



ANADOLU
ÜNİVERSİTESİ

**ESSAYS ON IMPACT OF FINANCIAL REGULATIONS
ON MICROFINANCE INSTITUTIONS
SUSTAINABILITY IN GHANA**

**A THESIS SUBMITTED FOR THE DEGREE
OF DOCTOR OF PHILOSOPHY**

**Ramatu USSIF
Eskişehir, 2019**

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DOCTOR OF PHILOSOPHY**

**Department of Business Administration
Finance Program**

Supervisor: Associate. Prof. Dr. Murat ERTUĞRUL

**Eskişehir
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This thesis titled "ESSAYS ON IMPACT OF FINANCIAL REGULATIONS ON MICROFINANCE INSTITUTIONS SUSTAINABILITY IN GHANA" which has been prepared and submitted by **Ramatu USSIF** in partial fulfillment of the requirements at "Anadolu University Directive on Graduate Education and Examination" for the Doctor of Philosophy(PhD) in Finance at the **Department of Business Administration** has been examined and approved on **27/12/2019**.

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ABSTRACT

ESSAYS ON IMPACT OF FINANCIAL REGULATIONS ON MICROFINANCE INSTITUTIONS SUSTAINABILITY IN GHANA

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This thesis was made up of a collection of articles on “impact of financial regulations on the microfinance institutions sustainability in Ghana”. It comprises five related articles and the entire thesis is structured into nine chapters. The first article focused on impact of regulations and policies on microfinance sector development. The results revealed that regulations and policies have negative & positive impacts on the sector. They contributed immensely towards the institutions development through training and capacity building, protecting depositors, ensuring financial soundness and financial inclusion. Article two examined the factors that determine the sustainability of microfinance institutions. The results show that the factors are positively and significantly driven by minimum capital requirement, credit default, policies, and capital structure. The third article assessed the challenges facing microfinance institutions and financial regulations operations. The results of the paper demonstrated microfinance challenges as not complying with regulatory guidelines, improper risk management, poor technology, high transactional cost, and lack of Government support. While examines the challenges facing financial regulations as cost of regulations, political influence, inadequate staff, and poor information dissemination. In article four, microfinance role in poverty reduction, employment creation, and income-generating-activities was elaborated. The result indicate microfinance has impacted positively and significantly on customers through employment creation, reducing poverty, income generations, and households' well-being. The final article discussed the effects of microfinance institutions program on SMEs financing which concluded that: Microfinance has a positive effect on SMEs financing, and the major financial institution that supports SMEs with credit in Ghana.

Keywords: Financial regulations, Microfinance institutions, Sustainability, Poverty reduction, Employment creation.

ÖZET
FİNANSAL DÜZENLEMELERİN GANA'DAKİ MİKROFİNANS
KURUMLARININ SÜRDÜRÜLEBİLİRLİĞİ ÜZERİNDEKİ, ETKİSİ ÜZERİNDE
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Bu tez, finansal düzenlemelerin Gana'daki mikrofinans kurumlarının sürdürülebilirliği üzerindeki etkisi üzerine bir makale derlemesiden oluşmaktadır. Besi doğrudan ilgili makaleler olmak üzere tezin tamamı dokuz bölümden oluşmaktadır. İlk makale, düzenlemelerin ve politikaların mikrofinans sektörünün gelişimi üzerindeki etkisine odaklanmaktadır. Sonuçlar, düzenlemelerin ve politikaların sektör üzerinde olumsuz ve olumlu etkilerinin olduğunu ortaya koymuştur. Düzenlemeler, eğitim ve kapasite geliştirme, yatırımcıları koruma, finansal sağlamlık ve katılım sağlama yoluyla kurumun gelişimine büyük katkı sağlamaktadır. İkinci makale, mikrofinans kuruluşlarının sürdürülebilirliğini belirleyen faktörleri incelemektedir. Sonuçlara göre, sürdürülebilirliğe minimum sermaye gereksinimi, kredi temerrüdü, politikalar ve sermaye yapısı gibi faktörler pozitif ve önemli ölçüde yön vermektedir. Üçüncü makale, mikrofinans ve finansal düzenlemeler ile ilgili zorlukları değerlendirmektedir. Makalenin sonuçları, mikrofinansın zorluklarını yasal düzenlemelere uymama, uygunsuz risk yönetimi, düşük teknoloji, yüksek işlem maliyeti olarak belirlerken finansal düzenlemelerin zorlukları olarak hükümet desteğinin eksikliği, siyasi etki, yetersiz personel ve yetersiz bilgi yayılımını ortaya koymaktadır. Dördüncü makalede, yoksulluğu azaltma, istihdam yaratma ve gelir yaratma konularında mikrofinansın rolü ele alınmıştır. Sonuçlar, mikrofinansın istihdam yaratma, yoksulluğu azaltma, gelir elde etme ve hanehalkının refahını artırma yoluyla müşterileri üzerinde olumlu ve önemli etkilere sahip olduğunu göstermektedir. Son makale, mikrofinans kurumun programının KOBİ finansmanı üzerindeki etkilerini tartıştı ve şu sonuca vardı: “Mikrofinansın KOBİ'ler üzerinde olumlu bir etkisi vardır ve KOBİ'leri krediyle destekleyen tek finansal kurumdur”.

AnahtarKelimeler: Finansal düzenlemelerin, Mikrofinans kurumları, Sürdürülebilirliği Yoksulluk azaltma, İstihdam yaratma.

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DEDICATION

With lots of love, thanks and praises to Allah Almighty (Alhamdulillah), I dedicate this piece of work to my parents Hajia Sirena Zakaria and late father, Alhaji Ussif Abdullahi. (May ALLAH bless him with Jannatul firdaws, Allahumma Aameen). Also to my husband and lovely daughters: Mariam Kasim and Sireenn Kasim.



STATEMENT OF COMPLIANCE WITH ETHICAL PRINCIPLES AND RULES

I hereby sincerely declare that this thesis is my original work prepared solely by me in accordance with the University guidelines for thesis writing to be submitted solely to Anadolu University. The entire thesis from the introduction, literature review, research methodology, data collection, data analysis and presentation of the results of this thesis is in line with the academic rule and scientific ethical principles of Anadolu University. All the sources of data and information gathered by me which were obtained in the course of this study have been cited and referenced accordingly and the reference section contains all the sources. I declare that, this thesis has gone through the plagiarism test and scanned with the “scientific plagiarism detection program” used by Anadolu University, and that, “there is no plagiarism” whatsoever. I also declare that, if false information is detected, contrary to my declaration to my thesis work at any time I stand responsible and I hereby express my consent to all the ethical and legal consequences that are involved.

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Ramatu Ussif.

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ABBREVIATIONS / ACRONYMS

ADB-	Agricultural Development Banks
ADB-	Asian Development Bank
ALM-	Asset and Liability Management
ARB-	Association of Rural Banks
ASSFIN -	Association of Financial NGO
BCBS-	Basel Committee & Banking Supervision
BOG-	Bank of Ghana
CAR-	Capital Adequacy Ratio
CCA-	Conventional Content Analysis
CPSD-	Commission on Private Sector Development
CUA -	Credit Unions Association
CU-	Credit Unions
DANIDA-	Danish Development Assistance

DCT-	Data Collection Tool (MIX)
DCA-	Directed Content Analysis
ERP -	Economic Recovery Program
FCUBE-	Free Compulsory Universal Basic Education
FGDs-	Focus Group Discussions
FIEG-	Financial Inclusion Expert Group
FINSSP -	Financial Sector Strategic Plan
FNGOs -	Financial Non-Governmental Organizations
FSHS-	Free Senior High School
FSS-	Financial Self-Sufficiency
GAMC -	Ghana Association of Microfinance Companies
GCSCA -	Ghana Cooperative Susu Collectors Association
GDP -	Gross Domestic Product
GES-	Ghana Educational Service
GHS-	Ghana Health Service
GHAMFIN -	Ghana Microfinance Institutions Network
GHAMP -	Ghana Microfinance Policy
GNPEP -	Ghana national poverty eradication program
GOG -	Government of Ghana
GPRS -	Growth & Poverty Reduction Strategy
GSS-	Ghana Statistical Service
GTZ-	German Development Cooperation
GTZ-	Gesellschaft für Technische Zusammenarbeit
IMF -	International Monetary Fund
MASLOC -	Microfinance & small loans centre
MDA -	Ministries Departments and Agencies
MDGs -	Millennium Development Goals
MFBS-	Microfinance Banks
MFBSBs-	Microfinance Sensitive Banks
MFBS-	Microfinance Banking Schemes
MFIs -	Microfinance Institutions

MFOBs-	Microfinance Oriented Banks
MIX-	Microfinance Information exchange
MMDA -	Metropolitan, Municipal & District Assemblies
MOF -	Ministry of Finance
MOWAC -	Ministry of Women and Children's Affairs
MPR-	Monetary Policy Rate
MSE -	Micro and Small Enterprises
MLAG-	Money Lenders Association of Ghana
NABCO-	Nation Builders Cooperatives
NBFIs	Non-Bank Financial Institutions
NGOs -	Non-Governmental Organizations
NPL-	NON Performing Loan
NSS-	National Service Scheme
NYEP-	National Youth Employment Program
OSS	Operational Self-Sufficiency
PAF -	Poverty Alleviation Fund
PAP-	Poverty Alleviation Program
RBs	Rural Banks (other counties)
RCBs	Rural & Communities Bank (Ghana)
REP -	Rural Enterprise Project
RFSP -	Rural Financial Services Project
RIPs-	Regional Institute for Population Studies
RMFIs -	Rural Microfinance Institutions
ROA-	Return on Assets
ROE-	Return on Equity
ROSCAs -	Rotating Savings and Credit Associations
S&Ls-	Savings and Loan Companies
SEEP-	Small Enterprise Education and Promotion Network
SMEs-	Small and Medium Scale Enterprises
TA-	Thematic Analysis
UN-	United Nations

UNDF-	United Nations Development Fund
UNDP -	United Nations Development Program
VNS-	Voluntary National Service
WEP-	Women Empowerment Programs
YEA-	Youth Employment Authorities.



CHAPTER ONE

INTRODUCTION

Chapter one covers the background of the main thesis topic on the impact of financial regulations on microfinance institutions sustainability in Ghana, brief background of the Ghanaian Economy, (Economic indicators, legal environment, the Ghanaian Banking Sector), the research problem or problem statement, the objectives of the research, research questions and the research hypothesis, significance of the research, the scope of the research, limitations of the study, impact of the research, organization of chapters, structure/format of the entire study.

1.1 The Background of the Study

The Microfinance institution is a very important instrument/tool for reducing poverty, employment creation, financing SMEs with credit, and economic development in African countries and many parts of the world. It is an institution that targets low-income individuals who are mostly in the rural communities through innovative products such as micro-insurance, giving out loans, lending in groups, deposits taking, regular repayment schedules and remittances. In this study, the analysis of the Ghanaian economy from the inception of microfinance institutions to the current state of the institution was taken into consideration against the following indicators: Gross Domestic Product (GDP), the growth rate, employment rate, inflation rate, interest rate, unemployment rate, poverty rate, income, and the average wage rate. According to Levy (2000), large companies have more access to financial services than small enterprises and hence the consequences for their growth and development. Microfinance institutions have their objectives, mission, and vision and before any of this can be achieved successfully, there should be a proper and sound regulatory system, and effective policies to govern and monitor the activities of the institutions. For example, the microfinance industry in the country needs the financial regulators, the policymakers, the Apex bodies, and other stakeholders to help supervise, monitor, evaluate, and regulate their activities, and to protect the clients. The above when accurately done, can lead to long term sustainability which brings profit and other forms of benefits to the owners, customers, and the societies at large.

Microfinance recently has earned much interest in various meetings and discussions concerning the continuous poverty issues and problems, unemployment issues, income, and promotion of economic growth. The institutions' role is assumed as increasing significant after the financial crisis. The sub-sector has indicated that the low-income people/poor are viable clients when they are approached financially right way so that, there will be no asymmetric information, which leads to adverse selection, then to moral hazard and other problems and conflict of interest are mitigated. According to Cook and Nixson, (2000), finance and the role it plays is recognized as a vital element in SMEs development. The main purpose of microfinance institution as to do with providing services to the low-income individual and the un-banked population by providing financial services that they lack access to, helping them to sustain their livelihood, help in creating jobs hence reducing their poverty levels as well as improving their business sizes and creating income activities. The more microfinance institutions are established in an area, the more the individuals there benefit from them.

The regulators of microfinance institutions believe that the institution is sustainable when the profit generated from a loan used in a business or operation is sufficient to cover all costs of operations in the business (Shama and Nepal, 1997). Microfinance came into existence when it was realized that a more percentage of people especially the poor were denied formal banking and are also been denied organized financial services like credit giving, savings, remittances, and insurance. In Ghana, only a few percentages of people have access to financing as reviewed in the access to finance composite index (Honohan 2007). To have more financial inclusion in a country, lot of financial institution must be established which offers different kinds of products/services at reasonable cost/prices that are supported with the law and regulatory requirement (UNCDF, 2006). Financial inclusion here means every member of a country, whether poor, disabled and disadvantaged or underprivileged must have financial services available in the country. This is worse when considering the people in rural communities with those in urban communities. Those people in rural communities have no access to financial services and those who have are minimal as required. Due to the limited access to the formalized banking by the poor and together with the lot of policies and procedures involved in those formal banking sector, many countries in Africa, not only Ghana have gone the microfinance way which is less restrictive, less in

policies and procedures, easy for regulation and supervision and the interest of the poor people in the microfinance institution.

Before the formalization of Microfinance in 1976 through the good work of Muhammed Yunus, the African head of states was making credit available to the active poor in their countries. This was done through Agricultural Development Bank (ADB) and that provide subsidized credit to businesses, farmers and other funds from the program both targeting poor people living in low-income communities. Government support to rural banks, cooperatives credit union and other micro-businesses issue loans/credit to the poor, at the lower interest rate to farmers, though at a point in time due to overdependence on government funding these efforts, failed. Understudies of this nature, the total Micro-credit of the country per the Gross Domestic Product (GDP) rate of the country must be known, as against poverty, unemployment, labor participation, income, interest and exchange rates, and the inflation rate of the country, all must be considered and analyzed thoroughly.

To conclude, even though MFIs can be a major employment provider in developed and underdeveloped countries, still the un-sustainability of the institutions, poverty, and the rate of unemployment is high in Ghana (GLSS 5th report, 2006). Recently, the Republic of Ghana Government has given due attention for microfinance sector, by understanding that MFIs are important avenues to address economic development at the local level by creating employment, reducing poverty, support to small & medium enterprises (SMEs), creating income-generating activities and increasing welfare and living standards of Ghanaians hence, a need for the institution's proper regulations, monitoring, supervision with appropriate policies, and to revoked licensed of the insolvent microfinance institutions in order to have a long term sustainability and profitability in the country.

1.1.1 A Brief History of Microfinance Institutions

For over a decade, the microfinance sub-sector has been introduced, evolved and keeps increasing from a niche field of small enterprise credit or micro-credit enterprise to a very comprehensive microfinance concept which comprise different kinds of financial services and products for the active poor people, micro-insurance, micro-savings and deposits, money transfer and microcredit to help build an enormous financial inclusion in the financial system. Though the history of microfinance institutions started long ago in some

countries and could also be segmented into various stages, the revolutionary progress started and was initiated by Dr. Muhammed Yunus in 1976. He is an economics professor and he successfully founded the Bank of Grameen in Bangladesh as a microfinance institution. He started by issuing a loan of 28 US Dollars to a group of petty traders, craftspeople, etc. who are mostly women, in a village very close to the University of Chittagong as working capital.

Researches showed that the women paid back the loans issued to them in groups by the Grameen Bank in full and on time. These were done in a system that was simple and payments very frequent with small paperwork to support payments of the institution. It was found out by micro 7 programs that, women are the most likely to pay back loans/credits and are reliable borrowers in general. Again, it was observed that the women use their earnings from the loans on education, housing, good food, shelter, and clothing for their families. These in a way leads to lots of benefits to the families, communities and helping to alleviate the cycle of chronic poverty through the employment opportunity created and the dependency rate. According to Vukson, W. B. Z. (2003), a study conducted recently by world bank indicates that, the villages that Muhammed Yunus served with credit and other services through the Grameen Bank has a higher wage levels and that the education, living standards, health and high esteem of the clients who are loan beneficiaries, their household and family has improved.

Many financial institutions and non-governmental organizations have followed the Grameen procedures, steps and following its techniques and strategies to widely different environments. The successful advances and achievements of Grameen Bank lead to an improvement in poverty in some developing countries and Dr. Muhammed Yunus and his Grameen Bank was awarded a noble prize for their good work and efforts in creating social & economic development from products & services in 2006. The microfinance concept formally started in Bangladesh in 1976 by the pioneering work of Dr. Muhammed Yunus. It was observed by some researchers that, the microfinance sub-sector began and gained global recognition in the 1980s example in Bangladesh and Bolivia (Khandker, 2001). Jaffari et' al (2011). However, in Ghana, available researches and shreds of evidence suggested that, in Africa, the first credit union was established in Ghana Northern-Region through the work of the catholic Canadian missionaries in 1955 who originated and settled in the North. But formally, a microfinance institution in the country started in the 1980s.

Following the Ghana regulatory frame and government policies on micro-financing in the country. The regulatory framework gives the guidelines for MFIs operations, license registration, the amount involved and reporting procedures to Bank of Ghana. While the policies offer all the necessary procedures and guides for the establishment and the running of the microfinance institution in the country.

1.1.2 The Ghanaian Economic Background

Ghana is a country located in Africa western part. That is on West Africa's Gulf of Guinea with a small degree northern part to the equator. Ghanaian population in 2017 was 28,833,629 million, Ghana Population and Housing Census Report (PHC, 2017). Currently, in 2019, the population is 30,096,970. The population of the country is estimated at 30.40 million which is the 46th number in the world ranking. The economy of Ghana is considered a favorable and viable environment for both small, medium and bigger businesses operation owing to its richness in natural resources like cocoa, gold, timber, minerals, bauxite, etc. Ghana has focused on reducing poverty in the country among citizenry through its poverty reduction strategies (GPRS) which is the core of its development strategy with the introduction of the vision 2020, institutional arrangement that help to promote, analyze and discuss poverty alleviation across all the 10 Regions of the country where this study was conducted.

1.1.3 Economic Indicators in Ghana

Economic indicators in Ghana's economy comprise, the Gross Domestic products (GDP), growth rate, per capita income, inflation rate, interest rate, income levels, level of employment, rate of unemployment, poverty rate, the rate of labor force participation, income level, and the rate of exchange. The Economic sector comprising Agricultural, industry, and service. The agricultural sector is made up of the farming sector, fishing sector, and the forestry sector while the industry sector comprises: manufacturing sector, energy production sector, mining sector, and the sector involved in construction. The service sector includes financial services, the activities of the government, transportation and communication services, and some other economic activities especially those not producing any material goods.

The GDP figure in Ghana was 65,557 million US dollars as of 2018. Ghana is number

74 in the world's ranking of GDP out of 196 countries that were published. The absolute value of GDP per capita of Ghana rose to 6,579 million US dollars concerning the year 2017. The GDP per capita of Ghana as of 2018 was \$2,202, \$177 higher than in 2017 which was \$2,025. The GDP growth rate is 8.5 % annual change (2017) stated by the government. The economic sector thus the industry was recorded with the highest growth rate of 16.7%, and Agricultural is next with 8.4% while the service sector with 4.3%. The services sector remains the largest sector (2017). The economy of Ghana grew 7.4 % yearly in the third quarter of 2018, following an expansion of 5.4% in the previous period. That was the growth rate which was strongest in the third quarter of the year 2017 and was driven mostly by the service sector, and the industry sectors of Ghana (June 20, 2019).

The annual inflation rate rose to 9.2% in February 2019 from 9.0% in January of the same year. The prices rise faster for both foods and non-foods products in the country. The rate of interest in Ghana is expected to be 15.0% by the year ending that is the end of the quarter, said by the trading economics and global macroeconomic models, and the analyst expectations. In 12 months, the interest rate is also estimated to be 14.75% in the country. The total labor force in the country is 12,386.06 in 2018 (World Bank Data). A total of 33.86% of the employees in the country were very active in the agricultural sector in 2018, while 18.62 % were in the Industry sector and finally, 47.52% were in the services sector (June 25, 2019). The highest percentage in the services sector shows an improvement in the living standard of Ghanaian as compared to the previous years when the Agricultural sector was leading with more labor force because that indicates a level of poverty since the Agricultural sector is mostly comprised of peasant farmers with lower income levels.

The current rate of the above economic indicators in the country include, the Gross Domestic products (GDP) rate 6.7%, growth rate 2.15% annually, inflation rate 9.4% (July, 2019), interest rate 16% (September, 2019), income levels, employment rate, unemployment rate 3.7% (June 2019), poverty rate, per capita income, and the labor force participation rate.

1.1.4 The Ghanaian Legal Environment

The legislation, regulations, and supervisions of the microfinance sub-sector in Ghana have a tiered regulatory guideline or framework and a mixed approach to the supervision of the sector. The monitoring and supervision are done based on the type and size of the

institution whether deposit-taking or non-deposit taking institutions. The rationale for the regulations, policymaking, and supervision of the MFIs are to protect consumer/depositors. The microfinance sector is regulated under the Banking Act, under central bank supervision. Ghana has not come up with a special MFIs law but rather adjusts its banking act to accommodate a special type of MFI. In Ghana, the legislation and regulations that are governing the financial institutions mainly operated under the BoG supervision.

The policies within the sector have enabled MFIs in Ghana to develop and function with little or no interference from the Government due to financial sector liberalization in the country, Thierry et al (2005, pp6). The minimum capital requirement, liquidity capital and the required reserve of these institutions has been increased to over 200 percent recently to deal away with the insolvent microfinance sub-sector in the country. The interest stakeholders especially the government and the major donors' partners/organizations have been developing the sub-sector through intensive hardworking because this microeconomic sector was seen as the root and basis to the economic growth of the nation and rural development. Therefore, it has taken a procedure and process very participatory, and a position in the restructuring of the sector.

1.1.5 The Banking Sector of Ghana

The Ghana Financial Sector according to Steel et al (2003, pp3-9), consisted of 17 banks as at the end of 2002 comprising only (3) three development banks, (5) five merchant banks, and (9) nine commercial banks. While microfinance institution is minimal operating in the remotest part of the country targeting the poor. There is a vast increase in the financial institution's number and the non-banking financial institutions (NBFIs) in the country following the years. Currently, the banks' numbers that are licensed in Ghana as of January 2019 include twenty-three (23) commercial banks based in the country and 4 representative banks based out of the country.

The bank of Ghana on September 11, 2017, through a directive issued, has increased the amount of the minimum capital requirement of financial institutions operating in Ghana which requires that the Banks comply by the end of December 2018. This was done to further strengthen, develop and promote the financial system to support the government mission and vision and other transformational agendas.

To further strengthen and maintain confidence in the microfinance sector and the financial system at large, the Bank Ghana in January 2016 revoked the license of 70 MFIs and in May 2019, 347 of the institutions again have their licenses revoked in the country due to insolvency and unable to meet the capital requirement set by the BoG. The 347 was made up of 192 insolvent institutions and 155 insolvent and ceased operation institutions. These were done to protect the depositors' and customers' savings and investment and to stabilize the sector by making it sound and viable.

1.1.6 Ghana Micro-credit and Macroeconomic Variables

The Ghana micro-credit program started in the early 1950s in the Northern Regional part of Ghana through the work of the missionaries but formally it started to gain recognition after that of Bangladesh by Dr. Muhammed Yunus in 1976. As of 2018, the total microfinance in the country was 484, and the GDP per capita in 2018 was &2,202. Currently, in 2019, the total number of microfinance in the country is One hundred and thirty-seven (137). The number reduce drastically due to the Bank of Ghana revoke licenses of most of the institutions due to insolvency and not able to raise the required minimum capital set by the bank of Ghana regulators.

This year the total number of a microfinance institution that got their licenses revoked by the Bank of Ghana comprises 155 insolvent microfinance institution, these institutions already ceased operations and 192 institutions which are insolvent. Again, the licenses of other 39 microcredit companies which are known as money-lenders have also been revoked this year, thus: Ten (10) of the 39 micro-credit institutions are insolvent and have been ceased operations, while the remaining 29 other are insolvent. So in total 347 microfinance and 39 micro-credit companies' institutions' licenses were revoked by the Bank of Ghana in 2019. This leaves the microfinance industry with just 137 solvent institutions of its previous number 484 companies last year. The BoG promises to further introduce other proportional corporate governance, proper risk management directives, to embark on strict supervision of the remaining licensed institutions and, to enforce relevant regulatory requirements and principles and increase the resources available towards effective supervision of the licensed microfinance sector.

The macroeconomic variables such as poverty, employment and unemployment, labor force participation, income, interest, inflation, and exchange are all indicators that need to be factored into the study to because of the microfinance institution's role in poverty reduction, employment creation, income-generating essay in the work, the interest rate charged by the institution etc. to measure the impact of each variable on the study or microfinance sub-sector.

1.1.7 Evolution of Microfinance in Ghana

Microfinance in Ghana is an old concept. The Ghanaian people started their savings since time immemorial by taken smaller credit/loans from people individually or in groups in a form of helping businesses, petty trading, seamstresses, farming, and other ventures within the country. The Catholic Missionaries from Canada in 1955 came and settled in the northern part of Ghana established the first Credit Union there and that was the first Credit Union to be established in Africa according to available evidence. In the 1990s there was widespread of susu one of the methods of micro-financing currently originated from Nigeria to Ghana. Microfinance in Ghana passes through four different stages like other microfinance in the world. The following are the four stages:

1.1.7.1 Stage one:

In the 1950s, the government provides subsidized credit. Starting from the 1950s, the government of Ghana provides clients with credit at a subsidized price, when lack of money was assumed a serious problem and a reason why most people are poor in Ghana. So to eliminate poverty in Ghana, subsidized credit was provided by the government to interested customers and individuals.

1.1.7.2 Stage two:

During the 1960s and 1970s, microcredit provision through Non-Governmental Organization (NGOs). Microcredit was provided to the poor through Non-Governmental Organizations in the 60s and 70s. This was done to encourage self-sufficiency and sustainability of microfinance institutions because, during those periods, financial self-sufficiency and financial sustainability were not in any way seen to be very important.

1.1.7.3 Stage three:

Microfinance institutions' formalization began in the 1990s. These formalizations of microfinance institutions lead to introducing more institutions in the country.

1.1.7.4 Stage four:

The commercialization of microfinance institutions began in the mid-1990s. These made the institutions to gain attention with the mainstream institutions moving into the financial system.

1.1.8 The Need for Microfinance Institutions in Ghana

The main goal of Ghana's Growth and Poverty Reduction Strategy (GPRS II) is to ensure "sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment". The intention is to eliminate widespread poverty and growing income inequality, especially among the productive poor who constitute the majority of the working population. According to the (2000) Population and Housing Census, 80% of the working population is found in the private informal sector. This group is characterized by lack of access to credit, which constrains the development and growth of that sector of the economy. The observation was stressed in the International Monetary Fund Country report on Ghana of May (2003) that "weaknesses in the financial sector that restrict financing opportunities for productive private investment are a particular impediment to business expansion in Ghana." Microfinance perceived as a financially sustainable instrument meant to reach significant number of poor people of which most are not able to access financial services because of the lack of strong retailing financial intermediaries. Access to financial services is imperative for the development of the informal sector and also helps to mop up excess liquidity through savings that can be made available as investment capital for national development World Bank-Africa Region, (1999). Microfinance as a sector has the potential to reduce poverty by bringing a significant improvement in the lives of the active poor who are largely women.

1.1.9 The Types of Microfinance Institutions in Ghana

Microfinance in Ghana is categorized into four different types/groups of institutions namely: the formal suppliers, semi-formal suppliers, informal suppliers, and the public sector programs. The Ghana Microfinance institution main types are based on their legal status:

1.1.9.1 Formal Financial Institutions

Formal financial institutions are incorporated under the Companies Code 1963 and licensed by the Bank of Ghana (BOG) under either the Banking Act of 2004 as amended by Act 738 of 2007 or the Financial Institutions (Non-Banking) Law 1993 (under review) to provide

financial services which include provision of credit and savings mobilization from the public. These formal financial institutions or formal suppliers include: rural and community banks, savings and loans institutions, some development and commercial banks etc.

1.1.9.1.1 Rural and Community Banks (RCBs)

This banks operate as commercial banks under the Banking Act, except that they cannot undertake any foreign business, and their minimum capital requirement is significantly lower. RCBs operate as unit banks owned by both resident and non-resident members of the rural community through the purchase of shares and are licensed by the Bank of Ghana. They were introduced in 1976 to deepen the provision of financial services. As at 2009, there were 129 RCBs with about 560 outlets, spread across all the 10 regions of the country. The three northern regions which constitute about half of the land mass of the country had only about 9% of them. RCBs finance their activities mainly through deposits from clients, borrowings, equity and concessionary loans from microfinance programs of the government and the development partners.

1.1.9.1.2 The Savings and Loans companies (S&Ls)

These companies are owned by private individuals or entities who hold shares in the companies. These are licensed as non-bank financial institutions, their capital requirement is much lower than that of the commercial banks, but well above that for the rural and community banks. There are 18 S&Ls, mostly located in the urban areas with limited physical presence in the rural areas. None of them operates in any of the three northern regions.

1.1.9.2 Semi-Formal Financial Institutions

Semi-formal financial institution / Semi-formal suppliers include: Credit Unions (CUs), Cooperatives and Financial Non-Governmental Organizations (FNGOs). Both the Financial Non-Governmental Organizations (FNGOs) and Credit Unions (CUs) are legally registered but not licensed by the Bank of Ghana.

1.1.9.2.1 Financial Non-Governmental Organizations (FNGOs)

The Financial NGOs are incorporated as companies limited by guarantee (not for profit) under the Companies Code. They are multipurpose NGOs providing micro credit and some non-financial services. They are excluded from mobilizing savings from the public and hence have to use external funds for their micro credit operations. These funds are from donors, development partners, social investors and government programs. The largest FNGO has

been borrowing from the market with a guarantee from its international social investor. There are about 42 FNGOs, of which about 20 are active. FNGOs in Ghana are small in size, most of them having less than 1000 clients. They operate in the rural and peri-urban areas where the banks cannot reach. A few of them have urban operations.

1.1.9.2.2 Credit Unions

Credit unions are registered by the Department of Cooperatives as cooperative thrift societies that do mobilize savings deposits from and give loans to their members only. Even though it has been provided under the Non-Bank Financial Institutions law to be regulated by the Bank of Ghana, a framework for their regulation is being developed. They are however being self-regulated by their association. The credit unions exist at work places, parishes and communities, there are both rural and urban unions. There are about 400 Credit Unions.

1.1.9.3 Informal Financial System

The Informal Financial System / Informal Suppliers include: Susu collectors and clubs, Rotating and accumulating Savings and Credit Associations (ROSCAs), traders, moneylenders and other individuals. The informal financial system covers a range of activities, including Susu (which includes itinerant savings collectors, rotating savings and credit associations, savings and credit “clubs” run by an operator companies, and scheme operated by banks), Community Based Organizations and Self Help Groups. The individual itinerant susu Collectors have long provided an important form of savings in the West African sub region. They collect daily amounts set by each of their clients (usually traders and artisans) and return the accumulated amount at the end of the month, minus one day’s amount as a commission. Of late some susu companies have been set up with employees doing the collection. It is estimated that there are over 3,000 Susu Collectors nationwide of which 1200 are registered with the Ghana Cooperative Susu Collectors Association (GCSCA), the apex body.

1.1.9.4 Public Sector Programmes

These are those sectors that have developed financial and non-financial services for their clients.

1.1.10 Apex Bodies of Microfinance

The microfinance Apex bodies are the institutions within the country that help regulate, supervise, and monitor the activities of the microfinance institutions in Ghana. These Apex

bodies have been formed for five categories of MFIs. The RCBs have two apex bodies. These are the original apex association of Board directors, Association of Rural Banks (ARB) which currently engages in advocacy, and the operational apex body, ARB Apex Bank Ltd, owned by the RCBs and licensed as a bank by the Bank of Ghana (established in 2001) with additional responsibilities to promote, develop and oversee the rural banking operations.

The Ghana Cooperative Credit Unions Association (CUA) was formed as the apex association for the CUs in 1968. The CUA provides training, product development, financing facility, insurance, auditing services and performance monitoring to its members in addition to advocacy. As the apex body for the Susu Collectors, the Ghana Cooperative Susu Collectors Association (GCSCA) provides advocacy, training and some self-regulatory measures to its members. It also promotes the credit union concept of being cooperative thrift societies managing their own resources.

The Association of Financial NGOs (ASSFIN) was formed to advocate and enhance the operations of the NGOs providing credit. The last apex association to be formed is the Ghana Association of Savings and Loans Companies (GHASALC), which was formed in 2008 to bring the S&Ls together for advocacy and promote the development of the S&Ls.

I.2 Statement of Problem / Research Problem

Ghana microfinance institutions like that of other countries are without challenges. The country's MFI is faced with numerous problems such as poor financial regulations, unsustainability, increase in poverty, high unemployment level, lower income levels, high illiteracy rate, high population growth rate, famine especially among the rural poor people living in poor communities where the people were not having financial services or formal banking system. There has been a problem with the active poor people's savings/deposits in Ghana for a long time. These led to the movement of most of the rural active poor people from rural to urban communities in search of jobs and shelter and also able to save their little earnings to have improved living standards. These movements bring the problem of overcrowding in the cities and these posed a further threat to national security (Hernando 2013). According to the fifth round report of the GLSS 5, poor households also need savings account across the country in rural and urban communities. Over 70 percent of the adult population of Ghana are lacking access to financial services and do not have a basic bank

account (GLSS 5 Report). Again, the poor households also need to be protected, likewise, their information, deposits, investment, assets, insurance, remittances all need to be protected hence the need for financial regulation of MFIs.

With proper regulations of the institutions, the deposits of the poor clients will not be misused and they will have good access to credit with the best-required rate of interest. Also, transparency and accountability will be encouraged. A lot of microfinance institutions experienced a collapse in Ghana in the year 2013 even though some of the MFIs have the minimum requirement for licensing by the regulators (Addo 2014). For the Microfinance sub-sector to be sustainable, that continues being in existence whilst still being effective and efficient for a long time, the regulators, policymakers, government, donors, and Apex bodies must function properly and be in the interest of the customers because, microfinance institutions in Ghana are still facing a serious challenge of meeting the potentials as the effective instrument for poverty reduction, employment creation, development of SMEs, economic development, the empowerment of economically poor active people and low-income individuals whose main activities are within the agricultural sector. This study provides a nationwide overview of the financial regulation of microfinance institutions and its attempt to identify the regulations, policies, rules, and restrictions which are inappropriate for the institution to give effective and efficient solution the microfinance sub-sector operations.

There has been no study in a country that has been published nor submitted to any institution in Ghana establishing the impact of financial regulations on microfinance institutions sustainability in Ghana.

Again, the lack of active poor individuals having financial services/ banking services access and insufficient provision of credit/loan to small and medium enterprises has been identified as a common problem in Ghana.

Furthermore, poor regulations and unsustainability of the microfinance institutions are very alarming in Ghana.

Despite the above, the revocation or cancellation of microfinance institutions licenses by the regulators is very high and keeps on increasing in an increasing rate.

Again, increments or high collapse rate of the microfinance institutions in the country. Hence the need for this study to identify what are the causes and effects of this un-

sustainability and other related financial issues in the country. These were the reasons that gave rise to an in-depth study on microfinance institutions in the country to find remedies, processes, and approaches to these serious financial issues and instability.

Therefore, the above were the knowledge gap motivating this study. The research is carried out based on the above background and the major purpose of this research work is to determine the impact that financial regulations on microfinance institutions' sustainability in the country.

1.3 Research Objectives

The objective of this thesis is two-fold. The research main objective and the specific objectives that cover the entire thesis.

1.3.1 Main Objective

The main research objectives of this study are on the "Impact of Financial Regulations on the Microfinance Institutions Sustainability in Ghana".

1.3.2 Specific Objectives

The specific objectives of the overall thesis focused on:

- To investigate the Impact of regulations and policies on microfinance sector development in Ghana.
- To discuss the factors that determine the sustainability of microfinance institutions in Ghana.
- To assess the challenges facing microfinance institutions and financial regulations in Ghana.
- To determine the role of Microfinance in poverty reduction, employment creation, and income-generating activities in Ghana.
- To examine the effects of microfinance institutions program on small and medium enterprises financing in Ghana.

1.4 Research Questions

The research questions consist of a general research question and specific research questions.

1.4.1 General Research Question

What Impact does Financial Regulations have on Microfinance Institutions Sustainability in Ghana?

1.4.2 Specific Research Questions

The entire study answers the below specific questions:

- What impact do regulations and policies have on microfinance sector development?
- Which factors determine microfinance institutions' sustainability in Ghana?
- What challenges are facing microfinance institutions and financial regulation in Ghana?
- Does MFIs reduction poverty, create employment and generate income for the Poor?
- Do microfinance institutions program have effect on SMEs financing in Ghana?

1.5 Research Hypothesis

The below-formulated hypotheses were tested to determine “Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”:

1.5.1 Main Hypothesis

The below-formulated hypothesis was to determine the relationship between financial regulations & microfinance institutions sustainability in Ghana:

H0: Financial regulations have impact on the sustainability of microfinance institutions in Ghana.

H1: Financial regulations have no impact on sustainability of microfinance institutions in Ghana.

1.5.2 Specific Research Hypothesis

1. The below-formulated hypothesis was to investigate the relationship between regulations, policies & microfinance sector development in Ghana:

H0: Regulations and policies have contributed to microfinance sector development in Ghana

H1: Regulations and policies do not contribute to the microfinance sector development in Ghana.

2. The below-formulated hypothesis was to expatiate the relationship between microfinance institutions, sustainability level & collapse rate in Ghana:

H0: There exist a very high unsustainability and collapse rate of MFIs in Ghana.

H1: There exist a very low unsustainability, and collapse rate of MFIs in Ghana.

3. The below-formulated hypothesis was to discuss the relationship between challenges of microfinance institutions & financial regulations in Ghana:

H0: There are challenges in microfinance and financial regulations operations in Ghana.

H1: There are no challenges in microfinance and financial regulations operation in Ghana.

4. The below-formulated hypothesis was to assess the relationship between microfinance institutions, poverty reduction, creation of employment & income generation in Ghana:

H0: Positive relationship existed between microfinance institutions, reduction in poverty, creation of employment, and income-generating for active poor people in Ghana.

H1: Negative relationship existed between microfinance institutions, reduction in poverty, creation of employment, and income-generating for active poor people in Ghana.

5. The below-formulated hypothesis was to establish relationship between microfinance institutions program & SMEs financing in the country:

H0: The microfinance institutions program finance SMEs with credits/loans in the country.

H1: The microfinance institutions program do not finance SMEs with credits/loans in the country.

1.6 Significance of the Study

Microfinance institutions are many in Ghana both registered institutions and unregistered institutions and this research work on: **“Essays on impact of financial regulations on microfinance institutions sustainability in Ghana”**, have lots of significance in the following areas and to the following interested parties: management, policymakers, regulators, government, researchers, MFIs, SMEs, academicians, society/publics, consultants, entrepreneurs, finance providers, scholars and students in the area of finance and microfinance.

The findings of the study were significant to the operators & owners of microfinance institutions in Ghana, it helps policymakers see the need to finance and support most of the institutions which create more employment & income-generating activities for low-income

individuals, the active poor, and increase growth & development in the Ghanaian economy.

Again, the study helps the management of MFIs to be able to identify the challenging factors that lead to microfinance institutions unsustainability and how to get these issues solved to make it sustainable. Also, it help regulations figure out most of their challenging factors and how to get these challenges addressed for effective operations.

Furthermore, this study helps financial regulators of the institutions to know the type of regulations that are difficult for the sector to operate well and in achieving their mission and vision to make things easier and achievable for the institutions.

The Government also get to know the problems of the institutions, reasons why MFIs collapse, causes, and effects which lead to the failure of the microfinance institutions and be able to provide appropriate measures, solution/remedies to such problems. The microfinance institutions, research and development agencies also benefit from the findings and results of this study. The study helps them towards planning, researching, monitoring, and comprehensive evaluation of goal accomplishing.

In spite of the above, this study also helps researchers, academicians, and students because, it becomes sources of literature in the finance area, microfinance, and other related areas and also act as a source of reference for further studies in microfinance, financial regulations, policies and sustainability of the financial institutions.

Finally, the study on the above topic in Ghana helps managers and owners of microfinance institutions to know their contributions towards the successful management and long term sustainability of the sub-sector which are very crucial to the activities, and functions of the sector which lead to the achievement of the organizations goal of maximizing shareholder's wealth and long term profitability and sustainability.

1.7 The Scope of the Research

This research covers essays on the impact of financial regulations on microfinance institutions' sustainability in Ghana. It is made up of four related articles on the above topic under study. It encompasses financial regulations, government policies, microfinance institutions, sustainability of microfinance institutions, policy-making body, microfinance institutions and financial regulations challenges, prospects of microfinance, poverty

reduction strategies, employment creation tool, income-generating activities, SMEs financing, contribution and role of microfinance institutions, monitoring and supervisions, significance of microfinance towards economic development in the Ghanaian economy.

In this study, the sample size includes mostly registered and unregistered microfinance in the country. The needed data was collected using interview guides for microfinance institutions managers/owners, financial regulators, and policymakers. Also for some staff of GHAMFIN, GAMC, and MASLOC, while questionnaires were used for employees, and the customers/clients of the institutions. Again, focus group discussions were conducted with some management of 3 selected microfinance institutions in Accra, Tamale, and Techiman.

1.8 Limitations of the Research

The research on microfinance institutions in Ghana like any other country is not without limitations. Some of the limitations during the study and field data collection period include Attitude of workers/staff, insufficient time, high cost of transportation, poor road network, financial resources/cost of materials, difficulty in data gathering, difficulty with the respondents, secondary data challenges, and data on macroeconomic variables.

1.8.1 Attitude of workers/staff

Most of the employees in the offices and library where to get the needed data or materials for this study were not cooperative. Some of the staff requested a student identification card (ID card) while others requested a consent form, ethical approval, etc. before allowing the interviewer to see the management and to start any interview/data collection.

1.8.2 Insufficient Time

The time for conducting this study was so limited in comparison to the assignment to be done. The period for the data gathering in Ghana was only one month so later telephone and email interviews were involved to get all the needed data and clarification on some of the responses the respondents gave to the research questions.

1.8.3 High cost of Transportation

The fare or charges from one region to the other in Ghana for the data collection is

very expensive. The roads linking from one region to the other is a long distance and sometimes have to take two or more vehicles. Working in all the regions in Ghana is not an easy task and it calls for much to be spent on transportation and accommodation.

1.8.4 Poor Road Network

Again, the roads leading one region to the other is very rough and risky. Especially, the Brong Ahafo Region road, the Northern Region road linking to Volta Region road, the Upper East Region road, and the Upper West Region road. All the linking roads are very poor and this makes traveling difficult, long and tiring.

1.8.5 Financial resources / Cost of materials

A financial resource and cost of the materials needed are also challenges. The researcher also faces a problem with financial resources in conducting this study due to travel and data gathering, printing, photocopying, and data entry. In Ghana, the cost of printing, photocopy and other survey materials are very high. The telephone interviews are also cost involved.

1.8.6 Difficulty in Data Gathering

Because of the kinds of interviewees interviewed which include (Managers, Regulators, Policymakers, Employees, and Customers), data gathering was a challenge to the researcher. Again, some phone interviews, as well as interviews through emails, were conducted.

1.8.7 Difficulty with the respondents

Convincing some of the respondents was very difficult. They were very difficult to be convinced about the confidentiality of the entire work and that it is strictly for an academic purpose though the researchers have the ethical clearance and approval letter for the study from the university. Yet still, some respondents refuse to be interviewed.

1.8.8 Secondary Data Challenge

The researcher finds it very difficult to get data on total microcredit per Gross Domestic Product in Ghana. All the data available is on private institutions, and also banks.

1.8.9 Data on Macroeconomic Variables

Macroeconomic variables data such as poverty, employment, unemployment, income, interest rate, etc. were difficult to come by. The researcher wanted to run a simple

regression on the relationship or impact of total microcredit per GDP as against independent variables such as poverty, unemployment, income, growth, etc. but all the data that is even available on microcredit in the country starts from 2014 which is not sufficient.

1.9 The Impact of the Research

This research titled: "**Essays on impact of financial regulations on microfinance institutions sustainability in Ghana**" serves as a reference for students, academicians, policymakers, microfinance institutions, financial regulators, government and all other interested stakeholders in the study area. Again, the study contributes to knowledge by providing information on the determining factors of microfinance institutions' sustainability, challenges facing microfinance institutions and financial regulations in the country and the impact of financial regulations and government policies to the microfinance sub-sector. Moreover, this research study has contributed to knowledge on microfinance institution's role in the reduction of poverty, and the creation of employment. Finally, it helps to know the positive contribution of a microfinance program on financing SMEs, poverty alleviation and income-generating activities in the country.

1.10 Thesis Organization / Chapters Organization

The thesis was organized into nine chapters and is made up of a collection of essays/papers.

The first chapter, chapter 1, comprises the entire research background, the problem of the research, the research objectives & research questions, research hypothesis, significance of the research, the research scope, the research limitations, impact of the study, the organizations of the thesis chapters, and the structure / diagram of the thesis chapters.

Chapter Two reviewed some of the relevant related literature on financial regulations, microfinance institutions, and sustainability in Ghana, other developed and developing countries. It was reviewed theoretically, empirically, and conceptually.

Chapters three looked at the general research methodology of the entire study. Thus, qualitative, quantitative and mixed Methods. All these methodologies were used in this study.

The fourth chapter: That is the first article, focuses on the “impact of regulations and policies on microfinance sector development in Ghana”.

Chapter five which is the second article discussed the factors that determines

microfinance institutions' sustainability in Ghana.

Chapter six assessed the challenges facing microfinance institutions and financial regulations operations in the country and it is the third article.

In Chapter Seven, the fourth article elaborated on microfinance institutions' role in poverty reduction, employment creation, and income-generating activities in Ghana.

The eighth chapter examines “the effects of microfinance institutions program on small and medium enterprise financing in Ghana”. That is the last article.

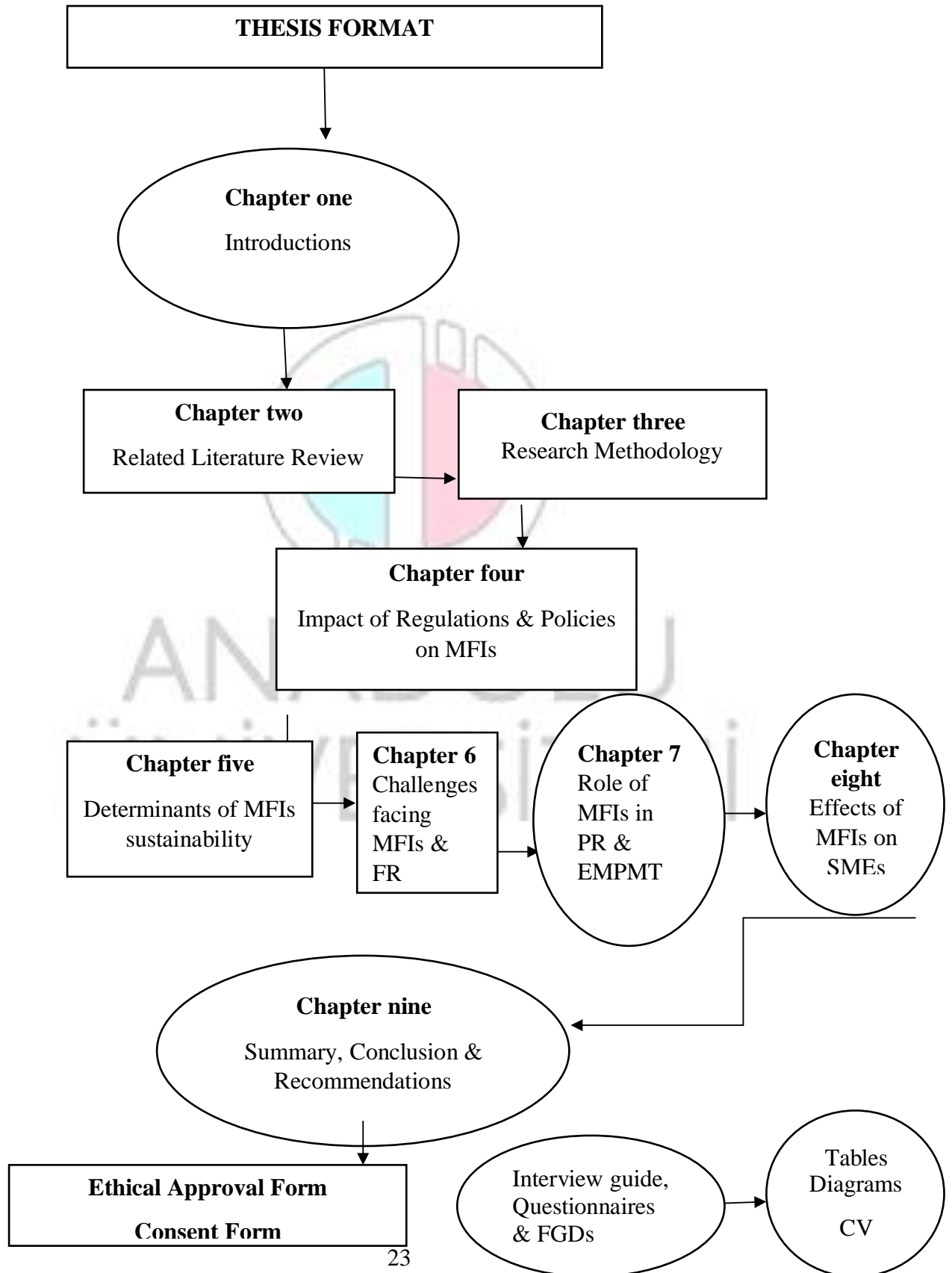
The final chapter, chapter nine presents a summary of all the points that emerge from the results of the findings from the field data collection of the various essays or papers. Conclusions from the articles were all based on the research findings, suggestions, observations, recommendations, and discussions in line with the study's research objectives, and research questions of the entire thesis (essays/papers) were made.

The diagram below illustrates the structure of the research/thesis work:



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1.11 Structure of the Thesis (Self-created, 2019).



CHAPTER TWO

RELATED LITERATURE REVIEW

Introduction

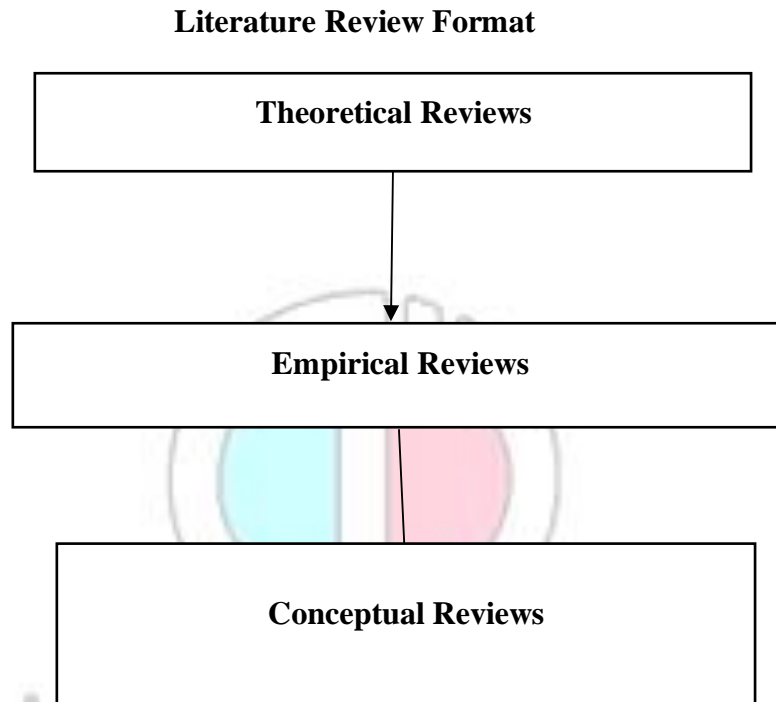
The relevant related literature on financial regulation, microfinance institutions and Sustainability in Ghana, developed, and developing countries were reviewed. There is numerous relevant related literature written by researchers, academicians, scholars, and students on this subject of study. The reviews provide the meaning of some terminologies, concepts, and theories related to the topic such as financial regulations, microfinance institutions, sustainability, poverty, unemployment, and many others in Ghana and different countries. This chapter further analyses some literature that are theoretical, empirical and conceptualizations of the research topic which already exist. The related literature which is relevant to the topic under study is critically reviewed for clarification and easier understanding.

Theoretical Review: With a theoretical review of this study, scholarly writings in articles, published and unpublished journals, thesis/dissertations, books, and the internet were used to explain some key terminologies, concepts, and theories which help to understand the conceptual focus and main objective matter of the study. For example Microfinance, microfinance institutions, financial regulations, sustainability, financial sustainability, policies, poverty, and their theories are explained.

Empirical Review: Here the studies, findings, and results of other works done in the same areas in Ghana, other African countries and across the world which are published, in the libraries, are properly reviewed and analyzed for the understanding and shaping of this thesis research.

Conceptual Review: The conceptual framework of this work presents the variables or factors with their relationship with other variables. That is the independent variable and the dependent variables under investigation. These were also works that are done by other researchers in the same area, considering the factors affecting microfinance institutions' sustainability, microfinance institutions' challenges, and the impacts of regulations on MFIs. This is done to make the understanding of the research and the variables used.

The below diagram indicates how the related literature on the “impact of financial regulations on microfinance institutions sustainability in Ghana” was reviewed for a better understanding of readers and researchers.



Source: Self-Created 2019.

2.1 Theoretical Reviews

The theoretical review under this research was on microfinance theory, sustainability theory, and some other related theories of the sub-sector. We focused on theories such as the theory of sustainable finance, microfinance uniting theory, and female empowerment theory, the theory of financial intermediation, the theory of Poverty Eradication, the theory of Economic Empowerment, microfinance Games theory, and microfinance Economic Theory. Also under these theoretical reviews, various definitions of terminologies, the meaning of key concepts and other theories of the study are given and reviewed for the understanding of the topic by the readers.

2.1.1 Theory of Sustainable Finance

The theory of sustainable Finance by Emerson (2003) came after the theory of traditional finance and it can be seen as the improvement of traditional financial theory. The

traditional finance theory is rooted in two different sets of values: financial risk and financial returns matters. Of late, a more generalized theory of finance came up through a sustainable field of finance, which indicated that the traditional finance theory is a very special case of the generalized theory which incorporates important values.

Four different trends are contributing to sustainable financial growth. This include:

- The blended value concept by Jed Emerson
- Investing: Recognizing that, the factors of sustainability can be related to a systematic risk:
- Financial innovation for increasing sustainability and
- Infrastructural building for sustainable finance (Emerson 2003).

The traditional financial instruments help to build some financial innovations and two among them include microfinance and crowd funding. Through microfinance program, a number of the poor people are reached and served with products and services. While the crowd funding allows direct, small donations or investments for smaller businesses, not profit-making, and related projects that impact the study and are pooled together. Crowd funding and the microfinance are combined by Kiva, Vittana, and others for the traditional finance of small enterprises in developing countries. The sustainable financial system needs to be built for poor people from three different perspectives. That is financial development, poverty reduction, and enterprise formation and growth.

2.1.2 The Uniting Theory of Microfinance

The theory of uniting microfinance finance is a theory that focuses on joint liability. Here borrowers are grouped, and jointly held responsible /liable for the other in terms of credit default/loan repayment and this serves as a key to a very high credit recovery rate. Ghatak and Guinnane (1999), in their various theoretical reviews, came up with some key mechanisms by which repayments and welfare of credits constrained borrowers could improve through a joint liability. These are the idea that through joint liability the problems or issues lenders face example in customer's loan screening, their monitoring & supervision, auditing & evaluating, enforcement through utilizing of information, dissemination, communication, and the social capital which are in existence among borrowers. The Joint

liability is grouped into two categories and it can be interpreted in many ways. The two categories are explicit and implicit joint liability. With explicit joint liability, the default of one borrower on loan repayment leads to group members to repay on behalf of the borrower. The members all can be threatening to a punishment example the refusal of the other members' future loans and other benefits.

The implicit joint liability also made members and borrowers understand that, when a member of the group defaults on loans, all the group members automatically become ineligible for any other loan now or in the future even if the lending contract did not state that. This joint liability concept works well than the banks due to the following two reasons:

Close-knit who are the community members might have more detail information about each other than the outsiders' members. Banks might have limited punishment for their poor customers who might default on credit given to them for businesses. That is the institutions that provide their poor people with motivations/incentives for them to utilize, get information concerning their customers who are neighbors' to apply delinquent punishment/sanctions that are not financial to the beneficiaries (borrowers) would be better as compared to most traditional/conventional banks.

2.1.3 Female Empowerment Theory

Every microfinance institution's primary aim is to target more women in many cases. This is because it is believed that women can improve the welfare of the family and again able to invest the credit received from banks into a productive venture than men can do because men were known to spend more as compared to women, and they invest less from loan funds. Pitt and Khandker (1998), argued in their study that, women who borrowed funds use those funds efficiently and effectively than men who borrowed.

2.1.4 Financial Intermediation Theory

The theory of financial intermediation is a theory that seeks to explain reasons for financial intermediaries' existence in a financial system in an economy. The intermediaries are mainly tasked with the creation of equilibrium between the spending units, surplus units, and the deficit units. The sole reason for the existence of the theory is due to information asymmetry in the financial intermediation processes that generate imperfections in the

market by preventing the investors and the savers to trade directly with one another in an optimal way. Financial intermediation theory is based on both asymmetric information and the agency theory that exist in the microfinance institution as described by the below factors: inadequate information, cost of the transaction and the methods of a regulation adopted (Cuza, 2009).

2.1.5 Economic Empowerment Theory

The economic empowerment theory focused on the microfinance institutions' potential empowerment targeted toward women the credit accessibility of the women while the female empowerment theory focused on improved abilities and the changes which lead to the improved well-being of the women and family. It is a common belief that women's access to finance becomes empowered, financially and socially. According to (Amin et al. (1998)) women being membership in the programs of microfinance all things being equal, is related significantly, and directly positive to women empowerment. While Ehlers and Main (1998) concluded in their analysis on the microenterprise development programs for women who are poor in the United States that, the assistance of microfinance problematic and detrimental. They based their conclusions on the issue that, some women "graduate" or transfer their businesses to the formal sector because of the gender constraints to the type of businesses they are running and lack of appropriate microfinance training. The first step for the cycle of poverty to break out is referred to as through savings which enables women to manage their monies better and to start investing in assets. Savings can be regarded as asset building, and getting customers ready to take loans as well. Savings is seen as the first step for the poor women to absorb greater credit and can be put in enterprises or activities that enhance incomes, future asset, and emergency loans, insurance and cover the women against any loss of an asset, to get an income and to enable the women to continue move upwards

2.1.6 Poverty Eradication Theory

Microfinance institutions' role has been recognized globally as a poverty reduction phenomenon, eradication of poverty and wealth creation among poor people in a plan of action where member states were been required to come up with a national microcredit forum and conference that are proactive in their member countries. There are two schools of thought concerning who should be targeted by a microfinance institution. The poor or the poorest.

The first education and view are that the poor and low-income people should be targeted and the second school of thought believes in targeting the poorest. The first reason given by the first school is that, the poor are more likely to create income-generating activities from the loans and this can lead to job creation and the income or benefits would be spread to the poorest and the community at large and in that case, microfinance institution would be seen as expanding their financial services, that's reducing poverty on a bigger scale. The second school of thought is seen as the vice versa of the first. Diop, Hillenkamp & Servet, (2007, pp. 33) criticizes the first strategy and concludes that the redistribution through employment creation nor the consumption does not in any way benefit the poorest. For the institution to achieve its role as an instrument for poverty reduction, the sub-sector needs to spur self-employment, promote productive activities and with income-generating activities. This in effect is predicted and expected to increase consumption, alleviating the poverty of households and community, and stimulating local economies. On this very argument, the first assessment logically is to analyze microfinance impact on the borrower's income. The increment of incomes through the creation of self-employment might require small working capital and the other sources of income may be too small to be able to raise surpluses that are investible on their own. Wahid (1994) said the loan/credit facilities that are given to the poor would help to increase their capital which will lead to improved and higher standards of living through income generated activities or investments.

2.1.7 Games Theory of Microfinance

Under this theory, microfinance institution operators consider the idea of group lending.

Most of the microfinance sub-sector consider a group of borrower together and issued loans to them. Individuals' loans were not issued due to the high default rate in single loans. There is a very low rate of default on group loans to borrowers and in case of default, it is easy to claims back the amount. The group borrowers are monitored jointly and contracts are enforced together. Dr. Mohammed Yunus of Grameen Bank uses this group lending model of microfinance which is group-based. That is the borrowers are put in a group of 4 to 7 members which guarantees a good repayment of loans, also allows access to again which is based on successful repayment by all members. The payment of the loans is usually made

weekly by members. This type of lending proved to be effective and very efficient in reducing the default rate. It is one of the best methods of lending that works well for Grameen Bank in Bangladesh and a lot more microfinance sectors are now using it. The model has contributed to the success of several micro institutions and help reduce default and collapse rate since the group members know their members too well and their financial standing.

2.1.8 Economic Theory of Microfinance

An economic theory of microfinance suggests that a repayment schedule by the institutions that are very flexible to the borrowers would benefit them and it would potentially improve their capacity of repayment. On the other hand, it was argued by the microfinance practitioners that, a loan default is prevented by the fiscal discipline imposed through frequent repayments. Among the microfinance borrowers ready to lend/borrow money on regular repayment schedules like weekly, monthly, or quarterly basis. A very flexible schedule would lower the cost of the transaction and not increase the client default. The theorists of economics have been intrigued by the contracts of Grameen bank and there are severally of research on that. One of the researchers is Stiglitz (1990), on how the joint liability works. The repayments of the bank begin just a week after the loan has been issued/offered and it then continues weekly till the loan gets finished and this makes the contract very close to a customer loan than a business loan and it reduces the chances of default risk that most banks take. The borrowers of Grameen bank are 95 percent women and the bank believes that higher women percentage improve social impacts, and it also may reduce the financial risk and default risk of the bank they found out that, women repay their loans better as compared to their husbands. While the traditional/conventional banks lent money to exclusively men, women borrowers happen to be more in the case of Grameen bank and they have seen more reliable customers as compared to their husbands (Khandker 1998).

2.1.9 Definitions of Micro-financing

There are many definitions of the term microfinance. According to researchers and scholars, there is no single definition for micro-financing, it varies based on country perspective. Kimenyi, Wieland, & Von Pischke, (1998), explained micro-financing as the provision of service in a small-scaled both credit and deposits/savings to the active poor &

low-income people engaged in farming, fishing, operating in small business / micro-enterprises or medium enterprises, and the goods produced are recycled, sold or traded, service provision, working to earned wages & salaries, commissions, income through renting out vehicles, animal, land, machinery, tools etc. to other people or groups of people in urban/rural communities in a developing Countries. Robinson (2001) defines micro-financing as services provision like smaller loans, accepting small deposits, micro-insurance, and other banking practices without the issuing of collateral. The trying to improve financial access to smaller savings, smaller credit for low income or active poor households who are not having access to formal banking services is termed microfinance (Schreiner and Colombet 2001). CGAP described micro-financing as an institution that provides low-income/poor people the basic access to financial services like giving out of credit/loans, deposits, micro insurance, transfer of money, investments, and remittances.

2.1.10 Microfinance Institution Meaning

An institution/sector that offers financial services to low-income populations that comprise individuals and households who are poor and lack access to traditional banking. Almost all Microfinance Institutions offer loans to their customers and other services like micro-insurance, micro-credit, deposit/ savings, mobile money services, remittances, etc.

2.1.11 Features of Microfinance Institution

The main features which differentiate microfinance and other financial and non-financial institutions are listed below. Nine (9) minimum traditional characteristics of microfinance institutions existed. These include:

1. Minimum balances and smaller transactions (savings, insurance or in loans).
2. Entrepreneurship activities loan
3. No issue of collateral securities on credit
4. Groups lending and not individually
5. Poor clients/Customers are the target group
6. Targeting of female clients than males

7. Processes of Applications are very simple
8. The financial services are provided in low served areas or communities and
9. Interest rates are market-level.

Source: Marc & Armendariz (2011).

The microfinance unique features can never be forgotten since it is very important to know the differences between them and traditional finance. After knowing the difference that one can examine how both prudential and non-prudential norms and regulatory framework in the financial sector affect MFIs. The features include; borrowers are poor people from low-income groups and communities, loans are in smaller amounts – microloans, the loans are of a shorter period of time and collateral is not mostly needed for the loans to be offered, there is frequency of repayment and the loans are generally offered for activities that generate income.

2.1.12 Difference Between Microfinance and Traditional Finance

There are many differences between Microfinance and traditional finance. In studying microfinance, it is crucial to understand what the main differences between these two are. These differences can be discussed in three main areas. Methods of lending, credit giving, and institutional structures and governance. (Rock & Otere, 1996; Berenbach & Churchill, 1997). These differences are explained below:

2.1.12.1 Methods of Lending

The methods of lending in micro-financing are simple and straight forward as compared to traditional finance. In traditional finance, lending/ credit offering is based on collateral securities issuing, more and detailed documentation and very less labor-intensive. While, microfinance is character-based, less documentation and less labor-intensive.

2.1.12.2 Credit/Loan

The type of credit and the size varies for traditional finance and microfinance. The credit traditional finance offers include: very few loans are issued, the loans/credit are larger in quantity, it is collateral-based, the loan have longer maturity periods, and they are more stable and highly delinquency. While microfinance offers more loans to their customers, the

loans are smaller in size, uncollateralized, the maturity period is shorter and they are more unstable and volatile delinquency.

2.1.12.3 Institutional Structures and Governance

The Institutional Structures and Governance differ from traditional finance to microfinance. With traditional finance, profit maximization is high, it includes institutional, and individual shareholding, highly regulated institution with a centralized organization that has more branch offices located in the cities while microfinance is mainly nonprofit maximization institutional shareholders, creativity by conversion from NGOs and a non centralized organization with a set of a small unit in rural communities/areas with a non strong infrastructure.

2.2 What is Financial Regulation?

According to Vittas, (1992) financial regulations are mainly described to include six different kinds of regulations that are employed to achieve diversifying purposes. The categories of the financial regulations are Macroeconomic control, Allocation control, structural control, prudential control, organizational control and protective controls. These regulations are explained below:

2.2.1 Macroeconomic control

The macroeconomic regulation or control as to do with taking the overall economy of a country into consideration and maintaining controls of the activity involved. Thus, check the reserve and liquidity requirements of the institutions, controls of interest rate, and restrictions on foreign investments. That is the direct use of government intervention by the central government or central bank of a particular country. An example is the Bank of Ghana in a Ghanaian situation.

2.2.2 Allocative control

Allocative control helps in the allocation of resources in a particular economy. Investment requirements are compulsory and credit programs are also selected and preferential interest rates are taken into consideration.

2.2.3 Structural control

Structural control means the entire financial system structures are taken into consideration. There is proper control of all the sectors and functional heads. The control of a structure in a financial institution means controlling the entry and merger, geographical restrictions, and limitation on a range of activities/programs of different kinds of financial institutions.

2.2.4 Prudential controls

Prudential controls are types of controls in a financial system which is done to ensure the safety, viability, and proper functioning of the institutions. The soundness and stability of the financial institution are preserved through prudential control. The entire financial system is preserved through prudential control and it is done through minimum capital of the institutions, the adequacy standards, and the limits on the concentration of risk, as well as reporting standards & requirements, and the provisioning requirements of the institution.

2.2.5 Organizational control

Organizational control is to ensure that the entire organizational system is in order. It involves the institutions (financial market, financial institution financial intermediaries) and also the information exchanges are effectively maintained. The policies, rules, and regulations of the institution and the market-making of the participation, disclosure, communication & market information, and the minimum technical standards.

2.2.6. Protective controls

Protective controls serve as a protective measure to safeguard and protect the customers of the microfinance institutions and their small deposits and savings. It also protects the users of all financial and non-financial services in the country. Thus the customers, loan beneficiaries, providing information on them and disclosure to the consumers. They are again protected from the interest rate charge and compensation funds. It also protects the employees and management of the microfinance sub-sector from unfair treatment and poor regulations in the country.

2.3 Economic rationale for financial regulations

The economic rationale focuses on seven different components for regulations and supervision in banking and financial services. Below is the economic rationale:

2.3.1 Preserving financial sector soundness

Microfinance like any other financial sector needs to be preserved. The soundness, stability, functioning, and activities of the financial system must be preserved. The main goal of every regulation is to protect and preserve the soundness, viability, and stability of the financial institutions and systems, clients' deposit/savings as well as the entire public (Llewellyn, 1999). Regulations and supervisions are done to protect the consumers and the public deposits in all financial institution both formal and informal institutions. The presents of regulation in a country bring about the public and clients being free and not scared to save with a financial institution. Unlike when there is no regulation, supervision nor monitoring. A financial system that is weak, poor regulation and supervision and that lack transparency is tantamount to a financial crisis as well as global financial crises. That is the reason why the safety and soundness of all financial institutions must be at the forefront of every functioning financial institution whether formal or informal.

2.3.2 Ensuring Institutional soundness

Institutional soundness is a very crucial element in regulations. Regulations are done to ensure that the financial institution is sound, stable and sustainable. A sound stable and sustainable financial institution leads the economy to greater heights. It also brings about a high standard of living and economic development. The growth and sustainability of microfinance institutions are possible only when the set standards of the regulatory framework are followed. Banana skins report (2009, page 28), state clearly that, most countries still lack microfinance regulations, that MFIs are not regulated, most of the institutions are forced to follow other rigid ways, like commercial banking regulation which most respondents and customers cited as their problems. Incorrect and fake regulations always affect the viability and survival of the business environment, discourage the investors, deposits, clients, donors and expose MFIs to panic and political interference.

2.3.3 Sharing of Information

Every sound financial system needs good information flow. The sharing of information and effective communication is a key element in every financial institution and microfinance institution is not an exception. The flow of information helps reduce the problem of information asymmetric, an adverse selection that leads to moral hazard.

Arun (2005), states that asymmetric information presence tells how a financial institution operates with its heavier regulations when compared with different systems. The way some stakeholders like; shareholders, donors, depositors, debtors, creditors share information among themselves brings the attention and interest for the institutions to check their interest through effective regulations, monitoring, and supervision in order to protect customers/clients interest and the small depositors interest (Vogel et al. 2000; Jansson, 1997).

2.3.4 Responsible Lending and Service Provision

Regulations serve as a protector to all consumers, investors and the entire public. The kind of services that the poor people received from microfinance institutions, consumers, and the public at large are been regulated by the regulators. The bad activities are been prohibited and allow only the beneficial ones. Lending institutions are also monitored by the regulators and to ensure that the right interest rates are charged and help to create an enabling environment for responsible lending. With regulations, the legal status of financial institutions and standards are created.

2.3.5 National Loan Register (NLR)

A national loan register is a tool that helps in the assessment of borrower's ability and capability to repay a credit that is been offered to them by the financial services providers. It was formed by the microfinance regulatory council (MFRC) and it contains accounts and information about repayment of the credit that was given to the clients by the microlenders who registered with the national loan registry. The development of the national loan register was during the period that the micro-lending of the sector was intended by the microfinance regulatory council as a public registry. There is much data/information that is included in it.

Some of them include; information on credit/ loan, total payments, total grants, and inquiries. Information like judgments is not included.

2.3.6 Consumer protection

The protection of consumers is a significant aspect of every financial institution. Consumers if not protected will be taken for granted. The right and interests of consumers must also be protected. A consumer is always right in every business set up and must be given the right to choose between the financial services available to them. The microfinance sector and the services they provided help transform the lives of the poor households and the public and because of that, it must be protected well. McKee et al (2010) in their study indicated that the significance of customer protection in an institution like microfinance has been identified and noticed that, the financial services help the poor individuals to transform their lives. When financial regulation not designed and implemented properly, to some extent can cause more harm than good especially microcredit. To help curb the problems, there is a campaign on MFIs which helps brings a variety of players in microfinance like the government, investors, managers, donor, practitioners, policymakers, networks, clients. These were working to bring a standard for the better treatment of the poor consumer/customer which is based on 6 different principles of customers' protection which include: Ethical staff behavior, Privacy of client data, Transparent pricing, Mechanism for the readiness of grievances, Avoidance of over-indebtedness, and Appropriate collection principle. It was launched in March 2009) with the main objective of making sure that, the customers of microfinance institutions are treated fairly and been offered products and services that are not harmful and expose those clients to unnecessary risks by the financial services providers (McKee, 2010).

2.3.7 Control of interest rates

Poor households are always faced with a challenge of high-interest rates in the credit been issued to them and other financial services by the microfinance institutions. Regulations of microfinance institutions are intended to protect the high-interest rate and pricing of microfinance institutions. Prevent services to the poor household which causes more harm to them and discourages them from banking and demand for credit. This brought the idea of the interest rate ceiling in financial institutions. Financial institutions that provide financial

services to low-income people, who are living in low-income communities, exploit them because they want to cover the cost of their operation in a study of "the interest rate ceiling in banks. Commercial banks not to expand to microcredit market", (Goodwin- groen 2006, page 26).

2.4 Financial regulations in Ghana

Microfinance is rapidly moving from a niche product to a globally recognized form of finance. There is the need to regulate both banks led and non-bank led mobile financial service providers. A regulatory and operational guideline for microfinance institutions was brought by BoG with some guidelines and principle thus both operational and regulatory guidelines for the institution. The guidelines which are prudential and non-prudential do not seem fully address soundness of the microfinance institution subsector in Ghana. Regulation of financial markets is crucial and customer protection is one of the important factors in the microfinance sector. Regulations required effective and coherent prudential guidelines that allow the development of the sector and at the same time, protecting depositors and small savers' interest while supporting the financial system's integrity as a whole.

2.4.1 Types of Financial Regulations

Financial institutions generally have two types of regulations that regulate their activities in both developed, developing and underdeveloped countries. Llewellyn (1999) argues that microfinance has several ways in which it can gain financial regulation. Ghana for that matter is not an exception and the two types of regulations are; Prudential regulation and the non-prudential regulation. While prudential regulation deals with the soundness and smoothness of the sub-sector, thus, the kind of regulation provides help to minimize the risk of the institution and make financial services stable and sustainable through an appropriate legal framework for financial operations. The Non-Prudential regulation deals with the regulations on the institution's business operation.

2.4.1.1 Prudential regulation

This is a financial regulation that requires financial institutions, companies, firms to be able to manage and control their risk level, have enough capital as defined by the regulations known as capital requirement. Under prudential regulation, the deposit-taking institutions are being supervised, monitored and fully registered. Christen, Lyman, and

Rosenberg (2003) argue that prudential regulation is protecting the savings of the poor, their safety and this brings the reason for improved regulations and supervision of microfinance institutions. There is a set down procedures, requirements, guidelines, and rules that investigate the conduct of the institutions to limit their risk-taking. The goal of this regulation is to maintain the viability and stability of the financial institution, and to protect the customers, ensuring the safety and well-being of depositors' funds. It is a legal framework for all financial service providers or regulators and it helps in minimizing financial sector challenges and risks. Prudential regulation protects the soundness, financial system stability and financial health as a whole through the establishment of the legal and regulatory guidelines and other benefits of the institutions conduct themselves not taking a risk which will bring the company to a standstill nor affect their performance. Arun, (2005.) Indicate that, the goal of the prudential regulation is the regulating of the financial institution, financial markets, and the entire financial system through making it stable and sound, and also protecting the poor depositors. So its oversight must be the duties and responsibilities of the public and specialized supervisory body (Llewellyn 1999).

