

## AN ASSESSMENT OF SME LENDING CRITERIA IN LOCAL AND FOREIGN BANKS IN GHANA: DISCUSSIONS FOR PHILOSOPHICAL GROUNDING

JOSEPH OSEI ASANTEY

Banker, Standard Chartered Bank Limited, Accra, Ghana

### ABSTRACT

This paper reviews related philosophical debates on research pertaining to the relative flexibility of criteria of lending to small and medium size enterprises by foreign and local banks in Ghana. Based on reasonable academic arguments on this subject, the researcher decides to apply the realist stance in his doctoral research. With this, the positivist and interpretivist stances would be blended. Therefore, both quantitative and qualitative research techniques would be used in the light of inductive and deductive research. By opting for the realist's stance, the researcher argues ontologically that part of knowledge about the relative flexibility of SMEs lending criteria of local and foreign banks exists whereas the other part does not exist in reality but can be established based on his construction and interpretation of it. Epistemologically, moreover, knowledge about the relative flexibility of SMEs lending criteria of local and foreign banks in Ghana can be established both by observations independent of the researcher and by judgments, conceptions and interpretations of the researcher. The realist stance savors the strengths of positivist and interpretivist stances and minimizes their weaknesses.

**KEYWORDS:** Knowledge, Philosophical Grounding, Ontology, Epistemology, Methodology, Research, Small and Medium Size Enterprises, SMEs Lending Criteria

### INTRODUCTION

Knowledge is critical for social advancement in the light of growth of all facets of industry (Wang & Xin, 2005; Gladwin, 1989). Additionally, the relevance of knowledge is driven by the need for accurate decisions towards individual and corporate progress (Goldberg, 2009). The facts needed by man to break through the hurdles of life and to take result-driven decisions and steps to achievement originate from accurate knowledge (Borgonovo & Apostolakis, 2001; Gladwin, 1989). It is in view of this that Goldberg (2009, p. 34) expresses the view that "the higher ones level of knowledge, the better his chances of success". The academic community consequently recognizes the need for widespread acquisition of accurate and suitable knowledge through appropriate methods. Yet, conceptions behind the nature, scope and acquisition of knowledge have been in diversity.

Knowledge is one's familiarity with reality; thus one's practical awareness of a fact (Harvey, 2006; Wang & Noe, 2010; Bartunek, 2003). Knowledge can also be said to be justified belief; not mere opinion. There are different forms of knowledge such as one knowing a place or how to do something such as driving a car. In the academic world, there exists mainly knowledge of propositions (Crotty, 1998), on which scientific enquiry or research is basically accomplished (Crotty, 1998; Harvey, 2006). Though the academic world is premised on sharing knowledge at the general level, knowledge of propositions is the fundamental substance that triggers and drives scientific enquiry (Crotty, 1998). Nonetheless, philosophy is the conceptual factor that gives meaning to knowledge of propositions in a scientific enquiry

(Khin et al. 2011; Wand & Xin, 2005). Propositional knowledge is the basic substance at the destination of researchers (Khin et al. 2011), but it has no credibility without philosophical backing of methods leading to it (Griswold, 2001; Harvey, 2006).

In the academic world, research serves as an official and common language for sharing knowledge. Research is a systematic approach to discovering the unknown (Turpentine, 2004; Gruber & Kelvin, 2000). However, knowledge accuracy is a matter that cannot be compromised; hence acceptable academic structures exist to ensure the credibility of research (Turpentine, 2004). One of these structures is the designation of philosophy and methodology as a fulcrum on which the credibility of research is driven (Galan, 2003; Gruber & Kelvin, 2000). Philosophy is relatively broad; so which aspects of it underpin the value of research and the quality of knowledge found on it?

The ideological framework of supposedly acceptable research is buttressed in philosophy (Khin et al. 2011). A proper use of a philosophical stance in research justifies the link between data, information, knowledge and wisdom (Carter & Little, 2007). Invariably, research lacks reliability if it is not governed by acceptable arms of philosophy. According to Woolgar (1988), philosophy entirely influences the course of research, but emphasis is placed on how two of its arms, namely ontology and epistemology, give reliable grounding for acceptable knowledge founded in research. Meanwhile, ontology and epistemology interplay with methodology in the determination and justification of knowledge founded in a field of enquiry (Khin et al. 2011; Woolgar, 1988). Though philosophy itself is not the means of credible research (Gruber & Kelvin, 2000), a consideration of ontological and epistemological arguments in business research alongside general principles of acceptable research methodology enhance the quality of knowledge shared through business research (Galan, 2003).

This paper examines ontological, epistemological and methodological debates in business research and assesses the relevance of these debates to a research stance in examining the relative flexibility of SMEs lending criteria of local and foreign banks in Ghana. A thorough review of these debates would also determine appropriate grounding in related future studies of other researchers.

## **ONTOLOGY, EPISTEMOLOGY AND RESEARCH METHODOLOGY**

Ontology and epistemology are basic philosophical structures on which business research is carried out (Khin et al. 2011; Darlaston-Jones, 2007), though axiology is coupled to them often (Willig, 2001). Moreover, the methodological dimensions of a business research are informed by these facets of philosophy (Darlaston-Jones, 2007). Ontological and epistemological considerations in business research are characterized by theories, concepts and presuppositions that serve as modalities in establishing, justifying and sharing new knowledge (Gruber & Kelvin, 2000; Woolgar, 1988). This section discusses what each of ontology, epistemology and methodology primarily entails.

