), therefore, the evidence suggests that strong ties are crucially important for entrepreneurs but it is unlikely to be the relational element (emotional attachment, deep, long-lasting etc.) which dictates the novelty of the information accrued.

Of course, there are also those entrepreneurs operating in peripheral residential neighbourhoods or communities. As is perhaps expected, these communities do not offer a rich, diverse source of information but to necessarily state this is as a disadvantage may be to distort the meaning of opportunities in community contexts. The relatively limited scope and scale of the opportunities started in such contexts does not preclude these entrepreneurs from engaging in activities which look to create new value. For example, in the process of trying to access new suppliers by purchasing a vehicle, one entrepreneur decided that she could use this vehicle to rent out to other businesses in her community who have the same transportation problems (Ent#6). Therefore, the information available to entrepreneurs in the peripheral areas was demonstrably variable in the sense that it was not always complementary to the initial opportunity they pursued. For example, one entrepreneur (Ent#7) started her sewing business before opening a frozen food store and also looking to buy a taxi to eliminate the same transportation problem.

In peripheral contexts there exists a degree of *variation* in knowledge sources but it is spatially bound to the particular social needs of that community, consistent with the perspective of underdeveloped niches which lack specialization and tend towards basic needs (Baker et al., 2005). One entrepreneur points out the contrast between her context and urbanized areas. She said:

> *The other aspect is that I also want to build a restaurant in addition to the bar, you know when you drink, it tends to go with food…People really ask for food in the area, there is a need for food in the area. It's not like if you go to Osu and there are lots of restaurants and there is no scarcity of food. But where I stay food is scarce so people ask 'that if I take 1 or 2 bottles of beer, I also need to eat'. So why don't you also prepare food in addition to the drink you sell? (Ent#6)*

In this case, she was afforded new information which complemented her current operation but this was typically a rare occurrence with most entrepreneurs looking to build extra income by taking on more than one venture at the same time.

Emerging from these observations is the nature of opportunity development in peripheral and urban contexts. Typically, research tends to think of developing countries as having relatively homogenous institutional settings. However, it is clear that the nature of the supporting institutional environment varies substantially within these settings. When entrepreneurs in such peripheral areas do get access to significant financial resources their services perform gap-filling functions, such as the entrepreneur who became her own community lender to other business owners not engaged in microfinance programmes (Ent#8) as well as the other examples highlighted above. It therefore seems that the development of opportunities in the periphery is primarily an indigenous response to institutional weakness where entrepreneurs gravitate towards solving pertinent social needs.

Consequently, there existed a wide *variation* in knowledge which did not complement their initial efforts but it did not preclude them from pursuing new ideas. It is also based on a mutual understanding (*proximity)* that the entrepreneur is actually capable of bringing a particular product or service to the market because of what they have been able to build in their previous efforts. However, as Hess (2004) highlights, the multi-level nature of context should not make the assumption that contexts themselves are not emergent. In order to understand the role that network contacts have in stimulating new ideas it is necessary to look at those contextual forces, outside of the entrepreneur's control, which shape the information flows highlighted in this section.

4.4.2 Emergence of Place

Places are emergent not static, involving a number of different actors who come and go over a number of years. They emerge grow and/or decay as old and new elements are added or taken away. A geographic cluster of firms does not occur arbitrarily overnight, it occurs gradually over time, shaping the perceptions of actors which pull in new entrepreneurs from other contexts challenging old ways of thinking. In contextualising the nature of knowledge within particular places and how entrepreneurs learn from interactions within their networks, it is crucial that the more general development of the local context is taken into account. Urban contexts typically change in response to high population growth as new industries emerge and entrepreneurs respond. This has a demonstrable impact on the information available to entrepreneurs and how they deploy microfinance resources to consider new strategies of value creation. The variations between the socio-spatial contexts here are outlined in Appendix L.

The emergence of a spatial context incorporates the addition of new elements and the disappearance of old ones. In 2005, the microfinance institution was the first organisation to offer financial services in the area. At that time, the area was relatively sparse with very few established businesses and a significant portion of entrepreneurs involved in petty trading activity (field notes). One entrepreneur described this. She said:

> *At first I was getting customers because at that time there were few internet cafes here. So the market was there but since people have started opening*

internet cafes so the market has changed… When we started we were the only people around...and at that time I was still in school and this place I used to come around and the place was bushy and everyone was at Accra. Everyone would stay in Accra and then the following morning they were going [to work]. So we were just thinking that in the future everything would be alright and business was good. (Ent#9)

This example demonstrates the tangible changes which have occurred in the area. At first, the entrepreneurs gravitated towards Kasoa for the opportunities it provided and it gradually fulfilled its promise with the population growing at a rapid pace. This has also provided a number of challenges to the business as similar market actors gravitate towards the area which leads to changes in market perceptions.

In this respect, the area has also been a centre point for infrastructural development with emerging modernity and technological promise. The town itself has grown from a small settlement by the roadside and has therefore had the advantage of any benefits in the transport system, allowing suppliers and customers' reasonable access. With the rapid growth of the Ghanaian economy, Accra has become a less viable place to live for a number of people as it becomes more expensive causing many to move within commutable distance. As such, Kasoa has many of the attributes of a developing 'edge city' – a former rural/residential area undergoing rapid population flux and concentration of business in a mere 6 or 7 year period. This poses a number of new opportunities for the entrepreneurs there as well as a number of challenges with entrepreneurship in residential community areas being gradually pushed further away from the economic centre.

In the example cited above, internet cafes have gradually become more redundant as the technology for home-based internet access reaches Ghana. Thus, the competition brought about by an increasingly prosperous area coupled with the affordability of new technologies has made this entrepreneur re-think their market. Firstly, by taking internet services out of the urban centre into those places which have no internet access. Secondly, by changing the services offered in the urban context (Ent#9). This example is indicative of the flow of resources which exist in such contexts. It is this influx through an *emergence of place* which allows for the flow of knowledge resources emphasised in the previous section.

The importance of a particular spatial context as being emergent in nature is that it increases the potential for interactive learning within an entrepreneur's social network. This means that the type of knowledge which tacitly learnt through experiences in the market place is heavily determined by the potential for chance meetings with members of the network (Polanyi, 1966). One entrepreneur describes this. He said:

> *Kasoa now has changed. Previously Kasoa wasn't busy like now. Now, many people are coming here. If you are inside here then you see there are many people coming and going. Whether they are foreigners or just local people who are moving to Kasoa. So here it is very moving fast-fast. (Ent#10)*

The bustle of the urban area has brought about not just an influx of customers but also a number of new upstream ties from outside of the country. Therefore, the *emergence of place* is inherently linked to the *variation* and *proximity* of knowledge sources that entrepreneurs can learn from via their location.

For these entrepreneurs, the opportunity development process was punctuated by specific information drawn from members of their social network but this must be seen as part of a broader contextual development which pertains to the importance of the co-location of similar activities. For example, as well as expanding his market, one entrepreneur (Ent#1) was working on a broader idea of opening a barbering school where he could centralize all of his current services. Permanent co-location with a number of similar firms created a lot of imitative behaviour so he actively searched for new ideas in Accra and began planning using his microfinance resources. Therefore, knowledge was created without specific interaction or co-ordination with other competitors but it steered his thought process into the need to introduce a more novel way of serving the local market.

As such, the *emergence of place* physically brought a number of actors together which allowed for interactive learning and new knowledge creation. This leads to thinking about an overall process of co-evolution incorporating an entrepreneur's network as being sustained and reproduced by a blend of local and non-local actors. As a spatial context emerges, it brings with it new actors, challenges and opportunities. These challenges mean that entrepreneurs have to find new ways to look at new markets or differentiate themselves within current markets. But it is apparent that geographical development plays a crucial role here in determining the nature of interaction between actors and potential learning opportunities within social networks. Importantly, it leads to potential learning opportunities with members of an entrepreneur's network who are physically located within other geographic areas.

If the urban context has allows for a mixture of local 'buzz' and extra-local linkages through an *emergence of place*, what occurs in peripheral residential areas is less clear but is inherently linked to the type of knowledge resources which can be accessed by an entrepreneur's network. Moving into the more peripheral areas, the density of the population dissipates, the roads are difficult to navigate by car and small provisions shops are found every few hundred metres. Thus, there is limited inter-firm diversity with the market remaining confined to the immediate community context. As one entrepreneur said:

> *Because you are in the neighbourhood so what they need is what you have to provide. You cannot put certain things in the shop that cannot be bought and it will just be a waste of money....You see this area there are certain items that they are used to. There is only a very few of them [who don't]. In this area people like cheap things even if it's not quality but it's cheap they will still like it. So you have to combine the two; you buy the cheap ones and you buy the expensive ones so that anyone that comes gets their choice... It's a good area but because it's a more or less like a residential area, when it's like 8 or 9 o'clock the area gets quiet. Around 10 o clock, most of them will go to Kasoa or Accra to work but there are a few who are around. During the time at night, they come back very late. But it's very good business here too. (Ent#4)*

Initially, she was selling general provisions such as bread, water and other important household items. However, there is limited room for experimentation with customers who are unlikely to accept products they're unfamiliar with. Consequently, she tends to try out certain products on herself or family before thinking about introducing them into the shop.

As an emergent context, peripheral areas were largely stable and dominated by an entrepreneurial culture which is the antithesis to motivations and approaches of entrepreneurs in urban areas. However, as one entrepreneur (Ent#6) outlined, her area has grown significantly since she opened her bar which has led to a lot of imitative behaviour. Unlike urban areas, there is no sense of an emerging industry presence and firms are dispersed sparsely across the difficult road terrain outside their residential spaces. As one entrepreneur said:

> *[When thinking of developing the business] it's whatever people normally ask for so it's always about what people are needing there and then. So whatever they will ask for I will try and go for it.... This area is what it is. There are people here who will just crack stones. I mean they just get by with their little things, doing this and doing that. Most people round here*

just sell provisions. Some will sell slippers and others do other food stuffs but I don't really see them or talk to them much. (Ent#7)

Given the lack of specialization in peripheral areas, there is limited scope for the sort of spatial externalities that are experienced in urban contexts. In this respect, how these contexts emerge is crucial in understanding how entrepreneurial opportunities co-evolve in a manner not solely determined by the entrepreneur.

This leads to the suggestion that an understanding of groups and their evolution is dependent upon the socio-spatial context within which that group is embedded. As emphasised in a previous section, groups are utilized primarily for entrepreneurs with the most severe resource constraints. Consistent with the MFIs social mission, the group function is to get these firms to overcome the most uncertain phase of the opportunity development process. However, the context from which groups are structured determines its diversity with entrepreneurs in the periphery overwhelmingly involved in small-scale businesses which emerge and then adapt to the social needs of that community i.e. responding to inadequate local resources. The forthcoming section will be used to demonstrate how this impacts upon the ultimate development and life-span of groups, which ties in with the funding of the growth of firms.

4.4.3 Summary

This section has highlighted the various opportunity projects that entrepreneurs begin to develop in order to grow their ventures. In the two emerging themes of this section, the research emphasised that opportunities are shaped by the *variation* and *proximity* of new knowledge in conjunction with an *emergence of place.* In the first instance, entrepreneurs in urban environments are privy to information brought in from outside their geographic context but which builds upon their pre-established market knowledge. In peripheral contexts, new knowledge gleaned typically varied away from initial efforts and bound to that spatial context. This subsequently led to rapid cycling and management of numerous opportunities in order to raise personal incomes. Secondly, this section outlined how such spatial contexts are not necessarily static entities. Instead, new elements are added as entrepreneurial perceptions simultaneously change. In sum, this section leads to thinking about the emergence of entrepreneurial opportunities as co-evolving across their spatial-temporal dimension.

4.5 Individual-Opportunity Funding Dilemma

Building on the discussion in section 4.4, the purpose of this section is to examine and highlight the fit between these microfinance lending products and the new ideas entrepreneurs are thinking about and/or are currently taking actions towards. To a certain extent, this section brings together a lot of the prior evidence regarding the nature of the new projects being pursued, the culturally orientated outlook of these entrepreneurs with how the MFI attempts to keep up with the pace of change and how this is reflected in the organisational development of the MFI.

The first sub-section here outlines the longevity of the opportunity projects being considered by microfinance entrepreneurs. As highlighted in section 4.4, entrepreneurs begin thinking about new projects as indicated by the information flowing from their respective social networks. Some ideas require the undertaking of more radical action steps which begins to challenge the MFIs lending model. Some group entrepreneurs begin to find the join-liability format cumbersome and look to become more autonomous and graduate to the individual lending method. In addition, a number of individual-liability entrepreneurs also struggle with the short-term nature of microfinance lending. In summary, this section highlights one of the limitations of the microfinance lending model as a number of entrepreneurs move towards higher-value creation.

4.5.1 Project Longevity

As Appendix M highlights, movements from group to individual-liability coincided with entrepreneurs being able to have formal premises, allowing the loan officer greater faith in the opportunities they were undertaking. Therefore, there was a communicated understanding about the individual and their respective opportunities which were building blocks for future interactions in individual-liability arrangements. The principal theme emerging here is that the gradual shift from group to individual-liability lending was a consequence of the size and longevity of the new venture ideas that entrepreneurs were pursuing – *project longevity*.

Looking at the two entrepreneurs who made this transition is instructive in our understanding of what microfinance lending methodologies do and why they need to operate at multiple levels whilst allowing us to think about their limitations. Following the transition, these entrepreneurs (Ent#5; Ent#10) turned their attention towards their particular long-term projects as outlined in the previous section. Thus, as the progressive lending process unfolded, loan officers have to continually make judgments about the congruence between their approach to lending and the growing aspirations of the entrepreneur (Ito, 2003). One loan officer describes how this is an interactive process of understanding the needs of their clients:

> *Sometimes clients have taken 3 or 4 loans, people who have been with us for a long time and we know that they have genuine needs because they have not defaulted before. But it takes time for that and for us to understand their individual needs.*

For group entrepreneurs, the beginning of the lending process is characterized by high uncertainty on the part of the MFI. It subsequently requires the development of sufficient mutual understanding regarding the viability of the entrepreneur's venture to allow them to 'graduate' away from groups. This transition essentially rests on the entrepreneur's need to access larger loan amounts and so it is coupled with their growing aspirations for the future and need to improve the scope and scale of their opportunities.

This was also part of the MFIs growing emphasis on individuals within the group rather than the group as a collective. The introduction of the 'Msingi' loans reflected a shift in thinking by the MFI whereby they were looking at the individual needs of their clients because of the cumbersome nature of joint-liability. As one loan officer said: "It also prepares group loan clients for individual loans when the time comes" (personal communication). Indeed, one of these entrepreneurs (Ent#10) merely viewed the group as an entry point into the MFI so that he could work his way through their model and eventually access the individual loan:

> *I became a member of the group – at that time there were only 5 of us in the group. Many of us were not getting any help from anywhere. So I decided to join the group until I could reach a time where I could go for the individual loan which is when I would stop the group....I always wanted it be temporary. (Ent#10)*

This finding suggests that groups may only be a transient feature in the opportunity development process in microfinance and once there is sufficient trust between the loan officer and the entrepreneur they are able to advance to the individual arrangement. In addition, it also corroborates with the notion of *spatial disposition*, as discussed in section 4.1.2. Given the respective outlooks of entrepreneurs, the evidence here suggests that greater aspirations in urban contexts is likely to lead to more heterogeneous group structures where individual-liability may be more tailor made to fund firms once they are prepared to exit the group.

Following the move to the individual loan, the behaviour of both the entrepreneur and the loan officer changed with the loan officer thinking about the opportunity in the absence of the security of group collateral. One entrepreneur describes how he now interacts closely with his loan officer. He said:

> *What I take from [the MFI] now is that you must sit down and draw a plan before you collect the money. 1) They see what you're going through so you can understand what will be good for your business 2) You plan for the money you need for this particular year. You see every year you have a target, I have my plan. (Ent#5)*

The other entrepreneur who made the same recent transition also discussed this interaction. He said:

> *So every time they should try their best to give me what I want. This time, she told me that you should take this one first [5000GHS] and then after this one then we can start thinking about the next one...they told me that I should spend the money for what I have in mind for it now. I shouldn't take the money then go and do other businesses that I don't know anything about. So they're careful about me investing in what I know. (Ent#10)*

The relationship between the entrepreneur and their loan officer spans a number of years and loans are typically utilised for investments in the deepening exploitation of known opportunities. However, the funding of new opportunities created renewed information asymmetries with loan officers unable to make judgments regarding the nature of the new entrepreneurial efforts as well as operating within their own organizational parameters.

Interestingly, this type of interaction between loan officer and entrepreneur was not necessarily confined to individual-liability members, although there was a more pronounced difference between these cases. For example, as highlighted in Appendix M, one entrepreneur (Ent#6) was building a restaurant in addition to the bar which she had established. She was beginning to reach the upper limits of loan size available with the group programme and moved into what is known as the 'additional loan' - a transitory loan amount before entrepreneurs move up a further level into individual liability, except that other group members remain liable for joint repayment. As she was investing in something new, her loan officer offered advice and encouragement for the new project, warning against over commitment to the project. Therefore, when entrepreneurs do try to create a higher order of value by expanding their ventures, it requires individual judgments on behalf of loan officers to think about the opportunity at hand. At first, most group entrepreneurs will not engage in this more experimental behaviour, concentrating on being able to physically provide products. However, greater scrutiny of the opportunity may be needed when they genuinely want to move into a new area which loan officers are only likely to grant with sufficient trust and a mutual understanding of the entrepreneur and their ventures.

As the process evolved, entrepreneurs were now pursuing divergent pathways based on the preceding events in the process as well as their general outlook towards their ventures. For example, some entrepreneurs were looking to recover from earlier crises and get their businesses back on their feet (Ent#4; Ent7). For them, the process had gone full circle, with them trying to solve similar problems that they were at the businesses' inception. As highlighted in section 4.4, others were looking to build on their progress, pursuing new products, sources of supply and/or new markets. Therefore, at the tail end of the observed development process, entrepreneurs were engaged in projects which varied in their longevity where longer and more uncertain projects necessitating individual-liability lending.

4.5.2 Short-Term Lending

The pursuits of such long-term projects were also accompanied by short-term micro lending practices. As highlighted in Appendix M, this was similarly true for other entrepreneurs who were pursuing more innovative ideas where the MFI focused on *short-term lending* results (repayments) without taking into account the long-term investment projects of the entrepreneur. For example, it took one entrepreneur 3 years of investments to generate the internal funds needed to expand to the new location she had been informed of. She was now in the process of opening up another store in the urban centre where she could start selling her goods wholesale and begin importing. However, she stresses that this may be a slow transition given the large financial resources needed from the MFI (Ent#3). In addition, husband and wife entrepreneurs (Ent#9) were willing to compromise on the standard of the development of their new venture in order to access future funds. This compromise eventually led to the closure of the new location because it couldn't be sustained. They have high aspirations and significant knowledge but have had to scale back these ambitions to fall in line with how microfinance is delivered to them.

For entrepreneurs who stayed in groups, this remained a suitable vehicle for financing the venture. Other individual-liability entrepreneurs were also now thinking about the venture's long term prospects but the long-term nature of their ideas brought about substantial challenges. The example of one entrepreneur (Ent#1) is illustrative here. He was now focused on introducing the service which he had seen given to customers in the more affluent parts of Accra where he can centralize his current services whilst incorporating a barber shop too. He said:

> *I plan to have a newly built shop…I realised this in the last few months. I've been planning that after I repay, do the repayment of the loan that I have – If I want to take a new one then I have to get the new shop….I'm going to invest in the shop because the shop brings me money. When I use the money to develop the building site, I will not get anything from there so I have to use the money to invest it in a barbering shop where I know the money will come. That way the money comes from that investment. (Ent#1)*

The result of this was the realisation that he would not be able to realize his ultimate aspirations without creating some more internal funding elsewhere. Consequently, he considered a new idea of replicating his current opportunity within a new market in order to generate a higher level of cash flow. This highlights a problematic confluence between microfinance indebtedness and the scale of aspirations that underpin entrepreneurial opportunities.

The prior evidence suggested that the logic of group and individual-liability lending is to offer practical methods of delivering finance in line with the MFI's social mission. The evidence here suggests that the individual-liability lending method may gradually become more redundant as entrepreneurs actually establish the capabilities to be able to create higher order value. Thus, over time entrepreneurs begin pushing towards a third level of funding where commercial banks begin to move in with their more ambitious flexible lending products (Ent#10). As microfinance contracts focus on working capital loans, they have a short-term focus emphasizing repayment and a lack of flexibility (Karlan & Mullainathan, 2006). Despite the emergence of trust through sequential lending, the pursuit of new business opportunities means that uncertainty on behalf of the MFI re-emerges.

Throughout the lending process, the individual-liability loan officer is continually making judgments regarding the viability of the opportunity. When the use of the loan is clear and focuses on deepening the exploitation of current opportunities, there is a degree of shared trust and understanding between entrepreneur and MFI. But facilitating higher-value creation creates greater uncertainty. One loan officer describes this uncertainty. He said:

> *Mostly in credit, the security will not repay the loan. The collateral normally doesn't pay out so I have to make sure that the business can repay itself. So the collateral is more about the psychology of the client more than us having any realistic chance of clawing back any of the debt, in the event of default.*

Therefore, the decision-making process of loan officers is characterized by a focus on how the loan will be repaid and not on the potential scope of the opportunity. For deviating behaviour, the MFI have a debt recovery service for defaulting clients which is predominantly used for loan delinquents with substantial loan amounts to recover. Even so, their experiences suggest that debt recovery is a challenging in this context so its main use is to incentivise repayment. Thus, the loan officer has to make sure of repayment himself which leads makes the pursuit of higher-risk projects problematic because loan officers encourage investments in known opportunities – those which the entrepreneur has already taken significant steps towards exploiting.