2.4.1.2 Non-Prudential Regulations

To protect the clients of the microfinance institution, non-prudential microfinance regulation is very crucial. Non-prudential regulation is a regulatory standard consisting of different interrelated parts as to how the microfinance company should be conducted. The popular amongst them include; interest rate disclosure and transparency, customer protection, credit bureau implementation, financial crimes and fraud prevention (Christen et al, 2003). According to Christen and Roseburg, (2000) the above standards mentioned are also important and not mean irrelevant though they are qualified as non-prudential regulations. This type of regulation is related to the regulations that are dealing with consumer protection, disclosure of information, effective communication, transparency, practices of businesses that are fair to consumers and which are the same and been applied to other industries. This type of regulation is argued as a regulation kind that can be controlled by any other authority and can be self-imposed by any other authority.

2.5 Financial Inclusion

Financial inclusion is a system where the financial institution both macro and micro, including all household members both the rich and the poor and all those living in urban and rural communities and vulnerable. It is a bank for all individuals. Financial inclusion covers the following; access, condition, pricing, marketing, and self-inclusion. The unbanked population is higher in financial exclusion. Kempson and Wheley, (1999) explain financial exclusion as where financial services cannot be accessed in the right order, the inability for most of the households to have access to financial services. The reason for these households been excluded could be due to their eligibility, affordability, and appropriateness of products and services. In Ghana, the categories of people who are mostly excluded in the services of the financial institutions are the low income and poor people who are earning lower incomes and are living in rural communities Gardener, et al, (2004).

2.5.1 The G20 Innovative Financial Inclusion Principles

Due to the significance of financial regulation in the financial system, G20 came out with some principles for innovative financial inclusion. The Innovative financial inclusion as to do with the process through which services for the poor households are been improved through stability, soundness, safety and the spread of new approaches. The principle of innovative financial inclusion was developed by access through an innovative subgroup of financial inclusion experts Group (FIEG). The aims and objectives of the G20 principle of financial inclusion are: help in creating a regulatory framework, guidelines, policies, and enabling environment for greater innovative financial inclusion. It also creates a foundation for good strategies for financial inclusion and helps in the protection of the customers and the financial system. This regulatory framework and the enabling environment will help microfinance institutions and the regulators to be able to determine the rate at which the financial services they provide to the households' access gap will close to reduce the number of people been excluded. The policymakers have a lot of experiences and this principle has been derived from the experiences across the world. A lot of lessons are learned from the policymakers that gave rise to the establishment of this principle. Most of the policymakers are leaders from some developing countries. The G20 financial inclusion expert Group

(FIEG) announced the endorsement of nine "Principle of innovative financial inclusion". These principles are listed and discussed below.

2.5.1.1 Leadership

The Government of a country must be involved in the regulatory framework. A broad government of Ghana's commitment to financial inclusion should be taken into consideration to be able to reduce poverty. The existence of financial inclusion will decrease the number of unbanked population and living conditions of the poor will improve while poverty reduced if not eradicated. Low-income countries have a wide capacity gap than countries with high income and these Low Countries agenda is broader. There are more allocated resources, in the economies where financial inclusion strategies are practiced and they cover more topics in the area.

2.5.1.2 Diversity

Diversification is an important aspect of every financial institution. There should be diversity among the kinds of services provided to the active poor people. The financial services must be affordable in a broader sense. Some of the different services are: (deposits/savings, micro-credit, micro-insurance, payments, transfers, and remittances) and also different service providers. The poor people will have a positive and better life if they have different financial services accessibility like the above-mentioned services. Microfinance institutions here are designed to include all the above financial services and others. There should be competition and policy approach should also be implemented to promote and monitor the competitors and provide an incentive for a sustainable financial services provider that is market-based.

2.5.1.3 Innovation

Innovation should be motivated in financial services provision. The innovation of products, technology, institution, staff orientation must be promoted to be able to expand and have more outreach for the expansion of the financial system access and usage and not excluding weakness of the infrastructure. There should be an expansion of retail infrastructure, the risk of new technologies to deliver financial services cost-effective. A bank should have mobile banking, ATMs. Credit cards, more branches, networked branches to

make banking easier and more accessible to the customers. Innovation in financial services increases profitability and makes the banks more sustainable.

2.5.1.4 Protection

Clients of every financial institution must be protected. The protection of customer, their savings, and interest is very important to every institution. The protection of the customers must be encouraged because customers are key to every surviving financial institution. Without customers, no financial institution will exist and they are the most important people in every setup. The protection must recognize the government's role in helping to protect both the service providers and consumers. There should be proper regulations and enforcement. The users of microfinance must be protected against unfair, deceptive and fraudulent practices by the providers of microfinance services and not also considering false advertising. An effective and efficient financial service protection strategy and regulatory framework should be established to protect the poor users of these microfinance services. There should also be improved systems, adequate information, and transparency. The platform should be available to address customers' complaints and solve disputes immediately. Fair treatment, disclosure of interest rate charges to clients and transparency should be taken into consideration.

2.5.1.5 Empowerment

There must be proper empowerment of the active poor people, clients, and service providers through education. Financial literacy and financial capability all must be developed. Ghana is noted for its effort in the establishment of financial literacy programs. Other developing countries are also trying to fill the needs of their clients through financial education. Private firms, civil society, and others may be able to best provide training to the public and staff of microfinance institutions on financial literacy.

2.5.1.6 Cooperation

There must be proper accountability, transparency, and understanding. A clear institutional environment that includes good governance, accountability, corruption-free, and proper coordination should be created and good partnership should be encouraged. All stakeholders, governments and businesses must be interconnected. The monitoring and supervision of microfinance institutions have a lot of people involved. The more the people,

the more the problems and deficiencies in coordination, cooperation, trust, disclosure, and system sharing information amongst them. Proper regulation cannot be done without the involvement of many supervisors and regulators. There is a problem of lack of authority to be able to gather most information in some of the institution's examples; depository and non-depository institutions.

2.5.1.7 Knowledge

Knowledge is key in every organization and must be improved. Data must be improved and utilize the policies based on evidence, set the standard, measuring progress, and controlling. An approach of "testing and Learning" must be considered to help build up and approach the acceptability to both regulators and service providers. There is a problem with changes that takes place in the number, size, and volumes of credits and savings in both banks and non-banks. Also, there is a problem with the definition of what microfinance is according to different countries. This varies according to the country's choice. The micro definition also differs from one country to the other.

2.5.1.8 Proportionality

The dialogue with several stakeholders like supervisors, monitors, regulators, policymakers and many more will be beneficial in the development of risk that is regulated based and that is proportionate with the need to encourage innovation and efficiency in mobile money transfer. Risk should be diversified in financial institutions.

2.5.1.9 Framework

This is a structure that indicates the various regulators of different institutions are interrelated. The service providers and the regulators know of the ideas, rules, beliefs that are used to do the right supervision, monitoring and regulations. The framework is based on the cooperation of international standards. Regulators of various institutions react differently to issues and in different ways.

2.6 Sustainability of Microfinance Institution

Every part of a financial system needs sustainability and long term survival. The ability of the financial institutions to be in existence forever, serving a large number of customers, enjoying the profit, covering the cost and being socially responsible to the neighbors and the community of existence at large. Kofi Annan, December (2008) said,

having access to microfinance which is sustainable will help in reducing the poor people poverty through the employments that the institution creates, credit issuing, which brings about income generation, enabling the poor families to have access to good health care facilities, empowering women, making children attend schools, and to make the choices of their needs. More strategies and techniques must be developed by microfinance institutions management to be able to increase the quantity, range, and volumes of the financial services and products. They should be innovative microfinance products and services for the clients since now microfinance institutions have both social and commercial sustainability of the institutions and their customers that has a better advantage. McGuire and Convoy, (2000) said; microfinance institutions not only a major tool for poverty eradication but it does that on a sustainability manner.

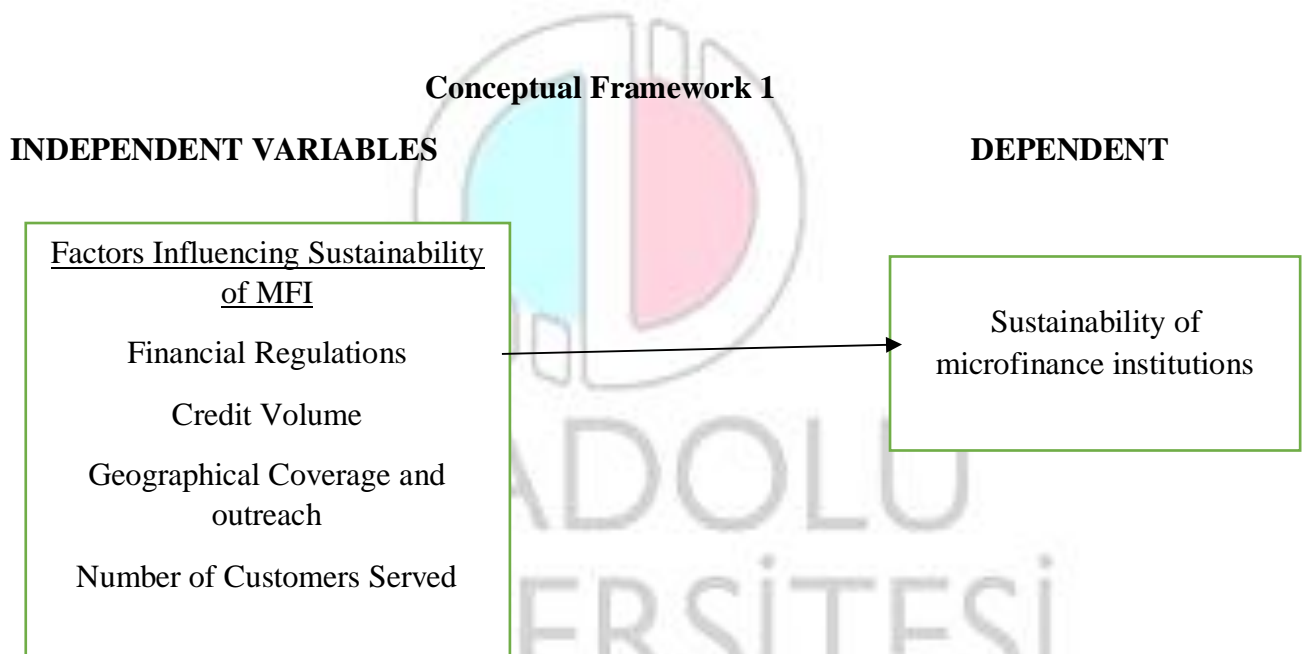
2.7. Empirical Reviews of the Subject

Arysad (2005) on their study microfinance institutions performance and sustainability in Indonesia using a village credit institution as a case study, found out that, an economy which is growing and supported by government policies in all part of their operations by providing a legal root for microfinance institutions. That Central Bank regulations of the country had contributed towards the benefits and successes of microfinance institutions. There is the need for appropriate regulations of the subsector in the country and it should be supported by effective government policies to monitor and supervise the institutions to ensure long term sustainability and reduce collapse rate in the sector. This regulation and policy-making of the markets call for the active participation of government & regulators in the microfinance industry. The regulators believe that to protect the customers and their savings, the interest rate should be capped and transparency promoted. Pouchous (2012) said most of the microfinance management and professionals are against such practices. They are of the view that the policymakers may not be able to come out with an appropriate interest rate cap which will help the development, sustainability, growth, and survival of microfinance institutions in Ghana which intend to jeopardize the services of the financial inclusion to the poor customers (Helms & Reille, 2004). Regulators can only be through the regulatory requirements to take account of microfinance loan pricing to protect the poor customer against harm and higher prices for this implies the macro level. This was the reason for the

government intervention because the macroeconomic disruptions can have a consequence on financial institutions of the country as a whole. According to Arun & Murinde (2010), the main purpose of regulating the MFI is to ensure the efficiency, soundness, smoothness, and stability of financial services and to protect the consumers. Thus no activity of the MFIs should harm the clients and the regulations not to affect the activities of the MFIs and vice versa.

2.8 Conceptual Review

2.8.1 Determinants of Microfinance Institutions Sustainability



Source: Researcher (2013).

In a literature review, it very important to look at the conceptual framework of other researchers related to the current study under investigation. The conceptual framework in research consists of a model that indicates the relationship that exists among different factors/variables. There are 3 main types of variables in every conceptual framework. These are the independent variable, dependent variable, and the intervening variables. In this study, "the factors that determine MFIs sustainability, research (2013) framework on the same topic were reviewed. The researcher as conceptualized that, the independent variables are: regulations in the country, the volume of credit issued, the coverage area and outreach, and the total number of customers/clients the institution served which are influencing

microfinance sustainability thus, the dependent variable in the study. Arsad (2005) indicated that poor regulations can stifle on the microfinance sub-sector to the extent of leading it out of business while a good financial regulation ensures/enhances the institution's sustainability. The volume of credit in the institution can either enhance microfinance sustainability positively or negates microfinance sustainability with the institution increase or decrease respectively. The geographical coverage and the number of customers served by the microfinance sector.

2.8.2 Microfinance Institutions Challenging Factors

Conceptual Framework 2

INDEPENDENT VARIABLES

DEPENDENT VARIABLE



Source: GHAMFIN, 2016.

The dependent variable in the above framework is the microfinance institution and the independent variables include the challenging factors indicated above in the left-hand side of the diagram. While some of the factors are internal others are external factors. These are the factor that is very challenging to microfinance institutions in the country as explained by GHAMFIN 2006. According to GHAMFIN, poor institutional arrangement within the sector, lack of capacity building and proper training, poor credit delivering to the customers of the MFIs, poor information gathering and the dissemination of the information to and from the institution, inadequate regulations, monitoring, and supervision, improper collaboration and coordination, etc. enhances bad performance of microfinance institutions and these are very challenging aspects of the sub-sector in the country (GHAMFIN 2006).

2.9 Conclusion of the Chapter

This chapter reviewed various definitions and meanings of microfinance institutions, financial regulations, and financial sustainability. Also, theories of microfinance were reviewed such as the theory of sustainable finance, microfinance uniting theory, female empowerment theory, the theory of financial intermediation, the theory of Poverty Eradication, the theory of Economic Empowerment, microfinance Game theory, and microfinance Economic Theory. Furthermore, various definitions of terminologies, the meaning of key concepts and other theories of the study are given and reviewed. The chapter further discussed the features/characteristics of microfinance institutions, the difference between microfinance and traditional finance, the economic rationale for financial regulation, financial regulations in Ghana, the type of financial regulation, financial inclusions, G20 principle of financial regulation and many more. Again, the chapter discusses empirical reviews and conceptual reviews on other studies related to the subject matter. From the definitions, it was concluded that there is no one generally accepted definition of the microfinance institution, financial regulation nor sustainability. Several indicators and variables were used in defining the concepts and terminologies in the study both in Ghana, other developing and developed countries.

CHAPTER THREE

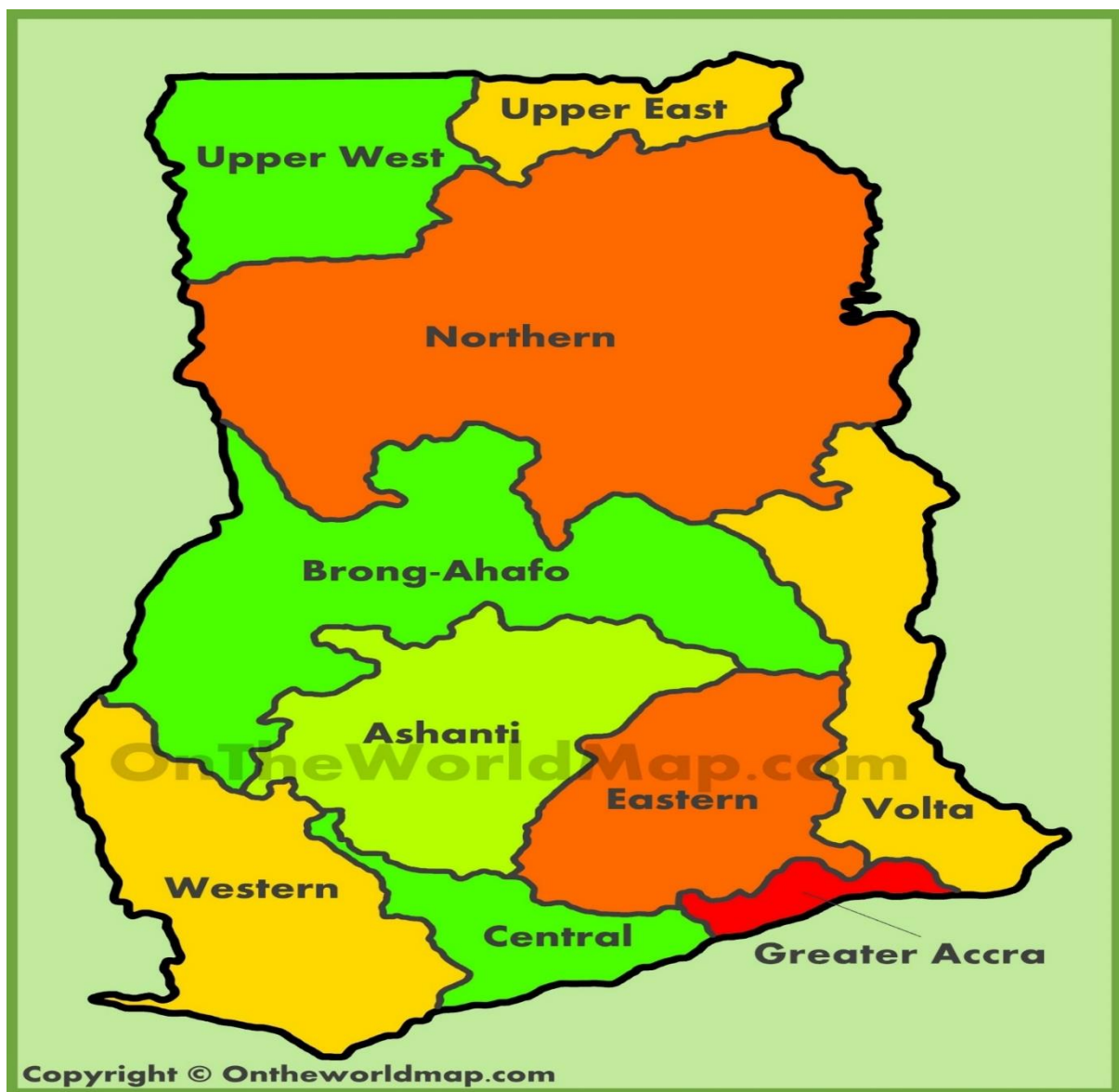
3. RESEARCH METHODOLOGY

Chapter three discussed the general research methodologies used in conducting the research. This research work is written in five related articles all emanating from the research objectives and the research questions of the entire thesis. Two articles used purely qualitative methods, two used quantitative methods whilst the remaining one used mixed-method (qualitative and quantitative methods). The chapter looked at the general research methods, techniques, procedures, instruments/tools, and designs used in the research of the “**Essays on impact of financial regulations on microfinance institutions sustainability in Ghana**” and it was structured into: the research area, research paradigm, research design, data type & sources, the target population, sample size, sampling technique, surveys / questionnaire (Questionnaire development, test of validity, test of reliability, pre-testing/piloting), ethical issues and considerations, data collection period and time, data management, data analysis, method appraisal/critics and conclusion of the chapter. This chapter outlines the kind of methodological approach that the entire research work took in achieving the key objective of the study. It provides a comprehensive and in-depth analysis of data collected from field interviews with interview guides, questionnaires and focus group discussion guide.

3.1 The Research Area

This study was conducted in Ghana taking all the ten (10) regions of the country into consideration: thus, Greater Accra Region, Brong Ahafo Region, Northern Region, the two Upper regions (Upper East and Upper West Regions) to mention few of the Regions, and the available microfinance institutions in the capital cities. Based on the numbers of microfinance institutions in each region, the sample size was selected. Only in the Brong Ahafo Region that data was collected in Techima due to the number of microfinance there and the history of many unsustain and collapsed microfinance institutions in the city. Ghana is a country in Africa and its location was in West Africa. The country Ghana shared borders and boundaries with cote d Ivoire to the western part, then from the Northern part, shared a border with Burkina Faso. From the Eastern part, the country shared a border with the Republic of Togo, and finally from the southern part the Gulf of Guinea. The areas selected for the study were in the various regions that were accessible and convenient for the

researcher in terms of data collection. The easy accessibility of the research areas makes the researcher gather reliable, quality, valid, and the right quantity with a shorter period. Below is the map of the various regions where the study was conducted within the country.



The above is the map of Ghana showing all the ten Regions in the country where data was collected for the study in some selected microfinance institutions.

3.1.1 Research Paradigms

When the focus of a particular study is decided by the research, the type of paradigm to be used must also be decided. A paradigm is defined as a type of view that defines how research should be done and what is acceptable in that research (Bertram & Christiansen, 2014). Broadly, there are 2 main types of research paradigms/philosophies, namely: positivist and, phenomenological. The positivist paradigm is the quantitative method and the phenomenological paradigm is the qualitative approach (Collins & Hussey, 2003).

3.1.1.1 The Positivist Approach

The “Positivist (Quantitative) research method is a type of conclusive research that involves large Samples and representations that are mostly structured into data collection procedures” (Struwig & Stead, 2001). The approach of this research involves looking at the quantities of variables which consist of more variables or just one variable and also measuring those variables. The measurement is done using measures of psychological behavior/characteristics like questionnaires, tests, & scales rating (Leedy & Ormrod, 2010). The primary objective of a positivist paradigm is to test hypotheses. According to Struwig & Stead (2001), positivist approach is objective in nature because it pursues the facts/causes a social phenomenon which does not pay much attention to the subjective thinking or state of the individuals involved but rather applies to logical reasoning of the research to reach conclusions that are objective to a research problem. Lancaster (2005) indicated that quantitative research methods are an application to the only phenomenon that can be measured or quantified. Quantitative research methods data are collected through questionnaires, and the collected data analysis using statistical techniques, and later interpreted for conclusions to be made from the findings.

3.1.1.2 Phenomenological Approach

Qualitative research is also referred to as a phenomenological research approach to researches which is concerned with the understanding of the behavior of humans from the person's frame of reference. The phenomenological approach does not focus on the measurement of social phenomena rather focuses on meaning. It seeks to describe, narrate, translate, transcribe, and come to terms with the meaning almost occurring naturally to the social phenomenon and uses methods of research that are interpretative (Collis & Hussey,

2003). The researcher cannot be objective in qualitative research since he or she is part of the reality that is being tested. The qualitative approach/method or the phenomenological approach is associated with many methods of researches like post-modernism, phenomenology, ethnography, and ecological psychology.

3.1.1.2 Qualitative Research Paradigms against Quantitative Research Paradigms

Generally, research methods can be divided into two different broad methods. That is the quantitative method and the qualitative method (Cavanna, et al., 2001). These two methods have different approaches and procedures. The differences between quantitative paradigm/research & qualitative paradigm/research methods are summarized in the below table:

QUANTITATIVE METHOD

QUALITATIVE METHOD

1	Focus on quantity (how much, numbers)	Focused on quality (features)
2	Positivism	Phenomenology
3	Experiments/Correlation	Ethnography / Observation
4	Prediction, test hypothesis	Understand, meaning
5	Structured, predetermined	Flexible, emerging
6	Large, random, representation	Small, purposeful
7	Questionnaire, scales, tests, inventories are used in data collection.	Interviews, Observation, documents and artifacts
8	Analysis is based on deductive (by statistical methods).	Inductive (by the research)
9	Findings are based on numerical and precise	Comprehensive, description detailed, holistic

There are advantages to using any of the approaches discussed above. This study used both methods. Two articles use a quantitative approach and two also use a qualitative approach, and one of the articles used mixed methods. Thus, the qualitative and quantitative approach/methods together. All the methods are used by the research to have a complete discussion on the research objectives, and research questions of the study for a better conclusion to be made, and recommendations to the stakeholders.

3.2 Study / Research Design

Research design is a general route/roadmap of how research questions were answered. Kothari (2008) describes a sample as a collection of units chosen from the universe to represent it and further points out that a good sample population should be 10% to 30% of the entire population. In the book of Saunders et al, (2008) about Research Methods & Business Students in the 5th edition, they indicated that three kinds of research design exist: descriptive, exploratory research, and research explanatory. The descriptive research seeks to portray person profiles, situations, and events (Robson, 2002) while, an exploratory study is a way of investigating what is happening, seeking new insights, questions asking, and also assessing a phenomenon in a new way' (Robson 2002). The explanatory study, on the other hand, tries to establish a causal relationship among and between other variables (Saunders et al 2009). With the current study on financial regulations and microfinance institutions, impact and sustainability in the country, the design is both descriptive and explanation because it aims at investigating and discussing the relationship of financial regulations and microfinance institution's sustainability and the impact of regulations on the institutions. The emphasis is trying to give explanations to the situations at hand, the challenges, issues, events and to give meaningful explanations whether there is a negative impact on the study or positive significant impact between the operations of microfinance institutions and regulations and policies in the country or the variables involved.

3.3 The Type of Data and Sources of Data

3.3.1 Types of Data

This research relies on a qualitative, quantitative, and mixed-method (both qualitative and quantitative types of data). The entire study is made up of five related articles all emanating from the objectives of the research. First and third articles which are on: "impact

of regulations and policies on microfinance sector development” and the “challenges facing microfinance institutions and financial regulations in Ghana” respectively used purely qualitative methods whilst the second article, on “factors that determines microfinance institutions sustainability in Ghana” used both qualitative and quantitative methods. The last two articles which are on microfinance institution role in poverty reduction, employment creation, and income-generating activities in Ghana and the effects of Microfinance institutions program on small and medium enterprises in Ghana used mainly quantitative method.

3.3.1.1 Instruments / Tools used

For articles one and three: purposive and convenient sampling, interview guides, focus group discussion guides, face to face interviews, observations of respondents, note-taking during discussions, and audio recordings where appropriate were used. Other interviews were done through emails and phones. Also, a qualitative strategy of inquiry and phenomenology is used. Again, the analysis of the field data collected was done using thematic analysis by transcribing, narrating and describing the responses of the various respondents from the field data collections. That is the results provide a narrative of life and detailed description of the experiences of the respondents from Bank of Ghana (BoG), Ministry of Finance (MoF), Ghana Microfinance Institutions Network (GHAMFIN), Ghana Microfinance Company (GAMC), Microfinance Institutions (MFIs), Microfinance and Small Loans Centers (MASLOC) on the subject matter.

The combined research is a type of research method used in carrying out researches that involve data collecting, the analyzes of the data, and integrating both methods in researches. The combination of both methods of research gives the readers and researchers a fair and good understanding of the thesis problems, objectives, and questions of the research than when using only one methodology. The Mixed method strategy employed for article two is Sequential Explanatory Strategy. The data was analyzed using Content Analysis: Thus, Conventional Content Analysis (CCA) and Direct Content Analysis (DCA). SPSS was also used with the support of descriptive statistical tools.

Finally, the last two articles uses purely quantitative methods of research and the analysis was done quantitatively with the help of Statistical Packages for Social sciences ("SPSS") and Microsoft Excel, using descriptive statistical tools such as numbers, words, frequencies, percentages, tables, pie charts, bar charts, and histograms and so on.

3.3.2 The Sources of Data

This thesis used primary sources of data and a secondary source of data in generating valuable and relevant information on the subject matter.

3.3.2.1 The Primary Sources of Data

The primary source of data is a kind of information that is original and direct from the respondents. There are no distortions whatsoever from the views and ideas of the respondents. The type of data collected from fieldwork surveys with questionnaires, interview guides or through focus group discussions. Information and questions were asked on demography / personal, microfinance institutions, financial regulations, government policies, the sustainability of MFIs, challenges of MFIs, poverty alleviation, employment creation, microfinance and SMEs financing, economic development, and other related questions was collected from the various institution's management, financial regulators, policymakers, employees and customers nationwide. Interview guides and questionnaires, as well as Focus Group Discussions, were used in data collection from respondents of the various institutions in the country. Telephone and email interviews were also conducted with some of the officials of MFIs, BoG, MoF, GHAMFIN, GAMC, and MASLOC.

3.3.2.2 Secondary Sources of Data

The type of data which already exists, collected for researches and other purposes is secondary data. This data type was also used in this research including raw data and published reviews. Related literature was also reviewed. In this study, data was collected from officially published thesis and dissertation, unpublished microfinance material, financial statements of registered microfinance institutions, statistical bulletins, documentations, internet, journals, books, brochures, Academic publications and reports of microfinance institutions including some documents relevant to the thesis. Also, other relevant information was gotten from the various interviewed institutions' home page and their publications: ministry of Finance, bank

of Ghana, Ghana Statistical Service, Afro-Arab Microfinance Institutions, Regional Institute for Population Studies, Microfinance Institutions Network, Ghana Microfinance Company, Microfinance & Loans Center, and world-bank.

3.4 The Population Target

A research population is a total number of items or units that are under investigation of which all the other possible observations are made (Kumekpor, 2002). Under this research, the population of the research is microfinance institutions in Ghana. However, it would be unreasonable and not practicable to research the entire microfinance population because of time and budget challenges/constraints of the research. Due to this, a sample was selected. Saunders et al, (2009) in their book of research methodology emphasis that, Sampling saves a lot of time and is an important consideration when there is a deadline in a particular study. They also argued that, the fewer people are involved, the more it is manageable with the organization of the data collected and that, with fewer data to capture, the results of the study from the findings will be readily available easily. The sample of our target population of this study is from the ten (10) Regions of Ghana but only microfinance institutions in the capital cities were considered. It is only in Brong Ahafo Region that Techiman was selected due to the number and history of collapse microfinance institutions in that city. These cities were selected to have a better representation of the population so as not to restrict the scope of the study to only one region since we have Microfinance Institutions across all the ten regions in the country. The target population of the study consists of selected microfinance institutions management, employees and customers. Also, regulators from bank of Ghana, policymakers from Ministry of Finance, staff from Ghana Microfinance Institutions Network (GHAMFIN), Ghana Microfinance Company (GAMC) Staffs, and the Microfinance and Small loans Centers staff were interviewed in the country.

3.5 The Sample Size

This shows a particular number of respondents who have been chosen among a population to serves as a representative of the population to be sampled from. Saunders et al (2009) pointed out that with regards to the confidence level and the margin of error is largely considered in the selection of sample size. Stutule (2003) also believed that, for statistical data, a minimum of 30 respondents is more than enough as a representation of the population.

The research is limited to some selected microfinance institutions that operate within the country to ascertain data that are relevant information on the topic. This comprises management in the institution, other employees, the customers, and Small and medium enterprises operators that bank with the microfinance institutions.

The total sample size of respondents in this research consists of three hundred and sixty four (364) respondents from the sampled institutions for all the five articles comprising: respondents who are financial regulators, respondents who are Policymakers from (MOF), respondents from Ghana Association of Microfinance Institution Network (GHAMFIN), staff of Ghana Microfinance Company (GAMC), Management of microfinance Institutions (MFIs), Employees, Customers, and SMEs operators that deals with the microfinance institutions. The number of interviews above is the successful interviews without non-response rate and focus group discussions.

The interviews were made up of one hundred (100) respondents for the second article, ninety (90) respondents for the fourth article, and one hundred and ten (110) respondents for the last article. While thirty-two (32) respondents for articles one and three respectively which are mainly qualitative study.

Finally, there are three (3) different focus group discussions with some management of microfinance institutions. Three focus group discussions comprising: one FGD in Tamale, another one in Techiman, and then finally one in Accra. In all there is twenty-eight (28) non-response rate from all the interviews conducted across the country.

3.6 Sampling Techniques

The technique of sampling is of two types: probability sampling which is also called a representative sampling and the second one is non-probability sampling also referred to as judgmental sampling (Saunders et al., 2009). With regards to the selection of respondents for the conduct of this survey, the study employed purposive and convenient sampling techniques. Convenient sampling which is also called the judgment sampling includes the selection of the samples haphazardly the interviewees who are very easy for data to be obtained from them for the sample since the process of the sample selection continues up to the time that the needed sample size realized (Saunders et al 2009). This method was

employed with regards to the selection of available respondents who can provide the necessary or correct data for the study. This technique helps the researcher in gathering information from all selected microfinance institutions operating in Ghana to make inferences about the population size.

3.7 Surveys / Questionnaire

3.7.1 Surveys

In this research, the survey was mainly used. Survey research is defined as a brief interview or discussion with an individual or individuals about a specific topic. The term survey is often used to mean collect information or data. Surveys are common methods use to gather data. The surveys are of different types.

3.7.1.1 Key Features of Survey Research

Survey research has two key features. The questionnaire and sampling.

1. Questionnaires: Are a series of questions that are predefined and are used in collecting data or information from respondents, interviewees/individuals.
2. Sampling: is a technique or method of selecting from a subgroup of the population for them to answer the questions of the survey, the data/information that is collected from the fieldwork (sample size) can be generalized as a population of interest of the overall research.

3.7.1.2 Ethics of Survey Research

The ethics of survey research is informed consent and confidentiality. For survey research to be successful, the researcher must obey the ethics involved. The respondents' or interviewees' consent must be taken into consideration. They must be informed and their consent was given before either by signing or word of mouth before the interview conducted. Confidentiality: the respondents must also be assured of the confidentiality of the research. In this research, it was indicated in the consent form that, this research is going to be used for academic purposes and the information or data to be collected will be used strictly for my Ph.D. thesis and after, all information collected from respondents would be discarded. The respondents were also informed that participation in the research is not compulsory and they can end/stop the interview any time they wish and they can decide not to answer questions that they are not comfortable with. Due to this issue of ethics, the university also offered an

ethical clearance form to be issued to be respondents before the conduct of the interview. Again, an introductory letter was offered from the institutions introducing the researcher as a student of the university including a consent form to be read and signed by both the interviewer and the interviewees before the interview. These documents can be found in Annex-1A, Annex-1B, Annex-1C, and Annex-1D of the thesis appendices.

3.7.1.3 Modes of survey data collection

Four (4) kinds of the survey are used in the research of any type. Either one type is used, or two or more types. These include:

- Surveys that are face-to-face
- Surveys through the Telephone
- Surveys that are self-administered with paper and pencil or pen
- Surveys that are self-administered with a computer. This type is typically online.

The first three types were all used in this study with the help of the interview guide, focus group discussion guide and a questionnaire.

3.7.2 The Questionnaires

Questionnaires help researchers to collect data or gather information on the opinions, behaviors, challenges, impacts, knowledge, facts, attitudes, and some other related information from respondents. Through a questionnaire, the reliability and validity of a known through the measurement of consistency and accuracy of the research instruments used. Firstly, the steps involved in questionnaire development and testing were discussed and secondly, it describes the validity and reliability of a questionnaire used in this research.

3.7.2.1 Development of a Questionnaire (Steps)

Before one develops a questionnaire for any data collection, the person has to identify the goals/objectives of the questionnaire. What kind of information does the researcher want to gather with your questionnaire? Choose your question type or types, develop questions for your questionnaire, restrict the length of your questionnaire, identify your target demographic and ensure you can protect privacy. There are five (5) main steps in developing a questionnaire for research. These are:

- The Background of the questionnaire

- Conceptualization of the questionnaire
- Questionnaire formatting and data analysis
- Establishing the validity of the questionnaire
- Establishing the reliability of the questionnaire

3.8 Ethical Issues and Considerations in the Research

In researches of all kinds, ethical issues and considerations are very important. This study takes the ethics and welfare of the respondents into consideration. The student conducting the research was introduced by the university through an introductory letter given and a student identity card. Again, a seven-member committee of the university's thesis ethical committee discussed the topic in detail and the various questionnaires and interview guides to be administered before an ethical approval/clearance letter was issued to the researcher to conduct the research.

Also, an informed consent letter given to the respondents was signed in the name of the university and given to the researcher for confirmation by the respondents and a voluntary participation form also to indicate the participants' discretion of participation or not and can end the interview the time they wish. This thesis was written in accordance to the Anadolu university ethical guidelines, rules and principles.

The principles of a Research Ethics in most researches basically are five in number and these include, obtaining the informed consent of the respondent/participant, minimizing the involved risk of harm to participants, protecting the anonymity and confidentiality of the participants, the researcher avoiding practices that are deceptive and finally, providing the respondents with the freedom to withdraw any time they desire from the research. Below are the steps are taken to ensure full ethical considerations in the research by conducting risk-free research.

3.8.1 Ethical Clearance Form/Ethical Approval Letter

The Ethical clearance letter given by the university ethical clearance committee members was an authentic one. The committee is made up of seven senior staff members including the graduate school of social sciences director. The members go through the interview guides and questionnaires to ensure anonymity and conformity with all ethical

rules, regulations, and principles followed before the ethical form issued to the researcher. These forms made the participation of respondents easily and also make it easy when publishing the work. Please see Annex-1A of the study under appendices for Ethical Approval Letter.

3.8.2 Introductory Letter

A letter of introduction was given to the researcher by the institution introducing the researcher as a Ph.D. student of the university conducting thesis/research on: “essays on impact of financial regulations on microfinance institutions sustainability in Ghana”. This letter together with the researchers' school identity card was shown to the participant for confirmation before partaking in the study. The respondents were at liberty to call the institution for verification about the researcher at any time they so desire. These letter and identity card contains the student's name, number, name of the university, year of enrolment and the topic under discussion. Please see Annex-1B of the study under appendices for the introductory letter.

3.8.3 Respondents Informed Consent

The respondent informed consent must be taken into consideration. It is a voluntary agreement for the interviewee to participate in the research collection of data. The main purpose of respondents' informed consent for the protection of the respondents. An individual cannot be forced to have any kind of interview without the consent of the person. There should always be consent before the interview. It is the responsibility of the researcher to educate the participants concerning the purpose of the study, the aims and objectives, the processes and procedures, the risk involved and the benefits or expected outcome of the study. Then, their consent would be obtained before engaging them in the research. Participation in the research is willingly by the respondent and not compulsory. An example is the institutional review board (IRB Form). Please see Annex-1C of the study under appendices for the Respondent Informed Consent Form.

3.8.4 Respondents Voluntary Participation Form

In researches, there should be voluntary participation by respondents. This is the willingness to participate in the research. The participant should have a free will to decide

whether or not to participate in the data collection or information provision. The right of the respondents is been protected by international laws, national laws, regional laws, and scientific communities through the codes of conduct. Please see Annex-1D of the study under appendices for the Respondents Voluntary Participation Form.

3.8.5 Research Confidentiality

Good research is the one that has been able to protect the information provided by the participants from unauthorized access, disclosure to the third party, usage, misuse, loss or damage, theft, modification. There should be the fulfillment of the promise, ethical duty, trust, and strong confidentiality assurance and the trust relationship between the participants and the researcher not to disclose responses, the information given and identity to any other person except use for the research project.

The necessary information you would be providing, all will remain confidential. No third party would have access to it. To assure you of more confidentiality, you will be made to give a pseudonym name to be used instead of your real name. All the materials of the research will be saved in a password-protected computer.

Violation or breach of confidentiality and ethics happen when the information provided to the researcher is disclosed to a third party without the consent of the participant. This attracts punishment if the breach is intentional. Confidentiality and trust are built in this research between the participants and the research.

3.9 Pre testing / Piloting of Questionnaires

Pretesting of the questionnaires was done before the actual data collection. This enables the researcher to identify the mistakes and errors in the questionnaire to do the necessary correction before the main work done. Errors concerning the sentence structure, meanings and wording are all identifying and rectified. This makes the questionnaire a user-friendly one for the respondents to easily respond. Before the large questionnaires were printed out, the few ones were tested on some few institutions and the necessary corrections and amendments done before printing in large quantities for the main data collections in the various Regions. It is very important to pre-test questionnaires before the main data collection. (Bryman and Bell, 2007: Cooper and Schindler, 2008: Saunders et al, 2012). The

researcher pretested the questionnaires and modified them before the execution of the survey. During the pilot test, 10 managers, 5 employees and 15 customers of microfinance institutions were selected randomly with the permission of the management. These sample respondents were being selected conveniently from the institutions but are not part of the actual respondent.

Again, two regulators and two policymakers were also interviewed during the pre-testing on various issues within the subject matter in Ghana. Walliman (2011) indicated that the best method of pretesting is to test the designed tools or instruments with individuals who have relative expertise and knowledge in the field you are studying to foresee any error or source of confusion. Pre-testing is done to know how appropriate and useful the designed instruments are and again check the understanding of the respondents about the questions. It was done with people who know about microfinance and regulations and those who are customers of the institutions and loan beneficiaries. They are different from the respondents of the actual survey. The protocol was done with the management of the MFIs and permission was given before the pre-testing conducted with the staff and the clients. After the pre-testing, the main data collection began after the necessary corrections and consistency checking of the questionnaires and the interview guide were made by the researcher.

3.9.1 Data Collection Period

The Data for this research was collected in Ghana over 7 weeks from 8th September 2018 to 27th October 2018 in the above-stated cities/region of Ghana. After the main data collection period, follow ups were also made on phones and emails to the institutions and individuals who could not provide the information on time and this prolongs the period of data collection till December. Some University students were also engaged in some of the regions to help in the data collections.

3.9.2 Data Collection Time

The time of the interviews with the interview guides was between 40 to 45 minutes and the questionnaires between 30 to 40 minutes. The Focus group discussion lasts up to an hour. Also, there were some follow up questions and conversations with some of the respondents which take 7 to 10 minutes.

3.9.3 Data Management

After the field data collection, reading, writing, editing and cleaning of the information were done by the researcher to ensure the data consistency, uniformity, and completeness. With the quantitative data, a computer software, Statistical Packages for Social Sciences (SPSS) was employed for analysis and presentation of the quantitative research. These statistical packages are useful because of their simplicity and ability to draw graphs, bar charts, pie charts, histogram and tables with the help of Microsoft Excel. With the qualitative data, the data was managed using the necessary procedure of thematic Analysis. Finally, the mixed method use both SPSS and Content Analysis procedures.

3.9.4 Data Analysis

The data analysis of this research was done using both qualitative and quantitative analytical tools. With the qualitative interviews, the interviews with the interview guides and focus group discussion guides were written, transcribed and analyzed using Thematic Analysis, and the mixed method used Content Analysis (Conventional Content Analysis and Direct Content Analysis), while the quantitative analysis of the data thus, quantitative interviews with the help of the questionnaires were analyzed using descriptive statistical tools.

3.9.4.1 Thematic Analysis

Thematic analysis is one of the best methods in analyzing qualitative data. Braun and Clarke (2006) concluded that, is the method of recognizing/identifying, analyzing, discussing, reporting, and interpreting patterns/themes in particular data. This is widely used and accepted methods of analyzing qualitative researches. This type of analysis is used in a step by step manner. There are 6 steps in conducting Thematic Analysis as stated by Braun and Clarke (2006). These steps include:

- Data familiarization.
- Assigning codes to the data to describe the content.
- Searching for themes/patterns in the codes from different interviews
- Reviewing of the patterns/themes.
- Defining and naming the themes/patterns.
- Producing a report.

The above steps as indicated by Braun and Clarke (2006) was followed for the analysis of the qualitative studies of this thesis. That is after gathering the data from Ghana, the information was written, transcribed, coded, narrated, reviewed and the final report was written.

3.9.4.2 Content Analysis

Content Analysis is a method of data collection and analysis whereby some form of data, pattern or communications are studied systematically. It is also a process or procedure used for the classification of verbal data or behavioral data for categorization/classification, analyzing, summarization, and tabulation of the results. Content Analysis is used to analyze and study the cause and effect relation and is a mixture of both qualitative methods of research and quantitative researches. Thus, the intersection of qualitative methods and quantitative methods. The root and origin of content analysis are more quantitative than qualitative with the counting of words or codes. The content is analyzed in two ways: Descriptive and interpretative. The descriptive answers the question, what is the data? While the interpretative answers, what is meant by the data?

Content Analysis is used in determining the presence of certain themes or patterns, characters, words, phrases, or sentences within a particular text or group of texts to quantify this presence accurately. According to Neuman (2011), there are 6 steps in conducting content analysis in researches. The step includes:

- Research question formulation.
- The decision on the unit of analysis.
- Sampling plan development.
- Construction of coding types/categories.
- Checking the reliability of coding and the inter-coder.
- Collection of data and data analysis.

In this study, content analysis was used in analyzing the data, both conventional content analysis and the direct content analysis are used. With the conventional content analysis, the coding categories were directly from the data text. While in the direct content analysis, the relevant findings of the research/study or the theories are what the analysis begins with initial

codes as the guidance. With the mixed method also, statistical tools were used to explain some of the responses of the respondents.

3.9.4.3 Descriptive Analysis

In conducting a statistical analysis, the very first step is descriptive analysis. The descriptive analysis gives you an idea of the data distribution. They are also used to describe or explain the basic features of data in particular research. Descriptive statistics helps in providing summaries about the sample of the study and the measures. The basis of all quantitative analytical data is formed with simple graphics and other diagrams analysis. Also, Descriptive analysis helps the researcher to detect or realize outliers/typos, it also enables the researcher to identify variables that are associated, which is preparing the researcher/data collector for conducting further statistical analyses.

Descriptive Statistics in researches are of four main types. These include:

- The measure of the Frequency: count, percent, frequency.
- The central tendency measurement such as the mean, the median, and the mode.
- Dispersion measurement or the measurement of variance.
- The Percentile measurement.

In this study, the quantitative analysis of the data thus, quantitative interviews with the help of the questionnaires was done the counting and placing of the data in a particular group and subgroups. It was done through simple and cross-tabulation. Descriptive statistical tools were used in analyzing quantitative data. Descriptive statistical tools like numbers, words, tables, frequencies, percentages, pie charts, bar charts, and histograms were used to classify and analyzed the field responses from the respondents.

Finally, the mixed method, which is both the qualitative and the quantitative data was analyzed using both analytical tools of the qualitative and the quantitative methods stated above.

3.10 Method Appraisal and Critique

The interviews that were conducted were based on personal interviews, telephone and through emails. The telephone and the email are not the best methods of conducting a

research interview. Face to face interviews with interview guides and questionnaires are the most favorable methods because they avoid all sought of critics and doubts of a third party.

Questionnaires/interview guide attached to management and directors of the various institutions most of the time gives limited views and ideas of the institutions impacts, challenges, roles, processes and procedures and the entire financial regulations, microfinance institution, policy-making sector in the country.

With the face to face administered interviews with interview guides, focus group discussion guides and the questionnaires, it gives more views, ideas, and opinions of the institutions impacts, challenges, prospects and processes of the entire institutions involved in the study across Ghana. It also give room for further probing after the questions are answered.

The meaning here is, this research work can be used to generalize ideas and views since it uses the most favorable techniques/methods of conducting an interview.

3.11 Chapter Conclusion

This chapter discussed the methodologies and sources of data that were used for the study. It looked at research area, data type and sources (Primary data, Secondary data), the design, of the research, the target population of the study, sample size, sampling technique, data collection instruments, ethical issues, pre-testing / piloting, data management, data analysis, method appraisal/critique, and conclusions of the section. It indicates that two (2) of the articles used only qualitative and two (2) again used purely quantitative research methods while one used both qualitative and quantitative (mixed) research methods.

Furthermore, the qualitative studies used a qualitative strategy of inquiry and phenomenology: That is, the results of the study provide a narrative of life and detailed description of experiences of the respondents on the subject matter and were analyzed using Thematic Analysis.

Again, the mixed-method strategy employed for the articles is the sequential explanatory strategy and the data was analyzed using qualitative and quantitative methods. Content Analysis (conventional content analysis, and direct content analysis) was used in analyzing the mixed method data. SPSS and Microsoft Excel (frequencies, percentages,

tables, charts, and histograms) was also used. Again, narrating and describing the responses of the various respondents from the field data collected.

Finally, the quantitative data was analyzed using Statistical Packages for Social Sciences (SPSS) and Microsoft Excel with the help of statistical tools such as numbers, words, frequencies, percentages, tables, Pie charts, bar charts, and histograms and many more.



CHAPTER FOUR

4. IMPACT OF REGULATIONS AND POLICIES ON MICROFINANCE SECTOR DEVELOPMENT IN GHANA

Abstract

This article looks at whether financial regulations and Government policies have an impact on MFIs operations in Ghana. It also looks at contributions that regulations and policies have on microfinance sector development in the country. The methodology for this paper is purely qualitative. The needed information was gathered from primary & secondary sources. The primary data source used face to face interviews, telephonic and through emails conducted with regulators, policymakers and microfinance institutions managers, using interview guide and focus group discussion guide. The secondary source was through literature reviews, books, journals, and the internet. The study revealed that financial regulations and government policies have contributed immensely to microfinance sector development through, training & capacity building, checks & balances, protecting customers & depositors, financial soundness and financial inclusion. However, despite the contribution of regulations and the policies to the sub-sector, the result of the study also identified poor regulations, lack of proper decentralization, lack of knowledge and weakness of regulators as problems with financial regulation. Furthermore, it also found out that, the policies formulated are weak and the implementation, monitoring, and supervision of the institutions is insufficient and ineffective. This article, therefore, recommends that Apex bodies should be involved in monitoring and supervision, minimum capital requirements should be made moderate, powers should be decentralized to the regional level for the effective functioning of regulations & policies in Ghana.

Keywords: Bank of Ghana, Regulations, Ministry of Finance, Policy Formulation, Microfinance institutions.

Özet

Bu makale, Gana'da finansal düzenlemelerin ve devlet politikalarının MFK'ların operasyonları üzerinde bir etkisi olup olmadığına bakmaktadır. Ayrıca, düzenlemelerin ve politikaların ülkedeki mikrofinans sektörünün gelişimine yaptığı katkılara da bakmaktadır. Bu makalenin yöntemi tamamen niteldir. Gerekli bilgi birincil ve ikincil kaynaklardan

toplanmıştır. Birincil veri kaynakları; görüşme rehberi ve odak grup tartışma kılavuzunu kullanarak, yüz yüze görüşmeler, telefon görüşmeleri ve düzenleyiciler, politika yapıcılar ve mikrofinans kurumları yöneticileri ile yapılan e-posta yoluyla iletişim kullanılmıştır. İkincil kaynaklar literatür taramaları, kitaplar, dergiler ve internetten kaynaklanıyordu. Çalışma, finansal düzenlemelerin ve hükümet politikalarının eğitim ve kapasite geliştirme, kontrol ve dengeler, müşterileri ve mevduat sahiplerini koruma, finansal sağlamlık ve finansal dahil etme yoluyla mikrofinans sektörünün gelişimine büyük katkıda bulunduğunu ortaya koymuştur. Bununla birlikte, düzenlemelerin ve politikaların alt sektöre katkısına rağmen, çalışmanın sonucu aynı zamanda kötü düzenlemeleri, uygun ademi merkeziyetçiliğin olmaması, bilgi eksikliğinin ve düzenleyici kurumların zayıflığının mali düzenleme ile ilgili sorunlar olduğunu tespit etmiştir. Ayrıca, oluşturulan politikaların zayıf olduğunu ve uygulanması, izlenmesi ve kurumların denetlenmesinin yetersiz ve etkisiz olduğunu da ortaya koymuştur. Bu nedenle, bu makale, Gana'daki düzenlemelerin ve politikaların etkili bir şekilde işlemesi için tepe kurumlarının izleme ve denetime dahil edilmesini, minimum sermaye gereksinimlerinin ılımlı hale getirilmesini, yetkilerin bölgesel seviyeye dağıtılmasını önermektedir.

Anahtar Kelimeler: Gana Bankası, Düzenlemeler, Maliye Bakanlığı, Politika Oluşturma, Mikrofinans kuruluşları.

Introduction

This article looks at the impact of financial regulations and policies to the microfinance sector development in Ghana. Again, it aims at looking at how financial regulations and policies implemented by the government contributed to the economic and social development of Ghana. Finally, the article investigates how the regulatory framework and the government policies affect microfinance institutions in achieving its aims and objective and influenced microfinance sector development. The article comprises the following headings: Background of financial regulations, regulations of MFIs in Ghana, why regulation & supervision of microfinance institutions? regulations in Ghana and other countries, some African countries experience (Kenya's experience, Uganda's experience, Malawi's experience, Egypt's experience), the rationale for microfinance policy in Ghana, the policy framework, strategies to achieve goals and objectives, minimum capital

requirement, related literature review, forms / types of regulations,(prudential regulation & non-prudential regulations), benefit and cost of regulations, areas of microfinance institutions regulations in Ghana, regulatory instruments in Ghana, data analysis, research questions response, discussions of the findings, chapter summary, conclusions, and recommendations.

4.1. Background of Financial Regulations and Policies

The rate at which microfinance institutions are increasing in the country gives rise to its regulation. Financial regulation is an important tool in every financial institution across the world. There is the need for a proper consensus and understanding of the formulation, implementation, review of the regulatory framework, government policies, procedures, and processes to ensure consistency, and effective approaches to different types of microfinance regulations in the country. It is crucial for the regulatory and supervisory authority of MFIs to have sufficient knowledge of microfinance institutions' operations to be able to formulate good policies and an appropriate regulatory framework. The Government should have a good policy on the microfinance sub-sector and there should be a review on the laws, rules and other legislative bodies for it not to be rigid. The main reason for regulation in Ghana is for depositors' protection, provide information, ensuring financial system soundness, the stability of the sector, and to reduce the operational risk affecting the operations of the institutions' activities. There is the need to bring together all sectors providing financial services and their clients together, for adequate information provision, depositor/customers fund protection, the assets of the institutions, and proper regulations of the market. Ghana MFIs like most of the other African countries lacks effective regulations and supervision.

The regulatory framework and supervisory systems seem not functioning and these affect their innovativeness, outreach, building customer base and the general performance of the institutions. The apex bodies of microfinance institutions consisting of Credit Unions Association (CUA), Association of financial non-governmental organizations (ASSFIN), the Ghana cooperative susu collectors Association (GCSCA), the cooperatives made up the sector and all these bodies in one way or the other are affecting the performance, sustainability, outreach, profitability, growth, and functioning of the sub-sector. Regulations of the sector and the policies implemented by the government ministries towards the effective

management of the microfinance sub-sector is a key and crucial aspect of every financial system to ensure long term sustainability.

4.1.1 Objective of the Study

The key objective of this essay is on the "impact of financial regulations and government policies on microfinance sector development.

Specifically, the entire essay covers:

- To assess the positive impacts of regulations & policies on MFIs operations in Ghana.
- To examine the negative impacts of regulations & policies on MFIs operations in Ghana.
- To expatiate the role of Government policies towards microfinance institutions operations and development.
- To investigate the objective of Government policies towards microfinance institutions.

4.1.2 The Research Question

The key research question is: what impact do financial regulations and government policies have on microfinance sector development?

Specific research questions of this essay include:

- What are the positive impacts of regulations & policies on microfinance institutions' operations?
- What negative impacts do regulations & policies have on microfinance institutions' operations?
- What are the roles of Government policies towards microfinance institutions operations and development?
- What are the objectives of Government policies towards microfinance institutions in the country?

4.1.3 Why the Regulation and Supervision of MFIs?

Microfinance regulation & supervision in a country are very important because it provides the institution with the necessary flexible development which leads to a successful

financial inclusion instrument. Proper regulations of the sectors are recently becoming a matter of concern and more substantial. Regulation is very significant as several studies in the area indicated that the regulation of the institution is very crucial and must be taken seriously. Some of the signs of regulations and supervision of institutions include the following: Consumer protection and small depositor's protection, protection against high-interest rate, financial crimes and fraud prevention, protection of the financial system, lessons from the financial crisis, etc. To address the fast development, and commercialization of the sector, and the fast growth consequences, the checking on the credit delivery mechanism and the new entry of other microfinance services providers. The purpose of regulations is providing sound and stable financial services and the protection of clients and depositors of microfinance sub-sector in a friendly manner.

4.1.4 Regulations in Ghana and other Countries

The Bank of Ghana in August 2011 came up with some regulatory and operational guidelines for the MFIs in the country. The institution is solely regulated by the Bank of Ghana. The guidelines were prudential and non-prudential and do not address the financial soundness of the institutions fully in the country. The microfinance sub-sector needs effective regulatory instruments for effective prudential regulation, monitoring, and supervision in the country. A critical analysis of the policies and the regulatory guidelines will help to understand the advantages and disadvantages of this institution which can affect the microfinance sub-sector and also defeat the objectives and visions of the microfinance institution in the country. There is a need for effective regulation and efficient policymaking body for the sector. The unsustainability and collapse rate of MFIs in Ghana calls on for regulations and supervision to protect the customers and their savings. This is because the clients' protection is very important and has a lot of implications.

Microfinance is fast moving from a niche product to a worldwide recognized form of finance. There is a need to regulate banking institutions and non-bank institutions in a country. In Ghana the sole regulator of MFIs is BoG and they came out with regulatory and operational guidelines for microfinance institutions. The guidelines are prudential and non-prudential do not seem full to address the soundness of the microfinance institution subsector in Ghana. Regulation of financial markets is crucial and customer protection is one of the

important factors in the microfinance sector. Arysad (2005) on their study microfinance institutions performance and sustainability in Indonesia using a village credit institution as a case study, found out that, an economy which is growing and supported by government policies in all part of their operations by providing a legal root for microfinance institutions.

The Central Bank regulations of the country had contributed towards the benefits and successes of microfinance institutions. There is the need for appropriate regulations of the subsector in the country and it should be supported by effective government policies to monitor and supervise the institutions to ensure long term sustainability and reduce collapse rate in the sector. This regulation and policy-making of the markets call for the active participation of government & regulators in the microfinance industry. The regulators believe that to protect the customers and their savings, the interest rate should be capped and transparency promoted. Pouchous (2012) said most of the microfinance management and professionals are against such practices. They are of the view that the policymakers may not be able to come out with an appropriate interest rate cap which will help the development, sustainability, growth, and survival of microfinance institutions in Ghana which intend to jeopardize the services of the financial inclusion to the poor customers (Helms & Reille, 2004).

Regulators can only be through the regulatory requirements to take account of microfinance loan pricing to protect the poor customer against harm and higher prices for this implies the macro level. This was the reason for the government intervention because the macroeconomic disruptions can have a consequence on financial institutions of the country as a whole. According to Arun & Murinde (2010), the main purpose of regulating the MFI is to ensure the efficiency, soundness, smoothness, and stability of financial services and to protect the consumers. Thus no activity of the MFIs should harm the clients and the regulations not to affect the activities of the MFIs and vice versa.

4.1.5 Some African Countries Experience

The below indicate the experiences of other countries with their regulatory body/bodies.

4.1.5.1 Kenya's Experience

Kenya is one of the countries in African doing well with microfinance in the world. The Kenyan microfinance institution is registered under eight different parliamentary Act which includes:

- The act of Non-Governmental Organizations and Co-ordination
- The act of building societies
- The act of the Trustee
- The Act of Societies
- The Act of the Co-operative Societies
- The Act of Companies
- The Banking Act, and
- The Act of Kenya Post Office Savings Bank (KPOSB)

The legal structures guiding the microfinance institutions in Kenya are also of different types and this makes the regulations of the sector complicated. Due to the above, Omino (2005) concluded that some of the above-mentioned forms of registrations refuse to address the issues regarding accountability, governance, and ownership and also pave the way for poor performance and collapse of the microfinance institutions. This came about as a result of the poor regulatory framework.

4.1.5.2 Uganda's Experience

Regulations of a microfinance institution in Uganda started in 2004 but the law of deposit-taking microfinance institution thus, (MDI Act, 2003) law was enacted by the parliament s in 2003. This law ignores all microfinance institutions that do not take deposits and recognizes all those mobilize deposits. The Ugandan regulations' primary role is to promote a strong and viable microfinance industry to enhance economic development and growth by helping reducing poverty in the rural & urban communities of the country. Also, help promote the growth of the Ugandan financial sector by ensuring MFIs businesses are conducted safely and soundly. Again, the credit institutions operating in the country are regulated under the financial institutions Act of 2004. While other Commercial Banks undertaking microfinance activities are also regulated under the same law.

4.1.5.3 Malawi's Experience

In 2002, the Malawian government passed a microfinance policy and action plan. This policy was similar to the Ghana microfinance policy (GHAMP). The policy aims at creating a sound environment that would facilitate and encourage the adoption of universally acknowledge best practices through microfinance. Microfinance in Malawi is currently regulated through a legislative instrument. While the non-governmental organizations (NGOs) registered under the Act of trustees' incorporation. Private sector microfinance companies registered under the Companies Act and the SACCOs are also registered under the Act of cooperative Societies and because most of the institution's instruments are not in the jurisdiction of the Malawian reserve bank, it becomes difficult to administer them.

4.1.5.4 Egypt's Experience

The microfinance Institution in Egypt is regulated under different authorities depending upon the legal identification of the sub-sector. For example, the Central Bank of Egypt like that of Ghana is the prudential and sole regulator of the banks in Egypt while the ministry of solidarity is the regulator of microfinance that is non - governmental. Furthermore, the social fund for development is in charge of coordinating and planning the microfinance institutions as designated by the law. In Egypt, all MFIs that mobilize deposits and those willing to mobilize deposits have to transform into formal financial institutions.

4.2. Microfinance Policies and Programs in Ghana

The microfinance policies and programs of the government within the country are targeted towards achieving the aims and objectives of the microfinance sector in the country. These policies are being carried out by the finance ministry and the duties of the sector are policy formulation and implementation of the institutions. This department work in collaboration with the financial regulatory body from Bank of Ghana and the various microfinance institutions not excluding the key apex bodies of microfinance and other key stakeholders within and outside the country.

4.2.1 The Rational for Microfinance Policy in Ghana

The microfinance sector started operation in Ghana in the 1950s. Since its operations, there has not been any policy guideline nor goal for the institution and this slows down the growth and progress of the microfinance sector. Though the government has involved in

microfinance in those times yet still could not come out with an appropriate policy framework. These indeed post a lot of problems and issues to the sector including slow growth, no proper direction, lack of coordination and fragmentation and there was no effective and coherent process/procedure to deal with these challenges the institutions are faced with. Some of the challenges the microfinance is facing include ineffective regulations, poor coordination & collaboration, inadequate capacity building, institutional linkages are weak, lack of skills and experiences, and low level of education. To integrate the microfinance sector into a better one with overall financial sector development, there should be proper coordination and collaboration between the key stakeholders; government, ministries, department, agencies, donors, development partners, owners, management and the customers.

Again microfinance helps in financing SMEs because the sector has not been favored by activities of traditional/conventional banks in the country. This is due to the differences in the procedures involved in credit issuing and others. The commercial banks need long procedure that requires documentary evidence, collateral security, guarantors, long-standing queues and bank customer relationships which the SMEs does not require. Also, the formal institutions in Ghana have a diversified supervised regulatory framework which is been licensed by BoG and not the informal sector. This raised the issue of concern for the appropriate regulatory framework to also be extended to other institutions like the microfinance to improve outreach, delivery of credit, savings, sustainability, and institutional arrangements. The above reasons informed the development of the microfinance policy in Ghana.

4.2.2 Ghana Microfinance Policy Framework

The main aim and goal of the Ghana microfinance policy is to enhance and promote the efficient delivery and sustainability of the institutions' products and services to help achieve the purpose of it to reduce poverty and wealth creation within the scope of the poverty reduction objective of Ghana, the developmental strategies, and growth of financial sector.

4.2.3 Microfinance Policy Objective

The primary objective of the microfinance policy includes:

- Creating an enabling environment both at the micro & macro levels which would help microfinance institutions operations in the country.
- Help in providing facilities for the growth and sustainable fund flow, providing adequate infrastructure, human resources, and capital development.
- Ensuring that the microfinance sub-sector is harmonized and well-coordinated in the country.
- Ensuring a very sustainable and integrated institution through poor and low-income individuals.
- Facilitating programs and activities that ensures the protection of customer/consumers.

4.2.4 Strategies to Achieve Goals and Objectives of the Policies

For the above goals and objectives of the microfinance policy to be achieved in the country, the below strategies were adopted by the government and the policy formulation and implementation department.

- Effective institutional arrangements and well coordination and collaboration institution
- Building capacity of all the staffs of the sub-sector through intensive and compulsory training
- Qualitative financial services delivery and intensive and efficient management within the institutions.
- Classifying target groups of the poor and low-income people, people with vulnerability and the marginalized people.
- Protection of customer and small depositors' funds, and the entire consumers.
- Free flow of information, efficient data gathering, and proper information dissemination
- Consistent regulation, a good regulatory framework for the institution and supervision.
- Researching, monitoring the institutions, and evaluation of the performance of the institutions.

4.2.4.1 Institutional Arrangements, Coordination and Collaboration

There should be coordination and collaboration among the key stakeholders of the microfinance institution. The government, donors, policy makers, regulators, managers, employees, development partners and other should all act responsively, together in a peaceful, coherent and very sustainable manner so as to help build a strong microfinance sub sector. When this happens, there shall be a well-coordinated, collaborated and well defined institutional arrangements indicating and spelling out the roles, responsibilities and functions of the key stakeholders. Through proper coordination and collaboration between all the institutions, errors will be reduced within the sub sector and it will foster a complementary of various activities within the industry by all the key stakeholders.

4.2.4.2 Capacity Building

For an effective and efficient microfinance sub-sector to be developed, a very well human capital program must be developed. There should also be a good infrastructural development and a sufficient source of funding. Capacity building in the microfinance sector is very important and it involves the above three factors/strategic areas thus, infrastructure, human capital, and funding. When all the above is available, the institutions will be sustainable and able to serve its purpose.

4.2.4.3 Financial Services Delivery and Management

Every successful microfinance sector needs diversified, sustainable effective and efficient financial services delivering and good management. Taking note of a credit delivery system of microfinance institutions such as having a loan, rates of interest, repayments and addressing them properly is vital to the institution's operations. The categorization of the MFIs and the grouping of beneficiaries and potential beneficiaries all are key to organizations' operations.

4.2.4.4 Classifying Target Groups of the Poor, Vulnerable and Marginalized

The microfinance credit should be focused and targeted to the poor people who can use it well, very productively and able to pay back their debt. The institution is also about rendering products and services like savings and other financial services to the vulnerable and the marginalized who are categorize to be women, the youth and the physically challenged

people in the Ghana situation. This means that a very specific products and services shall be designed purposely for the women, youth and the physically challenged in the society. Again, the classifying of poverty level such as ultra-poor, hard core poor, economically active poor and the non-poor, effective mechanisms shall be put in proper places in order to ensure adequate, reliable and acceptable methods. This help enhance targeting, eligible and service provision which include training and grant based programmes where appropriate and the interventions of the microfinance institutions.

4.2.4.5 Consumer Protection

The consumers of microfinance institutions shall be protected. The actual end-users and the potential users of the institutions' products and services will be protected from dubious actions and practices such as increment in interest rates, fraud, etc. which are all unfair practices. This will be done through disclosure publicly and transparency within the institutions' programs. The financial regulations also cover all financial services and national consumer protection legislation and in their absence, the Apex bodies of microfinance institutions would be encouraged to work effectively to develop and implement the standards of the institution.

4.2.4.6 Data / Information Gathering and Dissemination

For microfinance to be effectively planned, monitored and evaluated as well as sustainable, there should be accurate, reliable, and timely collection of data and dissemination of information. This will call for a well-defined system to capture, storage, and disseminate information. This will be done at all levels to facilitate the institutions' operations and results. To enhance microfinance sub-sectors' activities, board members have the aims of having an organized system to help harmonize and gather information, processing it, and dissemination appropriately. Central database systems shall be accessible to all stakeholders and microfinance institutions association in Ghana would be made responsible for data processing which will be provided through microfinance apex bodies, making use of the MIX format as much as possible. At the national microfinance forum, research findings, data collection technique and data management aspects of the sub-sector are all issues and topics to be discussed.

4.2.4.7 Regulation and Supervision

There shall be an effective regulations and supervision in the microfinance sector. To ensure the institutions maintain their minimum standards of performance and operate as expected within monetary and financial policies of the country, effective and efficient regulation and supervision must be in place.

4.2.4.8 Research Monitoring and Evaluation

Every institution need research monitoring and evaluation likewise the microfinance institution. Research Monitoring and Evaluation are very crucial variables in the promotion of efficient planning, implementation and review of interventions. The below objectives will be pursued in line with the objective of microfinance Policy in Ghana:

- Conduct baseline studies on operations and outreach of microfinance institutions as well as on a wide range of issues such as policies, institutional arrangements, levels of collaboration and regulatory mechanisms.
- Conduct operations research geared towards improving the efficiency of on-going projects and microfinance institutions.
- Collaborate with universities and other research institutions to conduct periodic research into various aspects of the operations of the microfinance sub-sector.
- Ensure the development of key indicators for monitoring and evaluating the impact of programmes and activities and feedback mechanisms for review of implementation and policy. Source: (GHAMFIN 2006).

4.2.5 Ghana Requirements for MFIs to Apply for the License of Operation

To apply for microfinance license to begin operation in Ghana whether microfinance, money lending or financial non-governmental organization (FNGO), it shall be in form of writing to be addressed to the head, at the Bank of Ghana, Department of other financial institutions supervision There are three different tiers of license for microfinance institutions so the type you are applying for should be specified whether tier 1, tier 2 or tier 3 must be indicated.

4.2.5.1 Eligibility Restriction for Licensing Corporate Bodies

1. No person other than a body corporate incorporated in Ghana shall be eligible to apply for a license to carry on the business of deposit taking microfinance institution.

2. No person shall carry on the business of micro finance unless the Bank of Ghana licenses it.

4.2.5.2 Shareholding Restrictions

1. Shareholding of deposit taking microfinance institutions such as microfinance companies, Susu companies, deposit taking and profit making financial non-governmental organizations (FNGOs) (Tier 2 institutions) shall be restricted to only Ghanaians.
2. Shareholding in non-deposit taking microfinance institutions such as money lenders and non-deposit taking financial non-governmental organizations (Tier 3 institutions) may be exclusively Ghanaians, exclusively foreign or jointly Ghanaian and foreign. Foreign capital should be registered at the Ghana Investment Promotion Centre (GIPC).
3. There shall be at least two (2) shareholders with none of the shareholders holding not less than 10% of the total number of shares. The Bank of Ghana has the right to request for dilution of the shareholding.

4.2.5.3 Interview of Applicants

The other financial institutions supervision department located at the Cedi House (Bank of Ghana Annex) may first interview the applicant. A licensing fee of GH¢1,000.00 (one thousand Ghana Cedis) or so determined by Bank of Ghana, would be paid if the application is approved for the issuance of the license.

4.2.5.4 License Application

Every application for a license shall be made in writing to the Head, Other Financial Institutions Supervision Department, and Bank of Ghana Accra for consideration and shall be accompanied by:

- (1) A certified true copy of the certificate of incorporation and company's regulations or other instrument, relating to the proposed business, or by or under which any person proposing to carry on such business was established. The registered name of the company should include either 'Microfinance, Money Lending, or FNGO as the case may be or the type of license being applied for.

- (2) Full particulars of and detailed and clear definition of activities it proposes to carry out.
- (3) Details of registered place of business, principal place of business accessible to the public and suitable for the services contemplated and a description of other places where it proposes to do business and the areas it proposes to serve.
- (4) Names, addresses, occupations and corporate affiliations of persons who hold or would hold significant shareholdings directly or indirectly in the proposed venture and the respective values of such holdings or proposed holdings.
- (5) Duly completed Personality Note Form (PNF) by at least five (5) directors (two (2) of whom should be independent directors), shareholders and key management staff of the said business, The majority shareholder should not be the board chairman and the Chief Executive Officer of the company. PNF can be downloaded from the Bank of Ghana website.
- Source: (www.bog.gov.gh/supervisionandregulation/licensingandpolicyguidelines)
- (6) Tax Clearance certificate of directors, shareholders and key management personnel.
- (7) Curriculum vitae of directors, shareholders and key management personnel.
- (8) Financial data including financial statement and feasibility reports which should contain among others:
- A business plan and financial projections (income statement, balance sheet and cash flow) for the first five (5) years of operations.
 - Details of assumptions upon which the financial projection has been made.
 - Objectives and aims of the proposed microfinance institution.
 - Justification for the establishment of the microfinance institution
 - Organizational structure of the company setting out in detail the functions and responsibilities of the top management team.
- (9) Other information that relates to the viability of the business.
- (10) Information on capital and documentary evidence of sources of funds;

(11) Information on other matters that applicant considers relevant for the determination of the application.

(12) Such other additional information or particulars which the Bank of Ghana considers relevant or may require for the determination of the application.

(13) Evidence of payment of a non-refundable processing fee of GH¢500.00 or as determined by the Bank of Ghana.

(14) Evidence of request for Police clearance for shareholders, directors and key management staff.

4.2.5.5 Minimum Paid-Up Capital for Tier 2 and 3 Companies

All tier 2 and tier 3 entities (comprising microfinance companies and moneylending companies) excluding financial non-governmental organization (FNGOs) shall require not less than GH¢2,000,000 (Two million Ghana cedis only) as minimum paid capital. All financial non-governmental organizations shall require not less than GH¢300,000 (Three hundred thousand Ghana cedis only) as minimum paid capital (owners' contribution). Note: Not more than 25% of the initial paid-up capital shall be spent on property, plant and equipment (capital expenditure). That is at least 75% of the initial paid up capital shall be in liquid cash resources to support operations.

4.2.5.6 Approval in principle

The Bank of Ghana may issue an 'approval-in-principle' for a period of six months to the applicant on such terms and conditions as it may consider necessary and appropriate, if it is satisfied that:

(1) The applicant would carry on the business with integrity, prudence and the required professional competence; and

(2) The applicant has the capacity to raise the initial paid-up capital required to hold a license.

Note: Approval in principle does not constitute a final license as such applicants cannot commence operations.

4.2.5.7 Pre-operating Conditions

The Central Bank may issue the final approval and license to the applicant after satisfying itself that the following pre-licensing conditions have been met;

1. Minimum paid-up capital – the company has raised the minimum paid up capital
2. Premises: The Company
 - Has provided evidence of title deeds/lease agreements
 - Has approvals by relevant authorities
 - Has adequate business premises, staff operating area, ventilation, lighting, etc.
 - Display of name of company as contained in the certificate of incorporation and logo where appropriate
3. Has demonstrated security of the premises, including adequacy of alarm systems, fire extinguishers, vaults or safes.
4. Has in place up to date insurance covers – fire, burglary, fidelity guarantee, cash, etc.
5. Has in place up to date serviced fire extinguishers supported by a fire certificate.
6. Possesses operational plans and policies approved by the Board.
7. Has accounting and operating manuals, appropriate management information systems, (Computers, appropriate software), internal controls and training manual.
8. Has in place adequately trained and sufficiently experienced staff as well as competent key personnel;
9. Has submitted its first year pre - operating financial statement of affairs and budget.
10. The minimum paid up capital/shareholders' funds of the relevant category being applied for is acceptable and the source is verifiable and found to be satisfactory to the Bank of Ghana.
11. Has met any other conditions imposed by the Bank of Ghana

4.2.5.8 Fees

Tier 2 and 3 microfinance institutions shall pay the following fees, or as may be determined by Bank of Ghana:

- Non-Refundable Processing fee: GH¢500.00
- Non-Refundable Licensing fee: GH¢1,000.00
- Annual license renewal fee: GH¢500.00 which should be paid by January 31 of each year.

4.2.5.8.1 Tier 4 Operators

1. Application and Licensing Procedure: Tier 4 operators shall:

- Obtain and complete a preliminary registration form for licensing as a Susu collector or money lender (individuals or enterprises)
- Register as a member or affiliate with the umbrella organization for Susu collectors or money lenders
- Submit the completed preliminary form, together with a personality profile form endorsed by the executives of the umbrella association to the Bank of Ghana.
- Be licensed after obtaining satisfactory reports on background checks undertaken.

2. Fees

- Application processing fee: GH¢100.00
- Licensing fee: GH¢500.00

Note: Entities and Individuals engaged in the above activities are required to join an umbrella Association.