### **Ontology**

In philosophy, ontology is the study of the nature of being, becoming, existence, or reality, as well as the basic categories of being and their relations (Harvey, 2006; Griswold, 2001). Ontology is a branch of philosophy known as metaphysics (Harvey, 2006), and deals with questions concerning what entities exist or can be said to exist, and how such entities can be grouped, related within a hierarchy, and subdivided according to similarities and differences (Griswold, 2001; Vasilachis de Gialdino, 2009). Ontology, in analytic philosophy, deals with whether some categories of

being are fundamental and asks in what sense the items in those categories can be said to "be". It is the inquiry into being in so much as it is being (Vasilachis de Gialdino, 2009). Ontology involves the following basic questions (Harvey, 2006; Vasilachis de Gialdino, 2009):

- "What can be said to exist?"
- "Into what categories, if any, can we sort existing things?"
- "What are the meanings of being?"
- "What are the various modes of being of entities?"

Philosophers of varying academic and social backgrounds have provided different answers to these questions. One common approach to doing this is to divide the extant subjects and predicates into groups called categories (Berard, 2005). These lists of categories differ widely from one another (Harvey, 2006), and it is through the co-ordination of different categorical schemes that ontology relates to such fields as library science and artificial intelligence (Harvey, 2006; Berrard, 2005). This understanding of ontological categories is nonetheless merely taxonomic or classificatory (Vasilachis de Gialdino, 2009). These categories include properly speaking, the ways in which a being can be addressed simply as a being, such as what it is (its 'whatness'), how it is (its 'howness'), how much it is (quantitativeness), where it is, its relatedness to other beings and the like (Berard, 2005; Vasilachis de Gialdino, 2009).

Ontology include philosophical perspectives such behaviorism, culturalism, individualism, emergentism, realism, constructivism, contextualism and non-contextualism (Berard, 2005). However, positivism and interpretivism are rigorously held and recognised in scientific enquiry or business research (Berard, 2005; Harvey, 2006). According to Harvey (2006), the impact of philosophy on the development and discharge of new knowledge in research is based on the interrelationship between ontology and epistemology. Relative to the writing of Khin et al. (2011), moreover, the individual roles of ontology and epistemology in justifying the authenticity of knowledge through research is better expressed in a comparative analysis of the two facets of philosophy. Therefore, discussions about the interplay of ontology and epistemology are relegated to later sections of this paper. Meanwhile, these sections would elaborate on basically relevant entomological considerations in business research.

The relevance of ontological considerations in research is that they make way for setting up criteria for what really exists and ensuring that what is discovered in a scientific enquiry really exists (Darlaston-Jones, 2007). Thus, ontological understanding of a research process guides researchers away from realizing what 'does not exist' in nature (Harvey, 2006; Darlaston-Jones, 2007), and what does not exist is 'falsehood' (Berard, 2005). In every scientific enquiry, the ultimate security code of conduct is guarding against the realization of misleading outcomes that could either contaminate existing knowledge or equip people with falsehood (Mead, 1982). Ontological attributes of a research gives the grounding for pronouncing judgment on what exists (or does not exist) within the scope of the research's natural outcomes (Mead, 1982; Vasilachis de Gialdino, 2009). If ontology embraces a philosophical analysis of existence, what could really be said of things that really exist? A discussion of the idea being epistemology can help answer this question.

## Epistemology

Epistemology is the branch of philosophy concerned with the study of the nature and scope of knowledge

(Encyclopedia of Philosophy, 1967; Khin et al. 2011). It questions what knowledge is and how it can be acquired, and the extent to which knowledge pertinent to any given subject or entity can be acquired (Annis, 1978). In epistemology in general, the kind of knowledge usually discussed is propositional knowledge, also known as “knowledge that” (Encyclopedia of Philosophy, 1967; Annis. 1978). Much of the debate in epistemology has focused on the philosophical analysis of the nature of knowledge and how it relates to connected notions such as truth, belief, and justification (Khin et al. 2011; Vasilachis de Gialdino, 2009).

In common speech, a "statement of belief" is typically an expression of faith and trust in a person, power or other entity (DeRose, 1992; Annis, 1992). A paradigmatic practical situation of such a statement of belief would be a declaration or affirmation of religious faith. While it addresses belief of this kind, epistemology is also concerned with belief in a very much broader sense of the word (Vasilachis de Gialdino, 2009). In this broader sense "belief" simply means the acceptance as true of any cognitive content (De Rose, 1992).

As to whether a person's belief is true is not a prerequisite for his or her belief. On the other hand, if something is actually known, then it categorically cannot be false. Epistemologists argue over whether belief is the proper truth-bearer (Hawthorne, 2005). Some would rather describe knowledge as a system of justified true propositions, and others as a system of justified true sentences. In many of Plato's dialogues, such as the Meno, and in particular the Theaetetus, Socrates considers a number of theories as to what knowledge is (Annis, 1992). According to the theory that knowledge is justified true belief, in order to know that a given proposition is true, one must not only believe the relevant true proposition, but one must also have a good reason for doing so (Khin et al. 2011; Vasilachis de Gialdino, 2009). One implication of this would be that no one would gain knowledge just by believing something that happened to be true.

Epistemological grounding in a scientific process is important because it exposes properties that are inherent of the “knowledge” being pursued for the benefit of society, as well as its scope and limits (Khin et al. 2011). Whilst ontology argues about “what exists”, epistemology argues about “how what exists can be known” (DeRose, 1992; Annis, 1992), and this creates a link with methodology. Epistemological considerations in a research are therefore premised on argument about how to identify what exists. It is only when a researcher has taken firm and appropriate ontological and epistemological stance that there can be hope for a reliable methodology in a field of enquiry. But what could ‘methodology’ be?