Accordingly, individual-liability entrepreneurs begin to push the boundaries of their lending product when they seek higher order value creation, a third tier of potential microfinance funding (Ent#5). Given their culturally determined outlook, they are well positioned to move through the microfinance model and look at higher value creating ventures. For group entrepreneurs, the scale of their future aspirations meant that the group remained a viable method for delivering financial resources. They were not thinking about leaving the group because it was not necessary given their plans for the future. Instead, they focused on progressing within the group structure and accessing higher loan amounts (Ent#8) and slightly modifying repayment terms to meet cash flow regularities (Ent#6).

There were two entrepreneurs who were still in the process of recovering from a major life crisis which had not only had a severe impact upon their ventures and financial circumstances but also upon their perceptions of microfinance in general. One of these entrepreneurs had been completely ostracised from future loans due to her repayment problems after her father passed away and the group completely broke down (Ent#7). The other entrepreneur argued that in order to take loans she needed a certain amount of financial capital to fall back on in case of default (Ent#4). This demonstrates why the microfinance model may not be fully appropriate for all entrepreneurs who recognise that when there is an unexpected crisis, there is no insurance policy. Evidently, there is a circular logic here whereby entrepreneurs need financial resources to reduce the uncertainty of default but also need loans to build that capacity. Undoubtedly, this reveals that the poorest small-scale operations will be susceptible to overcoming these problems.

4.5.3 Summary

This section outlines the degree of congruence between the supply of microfinance resources in group and individual-liability arrangements in respect of the new opportunities they are taking action towards. In the first instance, the nature of the new opportunities being pursued varies in the extent at which these projects are particularly long-term. Although a number of entrepreneurs are genuinely pursuing opportunities of higher order value, others are focused on sustaining the small-scale operations that are sustaining their family lives. However, the evidence suggests that the nature of *short-term lending* in microfinance slows down the pursuit of emerging ideas about the venture as loan officers are unable to grant sizeable loans for unknown opportunities.

4.6 Chapter Summary

This chapter has outlined the raw data and principal themes emerging in this thesis. Section 4.1 outlines the antecedent conditions to the emergence of this process by highlighting the distinctive pathways that individual entrepreneurs are on. As a result of these distinctions, it argued that the MFI applies separate lending logics in both group and individual-liability arrangements. In groups, the MFI is thinking about the entrepreneur without necessarily reflecting on the opportunities they are engaged with. Indeed, at this point entrepreneurs are grouped into a collective because they are judged to be homogenous in terms of their skill sets and financial requirements. For individual-liability entrepreneurs, the MFI thinks more closely about the opportunity they are engaged with. However, the major argument within this section is the distinctive differences between cases (not necessarily lending methods) of the entrepreneur’s culturally oriented outlook which is embedded within particular spatial contexts. Indeed, these antecedent conditions set the platform for the rest of the story.

Section 4.2 outlines the initial interactions between the MFI and the entrepreneur as they begin the process of taking loans and overcoming particular barriers to markets. This section builds on the lending logics outlined in section 4.1 and establishes the behaviour of MFIs towards entrepreneurs in their respective lending arrangements. It demonstrates the MFI view that group entrepreneurs do not have the necessary 'tools' to be able to perform effectively as entrepreneurial firms. In this respect, the progressive lending process operates by the degree to which the opportunity is overseen by the loan officer. This emphasizes the challenges facing loan officers who have to cope with numerous entrepreneurs in group-lending.

Section 4.3 and 4.4 look at the social network context of entrepreneurs and how microfinance alters the nature of these relationships. Drawing from the observation of the importance of geographic context, section 4.3 argues that entrepreneurs engage in a process of accessing, legitimising and communicating with their network ties depending on the spatial context they are situated within. Subsequently, section 4.4 argues that these network ties reflect the entrepreneur's information context and therefore informs the new venture ideas stimulated. It argues that urban contexts are more information rich with new ideas stemming from their engagements with networks in other geographic contexts from which they are able to learn. In peripheral contexts, the emergence of new ideas is tied to the entrepreneur's immediate environment and is therefore determined by the social needs of the community.

Finally, section 4.5 moved the discussion back towards the interactions between the MFI and the entrepreneur by showing how suitable their lending practices are for funding these emerging venture ideas. The purpose of this section is to highlight the alignment between entrepreneurial aspirations and lending practices. It shows that entrepreneurs move away from group lending when their aspirations to create higher value emerge and the MFI trusts them sufficiently to be able to lend autonomously. However, individual lending in itself is flawed by the duration of the loans it is able to offer with loan officers wary of offering loans to fund new operations – unknown opportunities. This section therefore argues that loans may not discourage the emergence of higher value opportunities but it slows down their exploration and exploitation.

CHAPTER 5 – DISCUSSION

This chapter presents a dynamic theoretical model of the results from the thesis. The purpose of the previous section was to highlight the emerging themes. The additional analytical exercise is to be able to link these themes together under the rubric of their aggregate theoretical dimensions. The first section highlights the cultural repertoire and contractual assortment process that MFIs engage with. This discussion draws from Swidler's (1986) notion of knowledge being a cultural production when integrated with human capital theory (Becker, 1964). Overall, it argues that these features are embedded within microfinance lending logics (5.1). Subsequently, this chapter highlights how MFIs engage in a process of agency and market mitigation across group and individual-liability lending arrangements (5.2).

Thirdly, it conceptualizes social network development using the metaphor of the *rhizome* (Hess, 2004). This brings together the notion of cultural repertoires as a type of genetic code for network development which is linked to identities within a particular spatial context (5.3). This socio-spatial network development leads to varying network positions for entrepreneurs thus determining the scope of new knowledge afforded to them (5.4). As a consequence, urban entrepreneurs were engaged with ideas requiring greater commitment whilst those in the periphery were trying a number of small-scale experiments. This meant that there existed varying degrees of congruence between lending terms and the pursuit of new sources of value.

5.1 Cultural Repertoire & Contractual Assortment Process

As Figure 4 demonstrates, entrepreneurs entered the microfinance process from distinctive resource and experiential backgrounds which guided the logic of microfinance lending. This leads us into thinking about entrepreneurial action as a cultural production which thinks about a blend of the types of skills, knowledge and world views that entrepreneurs bring into their venture's development. Culture distributes ideas and behaviours which produces a culturally-specific learning landscape (Atran, 2005). For many entrepreneurs in the developing world, the decision to pursue certain opportunities is predominantly driven by their immediate situation and they carve out certain opportunities from their cultural repertoires. This builds upon McMullen's (2011) critique of the microfinance narrative which posited that research must focus on entrepreneurial abilities and look beyond purely financial capital as a means to development.

Knowledge and experience are distributed through societal forces. Through social positions, certain individuals have access to particular life opportunities that others may not, determining their social mobility and occupational attainment (Anand, 2011; Buchmann & Hannum, 2001). As a result of institutional deficiencies, inequalities exist within society which shapes the types of opportunities which entrepreneurs engage with (Robinson, Blockson, & Robinson, 2007). From this resource-based perspective, individuals are embedded within particular labour roles, giving them access to certain social networks and dictating the information initially afforded to potential opportunities (Baker et al., 2005).

This places emphasis on the intellectual resources as well as economic resources at the disposal of the entrepreneur (Martinelli, 1994). Thus, entrepreneurs across group and individual-lending platforms varied by the knowledge and skills they could bring into the process. In general, where human capital levels are high, particular tasks are executed more effectively (Becker, 1964). Entrepreneurs with higher levels of industry experience are more likely to pursue an opportunity within that knowledge domain, better positioning them to develop the opportunity (Dimov, 2010). This type of valuable human capital is available to some and not others whilst inadequate institutions reinforce these structures by allocating individuals into economic roles and other jobs (Rubinson, 1994).

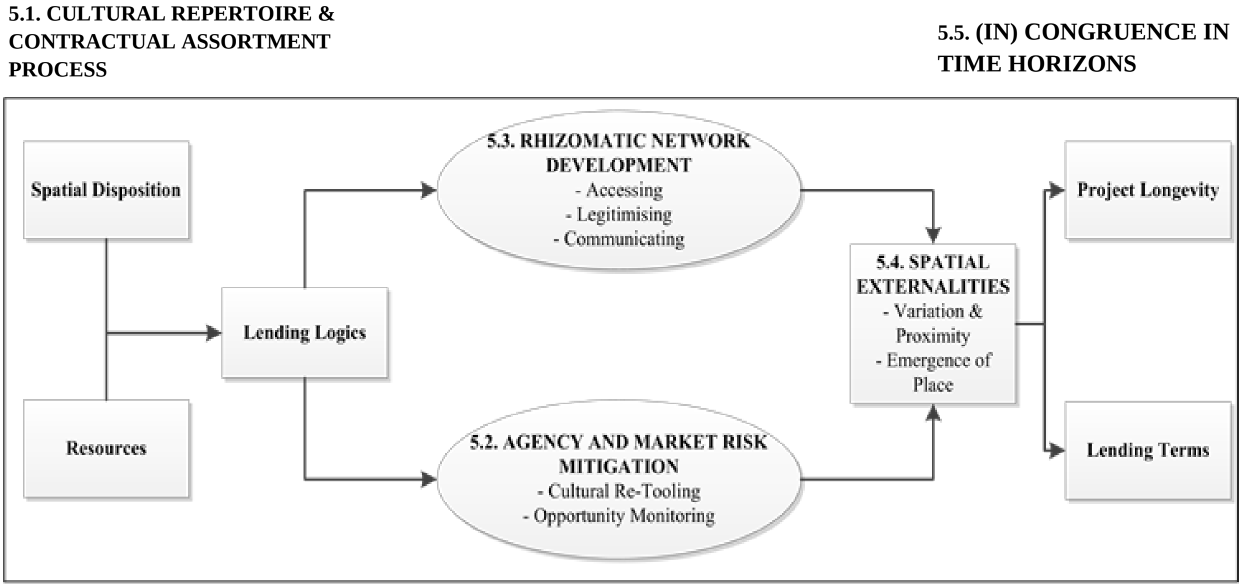
As explained by Aldrich and Martinez (2001), the accumulation of knowledge and skills is a cultural product, which defines how an individual organizes their actions. This is described by Swidler (1986): “Strategies of action incorporate, and thus depends on, habits, moods, sensibilities and views of the world….Indeed, people will come to value ends for which their cultural equipment is well suited” (p.277). Swidler introduces the notion of a cultural repertoire or ‘toolkit’ as something which enables or constrains the ranges of action that individual is likely to take within particular circumstances. Entrepreneurs face a number of individual situations when they first conceive of their ventures and they draw from their cultural resources to justify their actions (Swidler, 2001). Therefore, cultures are not coherent unified systems “but a mixed bag of tools that people use for navigating various situations in life practically” (Reed, 2002, p.786).

This perspective is positioned against other studies which look at the role of culture and entrepreneurship with respect to certain values, shared beliefs and expected behaviours (Acs & Virgill, 2010). For Swidler, a pespective based purely on cultural values has limited causal explanation because “Action is not determined by one’s values. Rather action *and* values are organized to take advantage of cultural competences” (p.275). In this view, entrepreneurs combine their culturally organised skills and knowledge with the image of the world that they are trying to create. Previous conceptions of culture reduce explanation to a set of values which offers a limited understanding as to the way that individuals organize their actions. Entrepreneurs in impoverished circumstances do aspire to have successful businesses as well as better social and economic lives but aspiration is not enough, they must combine this with their particular skills and knowledge at certain moments in time.

This leads to thinking about human and cultural capital theories as being mutually reinforcing concepts which require further integration. Indeed, Bradley et al. (2012) argue that human capital through family business experience and business expertise has a key role in determining the novelty of opportunities of microfinance entrepreneurs. However, the data here illustrate that entrepreneurs proceed through what they see as an established way of organizing their lives which leads them to have particular views of the world and how they see the future as being constructed. Their opportunities are not constructed around a particular set of values but what they have become accustomed to over time. Therefore, action is constructed around skills, knowledge and particular views of the world which are conceptualized in this thesis under the rubric of the cultural repertoire.

For the entrepreneurs in this research, this cultural repertoire represents a type of mental schema for guiding entrepreneurial action. Therefore, as a central crux of this thesis, it is key in understanding the nature of opportunities developed by entrepreneurs. Sautet (2013) argues that the scope of entrepreneurship in developing countries is accounted for by the appropriate incentive systems but the notion of a cultural repertoire which guides action gets closer to understanding how entrepreneurs respond to such systems. Regardless of whether the system incentivises large scale opportunities, the entrepreneurial poor construct their actions around a vision of the world which is suited to these cultural repertoires. Indeed, Banerjee’s (2007, p.165) influential work states that “one senses a reluctance of poor people to commit themselves psychologically to a project of making more money”. However, a reconsideration of this view within a culture and action framework posits that the entrepreneurial poor may aspire to more lucrative future opportunities but they have to begin in a world that they are familiar with so they construct strategies of action accordingly.

Figure 6 - A Dynamic Theoretical Model of Opportunity Development in Microfinance



Building on this, and as highlighted in Figure 4, is how these cultural repertoires were distributed geographically. Anderson (2000) discusses the contrast between peripheral and urban 'core' contexts of economic activity. In doing so, he highlights how culture can vary between these two spaces. Chapter 4 argued that this can be delineated across entrepreneurs who perceive a 'sense of place' versus those who 'gravitate' towards economic opportunity. Essentially, this operates as a function of the entrepreneurs cultural repertoire. They were pursuing venture opportunities as a reflection of these repertoires and it subsequently became appropriate to tailor their opportunities to particular spatial contexts.

This leads the research to understand that entrepreneurs conceive of their venture ideas within heavily contextualised socio-spatial setttings (Welter, 2011). Particular places have significance to human life in that they have meaning whilst also being a fixed position for social interaction. Indeed, all entrepreneurial activity is embedded within particular places whether it is Silicon Valley or someone who sells tinned goods from their own home; these contexts have deep significance to entrepreneurial journeys. The data here fits with Low and Altman's (1992) conceptualization of 'place attachment' whereby emotions and feeling are central to understanding a person's reasoning and "are often accompanied by cognition (thought, knowledge and belief) and practice (action and behavior)" (p.4-5).

One component of this framework is that places are inherently related to an individual's view of the world. In this case, the notion of *spatial disposition* is to emphasize the duality of a person's relationship with a place which governs the particular meaning of the opportunities they are trying to get off the ground. This sense of emotion, attachment and feeling was not foremost in understanding why entrepreneurs located their opportunities in urban contexts. Instead, this appeared to follow a more conventional logic where their habitual methods of organising are driven by 'common sense' as a consequence of their acquired skills and knowledge (Swidler, 2001).

This is not to say, however, that all opportunities in urban contexts have significant opportunity potential and that all entrepreneurs who gravitate towards this context have the knowledge and resources necessary. Indeed, as De Soto (2001) highlighted, like many urban contexts in developing countries, there exists a vast number of individual traders who line the local markets selling the bits and pieces they get day-to-day. In an anecdotal sense, this was also ubiquitous in Ghana. However, the comparitive data are indicative of understanding where entrepreneurs with resources and higher aspirations do gather. The value of being in an urban centre is as true for someone who buys and sells whatever they can get hands on as it is for someone who owns an internet cafe. However, it is the distinctive configuration of particular knowledge and skills with a certain entrepreneurial disposition that allows them to organise their actions accordingly.

In this respect, the findings from entrepreneurs in Ghana reveal the relationship between the social structure, the cultural schemas of actors in this structure and the geographic distribution of entrepreneurial opportunities. The application of structuration theory within the study of entrepreneurship posits that entrepreneurs and social systems co-evolve in order to fill market imperfections (Kirzner, 1973; Sarason et al., 2006). The structure of the social system consists of the rules and resources that mediate action (Giddens, 1984). Sewell (1992) offers a critique of this theory by arguing that understanding that the recursive duality of structure and agency through rules and resources that mediate action is too ambiguous in its definition.

Sewell proceeds to argue that rules in Giddens' theory are 'virtual' whilst resources are 'actual'. The 'virtual' refers to the schematic nature of agency – the mental structures which guide individual action. Drawing from this perspective, this research emphasises the variations of entrepreneurial schemas; they are products of their social structure but in the sense that these structures sustain and constrain cultural schemas which are the resources which constitute strategies of action. This notion and indeed Swidler's (1986) exposition are embedded in the ideas of Bourdieu (1977) with respect to a person's 'habitus' – the particular disposition of individuals. Complementing knowledge and skill resources, this perspective argues that people organize their actions to pursue ends and take advantage of their culturally produced abilities (Anand & Lea, 2011).

In Swidler's view, individuals build their strategies of action around culturally shaped skills, knowledge and particular views of the world (Farkas, 2003). As Figure 4 highlights, this also lended itself to how the MFI reflected upon their respective social missions (*lending logics*). Entrepreneurs carve out self-identities within particular places and are engaged in a process of 'place-making' (Gill & Larson, 2013). These identities were reflected in their cultural repertoires and were a central force in the contractual assortment process. Shaw (2004) argues that the poorest entrepreneurs (as measured by income) tend to have the lowest level of human capital and limited entrepreneurial aspirations which is typical of entrepreneurial activity in more rural areas. However, accounts of entrepreneurial development through microfinance have largely ignored the specifics of how particular lending methods account for these variations in the entrepreneurial landscape.

Instructive for conceptualizing the distinction between group and individual entrepreneurs is Swidler's (1986) model of cultural influence which refers to settled and unsettled lives, highlighting the role of individual circumstances. In settled lives, people intuitively 'know how to act' based on how they have been taught, they are generally rational and driven by 'common sense'. In unsettled times, individuals are subject to competing ways of thinking and new strategies of action emerge when previous ways of behaving become less of the norm. Cultures compete with one another and old ways of thinking are elbowed out of the way by new methods (Hall, 2003). The patterns in the data suggest that, from the perspective of the MFI, group entrepreneurs lead relatively unsettled lives; their skills and habits require modification to fit an idealized culture – a way that people *should* organize their economic lives. From the outset, individual-liability members have more comprehensive cultural repertoires thus increasing the available range of strategies of action.

In this sense, microfinance appears to operate at two distinctive tiers of lending depending on the limited information that the MFI is able to gather from the entrepreneur through their respective opportunities. As such, allocation into the group or individual lending mechanism depends on cultural similarities through shared expectations and communicated understanding (Inkpen & Tsang, 2005). At the onset of the process, group entrepreneurs represented the most resource-constrained of the microfinance population. They had little or no physical capital and no access to social networks which are typically considered to be crucial to overcoming initial financial difficulties in firms (Birley, 1985). Indeed, this perspective of social network theory assumes access to social networks but for the entrepreneurial poor this may not necessarily be the case. Instead, one of the functions of enrolling in groups is to fill this social network function, to be able to access financial resources and to be able to trade in a more efficient manner. Therefore the group *lending logic* is inherently related to the onset of the network development process as outlined in section 5.3.

In individual-liability lending, however, this resource function already existed which allowed entrepreneurs to overcome initial uncertainties by drawing from their immediate social network. Webb et al. (2010) discuss the nature of the entrepreneurial process in developing economies and highlight how such contexts can vary within as well as across particular nations. Sorenson (2000) draws the link between social structure, geography and the distribution of entrepreneurial opportunities by looking at the emergence of a particular industry. There are commonalities here whereby entrepreneurship in peripheral areas are relatively homogenous to the social needs of those areas and so they tend to focus on food and other general provisions trading. However, there exists greater scope for specialisation within the urban context where opportunity for higher-order functions may exist.

Therefore, this geographic distribution of opportunities and particular dispositions was embedded within microfinance lending logics. The MFI here was incorporating these features of the entrepreneurial landscape into its developmental strategy. In contrast to the perspective of Yunus (1999), the skills, knowledge and aspirations can vary widely across the entrepreneurial poor and MFIs are wary of this. This has important implications for understanding entrepreneurial action and placing important limitations on what MFIs may or may not be able to achieve. Crucially, it suggests that future research on lending mechanisms in microfinance must contextualise their findings in line with the spatial features of ventures and the entrepreneurial dispositions behind them.

5.2 Agency & Market Risk Mitigation

Section 5.1 constitutes the starting point for the process which is subsequently interlinked with the emerging aggregate theoretical dimensions. Following the themes previously highlighted, *cultural re-tooling* and *opportunity monitoring*, the conceptual development here focuses on this as a reciprocal process between the entrepreneur and the MFI of agency and market risk mitigation. This work brings to the literature much needed theoretical insights into the dynamic nature of the relationship between entrepreneurs and MFIs. As the principal holder of resources, the MFI is a key stakeholder in and shaper of the opportunity development process (Dimov, 2007). Essentially, MFIs see entrepreneurs as having culturally diverse resources as highlighted in section 5.1, which can be put into strategic use in the opportunity development process. As highlighted by Figure 4, the elements of the onset of the microfinance intervention are linked to how the MFI considers agency and market risk.