4.2.5.9 Changes in Licensing Conditions

(1) It should be noted that the above conditions for license are subject to review, and could affect an application in process.

(2) The Bank of Ghana relies on other agencies both local and external in the processing of applications, and this could cause delays in the processing of applications.

(3) Information submitted by applicants shall be subject to verification by the Bank of Ghana.

Please note that, the Bank of Ghana may revoke a license granted to a company if it is satisfied that:

- It has, in connection with the application for the license, been provided with false, misleading or inaccurate information by or on behalf of the applicant company or that material information has been suppressed, or
- The company has failed to fulfil or comply with the terms and conditions stipulated in the License.
- The company has failed to commence business within one year from the date the license was issued.
- Licenses granted by Bank of Ghana are NOT transferable

Source: (Bank of Ghana website).

4.2.5.10 Capital Requirement for Microfinance Institution

The minimum paid-up capital also known as the minimum capital requirement is the amount of money or capital that the microfinance institution is required to hold. Meaning, an amount of money had to be invested in the bank of Ghana by purchasing shares or treasury bills. By this, banks or microfinance institutions are required to be capitalized adequately. This amount of money is a directive from BoG to microfinance institutions and any institution not able to possess that money will be out of business. On the 11th of September 2017, BoG revised the minimum capital requirement for all banks, microfinance institutions, savings, and Loans Company for both existing and new entrants. The example that of banks increased from GH¢120 million Ghana cedi to GH¢400 million. The exiting institution has up to the end of the year 31st December 2018 to fully comply with the increment in the new amount stated by the regulators. This is a regulatory requirement and is implemented to protect the customer's deposits and maintain soundness and stability in the financial system. The default rate of the microfinance institution is alarming and the unsustainability rate of the institutions also increasing. Most of the management and other employees run away with the customers savings and deposits in the country which leads to the collapse of the institutions, making the microfinance sector unsustainable and to reduce or solve this situation, the BoG decide to increase the minimum capital for the banks, microfinance and

other institutions to get most of the insolvent institutions out of business and some to be merged or acquired by their counterparts. Due to the increment in the collapse rate of the institutions, the minimum capital for the institutions keeps on increasing by the financial regulators. Before it was GH¢500,000. In 2017, it was increased to GH¢1,000,000 and some of the institutions defaulted. In 2018, still there was no confidence for most of the institution, so the amount increased again to GH¢2,000,000 to be paid up to the end of December 2018. These increments affected a majority of the institution to be out of operations. Due to the insolvency and other related issues, 347 microfinance institutions got their licenses revoked by Bank of Ghana on the 31st of May, 2019. Currently, there are only 137 surviving MFIs in Ghana, and BoG is thinking of increasing the minimum capital requirement again to make the financial system strong and to build confidence in the customers and the public.

4.3 Related Literature Review

Studies already conducted related to the above topic both in Ghana and outside Ghana are reviewed for a better understanding of this essay.

4.3.1. Theoretical Review of Literature

Under this theoretical review, scholarly writing in articles, books, and the internet are used to define some key terminologies and help to understand the conceptual focus and main objective of the study. Microfinance, microfinance institutions, impact, microfinance policies, and financial regulations are explained below.

4.3.1.1 Definition and Meaning of Microfinance

Several researchers and scholars have defined microfinance differently. Microfinance is an attempt for small deposits, access to financial services to be improved like access to savings, microcredit, and insurance for the active poor individuals/households who were not banking by the traditional banks. This means that the institution does not only offer product and services to low-income households and the poor people but also offers them with the opportunity to a bank and have micro-savings, microcredit, and lending in groups which before these poor and low-income individuals were not having access too (Schreiner and Colombet, 2001).

Microfinance which is also known as microcredit is a form of banking service rendered to poor people and low-income individuals or groups or individual who are unemployed and is also denied access to financial services (Investopedia). Again, the

provision of financial and non-financial services to poor people, very poor self-employed people is termed as microfinance (Otere 1999).

4.3.1.2 Microfinance Institution

The microfinance institution/sector is a vibrant financial institution which aims at developing sustainable communities. It is a mobile resource to promote financial, non-financial and other support products/services to active poor especially women for productive income generation businesses or enterprises which help in reducing poverty levels of the individuals.

4.3.1.3 Impact

The impact can be defined as the extent to which the life of microfinance institutions clients changed in terms of income and wealth (Conning 1999). The objective of the microcredit program indeed is to reduce poverty and to offer financial service to individuals who were not having access formally. Even though is seemingly difficult for the impact of service rendered to customers to be measured, there will be a direct or indirect impact on the welfare, conditions and living standard of the poor which enable us to measure the performance of microfinance institutions. The impact of one institution/setup to the other can be a positive impact or negative impact. Under this study, financial regulations and government policies in Ghana can either have negative effects on microfinance or a positive effect/impact on the institutions.

4.3.1.4 Financial regulations

Financial regulations are laws and rules that govern financial institutions or are forms of regulations, supervision or monitoring that align financial institutions to some kind of principles, requirements, processes & procedures, guidelines, and restrictions aiming to maintain financial system integrity. These laws and restrictions imposed are mostly by the government financial regulators through the central bank of a particular country or a private body or international group to protect the customers or investors' savings, to maintain markets order and to promote stability of financial markets (Wikipedia). Besides, financial regulations are mainly described to include six different kinds of controls/regulations which are employed to achieve different purposes. The categories of the financial regulations include Macroeconomic control, allocation control, structural control, prudential control, organizational control and protective controls/regulation (Vittas, 1992).

4.3.2 Empirical review of Literature

Factors affecting financial sustainability in rural microfinance institution in Tanzania. The study use a quantitative research approach with panel data regression as the main data analysis technique. The study was based on a 4year primary and secondary data obtained from 98 samples of microfinance institutions in Tanzania. The study found that microfinance capital structure, interest rates charged, product type, size of microfinance institution, number of borrowers, level of portfolio at risk, differences in lending type, cost per borrower, level of liquidity, staff productivity and the operating efficiency affect the financial sustainability of the rural MFIs in Tanzania (Nyamsogoro, 2010). The influence of factors such as training of staff, service delivery, branch network, and capital adequacy has impact on sustainability of MFIs in Kenya Wambugu and Ngugi (2012). The research design used was a descriptive study of a population of 135 lower and middle managers from Kenya Women Finance Trust. Sample of 30% was selected using stratified random sampling. The study concludes that quality of service delivered, branch diversification, staff competencies, cost of capital have positive impact on the financial sustainability of Kenya Women Finance Trust. Again, A study on the determinants of financial sustainability on microfinance institutions in East Africa by Tehulu (2013) looked at 23 MFIs in East Africa from the period 2004 to 2009. The study concluded that the financial sustainability of microfinance institution is positively and significantly influenced by size and loan intensity. But management inefficiency and portfolio at risk are negatively and significantly impacted on financial sustainability. Also Breadths of outreach and deposit mobilization are unimportant determinants of financial sustainability based on the study. Furthermore, a study conducted on the impact of regulation on profitability using cross-sectional data and analyzed using an econometric analysis by Mersland and Strom (2009) in their findings on these regulations on profitability, they found out that, regulation has an insignificant relationship on the performance of the institution. Evidence of outreach on a trade-off was never found.

4.4 Cost and Benefit of Regulations

Regulations of microfinance are very advantageous. Upon that it comes at a cost, every regulation is the cost involved, it cannot be done without a known price attached to it. The length & breadth of every financial system comes with expenses and so the microfinance

sector is not an exception when it comes to supervising, monitoring and administering of the institution. The microfinance institution together with its customers are likely to be challenged with the establishment of rules and laws from regulators since this comes at a cost and it directly or indirectly affects them. The regulators may need to regulate and supervise much microfinance in a particular region and these institutions are of different types and need different regulatory instruments, standards, and requirements and this makes it very expensive and costly. All the costs incurred are indirectly transferred to microfinance institutions either as licensing fees or other fees and this makes it difficult and expensive for the institution to operate. The regulators also sometimes impose interest rate caps. Microfinance also charged a high-interest rate to compensate the institutions for more expenses when rendering services to its customers. Microfinance institutions believe that the only way to survive and continue being in existence is to charge a high-interest rate. This will in a way make them sustainable.

4.5 Regulatory Instruments in Ghana

The major regulatory instruments in Ghana microfinance institutions include Minimum capital requirement, reserve, and liquidity requirement, ownership concentration, risk concentration, Asset quality, sanctions / corrective actions and insider lending.

4.5.1 Minimum capital requirement in Ghana

Another term for Minimum capital Requirements is regulatory capital. It is the amount of capital/money that is required or demanded by BoG regulators for MFIs or banks to hold in their possession to operate. The reason for the capital requirement is to ensure that financial institutions and deposit institutions do not dominate their holdings with investments which can increase default risk. It also ensures that the institutions have enough funds to sustain their operating losses and still honoring customers' withdrawals.

Ghana case, a minimum capital requirement amount is 500, 000 Ghana cedi as of 2015. The amount was increased to 1000,000 Ghana cedi in 2017. And in 2018, the minimum capital was increased to 2,000,000.00 Ghana cedi. In a press released organized by Bank of Ghana, the public was made aware of the closure of 347 microfinance institutions across Ghana and the reasons for the closure according to the Bank of Ghana include: breaches of corporate governance, diversion of clients/customers deposits to other private businesses,

undercapitalization, poor lending, and investment practices, and non-compliance with regulatory guidelines.

According to the speaker, it was based on the above reasons that, the Bank of Ghana is considering increasing the minimum capital requirement of the sub-sector which is currently GH¢2 million, to prevent the above financial crisis not to repeat soon. The press release also stated that "the regulators from the bank of Ghana are undertaking a comprehensive review of the entire financial regulations system through the review of monitoring and supervisory policies and regulatory directives, reviewing the licensing requirement, minimum capital requirement reviewing for MFIs, and the possible consolidations encouragement of the industry through acquisition, mergers and acquisition willingly by the operators".

Prof. Peter Quartey, an Economics Professor from the University of Ghana in an interviewed with him mentioned that the issue of the minimum capital increment is long overdue since its delay led to the alarming of many microfinance institutions that have no ability nor capability to operate and compete in the sub-sector.

He further states that, "the MFIs is kind of business/banking, and this type of banking means a serious business, some amount of capital is needed by the operators to support themselves so that the customers and the public don't lose confidence in their operations in case of any default or challenge for the institution". According to him, a decent minimum capital should be offered to the industry so that those who cannot afford the amount, will leave for those with the capital required to remain". He told the Business and Financial Times (B&FT) in an interview.

4.5.2 Reserve Requirement in Ghana

Reserve Requirement is the minimum amount of capital a financial institution must hold in reserve based on their deposits. The term Reserve Requirement also sometimes referred to as Cash Reserve Ratio is the minimum amount of cash or its cash equivalent that is computed as a percentage of its deposits which financial institution, example banks, microfinance institutions, other deposit-taking institutions (insurance companies, credit unions, savings & loans) are required lawfully to keep in their possession, which may not be used for investment or lending. The Reserve requirement is important because it serves as a safeguard

for inordinate and sudden demands for cash withdrawal in case of bank runs. Also, it serves as a control mechanism for cash withdrawal from an economy or cash injecting (liquidity) into an economy.

In Ghana, banks are expected to hold 9 percent of their deposits at the bank of Ghana as a primary reserve and are also required to hold a 15 percent of their deposits that are eligible to Bank of Ghana as a secondary reserve requirement as in medium-term and T-bills of the government of Ghana securities.

4.6 Research Methodology

This article was purely conducted to understand the perspective of the regulators, and policymakers on how effective the policies and regulations are to the beneficiaries and the microfinance institutions management about the impact of regulatory guidelines and government policies on their operations. Views on some of the institutions and individuals offering direct and indirect services to the microfinance institution were also sought on the dealings of the industry and challenges towards the institutions. Qualitative interviews were conducted using a semi-structured interview guide to various respondents over seven weeks and follow up interviews were also conducted at a different time both through interviews (face-to-face), emails and on phone. To know financial regulations & government policies impact on the micro-financial sector of Ghana. This study brings on board the combined analyses of the regulatory framework and the policies implemented for the institutions involved. Related literature review of the microfinance institutions was examined, the policies implemented on the sub-sector was elaborated, and the regulatory guidelines and framework were analyzed with the objective of the article/study to evaluate and conclude on necessary measures to the institutions' growth, development, and sustainability. The review also discusses the challenges facing both the microfinance institutions and the financial regulations and these were discussed in detailed in the third article of this study.

With the sources of data, the relevant information/data for this article was organized through primary and secondary sources. Primarily, the government institutions and private institutions involved in the policymaking, regulations, and supervisions, rendering financial services, creation, formulation and implementations of the microfinance programs and

policies were researched. These institutions include the Ministry of Finance, Bank of Ghana, Microfinance Institutions Network, Ghana Microfinance Companies, Microfinance, and Small Loans Centers, and Microfinance Institutions. Secondly, the Germany Development Cooperation (GTZ), Agricultural Development Bank (ADB) Ghana Statistical Service (GSS), Regional Institute for Population Studies (RIPs) through their websites and homepages were consulted, publications, press releases, individual contacts about microfinance, regulators, government policymakers on the sub-sector.

Interviews were conducted based on the interview guide presented in ANNEX 2A and focus group discussion guide for the management of microfinance institutions in ANNEX 2F. The interviews were conducted to solicit respondents' views on the policy-making and implementation of the microfinance institutions in the country and their general opinions on the subject matter. Also, information was gathered from the Bank of Ghana through an email sent to the bank's secretary to the financial regulations sector. The director in charge of the microfinance institutions regulations and supervision answered the questions and was called on the phone later to rectify and clarify some of the given answers/responses.

Furthermore, the Focus Group Discussions with some selected management of the microfinance institutions was to get information on their views and opinions on the subject matter. A consensus was reached with the group of respondents on their opinions on each of the questions asked and the solutions they provided. This makes the discussions participatory and encouraging. Another secondary source of data was from articles, finance books, research methods books, microfinance books, and the internet within the study area and related areas.

The sampling of the interviewees/respondents was done based on the convenience of the participants and the staff available to assist the researcher in the data gathering. In all thirty-two (32) interviews were conducted using structured interview guides and a focus group discussions guide to the various institutions' management at their convenient time and on their approval to be interviewed. Pseudonym and acronyms were used instead of the names of the respondents for confidentiality reasons. The data or respondent responses were analyzed qualitatively using a thematic analysis.

4.7 Data Analysis

During the data analysis of the field data collection, a significant number of factors was found playing a role and having impacts, both negative and positive impacts from financial regulations and government policies to the microfinance sector development in Ghana. The analysis was discussed and explained according to the research objectives and the research questions of the study.

4.7.1 Response to First Research Question (1)

1. What are the positive impacts of regulations & policies on microfinance operations?

The findings from this research have provided the answer to the above research question 1: The respondents from Ministry of Finance (MOF), Bank of Ghana (BOG), Ghana microfinance company (GAMC), (GHAMFIN) staff and management of various microfinance institutions were asked the above question on regulations and policies of microfinance institutions and the below is their responses:

“A male respondent from the Bank of Ghana financial regulation section by name Kofi who graduated from the University of Ghana, 48years old and married said: "There are a lot more positive impacts of financial regulations on microfinance sector development in Ghana. Kofi mentioned monitoring the sector and supervising them by BOG makes the regulators know the institutions performing well and those lacking expertise knowledge, facing financial challenges, and liquidity issues. He further mentioned that the microfinance sector in the country, the majority of them are working on debt and cannot pay their customers today in case of closedown and it was due to regular monitoring and supervision that the regulators realized this. He again mentioned that the regulatory framework and guidelines of the institutions help the financial regulators to know the serious microfinance institutions in terms of their reporting strategies and performance levels”.

Madam Akosua, a 43-year-old woman, who holds a Master's degree from Kwame Nkrumah University of Science and Technology in Business Administration, Finance option in charge of the non-banking financial institution at the Bank of Ghana, regulatory and supervision section during an interviewed with her mentioned that:

“Financial regulation in the country has a lot more positive impacts on the institutions. The clients / customers that bank with the institutions enjoy positive impacts from the regulations of the sector. Akosua said, regulations underpin the markets, help protect the rights and the safety of the customers in the microfinance institutions, ensures delivering of quality products & services to the clients, and again helps in addressing the smoothness, safety, viability, soundness and stability of financial institutions as well as the entire financial system, payment systems, to achieve more market-oriented framework, regulatory measures, and policies”.

The staff of the Ministry of Finance were interviewed on the above research question and below were some of their answers.

According to H. A. of a graduate from the University for Development Studies at the Finance Ministry, Financial Sector Division, the policy-making body of a microfinance institution in Ghana said in an interview with her both on the telephone and an interview guide through email sent to her that:

“The regulation helps to reduce the public outcry due to the frequent and continues folding up of the institutions in the country. H. A mentioned that the rate at which the microfinance industry is collapsing in the country, most of the institutions getting their licenses been revoked by Bank of Ghana, majority of them are insolvent, some ceased operations due to insolvency and poor performances and all these affect the customer of the institutions more than the management”.

“H.A again said the regulations have a positive impact in that, it comes in to help in the protection of the customers and their deposits. That, most of the management is doing what they want with the customers' monies and the regulations and the supervisions now is checking what is done with the raised funds from the institutions. H.A. opined that, as part of the customers protections and long term survival and sustainability of the microfinance institution, the bank of Ghana increase the minimum paid-up capital that is capital requirement to help reduce the collapse rate of the institutions and in case of collapse, those amounts can be used to help the clients of the institution. She said I think the advantages of regulations far outweigh the disadvantages narrates HA”.

Besides, H.A, the director Mr. A.K at the policy formulation and implementation section of the ministry of finance, financial sector division mentioned during the field data collection that:

“Regulations in Ghana have both positive and negative impacts on microfinance in Ghana. That is a mixture of good and bad but if the right things will be done by the regulators possibly the goodness of it will outweigh the bad side of it. Yet still, most of them think its better for microfinance institutions to be regulated in the country. He states the positive impact of regulations on microfinance institutions to include: 1. Regulations help shape microfinance institutions and 2. Regulations made the microfinance institutions to stick to their core mandate.

This is because without regulations most management would have managed the institutions in their best interest instead of the interest of the customers first and the entire employees. Regulations help put all managers on track to act towards the guidelines, rules, principles, and regulations of the bank of Ghana regulatory framework. The regulations have guidelines and frameworks that every microfinance institution should follow and work accordingly. These regulatory guidelines are effective and the institutions that act outside it attract some penalties by the regulators. Also, the policies help protect the customers and microfinance institutions”.

Furthermore, the regulations from the bank of Ghana made the MFIs to stick to their core mandate and do only what they were registered to do. Some microfinance institutions owners and management go beyond their core values and exceed what they were registered by the registrar generals department to do as an institution. Because regulations are available, monitoring and supervising the activities of the institutions, the managers find it difficult to easily deviate from their core values since the deviation is what mostly leads the institutions to default and go bankrupt”.

During the focus group discussion with the staff and management of Afro-Arab microfinance institution in Accra Newtown, they are of the view that, financial regulation has a lot of impacts on microfinance institution in the country and that, the regulations has contributed immensely towards the success, maintenance, and development of the microfinance sector.

They mentioned the positive impacts of financial regulations on microfinance institutions to include:

- Training the staff of Microfinance Institutions.
- Capacity building of the management and other employees of MFIs.
- Monitoring and supervision of the microfinance sub-sector
- Advice and counseling on records keeping, finances and loans
- Withdrawal of licensed from non-functioning or bad performing and insolvent institutions

The above was explained by the management as:

“The regulators train the employees of the microfinance institution on reporting standards and other key issues about reporting to them. The training is done in groups with other microfinance institutions either monthly, quarterly, semiannually or annually. The training helps the staff to know other financial and accounting standards that they have no idea of before the training. Also, the regulators help build the capacity of the microfinance employees. The focus is more on human capacity building and this leads to other abilities and capabilities enhanced”.

“Again, the monitoring and supervising of the institutions make the management and other staff to work diligently and effectively towards achieving the purpose of the organization and following the rules and regulations laid down to them by the regulators”.

“Furthermore, advice and counseling to the management and employees on what is right and expected of the institution is one of the good aspects of the financial regulators said another respondent. They advise on issues of finances, credit management, recruitment, and accounting principles. Upon all these any institutions that deviate from the rules and regulation is sanction and it depends on the gravity of the offense, it can lead to close down or withdrawal of the institution's license”.

We observed from the field data collections that, a lot of positive factors of financial regulations on microfinance institutions were mentioned by the respondent. The mentioned

and explained factors above are a few of the positive impacts of regulations mentioned during the interviews and discussions.

4.7.2 Response to Second Research Question (2)

What are the negative impacts of regulations & policies on microfinance institutions' operations?

Aside from discussing the positive impact of regulations on microfinance institutions in the country, the institution is not without negative impacts. Some of the negative effects of regulations on microfinance institutions mentioned by the respondents are indicated below:

“Maltiti of Dahinsheli” Microfinance institutions in Tamale, who is an accounting and finance manager, a married man and a Higher National Diploma holder from Tamale Technical University was asked in an interview with him what are the negative impacts of regulations to microfinance institutions in the country, below are some of his responses:

"The regulations have some negative impacts on our institutions. Some of this negative impact from my thinking is: Increment in the minimum capital requirement, the reporting standards and procedures of the microfinance institutions to the regulators, revocation of some microfinance institutions licensed by Bank of Ghana regulators, which leads to the collapse of most MFIs in the country".

“The manager Mr. Maltiti complained about the increment in the minimum capital requirement of more than 100 percent. He said this will not sustain the institutions but rather collapse most of the institutions in the country. He recommends that minimum capital should be done based on cases and according to the area of establishment and the number of customers each institution is serving. The Return on Equity (ROE) of the institution and the Return on Asset (ROA) of the institutions must be considered before making this general rule and passing it through”.

Maltiti again said, the sales, expenses, growth, profitability, number of customers served, numbers of staff, location of the microfinance institutions all vary from one institution to the other. So generalizing minimum paid-up capital is unfair to most microfinance institutions in the country”.

Madam Cecelia, a 27-year-old staff at the microfinance institution in Techiman a mother and the confident woman mentioned that, all other staff of different microfinance institutions are complaining about the minimum capital requirement increment.

"Cecelia concluded that most of the microfinance institutions may not be operating at the end of the year based on what Bank of Ghana is expecting from them. They wish they could change the required amount but it is beyond their ability and capability. Cecelia further reports that all the staff of the institutions now are looking for job opportunities elsewhere because the probability of them being jobless at the end of the year is high due to the high demands from regulators and Government from the microfinance institutions as require reserve and minimum capital requirement".

Mr. Atto a Higher National Diploma holder from Accra Technical University and a manager at the Ghana microfinance institutions network opined that:

"The effect of financial regulations on microfinance institutions is the fact that some of the regulators lack the knowledge of regulation and they the management when it comes to submitting reports, monitoring and evaluating the microfinance sub-sector. He again mentioned that the number of regulators in the country as compared to the number of microfinance in Ghana is very small, due to these, not all the sub-sector gets monitoring /regulation from the bank of Ghana regulators. Atoo is of the view that, if the regulators are many and the powers of the regulators decentralized, then regulators in the country can have a continuously positive impact on microfinance institutions and not negative impacts".

The researcher observed that most of the institutions complaining about the minimum capital requirement set out by the regulators of Bank of Ghana and the government of Ghana are the institution that could not afford the needed amount by the due date set. The majority of them were scared of taking over, acquisition, mergers and complete shut down by the end of the year due to bank of Ghana directives indicated to them. Again most of the staff of the various institution wish the government will come in to support the microfinance institutions due to their contribution to the economic development of the country.

4.7.3 Response to Third Research Question (3)

What are the roles of Government policies towards microfinance institutions operations and development?

During the interview, respondents from the bank of Ghana said: Ministry of Finance, the financial sector division is the department in charge of microfinance institution policy-making and implementations in the country. The role of the department at the ministry in the microfinance sub-sector include:

"Creating a viable policy environment, macroeconomic environment, and microenvironment for microfinance sector growth and development in the country. In charge of policy formulation and implementation of microfinance institutions. In charge of giving directions and in collaboration with key stakeholders of the sub-sector, and the policy-making body at the Finance Ministry established a forum for microfinance institutions.

He further opined that they again work hand in hand with other Ministries, Departments, and Agencies, aside from the MDAs, policy-making body also work with some different key stakeholder and relevant institutions to help regulate, supervise, monitor, direct, guide and evaluate all microfinance institution activities in the country. Furthermore, the institution is in charge of coordinating all assistance from donors and development partners to the sub-sector. For example, financial and technical assistance, financial resources are all directed to the institution".

Uncle Ebo, a 44-year-old married man from GHAMFIN, who holds a Master's degree in micro-financing in an interviewed with him mentioned the role of the microfinance policy to include the following:

"They serve as middlemen between the regulators and the microfinance institutions. They collaborate with key stakeholders towards achieving the purpose, goals, aims, and objectives of the sub-sector. Policymakers help both the regulators and microfinance institutions and the protection of borrowers, small depositors, the clients and consumers of a microfinance institution in the country. He finally said policymakers serve as checks and balances or watchdogs between the regulators and the microfinance sub-sector".

A 52 old man Mr. Sammy at the ministry of Finance, financial sector division in charge of microfinance policy making and implementation answered the above question:

"Sammy mentioned the roles to include, protecting the customers, organizing training programs to the microfinance staffs, building the capacity of the management, act in between the regulators and the microfinance institutions, ensuring the progress of the institutions to long term sustainability".

"Sammy further narrates that, the finance ministry, particularly this section called FSD, thus financial services division, makes sure that, the institution work to serve their purposes of bridging the gap between the rich and poor through poverty reduction, employment creation and empowerment is ensured. Also to protect the customers since it is their funds that are been used in running the institution. He said again that, the microfinance institutions are working in line with the poverty reduction strategies objective of the country, so we ensure that, the right thing is done by both the microfinance management and the financial regulators".

Gladys a 32 old year single staff at the ministry of finance policy-making body and implementation in an interviewed with her with an interview guide mentioned the roles of the government policies towards microfinance institutions operations and development as:

"Creating a viable and sound financial policy environment, macroeconomic environment, and microeconomic environment for the growth and accelerated development of the microfinance institution in the county, and being in charge of all policy formulation of the institution and directions in collaboration with interested parties/stakeholders of the institution".

Simon an intelligent and confident looking staff from Ghana Microfinance Company who is married with kids, 36-year-old gentleman narrates that:

"Microfinance forums are being established and managed by the policy-making body at the Ministry of Finance. Policymakers also work in collaboration with other Ministries, Departments, and Agencies, including other bodies and stakeholders to

help in monitoring, guiding, supervising and evaluating all microfinance sub-sector activities in the country”.

Issac from the ministry of finance also said the role of the office that is the policy-making unit of the microfinance subsector cannot be overemphasized. Several roles are been played by the sector to ensure that, the microfinance institution and the other stakeholders involved in the institutions work together for effective and efficient quality services rendered. He mentioned that:

"The institution (policy-making) coordinates all the assistance that comes from the development partners and other donors. That is, the assistance/support in the form of a financial assistant, technical assistant and the financial resources all are harmonized and directed to the microfinance sub-sector. Finally, he said the fund activities and programs of the microfinance institutions are been overseen by the policymakers and the implementation body of the finance ministry in the country".

The researcher observed from the responses and discussions that, the policy-making body and the implementation of the microfinance institutions in the country have a lot offering to the institutions both to the regulators and the microfinance sub-sector. As in whether the aims and purpose of the sector have been achieved is the next discussion.

4.7.4 Response to Fourth Research Question (4)

What are the Objectives of Government Policies towards Microfinance Institutions in Ghana?

The respondents were asked what they think are the objectives of the government policies to the microfinance industry in the country and the following were their narrations for the question.

According to Madam H.A, of the Ministry of Finance, financial sector division in a telephone interview and through an email sent to her with an attached interview guide, she states the objective of the government policies to microfinance institution to include:

"The sector help create a viable, sound, and enabling environment at all levels (highest and lowest levels), which supports the activities, programs, and the operations of the microfinance industry in the country.

Furthermore, H.A narrates that, the policy-making body provides facilities for the microfinance sector's sustainable free flow of capital, development of financial and human capital, and adequate infrastructure in Ghana.

Again, policies for the sector ensure a well-coordinated, organized, and harmonized microfinance sub-sector within Ghana's financial system.

Also, policymakers are ensuring a sound, stable, integrated, smooth, and very sustainable microfinance institution and financial system which targets and reaches active poor and low-income individuals in the country".

Finally, H.A narrates that, "financial sector division in charge of policymaking for the government in the country ensures and facilitates the protection of consumers or customers" and the small depositors of the microfinance institutions".

4.7.5 Response to Fifth Research Question (5)

What Contributions do Regulations and Policies have on Microfinance Sector Development in the Country?

The contribution of financial regulations and government policies to the micro-financial sector development of the country are those listed and explained below according to the interviewees/respondents from the various interviews conducted by microfinance institutions management, regulators, and policymakers. The following are the contributions from their narrations:

Hajia a graduate from the University of Ghana, married and very confident women from the ministry of Finance narrates:

"Hajia explains that one of the contributions is by taking regular reports from the microfinance institutions. Reports taking by the regulators, monthly, quarterly, semiannually and yearly help the microfinance sub-sector to keep their records correctly and report to the regulators as in when it is needed. Without regulations,

some of the institutions may not have kept and maintain records of a week, month nor yearly. It is one of the regulatory requirements by the Bank of Ghana for the institutions they supervise to submit to them the monthly report for evaluation and analysis. Through the reports, they can easily see faults/mistake and demand for answers from the institutions management for the necessary correction to be done". The policymakers also support and guide the dealings of the microfinance institutions, train the staff, build the capacity of the management, and organize seminars and programs for the institutions to discuss issues of concerns and interest to the institutions Hajia narrates".

Abbass a 41-year-old gentleman from Koforidua Technical University and a long term serving the staff of Ghana Association of Microfinance Company mentioned that:

"Regulations and policies help the aims and objectives of the microfinance institution to be realized through intensive monitoring and supervisions".

"From the field findings, the regulators made mentioned that, because of their regulations, rules, monitoring, supervision, and the guidelines for the institutions, most of the microfinance institutions management do proper work and this makes their work easier. Again, when most of the management heard of the regulators coming to monitor them, they do all that is expected of them before they were questioned or queried and this makes their work of monitoring and supervising easier and helpful".

In a focus group discussion with the management of "Dahinsheli Microfinance institution" in Tamale, the respondents mentioned that: regulations and policies are there to protect the customers because they are dealing with their monies:

"SS, a staff of the above institution mentioned that another contribution of regulators and the policymakers to the microfinance sector development in the country is the protection of the customers. The customers also attested to that likewise the microfinance institutions employees. Because of the protection, most customers feel secured to deal with the institutions. Clients are protected against fraudulent products

and bad services. Their savings and investments all are protected by the regulators hence the need for a minimum capital requirement and liquidity reserves. So that in the case of the institution's default, those monies can be relied on”.

"Again, there are field inspections by the regulators to the institutions. Both announced and unannounced to check the information the management supplies them with. Due to the unannounced inspection and monitoring by the regulators, the managements are always on track and doing what is expected of them at the right time Chelpang narrates".

Mr. Doe a member of the focus group discussion mentioned that, the regulators and policymakers serve as checks-and-balances to the microfinance institutions:

"Also, the managers of some institutions responded that the regulators and the policymakers' serve as checks and balances to them. They are always checking on what they do and at what time they doing what. This made them not to involve in any activity they were not registered to do. Engaging in any unregistered to do products and services can lead to a collapse of an institution and because of the checks and balances, we are afraid to be involved in those activities".

Sadat, a 29 old HND graduate, an accounting manager of the institution narrates the institutions' contribution to microfinance institutions has:

"He explains that another contribution of the policymakers and the regulators to the microfinance sector development that we cannot be silent about is the support the microfinance institution receives from the institutions' example, they give technical support, train us on how to submit prudential reports, and help build our capacity. This helps to build most of the management and other staff. Sometimes they support financially. Another training they give to the microfinance institutions which helps them most is training on financial inclusion and collateral registry reporting training explained by Sadat".

Nasara, a female staff of the institution, a graduate from Tamale Technical University narrates that:

"Regarding the minimum capital requirement, some microfinance respondents said, the regulators and policymakers speak on their behalf. That they are trying their best to see what can be done about it. So both the regulators, government, policymakers and other key stakeholders of the microfinance institution are negotiating to see what will be the best outcome Nasara".

We observed from the respondents' responses that, some of the contributions mentioned are repeated by other staff. Some of the answers are key and almost all respondents are mentioning it.

Zee a married woman from MASLOC concluded that regulations and policies help improve the performance of the institutions:

"The performance of the MFIs also increased due to the regulations and policies imposed on them said a branch manager at MASLOC. The regulations made them work effectively and efficiently toward achieving their goals and objectives and reporting standards. It helps shape the organization and the workers. It also helps increase the profit margin and increase sales level. Both length and breadth of outreach are increased and this increase the sub-sectors shares and also performance improved" Zee explains.

Alhaji, a manager and matured married man at the Baobab microfinance institution in Tamale reported that:

"The, regulations and policies made them comply with rules and regulations and follow the regulatory guidelines and requirements. That for them to continue being in operations for a longer period, they must comply with the laws and rules including the laid down procedures of regulation. Failure to do so leads to appropriate sanctions. Due to this, regulators and policymakers, they help microfinance institutions to survive and to be sustainable".

4.7.6 Responses to other Questions on the Interview Guides and Focus Group

Discussion Guide

4.7.6.1 What is the Role of Financial Regulations to the Ghanaian Economy?

According to the respondents, the role of financial regulations/regulators cannot be overemphasized. The operations of financial systems through financial regulations, monitoring, and supervision are influenced by policies yet still, the financial regulations perform a key role in the financial institutions as well as the financial system of the entire country. Below are some of the roles of financial regulations as mentioned by the participants / respondents:

- The regulators give the institutions rules and guidelines to follow and to operate with
- The microfinance institutions were made to send monthly, quarterly, semiannually and annual returns to the regulators for evaluation.
- Regulators make microfinance institutions keep some monies with other Banks in the country.
- The regulators protect customers' deposits, savings, and investment
- The liquidity ratio of the microfinance institutions is been accessed by the regulators.
- Regulators monitor the core activities of the microfinance institutions: weekly, monthly, quarterly announced and unannounced monitoring to monitor performance and to predict deviations / mistakes.

4.7.6.2 What are the Duties and Responsibilities of Financial Regulators to MFIs?

The respondents indicated below as the duties and responsibilities of financial regulators to the microfinance sector in the country.

- Regulators served as checks and balances on the microfinance sub-sector.
- Regulators do organize training to the microfinance institutions: For example, (training on Loans, Information Technology, customer service, and customer protection).
- The Bank of Ghana regulators ensures that the right thing is done by the microfinance institutions to help make the institutions sustainable.
- Regulators help microfinance institutions to get into financial inclusion.

4.7.6.3 What are the Advantages of Policy Making body to Microfinance?

From the findings, the respondents said: the Ministry of Finance, financial sector division is the department in charge of microfinance institution policy-making and implementations. The role of the department at the ministry in the microfinance sub-sector and their advantages include:

- Creating enabling financial policy environment & macroeconomic environment for survival and accelerated development of the microfinance institution in the county.
- In charge of all policy formulation of the institution and directions in collaboration with interested parties of the institution.
- Microfinance forums are being established and managed by the policy-making body at the Finance Ministry
- Policymakers also work in collaboration with other Ministries, Departments, and Agencies, including other stakeholders to help monitor the activities, supervises and evaluates all microfinance/sub-sector activities in the country.
- Again, policymakers coordinate all supports and external assistance from development partners and donors. Thus, support like financial support, technical and financial resources are all directed to the institution.
- Finally, the microfinance fund activities are also overseen by the policy-making body.

4.7.6.4 What are the Advantages of Financial Regulations to Microfinance?

In a focus group discussion with the management of Aspect A microfinance institution in Brong Ahafo Region, the above questions were asked and the respondent narrates that:

Mr. Nuama, a 40-year-old man and a Higher National Diploma holder from Sunyani Technical University, who is one of the managers of the institution mentioned that:

"The regulatory framework by the regulators of Bank of Ghana set right purpose, and course for the long term development into the microfinance institutions".

"According to the staff during the discussion, they believe regulatory guidelines have brought some operational transparency in the sector. Again, they mentioned that there is an increase in the disclosure of pricing and processes. There is also an increment in the education of customer and their protection. Regulations have many advantages in the microfinance sector. The advantages are not only to microfinance institutions but also to the customers, depositors and the financial market at large.

The following are some of the advantages of regulations as mentioned by the respondents during the discussions:

- "Financial soundness of the microfinance is ensured through financial regulations.
- Regulations protect borrowers from unfair interest rates and profit maximization at their expense.
- Again, regulations help customers/depositors to get their savings in case of default from microfinance institutions or collapse of the institution.
- Furthermore, it helps develop and promote the microfinance sub-sector by attracting more borrowers and deposits from the public due to security.
- Also, regulations ensure that microfinance institutions can maintain their operations through their effective measures of reserve requirements, minimum capital requirement, and loan documentation".

We observed that most of the respondents have something to say about the regulators though some of them were not in support of the increment in the minimum capital requirement that is making their institutions stability, not a guarantee.

4.8 The Role of Ghana Government, Policymaking and Regulations

The Government of Ghana, the policy-making body at the ministry of finance and the financial regulators from the Bank of Ghana needs to be properly coordinated. There should be checks and balances amongst them and they should together agree on issues, policies, regulatory framework to impose on microfinance institutions in the country. There should be a free flow of information between them and they must understand each other and operate

diligently. Issues of minimum capital requirement from the Government through the regulators and to the microfinance institutions need to be given due attention and considerations must come to play in the sense that the size, location, earnings, asset, capital, length and breadth of outreach for the microfinance Institutions vary. Based on these, if the amount can be made moderate or done base on cases the better for the institutions and the country at large to ensure and maintain long term sustainability within the microfinance sector.

4.9 Necessary Measures to Build a Comprehensive Regulatory Framework

The study has found a very important and comprehensive regulatory framework. The below are the guiding measures which if the Bank of Ghana take into consideration, will help build an effective, efficient and comprehensive regulatory framework in the country.

4.9.1 Customers' protection

The customers of the institutions need to be protected by the government and the regulators. The savings they made and the small depositors all need to be protected. This will bring more customers on board and lots of savings and investments. During the interviewed, most customers mentioned that they lost interest in the institution because they believe their savings and investments are not secured. This also leads to bank runs where the majority of the customers are pulling out their savings before even the institution collapse. When the government is able to bring a protective measure this issue will be minimized.

4.9.2 Education of consumers.

The consumers or customers also need education on the activities of the institutions. Most of the consumers think that banking is about making a profit all the time and that at any time that they require their savings or deposits they should get it. The banking culture is lacking in most of the customers and so they need to be educated on the activities and products of the various institutions. Workshops and training programs should be organized in communities where microfinance is situated to engaged the participation of the clients and educate them on some of these issues. This will help them understand what banking is and they will benefit and appreciate the services rendered to them.

4.10 What are the Measures by the Government to improve Microfinance Institutions' Services?

The microfinance institution and the products and services it provides including the market environment itself can be improved by the government according to the respondents through:

- Focusing on macroeconomic stability
- Banking System being strengthened and
- Proper developing of infrastructures more especially in rural communities of the country.

4.11 Importance of Regulations and Supervision

The importance of regulations and supervisions of microfinance institutions in the country are numerous. The respondents during the field interview were asked what they think are the significance of regulation and supervision and majority of the respondents mentioned the following: Protection of customers and small depositors, protection against high-interest rate, prevention of financial crimes and fraud, protection of the financial system, addresses the fast commercialization of the sector and rapid growth consequences, the checking on the credit delivery mechanism and the new entry of other microfinance services providers.

4.12 Discussions of the Findings

From the findings, we observed that policies and regulations in the country have a strong impact on microfinance sector development. This is because policymakers help the institutions by building their capacity and organizing training programs for them which boost their knowledge and skills and also helps in the long term sustainability of the institutions.

Besides, regulations in the country have an impact on the microfinance sector development according to the findings. They regulate the institutions and make sure that they follow the regulatory guidelines and principles and send their financial and accounting reporting monthly, quarterly and annually. These make the management and staff work diligently to meet the standards and demands of the regulators.

Again, the policy formulators work hand in hand with the regulators of the Bank of Ghana, the various microfinance institutions in the country and other stakeholders of the

institution by coordinating and collaborating the affairs of the institutions. This helps in the flow and dissemination of information and the necessary amendments and directions are given at the right time.

Asides the above, the respondents from the microfinance institutions also responded that some of the policies and regulations implemented in the institutions are so rigid and needs amendments and update because it is affecting their performance and leads most of the microfinance sub-sector to a collapse.

Also, the regulators from the findings indicated that most of the microfinance institutions do not comply with the regulatory guidelines and principles and this is making it difficult for them when regulating and supervising the sector. They again mentioned that recently most microfinance institutions' licenses were temporarily seized due to poor performance and disobedience of the rules and regulations from regulators.

The policies are very important in that, it coordinates the affairs of all the microfinance stakeholders and brings them on board to help the effective functioning of the institutions.

In furtherance of the above, the regulators mentioned why there was an increment in the capital requirement by Bank of Ghana regulators. That, most of the microfinance institutions were having dubious aims of running with the clients' savings and so if the bank of Ghana is having possession of that amount, some of the customers can be saved.

Also, most management uses the depositor's savings for illegal and unethical businesses that end up collapsing and not able to refund or repay the depositors their savings. The increment aims to protect the customers and their savings.

4.13 Chapter Summary

The below a summary of this article is based on the research findings:

The study established that Bank of Ghana is the sole regulator of the entire microfinance sector in Ghana. The regulators were provided with an authority to regulate the sector under the provision of regulatory law and bill. These laws ensure and propose that all microfinance institutions that are operating in the country should register with the Registrar Generals Department and being licensed with Bank of Ghana before began operations.

- The Bank of Ghana is responsible for formulating regulatory guidelines, monitoring and supervising the microfinance and issuing directives to the sub-sector. Again, a focus group discussion had with some microfinance institutions management explained that, the Bank of Ghana financial regulations is a corrective tool for a microfinance institution, strategic fit for most microfinance and that it opined that the regulations would help them operate more effectively, efficiently and synergistically across all microfinance sector in the country.
- Most microfinance institutions managers interviewed during the study are of the view that minimum capital should be reduced for them to continue being in operation since the institutions' existence will continue reducing the unemployment rate in the country.
- According to other respondents from the microfinance institutions, the idea of Bank of Ghana and the government merging or acquiring some of the institutions that could not raise the required amount is not the best option because over ninety percent of the registered microfinance institutions are likely to be closed down or stop operations and the millions of employees from those institutions will be unemployed to join the already unemployed number of youth in Ghana.

We advised that minimum capital should be moderate for all the institutions to be able to afford, to continue being in operations to help the youth and continue to increase employment in the country. Since the aim and objective of microfinance institutions is to create employment, reduce poverty and generate income activities for the poor people.

4.14 Conclusion of the findings

The study concluded that regulations and policies are a very important aspect of microfinance institutions in Ghana and without them, most of the microfinance sub-sector management will have only work to serve their own interest.

Again, though microfinance institutions in Ghana keep on an increasing day in day out, yet still the collapsing rate is alarming. This calls for proper regulations, monitoring, and supervision, and also effective policies in place to sustain the institutions.

All the institutions interviewed in Ghana during the field data collection complained about the minimum capital requirement been increased by Bank of Ghana to be high and very difficult for most of them to be able to raise that amount and this will also make it difficult for new entries into the sub-sector.

In spite of the above, it has been indicated that microfinance played a vital role by supporting in the growth & development of the financial institutions, increasing the banking population thus, financial inclusion, increasing number of savings and investments in the country, and help in the training and capacity building in the financial sector and these are targeted towards economic development, hence the need for its proper regulations to continue to support the financial system, economic development by increasing financial inclusion.

More so, the government policies towards the microfinance sub-sector as part of their objective has helped and protected the marginalized group: Comprising the women, children, youth and the underprivileged people in the country. For a more positive impact to be realized among the poor, and for the betterment in their lives, microfinance policy should be coordinated with other national policies.

Additionally, the issue of minimum capital and microfinance close down will make lots of the working staff jobless while increasing unemployment in the country. This calls the need for Bank of Ghana to ensure reasonable and practical minimum capital which will help create more employment, increase outreach, soundness and improved standards.

Again, financial regulation mostly failed in the country due to regulators focus on the risk of a single institution and not on systematic risk. They fail to see many microfinance sectors taking an aggressive risk and no proper risk management. The framework of regulation in Ghana was inappropriate because it does monitor financial products and services including their operations hence the sub-sector takes lots of risks daily and no proper risk management by the institutions.

We expect the regulators to do better in Ghana. We need regulatory reforms which will help bring stable and sound financial market, protect the consumers, clients, investors, borrowers and which is transparent to improve and help restore confidence in the microfinance sub-sector and financial sector at large.

4.15 Recommendation by the Researcher

We recommend that there should be a microfinance institution development and policy council: These proposed council should be made up of members from Government Ministries, Department, and Agencies, the Apex bodies, GHAMFIN, GAMC, Management of microfinance institutions and others to provide policy advisory services to the government. These committees would help in policy formulation, implementation, and advice on customer protection, credit information, regulations, monitoring and supervision, financial inclusion, innovative technology, products/services in microfinance institutions in the country. This will help build and develop a very proactive policy rather than the reactive policies for the microfinance sub-sector in the country.

Besides the above, the researcher recommends that, there should be formation of regional microfinance council and district microfinance committees: These proposed regional council will be represented by members of the Central Government and representatives from the various Regions, Conventional Banks, the microfinance institutions nominee by the Government and a senior member from the Rural Banks to monitor the microfinance sub-sector.

Also, the Microfinance Development Fund should be created: This fund will be made of monthly contributions from the government, microfinance institutions, donors and other entities. It would be used to provide support like loans, refinances, grants and capital to microfinance institutions, the researcher believes that MFIs will become more efficient, resilient, independent and sustainable in the country.

Then again, it is very important to regulate financial institution and this was long due. Since the microfinance institution is under the Bank of Ghana regulation, it should be ensured by the regulators that it achieves high growth, innovation, and sustainability. There should be a balance between regulations and policies so that the microfinance sector can achieve long term sustainability and profitability.

Conclusively, therefore, the researcher thinks that the policies and regulations in the country need to link up continuously to the key stakeholders, institutions, demand, supply, situations and the market context. We believe when this is done there will be long term sustainability of the microfinance sector in Ghana.

4.15.1 Recommendations by the Respondents

From the findings of the study, it is recommended by the respondents:

The issue of the minimum capital requirements should be considered by the Bank of Ghana and the necessary amendments made. It should be a case by case bases not generalized.

Again, the respondents recommended that Bank of Ghana should be independent of the institutions to license, regulate, supervise, train, monitor closely and evaluate all microfinance institutions in the country.

Also, the policies for the microfinance sector from the policymakers can be integrated with other policies such as the development agency policies, the poverty reduction policy and programs to avoid many policy conflicts in the microfinance sub-sector in the country.

Furthermore, the policy-making and implementation body should work diligently to include all key stakeholders for the effective implementation of the policies.

Respondents also recommend that microfinance Apex bodies should be engaged in decision making regarding regulation, monitoring, supervision, policy implementation and operations of the institutions.

In furtherance of the above recommendations, they again recommend that microfinance institutions should be handled by a separate office not Bank of Ghana and this body should be based at the regional levels in order to educate, train and equip the management and staffs of microfinance institutions in all the ten (10) Regions of the country on microfinance accounting and reporting standards, financial management so as to ensure correct and timely reporting of events to be able to improve performance and standards.

Then again, regulators should ensure that all unregistered microfinance institutions in the country are shut down since they are those increasing the collapse rate of the sector. The unlicensed institutions should also be made to follow the necessary procedures in registering and licensing the institutions in the country.

There is the need for Bank of Ghana to come out with full-fledge laws and regulations solely for microfinance institutions in Ghana recommended by the institution's respondents.

Finally, the last but not the least recommendation by the respondents is that the work of the Ghana Association of Microfinance Institutions Network (GHAMFIN) and advice on Microfinance activities must be taken into consideration. Credit should be given to the institution.

CHAPTER FIVE

5. FACTORS THAT DETERMINES THE SUSTAINABILITY OF MICROFINANCE INSTITUTIONS IN GHANA

Abstract

This article examines the influencing factors of microfinance institutions sustainability in Ghana. It is a very important topic in Ghana and all sub-Saharan African where microfinance performs a key role in the development of the country. Ghana has witnessed unprecedented collapses and unsustainability of microfinance institutions in recent years (2017-2019) necessitating this research to unravel the determining factors using selected microfinance institutions in the country. The article aims at gaining a better understanding of the influential factors which are critical to microfinance institutions' sustainability, why the revocation of licenses of some microfinance institutions, reasons why microfinance institutions collapse and remedies to the institutions' collapse. Data was gathered and analyzed using SPSS and Microsoft Excel. The results from the findings reveal that the factors affecting microfinance institutions sustainability are positively and significantly driven by minimum capital requirement, credit default, low outreach, government policies, unqualified/inexperienced staff, high-profit motive, interest rates, and capital structure. Furthermore, from the findings, microfinance institutions not complying with regulatory guidelines, insufficient training, poor management, insufficient monitoring and supervision, lack of Government support, the collapse of other microfinance institutions and panic withdrawals are the reasons why most microfinance institutions collapsed. Finally, the study has formulated the following important recommendations: Minimum capital should be moderate, there should be compulsory training, capacity building, and proper outreach programs. Again, there should be improved management performance, microfinance institutions comply with regulatory guidelines, low-interest rates, experience, and qualified staff hire to strengthen the organizations' performance, increase shareholder's wealth, reduced collapse and maintain sustainability.

Keywords: Sustainability, Microfinance institutions, Outreach, Credit default risk, Ghana.

Özet

Bu makale Gana'daki mikrofinans kurumlarının sürdürülebilirliğini etkileyen faktörleri incelemektedir. Gana ve mikrofinansın ülkenin kalkınmasında kilit rol oynadığı tüm Sahra

altı Afrika ülkelerinde çok önemli bir konudur. Gana, son yıllarda (2017-2019) benzeri görülmemiş çöktüşlere ve sürdürülemezliğe tanık oldu ve bu durum, bu araştırmanın ülkedeki seçilmiş mikrofinans kurumlarını kullanarak belirleyici faktörleri çözmesini gerektirdi. Makale, mikrofinans kurumlarının sürdürülebilirliği için kritik olan etkili faktörleri, bazı mikrofinans kurumlarının lisanslarının iptal edilmesinin nedenlerini, mikrofinans kurumlarının çökmesinin nedenlerini ve kurumların çöküşüne çözüm yollarını daha iyi anlamayı amaçlamaktadır. Veriler SPSS ve Microsoft Excel kullanılarak toplandı ve analiz edildi. Bulgulardan elde edilen sonuçlar, mikrofinans kurumlarının sürdürülebilirliğini etkileyen faktörlerin minimum sermaye gereksinimi, kredi temerrüdü, düşük sosyal yardım, hükümet politikaları, niteliksiz / deneyimsiz personel, yüksek kâr güdüsü, faiz oranları ve sermaye yapısından olumlu ve anlamlı ölçüde etkilendiğini ortaya koymaktadır. Ayrıca, bulgulardan, mikrofinans kurumlarının düzenleyici ilkelere uymaması, yetersiz eğitim, kötü yönetim, yetersiz izleme ve denetim, hükümet desteğinin eksikliği, diğer mikrofinans kurumlarının çöküşü ve panik çekilmesi çoğu mikrofinans kurumunun çökmesinin nedenleridir. Son olarak, çalışma aşağıdaki önemli önerileri formüle etmiştir: asgari sermaye ılımlı olmalı, zorunlu eğitim, kapasite geliştirme ve uygun müşterilere ulaşmak programları olmalıdır. Yine, kuruluşların performansını güçlendirmek, hissedarların servetini artırmak, çöküşü azaltmak ve sürdürülebilirliği sürdürmek için iyileştirilmiş yönetim performansı olmalı, mikrofinans kuruluşları düzenleyici yönergelerine uymalı, düşük faiz oranları olmalı ve deneyimli ve nitelikli personel istihdam edilmelidir.

Anahtar Kelimeler: Sürdürülebilirlik, Mikrofinans kuruluşları, Müşterilere ulaşmak, Kredi temerrüt riski, Gana.

Introduction

The issue of unsustainable microfinance institutions in the country is a major concern to the regulators, government, policymakers, donors, managers, owners, clients and investors since the operations and activities of the institutions are crucial to Ghana's economic development. The purpose of this article is to examine the determining factors of microfinance institutions sustainability in Ghana. Furthermore, the high collapse rate of microfinance institutions in Ghana and continues unsustainability of the sub-sector necessitated the need for this study to identify the major leading factors of unsustainability

and collapse of the institutions. The Causes, Effects, and the failures of microfinance institutions in Ghana keep on increasing and so there should be measures adopted by the government and other stakeholders to make the sector sustainable. The entire article focused on the following areas under the headings: Background of sustainability of microfinance institutions, research objective, research question, related literature review, theoretical review, microfinance definition, sustainability definition, types of sustainability, empirical review from other countries, conceptual framework, risks associating microfinance institution (financial risk, operational risk, strategic risk), major risk categories (financial management risks, external risks, operational risks, research methodology, data findings and analysis, factors determining microfinance institution in Ghana, collapse of MFIs, some unsustain microfinance institutions, revoked licensed of some institutions, Ghana Government and collapse of microfinance institutions, financial regulations and collapse of microfinance institutions, why microfinance institutions collapse, Solutions to collapse of microfinance institutions, summary of the findings, conclusions, and recommendations.

5.1 Background of Microfinance Institutions Sustainability

Microfinance institutions in the country is a key tool in poverty alleviation, financing small and medium enterprises, creation of employment, and generating income activities though there are a lot of challenges in sustaining it which brings the (regulators and policymakers on board as well as other stakeholders to supervise, regulate and monitor the activities of the institutions to improve the sustainability and protect the savings and interest of the customers in order to be of significance to the nation at large. Sustainability of microfinance institutions is of great significance and a cornerstone to every sound and functioning microfinance institution. Microfinance institutions can maintain profit at a certain level of operation in the long term. Microfinance is mostly being ignored by the Banking sector and there exists a trade-off between outreach of the institution and sustainability. For the sub-sector to be sustained, supported, upheld and be in operation for a longer period, it should be effectively regulated. Because the financial sustainability of the microfinance institutions can be a fulfilling aspect of the financial system. The more sustained an institution is, the better it is for the financial system and the operators at large. For microfinance institutions to be able to achieve its organizations' mission and vision it

must be sustainable. More strategies and techniques must be developed by microfinance institutions management to be able to increase the quantity, range, and volumes of the financial services and products. They should be innovative microfinance products and services for the clients since now microfinance institutions are both social and commercial in the institution's sustainability and its customers are very dependent and have a better advantage. McGuire and Convoy, (2000) said: Microfinance institutions not only a major tool for poverty eradication but it does that in a sustainability manner. While Pavveen (2009) argues on many issues of concern about microfinance institutions sustainability in developing countries has been raised. A sustainable financial service has been offered to the active poor households by microfinance institutions which are very effective and efficient that they lack the services of the conventional banking system because of collateral issues. Microfinance aims to become sustainable, sound and to be able to expand its service (ADB 2000). Roth, (2002) defines microfinance to include micro activities like microcredit, micro saving, and micro insurance. There is an alarming rate of emphasizing the significance of providing a variety of quality, variety, and flexible products/services in response to more different needs of low-income individuals and poor households as time goes on (Wright, 1999). Schreiner (2000), argued that the microfinance institutions should be sustainable for a sustainable poverty alleviation to be achieved. Since unsustainable institutions have no benefit to the poor now nor in the future because the institutions would have collapsed.

5.1.1 Research Objective

The main research objective of this essay is to examine the factors that determines microfinance institutions sustainability in Ghana.

The specific objectives include:

- To discuss the influencing factors of microfinance institutions sustainability in Ghana
- Expatiate the factors leading to the collapse of microfinance institutions in the country
- To examine the solutions/remedies to the collapse of microfinance institutions in Ghana.

5.1.2 Research Question

The main research question of the essay is: What factors are determining microfinance institutions sustainability in Ghana?

The specific research questions of the essay include:

- What factors influence microfinance institutions sustainability in Ghana?
- Which factors are leading to the collapse of microfinance institutions in the country?
- What are the solutions/remedies to the collapse of microfinance institutions in the country?

5.2 Related Literature Review

The relevant related literature under the collapse and unsustainability of microfinance institutions are reviewed for this section. The chapter also presents a literature review on sustainability and collapse of microfinance institutions in Ghana and other countries. This review discusses the different factors affecting microfinance sustainability. Some of the factors are business experience, loans/credit (use of loans proceeds and loan maturity), outreach, financial regulations, government policies and profit maximization motive on microfinance institutions' sustainability.

5.2.1 Theoretical Review of Literature

The theoretical review under this topic, the factors determining microfinance institutions sustainability in the country provides the meaning of microfinance, sustainability, financial sustainability, and the sustainability types were reviewed for easily understanding of the subject matter.

5.2.1.1 Microfinance Definition

Microfinance is financial institutions whose main aim is providing micro-financial services that are micros such as credit, savings, insurance, and remittances to the active poor or low-income individuals (Asian Development Bank, 2000).

5.2.1.2 Sustainability Definition

Sustainability is defined as the ability of microfinance institution to cover its operational cost and expenses through the revenue and interest from its customers. It is also the backbone of sound microfinance institution and when microfinance institution is financially sustainable, it permanently becomes part and parcel of a financial system.

5.2.1.3 Financial Sustainability

According to some authors, there is no agreed definition nor meaning to financial sustainability. It is just about the institution being able to continue or remain in existence for the beneficiaries or customers in a longer duration/period. Thus, microfinance institutions

not to cease operations or be out of business due to insolvency, lack of money, default rates, and other financial and related issues. Sustainability is referred to as a program's ability and capacity to be financially feasible continuously without support, domestic or foreign subsidies (Woolcock, 1999).

5.2.3 Types of Sustainability

The sustainability of financial institutions is of different kinds. For a microfinance institution to achieve full sustainability, all the following types of sustainability must be taken into consideration. These types of sustainability should be properly and carefully observed by the operators and all staff of the institutions, in general, to be successful and attain the highest level of profitability.

5.2.3.1 Institutional Sustainability

This deals with the internal organizational environment and not the external. Thus those factors that make the organization function, workable and a continuous one. These are the dimensions that help all the functional bodies to work effectively (Ruben and Schers, 2007).

5.2.3.2 Mission and Vision Sustainability

The mission is the organizations' purpose, the goal of its operations and the reason for the existence of the organization. While vision sustainability is the organization's long term goals, mission sustainability is what an organization will do to help keep it on the right path, to be on track and not to divert from the mission and vision for the goals to be achieved. Ruben and Schers, (2007) explain mission sustainability as what keeps the organization on its right path to a chosen path for a long time. The organizations' activities have to be evaluated continuously to be compatible with its define mission. In case of any change in mission, it would be on good design and articulated process with the organization.

5.2.3.3 Program Sustainability

Program sustainability is when the program of the organization is being supported and purchased by all stakeholders especially, the customer. The customers agree and perceive the products and services rendered to them are very important and are willing to purchase/assume responsibility for it because of its value. Under the above situation, microfinance can develop a new program or come up with a new strategy since the programs are customer based and been supported. The program should be designed in such a way that

it can be sustained for a longer period and amended as in when there is the need to do so with the help and support of customers (Briet, 2006).

5.2.3.4 Human Resource Sustainability

Human resource sustainability means qualified, knowledgeable, skilled and experienced staff maintained for the survival of the organization. The microfinance should employ, induct, train, build capacity and maintain qualified employees who can deliver quality products and services as required by the organization and the customers. The staff should be able to maintain, monitor and make sure the organization is following the right path taking into consideration other sustainability factors (Ruben and Schers, 2007).

5.2.3.5 Financial Sustainability

This type of sustainability is when a microfinance cost of operations all can be covered. Thus both present/current cost, and the expenses/incurred cost in growth, profit, and expansion of operations (John et al, 2006). This means the institution has been able to meet all its costs (operating cost & financial cost) which is adjusted for inflation and cost of growth incurred. Financial sustainability can be measured with a set of indicators and can be monitored continually.

5.2.3.6 Market Sustainability

The entire market must be considered by the microfinance institution operators. It deals with the whole market, the demands of goods & services and the supply by the institution. Also, it has to do with the kind of customers the institution deals with, their different expectations, needs & wants, designing products/services which best fit the demands of the clients. Serving the customers in a very friendly manner, being customer friendly and market-friendly in a way that leads to sustainable demand. The supply of products and services should also be sustainable. It should be ready at the time that it is needed. The microfinance should be self-sufficient financially and operationally to cover its cost of operation to access resources requested from the client and other sources externally at a normal and reasonable interest rate (Johnson et al, 2006). Market sustainability is again having more choices of products for the customers to choose from. Rosenberg (2003), argued that microfinance can be sustainable on the effectiveness and efficiency of the kind of products and services rendered to customers not due to any imperfections created.

5.2.3.7 Legal and Policy Environment Sustainability

The dealings of the microfinance sub-sector should comply with the laws, rules, regulations and environmental policies. These deal with the issues relating to macroeconomic variables. The laws for the organization must be considered, interest rate, savings mobilization, mobilization of resources from the capital market and other commercial sources. Onyuma and Shen (2005) describe legal and policy environment services, the market assuming stable, friendly, legal environment, policy environment existence which enables more organizations to be involved in microfinance services delivering.

5.2.3.8 Impact Sustainability

Every microfinance institution aims to reduce poverty and to create employment for the poorest of the poor in rural communities. Therefore, is important for the products/services offered by various microfinance institution have a significant and positive impact on unemployment & poverty. The impact changes likely to reflect on the poor should be sustained for a long period until the poor and their families also become out of poverty (Onyuma and Shen 2005).

5.2.4. Financial Stability

Financial stability is the maintaining of stability and smoothness of the financial markets. A financial stable institution is the one that has the entire financial system, financial market, financial institutions, and market infrastructure sound, smooth and facilitates funds free flow from the savers to the borrowers. IMF (2004) define financial stability in terms of its ability and capability to facilitate and enhance economic processes, manage and absorb risk. According to Mishkin (1997), four main factors influence financial instability: Increase in interest rates, increase in uncertainty, negative shocks to firm balance sheets and deterioration in financial intermediaries' balance sheet.

5.2.5 Empirical Review of Literature

Ganka (2010) in their study on the factors affecting the sustainability of microfinance in Tanzania reports a negative effect and a very significant relationship existed among length & breadth of outreach and sustainability on Tanzanian microfinance institutions. They conclude that results become more, the number of borrowers/customers increases, but this does not increase the financial sustainability of the institutions. The reason may be due to

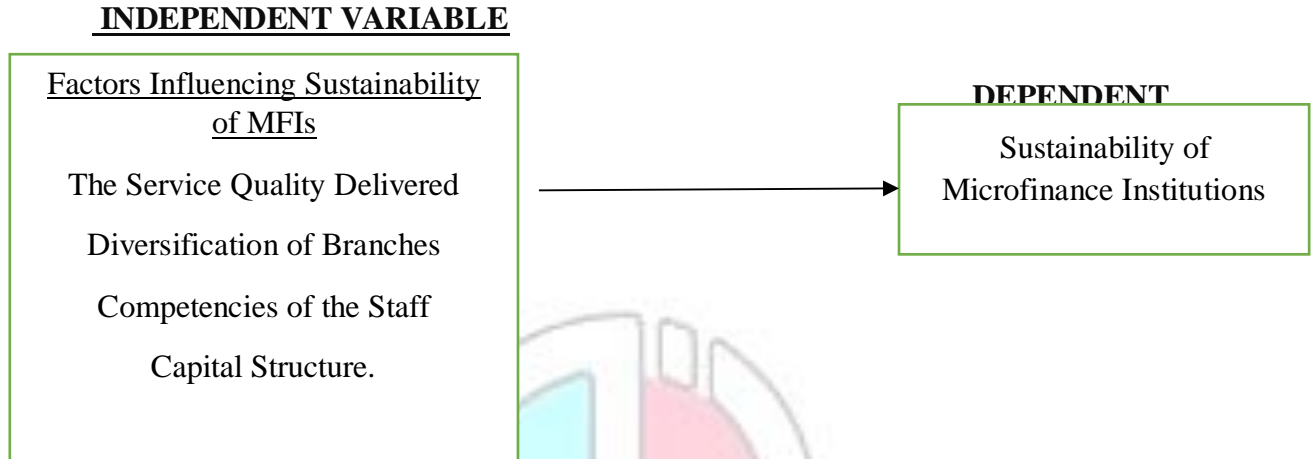
more number of inefficiency because of the number of borrowers increased. However, in a study by Hartarska (2005), they report that having more borrowers & customers had no significant effect on the institutions' financial sustainability. The relationship among the capital structure of microfinance institutions and its sustainability was investigated by Bogan (2009) and found out that, the more the institutions use more grants by especially bigger microfinance institutions it decreases the institution's operational self-sufficiency. Also, the size of the institution's Asset is positively & directly related to sustainability. On the other hand, macroeconomic indicators such as GDP & inflation in the country are insignificant influential factors of sustainability. Using panel data with the data collected for six 6 years from Uganda from 53 microfinance institutions. Furthermore, the determinant of microfinance institution's sustainability and outreach level was examined by Okumu (2007) and their study concluded that sustainability of the institution is indirectly & significantly related to the ratio of the gross loan outstanding, and the portfolio to their total assets. Also, Nawaz (2010) examines the influential factors influencing microfinance profitability and their sustainability using data collected from 179 microfinance institutions across the world. The data was panel data and the results indicate that the evidence never supports tradeoff among the outreach & sustainability, but, a tradeoff of costs and microfinance institutions sustainability is very well supported.

5.2.6 The Conceptual Framework

This conceptual framework presents the variables or factors with their relationship and another variable. That is the independent variable and the dependent variables under investigation. This is done to make the understanding of the research and the variables used. The factors affecting the sustainability of MFIs are represented below as the variables of interest in a conceptual framework.

5.2.6.1 Factors Influencing Sustainability of Microfinance Institutions

CONCEPTUAL FRAMEWORK



Source: Wambugu and Ngugi (2012).

From the above conceptual review of Wambugu and Ngugi (2012), the independent variables are the service quality delivered to the clients, Diversification of branches in different locations, the competencies of the staff or employees in the institution, and the capital cost of the sector while the dependent variable is microfinance sustainability in Kenya. Their study concludes that the service quality delivered to the clients or consumers, diversification of branches in different locations, the competencies of the staff or employees in the institution, and the capital cost of the sector has a direct positive impact and significantly related to the financial sustainability in Kenyan microfinance institutions.

5.2.7.4. Major Risk Categories

Four (4) different major risks were identified to include: risk in the institutions, risk of financial management, risk externally, and risk in operations risks. Churchill & Frankiewicz (2006). Below are the four kinds of risk and their determinants.

5.2.7.4.1 Institutions Risks

It is a risk that comprises Social mission, commercial mission, dependency, strategic and reputation risk.

5.2.7.4.2 Financial Management Risks

This is a kind of risk made up of Asset and liability, inefficiency and system integrity.

5.2.7.4.3 External risks

Comprises regulatory risk, competition, demographic macroeconomic, environmental and political risk.

5.2.7.4.4 Operational risks

Operational risk includes fraud, credit, security, and risk associated with personnel. Churchill and Fankiewicz (2006).

5.3 Research Methodology

Chapter five adopted a mixed-methods approach in investigating factors that determines a microfinance institutions sustainability in the country. Again is used to examine the reasons why microfinance institutions collapse rate is alarming in the country. Dedoose (2012) argued that a mixed-methods approach is very important when tackling research questions and objectives from different relevant angles. There is always the need to collect, analyze and interpret qualitative and quantitative data when a researcher is conducting a mixed method. An interview was conducted with the regulators, policymakers, the staff and customers of microfinance institutions to solicit their views and ideas on the above topic. The data was narrated and analyzed using SPSS and Microsoft Excel. According to Lisle (2011), a good balance can be achieved if there is a mixture of qualitative and quantitative methods through an interactive and or an equal design status like the study concentrating on integration, interactive, and combination of qualitative & quantitative data, research methodology, and paradigms. When the two methods are combined, more benefit is achieved. This is through combining the strength of the two methodologies to compensate for the weakness of the two that may arise when using one of the methods (either qualitative or quantitative). Under this study, One Hundred (100) interviews were conducted in all comprising interviews from the regulators, policymakers, management of the microfinance companies, and customers of the institution. Interviewees were selected purposively and based on respondents' conveniences. The data collected were analyzed and interpreted using descriptive statistical techniques/instruments such as numbers, frequencies, percentages, tables, pie charts, bar charts, and histograms. Also, conventional content analysis and direct content analysis was employed in the analysis of this article.

5.4. Research Findings

The findings are presented based on data collected from the field from regulators, policymakers and microfinance institutions management, employees and customers. The findings are discussed and analyzed below:

5.4.1 Discussions of the Findings

Table 1: The Respondents Gender

In researches of this nature, knowing the sex of participants is very important to conclude the number of males' respondents and female respondents in the study.

Gender	Frequency	Percentage
Male	71	71
Female	29	29
Total	100	100

Source: Own Field Research September 2018. Source:

From the findings, 71 percent of men were interviewed as against 29 percent of women. The majority of the respondents interviewed were men. Both the staff of the institutions and the customers' men are dominating. The researcher observed that fewer women are involved in the microfinance institution both as employees and as customers though the purpose of microfinance institutions is to target more women.

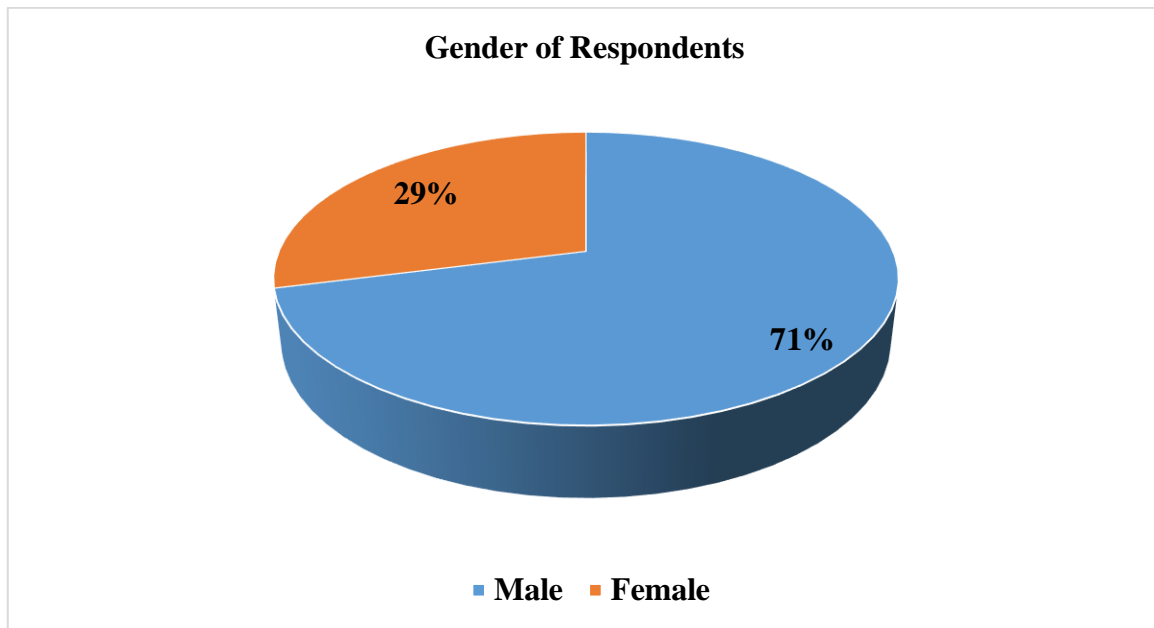
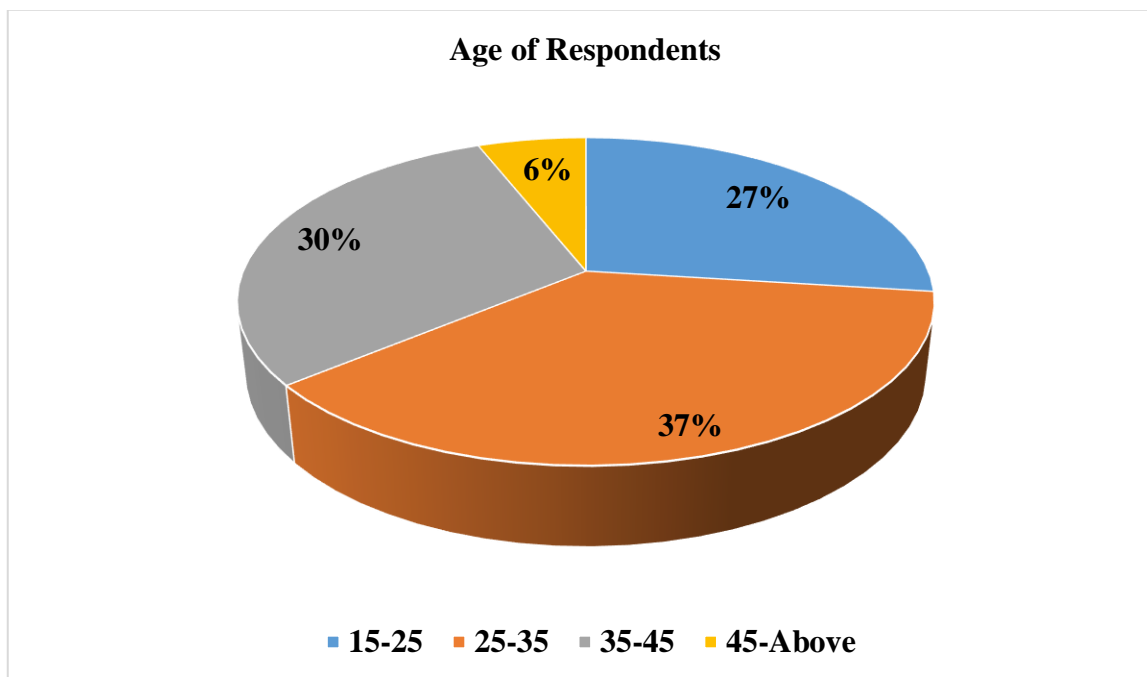


Table 2: The Respondents Age

The below table 2, classified the various ages of interviewees. This classification of the age would help in knowing the age working class in every microfinance institution interviewed and the productivity level.

Class	Frequency	Percentage
15-25	27	27
25-35	37	37
35-45	30	30
45-Above	6	6
Total	100	100

Source: Own Field Research September 2018.



The above table indicates the age of the respondents according to their age groups. From the above table and diagram, it can be concluded that the age group from 25- 35 is the majority with 37 percent of the total interviewed followed by the age group 35-45 with 30 percent. The age group 15-25 and 45 above had 27 percent and 6 percent respectively. This is very important because knowing the age group of participants would help to explain the working group in the institution. We observed that the age group 25-35 is the majority of the working group in most microfinance institutions in Ghana.