## **Methodology**

So far, discussions have revealed that ontology involves the study of ‘being’ and its scope, whilst epistemology basically involves the study of the nature and scope of knowledge. Again it is evident based on discussions made so far that chosen methods of scientific enquiry are influenced by a researcher's ontological and epistemological (and sometimes axiological) groundings. But what may ‘methodology’ mean? Methodology is the systematic, theoretical analysis of the methods applied to a field of study (Berg, 2009), or the theoretical analysis of the body of methods and principles associated with a branch of knowledge (Creswell, 1998; Berg, 2009). It typically encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques adopted in a field of scientific investigations (Berg, 2009; Baskerville, 1991).

Realistically speaking, methodology does not set out to provide solutions but offers the theoretical underpinning for understanding which method, set of methods or so-called best practices can be applied to a specific case.

Methodology is also defined as (Creswell, 1998; 2003; Arny and Ross, 2005) the analysis of the principles of methods, rules, and postulates employed by a discipline; the systematic study of methods that are, can be, or have been applied within a discipline; and the study or description of methods.

In contemporary times, the word 'methodology' has become a "pretentious substitute for the word 'method'" (Arny and Ross, 2005, p. 247). Many recent uses of the word 'methodology' mistakenly treat it a synonym for method or body of methods. Doing this shifts it away from its true epistemological meaning and reduces it to being the procedure itself, the set of tools or the instruments that should have been its outcome (Creswell, 2003). A methodology is the design process for carrying out research or the development of a procedure and is not in itself an instrument for doing those things (Berg, 2009; Baskerville, 1991). Using it as a synonym for method or set of methods leads to its misinterpretation, and this undermines the proper analysis that should go into designing research.

Katsicas (2009) posited that 'methodology' does not describe specific methods, even though much attention is given to the nature and kinds of processes to be followed in a particular procedure or in attaining an objective. In the context of methodology, processes constitute a constructive generic framework that may be broken down in sub-processes. Primarily, methodological positions of researchers are rooted in their epistemological considerations (Franklin, 2012), which are purposed to square with appropriate paradigms necessary for realizing what naturally exists within the scope of outcomes of a research (Arny and Ross, 2005; Katsicas, 2009). So, methodology involves an analysis of methods, principles (which could involve assumptions or presuppositions) and theories that may suit an act of enquiry for what is considered to exist.

## **THE INTERPLAY OF ONTOLOGY, EPISTEMOLOGY AND METHODOLOGY IN RESEARCH**

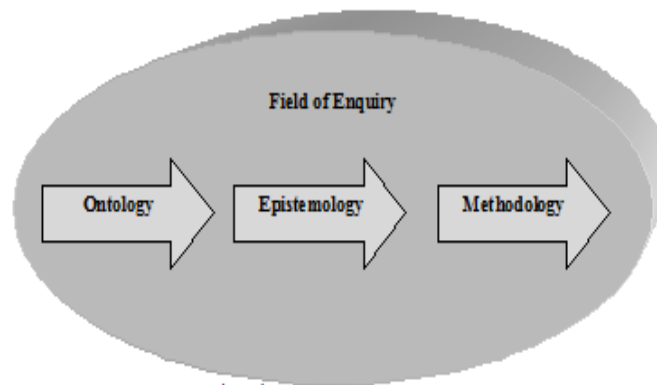
In research or any field of enquiry, the researcher expects to discover and justify what exists in nature (Knox, 2009). Meanwhile, an analysis of the nature of what exists falls within ontological considerations (Harvey, 2006; Griswold, 2001). An ontological understanding of a business research has the role of providing a set of criteria by which the characteristics of what really exists can be understood within the scope of the research problem under study (Khin et al. 2011; Knox, 2009). Thus ontology basically argues that a lot of things may be said to exist (Harvey, 2006), but within the scope of a current management research problem, what can be said to exist? Into what categories, if any, can we sort those existing things? What are their meanings and what makes them things that exist (Knox, 2009; Griswold, 2001)?

Epistemology, on the other hand, argues about the exactness and appropriateness of what would be found among those things that exist within the problem definition of the business research (Khin et al. 2011; Knox, 2009). Thus epistemology gives the grounding for assessing the quality of 'knowledge' being pursued by providing principles for verifying the level of belief and truth associated with what is said to exist and the strength of its justification. The strongest link between ontology and epistemology is that they generally employ the same philosophical instruments (such as objectivism, subjectivism, constructivism, etc.) in respectively revealing what exists and the weight of belief, truth and justification attached to it, which makes it knowledge (Konsolaki, 2012; Knox, 2009).

Methodology provides philosophical foundation for evaluating, choosing and justifying a complete set of methods in a project of enquiry (Berg, 2009; Creswell, 2003). Methodology is not the means to undertaking a study or a set of methods for doing so (Katsicas, 2009); it is basically a set of philosophical instruments, that is principles and theories,

that aid to determine the set of methods suitable and appropriate for a field of enquiry (Katsicas, 2009; Berg, 2009). Methodology uses philosophies to argue about the appropriateness of methods for a field of enquiry (Creswell, 2003). So, whilst ontology and epistemology are philosophies that provide criteria for judging the 'being' and its associated belief, truth and justification in a field of enquiry, methodology takes inspiration from them by being provided with suitable theories and principles that influence the nature of methods appropriate for carrying out the study. In essence, methodology cannot be independent of the philosophy of research.

Ontology is said to influence the course of epistemology (Khin et al. 2011), and this is because there is practically no belief, truth and justification for what does not exist (Knox, 2009; Khin et al. 2011). Moreover, methodology is motivated by ontology and epistemology (Khin et al. 2011; Berg, 2009). The justification for this is that there would be no need for using philosophy to evaluate a set of methods for a field of enquiry when nothing exists (Konsolaki, 2012); this is tantamount to chasing the wind! Having said this, the following is a diagram showing the link between ontology, epistemology and methodology.