In investor-entrepreneur relationships, Fiet (1995) discusses the notion of investor risk as being either agency and/or market based. Agency risk occurs under conditions of information asymmetry whereby the investor has limited knowledge about a particular individual. Information asymmetry is widely cited as being crucial to the formation of groups (Khandker, 1995) but the specifics of this and how it impacts upon the policies of MFIs is not well understood. Indeed, the extant literature presupposes that this information asymmetry remains permanent which is clearly not the case as such relationships are characterized by the promotion of risk-reducing information. The findings here indicate that agency risk emerges across three areas highlighted potential dishonesty, monitoring costs and physical distance (Fiet, 1995).

For groups, MFIs have limited information about entrepreneurs that they try to mitigate by allowing entrepreneurs to self-select into groups and drawing from local information – this is historically a central tenet of the group lending programme (Ghatak, 1999). Agency risk increases in significance for group entrepreneurs because of the number of individuals who need to be monitored. Given the volume of this type of entrepreneurial activity in local markets, it is unfeasible to distribute financial capital to these entrepreneurs on a one to one basis given the lack of information they have about their ventures. Thirdly, MFIs also have to consider the costs and logistics of sending loan officers out into the field. As such, monitoring costs (and therefore agency risk) increased when they look to serve entrepreneurs in peripheral areas. In fact, entrepreneurs based in the urban environment could make their repayments by visiting the office of the institution with other group members.

Building on this, the results corroborate with the Bruton et al. (2011); groups predominantly act as a risk-sharing mechanism which allows numerous entrepreneurs to access loans. However, the research here unpacks the nature of the risk as perceived by the MFI and the entrepreneur developing their opportunities. Interestingly, for the MFI, the risk component of their group-lending evolved as they sought to balance agency risk with its inherent complexities as well as incentivising entrepreneurs to eventually leave groups. Thus, the situation for the MFI was multifaceted, almost tacitly acknowledging the cumbersome nature of group-lending, re-developing the product accordingly in order for entrepreneur's to have greater autonomy in their actions.

The literature on decision-making within groups suggests that accountability has a function whereby individuals take acceptable positions in order to not disrupt group harmony which can lead to decisions which perpetuate the status quo (Tetlock, 1985). The observations here highlight a hybridised nature of accountability between groups and the MFI in handling risk. Fundamentally, the group remains accountable for full repayments but the loan officer is able to individually track who is responsible for repayments. Thus, the loan officer and the entrepreneur are granted greater decision-making autonomy allowing for greater transparency in understanding entrepreneurial performance and/or deviating behaviour.

Risk between MFIs and an entrepreneur is not only agency based. It also considers the proposition of the particular individual's venture – the opportunities they are pursuing. For group entrepreneurs, these propositions are largely invisible because of either a lack of physical capital – premises and/or equipment that suggest a functioning business – or are inseparable from their home environments (Mirchandani, 1999). At the outset of the investor-entrepreneur relationship, the agency risk is high as the investor has reason to believe that the entrepreneur could be potentially dishonest or deviate from agreed behaviour. Maxwell and Lévesque (2011) discuss the process of risk mitigation between investors and entrepreneurs as the control of behaviour and outputs. Behavioural control pertains to agency risk and the potential of that individual to deviate from agreed behaviour. However, output control refers to how the lender structures goals and incentives as they pursue their particular entrepreneurial aspirations. With this in mind, the process of controlling these outputs (*agency and market risk mitigation*) is one of constructing trust and communicated understanding.

In this dynamic, entrepreneurs are communicating a particular identity to loan officers, which is reflected in their cultural resources (agency) and their opportunity (market). At the group tier of micro-lending, this collectively acts as a starting-point for those operating in small-scale economic activities, providing a cost-effective method of filtering capital down to a large number of entrepreneurs. For group-based entrepreneurs, the MFI seeks to adapt and control their behaviour by considering their cultural resources and adapting them according to their own perceptions about how entrepreneurs *should* act. As introduced in section 5.1, unsettled lives are cultural and cognitive models which can be re-organized because as they gradually become less of a broader cultural norm. This process of change requires radical intervention and the practice of unfamiliar habits (Swidler, 1986).

The data suggests that this learning leads to two behavioural outcomes of self-control and self-efficacy. For self-control, business training reduced the entrepreneur's impatience for short-term consumption over long-term rewards (Pennings, 2005). Bruton et al. (2011) argue that entrepreneurs who create higher-performing ventures tend to have a notable future orientation – the ability to imagine a future scenario, successfully plan towards it and be able to control their behaviour along the way. In Swidler's (1986) perspective, the notion that some entrepreneurs have an orientation or aspiration towards some future scenario is insufficient in explaining the form of action taken. It is not that some entrepreneurs do not have the same aspirations as others such as greater income or to send their children to secondary school. Instead, images of the future are framed around their immediate situation and entrepreneurs use their cultural resources – habitual ways of acting – to respond accordingly. Thus, interventions which focus on business training may alter how an entrepreneur organizes their actions but not necessarily the type of future that they envisage.

The other aspect of cultural re-tooling is self-efficacy which has been shown to develop through business training and the new experiences brought about by the outcome of microfinance investments (McGee et al., 2009). Self-efficacy pertains to an individual's self-belief in executing an action, their self-confidence and behavioural control (Bandura, 1989). Therefore, it closely correlated with the notion of self-control as well as theories, such as the theory of planned behaviour, which seek to predict when individuals follow a particular path of action (Ajzen, 1991). The process of cultural re-tooling therefore is linked to the ability of entrepreneurs to invest loans wisely and plan towards a course of action. Thus, the process interdicted by the MFI engages in mitigating agency risk which ties in directly to risk-reducing information about the opportunity being developed.

For the MFI, information concerning their ability to achieve goals is provided through the progressive lending process where data on each venture cyclically unfolds as they take action towards exploiting opportunities. This process of opportunity monitoring in lending reflects the output control mechanism (Maxwell & Lévesque, 2011). Progressive lending allows entrepreneurs to develop their opportunities sequentially with respect to the resources granted by the MFI. This progressive lending process also signals to the MFI about the behaviour of the individual and the viability of the opportunity, gradually mitigating both market and agency risk over time.

The data highlight that the output controls of group and individual lending are different and produce varying behaviours between loan officers and entrepreneurs. Evidence from venture capital funding holds that each round of finance in sequential lending is smaller and shorter in duration for early stage firms but when assets are more tangible amounts increase and have a longer duration (Gompers, 1995). Essentially, a similar pattern is observed here where loan amounts for group entrepreneurs operating in ambiguous circumstances (unsettled lives) begin lower and are cautiously increased over time according to performance (output control). The shorter duration of loans in group lending allows the MFI to monitor the entrepreneur’s performance more frequently and gather risk-reducing information with other group members monitoring behaviour in between.

As shown here, the bulk of this discussion focuses on established investor markets in developed contexts where investors are looking for potential, financial returns and minimal risk. Clearly, the context of study here is radically different. As such, there are significant departures between the findings here and that strand of literature. Firstly, loan officers are not investors in the sense that they receive no financial reward from appropriate investments and they do not invest their own money. Instead, their focus is on applying the organisational lending model with the view to positive outcome.

Navis and Glynn (2011) discuss the perceptions of markets from investor’s points of view as being determined by their levels of ambiguity. The data highlight that loan officers see individual-liability entrepreneurs as being engaged in established markets with these firms having physical capital and a notable cash-flow, which acts as a cognitive anchor and framework of meaning for the MFI-business relationship (DiMaggio, 1997). The individual loan officer would often search for these entrepreneurs in the local urban area and so potential firms were able to communicate with the MFI a market presence and a framework of shared understanding regarding the opportunity they are pursuing. This immediately acted as risk reducing information in both agency and market terms.

For group entrepreneurs, there was initially heightened situational ambiguity because the opportunities they were engaged with were often much less tangible. However, the distinction between group and individual-liability entrepreneurs was not about the ambiguity of the market per se. The market that an entrepreneur is engaged with is only likely to seem ambiguous to a financier if that particular market category is new or unknown. For most entrepreneurs, they initially engaged in differentiated type activities which sought to deepen the exploitation of particular markets. Therefore, market categories were not particularly ambiguous at first to the MFI. Given the nature of entrepreneurship in this context, market categories were well established but it was less clear what entrepreneurs would do in them because of agency risk. Thus, the more legitimately distinctive the venture appeared, the less ambiguous the circumstances surrounding the lending process.

The outcome of this risk mitigation was process was the enablement of trust between loan officers and the entrepreneur. The other significant departure with the literature on investing and trust pertains to how the lender reflects upon the entrepreneur's particular cultural competences. Indeed, the literature here presupposes the nature of the trust building exercise. This is primarily because it is embedded within a strand of literature which looks at financiers as investors rather than here where the financing of ventures is explicitly tied to a social mission. Thus, the process does not rely on some trust *a priori.* Instead, it engages with entrepreneurs regardless of cultural competences in order to bring about trust and eventual productive outcomes. The perceived wisdom is that group collateral is utilised to handle post-investment agency risk but the findings here show a more holistic approach to the development of the individual and their opportunities. Indeed, the results highlight how social collateral gradually gets replaced from group membership to a dynamic between the loan officer and the entrepreneur.

As highlighted by Khavul et al. (2013), the group mechanism is characterized by 'lock-in' which can be inconsistent with the cash flow of the businesses and essentially ties the entrepreneurs access to financial resources to group membership. In this sense, how output controls are structured between group and individual liability programmes varies. In individual-liability, the entrepreneur has a much more negotiable position; they communicate their plans with loan officers and the loan officer screens the next stage of investment. This allows individuals to set structured goals and steps in order to achieve those goals (Brews & Hunt, 1999). Therefore, rather surprisingly, the findings demonstrate that the MFI is very 'hands-on' with group entrepreneurs at first but this appears to dwindle once loans are taken and the group mechanism takes over.

5.3 Rhizomatic-Network Development

The data regarding how microfinance alters the nature of network relationships leads to theoretical insights into how entrepreneurs bring other actors into their opportunity projects. The data draw connections between Hess's (2004) concept of *rhizomatic* network development which seeks to understand the temporal development of networks across particular spaces. The notion of the rhizome is primarily metaphorical but it is a perspective that allows an understanding of networks as operating within spaces and places, across time and with reference to the proximity of certain actors. The results here argued that network development occurred across three levels of proximity which related to processes of *accessing, legitimising* and *communicating.* In developing this theoretical insight, these findings relate to the embeddedness of social relations and their processual character. It is additionally consistent with and builds upon the notion of the cultural repertoire outlined in section 5.1. Therefore, this section argues that it is the conjunction of societal, network and territorial embeddedness that shapes networks.

Hess (2004) uses the word 'rhizome' as a metaphor for understanding the concept of embeddedness and how network actors are linked together. Through this biological metaphor, he describes networks as a stem that grows into a network by gradually growing new shoots and further stems along the way thus acknowledging the processual character of relationships. As a result, networks are defined by their heterogeneous connections, multiplicity and alterability which can be arbitrarily destroyed. For Hess (2004, p.182) "the rhizome gives us a sense of how actors transmit their 'genetic fingerprint' through relational processes, how activities are bundled in particular, bounded places or territories, and how rhizome-networks develop and change in space". Therefore, it is instructive in thinking about social network development in terms of a configuration of factors pertaining to relationships across time and space.

There are three components of embeddedness which are linked to the network development process here which comprise the *rhizomatic* development of networks. Firstly, societal embeddedness refers to exactly where a person comes from as well as their role in society which constitutes their 'genetic code'. "Network actors, be they individuals or collectives, have a history that shapes their perception, strategies and actions, which therefore are path-dependent" (Hess, 2004, p. 180). This notion of a 'genetic code' (used metaphorically rather than biologically) resonates with the relationship between culture and action. Indeed, the idea of a genetic code is also described as a cultural imprint that influences economic behaviour.

It could be argued that such elements of the social structure preclude some and not others from recognizing certain opportunities. For example, Baker et al. (2005) argue that through social stratification processes, some entrepreneurs are excluded from the most lucrative opportunities because they are not embedded in the economic roles and social networks that allow for their conception. However, this perspective reduces discussion and an understanding of action to a case of the 'have and have nots'. This offers a misrepresentation of the meaning of opportunities in context. It is perhaps more productive to understand how culture or such 'genetic codes' are used by entrepreneurs to determine the path of their opportunities as embedded in a series of exchange relationships. Thus, explaining exactly how networks develop requires an understanding of this.

Secondly, the notion of territorial embeddedness "Considers the extent to which an actor is 'anchored' in particular territories or places. Economic actors become embedded there in the sense that they absorb, and in some cases become constrained by, the economic activities and social dynamics that already exists in those places" (Hess, 2004, p.177). This concept draws together the notion of societal embeddedness, cultural repertoires with the idea of a *spatial disposition.* Section 5.1 outlined this concept but it has further relevance to in thinking about how networks develop because this 'anchoring' to particular spatial contexts also provides the entrepreneur with the material setting for social relations (Agnew, 1987).

Lastly, tied in with notions of societal and territorial embeddedness is the embeddedness of the network itself. For Hess (2004, p.177), "Network embeddedness can be regarded as the product of a process of trust building between network agents, which is important for successful and stable relationships". This therefore reflects the relational aspect of network embeddedness as considered by Granovetter's (1973) strength of weak ties proposition. In combination with the other elements of embeddedness, it allows us to think about the relational component of the network as well as it's structural features i.e. *who* an entrepreneur has access to affects *what* they have access to (Nahapiet & Ghoshal, 1998).

The notion of embeddedness forms the backdrop to understanding of social networks where market relationships are understood to operate through either reciprocity or monetary goals (Granovetter, 1985). In this respect, the bulk of discussion which contextualises networks in Sub-Saharan Africa suggests that gift exchange is typically how economic actors understand their relationships (Fafchamps, 2001). There was some evidence that entrepreneurs in Ghana engage with small-scale cohesive networks but microfinance had a crucial resource input in accessing new and weaker network upstream ties. As a result, the results bring theoretical insights into the concepts of network development by considering the embeddedness of relationships across societal, territorial and network dimensions.

The results highlighted that entrepreneurial networks were developed from the distinctive vantage points of urban and peripheral contexts. As Schutjens and Stam (2003) argue, entrepreneurial activity co-evolves within the network structures which comprise a person's immediate environment. Networks are not tied to particular spatial contexts but firms are entwined within such local environments where there development is inherently linked to what is around them. The data here reflect this under the rubric of a network *rhizome* which, through an application of microfinance resources, reproduced itself over time facilitating new patterns of action.

There existed differing configurations of societal, territorial and network embeddedness. First and foremost, the data highlighted that microfinance altered the nature of network relationships through a process of *accessing* upstream relationships. This allowed entrepreneurs to engage with local suppliers in a cost-effective manner. Thus, entrepreneurs in the periphery were using microfinance to change the structure of their networks and improve physical access to known local suppliers. In contrast with the discussion by Fafchamps (2001), there was no sense of pure non-economic reciprocity here. In fact, the reasoning here had little or no relational component to it.

For entrepreneurs in the periphery, the major relational component was in customer relationships with their development being inherently linked to their cultural repertoires and particular territories through a process of *legitimising*. Although there was an economic logic to their actions, this was balanced by a sense of obligation to their communities or as a means of serving their families – a feature of how they frame particular decision-making situations around a common conclusion (Swidler, 2001). Unlike urban areas, there were simply far fewer customer relationships which meant that these relationships and their outcomes, positive and negative, tended to be characterized by greater emotional intensity and more frequent contact (Granovetter, 1973). Thus, microfinance resources actually allowed entrepreneurs in the periphery to strengthen their customer relationships whilst changing the structure of their network by giving them access to particular upstream relationships. In this respect, there exists an interesting blend of relationship strength between upstream and downstream ties as entrepreneurs sought to make ends meet.

In contrast, for entrepreneurs who invested microfinance loans in an urban context, there was a more pronounced change in their network structure. In terms of upstream relationships, product based firms used loans to access suppliers in extra-local contexts. Given their entrepreneurial dispositions, these constituted relatively aggressive strategies which allowed for the exploitation of some economies of scale (Sautet, 2013). Significantly, however, context was crucial for their network position with additional financial resources allowing them to advance their status. The data highlight how additional resources led to a process of *communicating* to other members of the network, entraining new ties into their opportunity projects.

At the structural level, this reveals a crucial distinction between network development in peripheral and urban contexts. It highlights that networks in urban areas tend to have greater heterogeneity and connectivity thus linked to other networks in the rhizome. In order for the relationship to have potential for exchange there has to be some degree of mutual benefit and expectation of potential value to emerge. This pertains to what Nahapiet and Ghoshal (1998) describe as the cognitive dimension of exchange. For these exchange partners, the urban context was also a fruitful area for their self-interests. This meant that the activities of entrepreneurs in that context would be communicated to other actors operating in that context.

The notion of network advancement here was brought about through this process of communication as entrepreneurs gradually had to expend less effort to maintain local relationships. As the data highlight, this was because power shifted in upstream relationships whereby entrepreneurs were exerting less of their time to physically travel for the cost-effective purchasing of products. In this respect, there is a strong link between the physical location of an entrepreneur as well as their location in the network. In particular, this is where microfinance resources appear to have their most profound network impact. Because there is a far greater proportion and density of upstream contacts here there subsequently constitutes increased potential for an advantageous network position. In the periphery, however, spatial distance to the most upstream activity meant that more effort had to be extended to develop and maintain upstream ties.

The findings here demonstrate an interesting empirical example of what Aldrich and Kim (2007) describe as the structure of small-world networks. In the ‘small worlds’ perspective, networks remain localised, tied to friendships and/or communities and access to network members can be guided by a person’s prestige and their role within the social structure. Entrepreneurs tend to associate themselves with network members who share similar characteristics and goals which can be unproductive in the creation of new knowledge (Aldrich & Kim, 2005). The data here highlight the subtle variations between these 'small worlds' in particular socio-spatial contexts and how they shape entrepreneurial outcomes. This theoretical stance posits that homophilous ties reduce the potential heterogeneity and connectivity of that network.

In an urban environment, the co-location of specialized entrepreneurial activity was quite prevalent. Depending on the firm, entrepreneurs could have interactions with aggressive competitors, different types of customers or new upstream relationships. Regardless of the tie type, it was the case that entrepreneurs could learn about new relationships via these ties. As such, this context was characterized by network ties which, through their development, led to the access of new network ties within separate clusters. For example, it was a frequent occurrence that access to microfinance resources gave entrepreneurs access to upstream ties that operate further up the value chain. It was their position within their network that allowed them to learn about these ties and how large loans allowed for more cost-effective opportunities. This provides further weight to the argument that network position and network structure are crucial determinants of entrepreneurial outcomes which can be considered with respect to an entrepreneur's physical location (Hoang & Antoncic, 2003).

Classically, Burt (1992) argues that networks which contain structural holes are much more useful because they provide access to new information. More recently, Burt (2005) argues for the importance of network position in determining economic outcomes. However, Burt also argues that people are inherently aware when they occupy poor network locations and will move to more advantageous positions as a consequence. Burt subsequently argues that some individuals can be fairly myopic to their own network structure and therefore may not act to change it. The theoretical insight offered here is that entrepreneurs in peripheral circumstances are aware of their network locations. They understand community needs and often act to bring in new resources from more distant network ties through their microfinance resources. Therefore, entrepreneurs in the periphery would act to alter their networks but not necessarily in the most optimal manner. Thus, the notion of a cultural repertoire which acts as a 'genetic code' for network development is positioned against the common assumption that entrepreneurs seek to maximise their network positions. This only appears to occur when it is aligned alongside their respective dispositions.

Khavul (2009) focused on the role of strong community and family ties in East Africa. She argues that entrepreneurs move away from relying on family ties and instead focus on community ties in order to create growing micro-businesses. Because of the position of women in society, female entrepreneurs do not want to rely on family members who may appropriate resources. In Ghana, there was no evidence that this was the case. Entrepreneurs engaged with the local community to support their ventures but actually husbands (where applicable) were reported to be supportive of female entrepreneurship. Indeed, they would often offer financial assistance or advice on new ways forward. Therefore, it appears to be more of an enabler of entrepreneurial action rather than an inhibitor.

The aforementioned notion of *rhizomatic-network development* allows for thinking about the networks of entrepreneurs in microfinance beyond the relationships that they keep in groups. Indeed, the research consistently emphasises that how entrepreneurs alter the nature of social networks is heavily determined by their relationships with other exchange partners i.e. the MFI, upstream and/or customer ties. Previous research by Ghatak (1999) and Marr (2002) argues that the group structure and dynamics are determined by the information that borrowers have about one another. However, they fail to make the link between how group structures may just be a broader representation of the social and geographical landscape. The findings here highlight how the entrepreneurial poor can vary in terms of their dispositions and spatial arrangements which have significant consequences for understanding the heterogeneity of groups and their members. Furthermore, these features of context are particularly vital for understanding how entrepreneurs engage with key stakeholders that underpin the venture's development.

This section has offered the theoretical insights of understanding how social networks are arranged, developed and altered through the application of microfinance resources. Drawing from the concept of the *rhizome*, it argued that the dynamic development of networks should be understood with reference to an entrepreneur's embeddedness across societal, territorial and network dimensions. This overarching theoretical dimension links directly with the themes of *accessing*, *legitimising* and *communicating* which were previously discussed. As a consequence of the linkages between embeddedness, these thematic processes vary in the extent to which they contribute to the dynamic development of networks and ultimately how they shape the course of entrepreneurial opportunities. This shaping process is more adequately understood in thinking about the information which flows from networks.