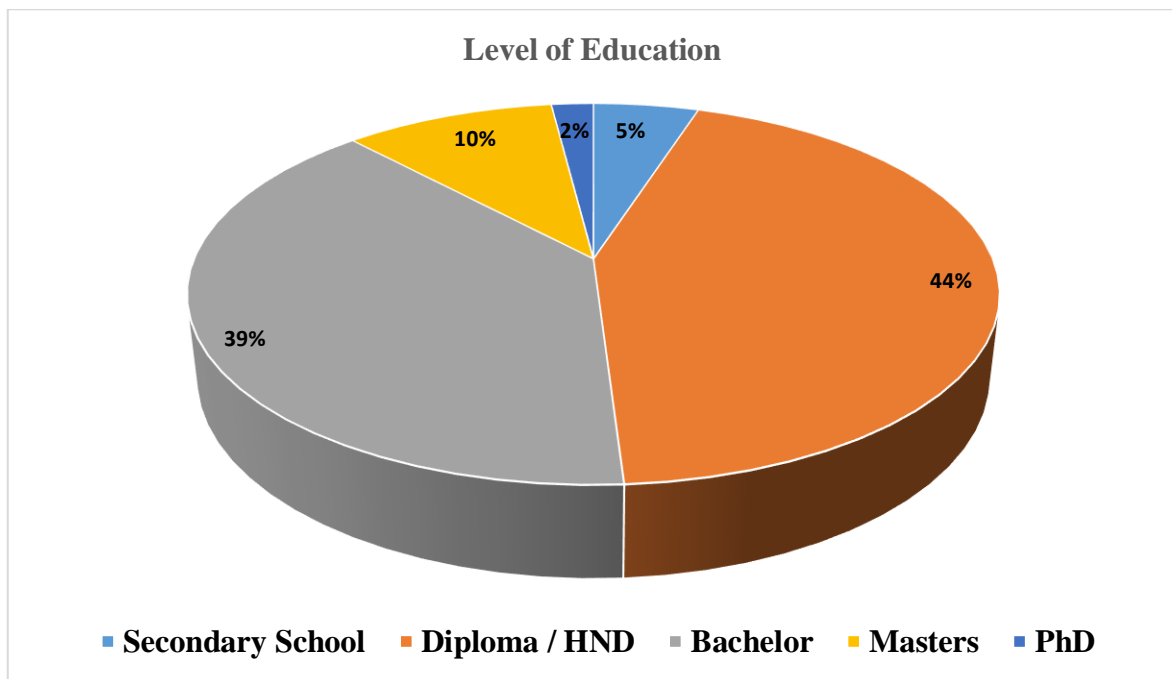
Table 3: The Educational Level

The educational level of interviewees is a significant aspect of research because, it helps to know who the institutions is dealing with in terms of training and capacity building. The below table gives the qualifications of the respondents from the findings.

Level of Education	Frequency	Percentage
Secondary School	5	5
Diploma / HND	44	44
Bachelor	39	39

Masters	10	10
PhD	2	2
Total	100	100

Source: Own Field Research September 2018.



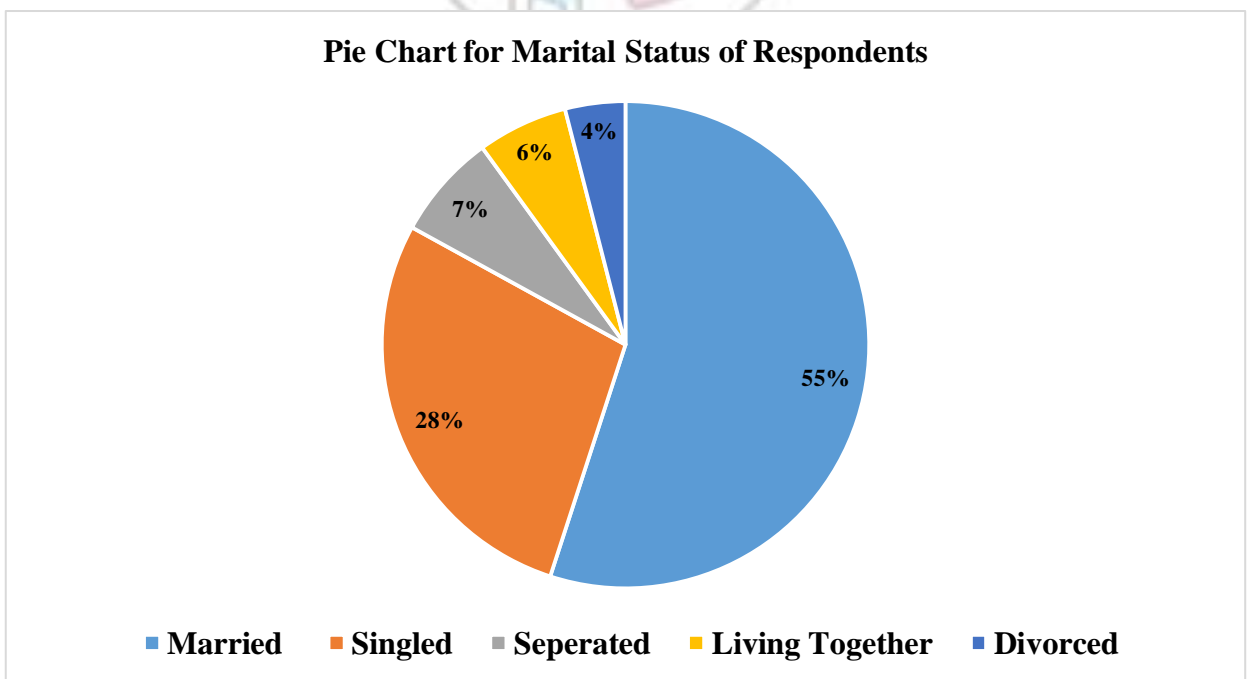
From the findings, respondents with Higher National diplomas and diplomas are the majority with a 44 percent response rate while the bachelor's degree holders are the next majority with 39 percent. Master's degree holders are 10 percent with senior High School graduates of 5 percent. Only 2 percent have doctorates degree. It was observed by the researcher during the interviews that, the respondents with Diploma and Higher National Diplomas are constituting the highest percentage in MFIs of the country.

Table 4: The Marital Status

The participants' marital status was asked under demographical questions to enable the researchers to do analysis based on the respondents who are married, singled, divorced, widowed, and those living together under one roof but not married.

Marital Status	Frequency	Percentage
Married	55	55
Singled	28	28
Separated	7	7
Living Together	6	6
Divorced	4	4
Total	100	100

Source: Own Field Research September 2018.



The majority of the respondents are married men and women with 55 percent and those who are not married (single) is the second majorly with 28 percent. Followed by those who got separated with 7 percent and those living together under the same roof but are not

married with 6 percent. The respondents who got divorced are only 4 percent of the responses. It was concluded that the majority of the participants are married men & women with the highest percentage of 55.

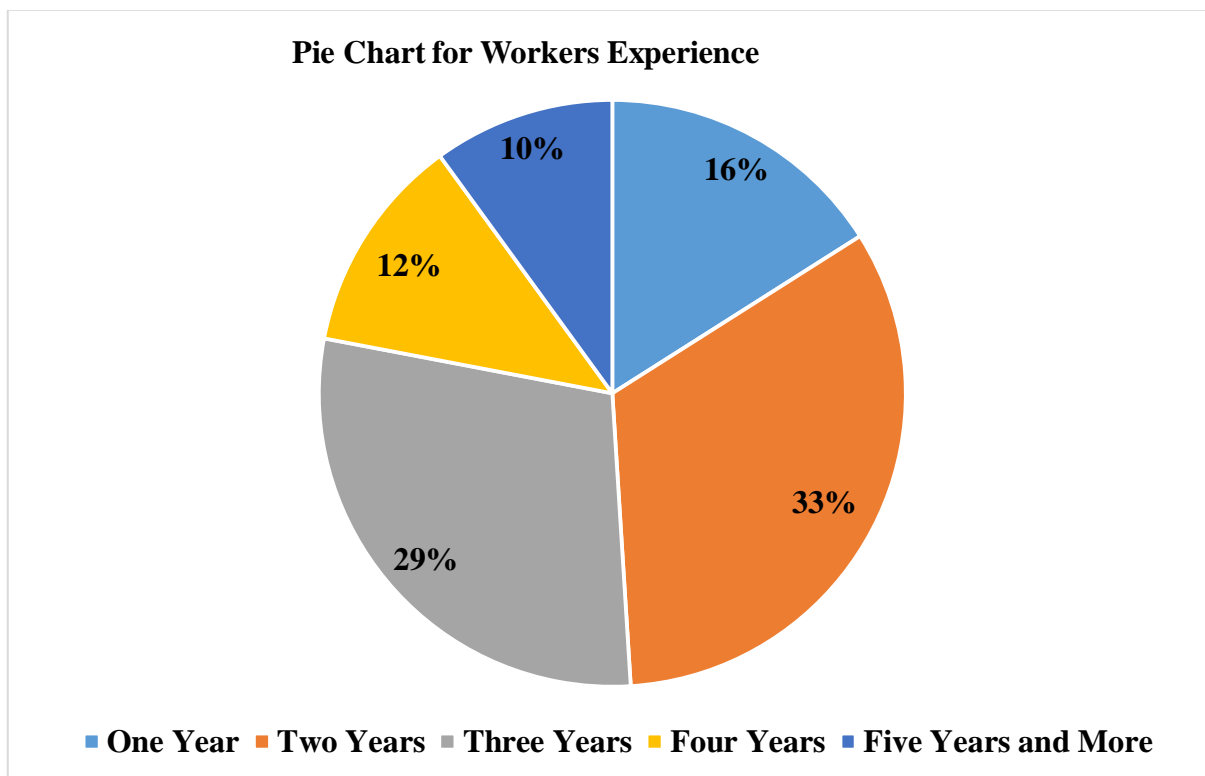
Table 5: Workers Experience

The more the years of working experience a respondent obtained, the better it is for the institution because they can deal with different levels of risks and their understanding of issues is great than a less number of working years' experience. The table below shows the number of the working year for the respondents.

Number of Years	Frequency	Percentage
One (1) Year	16	16
Two (2)Years	33	33
Three (3) Years	29	29
Four (4) Years	12	12
Five (5) Years and More	10	10
Total	100	100

Source: Own Field Research September 2018.





According to the responses from the table above, 33 percent of the total population interviewed had 2 years of working experience and 29 percent had 3 years of work experience. Only 10 percent had 5 years' experience and the rest of the respondents have 1 year and 4-year working experience each with 16 percent and 12 percent respectively. Respondents with 2 years are observed by the researcher to be more in this study than any other year.

Table 6: Length of Operation

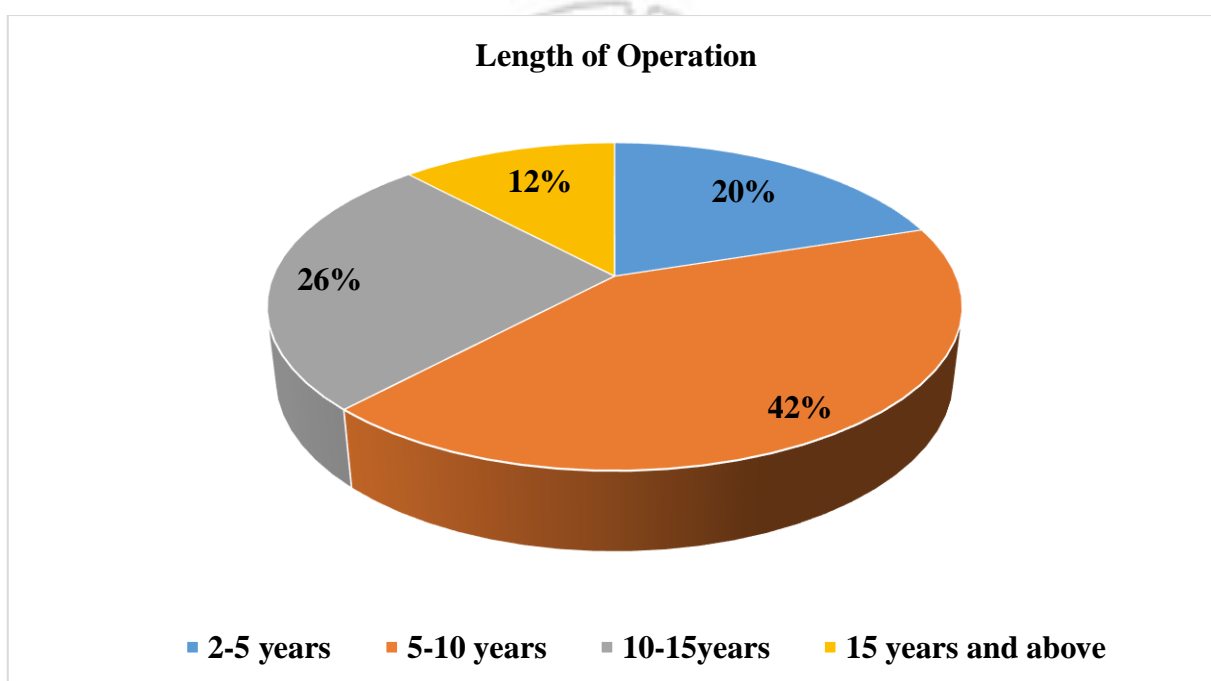
The length of operation for a business or microfinance institution as to do with the duration or years the microfinance has existed. The researcher wants to know how sustainable the institution has been for the past years of operations or of being in existence.

Duration	Frequency	Percentage
2-5 years	20	20
5-10 years	42	42
10-15years	26	26

15 years and above	12	12
Total	100	100

Source: Own Field Research September 2018.

As can be seen from the above table, 2-5 years respondents constitute 20 percent length of operation while 5-10 years is 42 percent. 10-15years are 26 percent and the remaining 12 percent is 15 years and above. Interviewees with 5-10 years are those having the highest length of operation of 42 percent as indicated by the respondents.



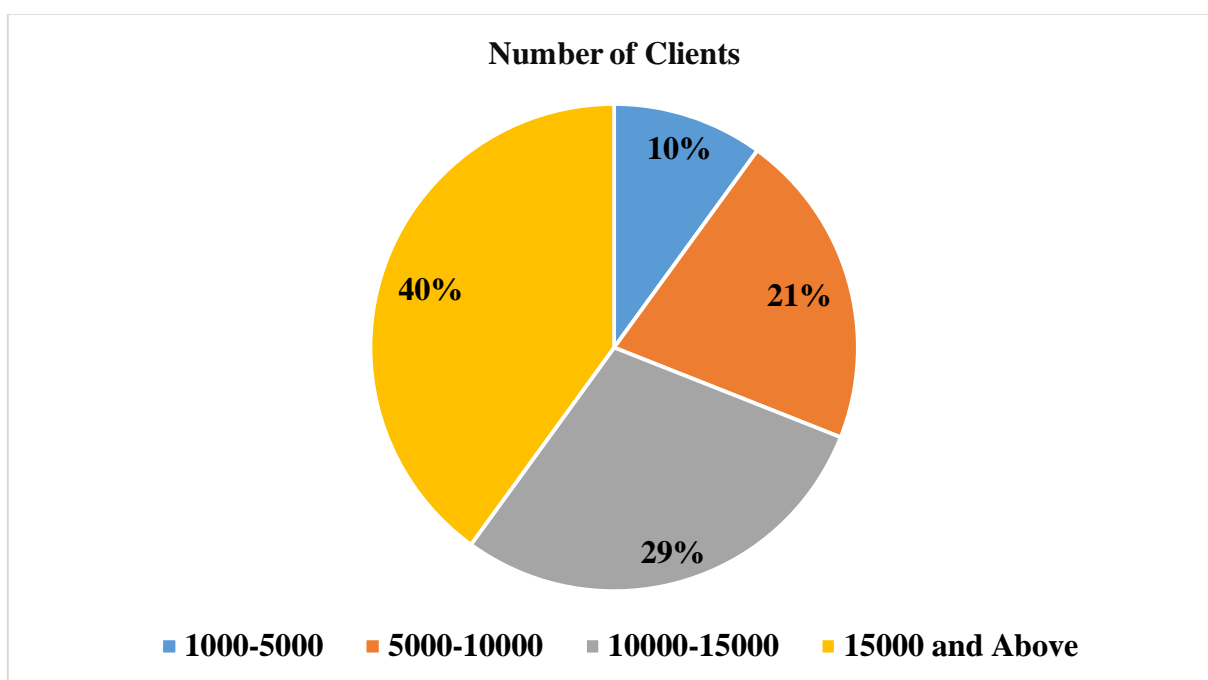
Also, from the above pie chart, 2-5 years respondents constitute 20 percent length of operation while 5-10 years is 42 percent. 10-15years are 26 percent and the remaining 12 percent is 15 years and above. Interviewees with 5-10 years are those having the highest length of operation of 42 percent as observed by the interviewer.

Table 7: Number of Clients

Customer outreach is a very important aspect of microfinance institutions' operations. The more customers are reached or served by the institutions, the more profits are made, and high sustainable level of the institution.

Number of clients	Frequency	Percentage
1000 -5,000	10	10
5.000 -10,000	21	21
10,000 - 15,000	29	29
15,000 and above	40	40
Total	100	100

Source: Own Field Research September 2018.



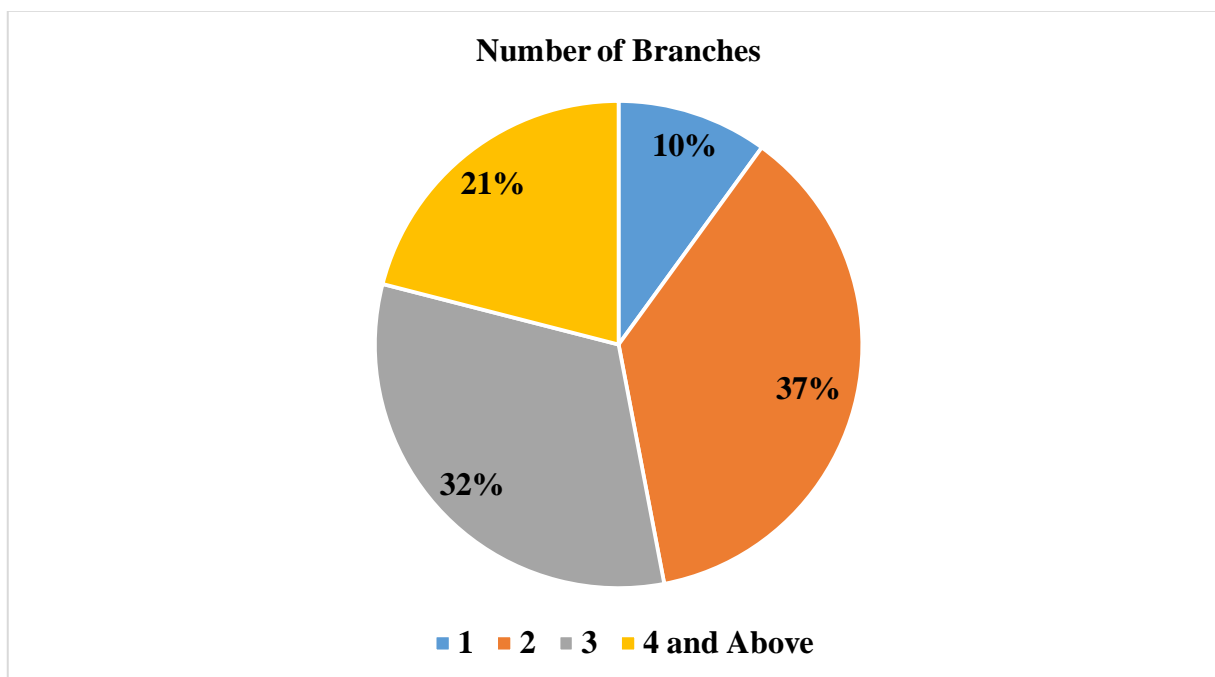
Regarding the number of customers, the study found out that, 40 microfinance institutions had over 15, 000 clients which represented 40 percent of the total respondents interviewed. 29 percent had between 10, 000 to 15, 000 clients and 21 percent had between 5, 000 to 10, 000 clients. Only 10 percent had less than 5, 000 clients. From the findings, it is observed that the majority of the institutions have over 15, 000 clients that they served.

Table 8: Number of Branches

More branches give the institution more customers, high profit and also help reduce the collapse rate by making the institution sustainable for a longer period.

Number of Branches	Frequency	Percentage
1	10	10
2	37	37
3	32	32
4 and above	21	21
Total	100	100

Source: Own Field Research September 2018.



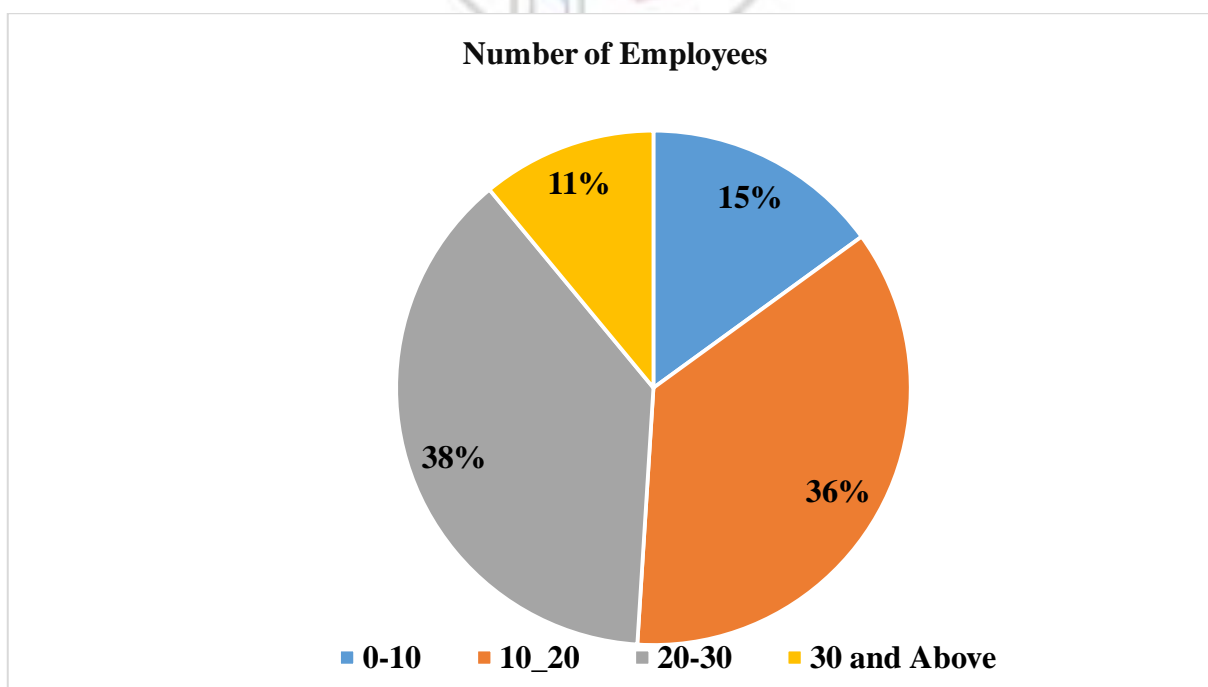
From table 8, on the number of branches each of the microfinance had, the study had revealed that 37 percent had 2 branches while 32 percent had 3 branches. 21 percent had 4 and above branches and only 10 percent had 1 branch. We observed that most of the interviewed institutions had 2 branches each followed by those having 3 branches. Those having the least branch of 1 are just 10 percent. We can also conclude that the number of branches by the microfinance Institution in Ghana is not encouraging. We recommend that more branches should be opened to increase the customer base or the number of clients served.

Table 9: The Employees Number

Under this, the workers or staff number the microfinance institution is working with is asked. This provides the researcher with the information or data whether the institution is understaffed or overstaffed. The ratio of workers to a customer in a financial institution is a very important factor. These must be taken into consideration because, the more the staff work more than expected, the higher the stress level and this can affect the performance of the institution. Also, the customer hates long queues and waiting for more hours before been served. This aspect of the organization must be given due attention.

Employees	Frequency	Percentage
0-10	15	15
10-20	36	36
20-30	38	38
30 and Above	11	11
Total	100	100

Source: Own Field Research September 2018



From the findings, it was found out that, 15 percent had up to 10 employees and 36 percent had between 10 to 20 percent. Again, 38 percent had between 20 to 30 employees

while 11 percent had 30 and more employees. The researcher realized that the highest microfinance with more employees is 20 to 30 with 38 percent.

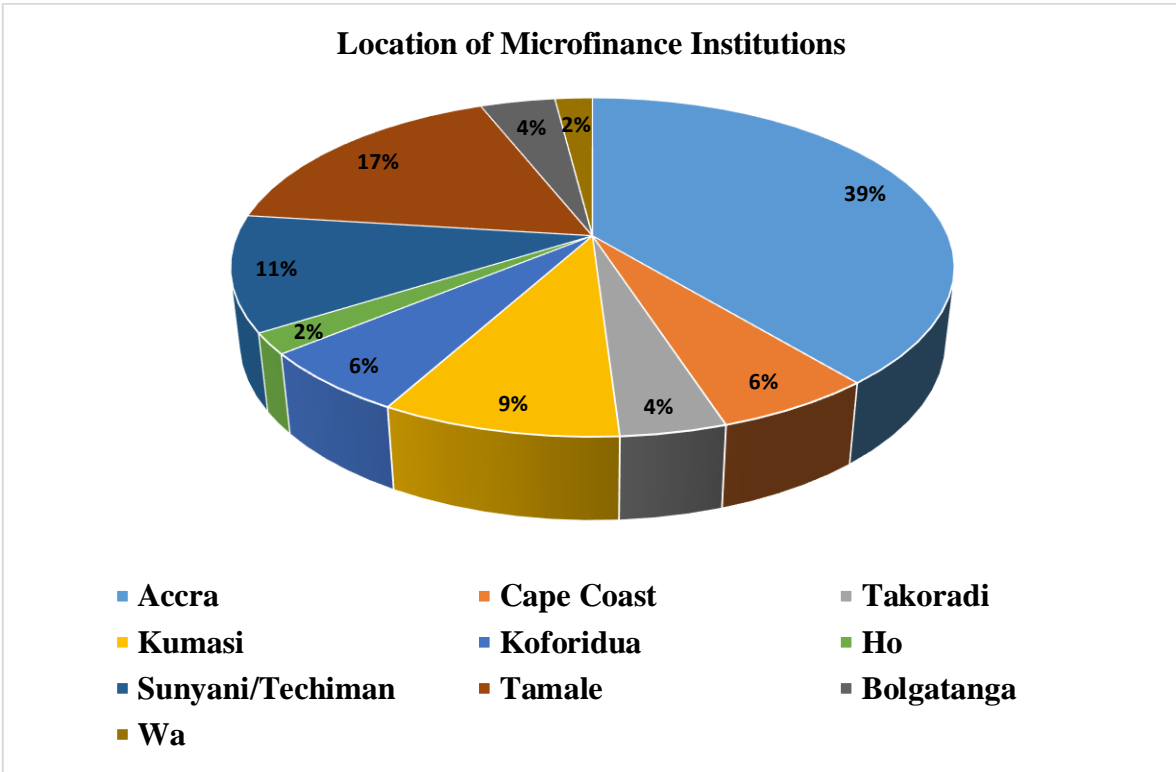
Table 10: Location of Microfinance Institutions

It is very important to know the location of the microfinance institution in each city that has been interviewed during the study. The table below indicates the summary of each city interviewed in the country.

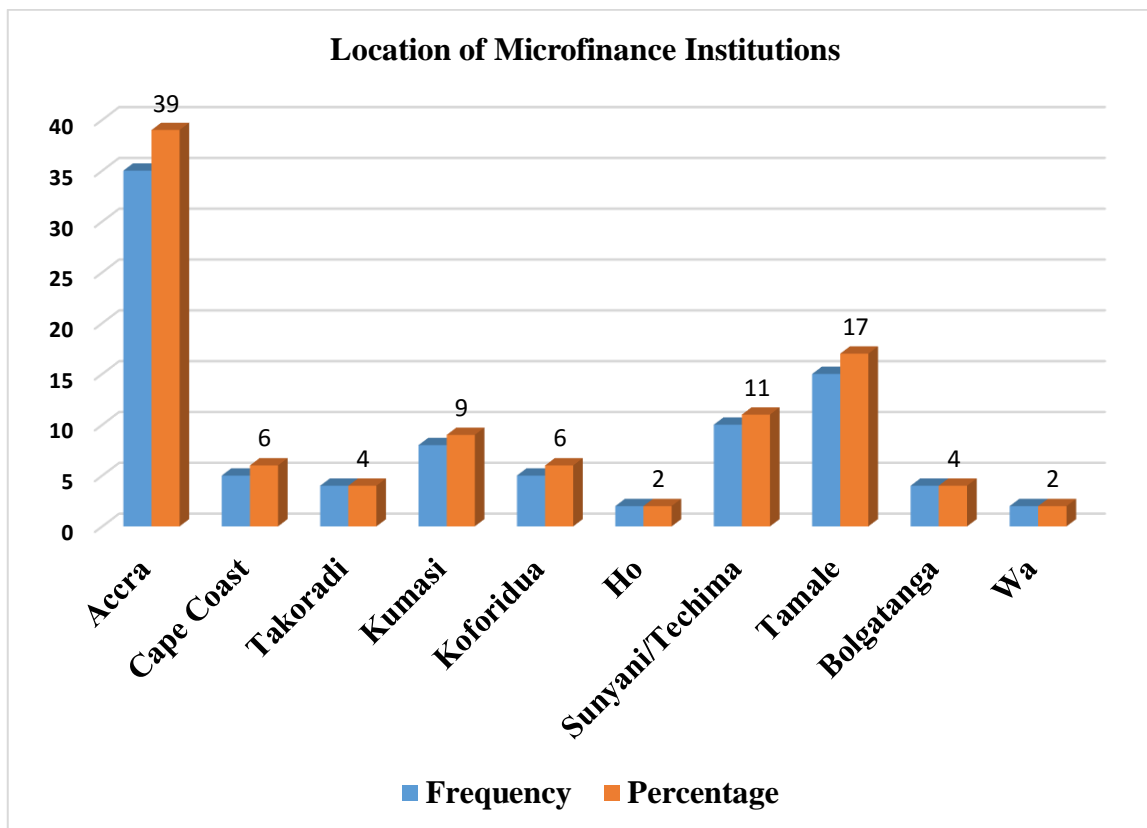
Number	Location / Cities	Frequency	Percentage	Total
1	Accra	39	39	39
2	Cape Coast	6	6	45
3	Takoradi	4	4	49
4	Kumasi	9	9	58
5	Koforidua	6	6	64
6	Ho	2	2	66
7	Sunyani/Techiman	11	11	77
8	Tamale	17	17	94
9	Bolgatanga	4	4	98
10	Wa	2	2	100

Source: Primary Data September 2018.

Table 10 above indicated the number and location of microfinance institutions in each of the regions that the researcher visited. In greater Accra region (Accra) 39 percent and central region (Cape Coast) 6 percent. Again in the western region part of Ghana (Takoradi) only 4 percent while in the Ashanti region (Kumasi) 9 percent. Eastern region (Koforidua) also 6 percent and Volta Region (Ho) 2 percent. Brong Ahafo Region (Sunyani/Techiman) 11 percent, Northern Region (Tamale) 17 percent. Finally with the two Upper Regions, Upper East Region (Bolgatanga) and Upper West Region (Wa), 4 percent & 2 percent respectively.



On the Cities/location of the microfinance institution, we observed that there exist many institutions in urban cities than in rural cities. This indicates that the purpose for which microfinance institution has been established has been defeated, that is reaching the poor in the rural communities. Though some of the poor had left the rural areas for the urban area in search of jobs and other amenities, yet still, the aim has not been fully achieved because the majority of the unbanked population is in the rural communities. Even in the cities, most target populations are not poor.



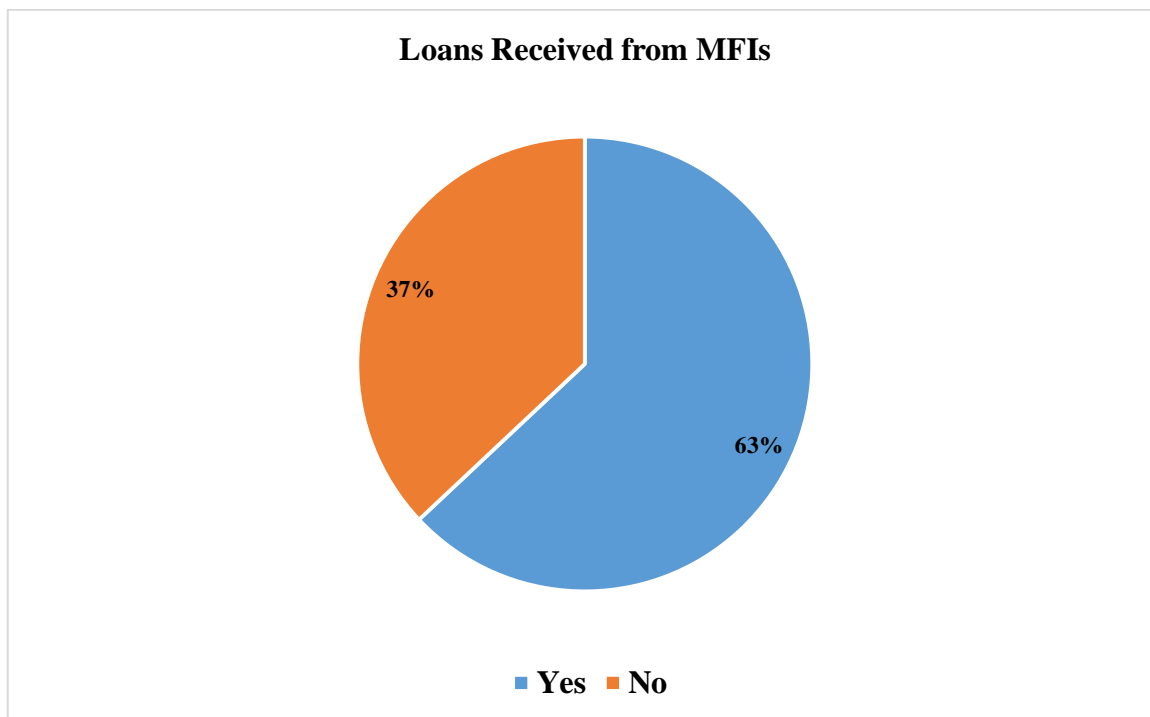
The above diagram displays both the frequency and the percentages of the location of microfinance institutions in the country based on regional/city allocation and interviewed numbers.

Table 11: Loans received from Microfinance Institutions

It is good to know the total number of customers who receive loans from the microfinance program. The table below indicates the percentage of the customers who benefited from the loan program of the microfinance institutions interviewed in the various cities.

Loans received	Yes	No	Total
Frequency	63	37	100
Total	63	37	100

Source: Own Research September 2018.



From the finding, 63 of the total percentage of customers interviewed received credit/loans from the institution while 37 percent did not receive any loans. The loans were utilized by the customers and some of them repay the loans while some defaulted. The next table indicates the default rate of the loans from the beneficiaries.

Table 12: Loan Repayment to Microfinance Institutions

Out of the 63 customers who benefited from the loans issued by the microfinance institutions, the below table indicated the statistics of those who return the loans and those who did not in a percentage basis.

Loan returned / repaid	Frequency	Percentage
Yes	53	84
No	10	16
Total	63	100

Source: Own Research September 2018

The responses of the participants from the field data collected, as seen from the table above, 84 percent of the loan beneficiaries from the microfinance institutions repaid their

loans while 16 percent of the clients who benefited from the loan did not pay back the loans given to them both the principal and the interest.

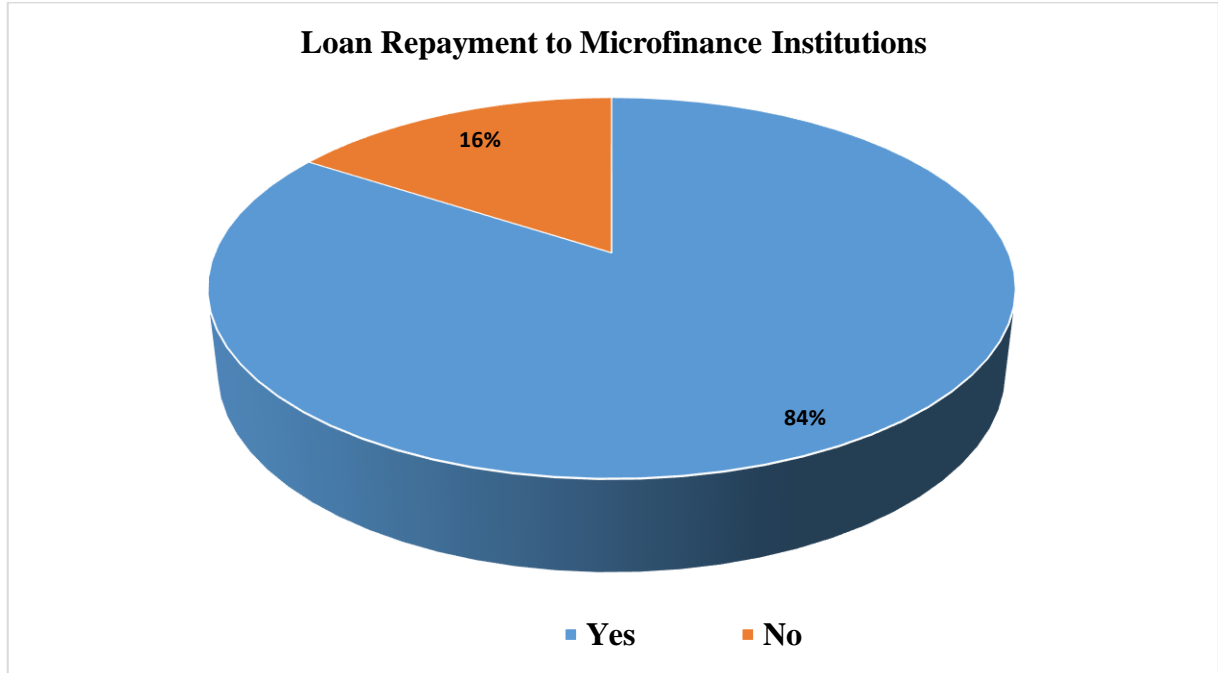
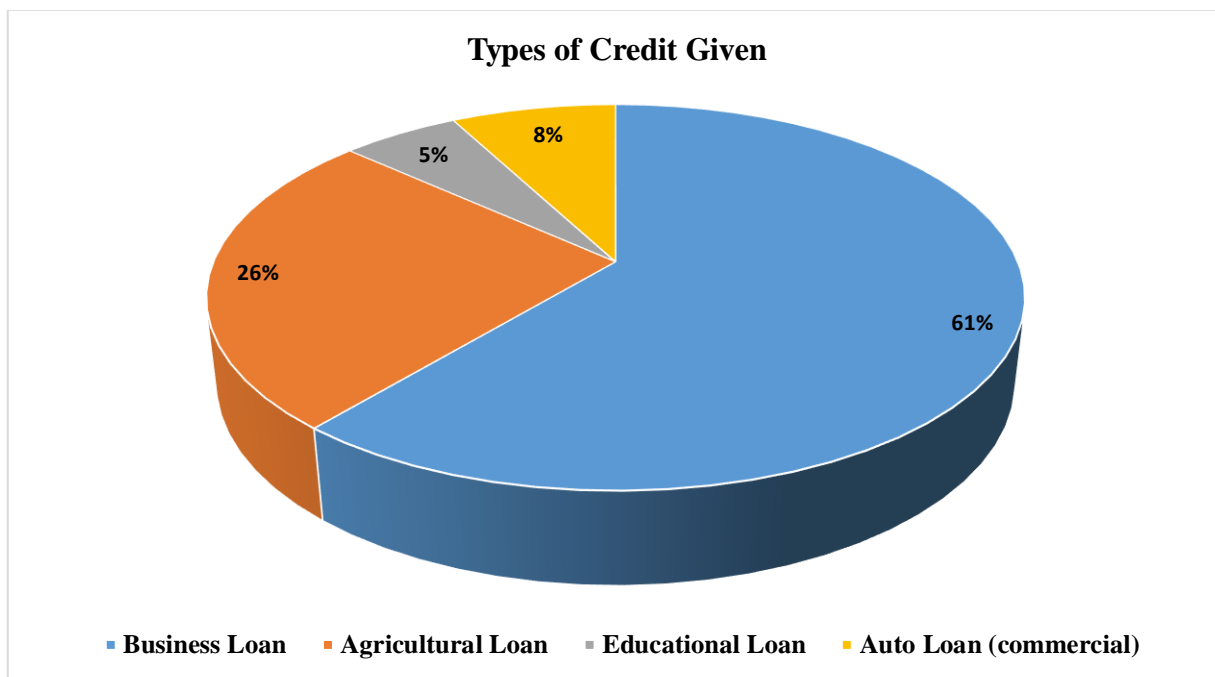


Table 13: Types of Credit Given

Different types of credit were given by the microfinance institutions for different purposes, the customers mention the types of loans given to them by the microfinance sub-sector to include: Business loan, agricultural loan, educational loan, auto loan (commercial) and other loans. The table below gives the frequency and percentage of the various loans based on the interviews.

Credit / Loan Types	Frequency	Percentage
Business Loan	55	61
Agricultural Loan	23	26
Educational Loan	5	5
Auto Loan (commercial)	7	8
Total	100	100

Source: Own Field Research September 2018.



From the findings, there are different types of loans offered to different customers. More than ten different loan types but the common among most of the institutions are the four types in the table above; Business Loan, Agricultural Loan, Educational Loan and Auto Loan (this is used for commercial purposes-taxes or buses). According to the responses from the respondents, 61 percent of the loans offered are business loans while 26 of the loans are for Agricultural purposes. Those who went for loans for the education of their children are 5 percent and 8 percent of loans were offered to individuals for Auto Loans (taxies, buses, commercial). We realized from the findings that the majority of the loans given to the customers by the institutions are for business purposes. Either to start a new business, use it as startup capital and others use it to expand their existing businesses.

Table 14. Determinants of Microfinance Institutions sustainability in Ghana

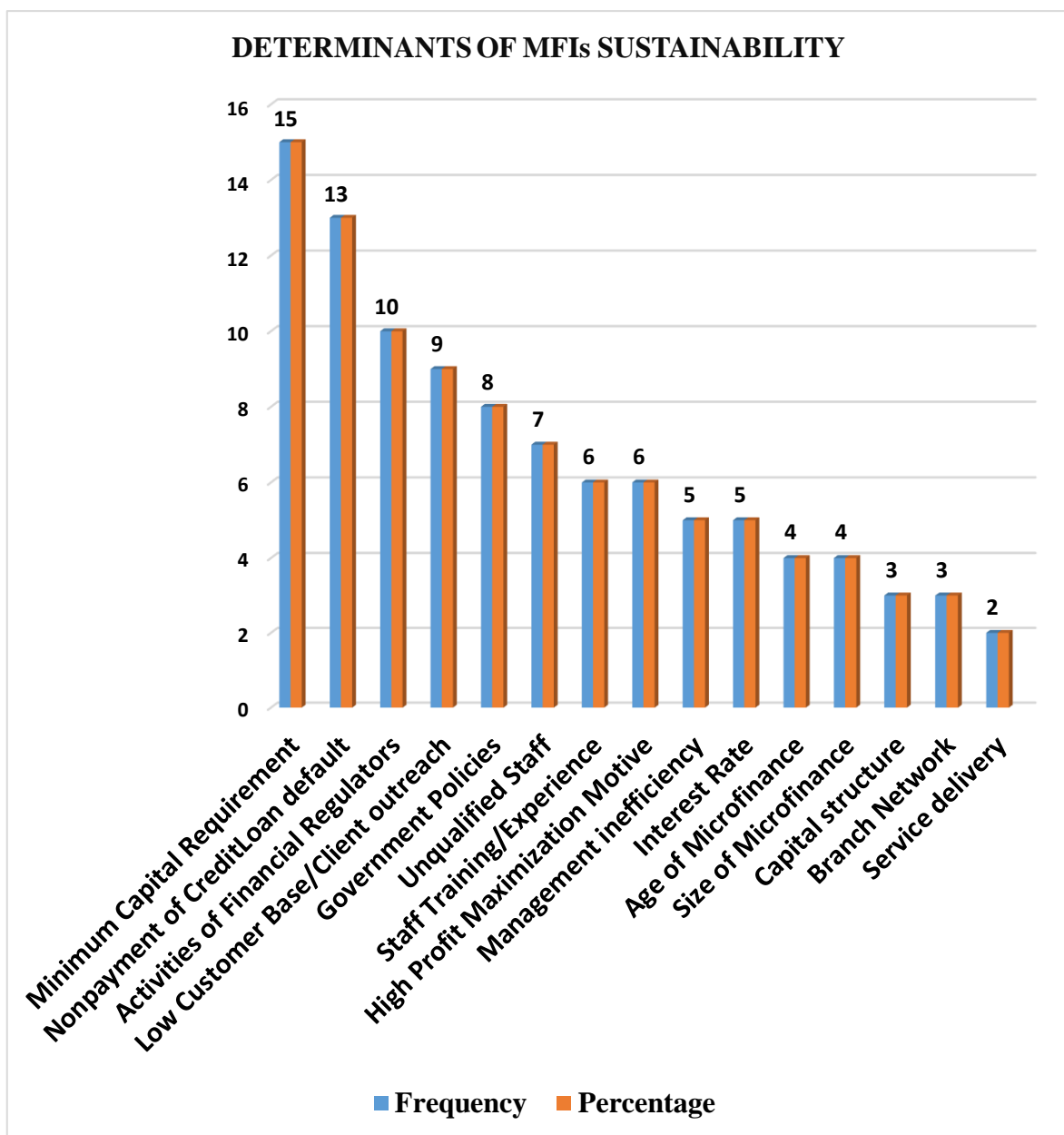
From the analysis and according to the respondents, there are a lot of determining factors of microfinance institution's sustainability in Ghana. Both regulators and policy formulators mentioned their views and the microfinance institution's managers, employees, and customers also gave their views on this subject matter. Among the factor they mentioned are those outlined in the table below according to the highest rank by the respondents.

No	Determining factors	Frequency	Percentage
1	Minimum Capital Requirement	15	15
2	Nonpayment of Credit / Loan default	13	13
3	Activities of Financial Regulators	10	10
4	Low Customer Base / Client outreach	9	9
5	Government Policies	8	8
6	Unqualified Staff	7	7
7	Staff Training / Experience	6	6
8	High Profit Maximization Motive	6	6
9	Management Inefficiency	5	5
10	Interest Rate	5	5
11	Age of Microfinance	4	4
12	Size of Microfinance	4	4
13	Capital Structure	3	3
14	Branch Network	3	3
15	Service Delivery	2	2

Source: Own Field Research September 2018.

From the diagram, 15 percent of respondents made mentioned of minimum capital requirement requested by regulators from BoG as the major determinant of microfinance institutions' sustainability in Ghana. The second highest frequency mentioned by the interviewees as the influencing factor of microfinance institution's sustainability in the country is credit default by the customers and loan beneficiaries. They argued that most clients do not pay back the loans (13 percent). Other activities of the financial regulators and client outreach is said to be 10 percent and 9 percent respectively while government policies are 8 percent. Again 7 percent of the interviewees mentioned that unqualified staff is a determining factor and 6 percent each mentioned lack of staff training and the high-profit motive as factors influencing microfinance institution's sustainability in the country. Furthermore, most respondents concluded that, management inefficiency & the high-interest

rate as 5 percent and that, age of the institution and the size of the institution as 4 percent each. 3 percent of participants said capital structure & branch networking are determining factors of the microfinance sub-sectors sustainability and only 2 percent said service delivery is a sustainability influencing factor.



From the responses of the respondents, the author realized that the major determining factors microfinance institution's sustainability in the country are: Minimum capital

requirement, the credit default, activities of the financial regulators, the level of outreach and the policies that the government implemented. Out of the lot mentioned, the above were the pressing ones though the other factors also affect the sustainability of the institutions in the country.

Table 15: Reason Why Microfinance Institutions Collapse in Ghana

From the field data collection, some of the responses of the respondents on why most microfinance institutions collapse or are unsustainable in Ghana include:

No	Reasons Why MFIs Collapse	Frequency	Percentage
1	Microfinance institution not complying with regulatory guidelines	18	18
2	Insufficient Training	16	16
3	Lack of credit / loan repayment	10	10
4	Bad attitude of financial regulators	6	6
5	Inadequate liquidity capital	8	8
6	Unqualified staff	4	4
7	Poor Management	2	2
8	Insufficient monitoring and supervision	3	3
9	Lack of Government support	2	2
10	Collapse of other MFIs	7	7
11	Panic withdrawals	6	6
12	Lack of knowledge and experience	2	2
13	Diversion of funds by management	9	9
14	Poor service delivery	3	3
15	Risk / Theft / fraud	4	4

Source: Primary Data September 2018.

From the finding, Microfinance institutions not complying with regulatory guidelines is 18 percent and Insufficient Training is 16 percent of the total population interviewed. Lack of credit/loan repayment is 10 percent while Bad attitude of financial regulators in the country

is 6 percent. 8 percent and 4 percent are inadequate liquidity capital and unqualified staff respectively. Poor Management by the microfinance institution managers is 2 percent, insufficient monitoring and supervision is 3 percent, and Lack of Government support also 2 percent. The collapse of other MFIs and Panic withdrawals are 7 percent and 6 percent respectively. The Lack of knowledge and experience is only 2 percent while the Diversion of funds by management is 9 percent. 3 percent and 4 percent is Poor service delivery and Risk /Theft/fraud in the institutions. The researcher realizes from the many factors that, management not complying with regulatory guidelines is the most pressing reason why most microfinance institutions collapse in Ghana.

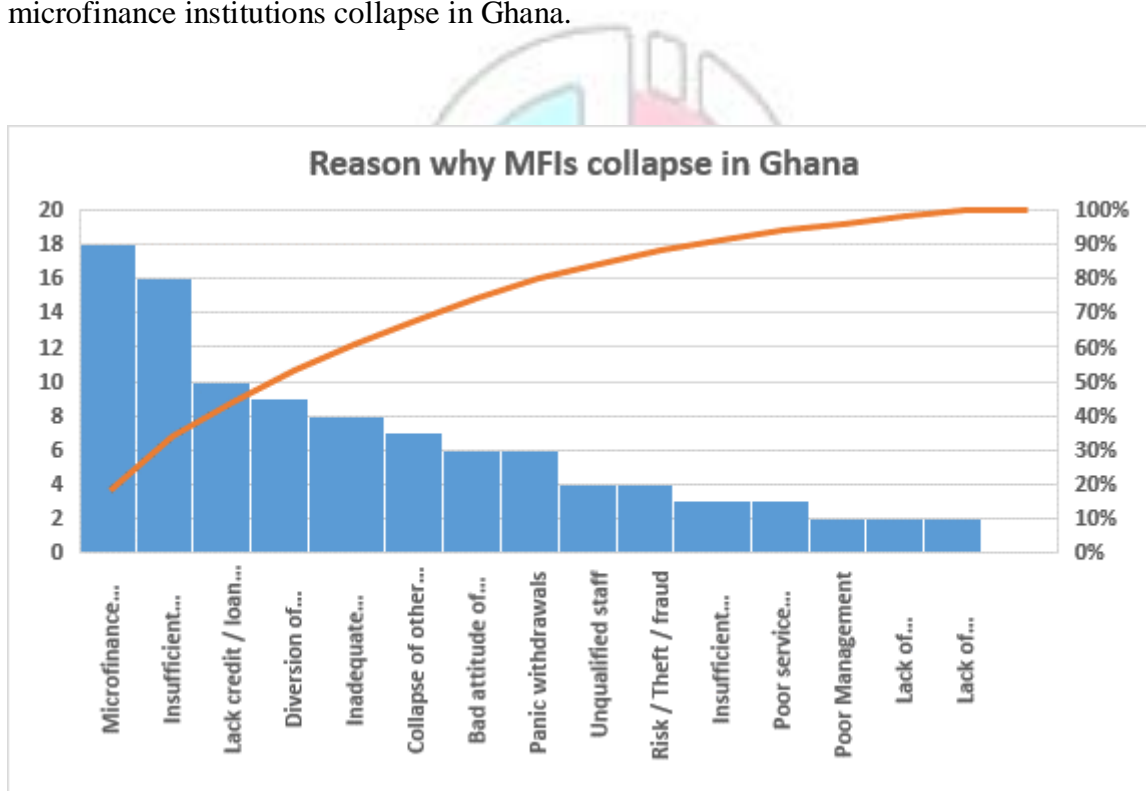


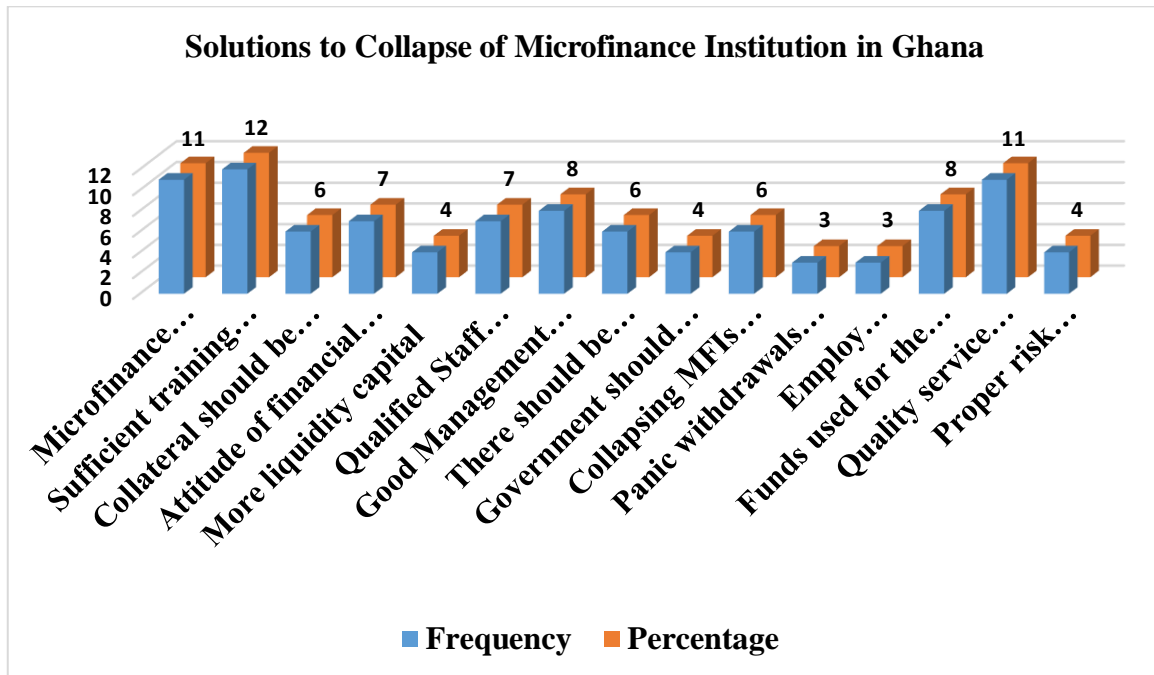
Table 16: Solutions to the Collapse of Microfinance Institutions in Ghana

From the questionnaires and interview guides, the respondents were asked questions about what they think can be done by government, management, and all stakeholders to help reduce the collapse rate of microfinance in Ghana. The below table answers their responses from the findings.

No	Solutions	Frequency	Percentage
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1	Microfinance institutions complying with regulatory guidelines	11	11
2	Sufficient training must be given	12	12
3	Collateral should be checked before issuance of credit	6	6
4	Attitude of financial regulators be changed	7	7
5	More liquidity capital	4	4
6	Qualified Staff should be employed	7	7
7	Good Management should be recruited	8	8
8	There should be sufficient monitoring and supervision	6	6
9	Government should give support to MFIs	4	4
10	Collapsing MFIs should be supported by donors	6	6
11	Panic withdrawals should not be encourage	3	3
12	Employ knowledgeable and experienced staff	3	3
13	Funds used for the right and intended purpose	8	8
14	Quality service delivery should be delivered	11	11
15	Proper risk management	4	4

Source: Primary Data September 2018.



The table above indicates the factors that when taken into account, the rate at which microfinance institutions collapse will be minimized if not eradicated. These factors are Microfinance institutions complying with regulatory guidelines, sufficient training must be given to all employees especially the managers, collateral should be checked before issue credits/loans and attitude of financial regulators towards staff should be changed. Again, liquidity capital should be moderate, qualified staff should be employed and good management should be recruited. There should also be sufficient monitoring and supervision, Government should support microfinance institutions, collapsing microfinance institutions should be supported by donors, panic withdrawals should be discouraged by doing the right thing and experienced staff should be employed by the institutions. Finally, knowledgeable employees should be hired and quality service delivery should be given to all customers and depositors equally and proper risk management must be ensured. The above factors when observed would lead the sub-sector to long term sustainability.

5.5 Responses to Other Questions on the Interview Guide

What are the Names of some of the Collapsed MFIs in the Country?

According to CK, a manager in one of the microfinance institutions in the upper east region that:

"The unsustain microfinance is the collapsed microfinance institutions in the country. Most of the institutions collapse even before the minimum capital requirement increment in 2017. Most of the microfinance institutions came intending to run away with the depositors' monies, so they do not keep long in the system".

Agyei a male and confident respondent in the Brong Ahafo Region, in Techiman "Expect Link Microfinance Institution", said that:

"There are so many collapsed microfinance institutions in the country. That even in Brong Ahafo here the number of unsustain institutions is more than one can imagine. Agyei said: some of the collapse institutions here in Techiman are: Acit capital microfinance institution, Noble dream microfinance institution, DKM microfinance". Agyei mentioned again that: I cannot believe that Noble dreams collapse finally. The rate at which they started, the number of employees they were having, the outreach level and the kind of services rendered, yet still, they are not in existence now. It is a surprising thing for me. Agyei narrated".

Respondents in the focus group discussions were asked about the names of some of the collapse microfinance institutions they know in Ghana. Among the collapse institutions, they mentioned include:

"Credit Enterprise, Acit Capital, Golden trust, Stannafield, Noble dream, SOS microfinance, DKM microfinance, Halal microfinance, Adwadifo microfinance and many more".

Shaban, a graduate from Bolga Technical University, the staff at the Ghana Microfinance Company in Ghana, Accra. Explained that:

"In the first quarter of 2018, over thirty (30) microfinance institutions in the country collapsed due to their inability and lack of capability to sustain their operations. It is difficult to locate the owners and management of these institutions so the customers with a huge sum of monies could not get a refund. Those owners who were traced could not raise the needed funds to settle the customers.

Due to the above problems, a meeting was organized by the Ghana Association of Microfinance Companies in Accra. Thus, the second annual general meeting on the theme: **“Microfinance a Tool for National Development: The roles, challenges, and Way Forward for Second-Tier Microfinance Institutions”**. The meeting aimed to discuss issues of those microfinance operators with the main aim of duping, stealing, and rubbing their customers and the public at large”.

Shaban explained further that, “The GAMC is established with another aim of providing microfinance services of tier two under the categorization of the Bank of Ghana. This association came into existence when the microfinance sector regulatory body started so there was the need for an Apex body to be created to help bring together all MFIs in the country which will effectively and efficiently organize and monitor their operations to reduce collapse rate and make the institution sustainable”.

Mr. Rich a man and secretary at the Association of microfinance institutions Companies narrate that:

“Across the ten Regions of Ghana, there are over 560 microfinance institutions offering lending and deposits products and services to their customers. Yet still, there are millions of poor Ghanaians who were still not having access to financial services, though they urgently needed those services. He again mentioned some of the challenges microfinance institutions encountered as difficult to recover credits given to the customers which seriously affected the institutions and sometimes leads to the collapse of the institutions”.

“He again explains that the higher the institutions' collapse, the more the unemployment rate in the country escalated. The GAMC stated that they were planning to come out with an outreach training, and capacity support for the institutions and to protect the clients of the MFIs by implementing stringent consumer protection principles". (Daily Graphic).

5.5.1 Revoked Licensed of Some Microfinance Institutions in Ghana

The respondent was asked about some of the institutions that got their licenses been revoked by the BoG. The Bank of Ghana as part of the powers invested in them has temporarily revoked the licenses of many microfinance institutions in the country.

AR of “Dahinsheli microfinance institution” mentioned some of the microfinance institutions who licenses have been revoked by Bank of Ghana as:

"Cedar House microfinance institutions, Ezi microfinance institutions, KB Star microfinance institution, money link microfinance institution, Xpress Link 7 microfinance institution, Quick microfinance institutions, Vanliz microfinance institutions, and Glow Microfinance institution”.

A staff of Baobab mentioned some of the revoked license microfinance institutions to include:

"City Trust Microfinance institution, Coastal Link microfinance institution, Mothers' Microfinance institution, My Hope Microfinance institution, Promise Microfinance institution, Ego Vision microfinance institution, Jacobs's microfinance institutions, and Spark Trust Microfinance Institution".

Again, the management of Afro-Arab microfinance institution mentioned some of the microfinance institutions that their licenses were revoked by Bank of Ghana to include:

“Look-Ahead microfinance institution, Silicon microfinance institution, Money Home microfinance institution, Reach microfinance institution, Fast Money microfinance institution, Ideal Way microfinance institution, Silver microfinance institution, and Time-First microfinance institution”.

Mr. Hamid mentioned some of the revoked microfinance institutions licenses as:

“Western microfinance institution, Rejoice microfinance institution, Sab Trust microfinance institution, Safe Credit microfinance institution”.

We realized that some of the mentioned microfinance institutions that got their licenses revoked are on a temporal basis, while others are permanent. Also, most of the institutions were not operating due to insolvency and other financial problems.

According to one of the staff of a microfinance institution, the licenses of the institutions were revoked due to the institutions' inability to pay the minimum capital requirement, not complying with the regulatory principles, insolvency. He said some of the affected institutions are:

“Ultimate Focus microfinance institution, Bees microfinance institution, Mckeown microfinance institution, Opportunity Global microfinance institution, Swift Trust microfinance institution Medlorm microfinance institution, Western microfinance institution, Medal Credit microfinance institution, Rejoice microfinance institution, Central Capital microfinance institution, and Safe Credit microfinance institution”.

The staff of Bank of Ghana and staff of the Ministry of Finance mentioned that Seventy (70) microfinance institutions had their Licenses revoked in Ghana. A BoG staff narrates that:

"Those licenses were pre-licensed/provisional ones offered to some of the institutions in the country to start operations. This they indicated was supposed to be for six months after which they are expected to meet the conditions stated in "approval in principle letter". According to Bank of Ghana, upon several reminders and with a notice to the microfinance institutions on the 15th of July 2015, still, the institutions could not fulfill the conditions indicated/precedent to the final issuance of the license. The notice number from the Bank of Ghana is BG/GOV/SEC/2015/10 of 15th July 2015. This was what led to the temporary withdrawal of the licenses of the seventy (70) microfinance institutions on the 5th of January 2016 in the country".

The list of microfinance institutions whose licenses have been revoked by Bank of Ghana on the 5th of January 2016 is attached in Annex 4C. The researcher observed that the revoked microfinance institution mentioned by the respondent are among the 70 revoked by the Bank of Ghana in 2016.

5.6 Risk Associated With Microfinance Institutions in Ghana

From the findings, the management and other respondents indicated that the kind of risk that is associated with microfinance institutions in the country include: “Default

risk, Operational risk, Credit risk, Panic withdrawal, Lack of trust from customers/public, theft', and falsification of documents”.

According to the management of the sub-sector, some loan beneficiaries refuse to repay their loans making it difficult for the institution to meet other customers demand and these leads to some of the customers withdrawing their savings.

5.7 Ghana Government Role and Collapse of Microfinance Institution

The Ghana government through the central bank (BoG) has done a lot to reduce the microfinance institutions collapse rate in the country said the regulators from BoG and the staffs of Ministry of Finance policy-making body.

“Hajia, a woman, who is a staff of the Ministry of Finance involved in the microfinance policy making and implementation narrates that:

“The capital requirement and the liquidity capital requirements were all increase in 2017 so has to reduce the number of illiquid microfinance institutions in the system that are failing, collapsing, and running with people's (customers) monies. Also, there are a lot of checks and balances in the system now than before and the ministry of finance also serves as a policy-making body that operates and safeguards the depositors' interest, savings, and investments”.

“Hajia explains again that, the regulators also regulate properly the activities of the institutions and the malfunctioning institutions are taken over by the Bank of Ghana or been shut down. The institutions that could not meet the minimum capital requirement will have to merge with others or stop operations by the end of the year from the directives of the bank of Ghana narrates by Hajia”.

We realized from the responses that, the minimum capital was increase by Bank of Ghana to protect the customers and their saving as explained by the regulators and the policymakers but some of the microfinance institutions who could not raise the required amount are of the view that minimum capital increment is to get most of the institutions out of the system.

5.7.1 Financial Regulators Role in the Collapse of MFIs in Ghana

A staff of Bank of Ghana during the interviewed mentioned that:

“The financial regulators of microfinance institution in the country are working hard to ensure the sustainability of the institution for a longer time. The procedures involved in the regulations of the microfinance institution by the regulators are:

"The regulators from the BoG are in charge of ensuring financial soundness & stability of microfinance institution, they are in charge of the development of the regulatory framework and mechanisms that are appropriate and convenient to the microfinance different segments and which are consistent with all the aims and objectives of regulations of the financial institution”.

Mr. Joe, one of the regulators from bank of Ghana narrates:

“We try our possible best to see microfinance in the country not collapsing. Some of the things we implement to ensure the sustainability of the industry are an increment in the minimum capital requirement, liquidity capital/reserve requirements, voluntary mergers, and acquisitions by the institutions, withdrawal of licensing, close down of insolvent institutions and so on”.

Another role of the regulators in ensuring that the microfinance institution is sustainable by a policymakers narrations are:

“The development of effective and appropriate standards to be used for self-regulation, supervising, monitoring and evaluation indicators together with the Apex Bodies. Again, for the monitoring of the sub-sector segments, the regulators provide performance indicators, good data and also they help in the promotion of effective research & development (R&D) in all aspects of the microfinance sub-sector. The policymaker mentioned”.

5.8 Analysis of the Findings:

From the findings, the respondents made mentioned several determining factors of microfinance institutions sustainability in the country. Among those determining factors mentioned include:

“Minimum capital requirement, nonpayment of credit / loan default, activities of financial regulators, low customer base / client outreach, Government policies,

unqualified staff, staff training / experience, high profit maximization motive, management inefficiency, interest rate, age of microfinance, size of microfinance, capital structure, branch network and service delivery”.

Moreover, the respondents were asked why most microfinance institution collapse and the answers most of them give are:

“Microfinance institutions not complying with regulatory guidelines, insufficient training, lack of payment of credit, bad attitude of financial regulators, inadequate liquidity capital, unqualified staff, poor management, insufficient monitoring and supervision, lack of Government support, collapse of other MFIs, panic withdrawals, lack of experience, inadequate knowledge and poor service delivery”.

The respondents further provided solutions to the microfinance institution's collapse and if the solutions are given due attention, microfinance institutions would be sustainable for a longer period. Some of the remedies and suggestions mentioned by them are as follows:

“Microfinance institutions complying with regulatory guidelines, sufficient training must be given, collateral should be checked before issue credit/loan, attitude of financial regulators be changed, more liquidity capital, qualified Staff should be employed, good management should be recruited, there should be sufficient monitoring and supervision, government should support microfinance institutions, and collapsing microfinance institutions should be supported by donors”.

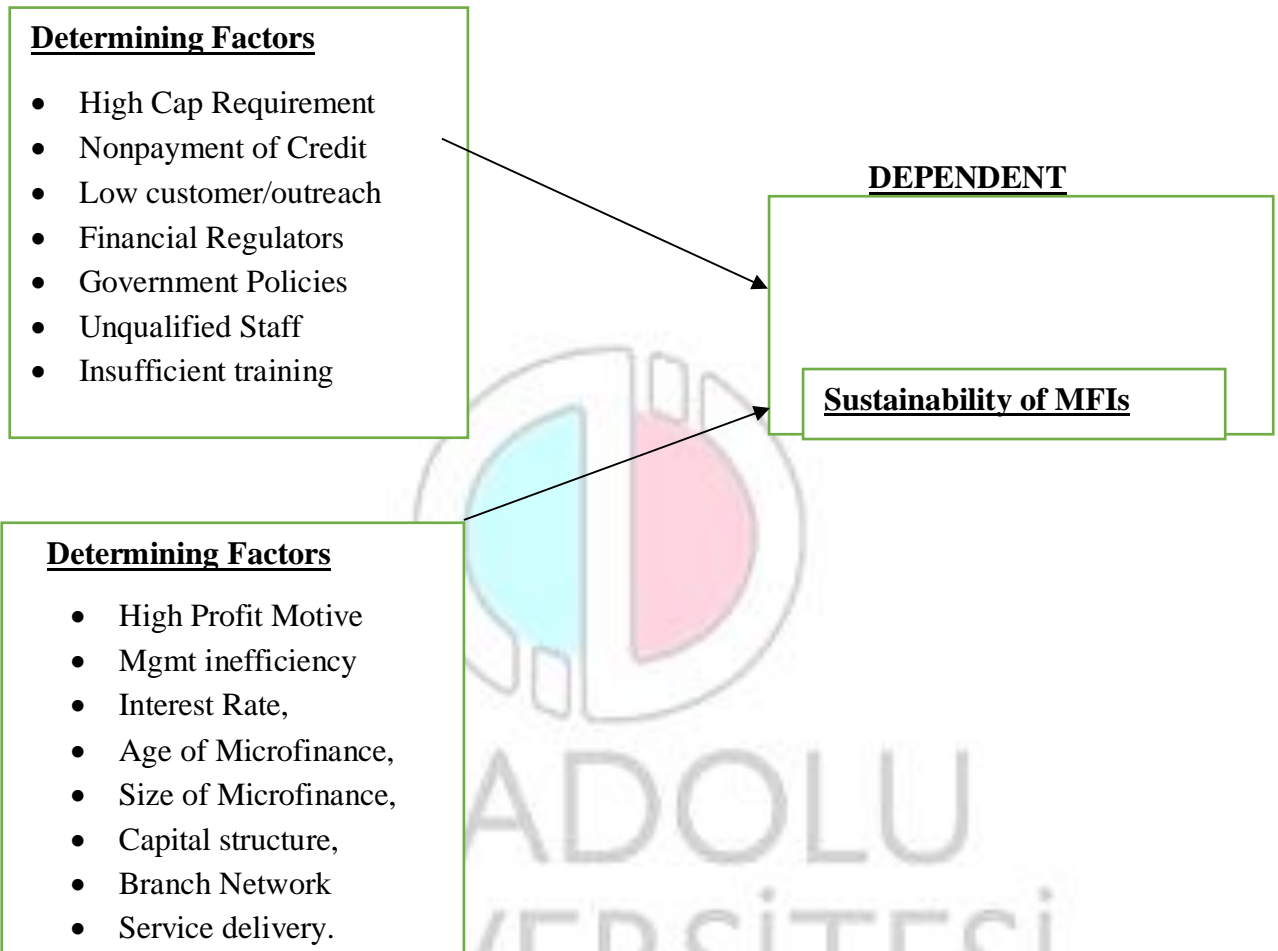
The researcher observed that most of the determining factors of microfinance institutions sustainability mentioned by the respondents are the same with the influential factors which lead to microfinance institutions collapses in Ghana. Regulators and policymakers have to continue working hard to help the microfinance sub-sector from continues collapsing and to have long term sustainability.

5.8.1 Conceptual Framework of the Study

From the study, the researcher came up with this conceptual framework to help understand the key independent factors mentioned as the determining factors of microfinance institution's sustainability in the study in Ghana (own research, 2019).

CONCEPTUAL FRAMEWORK 1

INDEPENDENT VARIABLES



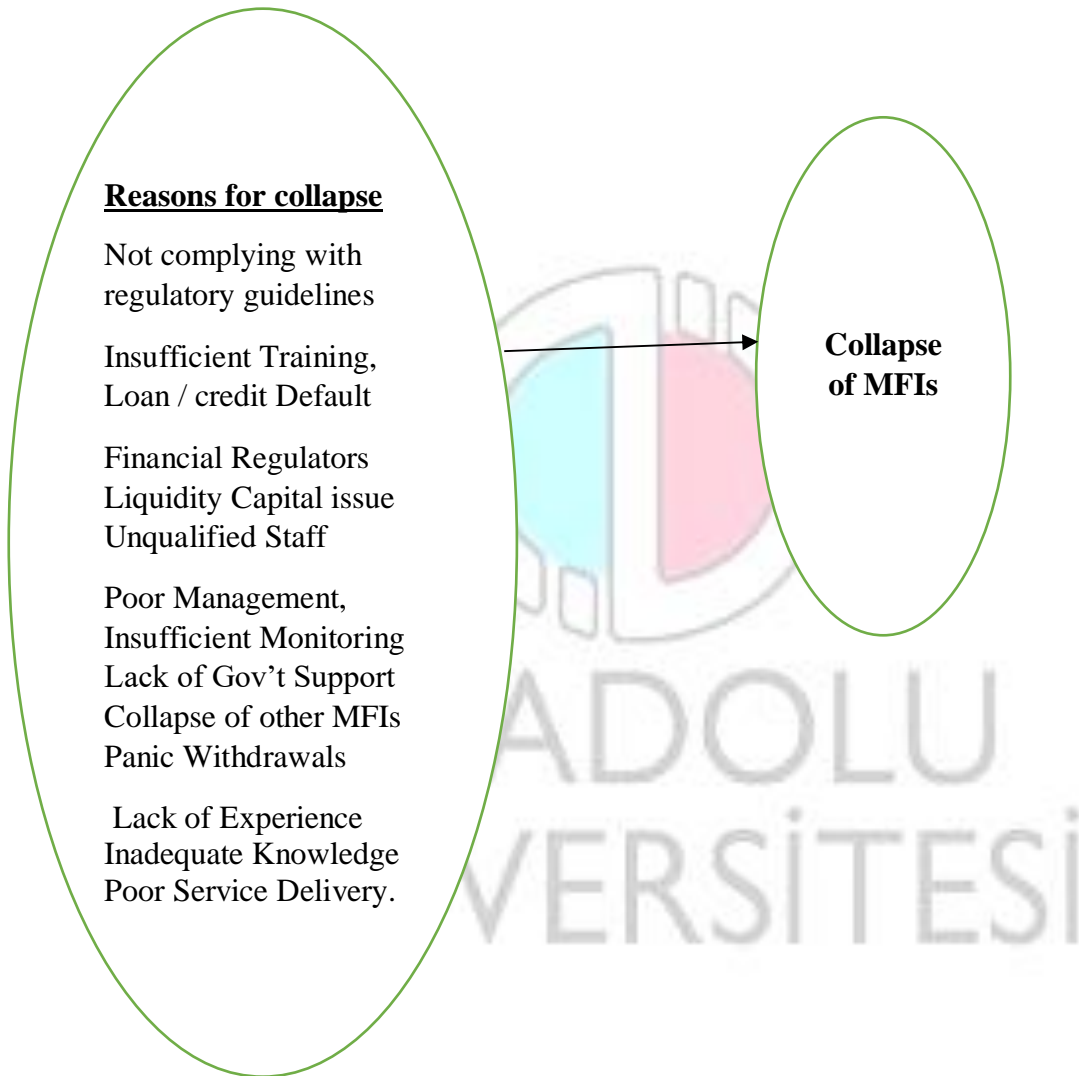
Source: Primary Data September 2018.

From the above conceptual framework of the study, the independent variables are: High Cap requirement, Nonpayment of Credit, Low customer/outreach, Financial Regulators, Government Policies, Unqualified Staff, Insufficient training High-Profit Motive, management inefficiency, Interest Rate, Age of Microfinance, Size of Microfinance, Capital structure, Branch Network, Service delivery, and the dependent variable is microfinance institution sustainability. It can be concluded that the independent factors/variables have an impact on the dependent variable.

CONCEPTUAL FRAMEWORK 2

INDEPENDENT VARIABLES

DEPENDENT VARIABLE



Source: Primary Data September 2018.

The above two conceptual frameworks on the determinants of MFIs and the collapse of microfinance in Ghana were from the researchers' analysis based on the field research data collection in September/October 2018 in the country in some of the selected microfinance institutions in the various regions/cities.