**Figure 1: Relationship between Philosophy and Methodology**  
(Adapted from Knox, 2009 and Konsolaki, 2012)

## CHOSEN FIELD OF RESEARCH

Primarily, this paper constitutes a review of philosophical and methodological debates in research related to the relative flexibility of SMEs lending criteria of local and foreign banks in Ghana. Thus the chosen field of research for my Doctor of Philosophy (PhD) research is business financing; SMEs financing, to be precise. In elaborate terms, this paper discusses ontological, epistemological and methodological debates in related fields (of SMEs financing) and highlights stances taking by other researchers in the field in the past. This would help in taking an appropriate stance in my research at the Doctor of Philosophy (PhD) level.

Banks' lending to SMEs has been beneficial to economies on a global scale, especially those of developing nations like Ghana (Adade & Ahiawodzi, 2012). In many countries, therefore, SME lending is given strong advocacy and priority by government and banks. According to Addotei (2012), this has resulted in the fact that many small and medium size enterprises have been able to access funding. On the flip side, a majority of SMEs in Ghana face challenges in accessing credit for business development. Therefore, a majority of SMEs in Ghana do not have access to credit facilities; so they are forced to depend on their scarce financial resources to develop. The slow growth and development of SMEs in Ghana is attributed to lack of funding for them.

It is worth acknowledging that the government of Ghana is contributing towards small business finance through its Venture Capital Fund (Mensah, 2004); but the truth remains that its contribution leaves much to be desired (Mensah, 2004; Addotei, 2012). A very small proportion of SMEs have access credits from the Venture Capital Fund under stringent conditions and criteria (Mensah, 2004). It is evident that the contribution of the venture capital to SMEs finance is abysmally low. The financial sector, especially its private subsector, has more capability in providing credit to SMEs (Tawiah et al. 2013), and of course, this sector has provided the highest level of contribution to business finance in Ghana (Tawiah et al. 2013; Mensah, 2004). It is however disappointing that this top contributing sector is only able to provide access to credit facilities to a limited number of SMEs (Addotei, 2012).

Both theory and research have shown that lack of open access to credit facilities of banks and other financial institutions by SMEs in Ghana is caused by inflexibility of lending criteria (Quaye, 2011; Quainoo, 2011). Such requirements as collateral security, guarantor and savings experience and history are considered as limiting factors to borrowing (Addotei, 2012). The main problem is that, even in the same economy and market, lending criteria of banks or financial institutions differ (Mensah, 2004; Addotei, 2012). In Ghana, some banks are believed to have better lending criteria (Quaye, 2011; Quainoo, 2011; Mensah, 2004). But one question worth asking is: “cant’s all financial institutions adopt a common system of lending criteria?”

Towards answering this question in Ghana, there is the need to first identify the extent of discrepancy in the systems of SMEs lending criteria of foreign and locals banks, which are the basic divides that are believed to be set apart in terms of lending criteria. My chosen field of doctoral research is a comparative study of the SMEs lending criteria of local and foreign banks in Ghana.

## **ONTOLOGICAL, EPISTEMOLOGICAL AND METHODOLOGICAL DEBATES IN CHOSEN FIELD OF RESEARCH**

This section of the paper presents philosophical debates relating to research on SMEs financing by banks. According to Khin et al. (2011), management research is mainly developed on three philosophical combinations, namely positivist ontology-epistemology, interpretivist ontology-epistemology and realism. Observably, debates relating to the researcher’s chosen field of study are based on these combinations.

### **Positivist Ontology-Epistemology**

The main schools of thought which fall under this combination are positivism and neo-positivism (Khin et al. 2011). Under these schools of thought, researchers are of the view that the truth has an independent external reality and it is accessible through the passive registration of the facts by the researchers (Khin et al. 2011; Darlaston-Jones, 2007; Kosolaki, 2012). Positivism adopts a foundationalist ontology and epistemology. According to proponents of this quadrant, it is possible to observe everything that happens and understand it as such without any mediation, thereby denying any appearance/reality dichotomy (Carter and Little, 2007). As in natural science theory is used to generate hypothesis, which can simply be tested by way of direct observation. The ultimate aim is to find general laws and causal statements about social phenomena. This implies that objectivity is possible. Positivists usually use quantitative methods as research tools, as these are objective and the results generalizable and replicable. They look for explanation of behavior, not for the meaning.

In positivism epistemology, the existence of a theory-neutral language makes it possible for the researchers to record their observations objectively; therefore the truth can be uncovered and disseminated in an unbiased manner. From this viewpoint, it is highly possible that the reflexivity deployed by these schools of thought is limited to that of methodological reflexivity. Invariably, researchers have only a passive role and do not affect the findings of a particular study (Khin et al. 2011). The fundamentals of positivism are rationalism and empiricism (Kosolaki, 2012; Crotty, 1998), and these usually embrace deductive and quantitative research paradigms (Crotty, 1998).

Darlastone-Jones (2007) argues that positivism embraces deductive and quantitative research paradigms in the face of inferential (and sometimes descriptive) statistical tools. Crotty (1998), nonetheless, cautioned that the choice of statistical tools must be justifiably appropriate and must lead to a revelation of the facts. Khin et al. (2011) posited that objectivist researchers are preoccupied with causality, internal validity, replicability, reliability, generalizability and operationalism, which subjectivist researchers undermine.