5.4 Spatial Externalities

Section 4.4 highlighted the information flow of networks and the central themes of *emergence of place* with *variation* and *proximity.* As McMullen and Dimov (2013) argue, the entrepreneurial process goes beyond the initial uncertain steps which require individuals to continue to be creative in ever-changing market contexts. This section builds upon section 5.3 by arguing that these respective network conditions dictate the nature of information which informs new ideas and opportunity projects. Building on the notions of *emergence of place* with *variation* and *proximity,* it argues that the externalities of an entrepreneur's spatial context vary between urban and peripheral contexts which have a demonstrable impact on what the entrepreneur does to take the venture to the next level.

Entrepreneurs had been able to advance their network positions through consistent interactions with upstream ties via microfinance resources. This advantageous network position subsequently became a pre-requisite for the onset of new and relevant information. The spill-over effects of geography and networks are well-established as producing knowledge externalities (Audretsch & Feldman, 1996). The data highlighted that co-location with upstream ties and access to microfinance gave the entrepreneur the power to navigate transactions effectively. However, entrepreneurs garnered access to new information when particular ties bridged clusters by bringing in new information from their cluster (Burt, 1992). Although network would not generally be regarded as being place-specific, particular members of networks can be tied to certain spatial contexts. As such, ideas for new projects regularly emerged when an entrepreneur was granted information through his network but from a tie that was attached geographically to another network cluster.

Through a process of *communicating*, network members were made aware of the products and services on offer and they made entrepreneurs aware of their location as a source of potential for replicating their current opportunities. Therefore, a lack of co-location with downstream ties shaped the knowledge afforded to new ideas. As Aldrich and Kim (2007, p.161) posit, "Finding valuable information without the aid of sophisticated software may depend, in part, on a person's position in a social network". Aldrich and Kim reason that even though networks tend towards a homophilous state, an entrepreneur's position within the network can allow them to bridge between clusters and take advantage of structural holes (Burt, 1992). This form of tacit knowledge abandons the need for entrepreneurs to actually search for information through their ties but rather to 'break out of clusters' (Aldrich & Kim, 2007).

In contrast, the permanent co-location of downstream ties in peripheral contexts meant that new information brought to the opportunity was bound to that context. However, this did not preclude entrepreneurs from bringing value to these contexts but it shaped the nature of the new ideas being brought into the community. Indeed, a distinction of information rich/poor contexts would be to distort the meaning of opportunities and relationships in small communities. Through increased reputation, the successful deployment of microfinance acted as a tool for enhancing reputation where the subsequent recognition of new opportunities conformed to the social needs of that community i.e. food scarcity, transport needs (Carney, 1998). In this respect, it is apparent how entrepreneurs develop opportunities with respect to the empowerment and enablement of their social context.

Thus, *spatial externalities* vary by the extent to which they produce a *variation* of knowledge which has a degree of knowledge *proximity* to the entrepreneur (*variation* and *proximity*). The data emphasize that new information which is afforded to entrepreneurs in the urban environment varied because it helped to bring in new knowledge about potential locations or alerted them to activities of competitors which made them consider differentiation strategies. As such, it was also complimentary to the knowledge that the entrepreneur had regarding their opportunities - the knowledge was cognitively proximate to their own knowledge base. As Boschma (2005) highlights, interactive learning occurs when entrepreneurs are able to access information which is not so radical that it can be absorbed but it is different as to add a new perspective on what they are doing.

Therefore, in an urban context, there existed what Maskell (2001) describes as an interaction between the vertical and horizontal elements of a geographic cluster. At the horizontal level, entrepreneurs engaged with new ideas because they are able to learn from their immediate environments where information resources flow to them as a result of network position. In this sense, networks in the urban environment were characterized by a greater balance between network randomness and familiarity that not only allows structural holes to emerge but also allow entrepreneurs to be able to interpret them appropriately.

In peripheral contexts, the interactive learning process between network ties was largely tied to the community context which meant that the interactive learning environment was characterized by some complimentary knowledge to their initial entrepreneurial efforts but these entrepreneurs often took on multiple opportunities in order to supplement their incomes. In developing economies, low entry and exit barriers exist allow entrepreneurs to pursue multiple opportunities. Khavul (2009) argued that entrepreneurs in East Africa use strong ties within their communities to grow their businesses. As a result of low entry and exit barriers, these entrepreneurs are able to cycle from opportunity to opportunity in order to create the most value possible. The data here attest to this, highlighting that entrepreneurs in the periphery were able to experiment with small-scale ideas which were non-related to the opportunities that they had initially started. Indeed, these new situations fitted with their habitual methods of organising their lives, as entrepreneurs who had previously cycled between numerous economic activities to make ends meet (Swidler, 2001). These small-scale experiments suited their cultural equipment, they felt comfortable taking these ideas forward and it involved relatively little financial commitment in the scenario that things did go wrong (Beach, 1978). However, for urban entrepreneurs, they were typically committing to larger scale projects from which they had been able to gather complimentary information from their socio-spatial contexts.

At the vertical interactive learning level highlighted by Maskell (2001), knowledge is said to be disseminated as a consequence of features of the developmental context. Here, the low-co-ordination costs of entrepreneurial activity lend itself to increasing specialization which is consistent with the concept of a gravitation effect (Anderson, 2000). The theoretical insights from the data argued that particular spatial contexts are not static entities; instead there is an *emergence of place*. Urban entrepreneurs had spent just a number of years in the area but had noticed widespread change in infrastructure, competition and changes in industry trends. Entrepreneurs often described how the urban context had changed from being primarily a rural residency to a bustling centre for economic activity. Therefore, they were immersed in an ever-changing dynamic context which required them to be knowledgeable learners who could act upon these changes.

For entrepreneurs in the periphery, these contextual impacts, which are out of their control, were less pertinent. These primarily residential areas were emergent in the sense that entrepreneurs reported increases in members of the overall population which was productive for sustaining their ventures whilst also providing opportunities to consider new services. However, unlike the urban context, the nature of the entrepreneurial activity was not changing and therefore opportunities co-evolved consistently with the nature of business in that area e.g. general provision. This broader appreciation of contextual change offers insights into thinking about how knowledge flows from networks situated in particular spaces.

In their investigation of entrepreneurs receiving microfinance, Bradley et al. (2012) argued that the nature of business in these contexts may lead to diminishing returns through increased competition which places emphasis on the new ideas entrepreneurs are able to generate. The nature of network interaction in the more competitive urban area actually produced knowledge externalities through which the entrepreneur was able to act accordingly with access to loans. In this respect, an understanding of the creativeness of the ideas that underpin entrepreneurial projects in developing economies necessitates a thorough understanding of the role of context and how it supplements knowledge afforded to initial opportunities.

Therefore, ever changing socio-spatial contexts are crucial to entrepreneurial outcomes. Looking more closely at the individual pursuit of these ideas is instructive in thinking about not just what may be "around the corner" (Kirzner, 2008) but what makes entrepreneurs jump from a particular idea to taking the necessary action steps to pursue them (Dimov, 2011). Consistent with a previous study by Jack et al. (2008), it was ties which had been built up over time and were stronger in nature which were the antecedents to the onset of new directions for their ventures. Therefore, in contrast to the Granovetter (1973) prognosis, it was not necessary for urban entrepreneurs to have a number of weak-ties to facilitate the creation of new information.

Instead, the creation of new knowledge emerged more tacitly than current theory posits (Polanyi, 1966). Entrepreneurs did not really engage in any search activities, instead new knowledge would flow from interactions within particular network arrangements. It was their physical location and network location which dictated the novelty of the information afforded to them and it was from there that they could have greater intentions in their search for additional uncertainty-reducing information. This leads to an interesting finding regarding how opportunities develop within particular developing economy settings. In developing markets, contracts are often difficult to enforce and so entrepreneurs tend not to be able to sustain networks characterized by weak ties. Indeed, one crucial feature of network development here was to highlight the ephemeral nature of infrequent entrepreneur-supplier interactions which sustained ventures.

When a particular country has weak contract enforcement and a culture of relatively low trust then entrepreneurs are more likely to focus on a small group of network ties that they are able to trust. As such, they were engaged in an exercise of entraining a number of individuals into their network inner circle and forming a solid relationship with them. But without the crucial resource input that microfinance offers, it may be the case that they would not be able to sustain the economic self-interested exchange component of such relationships. Also, they may have started as a weak tie which gradually developed more of a rapport but this did not preclude these individuals from holding valuable information about potential new ways of organizing the business. As such, this type of network development appears to be an important antecedent condition to entrepreneurs taking action steps towards sources of new value.

However, these were not the ideas of radical novelty which are viewed as emerging from a network of weak ties. Instead, they were complimentary growth-based ideas which allowed entrepreneurs to look for new markets for the same products/services or successfully differentiate themselves within current markets (Bradley et al., 2012). In peripheral areas, there was very little sense of any relational antecedent to the decisions to pursue new opportunities. As previously stated, they engaged in small-scale experimentation based on obvious problem solving ideas pertaining to community social needs. This highlights how the transformative process of microfinance may not only be how the MFI intervenes and dictates the process but what the entrepreneur tacitly acquires as a result of being able to fully function in the market space.

5.5 (In) congruence in Time Horizons

The literature is consistently interested in why certain entrepreneurs in developing countries are able to create higher performing ventures when many do not. Firstly, the data highlight the crucial role of culture in moulding how an entrepreneur organizes their actions. Further, the crucial cultural element which is important to moving away from groups is the entrepreneur's outlook or world-view. This is consistent with prior research which highlights the importance of entrepreneurs being future-oriented and goal focused (Bruton et al., 2011). The data demonstrates that this emerges through cultural experiences determining the type of futures that entrepreneurs imagine and the likely scope and scale of the opportunities they are investing in. However, as highlighted in Figure 5, the process moves away from initial entrepreneurial efforts towards a reflection of new possibilities which were discussed in the previous section. Entrepreneurs were considering a number of new ways of taking their ventures forward how the MFI interpreted these new possibilities offer additional insights into this dynamic.

The data highlight varying degrees of congruence between what entrepreneurs were trying to create and how MFIs considered supporting it. This suggests a crucial limitation of groups whilst also highlighting where individual-lending may fall short. The data demonstrates that transitions away from group to individual memberships emerge once trust is gathered and market categories more firmly established. In order to make the transition, entrepreneurs have developed the tangible assets required for the MFI to have greater certainty about the markets they're operating in and leverage resources accordingly (Gompers, 1995). However, the usage of collateral in contracts here was largely unenforceable due to the nature of the context (Khanna & Palepu, 1997). This meant that progressive lending was crucial in mitigating agency risk.

The findings additionally point to a potential funding gap in microfinance. Essentially, microfinance operates at two tiers of lending through group and individual programmes but entrepreneurs also began pushing towards a third tier when they pursue more expansive opportunities that required long-term investments. The loan officer makes judgments regarding the legitimacy of loan applications based on what they knew about their business and what they are selling. These loans were typically used to penetrate markets by exploiting some economies of scale. This repeated use of loans to exploit opportunities gradually mitigates agency and market risk.

Nevertheless, risk re-appeared as soon as entrepreneurs began thinking about new markets or methods of delivering products. As highlighted in section 5.4, entrepreneurs began to engage in new opportunity projects which were characterized by varying degrees of commitment. Entrepreneurs in the periphery began investing microfinance in small-scale experiments which were characterized by limited uncertainty because they were solving immediately obvious social problems which are typical of such contexts. In a more competitive urban context, entrepreneurs were taking on more radical projects, requiring greater commitment and the diversion of a more significant amount of resources.

In this respect, it is clear to see how the particular dispositions of entrepreneurs, as outlined in section 5.1, continues to influence the opportunity development process as entrepreneurs compete in the market place. The rationale of opportunities for particular individuals continued to rally itself around common conclusions – the particular outlook of the entrepreneur. Thus, when presented with a new 'scene' – new situations or images of the future – their responses to this were remarkably consistent and aligned with their initial reasons for beginning their ventures.

As such, entrepreneurs were engaged in new ideas of varying *project longevity*. At the beginning of the lending process, loans primarily had a working capital function and served the purpose of taking value from opportunities which had already been recognised but insufficiently exploited (Baker et al., 2005). However, there existed a change in behaviour when entrepreneurs began communicating with the MFI about their new courses of action. As highlighted in section 5.1, loan officers are engaged in a process of understanding the plausibility of particular opportunities and the respective identities of entrepreneurs (Navis & Glynn, 2011). Progressive lending and other features of the intervention reduce agency and market risk which allow for sense making, reducing the ambiguity of lending to entrepreneurs and shifting the perceptions of them. However, the situation became more ambiguous for the MFI when the entrepreneur started communicating about the funding of new opportunities. Although this typically involved a replication of current opportunities in new contexts, loan officers were not in a position to make judgments about the opportunity's potential. Coupled with the short-term nature of microfinance, it was unfeasible that loan officers would grant funding for more ambiguous pursuits because it just did not fit their lending model. This change in behaviour highlights a potential need for a third tier of microfinance lending which focuses more patiently on the emergence of new value.

As entrepreneurs began engaging in longer-term projects, the MFI took an approach where they were no longer in a position to make judgments about the potential flow of income from new opportunities (Tucker, 2003). Therefore, it was a combination of *project longevity* and the degree to which the direction of the new project was visible to the loan officer which were crucial here. A higher degree of novelty of entrepreneurial ideas creates a greater degree of uncertainty, exacerbated by the contextual environment (Seelos, 2007). Once entrepreneurs look beyond the short-term and further into the future, even greater uncertainty emerges (Bird, 1988). Loan officers were unable to closely monitor these new projects and could not directly fund their development. Given the *ex-ante* uncertainty of funding such projects, the MFI focused their capital distribution on known opportunities. It subsequently became the strategy of entrepreneurs to use loans from their current opportunities to generate the internal funding for new opportunities thus slowing down the process.

The bulk of the theoretical insights here relate to literature which considers entrepreneurs from the perspective of an investor. However, loan officers in microfinance are not investors in the sense that they bear no personal financial reward for the outcome of loan investment and neither do they personally lose money if an investment was misjudged. In this sense, their work as distributors of finance is tied to the institutional logics of the social mission. In the case of individual-liability loan officers, there is far greater decision-making discretion about how they disperse loans which means that opportunities require far greater oversight but this was not the case for group-liability entrepreneurs. Nevertheless, both group and individual-liability officers have to follow institutional practices meaning that their decision making processes are largely embedded in the procedures of how the MFI grants loans. Although perhaps idiosyncratic to this MFI (and maybe even this particular branch of the organisation), the message from team meetings and day-to-day interactions was on repayment and the degree of the portfolio at risk at the branch level. Future research must look more closely at other institutions and the decision-making of loans officers as related to their knowledge about particular markets/industries.

However, institutional risk did not only re-appear when entrepreneurs began to pursue new avenues of growth. Risk was perceived with the onset of particular crises which could sometimes lead to business failure. For group-liability loan officers, they receive communication regarding the potential of an opportunity through the outcome indicators that they collect (sales, profits, cash flow etc.) but the actual monitoring of the opportunity is left to the group. Given the number of entrepreneurs needed to be monitored, it is unfeasible that officers can visit businesses and discuss things like their inventory or offer advice on investments in physical capital. However, individual-liability officers were engaged in much greater oversight and could interpret the events of the entrepreneur on a case by case basis. Therefore, they had a much greater sense of what was going on which allowed them to make rational interpretations of honest entrepreneurs who experienced unforeseen exogenous shocks. This offers a powerful insight into the various merits and de-merits of group and individual lending.

More generally, previous research has argued that increasing loan size may actually decrease the likelihood of idea novelty but with data restricted to groups (Bradley et al., 2012). The data here suggest the contrary, more novel ideas are likely to be pursued outside of groups due to access to higher loan amounts. However, they will not be funded directly through loans because of heightened lender uncertainty. Thus, the short-term nature of microfinance lending does not diminish the search for more novel business ideas but it slows down their implementation. Given the acute awareness of the limitations of short-term lending approach in the data, this logic suggests that entrepreneurs eventually reduce their use of debt once they have captured enough value from opportunities.

In summary, this section highlights the *(In) congruence of time horizons* between entrepreneurs and the MFI as they look to build on their initial entrepreneurial efforts. It highlights how risk perceptions re-emerge when the situation becomes more ambiguous for loan officers as entrepreneurs engage in longer term projects in urban areas. Peripheral entrepreneurs retained microfinance resources for working capital purposes and the funding of small-scale experiments in order to supplement their incomes. As a result of these diverging entrepreneurial aspirations, the *lending terms* of group and individual-liability contracts had distinctive impacts on how entrepreneurs invested towards the future. This suggests a potential need for patient investing when more significant value is sought. Furthermore, it highlights the importance that the decision-making discretion of individual-liability loan officers.

5.6 Chapter Summary

This chapter outlined a dynamic theoretical model of opportunity development in microfinance. Drawing from the emerging aggregate theoretical dimensions, this section highlighted five emerging processes. In the first section, it emphasized Swidler's (1986; 2001) perception of culture as a 'toolkit' which considers the skills, habits and knowledge of entrepreneurs (5.1). In this respect, it highlighted an integration of human capital with the notion of an entrepreneurial disposition to highlight how entrepreneurs organise action. It subsequently argued that entrepreneurs and MFI's subsequently engage in a process of agency and market risk mitigation whereby the MFIs lending logics are inherently tied to these perceptions of culture i.e. expectations about how an individual should act (5.2).

These lending logics were also inherently tied to an entrepreneur's access to resources from their social network. For those who had sought assistance from friends and family in the beginning, the individual-liability arrangement offered the most suitable avenue. In its absence, entrepreneurs were assorted into groups. This section subsequently moved on to highlight how entrepreneur's networks are altered when microfinance resources were deployed under the metaphor of the *rhizome* (5.3). In addition, it emphasized that the physical and network location of the entrepreneur dictated the extent of the information which was afforded to new opportunities thus highlighting the externalities of particular spatial contexts (5.4). Lastly, this tied in directly with how the MFI funded these new opportunities. This final section highlighted the suitability of lending practices when entrepreneurs engaged in new projects of varying length and commitment (5.5). This section offered the theoretical insights emerging from the data. The purpose of the next chapter is to articulate these explicitly in terms of the contribution of the thesis.

CHAPTER 6 – CONCLUSION

This thesis broadly asked 'how does microfinance impact upon the process of opportunity development?' More specifically, it probed at two sub-questions which looked at the dynamic between entrepreneurs and MFIs in group and individual liability lending programmes. Given the emerging evidence that groups have a limited impact on ventures, the second sub-question was required to understand the broader development of an entrepreneur's social network and how microfinance resources alters the nature of these relationships. Drawing from a critique on previous efforts to understand the nature of opportunities, the thesis adopted a process-oriented approach in order to present a dynamic theoretical model of opportunity development in microfinance based on the observable entities of ideas, actions and exchange relationships.

This concluding chapter will be utilised to position the findings with the literature therefore highlighting the contributions of the research. The first section will discuss how the findings contribute to ongoing theorizing regarding the nature of opportunities whilst the second section outlines the contribution to social network theory. The third section outlines the research's methodological impact given its focus on process research. The fourth section will subsequently outline how this extends our understanding of the field of microfinance which leads into discussion regarding practical implications. Finally, it highlights the limitations and the potential for future research before offering some concluding comments.

6.1 The Nature of Opportunity

The field of entrepreneurship is concerned with an understanding how and by whom entrepreneurial opportunities are discovered, evaluated and exploited (Shane & Venkataraman, 2000; Venkataraman, 1997). As such, this has been the theoretical language that has dominated the academic literature since the aforementioned seminal papers. Consequently, research has relied heavily on understanding this debate by focusing on a series of individual differences – such as risk taking propensity or prior experiences – which lead to the recognition of particular opportunities. This thesis has built upon the idea that researching opportunities is empirically inaccessible when not considered as an emergent forward driven *process*. To the author's knowledge, this thesis offers one of the earliest empirical examples of understanding opportunities as a developmental process which encompasses the observable entities of the opportunity development process.

At its most basic level, the word 'opportunity' suggests potential, possibility and chance. Yet, there are a limited number of research efforts which depict entrepreneurial behaviour before, as researchers, it can be said that an opportunity has been recognised, evaluated and/or exploited. This seems somewhat of a methodological and theoretical oversight given classical expositions of entrepreneurship as a process involving ambiguity, imperfect knowledge and uncertainty (Knight, 1921; Shepherd & McMullen, 2006). Instead, the tangible premises for understanding how and by whom entrepreneurial opportunities come into being are reflected in an individual's venture ideas, their associated actions which take on a particular form when they are instituted within the market (Dimov, 2011). This brings in to discussion a configuration of the entrepreneurs aspirations, resources and ideas in order to understand actions. Therefore, this thesis sought to move theoretical discussion away from an individual-opportunity nexus towards a more processual contextualised nexus of action and interaction (Venkataraman et al., 2012).

In this thesis, the principal theoretical outcomes are reflected in the idea of a cultural production of action and a socio-spatial appreciation of network dynamics (action and interaction) in a microfinance context. The configurational understanding of entrepreneurial action is conceptualized in this thesis as a type of cultural repertoire which organizes actions. Based on a combination of the ideas of Swidler (1986) and human capital theory (Becker, 1964), the thesis argued that there exists particular configurations of skills, knowledge and world views between entrepreneurs in Ghana. Taken together, this repertoire helps to understand how entrepreneurs organise their actions to take advantage of their immediate situation based on their competences at that moment. On the surface, this appears to resonate with theories that address variance relationships between human capital and aspirations. For example, the theory of planned behaviour posits that people exert particular behaviours when they have control over its execution (Ajzen, 1991).