5.9 Summary of the Findings

To summarize from the findings, on the minimum capital requirement, most of the respondents complained about the higher increment. Over 100 percent of the old amount was increased. From five (5) hundred Ghana cedi in 2013 to one (1) million Ghana cedi in 2015, then to two (2) million Ghana cedi in 2017. According to them, this will be difficult for over 90 percent of the institutions to raise. The management advised that these issues should be looked at case by case bases. Thus, according to the number and type of customers, location of the institutions, profit base, assets and liabilities of the institutions and so on.

Furthermore, on regulations, most of the respondents were of the view that the regulations should be decentralized to the regional levels to make regulations effective and efficient. Bank of Ghana from Accra alone cannot do the work efficiently.

Training and capacity building of the staff and management should be effective and regular to increase experience. Customers should be made to provide collateral before credit given to reduce the default rate.

Unqualified staff should be laid off or given time to learn. More branches should be open and the service delivery should be of quality by the management and other employees being customer friendly and serving them to the best.

5.10 Conclusions of the Chapter

The research is on the “**Factors that Determines microfinance institutions' sustainability in Ghana**”. From the finding of the study, it can be concluded that the laws, rules, principles, regulatory guidelines that cover the microfinance industry in the country influences the sustainability of the institution.

Secondly, we concluded that minimum capital and liquidity capital issue in the microfinance sub-sector should be given a second thought by the government and the regulators to help in the sustainment of the sub-sector.

Thirdly, it was also concluded that the breadth and length of outreach by the institution also affect the sustainability of the sub-sector.

Fourthly, mismanagement, inexperienced and unqualified staff to a large extent have a larger influence on microfinance institutions sustainability in Ghana.

Finally, the researcher again concluded that the loan repayment mode or the default rate of some customers of the microfinance institutions strongly have an impact on microfinance sector sustainability.

5.11 Recommendations:

5.11.1 Recommendations by Respondents on Sustainability

The researcher asked the participants/respondents to mention some suggestions and recommendations on what they think will help make the microfinance institutions sustainable in Ghana. From the interviewees' responses, the majority of them recommended that there should be effective monitoring and evaluation by the regulators.

Again, they also recommend that compulsory training should be given to the staff of the microfinance institutions especially the managers by the policymakers and regulators. This would make them experienced to help reduce the collapse rate.

Also, collateral security should be required and investigated before given loans to customers of the institution so that in case of default, the asset can be capitalized on to reduce the likely losses.

Furthermore, most customers recommended that the credit should be given in groups to the customers and not on individual bases, so that, in case of default, management can false the beneficiaries to pay or they will contribute to pay.

Then again, the respondents wish the interest rate charged by the microfinance sector will be reduced to be able to repay the amount due at the right time to prevent delays and defaults.

Finally, the researcher believes that, when the above recommendations from the respondents are taken into consideration, it would help to sustain the institution's sub-sector.

5.11.2 Recommendations by the Researcher

Based on the researchers' observations, the below recommendations were made to help reduce the collapse rate and maintain the microfinance institutions sustainability in the country.

The researcher recommends that microfinance institutions management should adopt good practices and try to improve the institutions outreach level to attain better efficiency.

Furthermore, an effective and efficient credit rating bureau should be established to help investigate who qualifies for a microfinance loan. This would help reduce the credit default rate among customers.

Again, the researcher recommends that to achieve better sustainability, the operators/owners involve in product diversification and should do more publicity and advertisement of the products and services of the institutions to gain greater outreach, these would help increase the customer base.

It is also recommended by the researcher that, the loan processing procedure should be tightened and strengthened by the management to avoid bad debt or nonpayment of loans by customers.

Besides the above, there should be intensive training, capacity building and financial literacy programs of the microfinance institutions operators and management to boost their knowledge and skills in the rural communities to increase financial inclusion.

Finally, for microfinance institutions to be sustainable, the researcher recommends that management should take any opportunity that come their way and advantage of all sources, in cash or kind from donors, government and other external support.

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CHAPTER SIX

6. CHALLENGES FACING MICROFINANCE INSTITUTIONS AND FINANCIAL REGULATIONS IN GHANA

Abstract

The key objective of this article is to identify the challenges facing microfinance institutions in their operations, and financial regulations in regulating and supervising microfinance institutions in Ghana. The regulators, policy formulators, managers and employees of the institutions were conveniently & purposively selected to answer the interview guide, and the data was analyzed qualitatively. The paper has outlined some challenges facing the microfinance institutions as microfinance institutions failure to comply with regulatory principles, poor management skills, lack of credit risk management policy, credit defaults from clients, high operational cost, poor credit monitoring and lack of Government support. While examines some challenges facing financial regulations as Cost of regulations, inadequate knowledge on regulations procedures, inadequate staff to regulate all microfinance, political influence, poor information dissemination, dynamic nature of the financial sector and uncertainties. However, despite the challenges, the microfinance institutions chalked the following prospects: Unserved/underserved market, development of the sector due to regulations, poorer people willing to Bank, Entrepreneurs growing interest and awareness, increasing Government interest, and Economic Growth. The article recommends that, for these challenges to be resolved and improve the services and operations of the institutions, the capital requirement should be moderate, proper monitoring and supervision, risk management, autonomous regulations, support from Government and donors, adequate training, and education of employees. We believe these would help make microfinance and regulations very effective and efficient by increasing outreach level and long term sustainability in the country.

Keywords: Microfinance institutions, Regulations, Challenges, Monitoring & supervision, Ghana.

Özet

Bu makalenin temel amacı, Gana'daki mikrofinans kurumlarının faaliyetlerinde ve finansal düzenlemelerin mikrofinans kurumlarının düzenlenmesinde ve denetlenmesinde

karşılaştıkları zorlukları belirlenmesidir. Düzenleyicileri, politika yapıcıları, kurumların yöneticileri ve çalışanları, görüşme rehberine cevap vermek için uygun ve amaca yönelik olarak seçilmiş ve veriler niteliksel olarak analiz edilmiştir. Bu makale, finansal düzenlemelerin karşılaştığı bazı zorlukların düzenleme maliyeti, düzenleme prosedürleri hakkında yetersiz bilgi, tüm mikrofinansı düzenlemek için yetersiz personel, politik etki, yetersiz bilgi yayılımını, finansal sektörün dinamik doğasını ve belirsizlikler olarak incelerken mikrofinans kurumlarının karşılaştığı bazı zorlukları; mikrofinans kurumlarının düzenleyici ilkelere uymaması, yetersiz yönetim becerileri, kredi riski yönetimi politikasının eksikliği, müşterilerden kredi temerrütleri, yüksek işletme maliyeti, zayıf kredi izlemesine ve devlet desteği eksikliği olarak ana hatlarıyla ortaya koymuştur. Bununla birlikte, zorluklara rağmen, mikrofinans kurumları aşağıdaki beklentileri kaydetmiştir: Hizmetsiz/ az hizmet edilen piyasa, düzenlemeler nedeniyle sektörün gelişimi, banka hizmetlerini kullanmaya istekli daha çok yoksullar, girişimcilerin artan ilgi ve farkındalığı, artan hükümet ilgisi ve ekonomik büyüme. Makale, bu zorlukların çözülmesi ve kurumların hizmet ve işlemlerini iyileştirilmesi için sermaye ihtiyacının ılımlı, uygun izleme ve denetleme, risk yönetimi, özerk düzenlemeler, hükümet ve bağışçılardan destek, çalışanların yeterli eğitimi olması gerektiğini önermektedir.. Bunların, ülkedeki sosyal yardım düzeyini ve uzun vadeli sürdürülebilirliği artırarak mikrofinans ve düzenlemeleri çok etkili ve verimli hale getireceğine inanıyoruz.

Anahtar Kelimeler: Mikrofinans kurumları, Düzenlemeler, Zorluklar, İzleme ve denetim, Gana.

6.1 Introduction

The entire financial system has a challenge and so financial institutions in Ghana are not an exception. The purpose of the article is to assess challenges facing microfinance institutions and financial regulations in the country. This article investigates the challenges financial regulators faced in regulating, monitoring and supervising the microfinance institutions in Ghana and the constraints/challenges that microfinance institutions faced from financial regulations, Government policies, customers and within the microfinance setup or in their operations. This chapter is made up of the following sub-headings: Background information, research objectives and research questions, literature review on challenges of

microfinance institution and financial regulations, theoretical review of literature, empirical review in Ghana, empirical review from other countries, economic impact of microfinance institutions in Ghana, economic rationale for financial regulations, review on the challenges of microfinance institutions in Ghana (GHAMP, 2006), research methodology, data analysis and findings, internal challenges of microfinance institutions, external challenges of microfinance institutions, challenges financial regulators faced, solutions to internal challenges of microfinance institutions, solutions to challenges of microfinance institutions (externally), solutions to challenges of financial regulations (internal & external), overcoming the overall challenges of the institutions, prospects of microfinance institution in Ghana, summary of the findings, conclusion, and recommendations.

6.1.1 Background on Challenges of Regulations and Microfinance Institutions

Microfinance institutions and financial regulations in Ghana like any other country's financial markets are not without challenges. Some of the challenges microfinance institutions faced include: Macroeconomic variables, low management capacity, inadequate support from the Ghana Government, lack of microfinance institutions concepts understanding by some staffs, and customers, poor regulations, credit default, financial sustainability of the institution not been given much attention, low donor funding, lower outreach and poor monitoring and evaluation systems. The Financial regulations in the country also are faced with challenges such as cost of regulations, inadequate knowledge on regulations procedures, inadequate staff to regulate all microfinance, political influence, poor information dissemination, difficulty dealing with microfinance institutions, Problems on how to sustain most microfinance institutions, triggers and changes, lack of coordination the supervision, financial instability, dynamic nature of the financial sector, uncertainties, transforming the effectiveness and sustainability of the sector and reforming regulatory reporting and standards. Both the challenges of regulations and microfinance institutions need to be addressed by the institutions with the support of the government and other key stakeholders of the institutions to be able to tend all the challenges into opportunities for the sectors to be in a long term operation and serve the purpose of their establishment in the country.

6.1.2 Research Objective

The overall research objective of this third essay is to examine the challenges facing microfinance institutions and financial regulations in Ghana.

Specific Research Objectives: the entire essay looked at the following research objectives:

- To discuss the internal challenges of a microfinance institution in Ghana.
- To assess the external challenges of microfinance institutions in Ghana
- To investigate the internal and external challenges of financial regulations in Ghana.
- To explore how to overcome the challenges microfinance and regulations faced in Ghana.
- To examine the prospects/opportunities of microfinance institutions in Ghana.

6.1.3 Research Question

The general research question of this third essay is: What challenges are microfinance institutions and financial regulations in the country facing?

The entire essay answered the following specific research questions:

- What internal challenges are facing microfinance institutions in Ghana?
- What external challenges are facing microfinance institutions in Ghana?
- Which are the internal and external challenges of financial regulations in Ghana?
- How do we overcome the challenges facing microfinance institutions and financial regulations in Ghana?
- What prospects/opportunities do microfinance institutions have in Ghana?

6.2 Literature Review on Challenges of Microfinance and Financial Regulations

The related literature under challenges of financial regulations and microfinance institutions in Ghana, other countries across the world are reviewed in this section for a better and easy understanding of the subject matter. It is based on theoretical and empirical reviews.

6.2.1 Theoretical Review of Literature

6.2.1.1 Microfinance Definition

Microfinance is simply understood to be the financial service provided to the active poor, responding to their demands and needs for these types of services. It emerged as an

efficient mechanism of providing financial services to poor people who usually do not fit in the traditional/standard banking system due to their savings and loan demand was small, and they also lacked loan collateral security (Zeller & Meyer, 2002). Microfinance according to Ledgerwood, (1999) is an alternative economic development tool aimed at individuals in the low-income sector, through affordable and flexible financial services with the goal of poverty reduction.

6.2.1.2 Financial Regulation Meaning

Financial regulation is a type of supervision, monitoring, or regulation which leads financial institutions to some kind of laws, rules, requirements, guidelines, and restrictions that aim to maintain the soundness, stability, and integrity of the financial system at large.

6.2.2 Empirical Review of Literature

Adjei (2010) in their study concluded that the challenges that microfinance industries are facing in not only Ghana but other developing countries too include: the problem of capacity building. Lack of adequate infrastructure, poor and inefficient delivery of credit & credit management, and ineffective gathering of information & information dissemination, and poor monitoring, regulating, & supervising. Similarly, Asiamah & Osei (2007) argued that "aside from a year of public offering, direction & provision of small loans/microcredit program, players' new entry, the issuing of credits is insufficient". They list some challenges of the institutions which directly or indirectly affect the subsector's ability and capability to perform efficiently as undercapitalization, poor management, ineffective regulatory framework & supervisory. However, Andah (2008) in their study of MFIs challenges in Ghana concluded that, management funds diversion, lack of capital, constant changes of policies by government, operational & transaction costs high, high default rates, lower capacity building, low or lack of technical skill within the sector as problems and challenges to the growth & success microfinance sector. Andah argued that some of these constraints are the challenging factors that contributed to the unsustainability of past schemes & programs and currently, still affecting microfinance scheme in this country.

6.2.3 Economic Impact of Microfinance Institutions in Ghana

A microfinance institution is a very important instrument for the reduction of poverty and employment creation among active poor people. The institution's role in providing

services to the poor who are excluded by mainstream Banking is crucial. The services offered to the low-income people and the poor by the MFIs improve their welfare, living standards, and conditions. The microfinance sub-sector has contributed significantly to the development of Ghana in several ways. Among them are the provision of capital, creation of employment, training and capacity building and the development of the communities.

6.2.3.1 Provision of Capital

Microfinance institutions provide funds to the active poor people for agricultural, trading, and other activities. These institutions do this in two main ways: Firstly, is the provision of microcredit to their customers and the provision of economic and social intermediation services such as capacity building, training and empowering the poor to be able to take up economic ventures (Okezie, Bankoli, & Ebomuche, 2014; Bishnoi, 2015; Muhammad, 2010). SMEs also receive capital from MFIs to do businesses with. A lot of researchers agreed that: Microfinance institutions provide funds/capital to productive poor. For instance, Otere (1999), agrees that the sub-sector create capital accessibility to low-income people, active poor. They also provide them with human capital, social capital by educating and training them which was from a local organizational building that helps the poor to come out of their poverty. This according to her will help to improve the people to take part in economic & societal activities and also raise their sense of dignity. Secondly is the provision of avenues for poor clients to micro-savings. That is accepting their savings/deposits and for some time, it accumulates and serves as startup capital to them. Only the customers of the institution qualify for microcredit. This is done to inculcate the Banking culture into the poor which would help reduce poverty in the long run.

6.2.3.2 Provision of Employment

Microfinance Institution again creates employment to the active poor. This they do through the capital provided to the customers. Some customers use the capital to start a new business while others use it to expand their existing businesses. Microfinance role in poverty reduction through which employment opportunities are increased, incomes gain, which helps improve the poor and lift them above the poverty line. (Muntambanadzo, Bhiri, & Makunike, 2013). Microcredit benefits in Ghana, to the beneficiaries of credit and customers, are: creating new jobs, employ other people which serves as employment creation. Microfinance

institution through the employment creation becomes an instrument for sustainable finance, capital provision, reducing poverty, ensuring growth in the informal sector through banking accessibility which was ignored by Commercial and other Banks (Boateng, Boateng, & Bampoe, 2015). Both the skilled and the unskilled labor are offered employment opportunities by the microfinance institutions.

6.2.3.3 Training and Capacity Building

Microfinance institutions capacity building are the programs and projects, efforts, activities and schemes which are targeted to capacity building (institutional and human resource) of the institution in order for them to be active and be able to serve their customers satisfactorily and effectively and build their customer base so as to become operational and financial sustainable for long period (Friends Consult, 2015). Microfinance institutions were able to come up with programs and projects that help contribute to their customer's improvement through the capacity building like credit management, price management, advertising, customer management, marketing and publicity, selling of goods and services.

6.2.3.4 Community Development

Another economic effect of MFI is the development of the community in which they are situated. Most MFIs help in the development of the communities as a social responsibility program. Hoepner, Liu, & Wilson (2011) conclude that MFI social pledge, the corporate social responsibility (CSR) relationship with financial self-sufficiency (FSS) is a very important one. The result again indicated CSR could be a beneficiary driver of microfinance institutions' growth, sustainability, and successes. Both the policymakers, investors of microfinance institutions devote much attention to this corporate social responsibility. Due to this, most microfinance institutions provide some community-based facilities like health care centers, schools, boreholes and the like. Some also renovate the facilities as part of their corporate social responsibilities.

6.3 Barriers/Obstacles of Microfinance Institutions

Several studies have listed the following as barriers or obstacles to microfinance: Government policies, Government intervention, robust, legal & regulatory framework, Demonstration effect, and poor macroeconomic.

6.3.1 Government Policies in the Sector

The government policies in the country interfere with the activities of the microfinance sub-sector. Some of the policies are not favorable to the sector and they render the institution to collapse. The management of the various institutions finds it difficult to cope with the rules and regulations and the policies enacted on them and their operations.

6.3.2 Government Intervention in the Market

The government most of the times decides for the market not the demand and supply in the market. Some of the interventions are through credit lines, long term loans, subsidized interest rates, etc. most of the long term loans are been managed and controlled by the central bank and the institutions are also exempted from issuing long term loans. Goldmark, Pockross, & Vechina, (2000) concluded that the majority of credit given which are long term was been managed by the central bank by credit lines which are developed to promote some economic activities /group.

6.3.3 Lack of Robust Legal and Regulatory Framework

The regulatory and legal frameworks in the country are not welcoming to the institutions and it ended up increasing the cost of operation and bringing loss and disincentive within the microfinance finance sub-sector. Microfinance institutions in Ghana still cannot offer most financial services products like general insurance, investment, long term loans, etc. they can only offer short term loans and take some deposits and this affects their long term sustainability. Also, only local investors deal with microfinance, foreign investors are strongly discouraged from investing in the sector due to currency restrictions and prolonged registration process (Nichter et al., 2002). Further, the laws that protect the deposits and the consumer's rights, labor rights all increase the costs of operation which is also a disincentive to the sector.

6.3.4 Demonstration Effect Problem

To develop a very strong and vibrant microfinance sector, the demonstration effect should be taken into consideration since is a very important factor in the development of the sector. It offers good examples of business practices, strategies, and processes, operational models that are successful within the same reality and can follow and encourage free entry in the sector (Nichter et al. 2002). Not having a demonstration effect is mostly connected to

no transparency & standardization in the sector, which is making financial reporting accessibility very complicated.

6.4 Economic Rationale for Financial Regulations

The economic rationale focuses on seven different components for regulations and supervision in Banking and financial services. The following are the economic rationales for financial regulations in the country.

6.4.1 Preserving Financial Sector Soundness

Microfinance like any other financial sector needs to be preserved. The soundness, stability, functioning, and activities of the financial system must be preserved. The main goal of every regulation is to protect the soundness & stability of the financial system, client deposit/ savings as well as the entire public (Llewellyn, 1999). Regulations and supervisions are done to preserve consumers and public deposits in all sectors both formal & informal institutions. The presents of regulation in a country bring about the public and clients being free and not scared to save with a financial institution. Unlike when there is no regulation, supervision nor monitoring. A financial system that is weak, poor regulation and supervision and that lack transparency is tantamount to the financial crisis as well as global financial crises. That is the reason why the safety and soundness of all financial institutions must be at the forefront of every functioning financial institution whether formal or informal.

6.4.2 Ensuring Institutional Soundness

Institutional soundness is a very crucial element in regulations. Regulations are done to ensure that the financial institution is sound, stable and sustainable. A sound stable and sustainable financial institution leads the economy to greater heights. It also brings about a high standard of living and economic development. The growth and sustainability of microfinance institutions are possible only when the set standards of the regulatory framework are followed. Banana skins report (2009, page 28), state clearly that, most countries still lack microfinance regulations, that MFIs are not regulated, most of the institutions are forced to follow other rigid ways, like commercial banking regulation which most respondents and customers cited as their problems. Incorrect and fake regulations

always affect the viability and survival of the business environment, discourage the investors, deposits, clients, donors and expose MFIs to panic and political interference.

6.4.3 Sharing of Information

Information and communication are a key element in every financial institution and it helps reduce the problem of information asymmetric, an adverse selection which leads to moral hazard. Arun (2005), states that the presence of asymmetries in information explains the financial system in detail and the many regulations as compared to other sectors or systems. The way some stakeholders like shareholders, donors, depositors, debtors, creditors share information among themselves brings the need to bring their interest through the regulation & supervision and towards protecting the interest of the customers & small depositors (Vogel et al 2000, & Jansson, 1997).

6.4.4 Responsible Lending and Service Provision

Regulations serve as a protector to all consumers, investors and the entire public. The financial services MFIs provide to low-income households, poor, consumer and the public at large are been regulated by the financial regulators. The bad activities are been prohibited and allow only the beneficial ones. Lending institutions are also monitored by the regulators and to ensure that the right interest rates are charged and help to create an enabling environment for responsible lending. With regulations, the legal status of financial institutions and standards are created.

6.4.5 National Loan Register (NLR)

A national loan register is a tool that helps in the assessment of borrower's ability and capability to repay a credit that is been offered to them by the financial services providers. It was formed by the microfinance regulatory council (MFRC) and it contains accounts and information about repayment of the credit that was given to the clients by the micro-lenders who registered with the national loan registry. There is much information that is included in the national loan registry. Some of them include: information on credit/loan, total payments, total grants, and inquiries but information like judgments is not included.

6.4.6 Consumer Protection

The protection of consumers is a significant aspect of every financial institution. Consumers if not protected will be taken for granted by the management and other staff of a financial institution. The right and interests of consumers must also be protected. A consumer is always right in every business set up and must be given the right to choose between products/services available to them. MFI and services they provided help transform the lives of the poor households and the public and because of that, it must be protected well. McKee et al (2010) in their study indicated that the significance of customers and consumers' protection in MFI indicates that, financial services can help poor and low-income individuals transform their lives. When financial regulation not designed and implemented properly, to some extent can cause more harm than good especially microcredit. To help curb the problems, brings different operators in microfinance like the government, management, donor, practitioners, policymakers, networks, clients. the protection of consumers campaign was based on six client protection principles which include: Ethical staff behavior, privacy of client data, transparent pricing, mechanism for readiness of grievances, avoidance of over-indebtedness, and appropriate collection principle. The campaign for client protection was launched in March 2009 and the main objective is to ensure that, the customers of microfinance institutions, are treated fairly and been offered with products and services that are not harmful and expose those clients to unnecessary risks by the financial services providers (McKee, 2010).

6.4.7 Control of Interest Rates

Poor households are always faced with a challenge of high-interest rates in the credit been issued to them and other financial services by the microfinance institutions. Regulations of microfinance institutions are intended to protect the high-interest rate and pricing of microfinance institutions. Prevent services to the poor household which causes more harm to them and discourages them from Banking and demand for credit. This brought the idea of the interest rate ceiling in financial institutions. The sectors providing services to the poor, rural areas exploit them because they want to cover the cost of their operation in a study of "the interest rate ceiling in Banks. Commercial Banks not to expand to the microcredit market" (Goodwin- groen 2006, page 26).

6.5 Review of Literature on the Challenges of Microfinance Institutions in Ghana GHAMP (2006)

The Ghana Microfinance Institution Network (GHAMP) in the year 2006 came up with the general challenges that the microfinance institution in the country is facing which is one of the reasons why the policy was formulated with the goals and objectives of it and again strategies that would help achieve those goals and objectives of the policies so as to reduce the challenges if not eradicated completely. According to GHAMP (2006), some of the microfinance sector challenges are:

6.5.1 Institutional Arrangements

The institution lacks a specify/clear definition of the duties & responsibilities of the sub-sector. Key stakeholders who comprise the regulators, policymakers, government, managers, employees, investors, donors, customers in the microfinance subsector all have the various roles that they played and the role need to be complementary with each other but because of lack of defined roles and duties, their responsibilities overlap the other in some instances which sometimes brought about conflicts of interest in the institutions. Also, the reporting process, a procedure in the organizational and institutional hierarchy is not specified nor defined and this also leads to overlapping in duties. To enhance effective and efficient implementation and delivery of services of the microfinance sub-sector, there is the very need to define clearly or specify the relationships, duties, roles & responsibilities of all interest parties/stakeholders.

6.5.2 Building Capacity

The capacity-building challenge of the sub-sector is into three different categories: Human capacity building, infrastructure capacity, and the funding aspect.

6.5.2.1 The Human Capacity

For the microfinance sub-sector to be promoted, the stakeholders like the policymakers and the regulators organize training and other activities for the institutions intending to develop their human capital. Yet still, the human training and capacity building of the institutions offering by the stakeholders like GHAMFIN, MASLOC, BOG, MFIs, MDAs, and service providers technically are insufficient for the microfinance institutions operations. Again, the level of competency and staffing that is achieved during the training

programs is not up to expectation. The nature of the training programs and the targets including the way of selection of the participants has negatively affected the achievements of the sub-sector. These failures have a direct impact on the structure as well as the governance of the institution. The Apex Bodies also lacks the necessary facilities for training and lacks also proper supervision, monitoring & evaluation unit that help them compare, measure the performance and progress of the institution's programs and activities.

6.5.2.2 Infrastructure

The development of the infrastructure in the institution is not complete. The sector is yet to develop and integrate logically to support the internal operations systems. Infrastructural capacity building needs to be available in place to help the activities of the industry to function effectively.

6.5.2.3 Funding

Funding of an organization is an important and key aspect of the institution and this funding is in three sources: From the microfinance institution themselves, from the government of the country and from the development partners who are part of the stakeholders of the institution. The institutions themselves do not have the needed funds for the running of the company in terms of meeting their needs, developing and expanding the sector. Again, the funds from the other sources also come with the condition which in most cases the institutions were not able to fulfill and this is a big challenge. There should be central microfinance funds available within the country where microfinance can go for support, training and capacity building to build on their experiences.

6.5.3 Delivery of Credit and Management

The Delivery of credit and Management challenge is in three categories credit delivery mechanisms, categorization of institutions and classifying the target groups.

6.5.3.1. Credit Delivery Mechanisms:

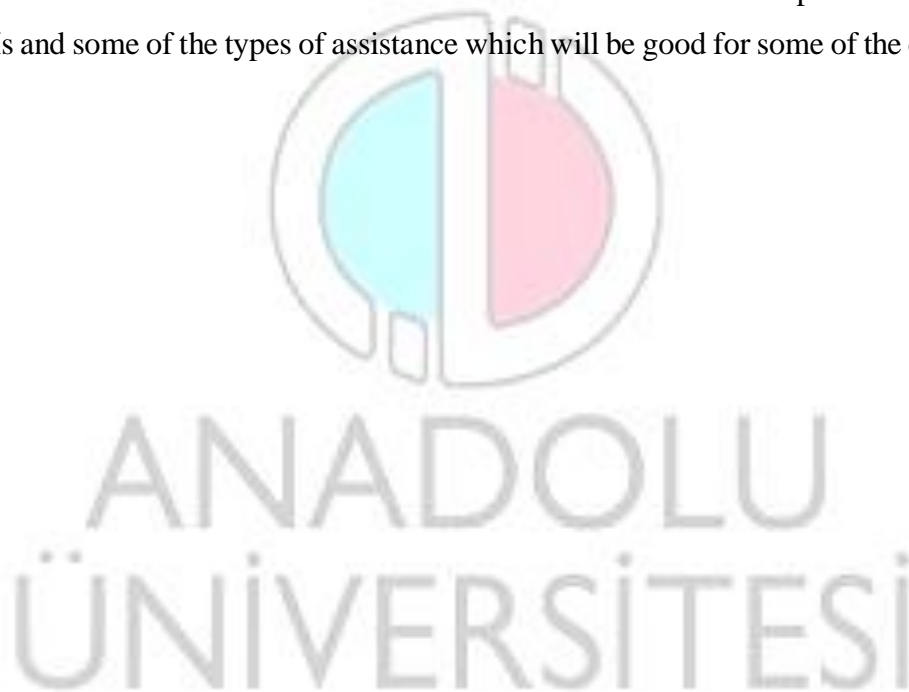
The credit delivery mechanisms currently in the institutions is inadequate. The diversification, effective and efficient strategies for the delivery of the credit is not enough and cannot meet the demands of the customers. The different market demands and the different types of end-users are not met.

6.5.3.2 Categorization of Institutions:

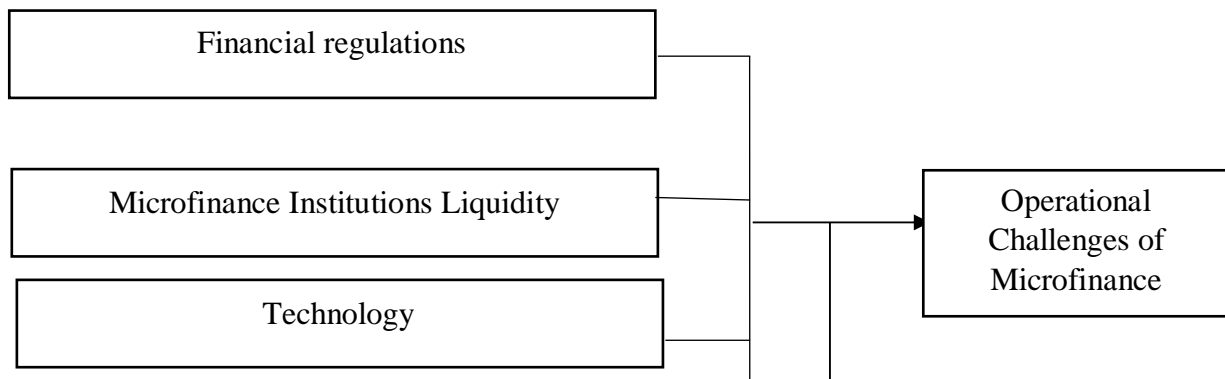
Institutional categorization is a major challenge in the sense that, it lacks procedures and processes microfinance institution upgrading that is emerging from the semi-formal or informal institutions to the operational capacities of the institution.

6.5.3.3 Classifying Target Groups:

The main purpose of every MFI is providing services and resources to low-income people and the poor. Yet still, this objective needs to be look at again because there is no enough reliable and acceptable methods that can be used to classify different levels of poverty that improve and enhance effective classification of the actual clients nor potential customers of the MFIs and some of the types of assistance which will be good for some of the customers.



6.6 Conceptual Framework on Challenges of Microfinance Institutions (Daniel 2018)



Research Hypothesis

Ho1 There is a relationship between MFI operations and financial regulations

Ho2 There is a relationship between operations of MFI and Liquidity

Ho3 There is a relationship between operations of MFI and technology.

Source: Daniel 2018.

6.7 Research Methodology

The methodology of this article is solely qualitative. Both primary & secondary data was used. With the primary source, regulators from Bank of Ghana, and Policymakers from Ministry of Finance were interviewed using an interview guide. Other data were gathered from management and employees of the microfinance institutions, Ghana microfinance institutions network staff, staff of the Ghana Microfinance Company, and MASLOC staff while the secondary source was through journals, books, the institution home page, and websites, etc. The questions were asked to solicit the respondents' views on the challenges that the microfinance institutions and financial regulators faced, how to overcome those challenges, what they think are the solutions to the internal and external challenges of the institutions and the prospects of microfinance institutions in the country. Is there anything they think the government and the management of the various institutions can do to help minimize the challenges for the institutions to function as expected? Taking selected microfinance institutions in the country into consideration, using a total of thirty two (32) sampled respondents consisting of 12 management of microfinance institutions, 6 other employees, 4 Regulators, and 4 Policy formulators. 6 other members were interviewed from the Ghana Association of Microfinance Institutions Network, Ghana microfinance companies, and Microfinance and small loans center. Also, the respondents' responses and

submissions during the focus group discussions with some selected microfinance institutions management in Accra, Tamale, and Techiman were taken into consideration. The needed data was gathered using face-to-face interviews and discussions with interview guides & focus group discussion guide. Some of the responses were audiotaped whilst others were written in a booklet. The participants responses were transcribed, coded, narrated, interpreted and analyzed qualitatively using a Thematic Analysis.

6.8 Data Analysis and Findings

The tables below, table 1 to 5 gives a summary of the microfinance institutions' challenges, the challenges of financial regulations, how to overcome the institutions' challenges, and the opportunities/prospects of microfinance institutions in the country. The challenges that microfinance institutions faced are divided into internal and external challenges in table one and table two. While table three indicated the challenges of financial regulations in Ghana and table 4 on how to overcome the challenges, and the final table, table five listed the prospects or opportunities of microfinance institutions in Ghana. The factors, views, ideas of various respondents mentioned during the interviews on the challenges of microfinance institutions and financial regulations, how to overcome them, and the prospects of microfinance in the country was summarized in the tables below and later discussed as said by the regulators, microfinance institution management, and other stakeholders of the various institutions who were interviewed. Thus, after the responses were transcribed, coded, interpreted and analyzed.

6.8.1 Internal Challenges Facing Microfinance Institution in Ghana

Table 1: Challenges Faced by Microfinance Institution in Ghana (Internal).

According to the respondents from the findings, the internal challenges microfinance institutions faced in Ghana include the following listed in table 1 below.

No	Internal Challenges Microfinance Institutions Faced in Ghana
1	Credit Default
2	Poor / Improper Records Keeping
3	Minimum Capital Requirement

4	High Operational Cost
5	Inadequate Capacity Building
6	Illiterate Customers
7	High Interest Rate from MFIs
8	Unfaithful Staff
9	High Transactional Cost
10	Liquidity Challenge
11	Short Term Loans
12	Poor Loan Monitoring
13	Fraud/ Theft
14	Employees and Customers Inadequate Understanding of MFIs Concepts
15	Mismanagement by Managers

Source: Primary Data September 2018.

6.8.2. External Challenges Facing Microfinance Institutions in Ghana

Table 2: Challenges of Microfinance Institution (External)

During the interview, the interviewees made mentioned the following factors in the ensuing table as the external challenges the microfinance institution faced in the country.

No	External Challenges Facing Microfinance Institutions in Ghana
1	Lack of Infrastructural
2	Panic withdrawal by Customers
3	Competition
4	Financial Regulations
5	External Monitoring and Supervision
6	Licensed Withdrawal/Cancelation
7	Government Policies
8	Lack of Government Support
9	Inadequate Banking Culture Among the Rural Customers
10	Lack of Information on Regulation Procedure

11	Corruption
12	Depreciation of the Cedi / Currency
13	Problem of Unstained Microfinance Institutions
14	Lack of Decentralization
15	No Public Trust for Microfinance Institutions

Source: Primary Data September 2018.

6.8.3 Internal and External Challenges Facing Financial Regulations in Ghana

Table 3: Challenges of Financial Regulations (Internal and External)

From the respondents' responses, financial Regulation in the country faced the following internal and external challenges in table three 3.

No	Challenges of Financial Regulations in Ghana
1	Cost of Regulations
2	Inadequate knowledge on regulations procedures
3	Inadequate Staff to regulate all microfinance
4	Political influence
5	Poor Information Dissemination
6	Unqualified Staff
7	Difficult dealing with Microfinance Institutions.
8	Problems on how to sustain most Microfinance Institutions
9	Technology/Triggers and changes
10	Lack of Coordination the Supervision
11	Financial Instability
12	Dynamic nature of the financial sector MFI
13	Uncertainties
14	Transforming the Effectiveness and Sustainability of the Sector
15	Reforming regulatory reporting and standards

Source: Primary Data September 2018.

6.8.4 Overcoming Challenges of Microfinance Institutions and Financial Regulations

Table 4: Overcoming Challenges of the Microfinance and Regulations in Ghana.

From the interviewees' responses, the following factors would help to overcome the challenges facing financial Regulations and microfinance institutions in the country.

No	Overcoming Microfinance and Regulations Challenges in Ghana
1	Reduce cost of Regulations
2	Sufficient knowledge on regulations procedures
3	Adequate Staff to regulate microfinance institution
4	The Institutions should be free of Politics
5	Proper Information Dissemination
6	Qualified Staffs for both Institutions (MFIs & FR)
7	Effective and efficient government policies
8	There should be vibrant regulatory framework
9	Dealing with Triggers and Changes
10	Effective Coordination the Supervision of the institutions
11	Financial Stability
12	Proper loan monitoring & Management
13	Government and Donor Support
14	Control of Interest Rate
15	Dealing with Corruption, Fraud, and Mismanagement in the Institutions.

Source: Primary Data September 2018.

6.8.5 The Prospects of Microfinance Institutions in Ghana

Table 5: Microfinance Institutions Prospects in Ghana

From the findings, the respondents said, more prospects or opportunities existed for the microfinance sub-sector in Ghana. Among the prospects mentioned include:

No	Prospects of Microfinance Institutions in Ghana
1	Unserved / Underserved market for MFIs
2	Development of the sector due to regulation

3	More poor and low income people willing to bank
4	Entrepreneur growing interest and awareness
5	Increasing Government interest
6	Economic Growth

Source: Primary Data September 2018.

6.9 Discussions of the Findings

The findings from the field data collection were those to be discussed below according to the respondents' responses for a better understanding of the research topic, research objective and the research questions of this article. During the interviews, respondents were asked what they think are the internal challenges of microfinance institutions in Ghana which is the first research question of the article and different answers to the challenges were mentioned by the respondents:

6.9.1 Response to Research Question 1

What are the internal challenges of Microfinance Institutions in Ghana?

The Internal Challenges are constraints, difficulties or problems, and issues that the microfinance institutions faced in their operations internally and that which also affects their internal dealings. This could be from the financial regulators who regulate, supervise and monitor the activities of the institutions, the policy-making bodies who formulate and implement the policies of the institutions, the management who manage the affairs of the institutions, or the other employees they hired to help manage the affairs of the institution, and the customers the institutions deal with. The products and services the institution offered to the clients, the credit they issue to the customers and other things within the institution. From the findings, the below to be discussed are the internal challenges that the institution faced as mentioned and explained by the respondent.

According to Kwame, a 50-year male respondent from Aspect A microfinance institution in Brong Ahafo Region (Techiman), one of the internal challenges of microfinance institutions is credit default by the customers of the institution he narrates:

“Kwame said customers default on the credit the institution issued to their customers. Some of the beneficiaries refuse to pay back the loans while others pay but half of the required amount. Default in loan repayments leads an institution to a standstill. It

brings about the collapse of the institutions especially when the default rate is high. The loan issued out and the interest that comes with it is what the management utilizes and gives to other customers as loans and the money is from the small depositors who save their monies for safety and come for it as in when they needed it. When this happens, the institutions cannot even pay their clients (depositors) and this again leads to the announcement of panic and collapse by some of the customers”.

“Furthermore, he mentioned Poor records keeping as another internal challenge that the microfinance institution is facing in Ghana. Financial records need to be taken care of properly. The accounting and financial procedures must be followed and the information on each must be carefully entered and written in financial books for proper records keeping so that in case of system default there are backups to rely on. He said there should be a unique software for usage and keeping of information and data by the microfinance institutions for security reasons but most of the institutions are lacking this. This is a serious challenge faced by most of the institutions as he mentioned during the interview”.

During the field interview with the respondents, we observed that some staff of the sector when asked how they keep their records, mentioned manually, and others also said both manual and with computers. Few mentioned the use of a microfinance software. In case the records of the institution are not kept properly, it can cause problems. The researcher also observed that most of the information of the customers was written in booklets and later entered into the computer.

Adwoa, a lady who graduated from Accra Technical University and staff of Albrim Microfinance Limited mentioned the challenges of microfinance institutions to include, a minimum capital requirement from regulators of the bank of Ghana, high cost of capital, and inadequate capacity building. She explains each factor as written below:

“The minimum capital requirement is a big challenge to microfinance institutions. That all the microfinance institutions staff are complaining about these and they are of the view that the government and the Bank of Ghana should do more assignments on that and come out with a better alternative because this is rather going to collapse

more institutions than sustaining the sub-sector. She said we wish the regulators in collaboration with the Government will come out with a moderate capital requirement for most of the institutions to be able to afford. The 100 percent increment in the required amount will be a big blow to most of the institutions and the majority will stop operations due to this and it will surely lead to the collapse of most of the institutions".

“Adwoa again narrates that, "the cost of operations is so high that it affects the rates charged. Microfinance institutions charged a higher rate of interest as compared to the traditional/conventional Banks because the cost of operations and transactions in the bank is very high and the products and services rendered to the customers are not much. This is an internal challenge because all costs of operations must be covered”.

Furthermore, Adwoa said: "The employees of the microfinance institution lack capacity building and training internally. Internal training and capacity building should be organized for the employees of the microfinance institutions to help build their experiences, skill and boost their knowledge”.

“She said the management should factor training and capacity building as part of the annual or semi-annual programs for all the employees to train intensively on the institutions' operations. This would help reduce the challenges the institutions are facing internally”.

The researcher observed that, lack of knowledge and understanding of the operations of the microfinance institutions among most employees during the interviews from their actions and responses and this must be resolved before the institution collapse. We advise that the policymakers together with the financial regulators should organize training programs and build the capacity of the employees. This should be made compulsory to them because most of the staff lack the necessary skills and competences in running the companies.

H.A.S a male respondent from Prudence Microfinance Limited said, another internal challenge of microfinance institutions is illiterate customers.

“H.A.S narrates that, most of the customers of microfinance institution are illiterates. This is because the institution targets the poor individual, women and the vulnerable. The level of education of most of the clients is junior high, primary or no education and the majority finds it difficult to read and understand. Dealing with such customers he said is difficult and risky. The level of understanding is unlike educated customers who can read and write with understanding. Most of the customers do not know why they are Banking nor their reason for applying for a loan. All they know and understand is that, in Banks, they can make a profit and can get loans to do businesses and never understand why interest is being charged. This category of clients posed a threat to the microfinance institution in the country because dealing with them is risky. He further says that, as the mission of microfinance institutions is to target the low-income & people, those are the majority of the customers most microfinance institutions are likely to be working with”.

"Another internal challenge of the microfinance institutions is the high-interest rates charged. When some respondents (loan beneficiaries) were asked why they default on loans, they mentioned that microfinance charged a high-interest rate and it is difficult for them to raise the principal amount and the interest together to pay back.

A manager, male respondent, at Baobab microfinance in the Northern Region narrates that:

“The microfinance institutions also depend on the interest to cover some of the losses and default so cannot reduce the rates. It would be difficult for the institutions to reduce the interest rates they charge "mentioned by a manager of Baobab microfinance institution in Tamale”.

Kwabena, in Brong Ahafo Region, an employee of one of the microfinance institutions said, another challenge of the institution is unfaithful staff. According to his explanation:

“Most of the staff hired by the microfinance do not work for the interest of the institution. The staff who are engaged in the collection of depositors' monies some of them run with the monies. Some staffs take loans on behalf of customers and run away with it. Others also steal the money and go with it without appearing again.

Some of the management also give loans to their families, friends and themselves and all these end up in defaults”

Furthermore, he mentioned high transactional cost as another microfinance internal challenge in Ghana.

“There is a very high transaction cost involved in microfinance institutions operations. The cost of organizing training for staff of the organization and the operation of the sub-sector has a high cost attached to it. The cost of goods and services, resources and all other materials are very expensive. These are a cost that the management cannot escape since it is part of the organization narrates by Kwabena”.

In a focus group discussion with the staff and management of “Dahinsheli Microfinance Company” in Tamale, a lot of factors were mentioned as the internal challenges of microfinance institutions in the country.

Among the challenges mentioned are: “liquidity challenge, short term loans, Poor Loan Monitoring, fraud/theft, employees and customers' inadequate understanding of microfinance institutions concepts, and mismanagement by managers”. The respondents use acronyms and pseudonyms as their names and below are their submissions, comments, and responses during the discussion.

“Sheff a female staff of the above institution mentioned Liquidity Challenge as one of the internal challenges the sub-sector is facing. She narrates the above factor as:

“The increase in the liquidity reserve by the Bank of Ghana to all microfinance recently is a serious challenge to most of the microfinance institutions she said. The liquidity reserved has increased from 500 thousand Ghana cedi to 100,000 in 2016 and increase again to 2,000,000 Ghana cedi in 2018. According to the respondents, this is an unexpected increment and unbudgeted expenses to the institutions. That, it will be very difficult to come by that amount within the shortest possible time that the regulators are requiring. Sheff concluded that this is likely to lead to microfinance institutions collapse by most of the institutions, merging or the institution been taken over by Bank of Ghana. That most of the MFIs may not be able to raise this amount”.

Kasi a graduate from University for Development Studies (UDS) also said, Short Term Loans issued by the microfinance institution are a challenge facing it internally. According to Kasi:

“The maximum period the institution is allowed to give loans is 12 months. Mostly, the institutions' normal issue 3 or 6 months' loan due to the default rate of most the customers. Again the kind of businesses done with the credit issued is monitored so that the beneficiaries will not deviate from what they said they are to do with the loans. Both the customers and the managers sometimes wish the loan period is long term for them to be able to invest the monies in a long term investment that will yield a higher return for them”.

The researcher observed from the responses of other interviewees that, another challenge of the microfinance institution mentioned by both the managers and the loan beneficiaries is the giving of short term loans. The management said it is part of the rule of the regulators for microfinance institutions not to give a long term loan.

Mr. Fat a male and married respondent from the same institution also mention Poor Loan Monitoring as another challenge during the discussion. Fat concluded that:

“The loans issued to the customers are not monitored by the management very well. Most customers misuse the loans, never use it for intended purposes and it ends up in losses. The rate at which the beneficiaries of the loans are monitored and supervise is very low and not encouraging. Intensive monitoring and evaluation of the activities they engaged in must be involved. There should be a proper monitoring mechanism by the management and the loan officers from the institutions. Monitoring and supervision should be monthly, these would help reduce the default rate of the loans given to the customers said, Mr. Fat”.

The researcher also attested to this during the interview conducted with some customers of the institution on what leads to a default on credit. One of the customers who is a loan beneficiary said:

“A friend of mine that we took loan together is now using the loan for a different business. He is not using the money for what the bank knows him to do with it. I think

this is due to poor monitoring and supervision by the loan officers of the institutions and the kind of business he is doing, I wonder if he can pay back the loan to the microfinance institution”.

SK Dam a male diploma holder and an employee of the institution during the discussion said:

"Corruption, fraud, and theft are alarming in the microfinance sub-sector. Most managers are engaging in corruption and this affects the performance of the organization. The employees who go out for money collections too some of them not being fair to the institutions. They are fraudsters either running with the company's money or customer's money. A lot of factors contributed to this and it is making the institution unmanageable and unsustainable”.

AAA a confident and one of the sub-manager of the institution made mention of employees and customers' inadequate understanding of microfinance institutions concepts and mismanagement by some managers as a serious internal challenge in the sub-sector. He narrates:

“Some of the employees are only working for the institution but do not understand the real definition and concepts of the microfinance institution. The customers are also banking with the institutions but lack knowledge and understanding of the dealing of the institutions. Education of both the employees and the customers on what microfinance institution is and mission and objective of microfinance institution as against the products and services offered will help to sustain the institution”.

“AAA also mentioned that the majority of the managers mismanage the institutions. They do not handle the institution like their own property and asset but rather sees it as someone else property. Some even engage in dubious businesses that are not part of what the institutions are licensed and registered to do. Most management ended up doing whatever businesses come onto their way without weighing the pros and cons of the business. The only aim is to make a profit irrespective of the kind of business forgetting that, they are dealing with customer's monies”.

These are the main reason why regulators and policymakers are important for every functioning financial institution to protect customers and their savings. We recommend that these activities of managers must also be monitored by both regulators, policymakers, and owners.

6.9.2 Response to Research Question 2

What are Microfinance Institutions External Challenges in Ghana?

The External challenges of Microfinance Institutions

The external challenges of microfinance institutions are the most serious challenges faced by the institutions. These are the challenges that the institution is not having full control over. Most of these challenges are macro and need Government intervention. While some can be rectified by the management of the institution others are beyond their capability. The respondents during the interview mentioned some of the external challenges of the microfinance sub-sector to include the discussed factors below.

Alaska, a 33-year-old gentleman and a staff of “Expert Link Microfinance Limited” in Brong Ahafo region answered the external challenges facing MFIs as, lack of infrastructural, and panic withdrawal by the customers as a challenging factor. Alaska explained these factors as:

“The institution lacks the needed infrastructural development. Due to this, it is difficult for some of the organizations to extend their services to the most needed places. Lack of access to roads, social amenities and the like are difficult factors and reasons why the institutions cannot open other branches in the rural communities. The customer base needs to be extended to other parts to get more poor and low-income people banking but accessibility to reaching them is difficult”.

“Alaska also said, due to continuous collapsing of microfinance institutions in Ghana, most customers never want to continue to save with the institutions. Again, the default rate of some of the loan beneficiaries makes it challenging for microfinance institutions to pay all the customers their savings due to lack of enough funds at their disposal and so some customers' due to words of mouth advertisement about the poor performance and attitude of the Banks towards the customers, some also rash for their monies. These bring a lot of queues at the premises of the Banks as customers all are demanding their entire deposit, even those who invested the monies still needs their monies and cannot wait for maturity. Panic withdrawal is a serious case and the customers need education on how to stop this since is a serious crisis to the microfinance institution and every financial institution. These were the ideas and views of Alaska during the interview with him on their banking premises”.

In a focus group discussion with the management of Afro-Arab Microfinance institutions in Accra, the respondents made mention of competition, regulatory requirements, monitoring and supervision by regulators, licensed withdrawal, government policies and government not supporting the microfinance as some external challenges facing the sub-sector.

LBR a graduate, accountant, manager and a male respondent during the focus group discussion mentioned competition as a challenge:

“There is serious competition among the various microfinance institutions in the country. Besides this, the traditional and conventional banks also compete heavily with the microfinance institution though most of their products and services vary. Recently most of the traditional Banks have the products of microfinance and also operating it. The rate at which banks and microfinance institutions compete among themselves is making it a big challenge for the institutions because if you work ineffectively and not able to meet the demands of your customers and supply of the products as in when they are needed, you can easily be competed away by your competitors”.

We observe that competition to some extends puts the management and other employers on track to work diligently to serve their customers best.

Hassan a graduate, smart and very intelligent married man, and a manager in charge of loans delivering, monitoring & supervising at the above institution narrates that:

“The regulatory requirements by the regulators is a challenge to most microfinance institutions. Some of the institutions and regulators always fight over regulatory reporting or procedures and some management are afraid to hear that regulators are visiting them. All this is due to the way they work and deal with issues. The staff who work well have nothing to worry about the coming of regulators to monitor and supervise them. Most of the management also complain about the laws, rules, and demands of the regulators. They also complain about the reporting procedure being cumbersome and gargantuan beyond their wish. Some again wish the regulatory guidelines will be redrafted to match the current situations”.

From the discussion, one of the respondents called "Awee" complained about the monitoring and supervision by the regulators as a challenge to the institutions. He concluded that:

“Sometimes the regulators come to the institution unannounced, in a form of surprise visit and demand things that are not ready yet. That, at times they announce their coming but with very short notice. Regulation and Supervision should be friendly and lovely if both the management and the regulators are doing the right things at the right time said an employee. Awee narrated”.

Sam in the discussion also mentioned licensed withdrawal by the regulators from the bank of Ghana to be the challenge of microfinance institutions externally. Sam narrates that:

“The licenses given to some of the institutions to start operation by the Bank of Ghana have been withdrawn due to insolvent, incompetence and bad performance of some of the institutions. The alarming rate of microfinance institutions unsustainability in Ghana has made regulators vigilant of the remaining surviving institutions. This calls for intensive investigation and scrutinizing of the report given to them by the microfinance institutions and where there are errors the institution management is held responsible. The withdrawal of the license could be temporary or permanent due to the gravity of the offense committed by the microfinance sub-sector and the level of insolvency. This sometimes leads to some of the institutions to cease operations as instructed by the bank of Ghana”.

Emanuel a very nice and promising-looking gentleman, and procurement manager of the institution mentioned government policies and lack of government support as another external challenge of the sub-sector. According to Emmanuel:

“The policies implemented and imposed by the policymakers from finance ministry is a challenge to most of the microfinance institution. Some of them were of the view that the policies are in favor of the customers and not the operations of the institutions. Others also wish the policymakers and the regulators will work hand and hand to come out with policies and guidelines in their favor”.

“Emmanuel again narrates that, almost all microfinance institutions wish the government of Ghana is supporting them with funds and other needed resources. "He again mentioned that the government support will be a good one to the institution and it can help in the effective running of the company”.

We observed during the discussions and interviews with some of the respondents mentioning that the government gives support to some collapsing traditional and conventional banks in the country and they wish the same is done to at least the collapsing microfinance institutions. Saudat, a confident and outspoken woman from GHAMFIN said, the institution is faced with many external challenges and among them are Inadequate banking culture among rural customers, lack of information on customers and borrowers, and corruption. Saudat narrates her factors as below:

"Most of the rural customers lack banking culture. This is because they do not have Bank in the communities where they are coming from and this is the first time they are banking".

"Information flows in the microfinance sub-sector is very poor. There exist improper information dissemination among management, other employees and the customers of the institutions. Again, information among the regulators, policymakers, MFIs, and other stakeholders is ineffective. Proper Information dissemination within a financial institution helps to reduce information asymmetric which reduces adverse selection which can lead to moral hazards within the sub-sector. More so, the regulators do not get the necessary information needed from the institutions to help them in the monitoring and supervision. Good information flow helps to minimize errors within and outside the organization".

"Corruption is another external challenge the microfinance institution is facing. There is both internal and external corruption in the microfinance sub-sector. Some of the staff want to make money that is not legal. Some of the management are already corrupt and they want to steal the monies of the institutions. Due to the corrupt nature of some of the managers, they engage in unethical and illegal businesses which leads the institution to collapse. Some staff of the institutions takes bribes and all this affects the business operations narrated by Saudat".

The researcher observed that microfinance institutions need to do a lot of work and expand their banking activities to areas where they are needed. There is a need for proper outreach and complete coverage of the institutions since most of the poor people are willing to Bank.

Also, there should be adequate education on the usage of the products and services of the institution to the customers.

According to Firdaws, a male and staff at the Ghana Microfinance Company (GAMC), Depreciation of the Cedi / Currency, and the problem of un-sustained microfinance institutions are also challenges to the sector. Firdaws narrates that:

"The rate at which the Ghana cedi is depreciating against the US dollars is a blow the Ghanaian economy and the financial sector of the country at large. Microfinance sub-sector sees this as a challenge and seriously affecting the operations of the Bank".

"A lot of microfinance institutions in Ghana are collapsing and this puts fears in most customers of the various microfinance institutions that are existing. The public, potential customer and the clients of the sub-sectors are all afraid to put money in a microfinance institution no matter how good the bank is doing. This led to a panic withdrawal from the customers and is affecting the operations of the remaining microfinance institutions directly and indirectly. The public and the customers all lost interest and confidence in the surviving microfinance institutions".

Other managers during the interview complained about this and hoping the Government and the Economic analyst do sometimes about the issue of the Ghanaian currency.

In Brong Ahafo Region, Techiman to be precise, in a discussion with the staff and management of "Aspect A Microfinance Company", lack of decentralization of powers by regulators and lack of public trust for some microfinance institutions is a challenged mentioned by some of the respondents during the discussion:

Aku, a 27-year-old lady, graduate from Sunyani Technical University and staff of the above institutions in charge of customer service and complaints mentioned that:

"Ghana Central Bank (BoG) in Accra is the sole financial regulator of a microfinance institution in the country and this makes it difficult for them to regulate all the licensed institutions let alone concentrate on the un-licensed ones for better directions. The management of the microfinance institutions in the various Regions wishes the regulations can be decentralized to the regional and district levels to be effective and efficient. Most of the collapsing institutions in the country are the un-licensed ones and is because monitoring, supervision, and evaluations are not properly done in those

institutions. This brings a greater challenge to the surviving microfinance institutions. Said Madam Aku, the staff at the interviewed institution".

Malik who holds MSc in Micro-financing, 29 years old gentleman of "Aspect A microfinance institution" also narrates that:

"The majority of the public do not have trust for MFIs in the country. This is due to the type of thinking & perceptions they have about microfinance institutions. Most people think that the staffs are there to run with their monies. Some also think that, no matter what the institutions will collapse. Due to some of these perceptions of the public, the majority do not even want to respect the workers or employees of the microfinance institution".

6.9.3 Response to Research Question 3

What are the internal and external challenges facing financial regulations in Ghana?

The financial regulators from Bank of Ghana also faced similar challenges in regulating, monitoring, supervising, and dealing with the microfinance institutions management. These challenges are both internal and external. Among the challenges facing financial regulators from the findings during the interviews and focus group discussions are discussed below.

Bossu, a manager at "Dunia Microfinance Institution" in Accra Nima mentioned the cost of regulation and supervision and inadequate knowledge of regulations procedures as the challenges of financial regulations in Ghana. Bossu narrates that:

"Regulations are expensive. It needs a lot of money to be able to cover all microfinance sub-sector. The cost involved in the monitoring and supervision of the institution is too high for one organization to afford. The government of Ghana needs support from donors' agencies and other sources to invest in microfinance institution regulations since the regulations are one of the ways to reduce the collapse of the sub-sector".

"Again He mentioned that "most of the staff do not have enough knowledge and skills required to work on the institutions. Due to this some of the staff need training and to gather experience to work effectively. Not having enough knowledge of regulations can pose a threat to microfinance institutions and the Bank of Ghana".

Tetteh, a 45-year-old man from the bank of Ghana, a confident and responsible looking man narrates that:

“The number of employees to carry out the role of the regulation in the BOG is inadequate. The ratio of MFIs as against the regulatory bodies in the country is not encouraging. Due to the above, most MFIs in Ghana are not been regulated. Especially those institutions in rural areas. Some of the MFIs are operating without recognized licensed and the regulators need to get them out of business to reduce the collapse rate in the country”.

We advise that more regulators should be recruited/employed into the financial regulation sector to help address this issue of microfinance institutions unsustainability and collapse rate in the country.

Madam Gee, a staff and 40-year-old female regulator from Bank of Ghana mentioned political influence as another challenge facing the financial regulations in the country. She narrates that:

“The political atmosphere of the country has a greater influence on the regulators. Political parties play politics with the institutions and this has an impact on the success and achievements of the institution. A change of government leads to a change of management and other staff of the institution and this is affecting the operations and performance of the organization. The researcher advises that regulations should be independent of Politics. The more autonomous the institutions are, the better it is for the workers and the beneficiaries”.

In a focus group discussion with the staff and management of “Aspect A microfinance institutions”, the following challenges were mentioned. Poor Information Dissemination, unqualified staff, difficulty dealing with some microfinance institutions, and Problems on how to sustain most microfinance institutions.

Fatash mentioned in the discussion that:

“Within the Bank of Ghana microfinance regulatory section, information flow is very weak. The more information is allowed to flow freely, the best it is for the institution. There should be information flow from the regulators themselves and to the other key

stakeholders of the microfinance institutions like the policymakers, donor agencies, the government, clients and so on. This would help make their works easier and the institutions can be in existence for a long period. Good information dissemination help reduce the risk in an organization”.

Madam Sena married women and staff at the microfinance institution concluded that:

“Aside from the limited number of the employees of the Bank of Ghana financial regulations sections, some of the staff are not qualified for the jobs. Some of the employees were there on a political basis and others were there based on family relations or at a fee. Because of this, it is difficult to handle and correct most of them”.

We recommend that the recruitment body should be independent of politics, family, and friends since this is a matter of financial institutions and customer monies. A sound financial institution helps in the development of a country's economy and customers at large.

Jakuut a graduate from Cape-Coast Technical University and a marketing manager at the microfinance institution also mentioned during the discussions that:

“The regulators most of the time find it difficult dealing with the microfinance institutions staff and their products and services. They complain most of the employees especially the management do no follow instructions given to them by the regulators and this makes it difficult for the regulators working with them. There are always errors in their reporting's and financial statements provided to our institution though we always train them on how to handle the documents and report to us. All reporting standards and procedures, the staff of the various MFIs were thought how to do it yet still there are always errors in most of them their reports. This makes it difficult to deal with them”.

Mensah a male graduate from Takoradi Technical University, senior Accountant, and an accounts and finance officer of the institution mentions problems on how to sustain most microfinance institutions as a challenge to the financial regulators. He narrates that:

“The nature of the management, employees, and the kind of products/services offered to clients' causes unsustainability and collapse of the institutions. The regulators find it a challenge since most of the management were not helping the institutions. Some even engage in services that they are not licensed to do. The regulators are trying their

best to help sustain the institutions hence the reason why there was an increase in the minimum capital requirements of the Banks yet still most of the employees are not helping in sustaining the institutions. This is a difficult task reported by the regulators during the interview”.

Ama a female graduate from University of Ghana Business School and a regulator from the bank of Ghana mentioned technology, triggers and changes as another challenge to the financial regulators. The regulator Ama stated that:

“There are a lot of triggers and technological changes in the financial system and the financial institutions that need to be taken care of. This change happens un-announced and causes a blow to the institutions. There are changes in management, the board of directors, employees, etc. Also the use of technology changes as in when the institutions decide to. The regulators most of the time find it difficult adjusting with the circumstances and it becomes a bigger challenge to them”.

“Coordination of the Supervisors is a challenge to the regulators. Proper coordination and collaboration is an effective key in every teamwork. The supervisors who supervise and monitor the activities of the microfinance sub-sector are not well coordinated. The regulators most of the time find it a challenge to coordinate themselves towards the achievement of their mission and vision. Therefore, this makes regulating of the microfinance institutions ineffective. Aswad staff at “Expert Link Microfinance Limited narrates”.

Victor a married man and graduate from Ho Technical University, a policymaker at the ministry of finance, financial sector division said political instability is a challenge to the financial regulators. Victor explains that:

“The main aim of financial regulations is to maintain viable, sound and stable financial institutions. For regulators of microfinance institutions in Ghana, is very hard for them to main stability and a sound financial institution. The rate of the instability of the financial institutions in the country is alarming and this poses a problem to the regulatory body from the Bank of Ghana. Again the regulators always work hand in hand with the policymakers and other stakeholders and all are complaining about the instability of the financial institutions in the country”.

The researcher recommends that all the stakeholders together with the government should help solve this issue of instability in the country.

Ahiabor a senior regulator at the bank of Ghana mentioned the below as some of the challenges they are facing in dealing with the microfinance institutions in the country:

“The regulator mentioned the dynamic nature of the microfinance institutions in the country as a challenge to them. According to them, what they expect today or yesterday is far different from what they will be seeing tomorrow from the reports of the microfinance institutions. Because of these, dealing with the institution is difficult and they need to plan towards it before things become off hand. The management of the microfinance institutions also explained that they have to change to suit the changing circumstances and situations in order not to be left behind”.

“Risk and uncertainties is also another challenge of the regulators. There is a risk in almost everything they do so far as the microfinance institution is concerned. Risk is inevitable in every financial institution and it must be dealt with effectively. The regulators explained that they are faced with operational risk, financial risk and other risks in their activities”.

We observed that the institution needs effective risk management strategies and policies to help solve this issue.

According to Gilbert, a single man, and staff of Ghana Microfinance Company Limited:

“The regulators are finding it difficult to solve the problems and issue of sustainability of microfinance. They did all that they could to see the institutions been sustainable but according to them the management of the microfinance is not helping them. The more they increase the liquidity requirement and the minimum capital requirement, the institutions and their supporting bodies complained. Again, there is noise everywhere in the country seeking for reduction. The regulators and the government thought the only way to deal with the unsustain institutions and insolvent microfinance is to increase the capital requirements so as to take most of the institutions from existence if they are not able to raise the needed amount, this is done to help protect the customers and the small depositors from the microfinance

institutions in case of default and to regain confidence from the public the director at the regulation section explained".

A manager Mr. Salasi of “God is Perfect Microfinance institution” said reforming regulatory reporting and standards are a challenge to the regulator. According to Salasi:

“The regulatory framework and the guidelines for reporting standards of the microfinance sub-sector need to be reformed. Regulators are seeing it as a challenge on how to reform it since it is drafted to suit the demand of the institutions. Reforming a regulatory framework does not take a month to finish and it needs knowledgeable staff to work on it. This takes time and resources to be done. The government and the regulators are trying their best to see how possible and soon this would be since it will help in the effective management and monitoring of the MFIs in the country”.

6.9.4 Response to Research Question 4

How do we overcome the challenges of microfinance institutions and financial regulations?

The respondents from the central bank of Ghana (BOG), Ministry of Finance (MOF), microfinance institutions (MFIs), and others staff and management mentioned the below factors during the interviews and the discussions (FGDs) as some of the ways the challenges of the institutions can be overcome in the country:

- Reducing the cost of financial regulations.
- Having sufficient knowledge of regulatory procedures.
- Adequate Staff to regulate the microfinance institution.
- The microfinance institutions and regulations should be free of Politics.
- There should be Proper Information Dissemination in the sectors.
- There should be qualified Staffs for both Institutions (MFIs & FR)
- Effective and efficient government policies should be implemented
- There should be a vibrant regulatory framework.
- Dealing with Triggers and technological Changes.
- Effective Coordination the Supervision among the institutions.

- There should be financial stability in the country.
- Proper loan monitoring and evaluation.
- There should be Government and donor support to the sub-sector
- Control of interest rate.
- Dealing with corruption, fraud, and mismanagement in the institutions.

(Source: Primary Data September 2018).

6.9.5 Response to Research Question 5

What are the Prospects/Opportunities of Microfinance Institutions in Ghana?

This final section of the article is a question about the prospects or opportunities of microfinance institutions in Ghana. The institutions have many challenges both internal and external, there are also several opportunities to capitalize on said the respondents. Among the opportunities mentioned by the respondents are: Unserved/underserved market for microfinance institutions, development of the sector due to regulation, more poor and low-income people willing to bank, entrepreneurs growing interested and awareness, increasing Government interest and economic growth in the country.

Alhaji, a man and staff of “Baobab Microfinance Company Limited” in Tamale mentioned the Unserved / underserved market for microfinance institution as a prospect in Ghana. Alhaji narrates that:

“The Microfinance institution has a market that still is not captured in the country. The un-banking populations in the country still outweigh the banking population in the country and most of this population is found in the rural communities where the target of the microfinance institutions is. This opportunity can be grabbed by the sector to increase customer base and outreach in the Banking sector and this will increase growth rate hence more profit will be acquired in the long run with a very high sustainability rate”.

LBR of Afro – “Arab Microfinance Limited” mentioned the development of the sector due to regulation as an opportunity for Microfinance. LBR narrates that:

“Before there were no regulations for the microfinance subsector and the majority of the public are scared to bank with the institutions due to insecurity and other related factors. Recently, Bank of Ghana regulates the institutions, so the savings and

investments of the customers are protected. Because of the above reason, more customers are now saving with the institution and this brings development in the sector. He further stated that, with the support of the regulators and the government through effective monitoring and supervision and with vibrant policies for the sector, customers and the public would have confidence in the sector hence more clients to boost the economy”.

Siddique, another confident man, and staff of “Dunia Microfinance Limited” in Accra said, more low-income individuals and poor people willing to bank are prospects of the sector in Ghana. Siddique concludes that:

“The unserved populations who are the low-income people in the rural communities, the majority are willing to bank but there are no banking services available to them. The traditional banks also required collateral and guarantors before opening an account to them and issuing them with credits and all these put them off from those institutions. The microfinance institutions still have bigger prospects and brighter opportunity to capitalize on these potential customers willing to Bank”.

Jimmy from “Aspect A Microfinance Institution” made mentioned of Entrepreneurs Growing Interest and Awareness as prospects of microfinance institutions. Jimmy narrates that:

“More and more entrepreneurs are having interest in the microfinance sub-sector. This would be a good opportunity to capitalize on. Now more entrepreneurs are willing to come to the sector and work together while others want to establish their microfinance institutions. This is an opportunity because more entrepreneurs mean more employment and economic development”.

Farhat a staff of “Global Trust Microfinance Services Limited” said there is increasing government interest as a prospects to a microfinance institution. According to Farhat:

“The Government of the country has an increasing interest in the microfinance subsector. This is because the institutions help create employment for the youth and reduce the unemployment rate in the country. Again, the poor were the target and this help to reduce their poverty levels due to the credit they get from the institutions and the encouragement to save part of their earnings. Through this, there is economic development so this made the government have an increasing interest in the sector”.

Ismail a loan officer of “Common Capital Microfinance Limited” mentioned economic growth as an opportunity for a microfinance institution. Ismail explained that:

“Another prospect of the microfinance sub-sector is economic growth. When the unbanked population is reached and served properly, the poverty rate will be reduced and more people can now bank, get loans and establish themselves and these will bring about economic development in the country. A country with Economic growth is the one that has the majority of the youth working, poor levels reduced, higher income for the citizens and the vulnerable involved in the financial services of the country”.

The research observed that most of the respondents were mentioning the above factors as the opportunities that await microfinance institutions in the country.

6.10 Responses to Other Research Questions

6.10.1 Solutions to the Challenges of Microfinance Institutions (Internally)

The researcher believes that the above internal challenges of microfinance institutions in Ghana can be solved if due attention is given to the following suggested solutions of the respondents:

The loans given to the clients must be properly monitored by the management and loan officers to avoid credit default in the system. Loans can also be offered in groups, collateral can be demanded, loans monitored to be used for the right purposes, the beneficiaries of loan reporting daily or weekly to the institution on their progress with the credit given to them by the institution.

Proper Records of the customers should be kept. The records should be confidential and updated daily or based on when the need arises. There should be a backup of all relevant records and information.

- The minimum capital requirement from regulators and the government should be moderate and affordable to all microfinance institutions.
- High operational costs should be moderate for the institutions to be able to afford.

- Management and other staff of the microfinance institution's capacity should be built by the policymakers from the finance ministry and the regulators from the central bank.
- Illiterate customers should be made to understand the operations, concepts, and definitions of the microfinance institution. This will help by making it easier to deal with them.
- High-interest rates from microfinance institutions should be reduced for customers to repay the loans within the time due to avoiding default.
- Unfaithful staff should be fired from the system by CEOs and Board of Directors
- High transactional costs should be minimal for the betterment of the institutions.
- Liquidity challenges should be helped solved by the regulators, donors and the Government.
- Microfinance institutions should be allowed to extend their loan period from short-period loans to medium-term or long period loans.
- The credit/loans issued out by the institutions should be properly monitored and assessed.
- Fraud / Theft by the staff of the microfinance sub-sector should be avoided and dealt with as soon as possible for other staff not to build that habit.
- Employees and customers should be made to understand microfinance concepts through intensive training organized by the management.
- Managers who mismanage the institutions' assets, property, resources or funds should be made to pay and resign or fired from the institutions.

6.10.2 Solutions to the Challenges of Microfinance Institutions (Externally)

Externally, the researcher believes that if the below factors are taken into consideration, the microfinance institution challenges will be minimized as indicated by the respondents during the interviews and discussions.

- Infrastructure such as social amenities should be provided by the Government for the microfinance institutions to be able to cover more customers.
- There should be proper checks and balances to reduce the losses so that panic withdrawal by customers will be discouraged.

- Competition among other microfinance institutions and traditional Banks should be reduced or discouraged.
- Regulations should be tightened and made regularly to the microfinance institutions.
- Monitoring and supervision by the regulators and other stakeholders outside the institution should be encouraged.
- Microfinance institutions must work by the principles, rules, laws, and demands of the regulators so that their licenses will not be withdrawn.
- Government policies should be friendly with both the microfinance and the regulators
- The government should give support to microfinance institution especially the collapsing institution to help sustain them since they help the poor to the bank, create employment and reduce poverty for the masses.
- Banking culture should be inculcated among rural customers and all the potential customers in the rural community by organizing training programs in those communities and involving the participation of the rural people.
- There should be available Information to all stakeholders to help in the operation and management of the institution since lack of information causes moral hazards.
- Corruption should be discouraged by the Government.
- The Bank of Ghana and Ghana Government should work on the depreciation of the Cedi to strengthen the currency of the country against the US dollar and other Country's currencies.
- All stakeholders should help towards the sustainment of the microfinance institutions in Ghana because it is an effective tool in the development of an economy.
- Regulations should be decentralized to the regional levels by the government to be able to regulate all microfinance institutions (both registered and unregistered) in the country.
- Public trust should be built for microfinance through adverts and effective supervision and doing the right thing by the institution management and other employees.

6.10.3 Solutions to the Challenges of Financial Regulations in Ghana

The regulators should have adequate knowledge of regulations procedures before made to go out to monitor the institutions. They need to be given appropriate training on the entire work to be able to functions well when they are working on monitoring and supervision of the microfinance institutions.

The cost of regulations of microfinance institutions should be handled and managed by the Government, regulators and donor agencies so that it will not be indirectly passed to microfinance institutions as a processing fee or whatever.

There should be enough staff with regulations background to regulate all microfinance institutions because the number of institutions keeps increasing and more employees need to be brought on board. So this calls for more regulators to help in regulating the activities of the institutions.

Furthermore, politics should not interfere with the dealing of the regulators. Regulations should be independent and autonomous of all political parties and leaders.

There should also be information sharing within and outside the institution to all the relevant key stakeholders to work diligently.

Qualified Staff should be recruited to handle regulations since this involves financial institutions and the funds in it. Because the depositors' and their funds need to be protected.

Regulators should find the best approach to deal with microfinance employees since they find it difficult dealing with them. It should be a friendly approach.

Best practices and procedures must be involved to be able to help sustain most microfinance institutions. The unsustainability rate is high and this is a challenge to both the microfinance sub-sector, the government, policymakers and all interested parties not just the regulators and management of the institutions.

Regulators must make all necessary preparations to deals with the triggers and changes that come their way. There is always a change in technology and staff of the microfinance institutions and the regulators must adjust to that to improved standards.

Again coordination the supervision should be at the forth front of the regulators. Proper coordination and supervision of the institutions will lead to better monitoring and regulations of the microfinance sub-sector.

Financial stability should be ensured and provisions should be made for financial instability to prevent unforeseen circumstances.

The Dynamic Nature of the financial sector or microfinance institutions should be known to the regulators and there should be prepared towards it since the products and services rendered to the customers all change instantly and with time.

Regulators should be aware of the uncertainties and risks in the system and prepare on how to manage these uncertainties and risks. Risk management and uncertainties protections must be considered.

Transforming the effectiveness and sustainability of the microfinance sector must be the main objective and guiding principle for the regulators.

Finally, regulatory reporting and standards of the microfinance sub-sector to the regulators should be reform through proper training of the employees.

6.11 Chapter Summary

We summarized from the field interviews and discussions that:

- Regulating the cost of microfinance institutions is far more than the cost of regulating conventional and traditional Banks.
- Secondly, interest rates charged on microfinance institutions is higher due to the high default rates.
- Thirdly, customers' credit default rate is higher in microfinance institution than in the traditional Banks. This may be due to a lack of collateral from the microfinance before the issuance of the loan to the clients.
- Again, the management and other staffs of microfinance institutions need intensive training and capacity building. This will boost the development of the sector positively.
- Also, the Government is trying hard and giving due attention to the microfinance sector due to its high collapse rate. This is one of the reasons behind liquidity reserve and the minimum capital requirement increment by the regulators and the Government.
- Finally, the procedures, processes, and reporting standards of the financial regulations to the microfinance institutions need improvement and update.

6.12 Conclusion of the Chapter

Conclusively, therefore, the study sought to examine the challenges the financial regulations and microfinance institutions in Ghana are facing. Also, it provides the prospects of microfinance institutions and the way forward or remedies to the challenges. From the findings of the research and having critically reviewed relevant literature, the researcher has been able to conclude that:

The key internal challenges of microfinance institutions in Ghana are: “Credit defaults by the customers, poor /or improper records keeping, minimum capital requirement, high operational cost and transactional cost, inadequate capacity building, illiterate customers, high interest rate from microfinance institutions, unfaithful staff, high transactional cost, liquidity challenge, short term loans, poor loan monitoring by management, fraud/ theft, and customers inadequate understanding of the microfinance institutions concepts and mismanagement by managers”.