Positivism has come under attack from two different sides. The first concerns the problems with objectivity and absolute reality. Objectivity is only then possible, when there is no mediating factor that skews or alters the observation (Karter and Little, 2007). But this, as Hollis and Smith (1990) show, employing Quine's argumentation, is not the case because "the five senses do not and cannot give us 'unvarnished news' – information independent of the concepts used to classify it."

We automatically use concepts to describe observations and these concepts inevitably shape the outcome – it is an interpretation rather than a pure observation. This means also that when a theory is being tested, the theory will also affect the outcome of the observation, because the theory is shaping the way we look at the observation and at the outcomes. There can, therefore, be no objective observation separate from the theory (Holtz-Bacha & Kaid). Another criticism concerns the presumed parallels between social science and natural science (Johnston, 1995).

Critics argue that there are fundamental differences between events in the natural and the social environment. Social structures are shaped only by the constituting activities, and do not exist independently. Secondly, the views of the agents acting in these social structures about them shape these structures. As these views can change, the structures change also and can therefore vary across space and time.

Harwood & Garry (2006), based on support of a relatively large number of academic findings, expressed satisfaction about the application of the objectivist view in research involving the use and measurement of serial variables. SME lending criteria and products, as well as their underpinning subjects, would constitute many (serial) variables, which are best measured on likert scales (Gronroos, 1997; Harwood & Garry, 2006). Hunt (1990) also proposed that the deductive and quantitative approaches are relatively appropriate for business research in the face of an objectivist philosophical stance. In agreement to this, Fleming & Asplund (2001) applied the deductive and quantitative approaches in the light of the objectivist-positivist view.

Their choice was based on the justification that marketing variables are better analysed from an inferential standpoint, purposely to allow for prediction, hypothetical conclusion and point estimation. It is quite unfortunate that the use of only the subjectivist grounding alongside qualitative approach in business is not capable of making hypothetical deductions (Hunt, 1990; Gronroos, 1997; Fleming & Asplund, 2001), which is mostly the aim of business finance researchers (Hunt, 1990).



On the contrary, many business finance researchers admit that there can be a blend of interpretivist and objectivist grounding (Hunt, 1990; Harwood & Garry, 2006), based on the researcher's ability to do so (Hunt, 1990).

### **Interpretivist Ontology-Epistemology**

Relativists, also called interpretists, take opposite position to positivists. For them it is not possible to make objective statement about the real world because there is no such thing as a real world but it is only socially and discursively constructed (Carter & Little, 2007; Marsh & Furlong, 2002). The ontological position here is clearly anti-foundationalist. Of course interpretist researchers also operate within discourses or traditions (Carter & Little, 2007). Consequently, knowledge is theoretically or discursively laden. Suiting the claims of not possible objectivity, relativists usually employ qualitative research methods (Knox, 2009). Unlike positivists they look to understand social behaviour rather than explain it and focus on its meaning.

Conventionalism is one of the main philosophical approaches that exist within this quadrant (Khin et al. 2011; Konsolaki, 2012; Knox, 2009). Conventionalism oscillates between subjectivist-ontology and subjectivist-epistemology because relativism remains an important element to conventionalism (Khin et al., 2011). Conventionalism draws a parallel with constructivism (Hunt, 1990). In a field of enquiry therefore, a subjectivist grounding walks with constructivism (Khin et al. 2011; Konsolaki, 2012).

From a constructivist perspective, everyone constructs his own understanding of the world in which he lives. The basic and the most fundamental assumption of constructivism is that knowledge is not independent of the learner, it is constructed. Among the most prominent philosophers and educators associated with constructivism are Piaget (1970), Blumer (1969), Kuhn (1996), Von Glasersfeld (1989), and Vygotsky (1978). Putting together Cobb (1994), Jonassen (1991) and Philips (1995), one can summarize the major philosophical assumptions of constructivism as follows:

- There is a real world that puts boundaries to what we can experience. However, reality is local and there are multiple realities;
- The mind creates symbols by perceiving and interpreting the world;
- The structure of the world is created in the mind through interaction with the world and is based on interpretation; and
- Meaning is a result of an interpretive process and it depends on the knowers' experiences and understanding. Symbols are products of culture and they are used to construct reality and human.

The stance of relativists is also widely attacked. It is about the problem of validity and subjectivity (Marsh & Furlong, 2002). To positivists, the interpretist tradition merely offers opinions of subjective judgements about the world. As such, there is no basis on which to judge the validity of their knowledge claims. One person's view of the world, and of the relationship between social phenomena within it, is as good as another's view (Holtz-Bacha & Kaid; Marsh & Furlong, 2002). This is only a problem for positivists, as with their different ontological and epistemological view of the world a different objective is given. However, also interpretists have tried to gain a certain amount of objectivity. As Marsh & Furlong (2002) find in the work of Bevir and Rhodes, a particular research or field of study is formed and influenced by historically produced norms, rules and conventions, while the content has a certain narrative that gives

meaning to the studies. Simplified, these traditions provide shared criteria, with which it is possible to judge an argument true or false and an action right or wrong.

Though the academic world has been dominated by objectivists viewpoints (Rahimi and Ibrahimi, 2011), there are many fields of study that would require the constructivist perspective. Jonassen (1991) has proposed the adoption of the constructivist viewpoint for business researches, since it allows the researcher to interpret findings and phenomena based on personal experience. Rahimi & Ibrahimi (2011) support this by stating that objectivist viewpoint in research cannot be used to relish researcher's experience; meanwhile researcher's experience is a resource or instrument in research (Cobb, 1994). Kuhn (1996) argued that the objectivist stance only becomes superior when the researcher is not sure of his experience of phenomena.