Wiklund and Shepherd (2003) used this theory to highlight the moderating role of resources upon the relationship between growth aspirations and growth. However, as Swidler (1986, p.275) states: "People may share common aspirations, while remaining profoundly different in the way their culture organizes their overall pattern of behaviour". As attempted by a number of studies, growth or performance are viewed as being key dependent variables for studies on microfinance based on the assumption that greater financial performance leads to a number of social improvements – a type of externality of business performance (Venkataraman, 1997). Entrepreneurs in this thesis would often emphasize a similarity in aspirations with respect to a need to grow the business but it is not necessarily informative in understanding how they organised their actions in response to this.

As the discussed 'strategies of action' are dependent upon an entrepreneur's cultural repertoire – skills, knowledge and views of the world – their actions are self-schematic projections of a future image of their world. Thus, cultural repertoires can be viewed as a configuration skills, knowledge and views of the world which act as a type of roadmap that pulls an entrepreneur towards their final cause – an ultimate purpose. The thesis highlights the permanence of this construction of the world and how it guides subsequent actions. For some entrepreneurs, their ultimate goal was clearly articulated and their microfinance investments supported that cognitive roadmap. For others, this roadmap was less clear but they were aspiring to and achieving similar levels of income.

On the surface, this juxtaposition appears to resonate with the notion that some entrepreneurs engage in either causation, effectuation processes or some combination of the two (Sarasvathy, 2001). In the former, entrepreneurs can exploit their knowledge, they can predict the future and all it requires is some combination of resources to achieve it. In the latter, contingencies are prevalent and the entrepreneur must work within their means to exploit these. The culture and action framework resonates with this view by highlighting actions are organized in order to exploit competences – such competences may include large stocks of knowledge and a clear way to proceed or something less vivid entirely. However, by thinking about the organization of action *and* values it allows us to think about the type of world that the entrepreneur is trying to create for themselves.

The underlying logic of the Sarasvathy (2001) perspective is about how entrepreneurs either predict (causation) or control (effectuation) the future given their means. However, Sarasvathy proceeds to suggest the need to think about action with reference to '*telos*' – a particular selection of preferred ends or wants. In a culture and action framework, future 'ends' are constructed around entrepreneurs particular values where entrepreneurs come to value 'ends' which their cultural repertoires are well suited. For Swidler (2001), individuals do not necessarily think about every action they perform; people develop habitual ways of acting when discussing something with a customer, a distributor or perhaps a competitor. As such, their goals are not always guiding their actions. This perspective recognises a more general method of problem solving where skills and knowledge do not define goals; instead the relationship is the other way around as part of a much broader pattern of action.

The contribution of this perspective is that, unlike other theoretical language, it offers an inductive insight into the nature of entrepreneurial action *ex ante.* The notion of the cultural repertoire offers a theoretical insight into the context of entrepreneurial action because it is a forward-looking perspective which thinks about a configuration of valued ends and resources which determine how entrepreneurs proceed. The utility of this methodological approach will be outlined further in a subsequent section. Additionally, it offers a caveat to the influential study by Bradley et al. (2012) by arguing that culture can constrain the form of entrepreneurial action because people construct strategies of action around their cultural competences.

Furthermore, the thesis outlined that how these repertoires are constructed within and anchored towards particular spatial contexts provided a fit for balancing work and life – immediate situations of entrepreneurs. Additionally, by drawing from a critical realist paradigm, the thesis contributes to thinking about opportunities as not only co-evolving within social systems but also by the tangible realities of being fixed to particular territories (Mole, 2010). In doing so, it offers a much needed contextual insight into the nature of entrepreneurship across certain contexts (Welter, 2011). This contextual lens was also of crucial importance in thinking about the nature of social network development.

6.2 Social Network Theory

Social networks have received plentiful attention within the entrepreneurship literature because they are vital for overcoming liability of newness and smallness (Partanen et al., 2011), creating new knowledge (Nahapiet & Ghoshal, 1998), and/or providing emotional support (Hite & Hesterly, 2001). In terms of the social network component of this thesis, it focused on three main weaknesses with the extant literature. Firstly, it highlighted the limited number of processual understandings of network development which link spatial and temporal perspectives (Jack, 2010; Schutjens & Stam, 2003). Secondly, building on Hoang and Antoncic (2003) it argued that a number of studies have understated how social networks impact upon the opportunity development process. Thirdly, research in microfinance has focused heavily on group member dynamics as a platform for good will, social capital, empowerment and repayment. However, there is a limited understanding of how microfinance alters the nature of the broader set of markets relationships that entrepreneurs must build as they take their ideas forward.

The thesis highlighted the spatial variations between entrepreneurs in peripheral and urban areas as being of key importance in understanding how microfinance alters the nature of network relationships. The thesis argued that groups appeared to act as a social network void for entrepreneurs who were unable to seek support from friends and family to get their businesses functioning properly. This is consistent with the notion that a person's social circumstances determine who they are connected to within their networks (Adler & Kwon, 2002). For entrepreneurs in individual-liability arrangements, they had been able to navigate this more uncertain phase with access to such resources.

The thesis offered an insight into understanding networks as a configuration of societal, territorial and network embeddedness. Building on the work of Hess (2004), the thesis offers theoretical insights into thinking about networks emerging from an entrepreneur's 'genetic code' or 'cultural imprint'. The thesis integrated this perspective with the notion of Swidler's (1986) cultural repertoire to argue that an entrepreneur's previous associations shape their perceptions, strategies of action which guides their logical development of network relationships. This perspective highlights that understanding how networks develop is inherently linked to the nature of the opportunity that they are pursuing. The position of an entrepreneur within a particular network could deprive them of seemingly crucial resources (Welter, 2011; Jack, 2010) but that type of behaviour may be incongruent with what their ultimate aim or purpose.

Nonetheless, microfinance played a crucial role in altering the nature of these relationships. First and foremost, it allowed for more cost-effective upstream transactions and to exploit some economies of scale. Such decisions were always tailored towards better communicating and gaining the legitimacy of customers. Through this process it also allowed urban entrepreneurs to change the nature of their network relationships and escape sub-optimal relationships. Therefore, they were gradually changing the structure of their networks by strategically using microfinance resources to make bulk purchases and reducing their reliance on local suppliers. For entrepreneurs in peripheral areas, such aggressive strategies were not necessary given the type of ventures they were building but they continually used this financial input to maintain their stores inventory or look for other small-scale experiments (Khavul, 2009).

Therefore, this thesis offers an empirical example of how network structures vary between peripheral areas and the dominant urban centre. In the metaphor of the rhizome, networks in the urban area had much greater connectivity, heterogeneity, linkages to other networks and consequently their dynamics were much more transparently observable. As such, the ability of entrepreneurs to advance their network positions through financial capital was fundamentally important because this communication and articulation of the venture's proposition was seen as important in the eyes of the exchange partner. The thesis demonstrated that new information flowed to entrepreneurs in advantageous network positions which allowed them to exploit structural holes (Burt, 1992). In addition, it highlighted the geographic nature of the production of new knowledge as network members brought in information from under served and exploited contexts. The thesis argued that this is one of the knowledge externalities of such a spatial context because it allowed entrepreneurs to recognise new opportunities which varied enough in novelty to be worthwhile and were sufficiently complimentary in knowledge terms to be feasible. Consistent with the notion of rhizomatic network development, the thesis consistently highlighted the importance of proximity between actors as instigating the development of networks and as a context for interactive learning (Boschma, 2005).

Finally, although Hoang and Antoncic (2003) suggested that research has understated the impact that networks have had on the recognition and pursuit of opportunities, there has been relatively little empirical work which has been able to understand how networks adapt to the ever-changing circumstances in opportunity development (Jack, 2010). One of the foremost influential theories pertains to the idea that strong ties lead people to be entrepreneurially myopic towards new information where as weak ties allow for the creation of new knowledge allowing firms to adapt and be open to new ideas (Granovetter, 1973). Indeed, this has been consistently outlined by influential scholars who have studied networks in African contexts (Barr, 1999; Fafchamps, 2001).

Granovetter (1973) argues that weak ties are better at bringing disconnected networks together which allows for information or social capital (Coleman, 1988). However, Jack et al. (2008) argued that entrepreneurs tended to rely on a number of pre-screened weak ties in order to grow ventures. The results from this thesis attest to this idea. In urban contexts, there existed numerous opportunities for interaction with upstream and customer ties. However, new information regularly led to fresh possibilities but the ties were often regular customers or upstream ties for who they had been transacting with for some time. This appears to be one of the features of the dynamic context in which the study was situated. As such, the utility of weak ties may be heavily dependent on spatial contexts which have either very few or too many structural holes.

Given the fragmented supply chains in developing countries (Khanna & Palepu, 1997) and the sporadic population growth seen in this particular urban context and across a lot of Sub-Saharan Africa, there exist numerous disconnected networks and potential structural holes. As Sautet (2013) highlighted, a number of successful entrepreneurs in microfinance contexts have used such resources to be positioned higher up the value chain. The product offerings rarely changed but they looked to strategically manoeuvre themselves in order to scale up their operation. Thus, the ever-changing local context created a situation of balance between enough geographically distributed network randomness to create structural holes and similarity which can be interpreted appropriately (Aldrich & Kim, 2007). Importantly, microfinance resources were of key importance in enabling entrepreneurs to do this.

In this respect, the thesis highlighted that spatial contexts are not static, they are emerging entities where boundaries and perceptions changes as new elements are added and old ones are elbowed out of the way. Although the observation period here was only 15 months, there was a sense about the changing dynamics of context. However, more in detailed retrospection highlights the rapid changes of the local economy which has brought with it improved infrastructure, increased competition and more specialized economic activity. It therefore allows for thinking about the links between entrepreneurs as being products of their social systems which they interpret, enact and the emergence of place which constitutes the settings for social interaction (Bjorn, 2011; Sarason, Dean, & Dillard, 2006).

6.3 Microfinance

Economists, sociologists, anthropologists and political scientists, amongst others, have waded into the microfinance debate since it rose in prominence as a bottom-up strategy for poverty alleviation. Yunus (1999), the founding father of microfinance, promotes microfinance as a simple solution to poverty reduction based on the entrepreneurial talents of the poor. However, many have questioned this overly-optimistic view of the poor as aspiring entrepreneurs who are ready to transform economies with sufficient financial capital (Karnani, 2007). A number of entrepreneurs have been reported to divert loans towards smoothing general household expenses, taking away from the businesses development (Morduch, 2000). Further, the relatively high interest rates of microfinance loans have also received a significant amount of negative publicity in recent years (Morduch, 1999) whilst others have argued that a lack of flexibility in repayment terms can produce negative outcomes (Karlan, 2006; 2011). This aside, McMullen (2011) has influentially argued that if diverting financial capital to the poor was likely to improve economies then international aid would have had a greater impact. Instead, research on microfinance needs to look beyond the distribution of financial capital towards other types of resources that such entrepreneurs do and do not possess.

Building on this ability-driven perspective, Bradley et al. (2012) argued that a constellation of human, financial and social capital factors may account for a potential 'idea problem' in microfinance. From a methodological point of view, this thesis argued that such variance driven explanations may be limited in their explanation of these particular outcomes. Instead, it sought to trace the emergence of these ideas, their associated actions and how they become instituted within market structures. The result of this speculation being that how entrepreneurs organize their actions are cultural productions guided towards certain valued ends.

Therefore, the results from this thesis suggest that an understanding how microfinance can transform entrepreneurship to stimulate local economies must account for this organization process. Indeed, there are significant policy implications to be taken from this finding (6.6). Furthermore, it highlights that the transformative process of microfinance may actually be as a result of being able to interact and learn in a cost-efficient manner with the market place. Therefore, research which simply takes into account the initial business concept as a measure of the nature of entrepreneurial opportunities is likely to miss the full story of the entrepreneur's ability. To date, the bulk of research has argued that microfinance interventions improve self-confidence, self-control and/or empowerment which lead to improved business performance which, in turn, leads to social outcomes (Karlan & Valdivia, 2010). However, the thesis contributes to microfinance discussion by suggesting that how entrepreneurs alter the nature of their network relationships to sustain business opportunities is a crucial feature of understanding their livelihoods.

In this respect, the thesis highlights the geographic angle to the nature of network relations in microfinance. A number of studies have looked at microfinance clients involved in village lending programmes (Field & Pande, 2008) and some have noted the urban/village distinction in their sampling procedures (Imai, 2010). However, the notable impact of these geographic variations is underrepresented in the literature. The results highlight how the aforementioned linkage between culture and action is also embedded within particular territories. As the purpose of groups is to mobilize local information to mitigate information asymmetries (Marr, 2001; Ghatak, 1999), it suggests that the level of group homogeneity may be tied to the socio-spatial context. This suggests that groups mobilized in urban contexts may not have the same life-span as those in peripheral areas because of a divergence in the types of goals that they pursue.

Furthermore, the results contribute to ongoing discussion regarding the utility of lending groups. It corroborates with research by Bruton et al. (2011) which suggests that such groups are merely risk sharing mechanisms. Based on this, it speculated that the interaction between the MFI and the entrepreneur may be the most crucial for entrepreneurial outcomes. Consequently, this thesis collaborated with a particular MFI, Opportunity International, in order to understand the screening practices and developmental policies which characterize their methods to both group and individual-liability entrepreneurs.

The group lending model has been viewed as academically fascinating since microfinance has risen into prominence because of its novel method of overcoming information asymmetries and moral hazard (Ghatak, 1999). However, the interesting development from this thesis was how the MFI encouraged entrepreneurs to move away from the cumbersome nature of the group programme. Therefore, the MFI was willing to abandon the secure collective repayment method once they felt that they could trust entrepreneurs sufficiently. Therefore, the thesis observed how the social collateral, which has been widely hailed as the success behind group lending, shifted from between group members towards a relationship between the entrepreneur and their loan officers. Thus, the MFI had discovered a method of delivering microfinance with the eventual purpose of incentivising entrepreneurs to leave groups.

Gine and Karlan (2010) highlighted the differences between entrepreneurs who opt into either group or individual-liability programmes. However, they summarize their arguments by proposing that risk-related factors held by the entrepreneur lead them to select either groups or non-groups. This is as reasonable assumption in this kind of experimental setting which allows for freedom of selection between the two. However, this lacks a real-world application because entrepreneurs are unlikely to be able to freely choose between the two because that could pose potential repayment problems to MFIs. This thesis highlights that the perceptions of agency and market risk by the MFI is important for understanding the allocation of microfinance contracts.

Additionally, Bradley et al. (2012) tentatively proposed the relationship that high levels of indebtedness may have with the search for new business ideas, suggesting that it may actually diminish entrepreneurial potential. Firstly, the results of this thesis follow the logic that as loan size increases, entrepreneurs gradually exploit their current opportunities at greater pace but it does not prevent them from reflecting upon new possibilities. The results indicate that new knowledge was acquired tacitly from their network interactions and with larger loan amounts necessary. Individual-liability lending arrangements were more suitable to their needs because loan officers could tangibly see the type of opportunity being considered. However, the thesis also demonstrates that when entrepreneurs look to finance longer-term projects, loan officers were no longer in a position to make judgments about the potential of those ideas.

6.4 Methodology

In addition to the aforementioned theoretical contributions, this thesis also makes several methodological contributions that tie in with the theoretical development and the process-oriented approach advocated here. Prominent entrepreneurship scholars have consistently called for a process orientation but there are limited empirical efforts to draw from (Aldrich, 2001). This omission seems somewhat surprising considering the theoretical language around viewing entrepreneurship as a process (Steyeart, 2007). Therefore, the thesis sought to reconcile current theorizing regarding opportunities as being a developmental process incorporating venture ideas, their associated actions and relationship within market structures (Dimov, 2011).

This debate is polarized in the fundamental assumptions regarding the nature of causal explanation. Variance explanations seek explanation through efficient cause where temporal connections are brought about through theoretical frameworks. Efficient cause pertains to the primary source of change (Mohr, 1982). This has been the classical assumption of entrepreneurship studies which has focused on the individual-opportunity nexus (Shane, 2003). It has consequently meant that scholars may have erroneously over emphasized their efforts of focusing on individual attributes to understand the nature of opportunities (Dimov, 2007). In contrast, the process approach adopted here draws from Aristotle's often ignored material, formal and final causes of entrepreneurial action (McKelvey, 2004).

Therefore, the fundamental assumptions regarding the nature of causality is central the methodological contribution in this thesis. More practically, the experiences of having collected process data in Ghana have enabled the thesis to gather theoretical insights that a cross-sectional inductive approach would not have been able to do. Karlan and Appel (2011) have discussed the challenges of collecting data in sensitive microfinance conditions. They report that when entrepreneurs are asked to disclose precisely how they spend their money – invest into their business or spend on household goods – their responses had a large social desirability bias. So questions in a survey had to be designed carefully with this in mind. There were similar experiences in this thesis which the process approach was able to overcome, vastly improving the internal validity of the findings. In fact, the emerging concept of a cultural repertoire as a configuration of human capital and cultural ends was a result of this methodological strength.

If the thesis had conducted 30 interviews with 30 entrepreneurs in one cumulative grounded theory exercise, different results may have materialised. If the emerging themes from the first round of interviews were to be taken at face value then it would have seemed that all entrepreneurs in the sample had fairly similar aspirations in terms of growing their businesses. However, with the subsequent interviews, it was possible to observe the more nuanced view of these aspirations as a particular view of the world rather than an expected level of income or increase in sales and profits. Therefore, as Swidler (1986) argues, individuals can have very similar aspirations in terms of theirs and their family's betterment within society but by getting entrepreneurs to be able to reflect on their actions and previous statements, it was apparent that when faced with their current situation they had to organise things in a manner they were accustomed to by drawing from their cultural resources.

Therefore, the thesis offers an important methodological contribution to the opportunity development debate. In addition, this methodological approach has also been advocated by entrepreneurship scholars interested in social network theory (Jack, 2010). This thesis responds specifically to the needs for dynamic appreciations of networks as well as opportunities and therefore sought to track the sources of progression and decay that occur within network arrangements. It therefore considers and applies the methodology needed to address the impact that social networks have on the opportunity development process (Hoang & Antoncic, 2003).

In addition, Eisenhardt (1989) correctly argues that a justification of theory building qualitative work cannot rely solely on the context of study. However, by being able to conduct a process-oriented study in a developing economy such as Ghana, there are new contextual insights which have been lacking from theoretical development in the literature (Welter, 2011). In this sense, particular social arrangements were always likely to have a prominent role in understanding the types of ventures that entrepreneurs create. Entrepreneurs are products of the social structure; they are constrained and enabled by this structure (Sarason et al., 2006). In terms of sampling, therefore, the thesis took the view that there was no need to try and control for such variations as an experiment would necessitate. Instead, the thesis was able to bring these nuances into the foreground of explanation whereby entrepreneurship is embedded in a much broader societal journey. It argues that this has a powerful causal influence on the types of opportunities that entrepreneurs develop and precisely where they develop them.

6.5 Limitations and Future Research

As in all research efforts, it is necessary to flag up the limitations of the study which provide guidance for an interpretation of the results as well as paving the way forward for future research. This is particularly pertinent in event-driven studies where there is no pre-determined outcome that is being searched for (Van de Ven, 2004). The researcher begins the research at a theoretically interesting point, is judicious and opportunistic in the sample selection procedures and theoretical insights emerge from a process of retroduction (Poole, 2000). However, De Vaus (2001) discusses a variety of concerns associated with internal and external validity particularly with respect to research designs which track processes over time.

Firstly, internal validity refers to whether the study has been able to rule out alternative explanations for the results. One such problem area in longitudinal research designs is the absence of a control group e.g. a group of entrepreneurs who did not receive any microfinance. The obvious problem here is that because entrepreneurs were not randomly assigned to microfinance contracts then they self-select into certain arrangements based on certain factors. However, this actually became a fundamental strength of the thesis and helped to outline a research question which has had very limited attention in the literature. Rather than control for various historical factors (e.g. social circumstances) the thesis highlighted the dynamic between MFIs and entrepreneurs. Thus, it was interested in how MFIs viewed their respective social missions and a control of certain factors would have lost this real-world application.

Secondly, the degree of standardization of the research instrument can threaten internal validity. Given the nature of the research conducted in Ghana, the purpose was to look at this from a theoretical development point of view so it was not necessary to focus questions on particular measurements and changes in a dependent variable (Eisenhardt, 1989). However, there were challenges in combining the retrospective and prospective features of the data collection which reflects the less than ideal 15 month period in which the data were collected. The ventures in the sample had been operating for a few years prior to the initial interview. This meant that these few years as well as all the necessary preceding events had to be reconstructed. The result of this was a smorgasbord of events unfolding after each wave but with a collection of critical incidents discussed in retrospect.

This was an unfortunate limitation of only being able to follow these entrepreneurs for a 15 month period. In order to mitigate these issues, entrepreneurs in the second wave were presented with a descriptive map of the outlined critical incidents from the previous interview. However, for the social network component of the thesis, there were not always specific retrospective incidents for the entrepreneur to draw upon. Instead, they were better positioned to make comments about the general states of their network and how it had changed in that period of time. Evidently, following entrepreneurs from the very earliest stages of the microfinance intervention all the way through is the preferable approach. Given the time and resources available, the thesis focused on a period of the venture's development where they appeared to have reached a critical juncture. Indeed, the ability to acknowledge the cumulative impact of consecutive microfinance investments has gleaned new ideas and insights not currently acknowledged by the literature.