However, the external challenges of microfinance institutions include: “lack of infrastructural, panic withdrawal by customers, competition, regulations and government policies, monitoring and supervisions, licensed withdrawal, lack of government support, inadequate banking culture among the rural customers, lack of information, corruption, depreciation of the cedi / currency, problem of unstained microfinance institutions, lack of decentralization, no public trust for microfinance institutions”.

On the other hand, the internal and external challenges of financial regulations in the country include the following: “Cost of regulations, inadequate knowledge on regulations procedures, inadequate staff to regulate all microfinance, political influence, lack of information flow, unqualified staff, difficult dealing with microfinance institutions, problems on how to sustain most microfinance institutions, triggers and changes, coordination the supervisors, financial stability, dynamic nature of the financial sector microfinance institutions, uncertainties, transforming the effectiveness and sustainability of the sector and reforming regulatory reporting and standards”.

Despite the above challenges faced by the institutions, the microfinance sub-sector still has the following prospects or opportunities to capitalize in the country: “Unserved/underserved market for microfinance institutions, development of the sector due

to regulations, more poor and low-income people willing to bank, entrepreneur growing interest and awareness, increasing government interest and economic growth”.

6.13 Recommendations by the Respondents

The respondents during the interviews made the following recommendations:

Policymakers and regulators should organize training programs on the following areas to the management of the microfinance institutions: Training on human resource, training on accounts and finances, training on operations, training on management, training on risk management, training on credit, and training on customer service;

6.13.1 Training on Human Resource:

Policymakers and regulators should empower the workforce of microfinance institutions with much holistic performance management and leadership development. A current and modernize human resource processes. This will help gain a competitive advantage in the institution to help reduce the challenges and maintain sustainability.

6.13.2 Training on Accounts and Finances:

Training the management on accounts and finances will help them to understand financial statements, accounting and financial concepts, financial decision making, sharpen their bookkeeping skills, help to evaluate their business performances, update their knowledge on the current global financial reporting so as to be able to send their monthly reports to the regulators on time for checkup and necessary correction.

6.13.3 Training on Operations:

This will help the management to produce products and services in a more efficient manner, quality products, effective planning and control of their services entities and a broad range of key issues in operations management. Knowledge in these areas will help the management to reduce the risk within the organization.

6.13.4 Training in Management:

The management, when given this kind of training, will help them improve upon their skills as leaders of the sub-sector. This will also improve their team workability in areas such as communication, empathy, relationships with other staff and customers and they are dealing with all other stakeholders.

6.13.5 Training on Risk Management:

Training the management of microfinance institutions on risk management will help them to identify the hazards and risks of the organization on time to be able to apply the necessary and needed measures that will reduce or eliminate the risk and hazards. Again it will help the management team to identify quickly the risk, classify it and manage it successfully. Risk in a company can endanger the objectives of the institution. Able to manage risk will help to increase the profitability of the sub-sector.

6.13.6 Training on Credit Management:

Training on credit management will also help the credit managers in the microfinance sub-sector oversee the credit lending process for the loan beneficiaries. It will help them to design effective rating criteria, define the credit ceiling for the organization's customers and the collection procedures. Again, this training will help to reduce or mitigate losses and default rates.

6.13.7 Training on Customer Service:

Training on customer service will help the management of the microfinance institutions to also train the other employees on the knowledge, skills, and competencies required to deal with their customers to be able to satisfy the customers by improving their services. We believe this will help improve standards, increase customer base, potential customers, and investors in the microfinance sub-sector in the country.

The respondents and the researcher believed that, if the above training were given to the management of the microfinance institutions, it will help mitigate the challenges, the collapse rate and make the institutions more sustainable for the betterment of the country.

6.14 Recommendation by the Researcher

- The researcher recommends that the high rate of risk in the microfinance institutions which leads to collapse and other factors should be looked at by the regulatory bodies. We advise that a good strategy should be adopted to minimize it if not avoid it completely.
- The regulators from Bank of Ghana, the finance ministry policy-making body and the government should continue their hard work on training & building capacity for the

microfinance staffs and it should be extended to some stakeholders like the CEOs, Directors, Board of Directors, Owners and other interested parties.

- The objective of microfinance institutions must be made clear to all stakeholders, interested parties and the participants in the sub-sector.

6.15 Recommendations to the Government and Microfinance Institutions

Both the researcher and the respondents recommend that the government should follow the below characteristics, to make the microfinance industry very vibrant and sustainable:

- Sound, safety and vibrant system for participants like depositors, customers, borrowers.
- Effective and fair competition for the betterment of the institution and customers
- Creating quality products/services, and effective customer care and management
- High outreach level, to increase growth and sales, through increasing customers numbers
- Increase in the number of innovative products and services
- The industry should be independent of public subsidies
- Fair treatment and protection of borrowers.

CHAPTER SEVEN

7. ROLE OF MICROFINANCE INSTITUTIONS IN POVERTY REDUCTION EMPLOYMENT CREATION AND INCOME GENERATING ACTIVITIES IN GHANA.

Abstract

The poor been provided with financial services like credit/loan, insurance, savings, investment as employment creation and reducing poverty technique has earned much importance in the country for the past decade. This paper examines microfinance institutions' role in poverty reduction, employment creation, and income-generating activities in Ghana. Again, it determines whether the institution has helped in the reduction of poverty, improving the standard and condition of living of its clients/customers. Primary and secondary data were collected. A total of 90 respondents were interviewed made up of customers with questionnaires and was analyzed using SPSS. From the investigation, the article found out that microfinance institutions have highly impacted positively and significantly on customers in the form of income generation, employment creation, reducing poverty, increasing the standard of living and household's well-being. Also, the emanated results from the questionnaires administered reveal a favorable relationship between microfinance, poverty reduction and employment creation since most of the beneficiaries attested to a level of improvement in their businesses through the loans they receive and also improvement in their living standards and conditions since they became part of the microfinance program. Aside from the positive impacts, the institution is not without problems/issues affecting its operations and growth. These problems/issues include Risk problem, regulatory issues, capacity building problem, and problems of information gathering and dissemination which if stakeholders address properly, the microfinance institution will continue to contribute meaningfully towards employment creation, reducing poverty and increasing incomes across the world not only in Ghana.

Keywords: Poverty reduction, employment creation, income generations, microfinance, Ghana.

Özet

İstihdam yaratma ve yoksulluğu azaltma tekniği olarak kredi, sigorta, tasarruf ve yatırım gibi finansal hizmetlerin yoksullara sunulması, son on yılda ülkede büyük önem kazanmıştır. Bu çalışma, mikrofinans kurumlarının Gana'daki yoksulluğu azaltma, istihdam yaratma ve gelir getirici faaliyetlerdeki rolünü incelemektedir. Yine, kurumun yoksulluğun azaltılmasına yardımcı olup olmadığını, müşterilerinin yaşam standartlarını ve koşullarını iyileştirip iyileştirmediğini belirler. Birincil ve ikincil veriler toplanmıştır. Müşterilerden oluşan toplam 90 katılımcı anket ile görüşülmüş ve yanıt SPSS kullanılarak analiz edilmiştir. Araştırmadan, makale, mikrofinans kurumlarının müşteriler üzerinde gelir yaratma, istihdam yaratma, yoksulluğu azaltma, yaşam standardını ve hane halkı refahını artırma şeklinde olumlu ve anlamlı ölçüde etkilediğini keşfetti. Ayrıca, uygulanan anketlerden çıkan sonuçlar, mikrofinans, yoksulluğun azaltılması ve istihdam yaratılması arasında olumlu bir ilişki olduğunu ortaya koymaktadır, çünkü faydalanıcıların çoğu mikrofinans programının bir parçası olduklarından beri aldıkları krediler aracılığıyla işlerinde bir iyileşme seviyesine ve aynı zamanda yaşam standartlarında ve koşullarında iyileşme olduğunu göstermiştir. Olumlu etkilerin yanı sıra, kurum, faaliyetlerini ve büyümesini etkileyen sorunlar yaşamaktadır. Bu sorunlar arasında risk sorunu, düzenleyici meseleleri, kapasite geliştirme sorunu ve bilgi toplama ve yayma problemleri yer alır ki paydaşlar bu sorunları doğru bir şekilde ele alırsa mikrofinans kurumunun sadece Gana'da değil, dünya çapında istihdam yaratmaya anlamlı katkı sağlamaya devam edecek, yoksulluğu azaltacak ve gelirleri arttıracaktır.

Anahtar Kelimeler: Yoksulluğun azaltılması, istihdam yaratılması, gelir üretimi, mikrofinans, Gana.

7.1 Introduction

The purpose of this article is, to examine microfinance institutions' role in reducing poverty, employment creation, and income-generating activities in the country as claimed by researchers, consultants, and some institutions (GLSS 5 Report). The chapter looked at the following subtitles: Background information, microfinance and poverty reduction, number of licensed microfinance institutions, related literature review (theoretical review of literature, meaning of poverty, definitions of poverty in Ghana), empirical review in Ghana, empirical review from other countries, research methodology, analysis of the findings,

discussions, the role of the microfinance institutions, microfinance as a poverty reduction tool, microfinance as an employment creation instrument, microfinance and income-generating activities, summary, conclusions, and recommendations.

7.1.1 Background on Poverty Reduction and Employment Creation

This study was to investigate microfinance role in poverty alleviating, to know how the microfinance subsector does create employment to the poor and how income levels of the poor change from low income to high income and low standard of living to a high standard. Microfinance proved to be a great instrument to fight poverty, create jobs, empower women, and empower low-income individuals and households, groups and community members in the country. It is also a great instrument in economic development through helping low-income people, groups, a community in society to be part of the financial and social intermediation. The microfinance scheme also provides active poor people with financial opportunities to better their lives and to enhance their living standards and wellbeing. The subsector is a key strategy that leads to the revitalization of the Ghanaian economy through employment generation, poverty alleviating, women empowerment and the enhancement of the standards of the living of the poor. The MFIs in Ghana's has lots of significant. Because it played an important role in the country's process of financial intermediation process and to the lives of poor & low-income individuals. Rutherford, (1999) said, microfinance is showed that, is a great instrument for human development and poverty relief. Microfinance can also not be denied by the saying that it alleviates poverty. The stakeholders thus Governments, donors' agencies, financial regulators, policymakers, managers, and customers all agreed to the fact that microfinance contributes to poverty reduction, but as to how the poverty will be reduced by the institution is still a matter of concern hence the need for this article to investigate or find out how poverty is reduced through the institution. In Ghanaian situation, most MFIs are established with the aims and objectives of targeting the productive poor through socio-economic empowerment, creation of employment, creating of awareness, income-generating activities, self-employment generating, and the rural poor targeting. For unemployment to be reduced, the active poor needs a productive job which will lead to high incomes. Three major things through employment to alleviate poverty must be undertaken: That is, generating employment, increase employability and labor market must be made

efficient. Morduch (1999) concluded that there is hope when providing low-income people with financial services because their level of poverty reduction while economic & social amenities will all be improved and transformed fundamentally. Concerning credit and poverty alleviation, Dr. Mohammed Yunus (1999) argues that microfinance cannot eliminate poverty at once because it is not a miracle cure but poverty can end for many and also help reduce the severity of it on other individuals. He established the Grameen Bank of Bangladesh which serves as a reference point in the microfinance industry.

7.2 Research Objective

The key research objective of the article is on microfinance institutions role in poverty reduction, employment creation, and income-generating activities in Ghana.

The specific research objectives are:

- To expatiate how the microfinance institution has contributed towards reducing poverty.
- To discuss microfinance institutions role in Employment creation in Ghana
- To evaluate the microfinance schemes impact on the poor in terms of income generation.
- To examine poor people's level of participation and outreach in the microfinance program.

7.2.1 Research Question

The main research question is: what role do microfinance institutions play in poverty reduction, employment creation, and income-generating activities in Ghana?

The specific research questions of the article are:

- Does microfinance institutions contribute to poverty reduction in Ghana?
- What roles do microfinance institutions play in employment creation in Ghana?
- Do microfinance schemes have impacts on the poor in terms of income generation?
- What is the poor people's level of participation and outreach in the microfinance program?

7.3 Microfinance and Poverty Reduction

The microfinance industry is viewed as a key development tool not only in reducing poverty but also for financial inclusion in most parts of the world. Though the microfinance

sub-sector started in Ghana in the 1950s, as a form of Susu in northern Ghana through the activities of the Canadian missionaries, in the 1970s, Mohammed Yunus formally founded the Grameen Bank which formally, is the first microfinance bank to be established. In the 1990s microfinance popularly gain global attention which led to the organization of a summit in 1997 with thousands of delegates and hundreds of countries attended the summit. Quaraishi, (2007) at the summit said: Hundred million of the poorest people will be reached with financial services that they lack such as credit, insurance, savings, and investment, and other services were agreed by delegates by 2005. At UN General Assembly in December 2003, they announced the international microcredit year as the year 2005. Microfinance institutions in Ghana offer credit to these low-income individuals who are their customers and they work to reduce their poverty.

7.4 The Number / History of Licensed Microfinance Institutions in Ghana

The central bank of Ghana has provided about 600 microfinance institutions licenses across the country to start operation. As of 2015 microfinance institutions in the country can boast of over 500 institutions operating and an uncountable number of employees and millions number of customers. Some of the institutions were given the license in full because they qualified to be given while some of the microfinance institutions received the licensed based on conditions to be fulfilled to the Registrar Generals Department and the Bank of Ghana. In January 2016, due to malfunctions and not able to fulfill some of the conditions of the Registrar General and Bank of Ghana, the licensed of 70 microfinance institutions were revoked by Bank of Ghana, the financial regulations sector. On 31st May 2019 with immediate effect, the Bank of Ghana revoked 347 licenses of microfinance institutions in the country. The revocation of the licenses, the bank of Ghana seeks to maintain the stability of the financial system and to protect the affected customers. The 347 microfinance institutions whose licenses were revoked comprised 155 insolvent operations that have ceased operations already and 192 insolvent institutions. In total on the above-stated dates, 417 microfinance institutions got their licensed revoked again because of the same reason. Currently there are one hundred and thirty-seven (137) licensed microfinance institutions. See the list of a revoked licensed microfinance institution in Annex 4C and Annex 4D of the work respectively.

7.5 Related Literature Review

7.5.1 Theoretical Review of Literature

Works of literature which are related to the topic under discussion are reviewed theoretically by giving their meanings and definitions. Thus micro-credit, microfinance, poverty, employment, unemployment, income generation, and measuring outreach to the poor.

7.5.1.1 The Micro-credit

The definition of Micro-credit is a small amount of loan/credit issued to the poor, low-income individuals who are unemployed without collateral for them to start a business with and have better living standards. The type of credit given to them is a short term loan and the amount is also small. This is mostly from 6- 12 months with weekly or monthly installments. The interest rates on the credit are given seems much higher as compared to the traditional banks charged rate. This is because the earning on the interest should cover at least the probability of default rate, administrative cost, and inflation.

7.5.1.2 What is microfinance?

This is a kind of financial institution that offers services that are small-scale like loans, savings, investment, insurance which are offered to individuals who do small businesses, farming, etc. and the goods and services produced are recycled, sold repaired, working for wage rate, earned profit from the small businesses, renting outlands, vehicles, machinery, tools and animal draft, and to the people and group of people in developing countries, urban and rural areas. (Robinson, 2001).

In a broader definition, microfinance goes beyond microcredits, rather includes other services, offered to low-income & poor people. Other services that improve the lives and living standards of the poor is linked up with lending and not just small credits (Bauer, Chytilova, Morduch, 2008). Infrastructure and health care system improvement is also part of micro-financing. Most programs of microfinance institutions are connected with business training, technical training, educational, retaining and or savings programs.

7.5.1.3 Measuring Outreach

The Microfinance sector capacity & ability to provide a financial services that are of high quality to a large number of clients, female participation high percentage, the number of the institutions branches, institution's size, the institution's total asset & value, total value

of outstanding loans, average deposit size and credit, amount of savings/deposit are considered as the indicators in measuring outreach of an institution (Gumel, 2011). While Schreiner (2002) illustrates six (6) different frameworks in the measuring of the outreach of microfinance institutions to include: the depth, breadth, scope, length, the cost to the users and the worth of users. Similarly, SEEP, (2005) indicated that the microfinance outreach is measured by so many factors and to mention a few of them are: number of active clients, the portfolio of gross loan, the number of customers & active borrowers in the institution.

7.5.1.4 Employment Definition

Employment simply means the state or act of having a paid job whether fully employed or partly employed. Thus, utilizing something or one's time. Full employment is an economic term whereby all the labor resources available are effectively and efficiently used. Employment is a relationship that exists between two parties, based on an agreed contract where the work is done is paid for, and where one of the parties is an employee and the other employer which may be a company, profit organization, non-profit organization, co-operatives entity where the employee works to earn payment or in a return for payment. There are five main types of employment in economics: permanent jobs or fixed-term employment, casual employment/employees, Apprentices or trainees/employees, the employment agency staff who are also called labor hire and the contract and subcontract staff/the hired staff. Also, there are three main types of employment status which are, employees, workers or employers self-employed persons. Employment creation as to do with the number of jobs created in a country for citizen engagement and recruitment.

7.5.1.5 Unemployment meaning

Unemployment is when a person or an individual is searching for a job actively and not able to find a job/work. The unemployment rate is used to measure unemployment and is the number of individuals who are unemployed by the number of individuals who are employed. Unemployment is of different types: seasonal, frictional, structural, cyclical, technological.

7.5.1.6 Income Generation

Income generation is an intervention or activity that impacts vocational skills or commodities or capital provision which enhances the individual capacity or groups to generate income. Some potential income-generating activities are Agricultural production,

livestock establishment, shop-keeping activities, traders, food sellers, handicrafts, food drying.

7.5.1.7 Meaning of Poverty

The International Labour Organization (ILO) conceptualizes poverty as people who live below \$2 per day. At the International Labour Conference in Geneva in 2003, the ILO provides policies and advises on how poverty can be reduced in the World (ILO, 2003). "Poor individuals can also save and they want to save, when the people have not saved, then is due to not having the opportunity but not lack of ability or capacity". (Rutherford, 1999).

7.5.1.8 Definitions of Poverty in Ghana

In Ghana, Poverty is defined as many dimensions which are consisted of illiteracy/no education, lower-income/lacks income, malnutrition/lack of well-balanced diet, ill-health, and insecurity. Sense of powerlessness and exclusion (GSS, 2007). Obadan (1996) classified poor people as those who think the amount of money they spend per day is below the United Nations' \$1.25 purchasing power parity (PPP).

7.5.2 Empirical Review of Literature

The below empirical review is on researches done concerning microfinance roles, contributions, and effects on reducing poverty, the creation of employment, and income-generating activities.

7.5.2.1 Empirical Review

Adjei et al. (2009) used the Snapi Aba Trust of Ghana as a case to examine the microfinance institution's role in asset building & reducing poverty. They established that beneficiaries could purchase durables, provide better education to their children and to cater for their health care expenses of their households. They also concluded that customers' participation in the microfinance program own personal savings deposits and become members of welfare schemes that provided insurance pay debts off due to illness or death. Similarly, Coleman (1999) argued that there is an insignificant impact regarding micro-credit accessibility in household wealth improvement in the north-eastern part of Thailand from a conducted survey of sample households. However, a similar study by Coleman (2006) also in north-eastern Thailand found a positive effect on household welfare among committee members who were granted access to financing when the sample was categorized into general beneficiaries and committee members. It was observed that the insignificant impact was

limited to the general beneficiaries. Again, a study by Bebczuk and Haimovich (2007) in some Latin American countries examined the impact of credit on beneficiaries with a household survey. Findings from the study showed an increase in household income and education.

7.6 Microfinance Institutions Sources and Kinds

Microfinance sources are grouped into three different kinds: the informal institution, formal institution, and the semi-formal institution.

7.6.1 Informal Institutions

The informal institution comprises several groups and associations which include the credit associations, families and friends, money lenders in groups or individuals not having the status of institutions properly, and groups who are self-helpers. This category of individuals service providers of microfinance voluntarily and they are not subject to any protection, control, monitoring, and supervision nor have any form of regulations in the country.

7.6.2 Formal Institutions

The formal financial institutions are divided into three different types. These include the MFI banks (MFBs), the MFI oriented banks (MFOBs) and the MFI sensitive banks (MFSBs). These types of institutions all can provide credit & take deposits. Due to that, they all fall under the banking laws and regulations.

7.6.3 Semi-Formal Institutions

These are registered institutions and are subject to some laws and regulations. These individuals represent the traditional aspect of microfinance subsector and they are sometimes referred to as microfinance financial intermediaries. Generally, this category of institutions do not take deposits and cannot issue credits to customers. They provide kinds of financial services but excludes deposits and loans. The microfinance financial intermediaries are not under any banking regulations but are subject to requirements of the financial regulatory. Some of the institutions are credit unions, financial cooperatives association, postal saving, and financial non-government organizations. The financial NGOs are the broad and widespread institution and it sometimes issues microcredit in the name of development projects, and sometimes technical assistant and some other social intervention to the

beneficiaries. Some of the Non-governmental Organizations also try to offer various kinds of services to their clients including savings and raising private funds.

7.7 Research Methodology

The research methodology of this article on “**microfinance institutions role in poverty reduction, employment creation, & income generation activities in Ghana**” is a descriptive and analytical research design. The selected method of research is mainly quantitative. The primary source of data for this article was by conducting a field survey, interviews with the support of a questionnaire. Secondary data was also used as a source of information and were gathered from microfinance books, journals, dissertations/thesis published, and the internet. There were over five hundred microfinance institutions in Ghana as at the start of data collection (September 2018) in the various regions of the country. Thus, registered microfinance institutions. Out of the total population of microfinance institutions, 90 individuals/respondents were purposively and conveniently selected as the sample size from some selected microfinance institutions for this article. Quantitative analysis tools were used in assessing the microfinance institutions role in poverty reduction and the creation of employment in Ghana. Also, other indicators used in assessing the income generation of the active rural poor through the microfinance sub-sector. The Ninety (90) respondents interviewed were due to their time and conveniences to be interview using questionnaires for the customers. Few employees and managers who could not have time for face to face interviews with the interview guides were also interviewed using the questionnaire. The results from the field data collection were analyzed quantitatively using Statistical Packages for Social Sciences (SPSS) and with the support of statistical and frequency distribution tools like, numbers, tables, frequencies, percentages, pie chart, bar chart, and histograms.

7.8 Analysis of the Findings

Table 1: Gender of Respondents

Considering the gender issues is very important in any research of this kind. The researcher takes note of the sex of the respondents both the employers, employees and the customers. The below table shows the statistics of the respondents.

Respondents Gender	Frequencies	Percentages
Male	62	69
Female	28	31
Total	90	100

Source: Primary Data September 2018.

From the field responses, out of the total sample size of 90 respondents', the frequency of the male respondent is 62 which constitutes 69 percent while the female respondents' frequency is 28 representing 31 percent of the total interview. The meaning here is that the number of male workers in the microfinance institutions far exceeds that of female workers. It was observed that microfinance in Ghana was constituted and managed by the majority of men. This is due to the technical and operational involvement of the institution's operations. Also, more women are involved in petty trading and other business than in banking industries because most of them lack education and experience in the country.

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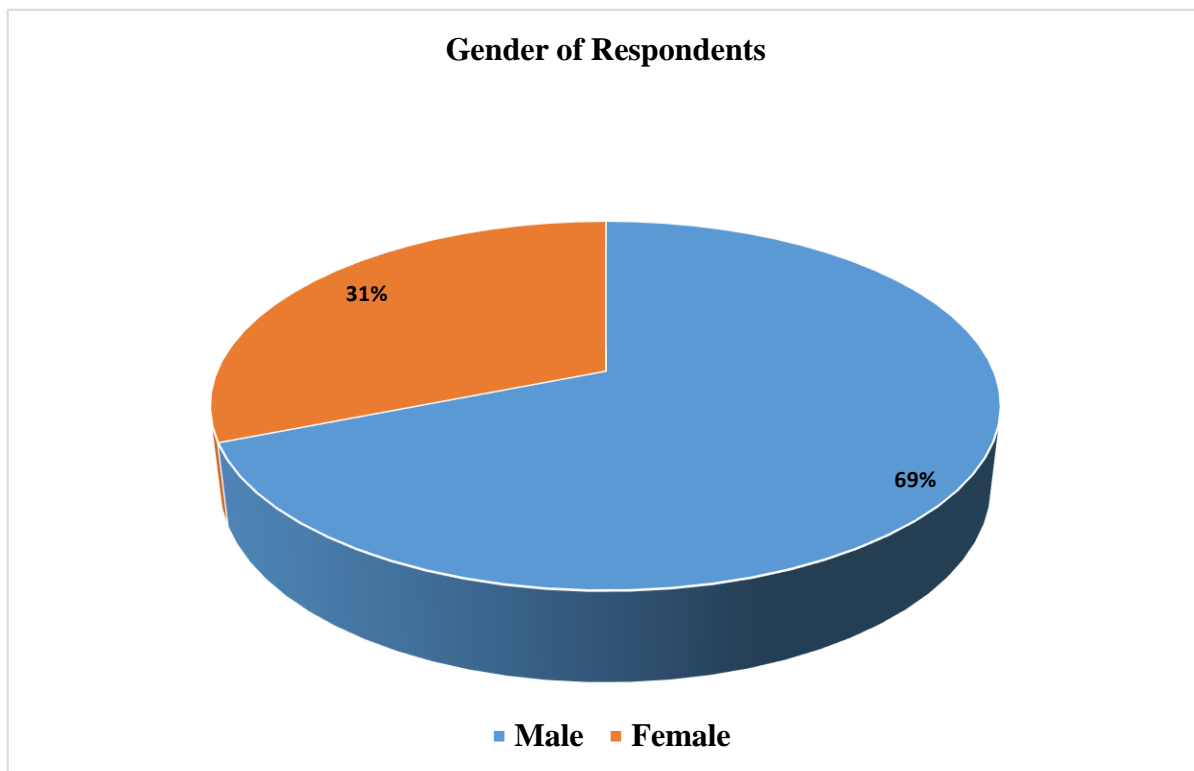
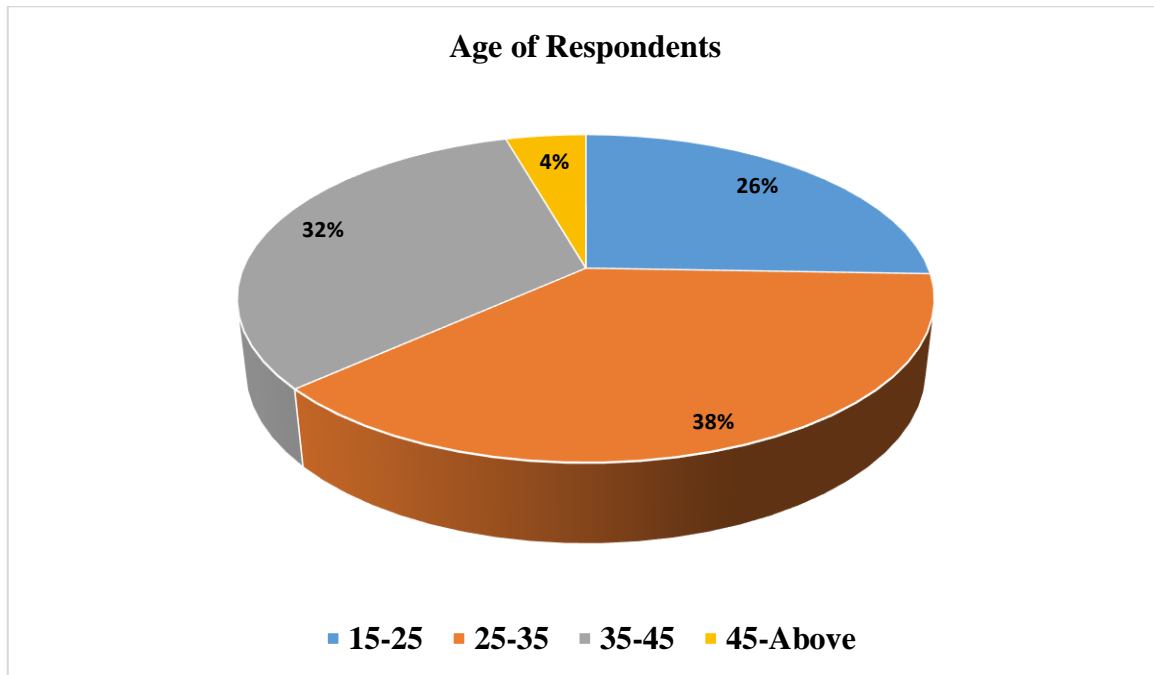


Table 2: The Respondents Age

Ages of the participants were grouped according to 4 groups. From the findings, the respondents were made up of more youth than the aged. More of them were under age forty. This means that the working population and the customers of the institutions are both young and energetic. The following table explains further the age categories of the respondents.

Class	Frequency	Percentage
15-25	23	26
25-35	34	38
35-45	29	32
45-Above	4	4
Total	90	100

Source: Own Field Research 2018.



According to the responses from the field, the age range 25 - 35 represents the highest frequency of 34. That is out of the total population interviewed, constituting 38 percent. The interviewees in this class are those actively involved in the running of the MFI in the country. The next actively involved are the age group 35-45 with a frequency of 29 representing 33 percent of the interviewed people. With age group 15 - 25 years having a frequency of 23 and 26 percent of the population, most of them are part-time workers and are school going students who help the institution on weekend collections or work during free times. Some of these workers are those who most of the times lead the institution to bankruptcy and collapse. The remaining respondents are the age group 45 and above with only 4 percent out of the sample size interviewed. We observe that the ages 15 to 25 are less involved in the operations of the institution likewise the aged age 45 and above. The actively involved are the youth who are under 40 years and who fall between 25 to 40 years having greater than 50 percent of the total interviewed population.

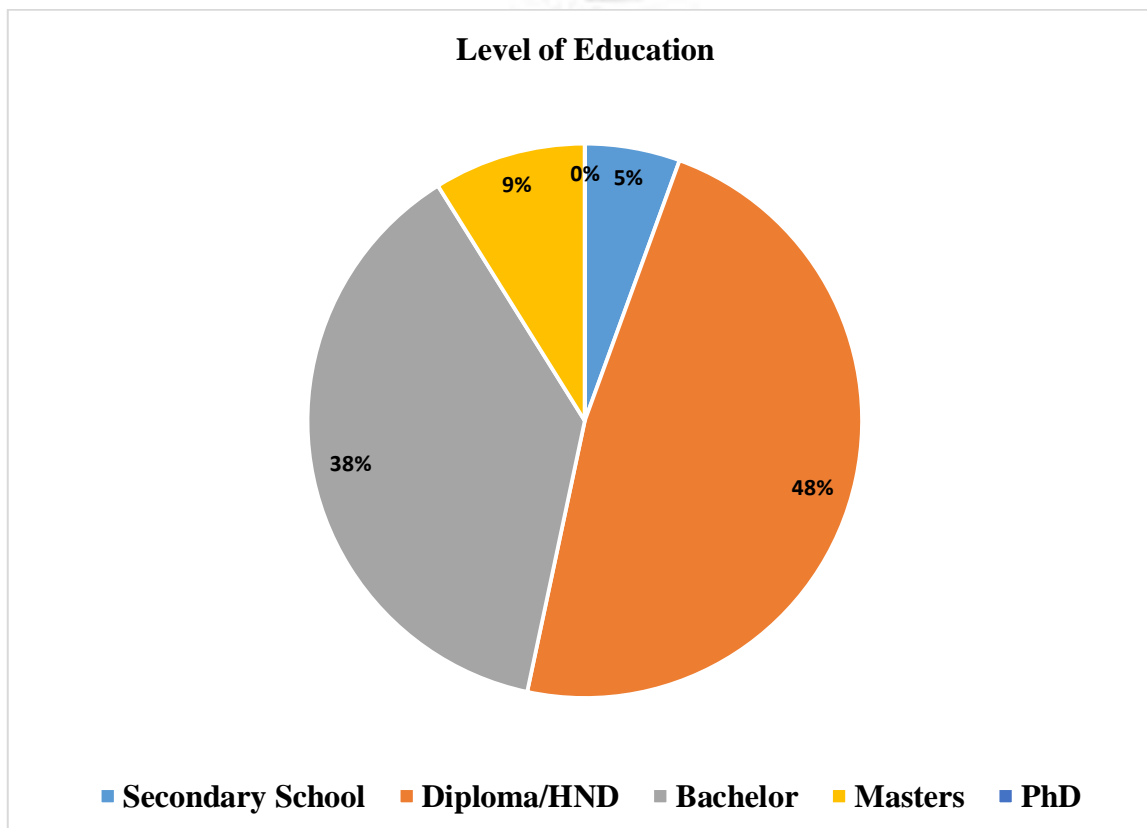
Table 3: Educational level

The level of education/educational background of participants was asked to know their literacy level. It also helps know the skills level of the participants. It is believed

generally that, the higher/ more the level of education of the participants, the higher their knowledge and understanding of the concepts of microfinance and hence better result and the lower the level of education, the lower the understanding and knowledge. All things being equal. The table below indicated the educational qualification of the respondents from the data collected.

Level of Education	Frequency	Percentage
Secondary School	5	5
Diploma / HND	43	48
Bachelor	34	38
Masters	8	9
PhD	0	0
Total	90	100

Source: Primary Data September 2018.



The academic qualification of the respondents from the researcher's field data collection which comprises owners/managers, staff/employees, and the customers/beneficiaries of the microfinance institution was shown in the above table. The distribution of the population points out that 48 percent of the respondents representing 43 of the population have completed a Higher National Diploma (HND) followed by 38 percent representing 34 frequency of the people interviewed who have also graduated from the university with degree qualifications. Again, 9 percent of the respondents representing 8 of the total interviewed graduated with a Master's degree while 5 percent of the respondents are Secondary School graduates. The researcher observed during the study that, upon the academic qualification of the respondents, most of them still lack knowledge and understanding of the concepts of microfinance. This makes the operations very difficult and making some of the institutions unsustainable. They operate based on experience and support from other staff of different banks.

Table 4: Marriage Status

Marriage Status	Frequencies	Percentages
Married	48	53
Singled	26	29
Separated	7	8
Living Together	6	7
Divorced	3	3
Total	90	100

Source: Primary Data 2018.

Of the responses, 53 percent of the interviewees are married while 29 percent of the population interviewed are singled. 8 percent got separated while 7 percent are living together with partners but are not formally married. Only 3 percent of the respondent said they have divorced. We observed that married couples are more with the highest percentage of 53 percent.

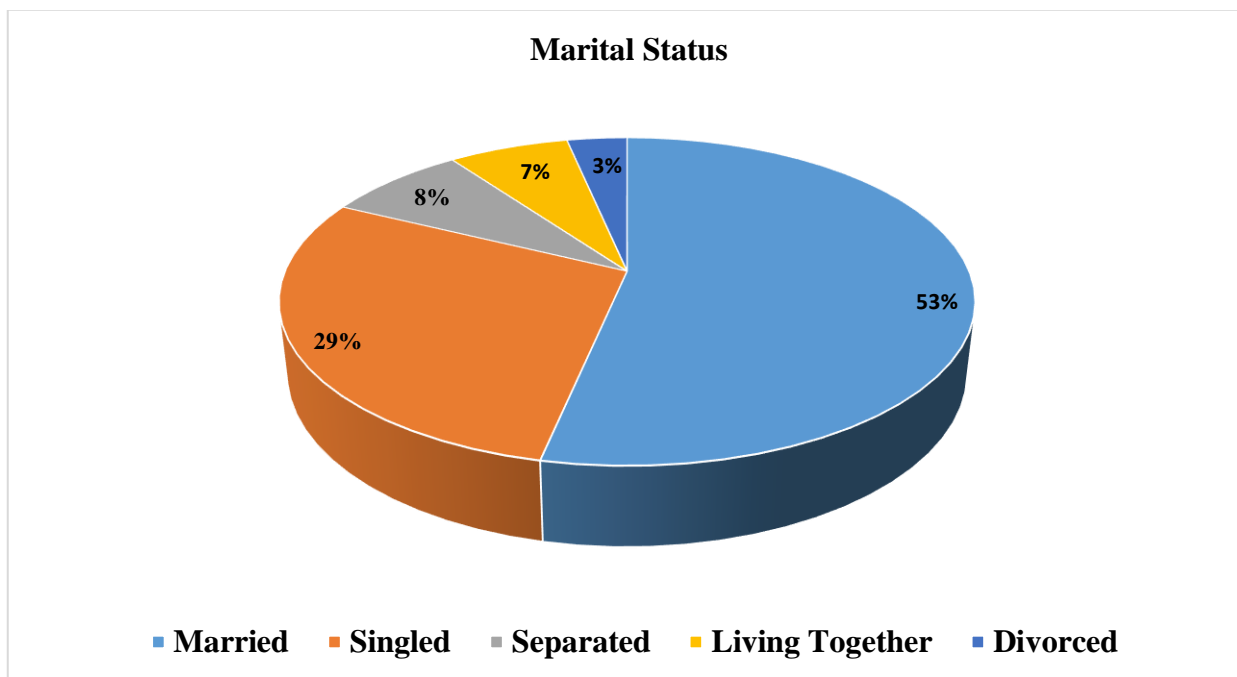
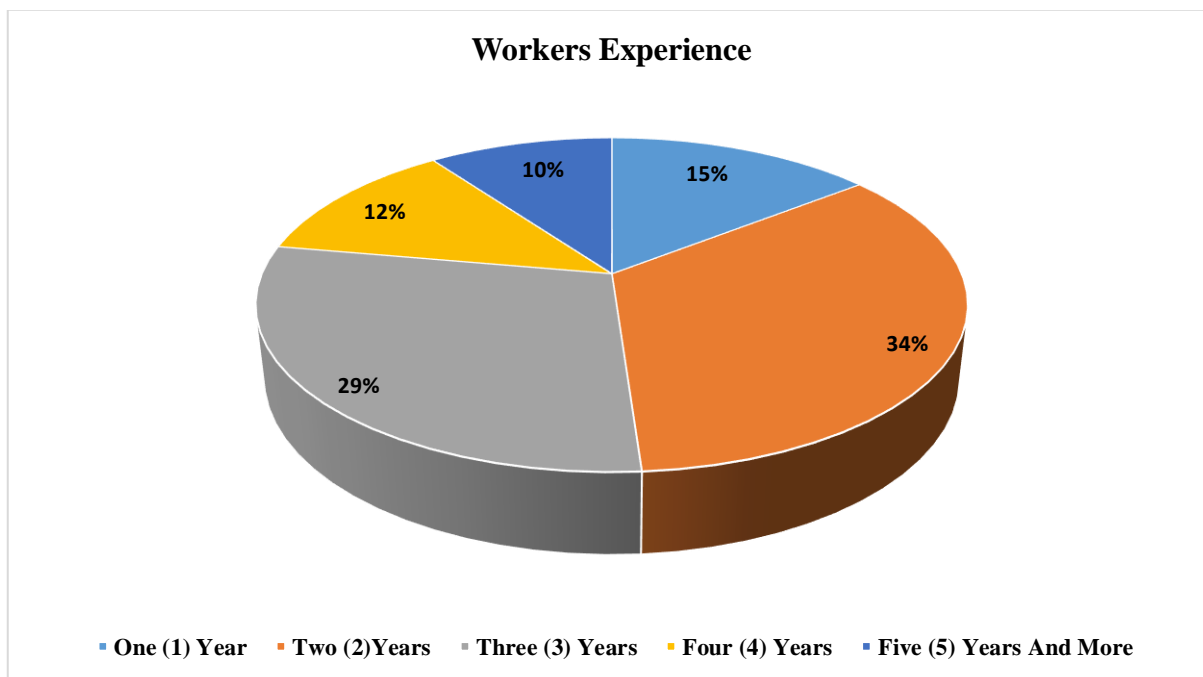


Table 5: Workers Experience

The table below indicates the experience of staff and customers based on the years the respondents have been working or been with the microfinance institutions as customers or staff. It is believed that the more years one has with an institution, the more the experience acquired and the less the years of work, the lower the experience all things being equal.

Number of Years	Frequency	Percentage
One (1) Year	13	15
Two (2)Years	31	34
Three (3) Years	26	29
Four (4) Years	11	12
Five (5) Years And More	9	10
Total	90	100

Source: Primary Data September 2018.



From the findings, 15 percent of respondents have one year of working experience and 34 percent interviewees with two years' experience. While 29 percent have three years of working experience, 12 percent have Four years' experience of work and finally 10 percent with five years and more working experiences.

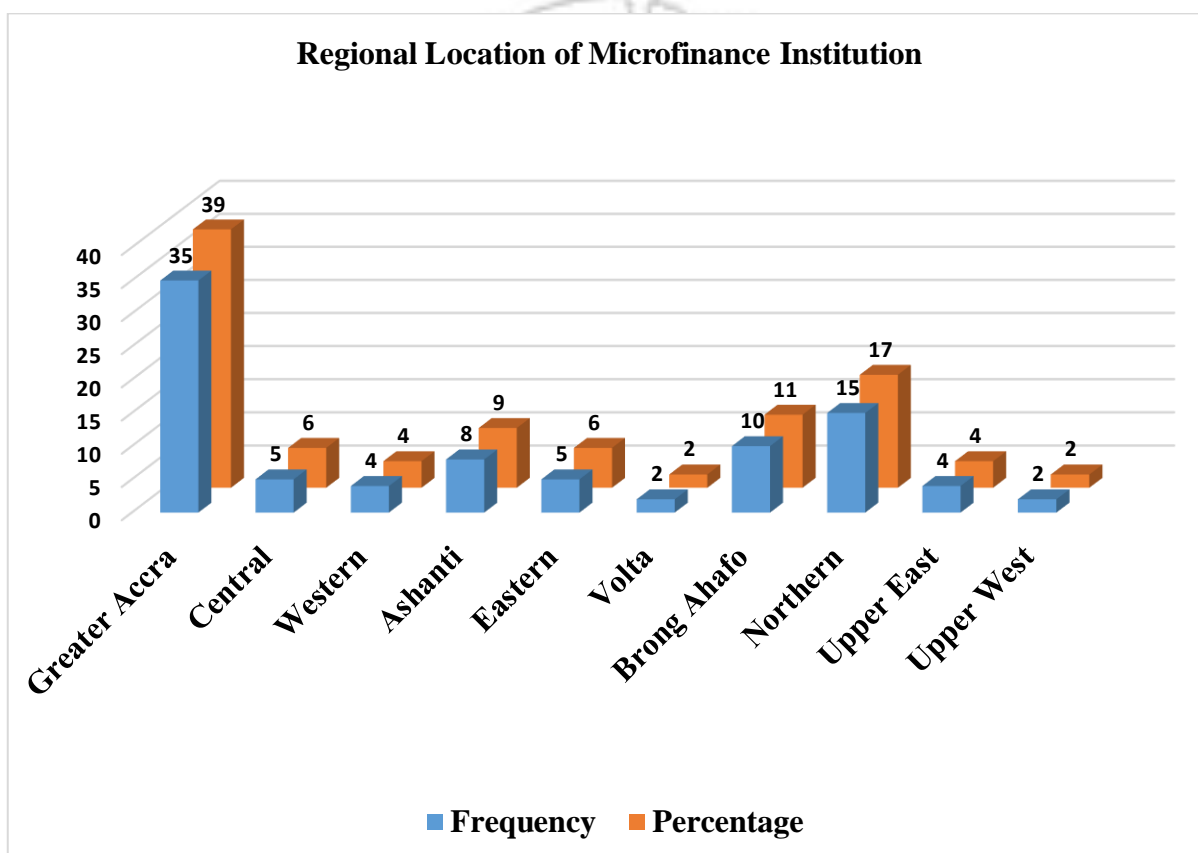
Table 6: Regional Location of Microfinance Institution

Since the study is in the entire regions of Ghana, there is a need to know the number of interviews in each of the Regions. The researcher tries to explore the locations of the microfinance institution so questions about the region of the location were ask to the respondents. All the ten (10) regions were taking into consideration and the below table indicates the classifications and responses from the Regional findings.

Number	Location / Region	Frequency	Percentage	Total
1	Greater Accra	35	39	39
2	Central	5	6	45
3	Western,	4	4	49
4	Ashanti	8	9	58

5	Eastern	5	6	64
6	Volta	2	2	66
7	Brong Ahafo	10	11	77
8	Northern	15	17	94
9	Upper East	4	4	98
10	Upper West	2	2	100

Source: Primary Data September 2018.



From the table above, it can be seen that Accra has the highest number of MFIs been interviewed followed by the Northern region with 39 percent and 17 percent respectively. The next highest was the Brong Ahafo region with 11 percent of the total interviewed then followed by the Ashanti region with 9 percent. The above regions were having the majority of interviews due to the availability and willingness of the institution's management and customers to be interviewed. Eastern region has 6 percent interviews, Western and Upper East regions have 4 percent each while Volta and Upper West regions have 2 percent each. We ascertained that, from a total number of a microfinance institution in Ghana, Greater Accra alone is having over 60 percent and the rest is in the other 9 Regions hence the reason why more interviews in that Region. These are the number of respondents interviewed in each region not the number of microfinance institutions.

6.1 Products/Service provided by Microfinance in Ghana

Different products/services have been provided to customers. Both the service providers and the beneficiaries mentioned some of the products and services rendered and received to include: Loans/credit, Savings/deposits, Current accounts, fixed deposits, micro insurances, mobile money transfers, remittances.

Table 7: Loans Received from Microfinance Institutions

Table 7 below illustrates the number of customers who benefited from the loans offered by the microfinance institution in Ghana. Out of 90 respondents, 54 said they are beneficiaries from the loans while the remaining 36 said they are not beneficiaries. Different customers use these loans for different purposes and the income generated from it too was used for a variety of purposes. Some were able to pay back the loans and others defaulted from the findings of the study.

Loan received	Frequency	Percentage
Yes	54	60
No	36	40
Total	90	100

Source: Own Research 2018.

From the findings, 60 percent of the respondents said they are loan beneficiaries from the microfinance institution while 40 percent mentioned that, they did not go for a loan from the institution.

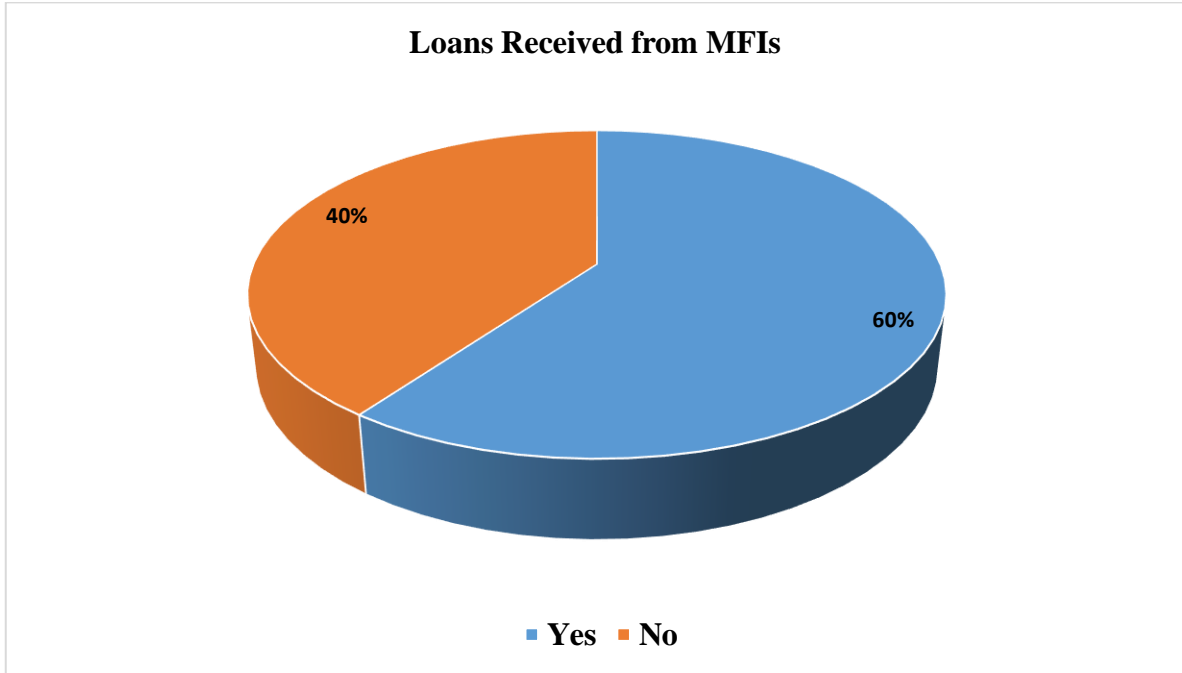


Table 8: Loan repayment to Microfinance Institutions

This table below gives statistics of loan beneficiaries of microfinance institutions. Out of the total number of those who went for the loans, the number of those who returned and those who refuse to repay. Below is the breakdown:

Loan returned / repaid	Frequencies	Percentages
Yes	42	78
No	12	22
Total	54	100

Source: Primary Data September 2018.

From the findings, 78 percent of the respondents repaid the loans given to them by the microfinance institution while 22 percent refused to pay back the loans. We realized that the majority of the loan beneficiaries repay their loans and minority refuse too.

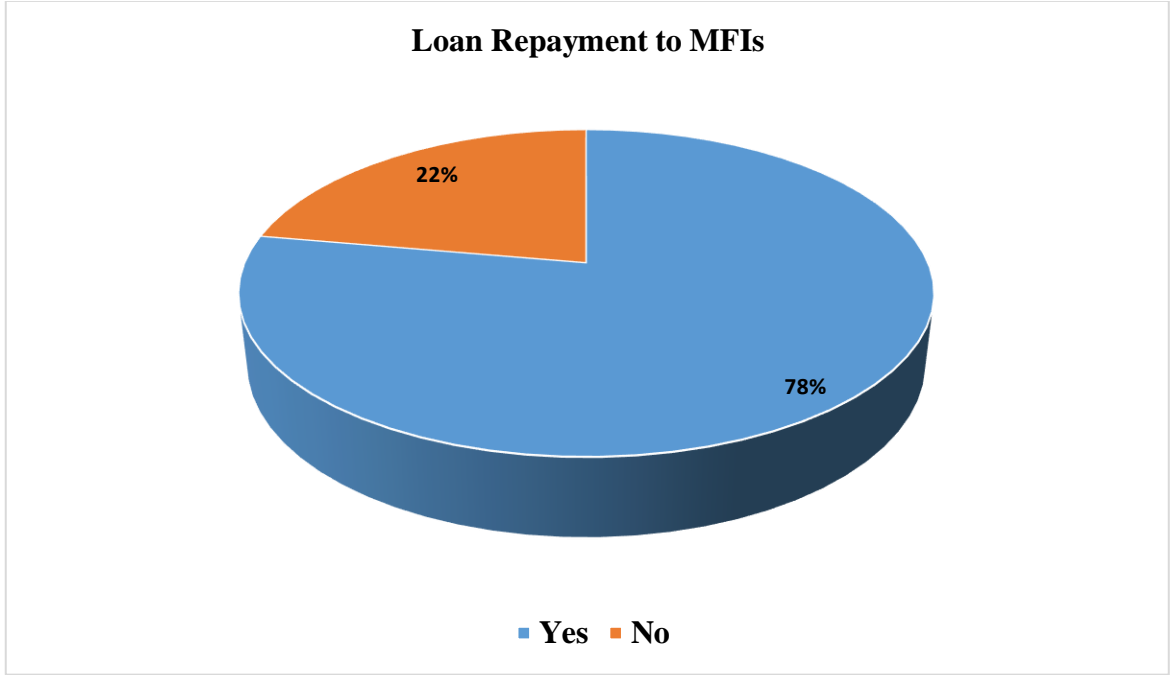


Table 9: Uses of Loans from Microfinance Institutions

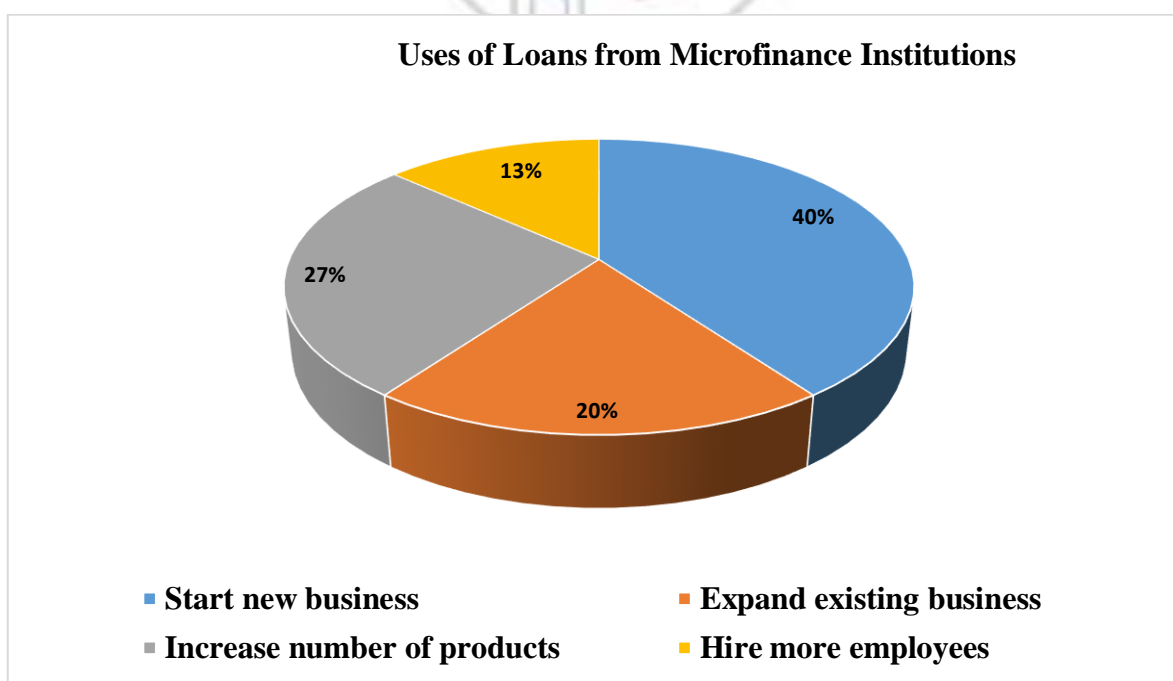
The below table indicates the uses of the credit/loans that the beneficiaries or customers received from the microfinance institutions. It was used for different purposes.

Uses of Credit from MFI	Frequencies	Percentages
Starting new businesses	36	40
Expansion of existing businesses	18	20
Increase number of products	24	27

Hire more employees	12	13
Total	90	100

Source: Own Field Research September 2018.

The loans that were received from the microfinance by the respondents were used appropriately by the majority of the respondents. From the interviewed, some of the customers attested to the fact that they use the loans to start a new business altogether. They said without the loans from the microfinance program they cannot start anything new on their own. According to them, microfinance helps them to establish a business and also employ a few workers to help in the running of the businesses. Aside from the starting of new business by some of the clients, other beneficiaries also use the loans to expand their business. Other branches were opened and some increase the number of their products and services. They said this increases their profit level and their living standards.



40 percent used the loans to start a new business as can be seen from the above pie chart and 20 percent expand existing business with it. 27 percent mentioned that, they use the credit received from the microfinance institution to increase the number of products in

their businesses and only 13 percent said, they hire new staff to help in the running of the business.

Table 9.1 the Use of Income from Loans by Beneficiaries

Table 8 below indicates how the beneficiaries of the loans from the microfinance program utilize the income they get after using the credit. While others use them to expand their businesses, some use it for their daily expenses. From the three Northern Regions of Ghana, most of the beneficiaries said they use their income for agricultural purposes to buy fertilizer and other farm inputs which help them to get a good harvest. While the beneficiaries from the southern part of Ghana attested that they used the income for savings, investment and other purposes.

No	Uses of the Income from loans	Frequency	Percentage
1	To start a new business	16	18
2	For business expansion	11	12
3	For savings	10	11
4	For investment	9	10
5	Payment of children's school fees	5	6
6	Investment in Agricultural	8	9
7	Hiring of new staffs	2	2
8	Building of a house	1	1
9	Household consumption	7	8
10	Medicals	3	3
11	To pay other loans	5	6
12	To marry	2	2
13	To build new skills / upgrade knowledge	3	3
14	For growth and family up keeping	6	7
15	For house rent payment	2	2

Source: Own Field Research September 2018.

The table above indicates various usages of the income generated from the credit used by the customers from the microfinance institution. The majority of the beneficiaries concluded that the credit has been very beneficiary to them because they can start some businesses by themselves now and others said they use it for payment of their children's school fees. From the responses of the beneficiaries, a greater percentage of the respondents use the income to start a new business (18 percent) and 12 percent use the income to expand their business while 10 percent and 9 percent use the income for savings and investment respectively. The farmers also use the income to buy their farming products and this is represented by 8 percent out of the total. Again, for household consumption, growth and family up keeping is 7 percent and 6 percent while 5 percent of the beneficiaries each said they use it to pay children school fees and payment of other loans from a different institution. We realized from the findings that, most of the respondents utilize the loans and are making good investments and paying back while some of the beneficiaries refuse to pay the Bank but rather repay other loans from different Banks.

The logo of Anadolu University, featuring a stylized 'A' with a blue and red design inside a circle.

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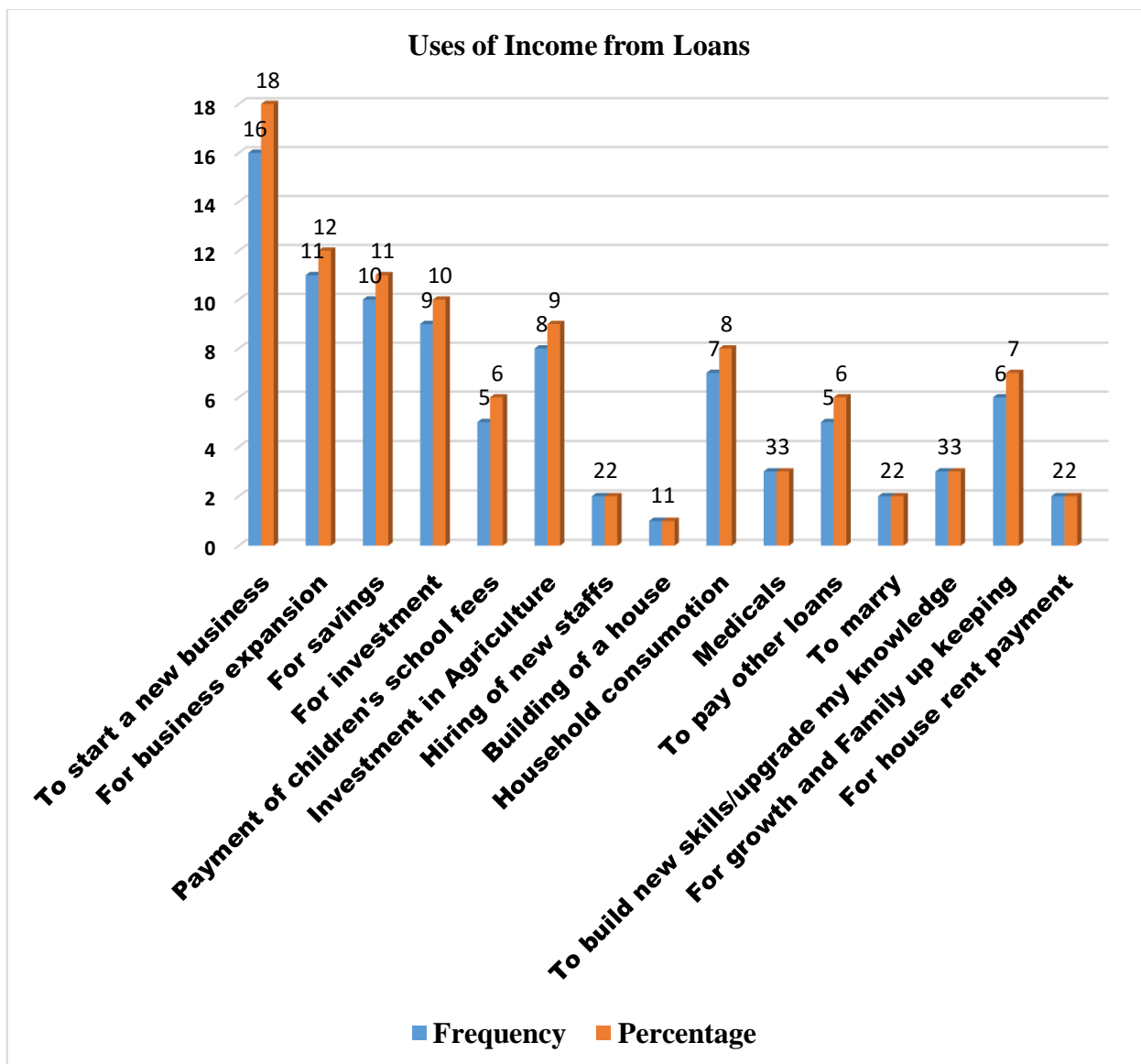
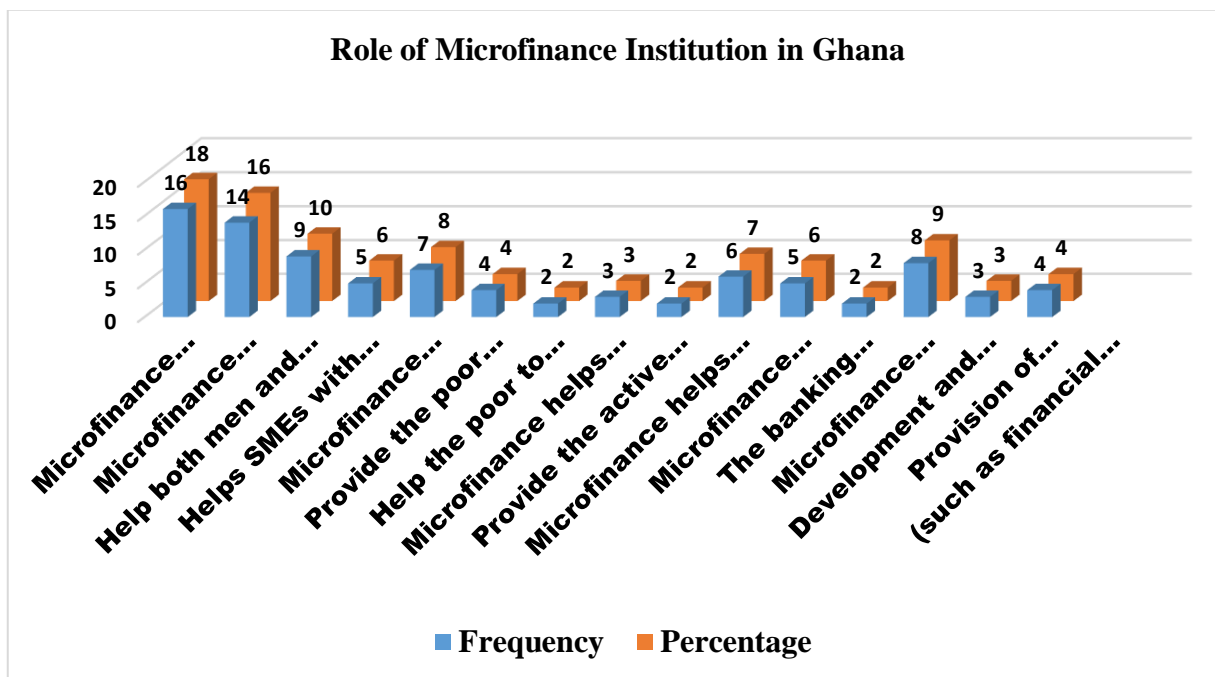


Table 10 Role of Microfinance Institution in Ghana

Microfinance institution in Ghana plays a great role in the country's economic development since its inception. Some of the roles are: Microfinance Institutions helps to reduce poverty, microfinance create employments and helps both men and women by providing them with loans, support small and medium enterprises with credit, microfinance provide the poor with banking products/services and support by providing low income & active poor people with credit/loans.

No	Role of Microfinance Institutions	Frequency	Percentage
1	Microfinance Institutions helps to reduce poverty	16	18
2	Microfinance create employments	14	16
3	Help both men and women by providing them with Loans	9	10
4	Helps SMEs with credit	5	6
5	Microfinance provide the poor with banking products and services	7	8
6	Provide the poor with credit / Loans	4	4
7	Help the poor to come up with new businesses	2	2
8	Microfinance helps in business expansion	3	3
9	Provide the active poor with startup capital	2	2
10	Microfinance helps in Economic development	6	7
11	Microfinance increase the living standards of the poor.	5	6
12	The banking population in Ghana is increased through microfinance	2	2
13	Microfinance institutions help to empower the women	8	9
14	Developing and improvement of SMEs	3	3
15	Provision of services and advises (such as financial advisory services, financial training, money transfer and micro insurances services)	4	4

Source: Primary Data September 2018.



From both the table and the diagram, it was indicated that MFIs play a key role in the Ghanaian economy. Statistics of roles played based on the respondents responses during the interviews are: Microfinance institutions helps to reduce poverty (18 percent), Microfinance create employments (16 percent), Help both men and women by providing them with Loans (10), Helps SMEs with credit (6 percent), Microfinance provide the poor with banking products and services (8 percent), Provide the poor with credit / Loans (4 percent), Help the poor to come up with new businesses (2 percent), Microfinance helps in business expansion (3 percent), Provide the active poor with startup capital (2 percent), Microfinance helps in Economic development (7 percent), Microfinance increase the living standards of the poor (6 percent), the banking population in Ghana is increased through microfinance (2 percent), Microfinance institutions help to empower the women (9 percent), Developing & improvement of SMEs (3 percent), Provision of services and advises (4 percent) these include (financial advisory services, financial training, money transfer, and micro insurances services).

Table 11: Issues and Problems Microfinance Institutions Faced

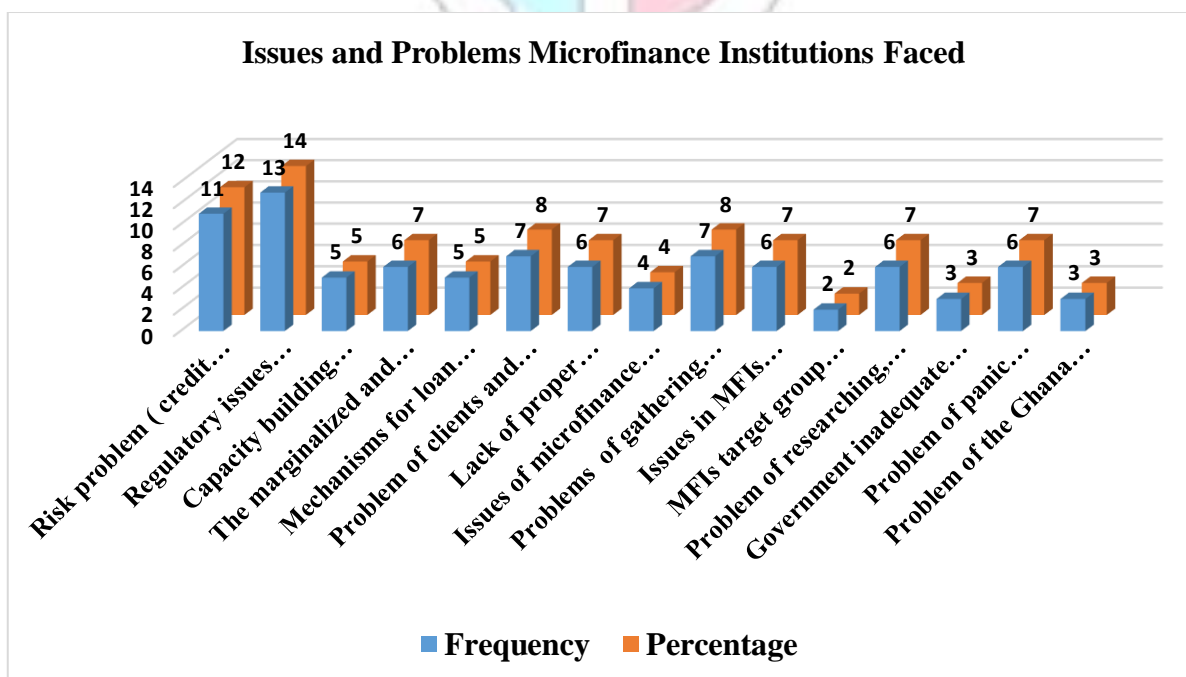
Though microfinance institutions play a wonderful role in the country's economic development, the institutions still have some problems facing it. From the researchers' findings, the respondents mentioned problems or issues such as regulations and supervision

from regulators, credit defaults from customers, lack of support from the Government, high-interest rates, and Ghana cedi depreciation as the main problems they faced. The below table indicates the remaining problems according to the findings from the respondents.

No	Issues and Problems	Frequency	Percentage
	Microfinance Institutions aced		
1	Risk problem (credit risk, financial and systematic risk)	11	12
2	Regulatory issues (National, formal, semi-formal and informal institutions)	13	14
3	Capacity building problem (human, infrastructure, and funding)	5	5
4	The marginalized and vulnerable targeting issues (the people with disability, the women and the youth)	6	7
5	Mechanisms for loan delivering problems	5	5
6	Problem of clients and their savings protection	7	8
7	Lack/low understanding of definitions & concepts of MFIs	6	7
8	Issues of microfinance institutions categorization	4	4
9	Problems of gathering and dissemination information	7	8
10	Issues in MFIs collaboration and coordination	6	7

11	MFIs target group classification problem	2	2
12	Problem of researching, monitoring and evaluation by the institutions	6	7
13	Government inadequate support for microfinance institutions.	3	3
14	Problem of panic withdrawals due to collapse of other MFIs	6	7
15	Problem of the Ghana currency depreciation.	3	3

Source: Primary Data September 2018.



From the findings, management, employees, and customers stated the above as the problems/issues that the microfinance institutions faced in Ghana which in one way or the other hinders the operations of the institutions. Problems with regulation and supervision are

seen as the greatest issue with the highest percentage of 12 followed by the credit defaults and collapse of other microfinance institutions which leads to panic withdrawal from customers of 11 percent each as seen in the above table. Lack of support from the government of Ghana is also an issue facing the institution and inadequate understanding of the definitions and concepts of microfinance by some employees and customers constituting 7 percent each.

Table 12: Key Poverty Reduction and Employment Strategies in Ghana

In Ghana, according to the respondents, there are a lot of poverty reduction strategies taking place in the country and employment strategies all targeting poverty reduction and employment creation aside from the microfinance institutions. That, these strategies were carried out by the past and current governments, the ministries, departments, and agencies. The strategies from the findings include: 1. National youth employment program 2. Youth employment authorities 3. Poverty reduction strategies (GPRS 1 & GPRS 11) 4. Agricultural development banks 5. Poverty alleviation program 6. Ghana national poverty eradication program 7. Women empowerment, 8. Universal basic education 9. Free senior high schools, 10. Microfinance banking schemes and 11. Rural and community banks. All the above strategies and programs are targeted towards empowerment, employment creation and poverty reduction in the country.

No	Poverty Reduction and Employment Creation Strategies	Frequency	Percentage
1	National Youth Employment Program (NYEP)	12	13
2	Youth employment authorities (YEA)	5	6
3	Ghana poverty reduction strategy (GPRS I)	7	8
4	Agricultural development banks (ADB)	3	3
5	Poverty alleviation program (PAP)	5	6
6	Ghana national poverty eradication program (GNPEP)	5	6
7	Women Empowerment Programs	6	7
8	Free Compulsory Universal Basic Education (FCUBE)	3	3
9	Ghana poverty reduction strategy (GPRSII)	7	8

10	Rural and community banks (RCBs)	4	4
11	Microfinance Banking Schemes (MFS)	9	10
12	Free Senior High School (FSHS)	6	7
13	Voluntary National Service (VNS)	4	4
14	National service Scheme (NSS)	4	4
15	Nation Builders Cooperation (NABCO)	10	11

Source: Primary Data September 2018.

According to the interviewees' responses on the poverty reduction and employment creation strategies in Ghana, the below are the factors and the number of individuals who indicated that: National Youth Employment Program 12 respondent mentioned that which is 13 percent of the total population interviewed. 5 people said youth employment authorities which are 6 percent of the population and 7 respondents made mentioned Ghana poverty reduction strategy I that is 8 percent of the population. Agricultural development banks were also mentioned by 3 people indicating 3 percent while Women Empowerment Programs 6 interviewees and 7 percent. Poverty alleviation program and Ghana national poverty eradication program 5 people and that is 6 percent of the entire interviewed population each. Free Compulsory Universal Basic Education 3 individuals constituting 3 percent of the population and Ghana poverty reduction strategy II 7 people respondent and that is 8 percent. Rural and community banks and Voluntary National Service 4 respondents and 4 percent each while Microfinance Banking Schemes 9 people indicating 10 percent. Free Senior High School is 7 percent and 6 respondents and National service Scheme also 4 individuals with 4 percent. Finally, 10 respondents constituting 11 percent made mentioned of Nation Builders Cooperation.

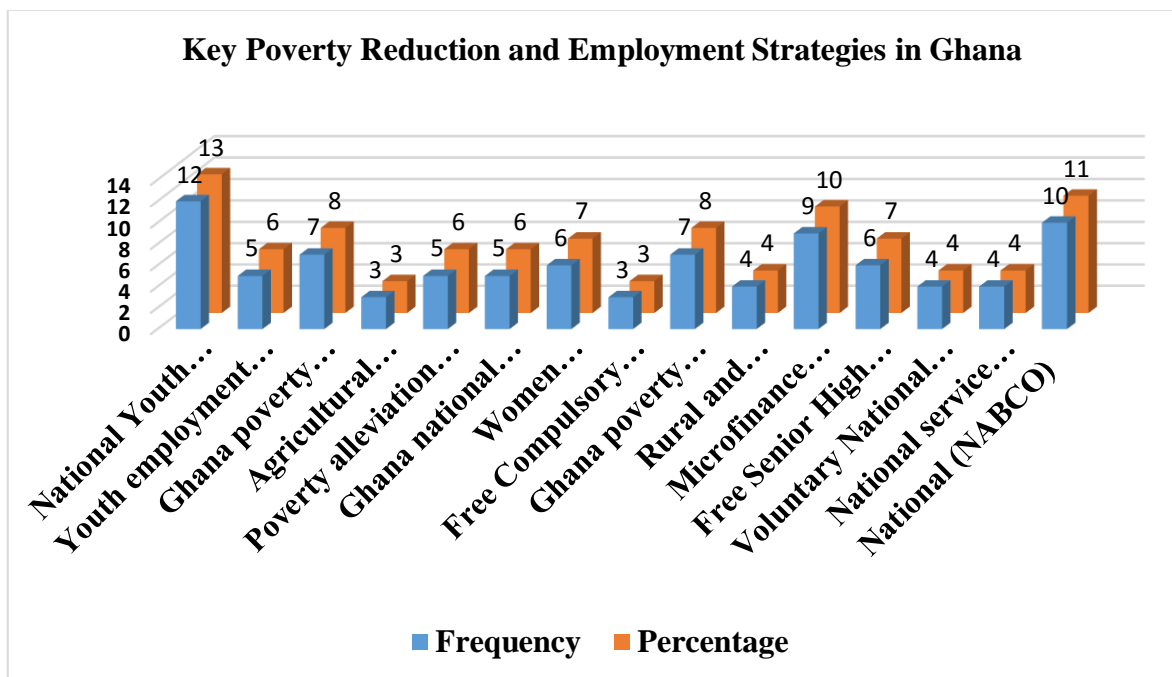


Table 13: Ways to Reduce Poverty in Ghana

According to the respondents, there are so many ways to reduce poverty in Ghana which is referred to as the solutions to Ghana poverty according to some respondents. Some of the solutions the respondents mentioned include: Jobs / Employment creation, Women empowerment and the Girl child education, the minimum wages, and salaries should be increased, reduction in minimum capital requirement by regulators from BoG, encouraging establishment of more MFIs into the system, tax exemption from some of the institution, providing very good health care facilities especially delivering services, making the spending's of government transparent, there should be good sanitation portable and clean drinking water in all communities in Ghana, a nutritious and well-balanced diet for children especially the infants in homes and schools, Gender equality making and unmaking inequalities and finally managing Sovereign Debt.