These arguments are inspired by philosophical reflexivity (Alvesson & Skoldberg, 2000; Hardy et al., 2001), which argues that interaction between the researcher and her object under investigation is vital for the knowledge-building process and it highlights the importance of the role of the researcher on influencing her own work (Alvesson & Skoldberg, 2000). According to Alvesson & Skoldberg (2000), no research can be totally neutral, unaffected by the researcher. Each one contains elements that occur from the researcher's assumptions, beliefs and perspectives. Reflexivity is therefore considered as a crucial element for assuring that the impact of the researcher on her own study is clearly recognized (Goia, 2003). Unlike objectivists, constructivists are preoccupied by reflexivity. Hence, reflexivity is usually coupled with interpretivist standing and qualitative research (Knox, 2009).

### **Realist Ontology-Epistemology**

Realism, which shares positions of both interpretism and positivism, fights with criticism from both sides. While positivists disagree with the notion of unobservable structures, relativists cannot come to terms with the foundational claims of realism (Rahimi & Ibrahimi, 2011; Alvesson & Skoldberg, 2000). However, as most of the research, realism has turned more in the interpretist's direction and has used their criticism to adapt their position (Alvesson & Skoldberg, 2000). Hence they acknowledge that interpretation of social phenomena is crucial, and that differences between external and constructed reality have to be identified and understood to explain social relationships. Realists claim that there is a real world out there and that it is possible to make causal statements (Harvey, 2006; Harwood & Garry, 2006). However, not all social phenomena, and the relationships between them, are directly observable. There are deep structures that cannot be observed and what can be observed may offer a false picture of those phenomena/structures and their effects. So realism combines elements from both positivism and interpretism.

Realism is becoming a popular stance of researchers, especially in management research. According to Marsh & Furlong (2002), realism minimizes limitations and weaknesses in interpretivism and positivism by savoring the strengths of the two philosophical viewpoints. Popular and well-accepted researches took realist stances (Khin et al. 2011), and employing realism in research brings safety into passing conclusions (Rahimi & Ibrahimi, 2011), be it quantitative or qualitative. One risk of realism in research is that the researcher may not be able to equally have control over qualitative and quantitative research methods (Willig, 2001; Khin et al. 2011). This view is held in connection with the argument that researchers hardly master both quantitative and qualitative research (Khin et al. 2011); they always have a specialization of the two. In this regard, a research could be thwarted if a realist's stand is taken by a researcher who masters one of qualitative and quantitative research techniques (Carter & Little, 2007; Willig, 2001).

## Hypothetico-Deductivism

Hypothetico-deductivism was developed from a realist's point of view. It was generated by Karl Popper after critiquing *inductivism* (Marsh & Furlong, 2002; Carter & Little, 2007). It now forms the basis of mainstream research in psychology, health and management. Popper was aware of the fact that a collection of observations could never give rise to a categorical statement such as 'a follows b'. However many times we observe that 'a' follows 'b', we can never be sure that our next observation will be the same again. There is always the possibility that the next occurrence will be an exception. This is the problem of *induction*. Popper was also unhappy about the fact that many influential theories appeared to be able to accommodate a wide range of observations, interpreting them as confirmation of the theory's claims. It seemed that no scientific theory could ever be conclusively verified. This is the problem of *verification*. To circumvent these problems, Popper proposed that instead of induction and verification, scientific research ought to rely upon *deduction* and *falsification*. Popper's *hypothetico-deductive method* does just that. Here, theories are tested by deriving *hypotheses* from them which can then be tested in practice, by experiment or observation. The aim of the research is to put a theory's claims to the test to either reject the theory or retain it for the time being. Thus, rather than looking for evidence that *confirms* a theory's claims, hypothetico-deductivism works by looking for disconfirmation, or *falsification*. In this way, we can find out which claims are *not* true and, by a process of elimination of claims, we move closer to the truth. Hypothetico-deductivism bears the same weakness with realism (Willig, 2001).

## PHILOSOPHICAL AND METHODOLOGICAL STANCE IN CHOSEN FIELD OF RESEARCH

So far, sufficient discussion has been made about possible philosophical stances in management or business research. Broadly, three stances have been discussed, namely positivist, interpretivist and realist stances, and I would like to declare a stance in my PhD research work on the relative flexibility of SMEs lending criteria of local and foreign banks in Ghana. For the sake of rigor, I would like to adopt the realist stance in my doctoral research; thus I would make a blend of positivist and interpretivist assumptions and groundings in my doctoral research.

Based on the experience and argument of Harwood & Garry, (2006), Gronroos, (1997), Hunt, (1990), and Fleming & Asplund, (2001), I strongly believe that an examination of SMEs lending products and criteria of local and foreign banks in Ghana using qualitative research methods alone, or solely applying an interpretivist approach, is inappropriate. I would therefore like to apply quantitative research techniques (in the face of a positivist stance) that would enable me to test theories through hypotheses testing about similarity of SMEs lending products and criteria of local and foreign banks. This stance would give me the opportunity to estimate validity and reliability of my research, hereby making it possible for society to judge the credibility and usefulness of my research in real life. Moreover, I have intended to confirm models for improving lending to SMEs in Ghana by banks and non-bank financial institutions. A positivist stance would therefore enable me to generalize findings in the face of quantitative and inductive research techniques.

With my experience and knowledge in credit management and small business finance, especially in the SME banking subsector, I cannot deny the fact that my relationship with subjects of my research would not influence the course of findings. Moreover, my experience and knowledge would be well savored in an interpretivist research that largely employs experience and knowledge of the researcher. More specifically, subjectivist and reflexivist stances would form the basis of my interpretivist stance. It must therefore be noted that each of interpretivist and positivist would have its suitably unique roles to play in my research. Thus, each of these philosophical stances would be adopted based on how

suitable it is to a particular objective of my research. Consequently, the philosophy to be applied in my doctoral research is that part of knowledge about the relative flexibility of SMEs lending criteria by local and foreign banks exists in real life and can be objectively established without my influence. Yet, the other aspect of this knowledge would be based on how phenomena in the banking sector pertaining to lending to SMEs are perceived, constructed and interpreted by me.