External validity must also be acknowledged in interpreting the results of the thesis. This pertains to the extent to which the results can be generalized to broader populations. Evidently, case studies have an extremely limited statistical generalizability. Some elements of the sample (age, gender, education etc.) are comparable to broader elements of the population but the research primarily allows for a degree of analytic generalization as opposed to statistical generalization. This means that the interpretations of the results need to be understood with respect to the small sample size. However, an expansion of this research endeavour would be a fruitful avenue for further research.

Additional limitations can also be considered as avenues for future research. The study focused on the distribution of financial capital to a series of entrepreneurs in Ghana through one MFI. Sub-Saharan Africa is a diverse and challenging context for research but the findings are likely to vary across a number of other countries on the continent as well as other developing countries across the world. Given the focus on action as a cultural production in this thesis, comparative studies could further develop this construct to incorporate cultural influences which incorporate different rituals and habits to daily life that contrast to Ghana.

Furthermore, this thesis demonstrated how the policies of particular MFIs can direct the behaviour of entrepreneurs. It is therefore logical that future research should look at how variations in microfinance policies across a number of institutions influence entrepreneurial outcomes. Over recent years, microfinance logics have been tested by the influence of the microfinance brand which has seen commercial banks move in as well as further regulation of the industry (Khavul et al., 2013). Traditional MFIs with strong social missions, as in this thesis, are trying to maintain their identities and focused on the entrepreneurial poor but there are serious market pressures involved as these social ventures continue to innovate in increasingly competitive circumstances.

As this study articulated, these development policies are implemented by loan officers who frequently interact with entrepreneurs. The findings from this thesis should be the beginning of a much closer examination of loan officer's decision-making policies. In a developed economy context, Bruns et al. (2008) conducted a scenario-driven experiment of loan officers based on the similarities between the human capital of the officer and the applicant. This thesis offered interesting insights into how loan officers perceive agency and market risk with respect to the particular identities of entrepreneurs. This could be used to stimulate a theoretical framework primed for a deductive piece of research on the types of skills and knowledge that loan officers bring into their organisations.

There is additional scope to look at other methods of entrepreneurial finance. For example, recent studies have looked at micro-franchising (Kistruck, Webb, Sutter, & Ireland, 2011). Based on the emerging proposition that resource stakeholder judgments help to guide opportunities, an emerging promising area is micro-equity which involves investors taking some ownership of local entrepreneurial firms (Ayayi, 2012). As an interesting innovation in entrepreneurial finance, this could help complement the discussion on lending formats which help to plug the potential funding gap highlighted in this thesis.

Future research on entrepreneurial opportunities can build on the cultural toolkit idea as a configurational concept which can make entrepreneurial actions and the opportunities behind it more tangible (Dimov, 2011). This is not solely applicable to research in developing economy contexts. Swidler's conception of culture is useful in explaining issues pertaining to the social structure based on the notion that actions can be organized in different ways between social groups in dramatically different circumstances. Therefore, this theoretical concept could allow future research to look more closely at how culture is used by entrepreneurs and how shifts in scenarios and situations lead individuals to draw from a variety of their cultural repertoires to organise how to solve particular problems (Swidler, 2001).

In terms of social network theory, this thesis outlines the need for a greater contextualisation of networks. As Welter (2011) highlights, entrepreneurship occurs across multiple contexts from households to neighbourhoods. On the surface, certain contexts may been seen as being resource deficient which gives researchers additional intrigue into understanding how entrepreneurs enable and bring value to these environments. In addition, the evidence from this thesis is fairly inconsistent with a lot of previous network theorising from Sub-Saharan Africa where networks are thought to be primarily reciprocal and heavily relationally embedded. Future research could look at the relationship between indebtedness and networks in order to examine whether it leads entrepreneurs into predatory arbitrage-driven behaviour. Further, understanding how an entrepreneur's association with a particular MFI impacts upon their perceived legitimacy would also be an interesting line of research.

6.6 Practical Implications

Given the developing economy focus of this thesis, there are some important practical and policy implications that emerge from the findings. Firstly, the increasing evidence that groups have a limited impact on entrepreneurial outcomes suggests a re-positioning for the group-based format. Globally, MFIs still rely on the group-based format to sustain their own fiduciary obligations and to sustain strategies for increasing outreach. The strategy of the MFI in this thesis was to create a hybrid status for groups, acknowledging its cumbersome nature and promoting entrepreneurs to be more autonomous. It created a platform in which entrepreneurs could demonstrate their talents, increase trust and reduce lender uncertainty.

In addition, the emerging cultural toolkit concept could be made useful by MFIs who want to pay careful attention to entrepreneurs who may demonstrate the most potential. Firstly, this thesis highlights that the most significant amounts of capital may be better reserved for the more competitive specialized urban contexts where skilled and knowledgeable entrepreneurs are most likely to gather. Secondly, in making their loan assessments, MFIs should perhaps consider more carefully the opportunity that the entrepreneur is pursuing. Current administrative procedures tend to focus on entrepreneurial outcomes (sales, profits, employment) but are less understanding of the aspirations of the individual. In making transitions to more suitable lending arrangements, MFIs may be better served developing their assessments to incorporate factors purely beyond repayment and performance.

The thesis also continues to demonstrate the importance of non-financial components of microfinance interventions which allow entrepreneurs to think more judiciously about their own financial behaviour. This is clearly something which MFIs must continue to do where applicable. As demonstrated here though, such interventions are not always necessary where some entrepreneurs have some skills or knowledge and financial resources may be the major missing component of their venture's development. However, the findings from the thesis do highlight that the extensive training that loan officers undertake could be better developed to understand the nature of entrepreneurial opportunities being pursued. Further, this could be incorporated into their loan officer recruitment policy but future research needs to be conducted on this dynamic.

The aforementioned implications suggest a severe increase in workload for loan officers who may not necessarily enjoy such expertise. Entrepreneurship education has grown in prominence in recent years and could have a crucial impact in these settings. Other social intermediaries could be utilized to offer experiential learning for entrepreneurs which may help them to utilize their own skills and knowledge more effectively. In particular, groups offer a unique platform in which this type of education can take place. In this thesis, the MFI was already engaged in delivering services which empower and control financial lives but education could also focus on how entrepreneurs negotiate with suppliers, develop customer relations and think about ways of differentiate their opportunities from competitors.

MFIs may also be better served in increasing the flexibility of their individual-lending mechanism. If this is where entrepreneurs pursue higher-value growth opportunities then their realisation will require more patient capital. This is directly linked with the skills and knowledge of loan officers who may need to adopt the mentality of an investor rather than a lender to make judgments about the scope of particular opportunities. It seems that loans are currently used to 'test the water' and build trust between the loan officer and the entrepreneurs. But as microfinance logics gradually get pushed out of the way by more commercial logics (Kent & Dacin, 2013), MFIs who fail to innovate and adapt their lending model to the actual development of local economies run the risk of losing previously loyal borrowers thus jeopardising their financial sustainability.

6.7 Concluding Comments – The Seed or the Soil?

Entrepreneurs represent the seeds that allow economies to grow but their productivity relies on the fertility of the soil that society provides. Muhammad Yunus has rightfully advocated the entrepreneurial talents of the poor. Yunus, among others, has propelled the international development debate into no longer viewing the poor as recipients of hand-outs who are incapable of functioning in globalized economies. Are entrepreneurs in developing countries the seed needed to transform local economies with the input of microfinance resources? This thesis zoomed in on this debate and this critical assumption.

Despite widespread interest in understanding entrepreneurial opportunities, their conceptualisation remains a methodological and theoretical challenge. This thesis sought to rectify this challenge within the context of microfinance in Ghana. It conducted a process-driven study to develop a theoretical model incorporating opportunity, social network and microfinance dynamics. Is it the seed or the soil? The answer is naturally not a simplistic distinction. This thesis sought to emphasise the particular entrepreneurial journeys that microfinance enables. It is a journey deeply rooted within and dependent upon an understanding of a habitual method of organising action. It is a modest attempt to understand how entrepreneurial behaviour in developing economies can help extend our understanding of the entrepreneurship literature.

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Appendices

Appendix A - Resources of Group Members

Ent.	1st Order Concepts	Supporting Quotations
#5	**A. Skills** - Basic education - Learnt sewing skills in previous labour role **B. Knowledge** - Previous entrepreneurial experience in same industry/different location **C. Social Network** - No assistance	**Skills:** "I started from school we did some kind of this work….. The man training me, he would wake up in the morning, and just started sewing…. I worked as an apprentice learning from my master. I was sewing for 3 years there." **Knowledge:** "[After the robbery in 2005] They took all my money, my wedding, they took everything out. So I said to my wife lets pray. The sewing is here [points to his head]. We said that its just money they haven't taken the sewing from me. If they just take the money it doesn't mean anything. So we started again, starting doing combinations and within 3 or 4 months we were going again." **Social Network: "**No there was nobody that helped me. I first started and saved in order to buy one machine. But if there is anyone who has helped me it has been my wife."
#6	**A. Skills** - Informal small-scale hawking - Basic education **B. Knowledge** - No opportunity specific experience **C. Social Network** - No assistance	**Skills and Knowledge:** "First, I used to hawk and sell basins and rubber bowls….So what I would normally do is I would go the factory. So, those who produce cups, basins, plates like cutlery. I would normally buy from the factories in the industrial area. I would go there and pick some up there, pay for it, and I would take it to Ivory Coast and I would normally deliver this to a Ghanaian who lives there." **Social Network:** "I started the business all alone."
#7	**A. Skills & Knowledge** - Informal small-scale hawking **B. Knowledge** - Limited exposure **C. Social Network** - No assistance	**Skills and Knowledge:** "Before I came into the sewing business I was selling second hand clothes....What encouraged me to go into that business is that I have 2 kids. I was staying in a place called Katamanko where I normally sold dresses but when I came to Kasoa I saw that I had 2 kids and it would be difficult for me to hawk with these 2 kids. So I thought to myself why don't I learn sewing? So I went for the sewing lessons so I decided to put up my own shop so I can sew at home and people would come here." **Social Network:** "At first, I used to sell clothes in Accra but that was when my kids were very young. So I didn't want to leave them then. The first loan I took from Opportunity, that was when I started sewing from home"

#8	**A. Skills** - Informal small-scale hawking - No access to education **B. Knowledge** - Learnt about the industry in previous labour roles **C. Social Network** - Knowledge	**Skills and Knowledge:** “So now I think I have enough money to move from the hawking to owning my own farmland. So the initial idea of hawking was because I didn’t have the money. If I’d had the money at the start I would have gone into the farming straight away, so I had to start from somewhere. So bit by bit by bit I’ve got there.... before my farm I would go to other farms and buy their produce in bulk and sell it... I first started this 25 years ago.” **Social Network:** “We also have the agriculture extension officers; they come to our farmland and help us. But there are some things I have to know which I don’t, so they educate me in terms of the crops I’m using. Certain sprays, you need to do this, you need to do that. She used to visit me often to ensure that I am on track.”
#10	**A. Skills** - Informal small-scale hawking - Basic education **B. Knowledge** - No opportunity specific experience - Imitation of competitors **C. Social Network** - No assistance	**Skills and Knowledge:** “Not everyone can get that [business training] because of where we start from....At that time I was selling t-shirts and small things, something like that. That was only small money and it can’t really help me so I decided to start this business… This mobile phone business is really moving, everyone is using mobile phones so they need the batteries and the chargers so I thought that this business will really go up for me.” **Social Network:** “I started from a small family with no money so you have to make it for yourself... When I started, nobody helped me. It was just me.”

Appendix B – Group Profiles

Age	Industry	Formed	Sex	Minor(s)	**Cycles	Location	Educ.
28	Food Trade	2007	F	5	**8** (1) 300 (8) 3200	Residence	None
49	Hair Products	2006	F	6	**8** (1) 100 (8) 3200	Residence	Primary
32	Food Trade	2003	F	4	**8** (1) 400 (8) 2500	Various	Primary
39	Food Trade	2005	F	2	**6** (1) 400 (6) 3000	Residence	None
38	Food Trade	2007	F	3	**7** (1) 400 (7) 4000	Residence	None
53	Fish Trade	2011	F	1	**2** (1) 400 (2) 600	Residence	Primary
45	Food Trade	2008	F	3	**5** (1) 400 (5) 1200	Residence	Primary
43	Cosmetics	2003	F	4	**4** (1) 400 (4) 1000	Residence	None
42	Food Trade	2008	F	3	**5** (1) 400 (5) 1200	Roadside	Primary
*39	Clothing	2006	F	1	**2** (1) 300 (2) 500	Residence	None

Group A (Entrepreneur #6 and #8)

Age	Industry	Formed	Sex	Minor(s)	Cycles	Location	Educ.
39	Hand Crafts	2006	M	2	**4** (1) 700 (4) 2000	Market Stall	Primary
38	Food Trade	2007	F	*unknown*	**4** (1) 700 (4) 1500	Market Stall	Primary
36	Food Trade	2009	F	*unknown*	**2** (1) 700 (2) 1000	Market Stall	Primary
27	Phone Accessories	2010	M	*0*	**2** (1) 700 (2) 700	Market Stall	Primary
48	Home Appliances	2005	M	2	**5** (1) 800 (5) 2000	Roadside Stall	Primary
28	Salon	2007	F	1	**2** (1) 700 (2) 1000	Residence	Primary
38	Food Trade	2005	F	2	**1** (1) 700	Market	Primary
26	Salon	2008	F	1	**1** (1) 600	Market	Primary

Group B (Entrepreneur #5)

Age	Industry	Formed	Sex	Minor(s)	Cycles	Location	Educ.
44	Construct Bricks	2004	F	5	**11** (1) 1000 (11) 4000	Residence	Primary
54	Food Trade	2006	F	7	**8** (1) 700 (8) 2500	Residence	Primary
43	Shoe Seller	2007	F	3	**8** (1) 400 (8) 2800	Residence	Primary
49	Food Trade	2009	F	2	**1** (1) 600	Residence	Primary
47	Food Trade	2006	F	2	**1** (1) 600	Residence	Primary

Group C (Entrepreneur #7)

Age	Industry	Formed	Sex	Minor(s)	Cycles	Location	Educ.
36	Clothing	2006	F	1	**2** (1) 700 (2) 1000	Market Stall	Primary
31	Clothing	2007	F	2	**3** (1) 500 (3) 2000	Market Stall	Primary
33	Food Trade	2004	F	1	**1** (1) 700	Market Stall	Primary
33	Clothing	2007	M	0	**1** (1) 700	Market Stall	Primary
32	Shoes & Technology Accessories	2003	M	1	**3** (1) 700 (3) 1500	Roadside Stall	Primary
32	Clothing	2002	M	1	**1** (1) 700	Market Stall	Primary

Group D (Entrepreneur #10)

- Age = the entrepreneur
- Formed = the age of the business
- Minor(s) = number of children
- Shaded areas denotes an entrepreneur no longer part of the group

** Number of loan cycles taken

Appendix C – Resources of Individual-Liability Members

Ent.	1st Order Concepts	Supporting Quotations
#1	**A. Skills** - Secondary education - Accumulated informal experience **B. Knowledge** - Learnt and began the profession at school **C. Social Network** - Family - Financial resources	**Skills and Knowledge:** "[I started it] When I was in school, secondary education. Barbering is very good work and it is my profession. I was trained in it from the start. I'm used to the work and I like it...I had lots of experience before I started.. Before I used to barb in the house so I was saving small-small" **Social Network:** "From the beginning, I have a friend who is in business who helped me with the first shop and then the money came and he helped to get the second shop going too...When I started my business they [my family] helped me with the money for the kiosk and in April last year. I needed a generator and they supported me for the that."
#2	**A. Skills** - Secondary education - Prior entrepreneurial experience **B. Knowledge** - Born out of discussions with a friend **C. Social Network** - Friend - Material input	**Skills and Knowledge:** "I was selling kente [before starting], the type of expensive clothes that people buy and I was a professional carpenter before that. …I spoke to my friend and I realised that he owns this shop and he has been in the shop for 15 years and he had lots of experience. So I was with him and he gave me ideas as to how I should start the business" **Social Network:** "I have this friend, he made this container and I spoke to him about the container and he told me that I should look for the land for the business. I went to this place and asked for the owner of the land, they showed me the place and I went there and started to talk to him and he agreed to give me this land I am on now."
#3	**A. Skills** - Secondary education - Serial entrepreneur **B. Knowledge** - Learnt from family business **C. Social Network** - Financial resources	**Skills and Knowledge:** "I'm a teacher by profession…One of my brothers was doing this business so I had to interact with him if I wanted to learn this business because there are not a lot of women who do business like this. So I had to go with him for 3 years to know how to manage the scrap metals" **Social Network:** "***Interviewer: Where did he [husband] travel?*** Korea. South Korea. ***What was he doing there?*** He went and worked for money. He worked in the plastics industry as a labourer in order to get more capital to come back and raise the business. So when he could come back he could come and raise the business. ***Is that where he got the initial idea from?*** No, that was the business that he was doing before. But the business needed a lot of money, capital. But by then Opportunity had not come to Kasoa so he travelled so when he comes he started the business."

#4	**A. Skills** - Secondary education - Prior formal employment **B. Knowledge** - No opportunity specific experience **C. Social Network** - Family - Financial resources	**Skills and Knowledge:** "[Before starting] I was working for a company and the company is a lottery company, private lottery company. As I worked there for about 9 years but the company is not safe for those 9 years…So I got married and taking care of the children and going to the work it was a bit difficult for me…I realised that this area where we are staying, there are a lot of stores but no one sells stationery and textbooks so I decided to start it." **Social Network:** "It was just my husband. [When it started] I saw the shop and it was closed and I thought why don't I try? At that time, I was selling in the house. I was selling my goods, like stationery and some items… I have one sister at Cape Coast, when I was in difficulty I called her. Her husband works at an NGO so when I was in a bit of difficulty I called her and asked if they could help me out with a little bit of money."
#9	**A. Skills** - University education **B. Knowledge** - Blend of knowledge backgrounds **C. Social Network** - Family - Financial resources	**Skills and Knowledge:** "After my education I completed polytechnic, I did electrical engineering – I started working for an internet service provider around Dansoman called African Express….We sat and said well I have a marketing background; you have an IT background, electrical engineering. He could repair, he could do these things on the internet so we thought, why not come together and do something for ourselves?" **Social Network:** "I took some money from the family to pay the rent for here then as we were selling, our daily sales, we would keep it and then by the end of the month we would give it back to the family member.

Appendix D – The Disposition of Entrepreneurs in Spatial Context

Ent.	1st Order Concept(s)	Supporting Quotations
#1 (Ind)	**D. Gravitation Effect:** Attractiveness of market centre **F. Outlook:** Long term orientation towards market need	**Gravitation Effect:** "That place is in town so that place is very very busy so that's why I chose that place... We only ever looked at Kasoa as place to put these shops." **Outlook:** "Accra people they will normally decorate the shop neat. So when you go to town like that you visit the shop and you think 'oh yeah'. And if you wanted to shave they would use these spices and things. So when I went to that shop and I see how that shop is decorated I said 'hey, we are joking here' so I have to come and buck up my ideas. So I re-started to make the place and now I've seen that the business has changed and it is really moving."
#2 (Ind)	**D. Gravitation Effect:** Attractiveness of market centre **F. Outlook:** Long term orientation towards market need	**Gravitation Effect:** "Most of the taxi drivers use this road and for them it is very obvious the things I am selling. They use most of the things I sell. So I'm so close to them that it makes me sell more and make more money." **Outlook:** "I want to go for more [products] because I have seen that this business, if you have money in the business you will be able to get more. Because of my brother I was telling you about - the shop owner he has plenty of money and he can buy lots of the batteries. So, I want to be like them."
#3 (Ind)	**D. Gravitation Effect** Attractiveness of market centre **F. Outlook:** Long term orientation toward market need	**Gravitation Effect:** "When I started all this place was bushy. There was nothing, no shops really. Like maybe 2 or 3 shops and all this place was bushy. There were no banks around this place….When I started it was – in this environment and this area nobody was selling these types of things and I said let me come to this environment because when it happens like that then you get more customers. At first, if you're the only one selling in the area then you get more customers." **Outlook:** "We had the metal shop elsewhere where we now sell that. That one now my husband is handling that. If they buy the metals they ask for other things so I was directed to sell other things... I did it [opened the new business in 2007] in order to elaborate the business more. You see I cannot control the two shops at a time so I decided that he should take up that bit and I would be here."
#4 (Ind)	**E. Sense of Place:** Precedence of family circumstance	**Sense of Place:** "When I started, actually in the area there was only one person one shop that was selling these provisions. That's confectionery products. It was only one shop. So I realised that at this place, there are not many shops in this area so I decided to do it. This place is also very close to my house. So you don't have to worry about transportation, like going and coming back. At that time, I had the children too and I had to be at home when they returned from school. So I decided that I had to be in this area so that it would be convenient for me to take care of the children."