No	Ways to Reduce Poverty in Ghana	Frequency	Percentage
1	More Jobs / Employment Creation	12	14
2	Women Empowerment	4	4
3	Encouraging girl child education	3	3

4	Accessible good roads	7	8
5	Encouraging the establishment of more microfinance institutions in the system,	14	16
6	Managing Sovereign Debt	1	1
7	Implementing Gender equality and discouraging inequalities	2	2
8	A well-balanced diet and very nutritious diet for children and infants both in homes and at schools,	4	4
9	Providing good sanitation, portable and clean drinking water in all communities of Ghana,	5	6
10	Reduction in minimum capital, reserve, and liquidity requirement by regulators	11	12
11	Tax exemption for some of the institutions	2	2
12	providing very good health care facilities by Government	5	6
13	Minimum wages and salaries should be increased,	9	10
14	Delivering services and government spending should be transparent,	3	3
15	Effective and markets accessibility in all communities	8	9

Source: Primary Data September 2018.

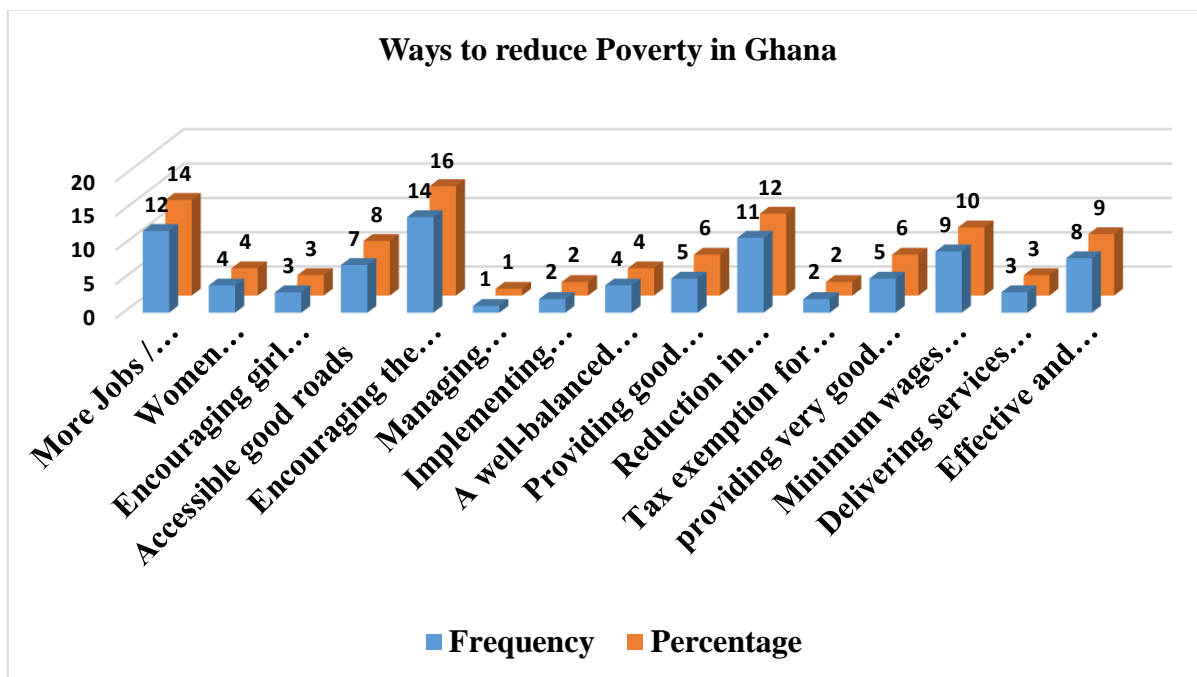


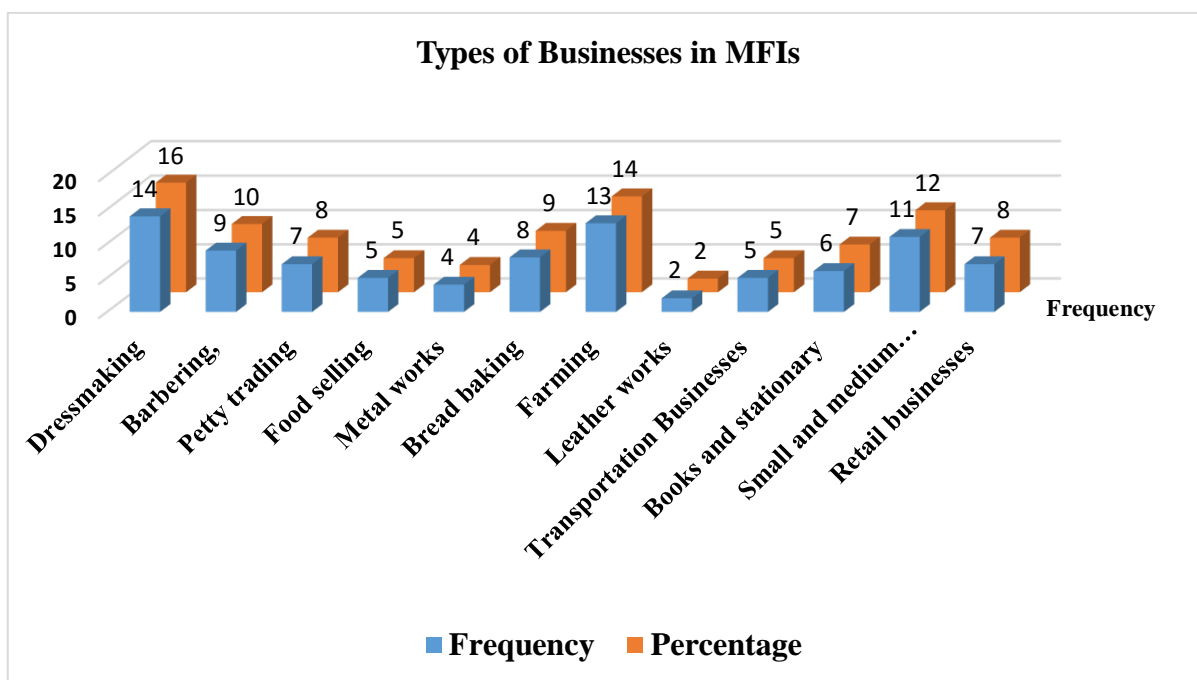
Table 14: Types of Businesses in Ghana Microfinance Institutions

The interviewees mentioned several types of business in Ghana that are engaged in the microfinance program. These businesses according to the customers of the institutions get credit from the microfinance program which helps them build their businesses and put it into good standing. Some of the businesses mentioned include Dressmaking, barbering, petty trading, Food selling, metal works, bread baking, books and stationery, farming, leather works, transport owners and other small and medium enterprises. We ascertained that the credit collected are put into different uses by different clients.

No	Types of Businesses in Ghana MFIs	Frequency	Percentage
1	Dressmaking	14	16
2	Barbering,	9	10
3	Petty trading	7	8
4	Food selling,	5	5
5	Metal works,	4	4
6	Bread baking,	8	9
7	Farming,	13	14

8	Leather works	2	2
9	Transportation Businesses	5	5
10	Books and stationary	6	7
11	Small and medium enterprises	11	12
12	Retail businesses	7	8

Source: Primary Data September 2018.



According to the findings, Dressmaking is (16 percent), Barbering is (10 percent), Petty trading is (8 percent), Food selling is (5 percent), Metalwork (4 percent), Bread baking (9 percent), Farming (14 percent), and Leatherworks (2 percent). Transportation Businesses (5 percent), Books and stationary (7 percent), Small and medium enterprises (12 percent), Retail businesses (8 percent).

Table 15: The Role of Ghana Government in Microfinance Institutions

The government of Ghana has a key role to play in the operations & survival of the institutions in the country. The Government has to ensure that favorable policies are formulated, a good regulatory framework and best monitoring and supervision style is adopted to help sustain the microfinance institutions within the country. Rhyne and Otero

(2006:19) indicated that most microfinance institutions have flourished and sustained where the government keeps itself separate from policies, allow the market to determine interest rates, independent allocation of credit from other issues and lending also independent from the Government. Through the Ghana poverty reduction Strategies 1 and 11 implemented by the Government in the country (GPRS I and GPRS II), it is obvious that Microfinance in the Country is considered by the government to reduce and fight poverty in Ghana and to help create employment for the poor. The government should, therefore, review its laws, rules, and regulations towards the microfinance sector to implement favorable policies to motivate and encourage MFIs in Ghana so that more customers and the public will have lots of confidence with the microfinance sub-sector.

No	The Role of Ghana Government in MFIs	Frequency	Percentage
1	Favorable Government Policies formulated	16	18
2	Good regulatory framework	14	16
3	Best monitoring and supervision style adopted	9	10
4	Effective regulatory guidelines and principles implemented	7	8
5	Interest rates determined by the market	8	9
6	Credit allocation independent from Government	4	4
7	Lending independent from the Government.	2	2
8	Effective implementation of GPRS 1 and 11	7	8
9	Laws, rules and regulations of microfinance sub-sector should be reviewed	5	5
10	Creation of more job opportunities / MFIs	6	7
11	Government supporting microfinance institutions	9	10
12	Other roles	3	3

Source: Primary Data September 2018.

The respondents' responses from the findings indicated that, Favorable Government Policies formulated 18 percent, Good regulatory framework 16 percent, Best monitoring and supervision style adopted 10 percent, Effective regulatory guidelines, and principles implemented 8 percent, Interest rates determined by the market 9 percent, Credit allocation

independent from Government 4 percent, Lending independent from the Government 2 percent, Effective implementation of GPRS 2 percent, Laws, rules and regulations of microfinance sub-sector should be reviewed 5 percent, Creation of more job opportunities / MFIs 7 percent, Government supporting microfinance institutions 10 percent, 3 percent.

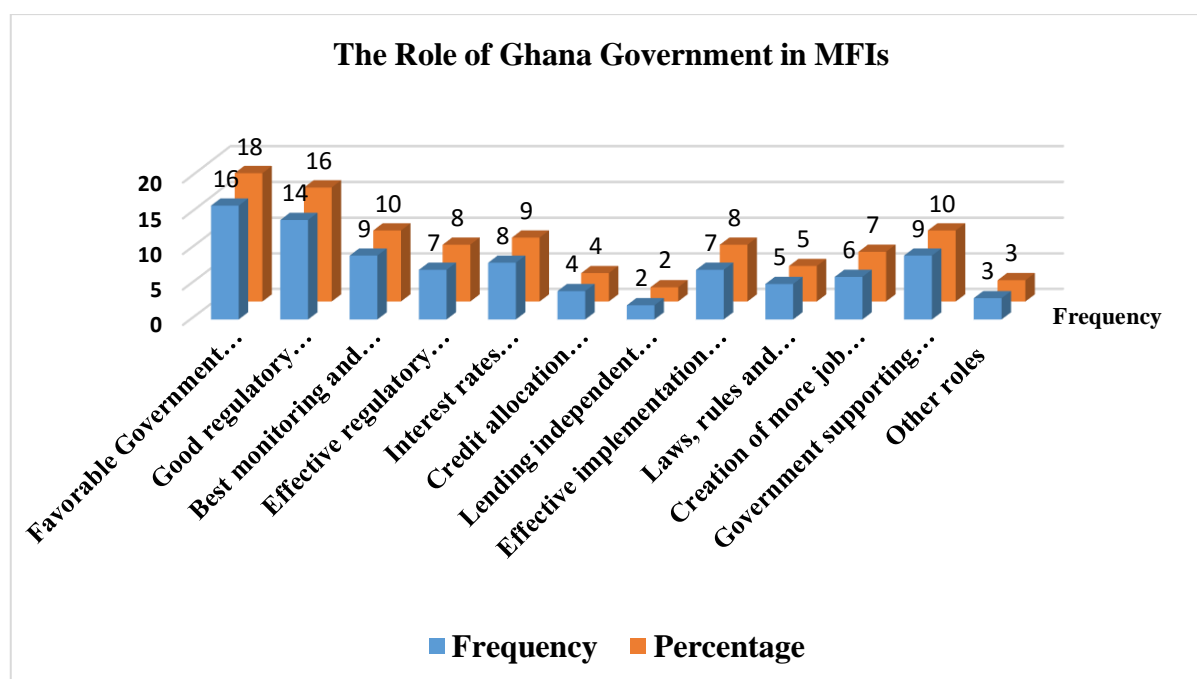


Table 16: Development Agendas and Microfinance Institutions

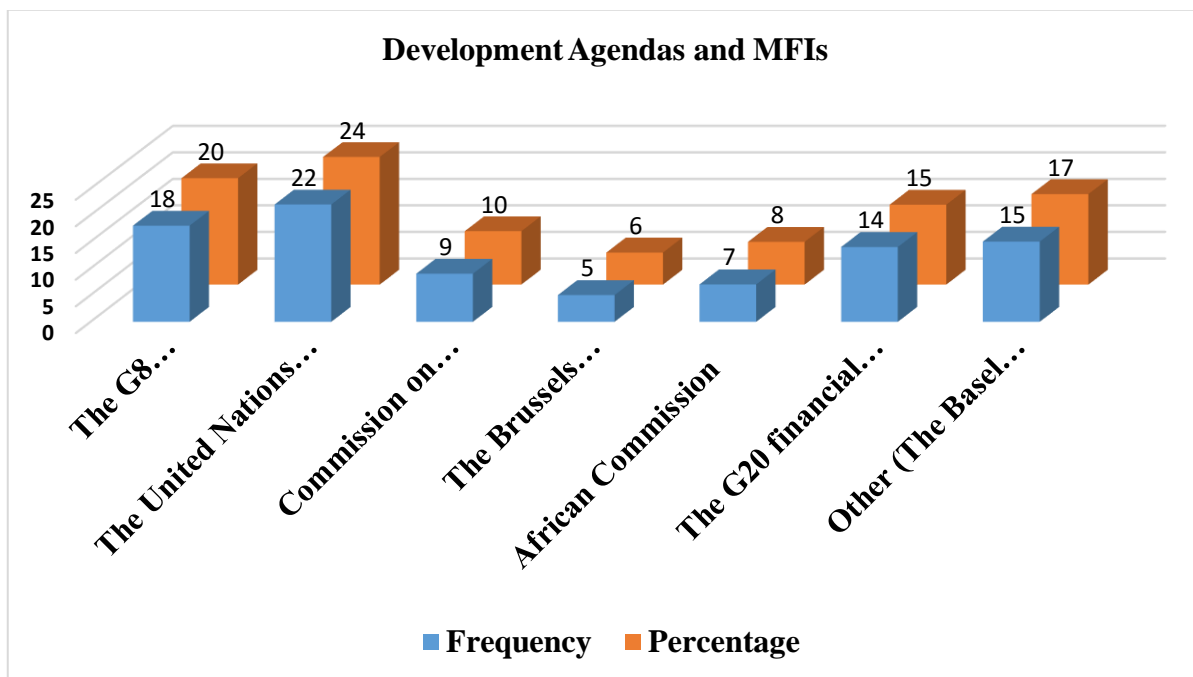
Aside from the government of Ghana, other development partners also endorsed microfinance institutions in the reduction of poverty and helping the poor through several ways as mentioned by some of the respondents during the interviewed. Those development agendas worldwide that endorse microfinance in the alleviation of poverty are The Declarations of 2005 & 2004 by G8, United Nations World Summit of 2005, and Commission on Private Sector Development, the Brussels Program of Action, Commission of Africa and many other more. The table gives the number of responses by each of the respondents.

No	Development Agendas and MFIs	Frequency	Percentage
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1	The Declarations of 2005 & 2004 by G8	18	20
2	United Nations World Summit of 2005	22	24
3	Private Sector Development Commission	9	10
4	Brussels Program of Action	5	6
5	African Commission.	7	8
6	The G20 financial inclusion expert Group (FIEG)	14	15
7	Other (The Basel Committee on Banking Supervision)	15	17

Source: Own Field Research September 2018.

The table above concluded that many development Agendas endorsed microfinance institutions as a key poverty reduction strategies. According to the respondents, 18 (20 percent) respondents mentioned G8 Declarations of 2005 and 2004 and 22 (24 percent) said the United Nations World Summit of 2005. The Private Sector Development commission and Brussels Program of Action said 9 (10 percent) and 5 (6 percent) respectively. 7 and 15 respondents again made mention of (8 percent) and 17 (percent) as the African Commission and the G20 financial inclusion expert Group (FIEG). The remaining interviewees said other development partners and agendas like (The Basel Committee on Banking Supervision and others) to be 15 (17 percent).



7.9 Discussions of the Findings

It shows from the foregoing that: microfinance institution plays an instrumental role in Ghana's economic development though some problems and issues are facing the sub-sector. Some of these problems and issues among others are credit default from customers, improper regulations and supervision, high-interest rate, high minimum capital requirement, lack of government and donor support, inappropriate reporting standards, and panic withdrawal due to the collapse of other microfinance institution.

- The loan beneficiaries who are engaged in the microfinance program have different years of participation. It is observed that more than 80 percent of beneficiaries of microfinance schemes have come from cities and not rural areas.
- More so, the interest rate charged on microfinance loans is much higher than the interest rate charged in traditional or conventional banks. It is found out that, about 80 percent of the loan beneficiaries utilized their credit for productive purposes.
- Furthermore, the types of income-generating activities the clients carried out include farming (animal husbandry, poultry farming, dairy farming, fish farming, crops, and cereals), manufacturing and so on.

- Again, the study found out that, microfinance program in Ghana help to create employment by issuing loans to the befitting customers. The beneficiaries of these credits attested to the fact that the credit given to them through the microfinance program was utilized by them because they used it to established businesses of different types and get income out of it.
- Some of the loan beneficiaries said they ploughed back the profit and others conclude that they use it for savings, investment, farming, household consumption, and other purposes.
- The results of the study also reveal that microfinance institutions offered credits to their customers to do businesses, get profit from the businesses, and use the income to expand the businesses, save and be able to repay the loans.
- Additionally, the study observed that, the income that the clients of the microfinance program gained help the poor to increase their living standards and condition. This in a way help reduce their poverty levels. The youth in Ghana continuously complained about unemployment in the country increasing and the poor people becoming poorer. Through microfinance and their programs, some of the poor people gain employment and are now working as self-employed and making ends meet.
- In furtherance of the above, the paper suggests a possible way to help reduce poverty, reduce the problems and issues to create more employments for the poor.

Some of the ways to reduce poverty in Ghana include women empowerment and girl child educational encouragement, providing very good health care and delivery facilities, there should be good and proper sanitation, portable and very clean drinking water in all communities in the country.

- Despite the above, to reduce the challenges of the institutions, the government and donors should support the microfinance program with funds, there should be currency appreciation, proper monitoring, and supervision from Bank of Ghana, capacity building of the employers and employees by ministry of finance of the country (policy-making body), and there should be proper training on good reporting standards by the regulators (bank of Ghana).

- In spite of the above mentioned, for more employment to be created, there should be a reduction in minimum capital requirement by bank of Ghana financial regulators so that more microfinance institutions can be established in order to increase jobs, there should be tax exemption for some of the institutions, customers should pay the loans given to them so that other clients can also benefit from the program.
- Finally, if the government, policymakers, donors, management and all other stakeholders of the microfinance sub-sector would support the institution, the mission and vision of the institutions will be achieved in the country thereby sustaining the microfinance sub-sector.

7.10 Chapter Summary

Microfinance roles in Employment creation and Poverty reduction cannot all be stated and the institutions are overwhelming amazing with proper regulation, effective policies, and a conducive environment in place in a country. The institution encourages self-independent, creates employment for the poor through the credit given which intends to reduce the poverty level of the clients.

Besides, the small and medium enterprises who are beneficiaries of microfinance institutions, to some extent export their goods, effectively and efficiently utilize local raw materials in the country and this has impacted positively and significantly to the economic development of Ghana. For the great potentials of microfinance to effectively continue, it is important that the government encourages more microfinance institutions into areas where it is lacking, support them with funds, encourage more entrepreneurs by creating social amenities such as water, good roads and encourage technical education.

Furthermore, policies should be reviewed on business ventures like excessive payment of tax which have effects on the income levels because that discourages entrepreneurs & potential entrepreneurs.

More so, we realized that microfinance in Ghana does not get all the necessary support needed from most of the stakeholders like the Ministries Departments & Agencies, and from other banks and institutions. The above was from the respondents responses to some of the problems they are facing in Ghana as microfinance institution's operators.

7.11 Conclusion of the Chapter

Following the discussed point above, it is clear and obvious that, the institution plays a key role in uplifting poor people, and also helps in increasing their income levels, their standard of living, poverty reduction through the credit provided and employment created. With the support of the above points, it can be concluded in the study that:

There exists no doubt in saying that, "microfinance has a positive impact on alleviating poverty in Ghana". The subsector supports poor people by increasing their living standards and their households in the study area. The microcredit provided by the institutions helps in reducing poverty and dependency as well as the upliftment of the poor people's socio-economic status.

In Ghana, the microfinance scheme is a Strategy for economic development, women empowerment, job creation, and empowerment of low-income households. Microfinance institution plays a positive role in employment provision to low-income households in the country.

Again, from the findings stated above, the researcher can conclude that the importance of microfinance institutions role in economic development, increasing the standard of living through employment creation and credit issued to customers in the country cannot be overemphasized.

Also, from the discussion, it shows that microfinance is an important and useful tool for reducing the problem of poverty, unemployment reduction, and small & medium business stimulation in the country. The dynamic nature of the institutions as made it very clear that the products and services offered to poor people have no best way.

It was also indicated that the customers received, not only deposit-taking, and microcredit but also remittances, and micro-insurance services. Some of the identified problem or barriers which hinders the development, faster and easier issuance of some of the products and services and the development of the sub-sectors are ethical problems, laws, managerial & legal resources and many more.

Most respondents confirmed that, the credit from the institution is very beneficiary to them and without microfinance program by their doorsteps they could not start any business on their own let alone expand the businesses nor able to pay fees of their school-going

children, making deposit, improving their household consumption which all increase their standard and condition of living.

In the Furtherance of the above, it can be concluded that, through the micro-credit from the institution, many poor clients have benefited from the program especially those in the rural communities.

Finally, the women who are supposed to be targeted are rather few in most cases in the microfinance program. Targeting the majority of women is a key concern in designing any microfinance program since women and children are the most vulnerable and constitute the poor class and also have less access to credits.

7.12 Recommendations

7.12.1 Policy Recommendation

Based on the major findings from the research, some recommendations are made to the policymakers that could help to improve the microfinance institutions role in the creation of employment, poverty reduction, and income generation activities.

Among the policy, recommendations include: capacity building and intensive training of the management, loan provision and support to the institutions, currency depreciation should be managed, educational system improvement, the customer and their savings should be protected, interest rate control and price control mechanism.

The researcher believes that, if the policymakers consider the above, microfinance institutions in the country would forever be effective and efficient and the collapse rate will be reduced for the betterment of mother Ghana's economy.

7.12.2 Government Recommendations

Below are some recommendations which if the government implement would help microfinance to be sustained in the country and could help accelerate self-employment, self-independent and alleviate poverty from the country.

Firstly, the Government should encourage technical education where students can learn different practical knowledge to help them be on their own after school and not rely on the government for a job.

Secondly, the government should reduce the minimum capital requirement by microfinance so that more institutions will be established and also the existing ones sustained since the institutions help create jobs for the masses and give credits to most of their customers.

Also, the Government should give support to collapsing microfinance to sustain them and the high-Interest rates should be made moderate to encourage more investors and depositors into the institution.

There should also be independent regulations and the government should be autonomous from the policies and operations of the microfinance institution in Ghana.

Furthermore, proper supervision, effective monitoring, & evaluation should exist in the institutions by the government regulators. This will help reduce the collapse rate and increase employment in the country for poverty to be reduced.

In addition to the above, new entries or potential microfinance operators should be assessed well before licensed given to them to start operation to avoid later license revocation due to insolvency and illiquidity of the institution.

Again, more vocational training schools should be open for interested students and a lot of women should be encouraged to attend. Women can be empowered through these training institutes to be on their own to be able to also train others for more job creation.

Besides the above, the government should promote the manufacturing industries in the country to manufacture products and encourage buy made in Ghana products for more jobs to be created. This will help minimize poverty through jobs that will be created.

We believe that, when the above recommendations are implemented, or taken into consideration, the microfinance sector in the country will stand on its feet and serve the purpose of which it was been created.

7.12.3 Recommendation for Microfinance Institutions

The microfinance institutions when taking the following recommendations into considerations, the sub-sector collapse rate will be reduced, income will be generated and there will be long term sustainability of the sector.

Proper credit risk management tools should be available in all microfinance institutions to help in assessing the value and worthiness of the customers/borrowers and the loan providers.

Credit rating agencies should do their work properly to know which of the clients qualifies to be given credit and who to deny.

Complying with regulatory rules and regulations. The microfinance sub-sector should follow the rules and regulations from the regulators. Complying with the guidelines of the regulatory framework will help the institutions to be in operations for a longer period.

Training loan officers, the customers and loan beneficiaries on the use of capital can help reduce the default rate by customers and best monitoring by the officers.

There should be intensive training of the management and other employees of microfinance institutions.

Also, it is recommended that microfinance institutions should charge a flexible rate of interest on the credit/loans given to their borrowers to be able to repay the credit and reduce the default rate.

Finally, credits should be given in groups to customers to reduce the default rate on individual loans.

7.12.3 Recommendation for MFIs Customers (The Loan Beneficiaries)

The researcher recommends that the beneficiaries of the loans should go strictly by the advises that the management of the microfinance institutions gives to them to promote the growth of their businesses, make a profit and be able to settle their credits within the required time.

Also, customers should attend all training organized to them by the microfinance institutions management. This will help them with the use of the loans and the kind of businesses to be engaged in.

The credit given to the customers by the microfinance sub-sector should not be used to settle other banks' debt and cause default problems with the institutions. Loans given should be used for the right purposes.

CHAPTER EIGHT

8. THE EFFECTS OF MICROFINANCE INSTITUTIONS PROGRAM ON SMALL AND MEDIUM ENTERPRISES (SMEs) FINANCING IN GHANA

Abstract

The final article investigates the effect of microfinance institutions program on small and medium enterprises financing in Ghana. It also examines SME's contributions to Ghana's economy, challenges microfinance institutions faced in issuing a credit to the SMEs and the contribution of microfinance institutions towards SMEs' growth in the country. The analysis indicates that microfinance institutions are the major institution that supports small and medium enterprises with credit in Ghana. Also, SME's role in economic development is overwhelming through Skills and knowledge developing, creation of employment, women empowerment, and support to large companies. Again, the result from the findings shows that: Microfinance institutions have a positive effect on SME's growth & development by providing them with credit, organizing training programs, advice on credit utilization, risk management and how to build a savings and investment culture. However, despite the contribution of microfinance to SMEs development, both the SMEs and MFIs have challenges in the country and the challenges of SMEs are Lack of capital, inadequate managerial skills, lack of formal education, poor marketing skills, and electricity issues. While the challenges of microfinance institutions include: High default rate, lack of information on SMEs loan applicants, regulatory issues, politics, and policies. In conclusion, both MFIs and SMEs are crucial to the development of the economy and the government needs to encourage and support them to be in long term operations. Finally, the researcher recommends that: There should be proper credit monitoring and supervision by microfinance institutions to ensure that SMEs use the loans offered to them judiciously to reduce their default rate for long term sustainability to be ensured.

Keywords: Microfinance program, Small & medium enterprises, Credit, Financing, Ghana.

Özet

Son makale, mikrofinans kurumları programının Gana'da küçük ve orta ölçekli işletmelerin finansmanı üzerindeki etkisini araştırıyor. Aynı zamanda KOBİ'lerin Gana ekonomisine katkılarını inceliyor, mikrofinans kurumlarının KOBİ'lere kredi vermekte karşılaştıkları

zorlukları ve mikrofinans kurumlarının ülkedeki KOBİ'lerin büyümesine katkılarını inceliyor. Analiz, Gana'da mikrofinans kurumlarının krediyle küçük ve orta ölçekli işletmeleri destekleyen ana kurum olduğunu göstermektedir. Ayrıca, KOBİ'lerin ekonomik kalkınmadaki rolü, beceri ve bilgi geliştirme, istihdam yaratma, kadınların güçlendirilmesi ve büyük şirketlere destek yoluyla çok büyük olmaktadır. Yine bulgulardan elde edilen sonuç, kredi vererek, eğitim programları düzenleyerek, kredi kullanımıyla ilgili tavsiyeler vererek, risk yönetimi ile tasarruf ve yatırım kültürünün nasıl oluşturulacağını öğretmek yoluyla mikrofinans kurumlarının KOBİ'lerin büyüme ve gelişmeleri üzerinde olumlu bir etkiye sahip olduğunu göstermektedir. Bununla birlikte, mikrofinansın KOBİ'lerin gelişimine katkısına rağmen, hem KOBİ'lerin hem de MFK'ların ülkede zorlukları vardır ve KOBİ'lerin zorlukları sermaye eksikliği, yetersiz yönetim becerileri, örgün eğitim eksikliği, zayıf pazarlama becerileri ve elektrik sorunları iken, mikrofinans kurumlarının zorlukları arasında yüksek temerrüt oranı, KOBİ kredisine başvuranlar hakkında bilgi eksikliği, düzenleyici sorunlar, siyaset ve politikalar yer alır. Sonuç olarak, hem MFK'lar hem de KOBİ'ler, ekonominin gelişimi için çok önemlilerdir ve hükümetin uzun vadeli faaliyette bulunmaları teşvik etmeleri ve desteklemeleri gerekmektedir. Son olarak, araştırmacı şunları tavsiye eder: uzun vadeli sürdürülebilirliğin sağlanması amacıyla temerrüt oranlarını düşürmek için KOBİ'lere verilen kredileri makul bir şekilde kullanmasını sağlamak için mikrofinans kurumları tarafından uygun kredi izleme ve denetimi olmalıdır.

Anahtar Kelimeler: Mikrofinans programı, Küçük ve orta ölçekli işletmeler, Kredi, Finansman, Gana.

8.1 Introduction

Small and Medium Enterprises in Ghana faced a serious problem when looking for credit to support their businesses due to a lack of collateral and other financial requirements. Microfinance institutions are the major institution that supports small and medium enterprises with loans in the country. This article looked at financing SMEs through a microfinance program in the country. Again, it looks at small and medium enterprises contribution to Ghana's economy. The article covers: Background of MFIs and SMEs, problem of the research, objectives of the research, and questions, literature review, methodology of research, data analysis, discussions of findings, contribution of microfinance

to small and medium enterprises development, role of small and medium enterprises to economic development, challenges small and medium enterprises faced when assessing credit for their establishment, challenges MFIs faced in dealing with SMEs or issuing them with credit in Ghana, and the prospects of microfinance institutions and small and medium enterprises in the country, summary, conclusions, and recommendations.

8.1.1 Background of Microfinance Institutions and SMEs

Small and medium enterprises and microfinance institutions both contributed to the social and economic development of Ghana and the welfare of low-income citizens. There is also overall agreement that small and medium enterprises performance is very significant in the economic development of developing countries said (Abor and Quartey 2010) while Advani (1997) from an economic point of view argued that small and medium enterprises had numerous benefit and noted as main interest area to some stakeholders like the investors, donors, policymakers to increase the growth rate of low-income countries. In Ghana, SMEs' growth and development are constrained by low access to loans by conventional banks and other institutions. Microfinance has noticed that SMEs contribute immensely to the country's development and so came in to solve the institution's problem by serving the demands of the SMEs. Again, SMEs create employment for low-income & poor, poverty reduction, increase in income levels and help raise the standard of living of the poor. The Ghana living standard Survey 5 (GSS 2006) indicated that, despite the continuous improvement in poverty reduction in the country from 52 percent in 1991 / 1992 to 28.5 in 2006, the phenomenon is high still. There is a need for the government and other stakeholders to continue supporting both the MFIs and SMEs since their advantages outweigh their disadvantages in the Ghanaian economy. According to Duffuor (cited in Bhasin and Akpalu, 2001) in his view, so far as SMEs will be ignored of credit and other necessary assistance financial and non-financial, developing economies will continue with unemployment issue and will never be the independent economy. As Hossain (1988) also indicated, most of the international developed communities in the world achieved their purpose of poverty reduction through the provision of a systematic and coherent service to poor households. The main reason why the majority of small and medium enterprises lack funds and other resources from most financial institutions is due to their high rate of collapse and unsustainability in the country.

Furthermore, most of the small business was unable to repay the loans issued to them by the financial institutions and they also lack collateral securities. About 80 percent of the small and medium businesses especially the new ones' collapse in their first 5 years of operations and the collapse rate alarming is difficult for the Bankers to know the accuracy of entrepreneurs in terms of loan repayment and due to this, the small and medium businesses find it difficult to assess finances especially long duration of debt and equity. According to the National Business Incubator Association (NBIA, 2003). The government and the stakeholders all should work towards the sustainability of both microfinance institutions and small and medium enterprises in the country. Because, both institutions contribute immensely towards the development of Ghana through employment creation, poverty reduction, income-generating activities and an increase in the living condition of the low-income and poor individuals in the country.

8.1.2 Research Problem

The SMEs in Ghana faced more challenges getting access to credit to finance their business. This is due to the high rate of collapse and unsustainability of the institutions, increase in their default rates and lack of collateral. This article investigates the reasons why SMEs faced a greater challenge when accessing capital from conventional institutions. Is it a lack of collateral? Because the business is informal? The caliber of individuals involved in the small and medium business? The procedure involved in the issuing of the credit? Nature of their businesses? Due to the high default rate? Or what. Upon all the above, Microfinance institutions came to fill in the gap of small and medium enterprises problems in the country by offering them the needed capital and other support because small and medium enterprises are very important in the Ghanaian economy and it serves as an income source to the low-income & poor in the country. Again, the study examines the problems that microfinance institutions faced in issuing a credit to the small and medium enterprises in Ghana. These were the knowledge gap which gave rise to this article.

8.1.3 Objectives of the Research

8.1.3.1. Main Research Objective

The primary research objective of the article is: to expatiate the effects of microfinance institutions program on small and medium enterprises financing in Ghana.

8.1.3.2 The Specific Objectives are:

- To discuss microfinance credit impact on small & medium enterprises development.
- To determine the challenges facing microfinance institutions in issuing small and medium enterprises with credit in Ghana.
- To assess the contributions of small & medium enterprises to the Ghanaian economy.
- Examine the challenges small and medium enterprises face in assessing loan/credit for their establishment.

8.1.4 Research Questions

The primary research question is: Does microfinance institutions program have effects on small and medium enterprises financing in Ghana?

Specifically, this article seeks answers to the following Research Questions:

- Does microfinance credit have an impact on small & medium enterprises development?
- What are the challenges that microfinance institutions faced in issuing small and medium enterprises with credit in Ghana?
- What are the contributions of small & medium enterprises to the Ghanaian economy?
- Do small and medium enterprises face challenges when assessing credit for their establishment in Ghana?

8.2 Related Literature Review

Related literature on the above topic was reviewed for the understanding of the research. It is based on the theoretical, empirical and conceptualization of the researches.

8.2.1 Theoretical Review

8.2.1.1 Meaning of Small & Medium Enterprises

There are several meanings/definitions of small and medium enterprises both in Ghana and other countries. Because there is no specific definition to the small and medium enterprises, different departments, agencies, and commissions define the term differently according to each country perspective. Some of the definitions of small and medium enterprises given include:

8.2.1.2 The Ghana Statistical Service (GSS)

Any enterprise that employs below ten (10) workers is referred to as small businesses and defined medium and large-sized businesses or enterprises as those that employ more than ten (10) workers. The Ghana Statistical Service (GSS).

8.2.1.4 Classification of SMEs in Ghana

The SMEs in Ghana is categorized into two (2) enterprises. That is rural enterprise and urban enterprises. The former enterprise is further divided into two subgroups as organized and unorganized enterprises. Those organized enterprises have a payroll, were paid salaries and they have organized and registered offices while the unorganized enterprises mainly consist of workers without salaries, work in an open space like artisans, a temporary wooden structure, sometimes at home and only employ few workers (Kayanula and Quartey, 2000).

8.2.1.6 Meaning of Microfinance

Microfinance is financial institutions whose main aim is providing micro-financial services that are micro like loan/credit, savings, insurance & remittances to the poor or low-income individuals (Asian Development Bank, 2000). Hartarska (2005) defined a microfinance program as offering or issuing of services which are small scale to the poor or low-income individuals. Again, the effective technique or instrument that is used in fighting or reducing poverty among the low-income individuals through services rendered to them and the poor who also lack access to these services or been denied services by traditional/conventional banks are defined as microfinance (Dokulilova et al, 2009).

8.2.2 Empirical Literature Review

Nieman & Nieuwenhuizen (2009:275) as was cited by Chimucheka (Chimucheka, 2013) stated that growth is written as the main success characteristic in a cultural setting". While Fatoki and Garwe (2010:731), cited in Chimucheka (2013) indicated that, the success of a business is mostly defined and measured by concepts like profit, productivity, changes in sales, changes in assets, and changes in employment. Similarly, Chimucheka (2013:793) argues that the financial growth of a business as a measurement which is very important as a success or performance of a business is mostly used by stakeholders in accessing business performance. Again, The most very successful SMEs are those that are run/owned by entrepreneurs whose level of skills are high both managerial and technical, and good training

accompanied by a high educational level (Rogerson 2008:70). However, Lack of training and no formal education can lead to a lack of managerial skills in SMMEs owners (Chimucheka 2010:787). Chimucheka (2010:787). they supported this view by further citing Hellriegel et al. (2008:98) who concludes that education, skills, and training help to develop management competencies and experiences which are very necessary for the success of every enterprise.

8.3 Sources of Finance for Small and Medium Enterprises

Small & medium enterprises have challenges of funds raising to start or expand their enterprises. To have an appropriate source of funds, it would be beneficiary for running the business either in short term or long term. There are several reasons why SMEs need to raise funds for their enterprises. Four among the reason are:

- Startup capital: Small and medium enterprises need capital to start a new business and to make it grow.
- Business expansion: Small and medium enterprises need funds to make the enterprise large / expand the enterprise for growth like in the area of purchases of machinery, production, personnel, and other potential enterprise growth.
- Innovation: Small and medium enterprises need funds to carry out innovation for the company's products and services. This innovation could be the company buying new equipment or upgrading the old one to meet standards.
- Capital structure modification: Small and medium enterprises need funds for modification of their capital structure. Thus, for the company to either change their short term debts to long term debts or changing a percentage of equity capital to debt capital.

The small and medium enterprises have a different method they raise finance either internal source or external source. The internal sources of raising capital are equity finance and the external source of raising capital is debt financing. The equity financing is advantageous because there is no interest rate charge and it again gives the organization a financial autonomy. The demerit of using the equity capital is that the enterprise may not have sufficient funds to manage their activities and this will limit the company's fast growth. To have enough startup capital, external financing is the best. The external sources of funding or capital include loans from microfinance institutions, grants, and capital market

instruments. Oncioiu (2012) said there is a need for enterprise debt financing when there is an increase in the organization's expenditure.

8.3.1 Equity Finance

The amount of money that business owners contributed and invested in a business from their savings is referred to as Equity capital. Most small and medium enterprises depend solely on equity financing because it is a challenge to get funds from other sources. The more small and medium enterprises grow, the more it needs funds and this calls for capital searching or other alternative means of getting capital. Equity financing is the number of funds kept in an enterprise without interest, not repayment date. Also, the methods of raising equity funds are of two kinds. Thus, the internal method and external methods. The internal method of equity funds is from owners of the enterprise, members of family, friends or plow-back profits and the external method of equity capital is funds that are from other sources externally, and not from owners of the enterprise. (Ou & Haynes 2006.) From the above, it can be seen that the finance provided by the enterprise owners is far more than debt financing especially the case of new business because of limited resources not having the needed collateral to back up loans According to Ou & Haynes (2006), there are two ways when small and medium enterprises operators would like more capital from the equity to match to their needs. Whenever SME is facing a financial challenge it is not having other sources/methods to raise funds for the enterprise. Whenever cash outflow of the company is greater than the amount of cash inflow in the enterprise.

8.3.2 Debt Financing

Capital structure decision in either small or large company is either to use equity financing method or the debt method of financing or the combination of both methods of financing. Small and medium enterprises usually face challenges in acquiring the needed funds for their enterprises and also for the running of the enterprise making it search for other sources of financing the enterprise. To be part owners of the business enterprise, shareholders always prefer using the external method as an alternative source. Debt financing differs for SMEs as against large organizations. Larger organizations have greater prospects for external capital because they have a much better and bigger asset which could be used as collateral

and for loans backing up. The smaller enterprises are very attached to lenders where they can get a longer-term method of financing instead of shorter-term loan financing.

8.4 Other Sources of Finance for SMEs Growth in Ghana

The small and medium enterprises have several sources of finance for their businesses or startup companies. Firstly it is to calculate the amount of money needed and the time that the money is needed. The financial requirements or needs for funds of a particular business will vary from the other depending on the business type or size. Ewiwile said the sources of finance that are accessible to small and medium enterprises or small businesses include:

- The business owner's savings.
- The business associates who are family and friends.
- Business partners and associates.
- A loan from financial institutions / Banks.
- Small businesses administration and a financial assistance program.
- Some stakeholder (manufacturers, wholesalers, retailers, Members of the trade, and customers).
- From all the sources above, only personal savings are accessible to the businesses. The other sources, examples of loans from financial institutions is very difficult to access. No access to finance for SMEs or insufficient capital is one of the problem/limitations to small business development.

8.5 Microfinance Lending Models to Small and medium enterprises

The microfinance institutions play a credible role in supporting SMEs with funds because the enterprises have difficulty in funds raising by themselves. The loans that the microfinance offers the SMEs is an amount of capital with conditions attached to it to start businesses, expand or develop, and to help sustain the activities of the enterprises. There are several strategies or models adopted by the microfinance institutions in granting/issuing a credit to the small and medium enterprises. Some of the strategies include the lending of financial statements, lending of a credit score, lending based on asset, and the lending of relationships. The processes/procedures that microfinance institutions use in lending are the

mixture of borrower & customer information, policy selecting, observation techniques, and loan contract type. According to Berger & Udell (2004), these were classified into two namely the quantitative data also called the hard data, and the qualitative data known also like the soft data.

8.5.1 Lending of Financial Statement

The lending of financial statements of an enterprise is the reports/records that indicate the situations or the financial standing of an enterprise. These types of financial lending models are into three (3) different kinds namely: The lending of the balance sheet of the enterprise, the lending of cash flow statement of the enterprise, and finally, the lending of the income statement of the enterprise. The assets & liabilities of the business enterprise with owners' equity are what is specified/indicated on the balance sheet of the company while the cash flow statement indicates the company's movement of cash in and out specifically in financing and investing activities. The income statement also shows the income and the expenditure of the company for some time and the company's net profit. The key purpose & objective of financial statement lending is for measuring borrowers' financial stands or evaluating their worth. With this requirement, two important hard information is needed. Firstly, a financial statement that is legal and certified at the same time audited and prepared by a recognized institution must be provided. Secondly, the company's financial calculation that is realized from the financial statement of the company should look like a financial requirement that is strong and powerful. The sources or methods of a company's debt repayment would be analyzed with the expected cash flow of the enterprise. The results realized from the financial statement analyzed could indicate the firm's ability and capability in different areas like personal guarantee and collateral. (Allen, William & Tara 2014.)

8.5.2 Lending Based on Assets

The lending based on assets most secured and one of the fastest forms of credit granted to small and medium enterprises. Under this method of lending, the institutions' efforts are based on the collateral security that the small & medium enterprises pledged by. This collateral security may include those valuable assets like land, inventories, account receivables, and gold. That is a situation where a microfinance institution offered loans to a

small & medium enterprise according to the asset value been pledged as collateral. The main condition that is necessary as the lending method based on asset loan is been determined by asset worth or value offered to the bank. The loan is given according to the quantity or value of the security provided. The higher the securities value, the higher the amount of loan issued.

The financial institution evaluates the value of the collateral security daily to ensure that, the value of the security is far more than the loan. The most simple and very common procedure in loan granting is providing valuable collateral security by the SMEs. Some collateral securities that can be a pledge by the SMEs in case of lending the financial statement lending are inventory & accounts receivables. Also, relationship lending & credit scoring are used. In lending based assets, credit duration is according to collateral security's value that is used to pledge by enterprise or firm. (Udell 2004.)

8.5.3 Lending based on Credit Scoring

Credit scoring lending is an evaluation that is done by a microfinance institution statistically before issuing loans to small & medium enterprises operators. The main aim is to access the enterprise creditworthiness to see if they qualify for the loan. This kind of strategy is used in deciding credit offerings or credit not given. These scoring of the credit is determined by certain factors and among those factors are indicated below:

- **Payment history:** this means that, history of the enterprise credit payments. It is the biggest concern & interest of the institution that customers can repay their debts the due time expected of them and not default. The way and manner in which customers of the enterprise pay their loans influenced several scores credit that the customer is likely to get.
- **Debt levels:** under the debt level strategy, the institution looked debt history of the enterprise. The debt amount is enterprise owe & the money value that the firm is requesting.

The above procedure and processes are referred to as utilization of credit. The duration of the history of the credit is the following technique whereby the subsector takes into consideration the time of the credit history of the organization. When the time of the loan is long term it is very advantageous. (Abdou & Pointon 2011.) The credit

score number mostly ranges from 300 to 850 credit rating. With time to gather information for evaluation by the microfinance institution and consider the needed statistics, credit scoring needs little time as compared to relationship lending. The records and the loan performance of the small & medium enterprises, and the statistical weight were the reasons or main basis of analyzing credit score. The credit scoring of small-medium enterprises gives them more chances to acquire credit from the institution. (Frame, Berger & Miller 2005).

8.5.4 Relationship Lending

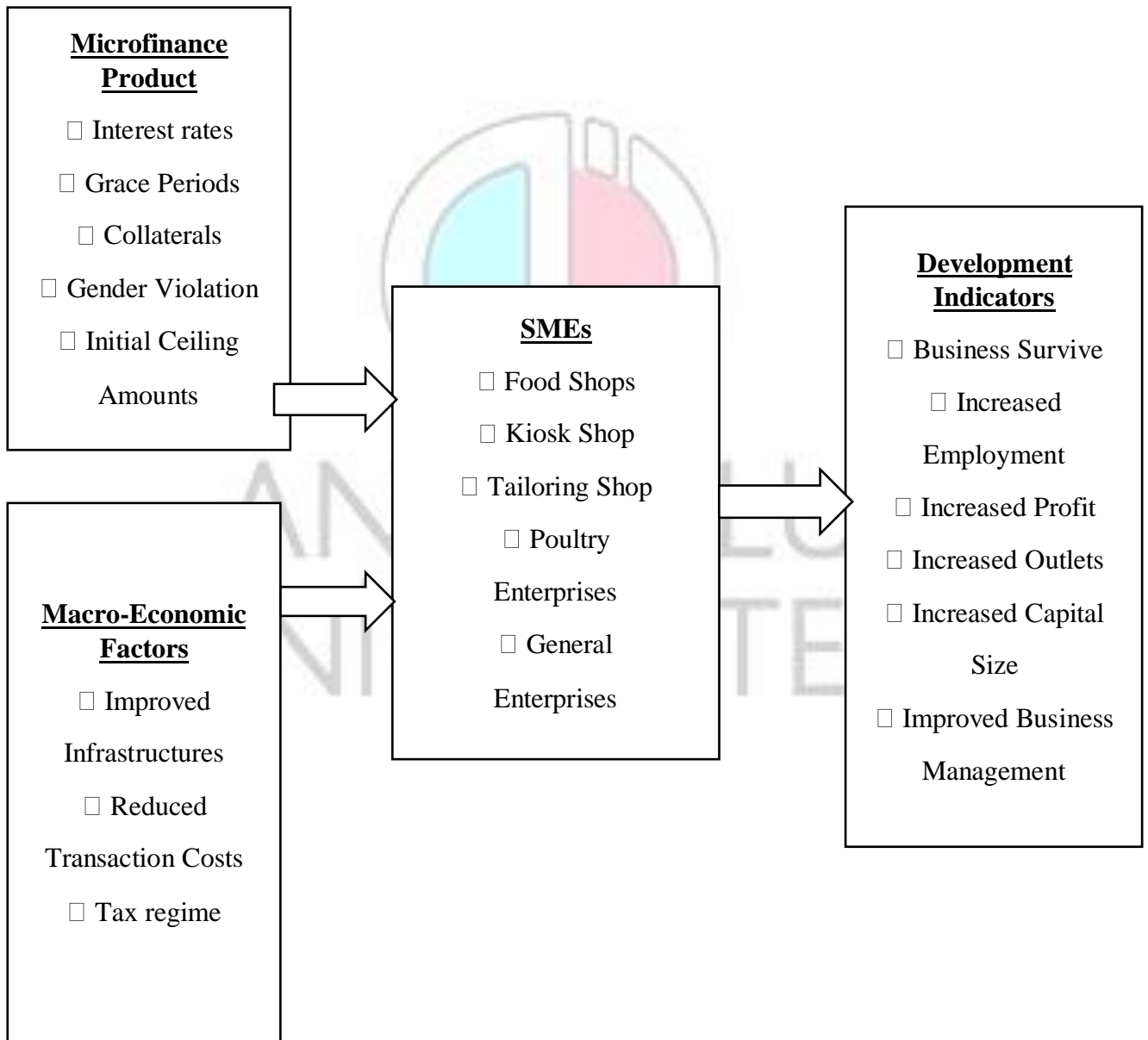
The lending of relationship is a type of lending that microfinance institutions use to offer credit to their customers and is based on the relationship tier between the two institutions. The microfinance institutions & small and medium enterprises relationship is based on their interaction and through that, adequate soft information which is confidential is gathered. This information is useful in analyzing the enterprise creditworthiness which is part of processes and procedures for loan/credit-granting of the microfinance subsector. The amount of loan given is influenced by the level of customer relationship with the bank. For small enterprises to get more loans from the microfinance, trust-based relationship with the institution is more significant than longer customers' relationship with the bank. (Hernandez-Canovas & Martine & Solano.2010). The parties involved in the processes thus the intermediaries who are the (Suppliers & customers) makes the whole procedures very expensive. Other methods of lending like the scoring of credit & the lending based asset stronger guarantee of the loan are required because the weak lending guarantee could need usage of other strategies of lending like factoring & leasing methods (Berger & Udell 2006).

Factoring is a transaction of a financial asset where the company/firm sold out its assets like Invoices/Account receivables at cheap, reduced or lower-priced called discount to the third party called the factor. The purpose of factoring is when the company needs immediate cash or an amount of money, it enables the company to raise enough capital regardless of the credit situation of the small & medium enterprises and it gives unlimited funding possibilities and opportunities that can be added to the enterprise. Leasing also refers to using property such as machines, buildings, cars for rental bases for a while. This is based on the kind of business the enterprise/entrepreneur is engaged in.

Operational type of leasing, financial leasing, and maintenance leasing are the different options for leasing available by an entrepreneur. There exist an option in leasing to return the lease item or to take a new item (Nakusera, Kadhikwa & Mushendami 2008).

8.6 Conceptual Framework

Conceptual Review on Microfinance Program Effects on SMEs



Source: Makorere

8.7 Research Methodology

This study population consists of selected MFIs in Ghana and the SME operators that deal with those microfinance institutions. However, the study target only those institutions in the regional capitals of the regions (10) in Ghana. Purposive & convenient sampling technique was used in selecting one hundred and ten (110) SMEs operators & MFIs from all the regions constituting the sampled size of the study. Out of the 115 questionnaires, 110 successful returned and the analysis was based on that number. We used primary and secondary sources of data. The former data was obtained through interviews conducted with the respondents from the two institutions. The data collecting instruments were questionnaires for microfinance institutions management and small and medium operators. The SME's operators are the microfinance credit program beneficiaries thus, the customers or clients who are the SMEs from the MFIs. The respondent's responses were summarized and illustrated into tables, frequencies, percentages, pie charts, bar charts and histograms and conclusions made on the basis and views of the responses. The latter data were also acquired from finance books, microfinance books, reputable journals, brochures, papers & internet sources. The study investigates the microfinance institutions program effect on SMEs through the credit given to them and the challenges that small & medium enterprises and microfinance institutions faced in their operations and dealings.

8.8 Analysis of the Findings

Table 1: Respondents Gender

The participants were questioned about their sex to know the number of male/men workers as against the female/women workers to help in the analysis of the data according to their respective gender. The below table indicates the number of male and female respondents from the interviews conducted in Ghana.

Gender	Frequency	Percentages
Male	48	44
Female	62	56

Total	110	100
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Source: Own Field Research September 2018.

From the respondents' responses, most of the interviewees were women with 62 frequency which consists of 56 percent of the respondents while the male respondents were 48 in number comprising 44 percent of the entire interviewed population. We observed that greater of the respondents were women which indicate that more women work in SMEs as compared to men.

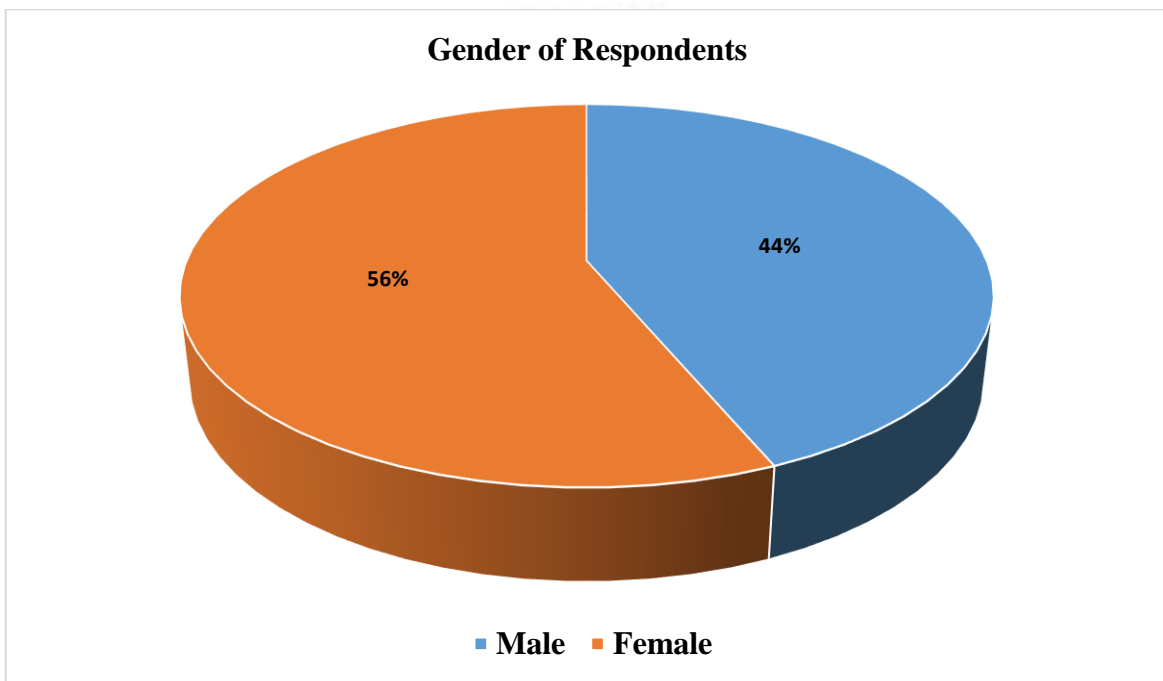


Table 2: Age of Respondents

The age of the participants is very important to be known in the researcher of this nature to help know the working-age group. Table 2 below shows the small and medium enterprises' age working group of the field interview conducted.

Class	Frequency	Percentage
10-20	17	15

20-30	30	27
30 -40	38	35
40 and Above	25	23
Total	110	100

Source: Own Field Research September 2018.

According to the responses, the age group 30 to 40 is the active working group with 38 individuals thus 35 percent of the total population interviewed followed by age group 20 to 30 with 30 people which are 27 percent of the number interviewed. Age group 40 years and above comprise 23 percent which is 25 of the respondents and finally the age group 10 to 20 having the least number of the working group with 17 members and 15 percent of the interviewed population.

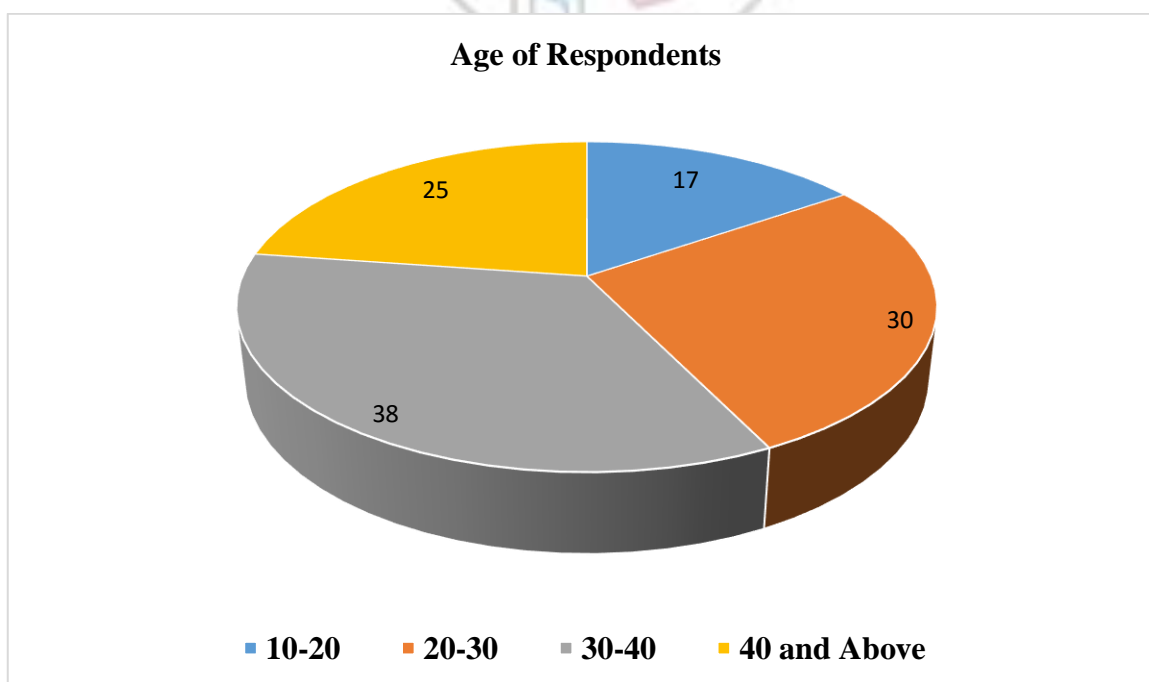


Table 3: Marital Status

The status of respondents was also asked and the results were presented below in table three to know the married respondents, singled respondents, widowed or separated respondents during the interviewed.

Marital Status	Frequency	Percentage
Married	66	60
Singled	24	22
Separated	10	9
Widowed	4	4
Divorced	6	5
Total	110	100

Source: Own Field Research September 2018.

The field data results indicate that married men and women are more in the small and medium enterprises interviewed, with 66 out of the one hundred and ten (110) interviewed which has 60 percent while the singled respondents followed with 24 respondents representing 22 percent of the number according to percentages. The frequency of respondents who are separated is 10 constituting 9 percent of the population while 6 have divorced which is 5 percent of the interviewed population and only 4 people were widowed indicating 4 percent of the respondent's population.

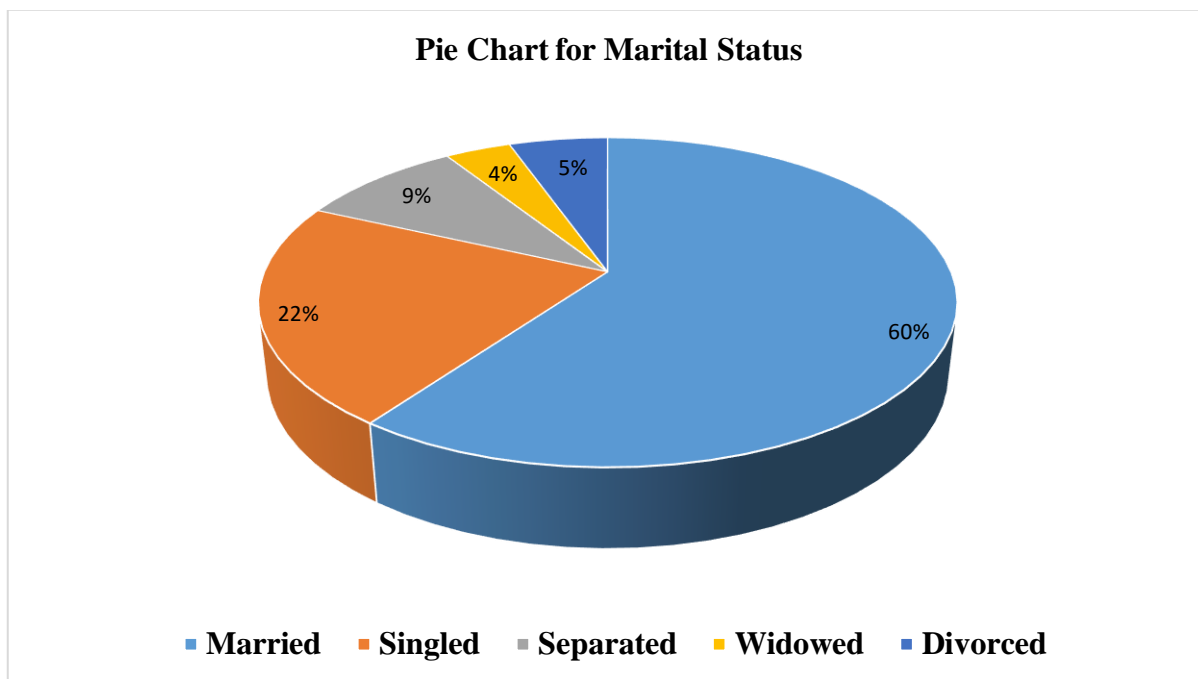


Table 4: Educational Level

The educational level of the participants is significant in this type of research to know the qualification of the workers those who have formal education and those without education. Since education helps to know the competency and literacy level of the participants.

Educational Level	Frequencies	Percentages
No/Lack Formal Education	38	35
PRI/ JHS / SHS	32	29
Diploma / HND	23	21
Bachelor's Degree	11	10
Masters and Above	6	5
Total	110	100

Source: Own Field Research September 2018.

From participants' responses, the number of respondents without a formal education is more than those with formal education. 38 of the respondents said they had no formal education comprising 35 percent of the respondents interviewed while 32 individuals indicated that they have PRI/JHS/SHS which is 29 of the percentage. The respondent with Diploma's Degree or Higher National Diploma Degree are 23 in number consisting of 21 percent of the population interviewed and 11 had Bachelor's Degree indicating 10 percent of the selected number and 6 people had Masters and other Degrees comprising 5 percent of the sampled population interviewed.

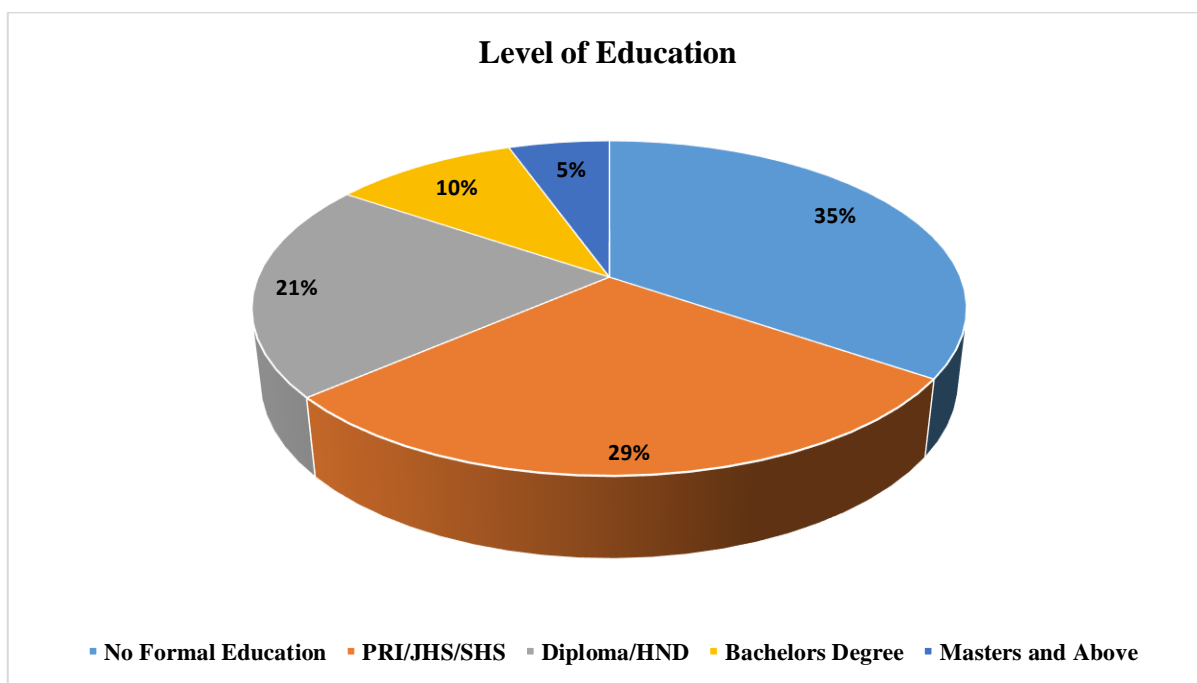


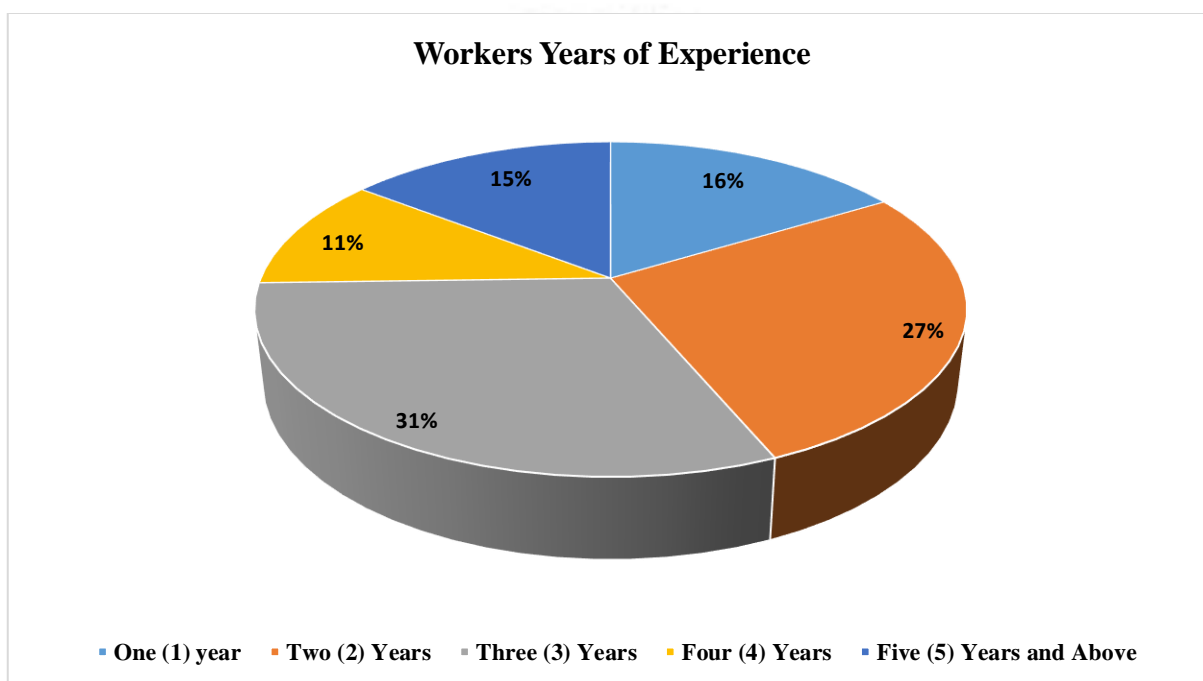
Table 5: Workers Years of Experience

It is assumed that the more the experience of working years a respondent obtained, the more he or she can contribute immensely for the institution because they can handle customers well and also deal with different levels of risks in the company. Also, their understanding of issues is far greater than a worker with fewer years of working experience. Table 5 below shows the working experiences of the respondent in several years.

Number of Years	Frequency	Percentage
One (1) Year	18	16

Two (2)Years	30	27
Three (3) Years	34	31
Four (4) Years	12	11
Five (5) Years & more	16	15
Total	110	100

Source: Own Field Research September 2018.



Of the total percentage interviewed, 16 percent had One (1) Year working experience while 27 percent had two (2) years working experience. The respondents who had three (3) years of working experience are 31 percent with 11 percent having four (4) years' experience. 15 percent of the respondents have five (5) Years and above

Table 6: Types of Small and Medium Enterprises Businesses

The small and medium enterprises is of different types. Knowing category of each respondent business is very important for this article to help in the analysis.

Types of Businesses	Frequency	Percentage
Retail services	28	25
Seamstress / Tailor	24	22
Food vendor	20	18
Provision Sellers	27	25
Other (Manufacturing)	11	10
Total	110	100

Source: Own Field Research September 2018.

From the findings, there are different types of businesses that deal with microfinance institutions. Some of the mentioned businesses are, Retail services 28 (25 percent), Seamstress / Tailor 24 (22 percent), Food vendor 20 (18 percent), Provision Sellers 27 (25 percent) and other types of businesses like (Manufacturing) 11 (10 percent). The total respondents interviewed are 110 individuals in the various institutions.

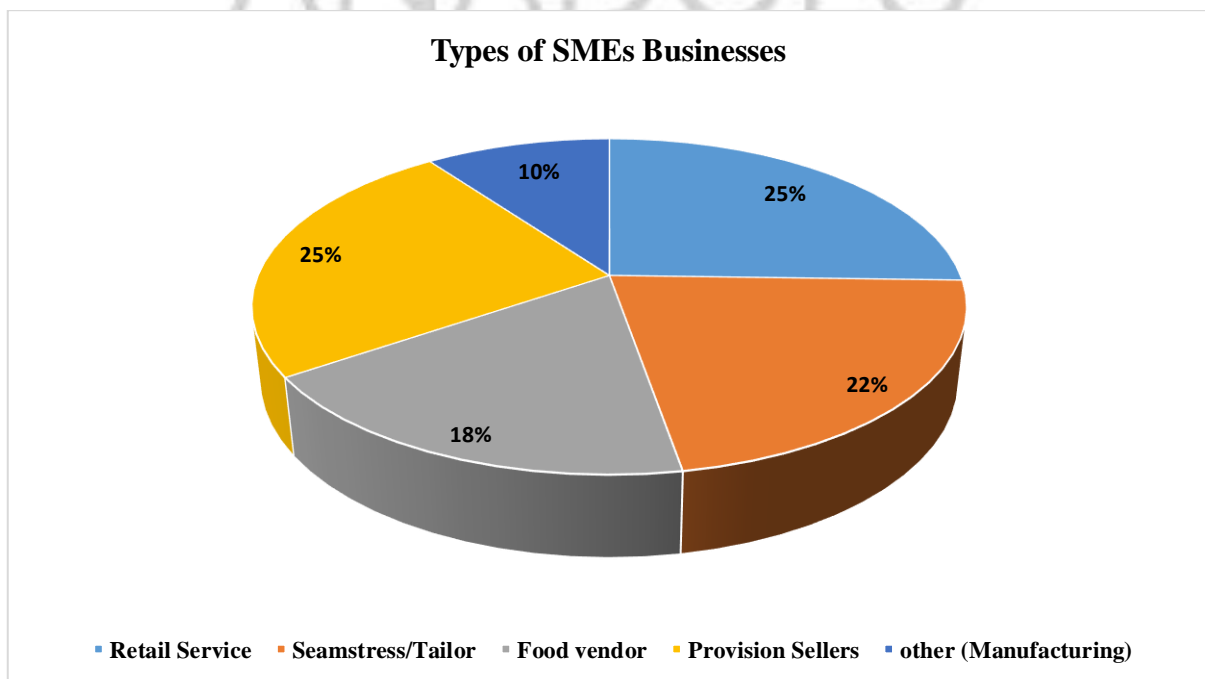


Table 7: Purpose of Establishing SME Businesses

When establishing a business, a lot of objectives are considered. Due to this reason, the small and medium enterprises respondents were asked purpose/objectives of the enterprise establishment and the below table illustrates their various responses from the field interviewed.

Purpose of SMEs	Frequency	Percentage
For income to support family	28	26
For more youth to get employment opportunities	18	16
For better living standard and condition	14	13
For self-employment	12	11
For development & growth of Economy of Ghana	21	19
For school fees payment	17	15

Source: Primary Data September 2018.

When the participants were asked about the objectives of their SMEs, different responses were given as indicated in the table above. 28 respondents mentioned income to support the family as their objective of establishing small and medium enterprises while 18 said they create SMEs for the youth to get more employment opportunities. According to 14 of the respondents, they do SMEs to better their living standards and conditions and 12 individuals made mention of doing the business for self-employment. 21 and 17 respondents explained that they participated in SMEs due to the development and growth of the Ghanaian Economy, and school fees payment.

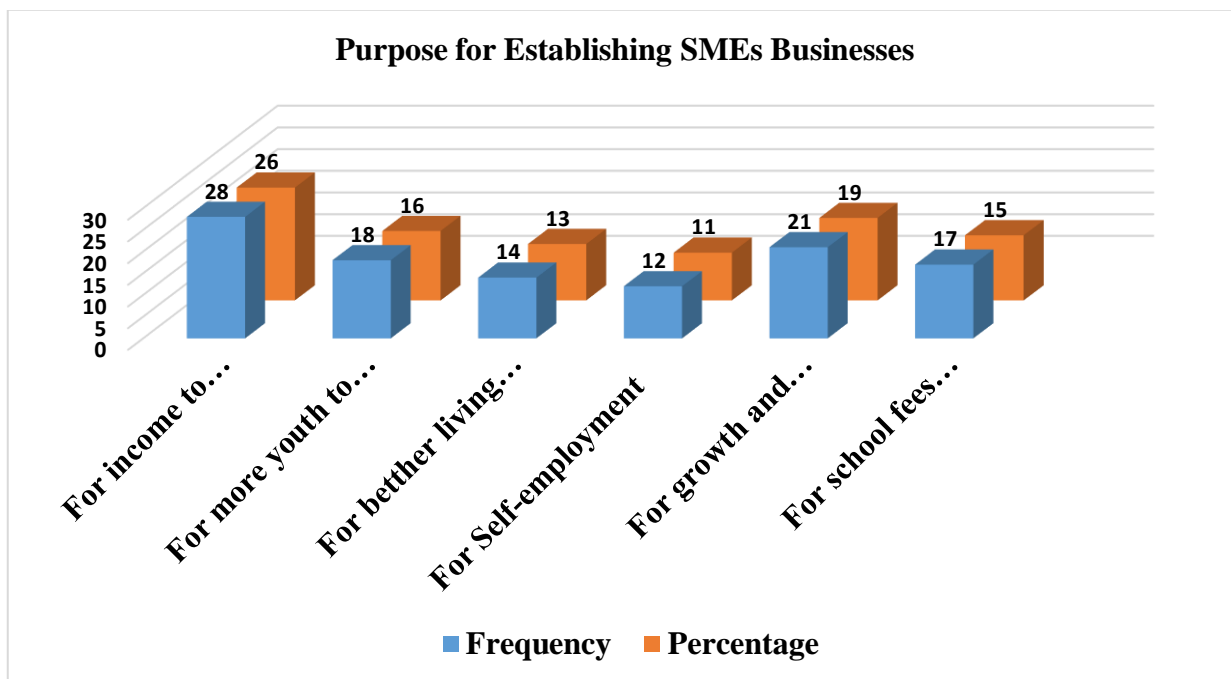


Table 8: Objective of SMEs Working with MFIs

There is always an objective when banking with any financial institution. The small and medium enterprise respondents were interviewed on why they choose to do business with the microfinance institutions and the following tables indicate their different answers.