## CONCLUSIONS AND RECOMMENDATIONS

Based on my chosen stance, the ontological grounding in my doctoral research is that part of knowledge about the relative flexibility of SMEs lending criteria of local and foreign banks in Ghana exists, whereas the other part does not exist in reality but can be established based on my construction and interpretation of it. Epistemologically, knowledge about the relative flexibility of SMEs lending criteria of local and foreign banks in Ghana can be established both by observations independent of the researcher and judgments, conceptions and interpretations of the researcher. It is recommended that doctoral researches are governed by a proper review of related philosophical debates and justifications. Carrying out a doctoral research must be done in the light of popular acceptable philosophical groundings.

## REFERENCES

1. Adade, T. C., Ahiawodzi, A. K., (2012). Access to credit and growth of small and medium scale enterprises in the Ho municipality of Ghana, *British Journal of Economics, Finance and Management Sciences*, **6** (2): 34-51.
2. Addotei, C. A. (2012). *The Challenge of Financing Small and Medium-scale Enterprises (SMEs) in the Ashanti Region*, Masters Dissertation, Institute of Distance Learning, Kwame Nkrumah University of Science and Technology, Kumasi, Ghana, pp. 22-55.
3. Annis, D. (1978). A Contextualist Theory of Epistemic Justification. *American Philosophical Quarterly*, **15**: 213–219.
4. Alvesson, M., Skoldberg, K., (2000). *Reflexive Methodology, New Vistas for Qualitative Research*, London: Sage Publications Ltd.
5. Baskerville, R. (1991). Risk Analysis as a Source of Professional Knowledge. *Computers & Security*, **10** (8): 749–764.
6. Berg, B. L., (2009). *Qualitative Research Methods for the Social Sciences*. Seventh Edition. Boston MA: Pearson Education Inc.
7. Berard, T. J. (2005). Rethinking practices and structures. *Philosophy of the Social Sciences*, **35** (2), 196-230.
8. Blumer, H. (1969). *Symbolic interactionism: Perspective and method*. Englewood Cliffs, NJ: Prentice Hall.
9. Carter, S. M., Little, M. (2007). Justifying Knowledge, Justifying Method, Taking Action: Epistemologies, Methodologies, and Methods in Qualitative Research, *Qualitative Health Research*, **17**: 1317.
10. Chivers, G., (2003). Utilising Reflective Practice Interviews in Professional Development, *Journal of European Industrial Training*, **27** (1): 5-15.
11. Cobb, P. (1994). Where is the mind? Constructivist and sociocultural perspectives on mathematical development. *Educational Researcher*, **27** (7): 13-20.

12. Creswell, J. (1998). *Qualitative inquiry and research design: Choosing among five traditions*. Thousand Oaks, California: Sage Publications.
13. Creswell, J. (2003). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. Thousand Oaks, California: Sage Publications.
14. Crotty, M. (1998). *The Foundations of Social Research, Meaning and Perspective in the Research Process*, Sage Publications, Thousand Oaks, London pp. 6-10.
15. Cobb, P. (1994). Where is the mind? Constructivist and sociocultural perspectives on mathematical development. *Educational Researcher*, **23** (7): 13-20.
16. Darlston-Jones, D. (2007). Making connections: The relationship between epistemology and research methods, *The Australian Community Psychologist*, **19** (1): 19-25.
17. De Rose, K. (1992). Contextualism and Knowledge Attributions. *Philosophy and Phenomenological Research* **15**: 213–19.
18. Encyclopedia of Philosophy, Volume 3, 1967, Macmillan, Inc.
19. Fleming, H. and Asplund, G. (2001). An Evaluation of customer relationship marketing, *Journal of Marketing Research*, **21** (2): 32–34.
20. Franklin, M.I. (2012). *Understanding Research: Coping with the Quantitative-Qualitative Divide*. London and New York: Routledge.
21. Gioia, D. A. (2003). Give it up! : Reflections on the Interpreted World (A commentary on Meckler and Baillie), *Journal of Management Inquiry*, **12**:285-292.
22. Gladwin, C. H. (1989). Ingenuous knowledge systems, the cognitive revolution, and agricultural decision making, *Agriculture and Human Values*, **6** (3): 32-41.
23. Goldberg, H. (2009). Informed decision making in maternity care, *Journal of Prenatal Education*, **18** (1): 32-40.
24. Griswold, C. L. (2001). *Platonic writings/Platonic readings*. Penn State Press. p. 237.
25. Gronroos, C. (1997). From marketing mix to relationship marketing – towards a paradigm shift in marketing, *Management Decision*, **34** (4): 322-339.
26. Gruber, M., Kelvin. K. (2000). A review of research as a formal way to knowledge sharing, *International Journal of Academia Research and Management*, **11** (3): 567-576.
27. Hardy, C., Phillips, N., Clegg S., (2001) Reflexivity in Organization and Management Studies: A Study of the Production of the Research Subject, *Human Relations*, (54) **5**: 531-560.
28. Harvey, F. (2006). Ontology. In B. Warf (Ed.), *Encyclopedia of Human Geography*. Thousand Oaks, CA: SAGE Publications, Inc. pp. 341-34.
29. Harwood, T. G., Garry, T. (2006). *Relationship marketing: Why bother?* Emerald Group Publishing Limited, pp. 107-111.