	F. Outlook : Long term orientation towards new opportunities	**Outlook:** “[In the immediate future] I think opening the new shop would be the priority... It would be at my home because we don’t rent, it’s our personal house. So I can use the front and build the store there. After that then I will look for another site....[in the future] I want to own a very big shop like Shoprite or a shopping mall. It would be like a supermarket, from furniture to food. Some time ago I wrote something down – ‘Cindy’s group of companies’.”
#5 (Gr.)	**D. Gravitation Effect:** Attractiveness of market centre/development	**Gravitation Effect:** “Kasoa has changed very very very fast. When I started Kasoa was not big like this. A lot has changed in Kasoa…It’s been great in a business sense. When the place is small then that doesn’t help much, you need new people to come in and the area to grow.”
	F. Outlook: Long-term orientation towards market	**Outlook:** “I’ve got the land already. It was about 10 years ago; I’ve always had the plan. I start small small and every week after paying the money I will buy the cement. So maybe in 2 years if you come here you can come and see my factory…I would have the factory and then I would have plenty of boutiques. Kumasi, Accra, Kasoa, Tema, boutiques everywhere. Then the factory can supply them.”
#6 (Gr.)	**E. Sense of Place**: Precedence of family & personal circumstance	**Sense of Place:** “The main reason for where the shop is is because it’s obviously where I live and as I grow old I wouldn’t want to have a shop very far from my house and where I wouldn’t be able to walk as far as I used to be able to. So I wanted a closer place that I can do in my house where I can wake up and only walk some 20 steps and I’m in my shop”
	F. Outlook: To serve family & community needs	**Outlook:** “The reason I want it to grow is that when the business grows then I will be able to employ people in the community and that money goes to their families… Before I started the business in this area – this area was like a village at that time – and there weren’t many people here, people were not residing here. If you stay here you feel lazy to go to town to buy the products that I have. If you wanted beer back then you would go all the way to Kasoa to get beer.”
#7 (Gr.)	**E & F. Sense of Place & Outlook:** Precedence of balancing family & economic needs.	**Sense of Place & Outlook:** “My place of residence, that is where I sew and I have put up a shop. But next to this shop is my cool store but in the same place. At first, I used to sell clothes in Accra but that was when my kids were very young. So I didn’t want to leave them then…The first loan I took from [the MFI] that was when I started sewing from home and then with the next loans I took, I started with the cool stores too.”
#8 (Gr.)	**E. Sense of Place:** Precedence of family & personal circumstance	**Sense of Place:** “Well I used to be a hawker but now I am ageing so the way I usually went through the villages and buy in bulk – there will come a time where I don’t have the energy to do that so I had the vision that ‘Why can’t I own my own farm?’ and be at my own particular place which will be easier for me because it will save me energy. I wanted to settle in one place, have my own farm, my own employees, less stress, more money, less energetic – this is where my idea came from. Because a year and a half ago I was going round – you see we have a lot of villages in Ghana so I would roam about the villages just to buy foodstuffs like Pineapple and Paw Paw and it’s very tiring.”

	F. Outlook: To serve family & personal needs	**Outlook:** "The idea came into mind because I need more money and more financial support because now I have 2 kids….I decided to go into it because 1) its edible 2) it moves fast. You don't want to go for things that will sit in your store and lose you money. We are human beings and we need food. So instead of going for something else I decided to settle on the fruit because it's a moveable item."
#9 (Ind.)	**D. Gravitation Effect:** Attractiveness of market centre	**Gravitation Effect:** "You see Kasoa is a new settlement. Many people from Accra were travelling to this side to buy land and all those things. People prefer to bring their families here but work in Accra. There are now a lot of schools around here so settling here in Kasoa it will help the café business where you have to do printing, do photocopy and give people internet service. That was why we chose here but not Accra."
	F. Outlook: Long term orientation towards market need	**Outlook:** "Since there is a lot here, the competition I can hold because I do the computers myself. But because I have the mind of opening the ISP, I always think of distributing to the remote areas. Maintain this one [store] but eventually turn it into a provider instead of a café. So that was when I started thinking of expanding to the remote areas so that people can get the services over there."
#10 (Gr.)	**D. Gravitation Effect:** Attractiveness of market centre **F. Outlook:** Long term orientation towards market need	**Gravitation Effect:** "This mobile phone business is really moving, everyone is using mobile phones so they need the batteries and the chargers so I thought that this business will really go up for me… That particular location is very busy, that place is very packed. It means that there are many people there who are buying things from lots of other places. If you go to other sides then the business will not go quick. I don't want one of those businesses where people are just at home sleeping in their village and waiting for people to come and buy. So it means that things can go quick quick." **Outlook:** "In 5 years, I want my business to be like a big business so that I can increase the goods I import and get more customers. Then I will get more people that I can employ, maybe 5 or 6. So hopefully it will be a big store. If I get my money then hopefully I can make another store for the other place."

Ind. = Individual-liability
Gr. = Group Liability

Appendix E – Cultural Re-Tooling of Group Entrepreneurs

Ent.	G. Self-Control	H. Self-Efficacy
#5	"That workshop I benefited from that workshop. The way you do your business, the way you handle your money. Before that, I would get some money and it would just go without me realising. But now every time I get money, I know where I'm putting it and the stuff that's left over is mine."	"In fact, when I went there [the MFI] received me very very nicely. They prayed for me and a lot of things…So, they give the money to you in your hand and they pray for you to achieve… [The MFI] started me with a prayer. Anything God starts, that should be successful.... I would have the factory and then I would have plenty of boutiques. I got this plan when I entered into [the MFI] because they would train you how to do tables and your finances."
#6	"They also train us to make a budget for us in order not to outspend. The money here is being given to us and it's not for free, we have to repay it. So if you go round and anything at all you see, we want to buy it! We end up not having the ability to pay the loan."	"I feel so proud about the impact that the loan on me and the business. I'm so grateful for [the MFI] helping me and I walk with my head held high…. What I have really learnt from [the MFI] is that they are very honest people which has made me very honest. And if you want to work with them then you need to be a sincere person."
#7	"At first when I had my own money to do my business I could just wake up at any time I liked and do what I wanted. Now I've realised that I need to be on time and now I live a much more calculated lifestyle."	"The only challenge I have now is because there is high demand for what I'm selling so I've started waking up earlier than I used to; to open the shop. So now I don't have much time to do anything else!"
#8	"They tell us that we shouldn't purchase things that we don't need and we should keep records of what we are selling and buying."	"I've learnt from my job. We now meet different kinds of people, I mean in relation to customers… For example, they might say that you should bring some goods to you and they say that they will bring you the money later and you fall for it. So that is what I've really learnt, that you can't always trust people."
#10	"They would advise me to do this with this money then you will get something back. So it made me make it very serious about how I use my money. .. I can now make sure about how I spend money. So if I want to do something then I think that this money has to go to [the MFI]…. So I have to make sure that I spend my money well and not on unnecessary things."	"Many people are coming inside now. So that is making me confident to make something happen. Well it's because I see so many of the other businesses having so many challenges. Many of them will want to sell at like this price and they want to get more customers. I'm confident that what I do will always beat what they do."

Appendix F – Progressing Lending Process in Groups

Ent.	I. Opportunity Monitoring (Lock-in)	Microfinance Investments
#5	"When I start with [the MFI], every year my business will change. So since last year I would see that with the money I am now far away from where I was. But I don't rush my business, I take my time, I go step by step according to how the bank proceeds. … You see my father would want me to walk but I would want to run but he would say you can't run before you walk."	"I can deliver more goods to more customers so that every month maybe I can get about 3000GHC if the season is good. And that is OK for me….I say that I want the money to go Togo not to Accra [for supplies]. I will come back home with all the materials, if there are any problems the material is there, materials will take care of the problem."
#6	"The other challenge is, because other businesses have enough capital, they are able to go to the source [supplier] itself… As I'm progressing in the loan assessments I'm praying that I will be able to get a bigger loan so that I can also take it from the source... I have objectives that I've set for myself and until I've achieved that I won't stop using [the MFI]."	"I started in a wooden kiosk and gradually I migrated from the kiosk to a full block house, so I invested some of my loans in building the bar itself…. If it hadn't been because of [the MFI] I would be crawling along by now, in business terms. But because of them I have developed to this stage."
#7	**"**I thought I was going to get 3000GHS to get the generator but then I realised that out of the 2200GHS I had I didn't really had enough. ***I: So why did you not get 3000GHS?*** I have no idea. I was advised to take the 2200GHS and then the next one can be 3000GHS."	"I buy second hand clothing and pop and people normally come and buy from me. That is what I used this money for… In my new location in Kasoa what I discovered around the area is that there is a demand for frozen food and a scarcity of fish. Because I had access to the loans and there is a demand for this, why shouldn't I take advantage of this?"
	J. Crisis: "Because of the funeral and everything, I couldn't make up with the repayments so it created some problems for me. ...I was really hurt because I had been working with the group and the organization for about 4 years. ….Because of what happened I haven't been around to maintain it...It's been quite difficult keeping the home side of things good. I don't pay the school fees, my husband does but things like cooking at home and feeding the kids have been more challenging...There were also 2 members in the group who were giving us problems and we had decided to take them out so we were left with only three and she [loan officer] said that the minimum amount is 5 and they can't give them a loan when there are less than 5."	
#8	"It's not that they don't want to give me 5000GHS but at that particular stage they would not give me 5000GHS. So at the next stage they will give me 5000GHS. So hopefully in October I will get the 5000GHS."	"In terms of what I sell, I have available customers, they're their now that is no problem. Immediately, I transport the foodstuffs from the farm I normally take it to Accra, the market there. They will buy it from me there. The suppliers will buy it from me – those who work with hotels, retailers, producers of fruit juice and so on will buy it in bulk. So, for customers there is now no problem."

#10	"At that time they [the MFI] gave me 400GHC. Then I had another one which was 600GHC. Then in 2010 I got 800GHC, then I got 1000GHC again. In 2011, I took 1500GHC and the second one was 2300GHC…Every year the business moves more than the other year... But it depends on you, how you pay by yourself. So if you want it to make a good change for yourself then it is going to be good for you."	"I know that mobile phones can be bought and sold fast fast so that I can get the money and pay this thing [loan]… I will also buy the phone chargers, the normal ones move very fast so I will just buy more of these things"

Appendix G - Progressive Lending Process in Individual-Liability

Ent.	I. Opportunity Monitoring (Negotiation)	Microfinance Investments
#1	"They [the MFI] have helped me a lot….they expect me that my business should grow… They make sure that you're going to use the loan for what you say you are. So when the business is growing it really helps because I can save more with them. So when you're with them for some time then when you apply for a loan they will give it to you."	"In this barbering business you have to invest in it. In Ghana now people like very neat places...So you need to put more money in, that's why I came to contact [the MFI] for a loan. My first loan was in 2006 which I used for the container….that was for 1200GHS. The second loan was 1600 in 2007. That is what I used to start with this shop, my 2nd shop but I couldn't complete. My third loan completed the shop for me…..that was for 1500GHS"
#2	"After 3 months I went there and asked for the loan officer and the man showed me and I started to talk to him and he came and visit me here and see the products I'm selling and my savings. He checked how I make profits…At that time I had written a letter to them to give me an amount of 1500GHC and he approved it for me… I can trust them because when I apply for loan, OK there might be a delay, but I will surely get the loan."	"And I want to buy plenty of batteries and engine wires. Because I don't have plenty of money I buy it two-box two-box two-box. Because I don't have the money I can't buy 3 or 4 or 10 boxes…When I got the money from the bank I didn't even come back to the shop. Because, you know, if I brought the money back here then maybe other ideas would come and then I won't be able to repay. So when I got the money I took a car and went to the place for the items like these stuffs [batteries & oils]"
	J. Crisis: "Well the robbers came here in February 2011. They took all my metals and my oil filters and almost everything else.... It was one Friday. I went to the suppliers as usual to buy the batteries. I had the feeling that I shouldn't go. The supplier added some extra items to sell which I bought on credit so when I came back I put everything here [at the front of the shop] so that those walking buy could see what I was selling. So in the evening I packed everything inside, I locked the shop for the next day. Previously, the top of the shop was not made out of metal, it was plywood. That night it rained and I thought that maybe it was the storm that had caused it. So I came to open the shop only to notice that all the batteries that I had bought the previous day had been taken away including some oil filters and stuff like that...I went to the officers and explained it to them. They said that they could not cancel my loan but they could top it up for me and they give me 2500GHC and the top up for me was about 1000GHC. That 1000GHC has helped me reach what I have now."	
#3	"They [the MFI] say that I need more capital, more money and raise more. If I start saving soon then they will help me in my business….before giving other loans they would look at your last loan and ask how did it help and what is now needed? It's like the more you will progress the more money you can request. So the more the market is requesting the more I will go for."	"The business was not as good as it is now because there was no money to run it. No advice. But the major problem was the financial problem. The business wasn't moving until I started with them. At that time though, [the MFI] weren't there but when they started they came to me that I should use them in order to grow my business… I don't have enough capital so I went in for the loan so I can have more goods."
#4	"He [the loan officer] came here and assessed and he approved it for us....They told us that the money should not be spent on personal things. He just said that	"We go to Accra and purchase the things and come back. We invested that in a number of items that we wanted to buy….because of the

	you should use it for the purpose that you came for it. At the point that you don't invest in the shop but you have to pay then it becomes a bit difficult. So you must do with the money what you told them you would use it for."	repayment – if you don't fill the shop then it becomes very difficult to repay because immediately if something is finished then you have to go back and buy it again"
	J. Crisis: "I was very very disturbed because I don't want the embarrassment of like people coming here because of loans and these things. I don't want to have experience of that. By the Grace of God, we were able to finish [repaying]. He gave us time to repay and so by the Grace of God we got there."	
#9	"I have to keep them as a relationship because after paying them the loan. If I am going to go back for another loan, everything will depend on how I related to them previously…If I stop paying will I go for them again?.....So I'm also trying to get some money somewhere from my brother so that I can properly do it. I don't want to go in for too much because sometimes when you take the loan and it hasn't been that effective, it doesn't add up. If the interest rate is good, no problem but high interest you end up making a loss."	"The size of the loan is small but it was our first time. Since we started our business we would always get a little money and put it together to buy things. But this was our first time, the 3000GHS was small for us so we couldn't make that place like we wanted it. The container was small, we wanted to make it like a big store like here. But because our money was not there, we couldn't buy a container of this size that was why we did it like half a store. So the money given us is OK but the interest is small, however, the size is also small."

Appendix H – Development of Network Ties in Urban Context

Ent	Tie Type	1st Order Concepts	Resource(s)	Supporting Quotation(s)
#1	Customers	**L.** Social Proximity	Reputation	**L.** "At the beginning, I was at the same level and you have a small amount to invest. When you have that the business doesn't grow, the business stands still….When you are in the kiosk people won't purchase from you like the container. You see people will look at the environment of the place before they purchase.....In Ghana now people like very neat places. When the place is very neat you achieve more customers. So you need to put more money in, that's why I came to contact Opportunity for a loan"
		M. Cognitive Proximity		**M.** "Whenever I meet my friends they say that I am doing well and progressing even though they work in government....Some businessmen would come and they would park their car and come and barb. They would normally not come but when I changed the business they started coming and I would see further changes from that."
#2	Upstream	**K.** Geographic Proximity	Cost-efficiency	**K.** "The problem is the deposit before the batteries come from abroad. If you don't deposit, give the money down then you won't get it [from the suppliers]…Because I don't have plenty of money I buy it two-box two-box two-box…I don't go directly the people who import them. When they import it they have a place that they keep them and when you it in bulk from them you can get discounts. But when I go there I don't actually get that discount. I don't have the chance to go directly to those importing it. I have to go to third parties. I have to buy from those who are buying it from those who import it."
		M. Cognitive Proximity	Reputation	**M.** "Initially, those times when I was not using the loan before February I would go to the suppliers for the goods and now when I'm ready to buy they will bring the goods here, to me. So I will just call, purchase and they will bring it."
	Customers	**M.** Cognitive Proximity	Reputation	**M.** "I'm not happy at all. Because I don't have all of the products I need. Often people will come and ask for something but I don't have it because I don't have the money. So I'm not happy about it…Someone came here to ask for a repair kit and I didn't have and it becomes annoying"
		L. Social Proximity	Reputation	**L.** "My customers are more relaxed now about what they can get from me. Previously, I could only buy say two batteries and when customers would come I sometimes wouldn't have any batteries for them."
#3	Upstream	**K.** Geographic Proximity	Cost-efficiency	**K.** "They help me because they've reduced the price on me and my transportation problem. At first, I would have to take the car to get the goods but now they will bring it for me. So it has reduced the stress and the transportation for me"

		M. Cognitive Proximity	Reputation	**M.** “When I started, when I wanted goods I would just have to take the car but now they have been bringing it and they don’t charge for the fare….they have been bringing things to me, they’ve been bringing it in their car and going round and telling us about the good ones and the fake ones.”
	Customers	**L.** Social Proximity	Reputation	**L.** “At first I found it difficult but now it goes well…when somebody comes and they would ask for the price of this thing and they would say that they have been buying it at this place for such and such a price. Then I try to beat my price down in order for my business to grow….I don’t put too much profit on the goods, that is the business strategy. I won’t put too much profit it on it so that it will go fast. But some people maybe they will buy something for like 10GHS and sell for like 20GHS but if we buy something for like 10GHS we will sell it for like 12GHS so that it will go fast.”
#5	Upstream	**M.** Cognitive Proximity	Cost-efficiency	**M.** “I started going to Togo 6 years ago. What happened was I reached a point where people were cheating me here in Ghana. In the beginning I wanted people to go to Togo and supply me but the people that supply you they know that you are cutting the dresses and making the money and that I am going to pay, whether I sell it or not. So for so many years I was working for someone [local suppliers] and I would try myself to save for that bulk money. So I thought, why not go for a loan?”
		K. Geographic Proximity		**K.** “When I go to Togo and I put 3000GHS down I immediately get the profits from the materials. But if I buy it here it will be 4GHS 50 pesowas so I will lose profit… Togo is easy, I will go get my materials and I will come back and sell. It’s very easy. The materials are the same but it is just cheaper in Togo.”
	Customers	**L.** Social Proximity	Reputation	**L.** “The good things for my customers are that now there is no disappointing them. If someone wants to buy a skirt and top its already ready”
		M. Cognitive Proximity		**M.** “Let me tell you something, the business is about time. This morning, I need somebody to come here and order 4 or 5 things You see, I make time for you and if I need to sew a button or make a dress I will make time for that. I don’t want to waste anyone’s time. So let’s say they come here and pick a dress I’m not going to disappoint them, I’m going to make sure it’s ready. If they take a car and come here and it’s not ready, what does that say? They will think you’re not a business man.”
#9	Customers	**L.** Social Proximity	Reputation	**L.** “We took 3000GHS and then we added the little money we had to this and that gave us 7000GHS so we constructed the container which cost us 2500GHS. Then we bought the computers and the wiring and everything cost around 7000GHS…..Looking at that place, there is no internet cafe around so they were happy.”
		M. Cognitive Proximity	Information	**M.** “But the customers say to me ‘Oh Madame, this place is so small but this area has no internet cafe, why not make it big?’ So I have to say it’s the money. So the people are so happy that there is an internet cafe but we know

				it could be better…Actually, if you come in here and you have a laptop and you want anti-virus. Since you are our customer we will give it to you for free. Sometimes, some customers will come here and ask for some anti-virus, it's a problem and we say that we have it and take it. Other places will sell it. So in a way we maintain our customers."
#10	Upstream	**K.** Geographic Proximity	Cost-efficiency	**K.** "Sometimes I go to Accra and I can buy from them. You see those goods, some of those goods are very cost-worthy and the cost is not good for me. So I will not buy too much from them because often their things are not very cheap for me. When I come back from Accra I won't have bought many things. If I'm going to buy many things then I will go to the other place [Togo/Nigeria]…. I go there every 2 weeks. Because I don't want the goods to finish before I go. So when you're going for the importing that place you can buy everything and it will last."
		M. Cognitive Proximity	Reputation	**M.** "They tell me that I have to make this business serious because if they think that my business is serious then they will be able to help it grow more....If they see that you are serious then they will make more business with you…Sometimes them too, they want to see everything go well so like this week or one or two weeks' time they will bring new things because they want their goods to be attractive for those people who are buying from their clients. You see they want people to be attracted to their products and bring new things. So they always have to change what they are offering."
	Customers	**M.** Cognitive Proximity	Reputation	**M.** "The change with my customers is great because now I am bringing what they want. So I can bring different things all the time…If I am able to buy more goods then I am able to reduce the prices so that my customers will come and buy fast fast"
		L. Social Proximity		**L.** "They know that I am making good for them. Because the other shops they will just say 'what do you want?' there is no real service. So they will always come to my shop. What I now know is that because of those people, you are in the same area, selling the same products they can always go and buy from another place. So you want to bring them here. So anytime I just make my own. Because if you don't take care of that then maybe some people will make you lose some of your money."

Appendix I - Development of Network Ties in Peripheral Context

Firm	Tie Type	1st Order Concepts	Resource(s)	Supporting Quotation(s)
#4	Customers	**L.** Social Proximity	Reputation	**L.** "They advise me to buy more goods. They are pushing me to buy more. When they come and they want something and they don't get it, they look worried even disturbed. They ask me 'Why don't you bring these things?'.... otherwise they will have to travel far"
		M. Cognitive Proximity		**M.** "This business actually, when your shop is filled with goods it attracts a lot of people to your shop. Because they have the idea that whatever they want they can come here and get it. But when someone comes here and asks for say sardines – you don't have it. The next day when he is coming to buy another product you may think 'ah when I go to Accra I will get him some'. So when the money comes it will be very good for me to buy more goods"
	Upstream	**K.** Geographic Proximity	Cost-efficiency	**K.** "When you have enough money you can go to the Accra market. There the prices are a bit cheaper than here in Kasoa. When you don't have enough money you can't go there and buy because transportation will be deducted from your money and by the time you come back you are at zero… We have some suppliers but we don't get there often unless we have some bulk money. You see the shop [supplier] doesn't even have a name, it's not somebody I know personally…..But when you go to some of the [local] stores, some of the shops and buy them, you realise that, for instance, this one [points to product], it takes only 6 months to expire and when you go and buy them you don't look at the expiry date. You buy it and in 3 months its fine because it has been kept there for long."
#6	Customers	**M.** Cognitive Proximity	Reputation	**M.** "They [the MFI] have been a great change in my life to the extent that when friends and customers come around they see the place and say that it is looking nice because of the money that has been invested in the place."
		L. Social Proximity		**L.** "Before it was difficult, where they would sit would be a problem but now I have beautified the place to the extent that people are comfortable and happy to hang around the bar."
	Upstream	**K.** Geographic Proximity	Cost-efficiency	**K.** "They are important but there are times when there is a shortage of drinks and it means you have to hire your own vehicle to transport the drinks back to your bar. Basically, I can do without them because if I have the vehicle I can transport my own drinks to the bar… It has been better because now I have transportation. Now, I don't have to wait for them. I can just go to them and buy the stuff and bring them back to the shop."