30. Hawthorne, J. (2005). The Case for Closure, *Contemporary Debates in Epistemology*, Peter Sosa and Matthias Steup (ed.): 26–43.
31. Hollensen, S. (2010). *Marketing Management: a Relationship Approach*, Prentice Hall.
32. Hollis, M., Smith, S. (1991): *Explaining and Understanding International Relations*. Oxford: Claredon Press.
33. Holtz-Bacha, C., Kaid, L. L. (1995). Television Spots in German National Elections' in Kaid, Lynda Lee & Holtz-Bacha, Christina (eds.): *Political Advertising in Western Democracies. Parties and Candidates on Television*. London: SAGE, pp. 61-88.
34. Hunt, S. D. (1990). Truth in marketing research and theory, *Journal of Market*, **54** (3): 1-15.
35. Irny, S.I., Ross, A.A. (2005). Designing a strategic information systems planning methodology for Malaysian Institutes of Higher Learning (isp- ipt), *Issues in Information System*, **6** (1): 243-267.
36. Johnston, A. (1991). Political Broadcasts: An Analysis of Form, Content, and Style in Presidential Communication' in Kaid, Lynda Lee, Gerstlé, Jacques, Sanders, Keith (eds.): *Mediated politics in two cultures*. New York: Praeger, pp. 59-72.
37. Jonassen, D. H. (1991). Objectivism versus constructivism: Do we need a new philosophical paradigm? *Educational Technology Research and Development*, **39** (3): 5 – 14.
38. Katsicas, S. K. (2009). "Chapter 35". In Vacca, John. *Computer and Information Security Handbook*. Morgan Kaufmann Publications. Elsevier Inc. p. 605.
39. Knox, K. (2009). The Researchers' Dilemma – Epistemological and Methodological Pluralism, Academic Conference Limited, United Kingdom.
40. Khin, E. W. S., Ying, C. W., Meng, Y. W., Fatt, C. K. (2011). A coherent epistemological theory in management philosophy research, *Australian Journal of Basic and Applied Sciences*, **5** (10): 874-880.
41. Kuhn, T., (1970). *The Structure of Scientific Revolutions* (2nd edn). Chicago: Chicago University Press.
42. Marsh, D., Furlong, E. (2002). Ontology and Epistemology in Political Science in Marsh, David and Stoker, Gerry (eds.): *Theory and Methods in Political Science*, 2<sup>nd</sup> edition. Basingstoke: Palgrave.
43. Ndubisi, N.O. and Chan, K.W. (2005), Factorial and discriminant analyses of the underpinnings of relationship marketing and customer satisfaction. *International Journal of Bank Marketing*, Vol. 23 No. 3, pp. 542-57.
44. Mensah, S., (2004). *A Review of SME Financing Schemes in Ghana*, UNIDO Regional Workshop of Financing Small and Medium-scale Enterprises, pp. 3-20.
45. Paliwoda, Z. (2009). Relationship marketing and its impact on corporate growth. *Organizational Dynamics*, **17** (18): 43–51.
46. Phillips, D. C. (1995). The good, the bad, and the ugly: The many faces of constructivism. *Educational Researcher*, **24** (7): 5-12.
47. Piaget, J. (1970). *Genetic epistemology*, New York: Columbia University Press.

48. Poku, K. (2011). The Impact of Relationship Marketing on Customer Loyalty. Unpublished MBA Dissertation, School of Business, University of Ghana. P.p. 62-66.
49. Quainoo, T. K. (2011). *The Impact of Loans on SMEs in Ghana, Masters Dissertation*, Institute of Distance Learning, Kwame Nkrumah University of Science and Technology, Kumasi, Ghana, pp. 64-73.
50. Quaye, D. N. (2011). *The Impact Of Microfinance Institutions On The Growth Of Small And Medium-Scale Enterprises (SMEs)*, Masters Dissertation, Institute of Distance Learning, Kwame Nkrumah University of Science and Technology, Kumasis, Ghana, pp. 44-56.
51. Rahimi, A., Ibrahim, N. A. (2011). Constructivist vs. Objectivist learning environments, *Contemporary Online Language Education Journal*, **1**, 89-103.
52. Tawiah, S., Ennin, S., Fosu, K., Ghansah, L. (2013). *The Impact of Microfinance on Small and Medium Size Enterprises in Ghana*, Bachelor's Dissertation, Christian Service University College, Kumasis, Ghana, pp. 34-54.
53. Turpentine, H. M. (2004). Research as the medium of formal knowledge, *International Journal of Academic Studies*, **23** (1): 90-109.
54. Vasilachis de Gialdino, I. (2009). Ontological and epistemological foundations in qualitative research, *Qualitative Social Research*, **10** (2): 231-245.
55. Von Glasersfeld, E. (1989). Cognition, construction of knowledge, and teaching. *Syntheses*, **80**, 121-140.
56. Vygotsky, L. S. (1978). *Mind in society*. Cambridge, MA: Harvard University Press.
57. Wang, S., Noe, R. A. (2010). Knowledge sharing: A review and directions for future research, *Human Resource Management Review*, **20**: 115-131.
58. Willig, C. (2001). *Introducing qualitative research in psychology: Adventures in Theory and methods*, Open University Press, Burkingham.
59. Woolgar, S., (ed.) (1988). *Knowledge and Reflexivity: New Frontiers in the Sociology of Knowledge*, London, Sage Publication.
60. Wong, E.S., (2003). *Action Research Philosophy: The Fountain of Living Research*. Perth. Centre of Professional Practitioner Resources Publication, ISBN: 1-74052111-2.