#7	Customers	**L.** Social Proximity	Reputation	**L.** "They [the customers] normally tell me to make the shop complete…The cool store goes quickly and the things you sell there go together. So the cool store goes with rice, tinned tomatoes, and cooking oils and so on but they get annoyed that they can't always get it here.…. Because I have added the food stuff to the frozen food – people will now come to my shop and buy everything."
		M. Cognitive Proximity		**M.** "Unlike before when people would come and probably buy frozen food and have to go to another place to buy food stuff…Because I've added the food stuff to the frozen food my customers can now get everything so they're impressed"
	Upstream	**L.** Social Proximity	Cost-efficiency	**L.** "I have a very good relationship with my suppliers because every time I buy from them I can now buy on cash rather than credit and they know that I'm very reliable in terms of cash…. Anytime I take the loan I have enough to buy the things so I don't have to buy on a credit basis which means I would need to sell the goods and then come back to them. With the loan it means I can turn the money around….They normally sell different stuff so the prices rise."
#8	Customers	**L.** Social Proximity	Reputation	**L.** "There are times when I send my products to the market that the customers will ask me to reduce my prices for them. They say that if they want me to still buy my stuffs then it has to be within my reach and affordable to them. They can often be very disappointed...I want to open the farm more because they [customers] are happy with what I'm doing….Everything has been good with them because the business has been going well. …One of the benefits is that I have progressed from, let's say 'class 1' to 'class 2' [with the loan]."
	Employees	**L.** Social Proximity	Loyalty	**L.** "Whatever they want I will give it to them. I will talk to them and if they have advice to give I will take it in good faith just to maintain that relationship…Every month I need to pay the workers so I actually used this loan to service their monthly wages"
		M. Cognitive Proximity		**M.** "Because they are working for me I have to build a cordial relationship with them so that they will work their heart out for me. So I am always in touch with them. Like I told you earlier on, we have a different type of dialect here, they are from the Northern part of Ghana, they don't understand our languages. The people from the North, you can offend them with the littlest thing."

Appendix J - The Variation and Proximity of Information in Urban Contexts

Ent	1st Order Concepts	Idea	Supporting Quotation(s)
#1	**N**. Physical distance to potential market	New market location	**N.** "I've chosen a place down there [points down the main road]…that area there is no barbering shop around there and the place is a very busy area for the customers to come. You see a lot of those customers will come far to come and barber here and they will always say that I should try to get a shop at the place"
	O. Knowledge similarity		**O.** "In that area, already I have customers who buy here from that area. So when I have a discussion with them they say it's very good and you'll be near to us for whatever they want. So they'd prefer me to be over there instead of here so I started putting the branch together gradually."
#2	**N.** Physical proximity to market	Re-location (market)	**N.** "The competitor used to be on the other side of the lane and now he has moved to this direction. So currently what my customers do is that they don't know his location so when they want to see him they will come to me and ask where my competitor is now!"
	O. Knowledge similarity		**O.** "What I'm doing now is that I'm speaking with Opportunity about the loan to acquire this store [points over the road]. So that I can open the shop just like my competitor has. This will mean that I can also go there [to his suppliers] and get things at a cheaper cost. About a month ago we started talking. I've spoken to them about where I want to locate the shop and also the number of clients I am likely to get once I open. I have this Chinese man who is promising to stock the shop when I am able to get it….Well every week I will go to him to buy one or two so he has starting trusting me."
#3	**N.** Physical distance to potential market	New market location	**N.** "They've been going to Accra and it takes like 2 hours at least….They [my customers] have been coming because in that area people have been going to far places to get the goods. My location is very good so it is easier for them to buy those things rather than go to far places"
	O. Knowledge similarity		**O.** "I have a friend there that is selling different things and whenever she came to visit me she would say that if I was willing to open something there then the market would be OK and people would buy. So she is the one who gave me the idea for this. Well she's a friend but also a customer. She has been buying building materials from me so she would come here and transport it to that place. So she told me to open the same thing at that place and people would buy."
#5	**N.** Physical distance to potential market	New market location	**N.** "That time you came, the place wasn't suitable for the business. Number 1) for the business then we needed it roadside but at that time there was no money….Over there the business wasn't going the way I wanted it because people don't see me. In that business you wouldn't see so they [customers] couldn't see and buy, see and buy and request."
	O. Knowledge similarity		**O.** "So I decided no, I want to expand the business but in order to expand the business the place is important. You see where I am here it is next to the international highway on the way to Abidjan so people who are going to Abidjan so people who pass on this road will see it…So within 2 months it has been better than the 5 years I spent at the other place."

#9	**N.** Physical distance to potential market **O.** Knowledge similarity	New market location	**N.** "Right now, I have a target to achieve which is to establish the internet café in Ofanko. There are a lot of visitors there who normally come all the way here. So they will come all this way just to browse. So I am taking the internet to them so they will enjoy it" **O.** "Since there is a lot here, the competition I can hold because I do the computers myself. But because I have the mind of opening the ISP, I always think of distributing to the remote areas. Maintain this one [store] but eventually turn it into a provider instead of a café. So that was when I started thinking of expanding to the remote areas so that people can get the services over there….It's a remote area, some people are trying to understand what it is" **O.** "We always think about how we are going to divide this place into two. Use this side for computers and accessories. Actually, we have started it small-small. Some people bring laptops and computers from the UK or the US and we go and buy some, give it to customers, take the money and then take the profit on it. So if we are able to divide this place into two then we will buy the products ourselves, shop it and purchase it."
#10	**N.** Physical proximity to market	Re-location (market)	**N.** "So if you have that shop then the business will move a lot more because you have access to more customers. Maybe those people who are dealing outside Ghana then maybe you can deal with them and they will think that they want to make business with you. So if you have the shop then you can probably get more goods from outside the Accra area"
	O. Knowledge similarity	Change of supply source	**O.** "Nigeria is a very good place for Ghana. Those people you never see them here in Kasoa. You know the Chinese people….Before I was taking goods from them but now I have started going outside, to Nigeria and Togo. They are missing me. People have complained that I have stopped doing business with them 'why am I not buying goods from there?' So I ask them if they can do these things for me [prices] but I say that if they can't make it then I will go elsewhere."

Appendix K – The Variation and Proximity of Information in Peripheral Contexts

Ent	1st Order Concepts	New Idea	Supporting Quotation(s)
#4	**O**. Dissimilar knowledge	New business	**O.** "In the future I don't think I will open this shop. You see, my husband is a pastor so at times we have to close the shop and attend church activities. It also takes a lot of our time because there are certain times that you have to go and visit some of your church members… I'm planning on doing the event thing I was telling you about. I haven't decided what to do yet so I'm just analysing the pros and cons of it." "I actually wanted to build up a store like this one but I realised that I don't stay there. I stay at the top there [points to up the road]. So If I want to relocate from that place, I have to take it along with me so I decided to do it in a container. And I'm about to complete it, very soon I will leave this place and go there.... I've actually realised that we can do some more things by selling in the evening – some fast foods which we usually do in the evening. So I invested some money into it and I will employ someone who can sell it for me."
#6	**O.** Dissimilar knowledge	New service	**O.** "I need a small Kia truck vehicle to bring my drinks from the warehouse. I want easy access of transporting it from the warehouse or the depot.….Aside that I want to use it on a commercial basis….So I will hire it to other businessmen and women who are interested in transporting the same products from A to B"
	O. Knowledge similarity	New service	**O.** "The other aspect is that I also want to build a restaurant in addition to the bar, you know when you drink, it tends to go with food…People really ask for food in the area, there is a need for food in the area. It's not like if you go to Osu and there are lots of restaurants and there is no scarcity of food. But where I stay food is scarce so people ask 'that if I take 1 or 2 bottles of beer, I also need to eat'. So why don't you also prepare food in addition to the drink you sell?"
#7	**O.** Dissimilar knowledge	New product(s)	**O.** "In my new location in Kasoa what I discovered around the area is that there is a demand for frozen food and a scarcity of fish. Because I had access to the loans and there is a demand for this, why shouldn't I take advantage of this....Where I lived there was a woman who was selling frozen goods and it was really selling. But I don't know what happened; the woman just closed the store. So people were really needing but she wasn't available and it motivated me to open the cool store" "I want to purchase a taxi in the future for myself and the business. I would employ someone to work for me….The cost of transportation is a lot so I would like to use my own car to transport goods but it will also help me to make money too... I don't want to buy a second hand car, I want to buy a brand new car. So, with the 3000GHS – although I have in mind that I want a taxi – I will still invest the 3000GHS in the business so that I have more stock in the shop and then I can save towards it."

#8	**O.** Dissimilar knowledge	New business	**O.** “I have a very good reputation with them… Some of the farmers they have their farm but they don’t have money, so definitely they will respect me! To the extent that some farmers come to small-small loans from me… I record it. I normally loan to them to be able to build a reputation with them and because of that they always respect me.” “I have a plot of land which I would like to put a store on. And I will use it to rent to others.”

Appendix L – Spatial-Temporal Development – Emergence of Place

Ent.	Context	1st Order Concepts	Supporting Quotation(s)
#1	Urban	**P**. Flow of resources	"The competition at the moment, it's not easy. People are opening more and more shops in the area but, you know, we've been in the system for longer. People know us more than the new people coming out. But most of the people know that we are here and they know that we have the reputation. They will always want to come here.... Kasoa is now developing. Before it wasn't like this and now it is very very fast. People always come here, every day. So what is happening now is that you see new customers in the town, almost every day there are different people coming and going."
#2	Urban	**P**. Flow of resources	"Most of the taxi drivers use this road and for them it is very obvious the things I am selling. They use most of the things I sell. So I'm so close to them that it makes me sell more and make more money... At first, it changed in a negative way because there was a fitting shop here. A car fitting shop. So they normally buy from them too. But they moved from here and these Caterpillars [vehicles] came over here. God being so good it means that they would also want to buy stuff from me. They will buy a lot in boxes because their engine is quite huge. So, you know, most people are round here doing businesses and it's made more people come over."
#3	Urban	**P**. Flow of resources	"Sometimes if you are very close to this main road and the other people in construction then you will see that everything is OK and you can be close to others which really helps the shop....It [the location] has changed a lot because when I started all this place was bushy. There was nothing, no shops really. Like maybe 2 or 3 shops and all this place was bushy. There were no banks around this place."
#4	Peripheral	**Q.** Spatial boundaries	"Because you are in the neighbourhood so what they need is what you have to provide. You cannot put certain things in the shop that cannot be bought and it will just be a waste of money....You see this area there are certain items that they are used to. There is only a very few of them [who don't]. In this area people like cheap things even if it's not quality but it's cheap they will still like it. So you have to combine the two; you buy the cheap ones and you buy the expensive ones so that anyone that comes gets their choice... It's a good area but because it's a more or less like a residential area, when it's like 8 or 9 o'clock the area gets quiet. Around 10 o clock, most of them will go to Kasoa or Accra to work but there are a few who are around. During the time at night, they come back very late. But it's very good business here too."
#5	Urban	**P**. Flow of resources	"Kasoa has changed very very very fast. When I started Kasoa was not big like this. A lot has changed in Kasoa... It's been great in a business sense. When the place is small then that doesn't help much, you need new people to come in and the area to grow."

#6	Peripheral	**P.** Flow of resources	"At first, the place was really underdeveloped where no one would really sell. But it has gotten better, it is a fairly busy place.... Most of them are just selling things like provisions and things like chop bars... If you wanted beer back then you would go all the way to Kasoa to get beer. But as this place starts expanding and people start building, others started coming and people saw that I was making money. So they picked what I was doing and started small businesses like mine and even bigger businesses than mine started coming....What I normally do is, when people come asking for stuff, that's normally where I get my new ideas from. So it's kind of like, I note the number of people that asks for things then I bring it out. So I don't start something new without the community asking for it."
#7	Peripheral	**Q.** Spatial boundaries	"Well it's whatever people normally ask for so it's always about what people are needing there and then. So whatever they will ask for I will try and go for it.... One of the [group] members, I met her at Opportunity. She sells slippers and shoes. There is another one that sells provisions. There is another one that sells some stones for construction. And there is another one that also sells provisions."
#8	Peripheral	**Q.** Spatial boundaries	"I am fortunate. There are other farming communities around but they don't grow what I grow. They tend to grow pepe and tomatoes. That means if you grow pepe and tomatoes you wouldn't have any competition with someone who grows pineapples and watermelon. Some of them when they see my farm they get surprised that a woman could have done all these things."
#9	Urban	**P**. Flow of resources	"At first I was getting customers because at that time there were few internet cafes here. So the market was there but since people have started opening internet cafes so the market has changed…When we started we were the only people around...and at that time I was still in school and this place I used to come around and the place was bushy and everyone was at Accra. Everyone would stay in Accra and then the following morning they were going. So we were just thinking that in the future everything would be alright and business was good."
#10	Urban	**P**. Flow of resources	"Kasoa now has changed. Previously Kasoa wasn't busy like now. Now, many people are coming here. If you are inside here then you see there are many people coming and going. Whether they are foreigners or just local people who are moving to Kasoa. So here it is very moving fast-fast."

Appendix M – Project Longevity and Short-Term Lending

Ent.	1st Order Concepts	Supporting Quotations
#1 (Ind.)	**R.** Scale of Future Aspirations	**R.** "The plan for the future is to have the barbering school. I know that what I've done for so many years is there now and I know what I have to do.... So yeah, I went to Accra and visited this shop and the shop was very very big. So I started to ask questions about why it is going big like this and the buy said 'Here it is like a school, a barbering school, we have the apprentice here who are watching and doing the work'. And also what they would do is show the apprentice what to do in the morning before the customers would come and then when the customers come they can watch how the barbering is done."
	S. Short-Termism of Indebtedness	**S.** "I plan to have a newly built shop…I realised this in the last few months. I've been planning that after I repay, do the repayment of the loan that I have – If I want to take a new one then I have to get the new shop….I'm going to invest in the shop because the shop brings me money. When I use the money to develop the building site, I will not get anything from there so I have to use the money to invest it in a barbering shop where I know the money will come. That way the money comes from that investment"
#2 (Ind.)	**R.** Scale of Future Aspirations	**R.** "It has affected me in a way that if I had have got that shop that's bigger than this site then I would have been able to get more stock and probably more profit"
	S. Short-Termism of Indebtedness	**S.** Well if I was able to get a loan of 9000GHS just for the rent then I would have to borrow again to stock the shop. So that would be a financial burden on me. I've been working here – this is the only shop I have and I know the business works. So it would definitely be a financial burden on me because I don't think I'd be able to repay."
#3 (Ind.)	**R.** Scale of Future Aspirations	**R.** "God permit I am planning to go and import the things...I'm planning on being a supplier, to do like wholesale selling goods.....We would put that on the Winneba road... In order for people to know because if you want to do something then you have to be in that local place so that people will get to know you more. So through that you need to be in those spaces near the road."
	S. Short-Termism of Indebtedness	**S.** ***"I: Do you know how much you will apply for?*** About 20000GHS. ***I: What will happen if you get less [than 20000GHS]?*** I will take it because I know that if I request for more after that then they will give it to you….I will keep going because I've been with them for a lot of times. They helped me to improve my business so I will continue doing the business with them."

#4 (Ind.)	**R.** Scale of Future Aspirations	**R.** “Hmmmm, because I’m using the money to invest in that [new business] it has made my finances a bit low and I also don’t want to take a loan at this time. I just want to manage my own money at this time before I go in for any support....Well I didn’t use a loan. Actually a friend gave me some and I also took some from the business.”
	T. Access problems	**T.** “When this loan issue of not paying and those things came I realised that in business I realised that you have to get an amount of capital before you go in for assistance. Because when you don’t do that then all of your expenses will fall on you for the loan. So it’s difficult paying and paying and paying interest at the same time. So this time, if I will take a loan, unless I have an amount of money that I can call my own, before I go for it.”
#5 (Gr – Ind.)	**R.** Scale of Future Aspirations	**R.** “I have my own land and my own house so I can hopefully get the factory. One of my children is leaving SS1 and the other will be soon too so I have to do things small-small but I have that plan [the factory] there…. I have the land there. If I can do that I’m happy. If you go and bring me big money then I can do it”
	S. Short-Termism of Indebtedness	**S.** “You see there’s a policy, like group loan you go far to that level and then you go to the individual level. But because I don’t have that collateral I still can’t access that level. The bank have their own policy but I don’t blame anybody there.”
#6 (Gr.)	**R.** Scale of Future Aspirations	**R.** “Part [of my loan] went to my children’s schools fee and I wanted to start up the restaurant so I also diverted some into the restaurant side of it. I also needed to invest into the current shop to buy crates of drinks and I did that too.... I normally discuss with her about the profits I make and I actually discussed with Mavis about the restaurant and she was like ‘yeah, that’s a good idea’. So I do get to discuss with [my loan officer] about what I’m going to use the loan for. Like how much I’m going to repay, so that I don’t take more than I need.....[my loan officer] actually advised me that since it was a new business I should do it myself rather than get somebody else to do it.
	S. Short-Termism of Indebtedness	**S.** “So I am pleading with them [the MFI] for the loan….But I’m still constructing the restaurant. What I’ve been doing is, I’m still in the process of building the restaurant but I still sell food their anyway....The additional loan has been good in a sense that I get to make daily savings and then every month I can get it as bulk money. In the additional loan, I’ve moved from paying weekly to paying monthly which means I can save more money which adds to the bulk money I can get on top of my loan.”
#7 (Gr.)	**R.** Scale of Future Aspirations	**R.** “I’m hoping to get some money to continue the cool store business…. But my husband also takes loan from [the MFI] but he does it at another branch. He is left with about 3 instalments to pay on his loan now so after those three instalments he said that he would use a bit of his money to help me to recover the cool store business.
	T. Access problems	**T.** “I would want to take a loan from Opportunity but my loan officer has said that she wouldn’t disperse to me. It all started when my father died and I travelled and then my group members were supposed to come and make the payment but there was only one person left and my loan officer said that she is not going to take the money from that individual because it is not up to them alone and it also wasn’t up to the right amount... Then she [my loan officer] said that we should all share the pay but I said that I

		couldn't pay because of the problems I had been having. I was out of money, out of cash."
#8 (Gr.)	**R.** Scale of Future Aspirations	**R.** "You see I have big land – let's say 5 plots or 1 acre. It's my intention of covering all of these plots of land but I need money, I need capital to do it from plot 1, plot 2 etc. So last time, let's say I was at plot 2 but because I've been able to get some money and I've bought some seeds and I've been able to raise some crops to some level. So I know that at a stage I will be able to make some money. My idea is then that I will add an extra plot to it and then I will be growing. So a time will come that I will be able to cover all the size, all the land."
	S. Short-Termism of Indebtedness	**S.** "The size of the loans they normally give, they can do better than that... It slows down things for me; I would like the business to have grown more. It's distorted my plans because the way I had wanted to invest the money, it didn't work out. So I haven't had the chance to do that"
#9 (Ind.)	**R.** Scale of Future Aspirations	**R.** "So we have decided to do it step by step...We will need some stones, some sand and then get people to start a foundation. So the little we get from this business we will put into that and as time goes we will get there…. Actually that place is a village in a way so there is no network so we had to close that place. Because there is no network people will come and go and so there are a lot of challenges. So for now we've closed the place, no one is there. We're looking ahead thinking of what to do."
	S. Short-Termism of Indebtedness	**S.** "It's still in my mind. Mr Cletus is still in school and if he comes out then as he works he will get a salary then as we go here [Opportunity] we can adjust the amount. So it is still our goal to achieve it... I will, they [Opportunity] are the people I am looking up to. But most of the times, in the period we are asked to pay, let's say I take 8000GHS and I am asked to pay in one year. This one year maybe I will find it difficult to pay the 8000GHS per month. Because this business is a new thing and I'm coming into it so I need to see how it is going. I need to know how would pay if it wasn't going so well."
#10 (Gr – Ind.)	**R.** Scale of Future Aspirations	**R.** "At the moment, I'm facing many challenges like the money problem. You see that place now is a very open place so sometimes these people [the MFI] won't give you the money for actually what I want…. You see most of the time the customers will come inside [the shop] but some of the things I don't have all of them.
	S. Short-Termism of Indebtedness	**S.** "That's my big problem because if I request the loan they will not give me what I want. It means I can't get like this thing…[on other banks] I've been telling them [the MFI] that if they couldn't give me the money that I wanted then maybe I will go to another place [bank] and check."