Objectives of SMEs with MFIs	Frequency	Percentage
For securement of credits or loans	32	29
To expand business with the credits	9	8
For funds savings / deposits	11	10
For businesses advice from MFIs	12	11
For better training and capacity building	8	7

For short term investments with income gained	38	35
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Source: Primary Data September 2018.

The field survey responses indicated the following as the respondent's responses to the objectives of their working with the microfinance institution. 29 percent said for securement of credits/loans to run their businesses and 8 percent explained to get funds to expand their businesses. 10 percent and 11 percent mentioned that microfinance helps them to Save funds and receive business advice externally respectively. 7 percent were of the view that to get better training and capacity building from the institution while 35 percent said to do investments with the income gained from the enterprises.

Table 9: Objective of Microfinance Institutions Program/Credit

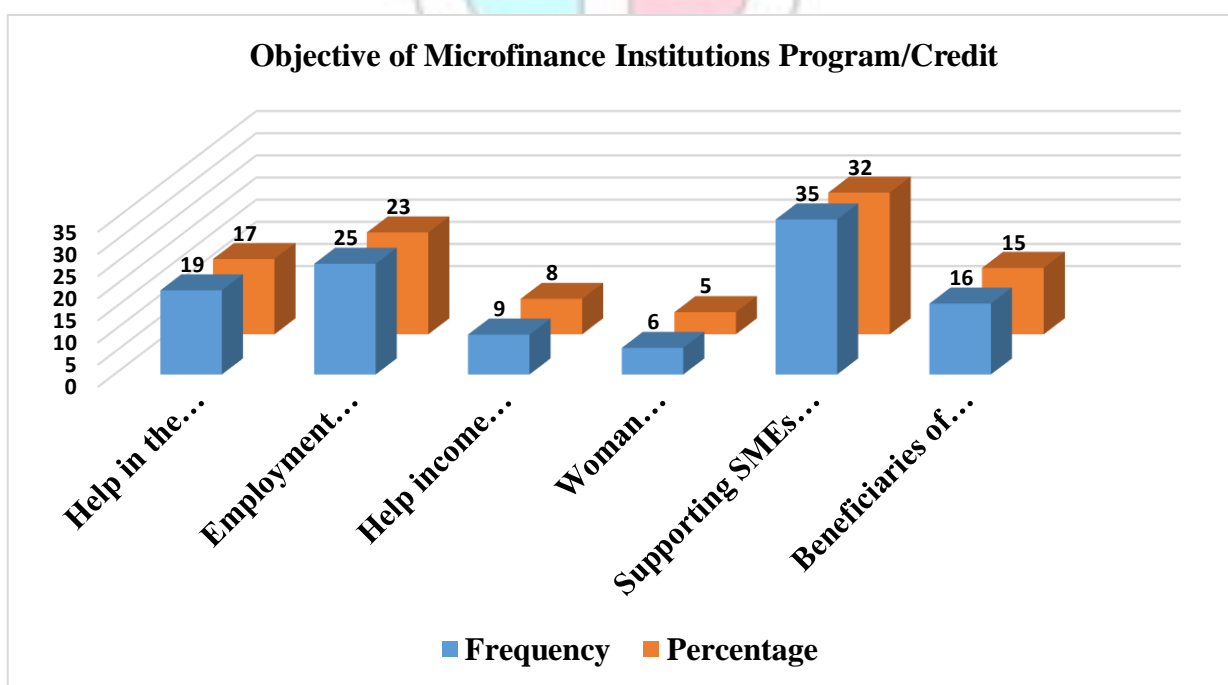
Table 9: Objective of Microfinance Institutions Program/Credit

From the interview, the respondents were asked their opinion on why microfinance institutions were established and the reasons why they choose to work with MFIs instead of other institutions. The below table 9 indicates responses of small and medium enterprises beneficiaries on what they think is the objective of Microfinance Institutions.

Objectives of MFIs Credit	Frequency	Percentage
Help in the alleviation of poverty among the low income individuals	19	17
Employment creation for the active rural poor people	25	23
Help in income generating activities for the poor	9	8

Women empowerment through microfinance program	6	5
Supporting SMEs with credits and the active working poor.	35	32
Beneficiaries of loans receive training on loan usage from MFIs.	16	15

Source: Primary Data September 2018.



From the findings, 19 (17 percent) said Microfinance institutions help the poor to alleviate poverty while 25 (23 percent) answer that MFIs create employment for the rural poor. The institution also helps in income-generating activities indicated by 9 (8 percent) of the respondent and 6 (5 percent) concludes that MFIs empowered women. 35 (32 percent) pointed out that MFIs issued loans/credit to SMEs businesses and active working poor and

finally 16 (15 percent) said MFIs train their loan beneficiaries/customers on loan usage and management.

Table 10: The Services MFIs Rendered to SMEs

Microfinance institutions in Ghana offered a variety of services to SMEs. The respondents were asked what kind of services is rendered to them and their responses were elaborated in the below table.

Services Rendered to SMEs	Frequency	Percentage
Issuing Credits / Loans	42	38
Savings and Deposits	29	26
Investments	15	14
Micro Insurances	8	7
Money Transfer	12	11
Remittances	4	4

Source: Primary Data September 2018.

The field survey findings illustrated that 42 respondents mentioned the services microfinance institutions rendered to them as issuing Credits / Loans to do businesses with and 29 of the respondents said MFIs help them to make Savings and Deposits. 15 other respondents mentioned that they were offered investment opportunities. 8 of the beneficiaries said MFIs help them with micro insurances and 12 people mentioned money transfer offered to them. Only 4 respondents made mentioned of remittances services.

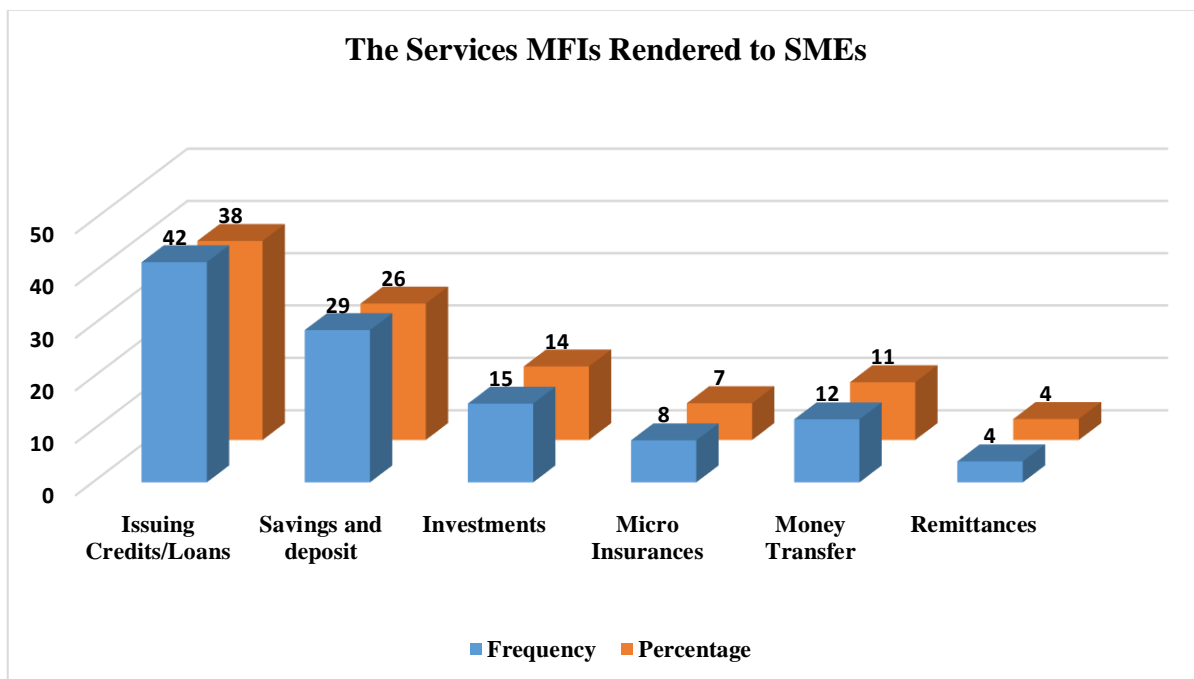


Table 11: Training and Advisory Services to SMEs

The respondents were asked the kind of advice and training they received from microfinance institutions as part of the other services rendered to them and they mentioned the services in the following table.

Training/Advisory to SMEs	Frequency	Percentage
Training on books and records keeping	8	7
Advices on loan management	32	29
Training on management of SMEs	23	21
Training on human resources management	11	10

Advice on finances, deposits, and investment	20	18
Training on risk management	16	15

Source: Primary Data September 2018.

From the findings, 7 percent mentioned books and records keeping as other services rendered to them by MFIs while 29 percent said loan management advice. Again, 21 percent made mention of training on SME management and 10 percent said training on human resources was offered to them. 18 percent and 15 percent mention advice on finances, deposits, investments, and management of risk respectively.

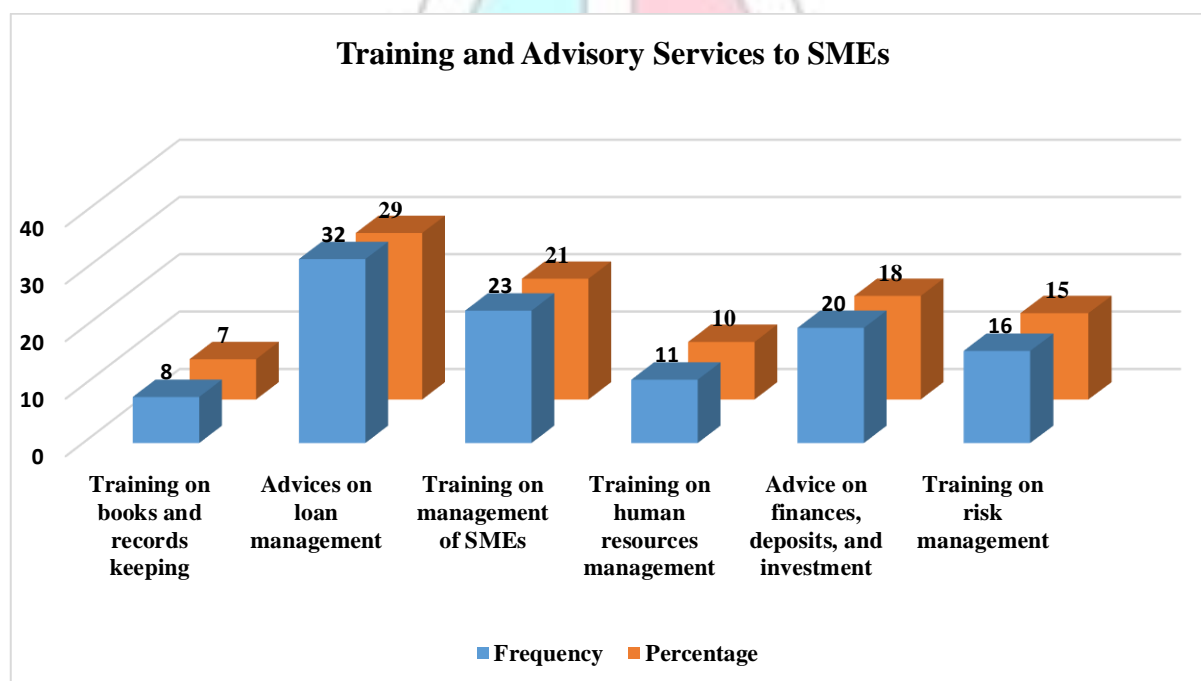


Table 12: SMEs Number of Loan Applicants to MFIs

The table below indicated the number of respondents who applied for credit/loan from microfinance institutions and respondents who did not apply for credit/loan from the MFIs. The statistics are showed below.

Loan application	Frequency	Percentage
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Yes we Apply for Loan	80	73
No, we did not apply for Loan	30	27
Total	110	100

Source: Own Field Research September 2018.

Based on total respondents, 80 of them said they are loan beneficiaries from the MFIs and 30 of the respondents said they are not beneficiaries.

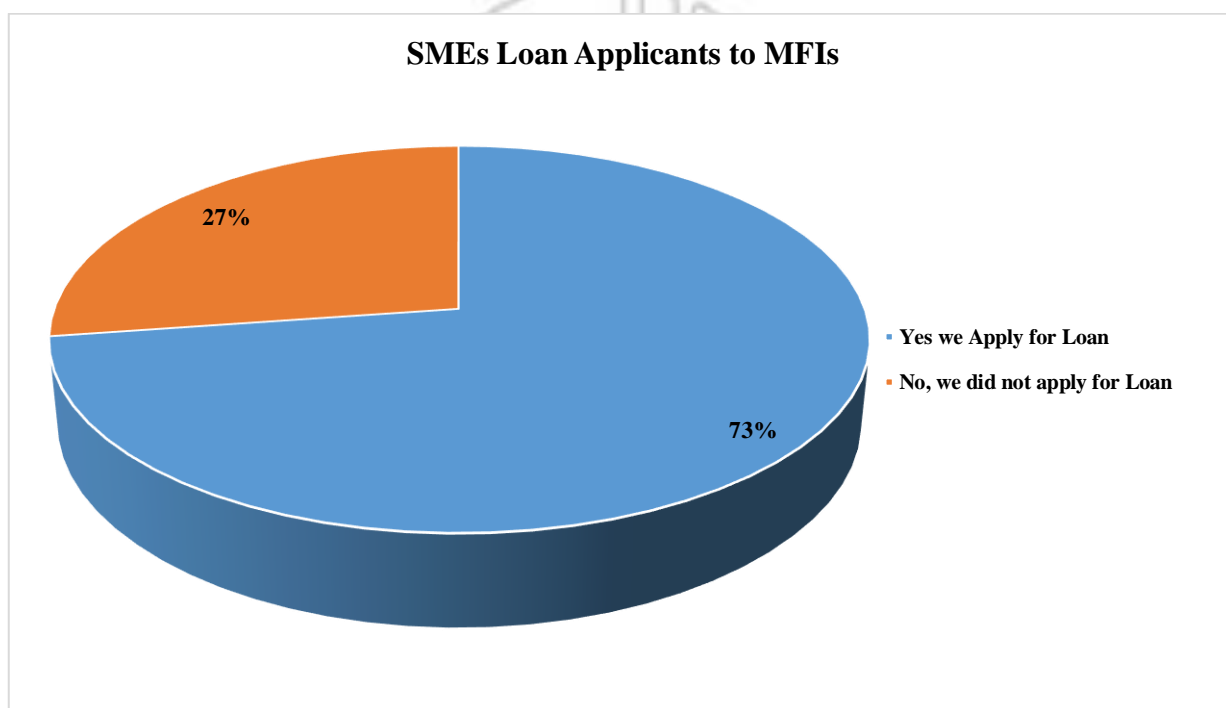


Table 13: SMEs Loan Repayment to MFIs

The beneficiaries of the Loans from microfinance institutions were asked if they paid the loan given to them by the microfinance institutions that are both the principal amount with the interest rate charged on time or they defaulted and the below shows their responses.

Loan Repayment	Frequency	Percentage
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Yes we repay the loan	69	86
No, we did not pay the Loan	11	14
Total	80	100

Source: Own Field Research September 2018.

The findings indicated 86 percent of the respondents repay the loan given to them while 14 percent defaulted from the loan repayment. This indicated that the repayment rate is far higher than the default rate. More so, the credit defaulter was among those who collapse the Microfinance Institutions.

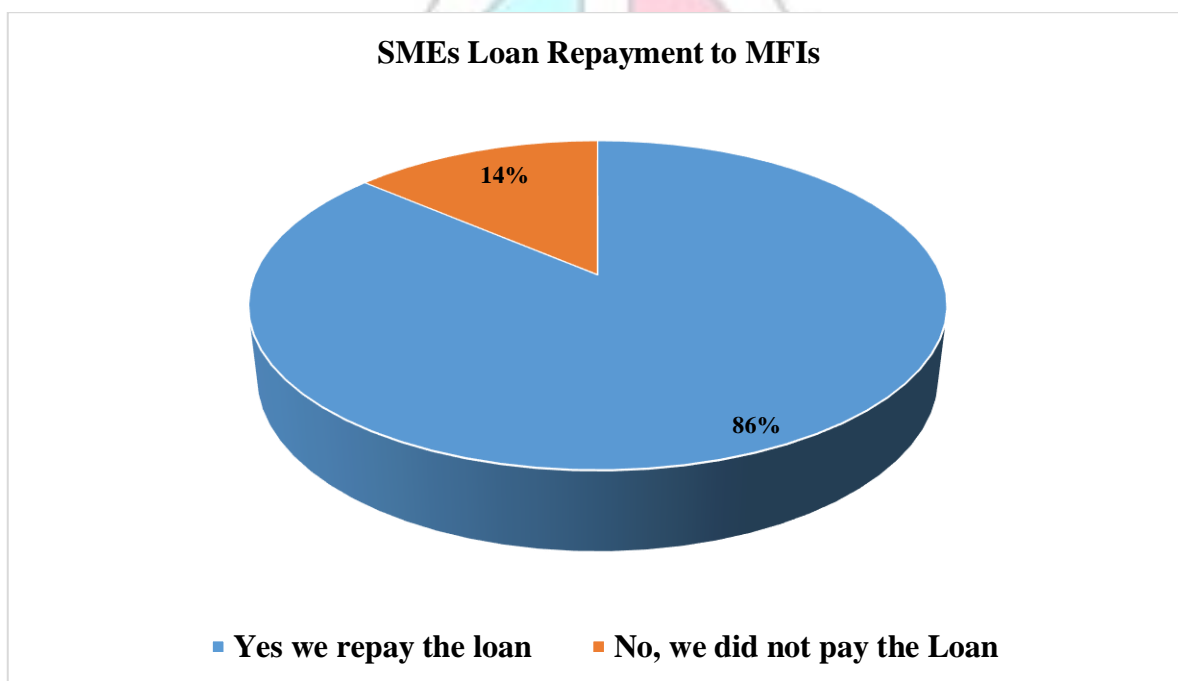


Table 14: Types of Loans Given to SMEs

Different kinds of the loan were given to small and medium enterprises from microfinance program such as a loan for businesses, for agricultural purposes, for educational purposes, to buy buses for commercial businesses. The following table demonstrated the kind of loans each respondent was offered and their numbers.

Credit / Loan Type	Frequency	Percentage
Business Loans	50	46
Agricultural Loan	29	26
Educational Loan	7	6
Auto Loan (taxi and trotro)	14	13
Others Loans (funeral)	10	9

Source: Own Field Research September 2018

According to the field survey responses, 50 (46 percent) said they were offered loans for Business purposes while 29 (26 percent) of the respondents said their loans were for Agricultural purposes. 7 (6 percent) had loans from the institution for their children's educational expenses and 14 (13 percent) received the loans from MFIs as Auto Loan (loans to buy buses, taxies, for commercial purposes) and 10 (9 percent) mentioned loans given to them for other purposes such as funerals and the rest).

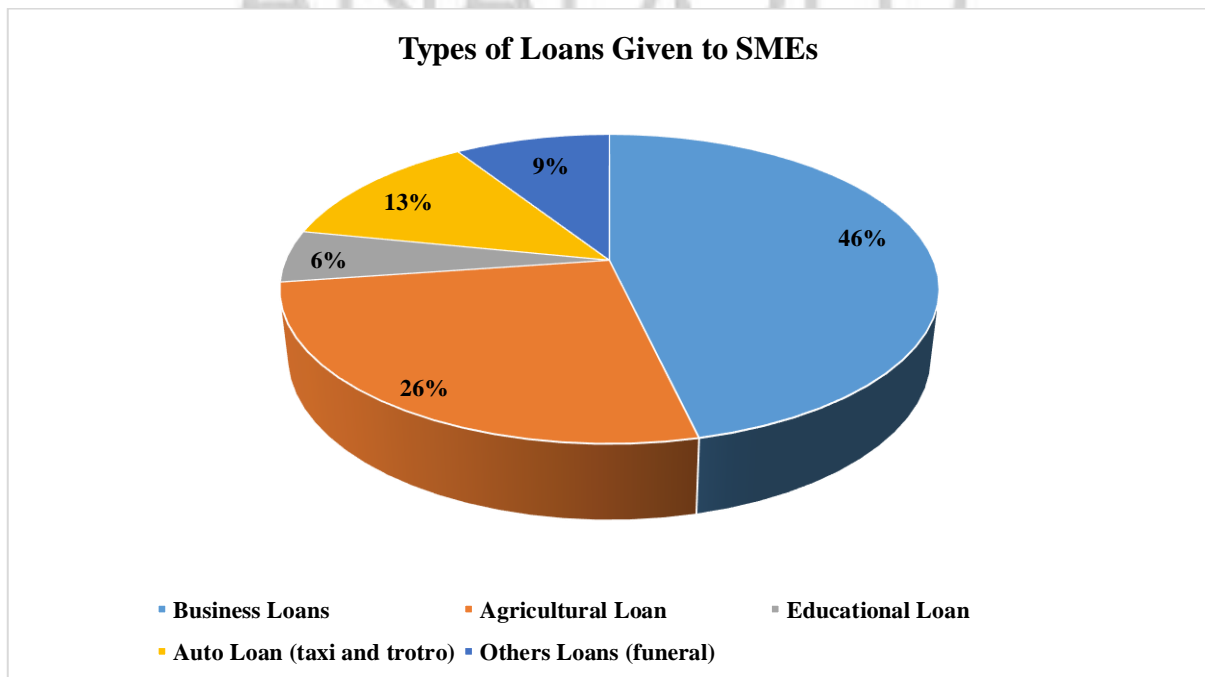


Table 15: Role of MFIs to SMEs Development

Microfinance institutions play a vital role in small and medium enterprises development in Ghana. The following points in the table below are some of the institution's contributions to small and medium enterprises development as indicated by the respondents.

MFIs Contributions to SMEs	Frequency	Percentage
Providing SMEs with Credit	37	34
Organizing training programs for SMEs	13	12
Training the SMEs on proper books and records keeping	12	11
Advice SMEs on credit management and utilization	17	15
Training SMEs on risk management strategies	11	10
Advice SMEs on building a savings and investment culture	20	18

Source: Field Data September 2018.

From the analysis, the following were the respondents answers on contributions of MFIs to SMEs development in Ghana; Providing SMEs with Credit (34 percent respondents), Organizing training programs for SMEs (12 percent respondents), Training SMEs on proper books and records keeping (11 percent respondents), Advice SMEs on credit management and utilization (15 percent respondents), training SMEs on risk management strategies (10 percent respondents), Advice SMEs on building a savings and investment culture (18 percent respondents).

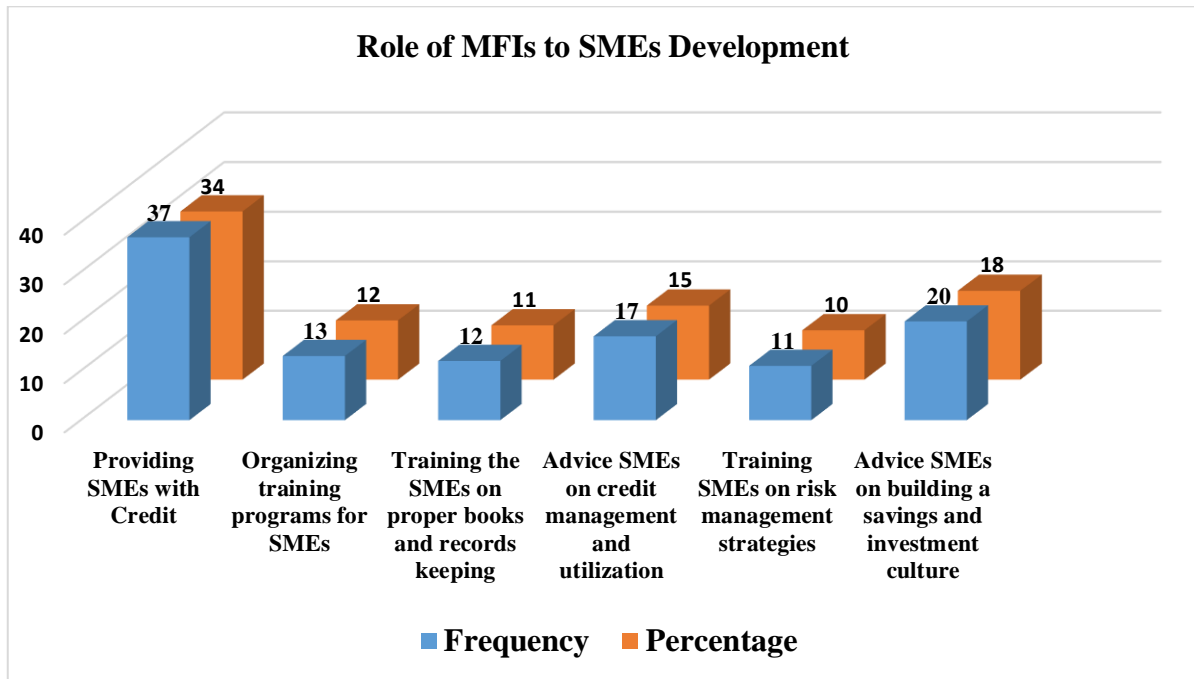


Table 16: Small and Medium Enterprises Role to Economic Development

The Ghana economy has benefited from the SMEs' operation mentioned by the respondents during the interview. Some of the findings are illustrated in the table below.

Roles of SMEs	Frequency	Percentage
Developing knowledge and skills.	17	15
Employment creation	33	30
Women empowering	9	8
SMEs stimulating competition	13	12
Giving support to large companies	27	25

Innovativeness and flexibility	11	10
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Source: Field Data September 2018.

From the findings, the following are the responses of the respondent on SMEs' role to Ghana's economic development: developing knowledge and skills, employment creation, women empowering, SMEs stimulating competition, giving support to large companies, innovativeness and flexibility encouragement.

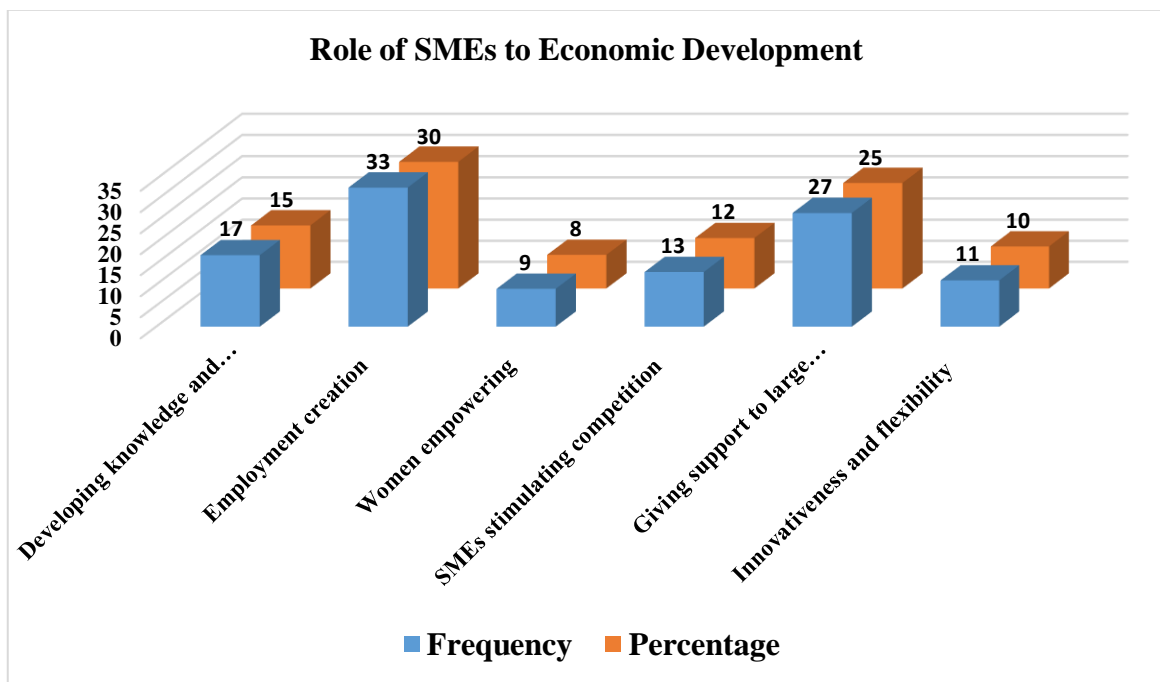


Table 17: SMEs Challenges in Ghana

The small and medium enterprises like any other enterprise in Ghana is not without challenges. The table below indicates the challenges that the institutions faced according to the respondents during the field survey interviews.

Challenges facing SMEs	Frequency	Percentage
Problem of capital	26	24
Lack of managerial skills	19	17

No formal education /lower level of education	32	29
Inadequate marketing skills	9	8
Poor electricity system / issues	13	12
Inappropriate / poor books and records keeping	11	10

Source: Field Data September 2018.

From the fieldwork findings, the respondents mentioned the above as the challenges that the SMEs faced in their operations: problem of capital (24 percent), lack of managerial skills (17 percent), no formal education / lower level of education (29 percent), inadequate marketing skills (8 percent), poor electricity system / issues (12 percent), and inappropriate / poor books and records keeping (10 percent).

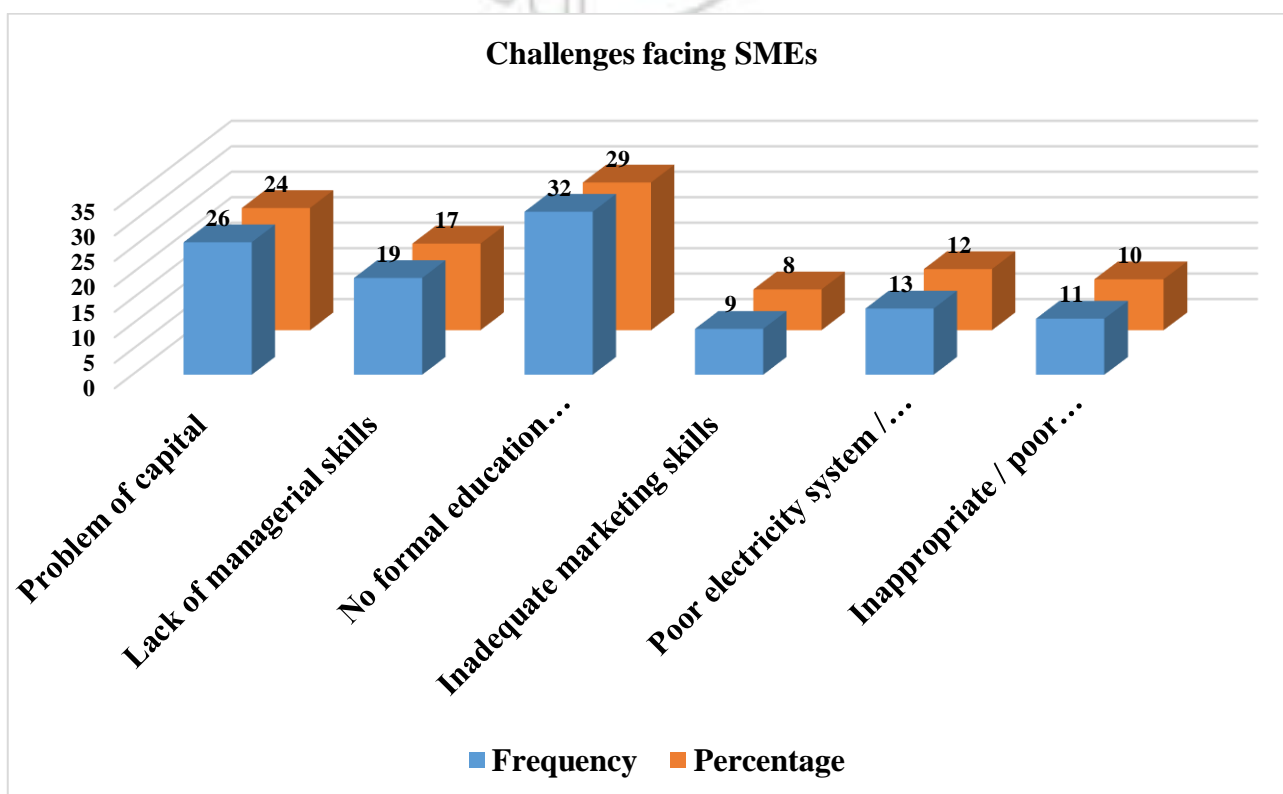


Table 18: Challenges Facing Microfinance Institutions

The below challenges were gathered from the field interviews conducted by the researcher. The small and medium enterprises operators and microfinance institutions mentioned them as some of the institutions challenges in dealing with the SMEs who are customers of MFIs in the country.

Challenges Facing MFIs	Frequency	Percentage
Default rates on credits is high	21	19
Lack of enough information on SMEs loan beneficiaries	18	16
Bad attitude of management	20	18
Regulatory framework and guidelines issues	24	22
Government policies and politics	16	15
Staff inexperience and lack of knowledge	11	10

Source: Field Data September 2018.

From the research findings, the respondents answered the following as the challenges that the microfinance institutions faced. default rates on credits is high (21) respondents, Lack of enough information on SMEs loan beneficiaries (18) respondents, Bad attitude of management (20) respondents, Regulatory framework and guidelines issues (24) respondents, Government policies and politics (16) respondent, and (11) respondents staff inexperience and lack of knowledge.

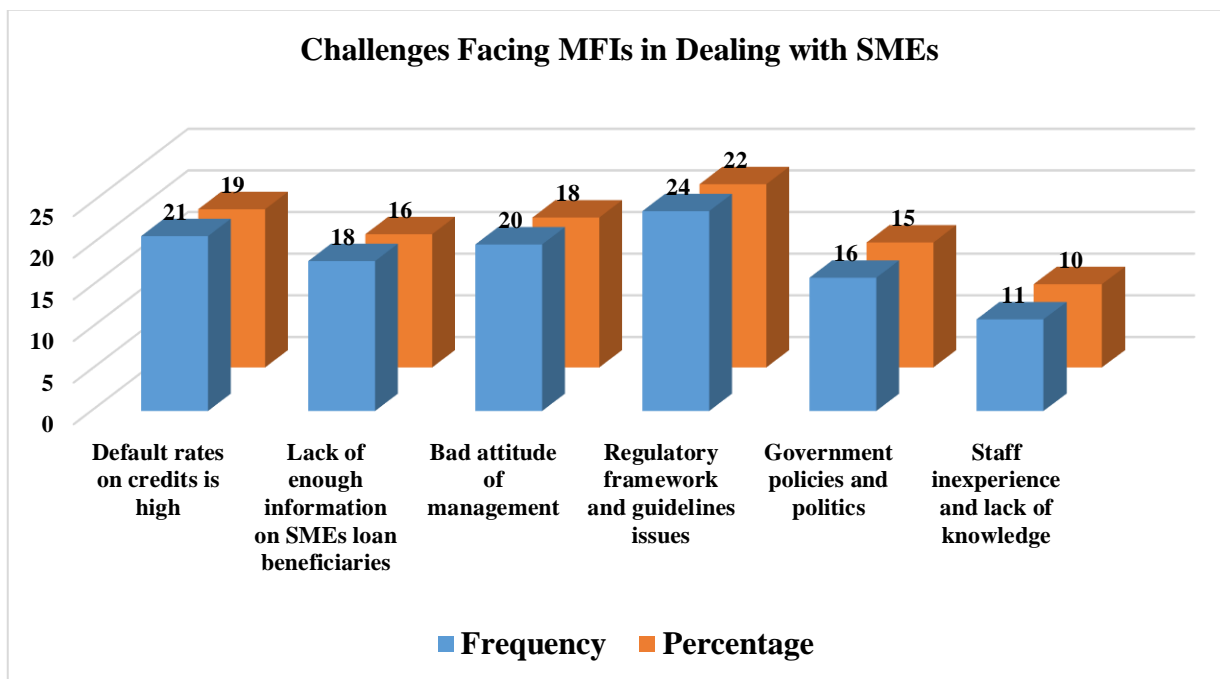


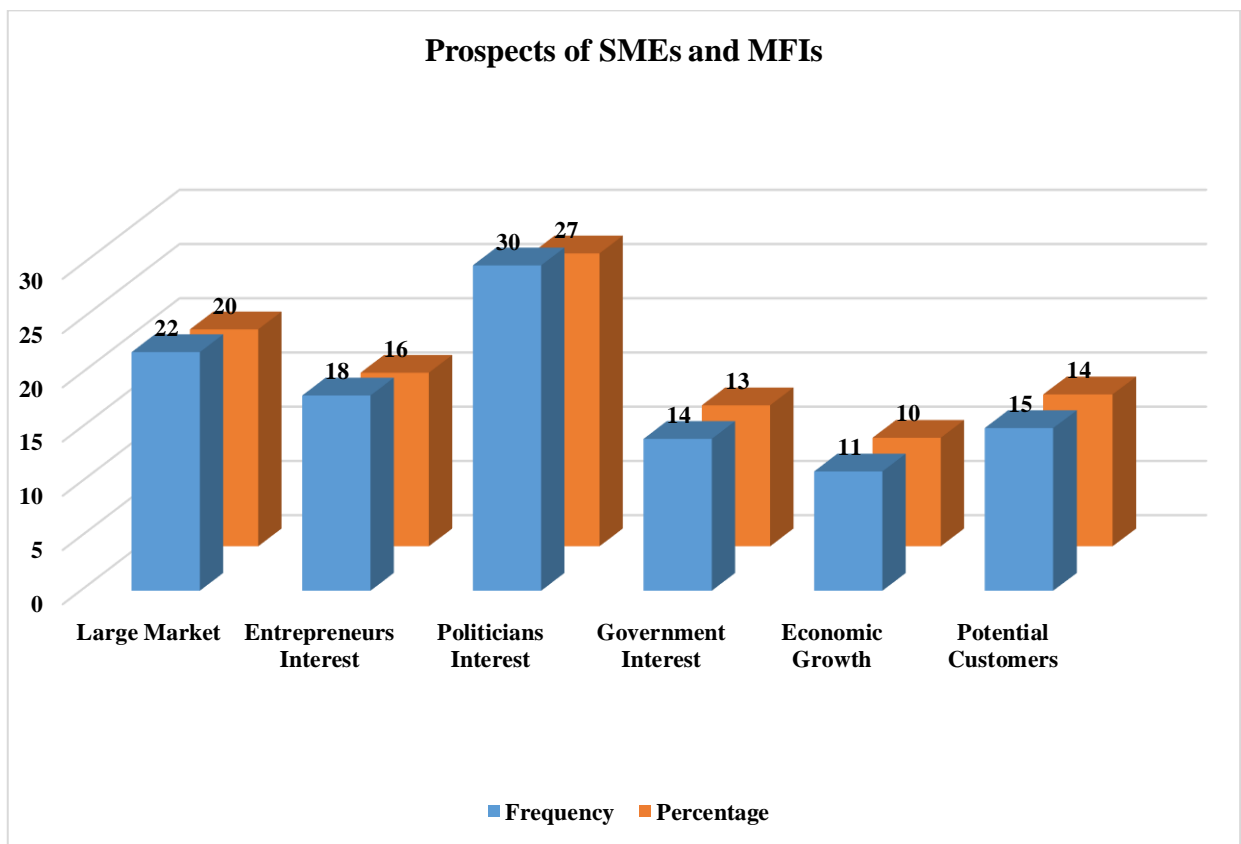
Table 19: Prospects of SMEs and MFIs

According to the respondent from the field survey, despite the challenges faced by the MFIs and SMEs in their operations, yet still the institutions have the following opportunities or prospects to capitalize on in the country.

Prospects of SMEs and MFIs	Frequency	Percentage
Large Market	22	20
Entrepreneurs Interest	18	16
Politicians Interest	30	27
Government Interest	14	13
Economic Growth	11	10
Potential Customers	15	14

Source: Field Data September 2018.

The field survey indicated that 22 (20 percent) of respondents mentioned a large market size as a prospect while 18 (16 percent) of respondents said entrepreneurs interest. Furthermore, 30 (27 percent) of respondents indicated in their responses that politicians' interest is an opportunity to the institutions and 14 (13 percent) of respondents mentioned Government interest. Finally, 11 (10 percent) of respondents pointed out economic growth as the prospects of both the SMEs and MFIs while 16 (14 percent) of respondents indicated potential customers as an opportunity.



8.9 Discussions of the Findings:

The discussions of the findings are done based on the research objectives and research questions of the article and what the respondents made mentioned of during the field interviews with them.

8.9.1 SMEs Role to Ghana's Economic Development

The small and medium enterprises played a significant role in the Ghanaian Economic development as most of the respondents indicated in their responses. According to their feedback on the question of small and medium enterprises role, they concluded that small and medium enterprises contribution to the Ghanaian economy to include: Skills and knowledge developing, creation of employment, empowerment of women, stimulating competition, support to large companies, Innovativeness and flexibility within the country.

The development of the small and medium enterprises is again regarded as significant for the attainment of broader aims and objectives including poverty alleviation, income-generating activities, employment creation to low-income individuals, improvement in the lives and situations of the vulnerable and the disadvantaged.

Though the small and medium enterprises cannot be matched to larger companies in terms of resources, capital, technology staff, yet still they are known as the Jobs providers, assisting the bigger companies with raw materials and other resources, brings about competition in their field, introduce innovativeness and flexibility and help in the production of goods and services effectively and efficiently.

Furthermore, small and medium enterprises help in assisting and increasing the nation's wealth through full utilization and maximization of a country's human resource capabilities and developing an economic structure that will be sustained for a long period.

From point of view of Ghanaians, the impact or contribution of small and medium enterprises to the Ghanaian economy can be elaborated on their quality goods & services offered, employment creation, generation of income, reducing poverty, increasing conditions, standard & welfare of living of low-income and poor, and increase in exports of small and medium enterprises manufactured products in Ghana.

Finally, small and medium enterprises have also been noticed towards their contribution to savings and investment in the microfinance institution and other institutions and have an effective impact on income distribution.

8.9.2 Role of MFIs to SMEs Development

The analysis indicates that microfinance institutions role to small and medium enterprises in the country is overwhelming because only microfinance institution came in to

fill the gap left with small and medium enterprises when they were facing challenges of capital, collateral, unable to bank with conventional banks and training lacking

Again, from the findings, it also shows that microfinance institutions have strong positive effects on small and medium enterprises growth and development through providing them with credit, organized training programs of different kinds such as (managerial, financial, human resource, records keeping and technical).

Despite the above, microfinance institutions management advice the small and medium enterprises operators on how to utilize their credit, risk management and repayment of debt without default, and also advise SMEs on building savings and investment culture.

8.9.3 Challenges Facing Small and Medium Enterprises

During the field survey, the respondents answered the third objective of the article on challenges SMEs faced in accessing credit for their establishment to include: Lack of capital, inadequate managerial skills, low level of education/lack of formal education, poor marketing skills, electricity issues, and improper records keeping.

8.9.4 Challenges Facing Microfinance Institutions

Like any other financial Institution, microfinance institutions have some challenges in dealing with SMEs in the country. Among the challenges interviewees mentioned are:

- The high credit default rate among the customers who benefited from the loans.
- Lack of information on the Small and Medium Enterprises Loan Applicants which brings Asymmetric information for wrong people to be selected (adverse selection) and it also leads to moral hazards.
- Management Attitude of giving credit to their family and friend, who sometimes use the credit for unintended purposes and in unethical businesses which also brings about default in payments and collapse of the institutions.
- Regulatory issues such as monitoring and supervisions, giving regulatory guidelines and principles which are very difficult to be fulfilled by the institutions have an impact on them.
- Politics and Policies is also another challenge of the institutions. The government, political leaders, etc. all influence the institutions. They never allow the institution to work independently without their interference.

- Most of the workers in the institutions are not experienced enough to handle some positions and to work as microfinance institutions staff.

8.9.5 Prospects of SMEs and MFIs

Microfinance institutions and SMEs in the country have a lot of prospects said the respondents during the interviews. Some of the prospects they mentioned include large market size, entrepreneurs growing interested, politicians' interest, Government interest, economic growth, and more potential customers. Below are the explanations they respondents gave for a better understanding of the factors mentioned.

8.9.5.1 Large Market Size

A large market size awaits microfinance institutions and small and medium enterprises in the country. The unbanked population in Ghana is far more than the banking populace. Over 80 percent of potential customers are still not banking with Conventional Banks due to collateral and other related factors. Microfinance institutions can attract more customers into the banking sector and this will boost development in the country. Again more potential SMEs operators cannot start due to lack of funds and other challenges, the MFIs can identify them and encourage them through the Microfinance credit program for more SMEs to be operating in the country.

The more the markets expand, the more employment is created. The unemployed citizens will get Jobs when more SMEs in the country get access to credit and start or expand their businesses. These employed citizens will gain salaries which will benefit them and their families and also help to reduce poverty and increase their living standards and conditions.

8.9.5.2 Economic Growth and Development

Microfinance institutions financing SMEs in Ghana will help expand trade & businesses among the people of the country especially the poor and the vulnerable which bring about employment creation and poverty reduction and will also improve the growth and development of the Ghanaian economy. Improvement in an economy leads to a positive effect on the country's Gross Domestic Products which is a plus and an achievement to all the citizens.

8.9.5.3 Entrepreneurs Interest

The Entrepreneurs, Politicians, and Government in the country all will have an interest in microfinance institutions and small and medium enterprises. Entrepreneurs will be

willing to establish more microfinance institutions to increase the number provided the regulations and policies regulating the institution is favorable.

8.9.5.4 Government Interest

The government is also having an interest in the microfinance institution and due to that, it continues to involve in the regulations through the bank of Ghana and the policy-making and implementation through the finance ministry in the country. The government never allows regulators & policymakers to be autonomous and independent but rather involved in their activities regarding MFIs. The Government has a continuous interest in both the MFIs and SMEs operations. Politicians in the country also have interested in both institutions.

8.9.5.5 Potential Customers

In Ghana, more potential customers are willing to bank with microfinance Institutions. Again, many people have the interest to operate in SMEs but lack the necessary resources like; capital, skilled labor, knowledge, experiences, technical know-how, human resources, etc. The microfinance institutions can capitalize on all the above and get these potential customers into the micro banking sector by training and building their capacity, issuing them with credit, advise them on the usage and utilization of the credit and these would be to the benefits of the microfinance institution, SMEs operators and entire Ghanaian economy.

8.10 Summary of the Chapter

To summarize, the article was discussed based on the views and opinions of the SMEs loan beneficiaries from MFIs. Bibliography of the respondent was discussed followed by the loans that the customers received and the repayment and default rate were also discussed.

Again, the contribution of MFIs and SMEs was elaborated. The challenges facing microfinance sub-sector when dealing with SMEs and the constraints that the SMEs also faced in assessing loans was also explained.

The small and medium enterprise contributes to the increment in the Ghana government revenue through taxation paid by the institutions.

The government of Ghana should create a conducive environment (macro & micro) that consists of sound and stable growth, lower unemployment rate, low poverty level, low inflation, moderate interest rate, and fiscal discipline.

Poor regulation, policies, and macroeconomic will surely undermine Small and medium enterprises operators and their support institutions (MFI's) viability.

Small and Medium Enterprises and Microfinance Institutions provide employment, income generation, savings, and poverty reduction. In spite of these potentials of the institutions, yet still, MFIs and SMEs in Ghana as a whole were unable to end the problem of high unemployment, high poverty, and lack of income in Ghana.

Finally, the potential prospects of SMEs and microfinance institutions in their operations were also not left out.

8.11 The Chapter Conclusion

The Small and medium enterprises in the country lack funds and they need capital for the enterprises to flourish, make a profit and be sustainable for a longer period. Although SMEs help in the promotion of economic development, adequate recognition has not been given to the sector which corresponds to the subsector's contribution.

The support and continuous help of microfinance institutions to the small and medium enterprises both financial & the non-financial services provided enhance the development, business skills distribution and innovative ideas sharing.

This essay concludes that microfinance funds to SMEs have significantly help promotes the enterprises/businesses by reducing the SMEs' resource gap. Microfinance has the opportunity or potential of increasing the performance of SMEs through continues contributions, support, and the issuing of financial & other services.

The researcher concludes that the loans and other services microfinance provide to SMEs are of great importance to SMEs and the government should encourage more MFIs in the system and effective measures to help sustain them since they are vital to the economic development of the country at large not only to SMEs.

Also, loans provided to SMEs help to create employment for the poor, reduce poverty, increasing in the living standards of the low-income individuals by helping them paying fees of their kids and other expenses and helps most of the beneficiaries to expand their businesses.

Finally, microfinance institutions should not be the only institution supporting the SMEs with the needed funds, training & other services but rather the government and other

key stakeholders such as the donor agencies, policymakers, regulators, Banks, other financial and non-financial institution should also help so as to close all the necessary gaps and the challenges that the SMEs sector is facing in the country since they contribute greatly towards growth & development of Ghana economy.

8.12 Recommendations

The recommendations below, when taken into consideration, would help improve the performance of microfinance institutions & other banks in financing SMEs in Ghana.

The government should increase its efforts by encouraging more microfinance institution to continuously support the operations of small and medium enterprises in the country.

Microfinance should expand their repayment period or loan collection period of their client's asset loans, and make good use of disbursement strategy of collective group-based loans since that will help minimize the default rate of customers in payment of their debt and also minimize the level of the portfolio at risk.

Services such as training on credit maximization should be given to the clients by the microfinance institutions.

8.12.1 Recommendations to Small and Medium Enterprises

- Firstly, to promote the survival, growth & profitability of the small and medium enterprises, owners should comply, and implement the advice and orders given to them by the microfinance institutions management.
- Secondly, the financial reports and records of the SMEs should be properly kept. Both manual and computer base to prevent unforeseen circumstances and to be able to measure their growth using ratios and other measurements.
- Thirdly, experienced, skilled and qualified human resources should be employed by the small and medium enterprises to help manage the institutions successfully.

8.12.2 Recommendations to Microfinance Institutions

- Microfinance institutions should give loans with a moderate interest rate to SMEs to enable them to repay the credit without any default and able to also raise their needed capital.

- Again the terms of the repayment of the credit/loan given to the enterprise should be made flexible such that it will be easier for the institutions to pay to the microfinance institutions at the scheduled time.
- Furthermore, due to unforeseen issues and risks, microfinance institutions should try and initiate to come up with an insurance scheme for small and medium enterprises to cover some losses in case of risk.
- The researcher again recommends that microfinance institutions should give short term and medium-term loans to small and medium enterprises to enable them to do businesses, expand existing enterprises, and other needs of the beneficiaries to be fulfilled.
- Also, the savings and small deposits of the small and medium enterprises should be given the interest to help boost the customers' savings culture with the microfinance institutions.
- There should be proper regulations, monitoring, and supervision of small and medium enterprises by microfinance management to ensure loans granted are been used for the right and intended purposes to avoid defaults.

8.12.3 Recommendations to the Government

The article recommends the government to provide small and medium enterprises operators with funds or capital with a minimum rate of interest or a reduced borrowing cost so that they can have an alternative for borrowings.

The researcher also recommends that the government should establish a bank that will solely deal with SMEs in Ghana. This will help in the Bank designing well-tailored products/services that will suit the demands of the small and medium enterprises customers.

Also to prevent them from the challenges they faced when looking for support from Banks and other financial institutions.

8.12.4 Policy Implications

The research attested that loans are very important for small & medium enterprises development. Some of the constraints in promoting small and medium enterprises development like macroeconomic factors must be given proper attention and managed

carefully. Again, a vibrant business environment should be created for the microfinance institutions to be able to continue offering credit services to small and medium enterprises. Financial constraints should be removed to make the condition of credit policy favorable which will lead to small and medium enterprises (SMEs) development in Ghana.



CHAPTER NINE

9. SUMMARY, RECOMMENDATIONS, AND CONCLUSIONS OF THE THESIS

9.1 Introduction

The final research chapter, chapter nine highlights and presents the important points from the results of all the papers/articles. All the important points are summarized and conclusions from all the papers from the first chapter to the last chapter are based on the research findings. Again, suggestions, recommendations, and conclusions are made in line with the purpose of the study, research objectives, and research questions of the research. Finally, directions for further researches/suggestions for further studies in the same area are also made in this final chapter.

9.2 Summary of the Chapters

This thesis was organized into nine chapters and is made up of a collection of related articles or essays from the objectives of the research, and the research questions of the overall study. The first chapter, chapter one, comprises the entire research background, the problem of the research, the research objectives & research questions, research hypothesis, significance of the research, the scope of the research, the impact of the study, the research limitation of the entire study, organizations of the thesis, and the structure of the thesis chapters. Chapter two reviewed some of the relevant related literature on financial regulations, microfinance institutions and sustainability in Ghana as well as other developed and developing countries and it was reviewed based on theoretical, empirical and conceptual frameworks of the study. Chapters three looked at the general research methodologies (qualitative, quantitative and mixed-method) of the entire study. The fourth chapter, which is the first article focused on: "**Impact of regulations and policies on microfinance sector development in Ghana**". Chapter five, the second article discussed the "**Factors that determine microfinance institutions' sustainability in Ghana**". Chapter Six, third article assessed the "**Challenges facing financial regulations and microfinance institutions operations in Ghana**". In chapter seven, the fourth article "**Microfinance role in poverty reduction, employment creation, and income-generating activities in Ghana**" was elaborated. Chapter eight elaborate on the "**Effects of microfinance institutions program**

on small and medium enterprises financing in Ghana". Finally, the last chapter, Chapter nine, presents summaries, concludes, and recommendations of the entire thesis (Essays).

9.2.1 Summary Based on the Research Findings

This research work from all the articles has been able to identify and elaborate on the **"Impacts of financial regulations on the microfinance institutions sustainability in Ghana"**. The analysis from the data collected in the field survey indicates that financial regulators from Bank of Ghana are not adequately and sufficiently monitoring and supervising all the microfinance institutions in the country hence making the sub-sector more unsustainable. Below is the summary from the findings:

All the methods used in the study thus qualitative, quantitative and mixed methods, the results from their findings, emanating from the fieldwork data collection reveals an important turnover, employment creation by microfinance sub-sector, supporting small and medium enterprises with credit, reducing poverty and increasing the standard, welfare, and condition of living of the low-income individuals in Ghana.

Loan / credit application procedure for the microfinance client is easier because there is no collateral requirement nor tough eligibility requirement so some customers ended up defaulting on the credit given to them and this increases the unsustainability rate of the sub-sector.

Aside from the challenges microfinance institutions are facing in the country, they still have more prospects/opportunities to capitalize on. Also, they are the major institution supporting small & medium enterprises with credit in the country.

Microfinance loans have a positive impact on small and medium enterprises sales and production. Increment in the credit of the microfinance sub-sector to some extent also increase the production levels of the small and medium enterprises dealing with the institution/sector.

Though microfinance institutions charged higher interest rates compared to conventional banks, yet still, some customers of the institution confirmed that they are convenient with the repayment mode. Because conventional banks denied them banking

services. Most small and medium enterprises operators lack formal education and these posed them with a serious challenge like poor management, lack of skills and poor records keeping.

9.3 Recommendations:

The study was carried out to assess the **“impact of financial regulations on microfinance institutions sustainability in Ghana”**. Taking into consideration some selected microfinance institutions in the ten (10) regions of the country. Based on the findings of the research, the below recommendations are made. This recommendation of the entire thesis chapters are made in six (6) sections to the interested parties:

Recommendation to financial regulators, the recommendation to the microfinance institutions management, recommendations to the policymakers, the recommendation to the Ghana Government, the recommendation to the customers and final recommendation to other key stakeholders (the MFI Apex bodies, Ghana Microfinance Company, and Ghana Microfinance Institutions Network).

9.3.1 Recommendation to Financial Regulators

Firstly, the Regulator from the Bank of Ghana should thoroughly investigate the capital structure or shareholding structure of the microfinance sub-sector. This will reveal the ownership positions of the shareholders and help save the clients from shareholder's interest in profit maximization at the expense of the customers. This is because, in some microfinance institutions the shareholders are made up of the managers, CEOs and the board of directors. So this always brings conflicts of interest at the very expense of the clients.

Secondly, the capital requirement from the Bank of Ghana financial regulators to the microfinance institution should be moderate for all the operating institutions to be able to afford to continue being in existence to help the poor and also help reduce unemployment in the country. This is because, unable to pay the required amount is tantamount to closure, merger or acquisition of the institutions as indicated by the regulators and these would lead to laying down of some works/staff to increase unemployment in the country.

Furthermore, financial regulators must come out with proper corporate governance practices and procedures for microfinance institutions. They must ensure that microfinance

institutions comply with these corporate governance practices and procedures for effective management in the sub-sector or industry. Also, the regulatory framework and guidelines must be made effective and updated for microfinance institutions to follow.

9.3.2 Recommendation to Microfinance Institutions Management

First and foremost, there must be information on borrowers, customers, and intermediaries. The microfinance institutions must keep proper records on all clients to help reduce risk.

Again, Microfinance institutions must comply with the regulatory guidelines and requirements from the Bank of Ghana. This would help the regulators to intervene when there are problems at the early stage. Examples of the regulatory requirements include the issue of minimum capital, submission of reports on time, liquidity reserves, maintaining required reserves, control and monitor of credits. These all would help in the sustainment of the microfinance sub-sector with the help of the regulators and reduce the collapse rate in the country.

Also, there should be quality accounting and auditing so as not to make errors because mistakes can affect the entire financial sectors and lead to collapse. Accounts managers should be vigilant and work together with finance officers and general managers for other clarifications. This will help the institution to be in existence for a longer period.

Besides the above, microfinance institutions should have an intensive mechanism of monitoring loans issued to clients. Credit rating policies and processes must be effective. This would help reduce the default rate by the beneficiaries and prevent the collapse rate for the institutions.

More so, the financial reporting standards to the regulators must be properly understood by the management of MFIs for them not to create problems for the industry.

The last but not the least recommendation to the MFIs is that the collapse of other microfinance institutions should be a warning to the surviving ones to work effectively and diligently to sustain the rest of the institutions. This will prevent panic withdrawals which is one of the main reasons for the collapse of the sub-sector.

9.3.3 Recommendations to Policymakers:

Below are some policy recommendations for the policymakers/implementers:

To begin with, Policymaking, policy implementation, policy monitoring and evaluation and policy maintenance related to microfinance should be autonomous and independent of political decision making and political leaders in the country. This would help build a strong policy that would be effectively implemented and for the proper functioning of the sub-sector in the country.

Furthermore, new Policies and measures and procedures should be brought to help microfinance realized their objectives, mission, and vision. For example, there should be a Bank stress test to all the employees of the microfinance institution this will help reduce systematic risk in the sector.

In spite of the above, capacity development should be developed: For instance, human capacity building, infrastructure, funding, and resource capacity development to help the microfinance sub-sector to improve their efficiency and effectiveness and to encourage the institution to work with the vulnerable and disadvantaged people and their households.

In furtherance of the above, Policymakers together with regulators should organize training on the following areas to management of microfinance institutions: Training on Human Resource Management, training on accounts and financial management, training on operations management, training on management, training on risk management, training on credits management, training on customer service so as to reduce the collapse rate and help to sustain the microfinance institutions in Ghana.

Finally, the researcher advised that a financial inclusion policy should be designed by the policymakers in the country to assess the performance and needs of microfinance, their customers and the regulators and to guide them towards achieving their objectives, mission, and vision.

9.3.4 Recommendation to the Government

For the long term sustainability of the microfinance institution in the country, and for effective development and reduction in collapse rate, the Government can take the following recommendations into consideration:

There should be macroeconomic stability and fiscal stability in the country. This can be through moderating interest rates, setting up appropriate exchange rate regimes, low taxation and the limited role of the government in process of financial intermediation within Ghana.

Moreover, macroeconomic variables and the economic indicators used in the study, like the gross domestic product, employment, poverty, income level, unemployment rate, inflation rate, interest rate, and labor participation rate have a direct relationship with the microfinance institution/microcredit in the country so the government should help stabilize the variable and make them sound for the sector.

The microfinance Apex bodies should be involved in the regulations, monitoring, and supervisions of the microfinance sub-sector in the country.

Too many powers should not be given to regulators, supervisors, and policymakers. Giving them much power can create risk and also retards the institution's financial sustainability.

There should be the free flow of information from the government to regulators, policymakers, microfinance management and all the key stakeholders of the institutions. Credible information is essential for proper risk management and effective intermediations in the sub-sector.

9.3.5 Recommendation to the Customers of MFIs (The Loan Beneficiaries)

The researcher recommends that the beneficiaries of the loans should go strictly by the advises that the management of the microfinance institutions gives to them to promote the growth of their businesses, make a profit and be able to settle their credits at the required time.

Customers should attend all training organized to them by the microfinance institutions management. This will help them with the use of the loans and the kind of businesses to be engaged in to reduce losses and profits to be able to pay back principal and interest expected.

The credit given to the customers by the Microfinance Sub-sector should not be used to settle other Bank debt and cause default problems with the institutions. Loans given should be used for the right purposes.

9.3.6 Recommendation to Other Key Stakeholders

(GHAMFIN / GAMC / MASLOC, and the Apex Bodies of Microfinance Institutions).

There are other key stakeholders of microfinance institutions whose roles and contributions to the sub-sector must be acknowledged and the below recommendations go to the institutions. Some of these stakeholders are the Ghana Microfinance Institutions Networking (GHAMFIN), Ghana Microfinance Company (GAMC), Microfinance & Small Loan Centers (MASLOC) and the Apex bodies:

In the first place, the researcher recommends that the institution's Network (GHAMFIN) should continuously build the capacity of its members both on human and non-human resources to help improve the effectiveness, efficiency, and productivity of the microfinance sub-sector.

Again, there should be proper dissemination of information to its members to promote research and evaluation of the entire sector.

The Ghana Association of Microfinance Companies (GAMC) should work in collaboration with all stakeholders of the institutions by helping microfinance institutions in terms of credit risk default, advice, and training, to reduce the collapse rate, and enhance sustainability for the betterment of all the institutions in the sub-sector.

All the bodies that made up the Apex body (Credit Unions Association (CUA), the Ghana Cooperative Susu Collectors Association (GCSCA), the Association of Financial NGOs (ASSFIN), and the Ghana Association of Savings and Loans Co (GHASALC)) of the microfinance institutions should collaborate, coordinate and support each other with funds, resources, ideas, inputs and information for all the institutions to be profitable, successful and sustainable for long time, and reduce collapse rate of the sector in Ghana.

The microfinance institution networks & the small loan centers (MASLOC) is not left out in the recommendations. The institution should continue supporting the microfinance subsector and continue working in collaboration with the other stakeholders to help

microfinance management and operators on how to reduce collapse and insolvency to be in long term existence or sustainable.

9.4 Conclusions of the Entire Study

Conclusively, therefore, the researcher discussed the conclusions of the studies according to the entire objectives of the research. Below are the conclusions.

The first research objective on the **“Impact of regulations and policies on microfinance sector development in Ghana”** indicated that: Regulations and policies contributed immensely to the development and sustainability of microfinance sub-sector through training & capacity building, checks, and balances, protecting of customers and their depositors, creating financial soundness and financial inclusion.

Secondly: the second research objective of the study on the **“Factors that determines microfinance institutions sustainability in Ghana”** reveals that: the factors determining the sustainability of microfinance institutions in the country is significantly, and positively driven by minimum capital requirement, credit default, low outreach, government policies, unqualified and inexperience staffs, high-profit motive, interest rates, and capital structure. Furthermore, from the findings, microfinance institutions not complying with regulatory guidelines, insufficient training, poor management, insufficient monitoring and supervision, lack of government support, the collapse of other microfinance institutions, and panic withdrawals are the reasons why most microfinance institutions collapsed.

Thirdly: the third research objective on assessing the **“Challenges facing microfinance institutions & financial regulations operations in Ghana”** shows that microfinance institutions challenges include: high capital requirement, poor management skills, lack of credit risk management policy, credit defaults from clients, technical knowhow, poor technology, high transactional and operational cost, poor credit monitoring and lack of support from the Government. While examining the challenges facing financial regulations as cost of regulations, inadequate knowledge on regulations procedures, inadequate staff to regulate all microfinance, political influence, lack of information dissemination, unqualified staff, technology, dynamic nature of the financial sector, uncertainties, reforming regulatory reporting and standards.

Fourthly: the fourth research objective of the study which determines “**Microfinance institutions role in poverty reduction, employment creation, and income-generating activities in Ghana**” indicate that: "microfinance institutions have highly impacted positively and significantly on customers in the form of income generation, employment creation, reducing poverty, increasing standard of living and households' well-being. Also, the emanated results from the questionnaires administered reveals favorable relationship between microfinance institution, poverty reduction and employment creation since most of the beneficiaries attested to a high level of improvement in their businesses through the loans they receive and also improvement in their living standards and conditions since they became part of the microfinance program" in the country.

Finally, the last research objective of the thesis on the “**Effects of microfinance institutions program on small and medium enterprises financing in Ghana**” concludes that: “microfinance institution is the sole financial institution that supports SMEs with credit/loans in the country”. Again, it indicated that: “positive relationship existed between the microfinance institutions program and small & medium enterprises through financing and other services while a negative relationship existed between small & medium enterprises and other traditional banks in the country”.

9.5 Suggestions for Further Studies / Researches.

All the articles in the study gave a suggestion for further studies in the area. Below are the suggestions:

- The first article suggests that further research work or study can be done on the role of the government towards effective policies and regulations of the microfinance sector in the country.
- Again, the second article recommends that a study can be carried out on the microfinance institutions that collapsed in the country. It was difficult getting data of these institutions and the employees of those collapsed microfinance institutions too were not willing to be interviewed. Carrying research solely in that area may yield a positive result for mother Ghana and the result of the findings will be relevant to other surviving microfinance institutions management and policymakers as recommended by the researcher.

- Furthermore, in the third article, we recommend that a further study be done on the challenges that Commercial Banks and their Regulators faced in the country. Knowing the challenges that the institutions faced will help in solving it easier.
- More so, in the fourth article, the researcher recommends that further research can be carried out on achievements, challenges, and opportunities/prospects of microfinance institutions in the country.
- Finally, the last article recommends a study on the role of micro-credit or the contribution of MFIs and SMEs in the development of the Ghanaian economy. Or a further study can be done on conventional and traditional banks' role in businesses financing in Ghana.



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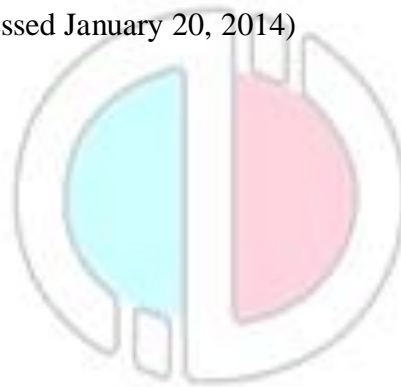
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ANADOLU
ÜNİVERSİTESİ

ANNEX-1A: ETHICAL APPROVAL LETTER



Date of registration: 11. 05. 2018

Document date: 11.06.2018

Protocol Number: 55557

Committee Decision: Positive

Thesis Writer: Ramatu USSIF

Thesis Supervisor: Assoc. Prof. Dr. Murat ERTUĞRUL

Thesis Topic: “Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”.

Dear Ramatu USSIF,

Your thesis on the topic: “**Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana**” has been approved and documented by the Anadolu University Research Ethical Committee on the 11.06.2018.

The seven-member Research Ethical Committee below scrutinized the topic and the categories of the Questionnaires and interview guides to be administered including the voluntary participation form of respondents. Having found that, the questionnaires are free of any harm to the respondents, the committee has approved it ethically, authorized and endorsed the collection of the required data in Ghana on the above topic with the questionnaires and the interview guides.

Members of the Committee:

1. Prof. Dr. Coskun Bayrak (President – Faculty of Education)
2. Prof. Dr. T. Volkan YUZER (Vice President – Faculty of Distance Education)
3. Prof. Dr. Esra CEYHAN (Member – Faculty of Education)
4. Prof. Dr. Munevver CAKI (Member – Faculty of Fine Arts)
5. Prof. Dr. M. Erkan UYUMUZ (Member–Economic & Administrative Sciences, Faculty)
6. Prof. Dr. Handan DEVECI (Member – Faculty of Education)
7. Prof. Dr. Emel SIKLAR (Member- Economic & Administrative Sciences, Faculty).

Evrak Kayıt Tarihi: 11.05.2018 Protokol No: 55557

Tarih: 31.05.2018



ANADOLU ÜNİVERSİTESİ
SOSYAL VE BEŞERÎ BİLİMLER BİLİMSEL ARAŞTIRMA VE YAYIN ETİĞİ KURULU
KARAR BELGESİ

ÇALIŞMANIN TÜRÜ:	Doktora Tez Çalışması
KONU:	Sosyal Bilimler
BAŞLIK:	Finansal Düzenlemelerin Gana'daki Mikrofinans Kurumlarının (MFK'ların) Sürdürülebilirliği Üzerindeki Etkileri
PROJE/TEZ YÜRÜTÜCÜSÜ:	Doç. Dr. Murat ERTUĞRUL
TEZ YAZARI:	Ramatu USSIF
ALT KOMİSYON GÖRÜŞÜ:	-
KARAR:	Olumlu
 Prof. Dr. Coşkun BAYRAK (Başkan Eğitim Fak.)	
 Prof. Dr. T. Volkan YÜZER (Başkan Yardımcısı-Açıköğretim Fak.)	 Prof. Dr. Esra CEYHAN (Eğitim Fak.)
 Prof. Dr. Münevver ÇAKI (Güzel Sanatlar Fak.)	 Prof. Dr. M. Erkan ÜYÜMEZ (İkt. ve İdari Bil. Fak.)
 Prof. Dr. Handan DEVECİ (Eğitim Fak.)	 Prof. Dr. Emel ŞIKLAR (İkt. ve İdari Bil. Fak.)

ANNEX-1B: INTRODUCTORY LETTER



INTRODUCTORY LETTER FOR DATA COLLECTION IN GHANA TO WHOM IT MAY CONCERN

Anadolu University
Graduate School of Social Sciences
Department of Business Administration
Finance program
Eskisehir, Turkey.

Dear Sir / Madam,

This is to introduce to you Ramatu USSIF who is a Ph.D. student of the above mentioned University with a student Registration Number (99835502124) pursuing a Doctorate Degree (Ph.D.) in Finance. As part of the requirement for the award of the Doctor of Philosophy (Ph.D.) degree, students are required to submit a thesis. She is writing her thesis / Research on the topic: **“Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”**. The ideas, knowledge, views, and experience of your institutions when provided will be useful and relevant to this research work and will help to minimize if not eradicate the unsustainability of Microfinance Institutions in the country. I would appreciate it and be grateful if you could provide the necessary information and assistance needed for the successful completion of the thesis. The university state emphatically that, all information/data to be collected will be treated with the utmost confidentiality and will strictly be used for academic purposes only. In case of any inquiries please feel very free to contact the thesis Supervisor Associate Professor. Dr. Murat ERTUĞRUL on the contact (+90) 5355122412 (3215) or email address: mertugrul@anadolu.edu.tr

Thank you for your anticipated co-operation and Counting on your usual consideration.

Yours Faithfully,

Prof. Dr. Emel SIKLAR

Department Director.

ANNEX-1C: CONSENT FORM



CONSENT FORM FOR RESEARCH PARTICIPANTS/INTERVIEWEES

RESEARCH TITLE: “Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”.

RESEARCHERS NAME: Ramatu USSIF

SUPERVISORS NAME: Associate. Prof. Dr. Murat ERTUĞRUL

ADDRESS: Anadolu University, Graduate School of Social Sciences, Department of Business Administration, Finance Program, Eskisehir, Turkey.

CONTACT INFOR: (+90) 541 403 96 28 ramatuussif@anadolu.edu.tr

(+90) 535 512 24 12 mertugrul@anadolu.edu.tr

Dear Sir / Madam,

I am a Doctor of Philosophy (Ph.D) student at Anadolu University and my Student registration number is 99835502124. I am writing my Ph.D. Thesis / Research on the Topic: **“Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”**. This thesis is article-based research and it comprises five related essays all from the research objectives and research questions of the study. Taking into consideration some registered microfinance institutions in the ten Regions of the country.

The research has been approved by the Social Science Research Ethics Committee of Anadolu University and will be conducted according to the accepted and applicable national and international ethical guidelines and principles of researches.

The information/data to be collected from you will be treated with the utmost confidentiality and will be used strictly for academic purposes. Your participation in this data collection is voluntary and you can stop the interview whenever you wish / the time you choose to.

Counting on your usual cooperation and consideration.

Please attached is a voluntary form regarding participation or not in the research for your attention.

ANNEX-1D: VOLUNTARY PARTICIPATION FORM



This work is a research study titled **“Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”** and it aimed at finding out the impact that financial regulations have on microfinance institutions sustainability in Ghana. The study further looks at the following as the purpose and specific objectives of the entire study.

- The impact of regulations and policies on microfinance sector development in Ghana.
- Factors that determine the microfinance institutions' sustainability in Ghana.
- To assess the challenges facing microfinance institutions and financial regulations.
- To determine microfinance institutions role in poverty reduction, employment creation, and income-generating activities in Ghana.
- To examine the effect of microfinance institutions program on small and medium enterprises financing in Ghana.

The work will be carried out by Ramatu Ussif with selected microfinance institutions in Ghana and its results will be revealed to microfinance institutions management, financial regulators and policymakers. Again, it would be shed to all Stakeholders and interested parties for better economic development.

- Your participation in this research work or data provision is voluntary.
- In line with the aims of the study indicated above, the necessary data will be collected from you if you give the permission.
- You do not have to write your name or provide information that will reveal your identity /and if you did, the names of the participants will be kept confidential.
- Data collected for the intention of this research will be used only for scientific purposes and will not be shared with others without your (written) permission.

- Except for the research, the information collected will not be used in any other research and if necessary it will be with your permission.
- Also, data collected from you will be protected by the researcher and the university and will be archived or destroyed after the investigation or research project.
- There will be no questions/requests that may be uncomfortable for you during this data collection process (s). However, if you feel uncomfortable during your participation, you can leave or end the interview at any time without a problem.
- If you leave or stop the interview, the collected data will be removed and destroyed. No, any penalty nor consequences attached to that.

Thank you for understanding, patience and your time for reading and evaluating the voluntary participation form. Please you can ask your questions about the study or research from the Researcher, Research Supervisor or the Institute: Anadolu University, Graduate School of Social Sciences, Business Administration Department, and Program in Finance on the following contacts and addresses:

Research writer:

Ramatu USSIF,
(+90) 541 403 96 28.
ramatuussif@anadolu.edu.tr

Or Research Supervisor:

Associate. Prof. Dr. Murat ERTUĞRUL
Vice Dean
(Faculty of Economic & Administrative Sciences)
Anadolu University, Eskisehir.
(+90) 5355122412 (3215)
mertugrul@anadolu.edu.tr

Or the Institute:

Graduate School of Social Sciences
Business Administration Department
Finance Program
Anadolu University.

Eskisehir Turkey

(+90) 222 335 08 95 / 3243 / 1261.

sosens.anadolu.edu.tr/www.sosbilens.anadolu.edu.tr

Researcher Name and Signature:

Address:

Mobile Tel:

Please, do you consent to take part in this research?

Do you also consent to give me your contact information to contact you in case of any needed information about the project?

Yes, I consent to provide my contact details/information to Ramatu USSIF.

Name: _____

Email Address: _____

Phone Number: _____

House Number _____

Thank you for the responses, patience, time, and considering being part of this research project!

ANADOLU
ÜNİVERSİTESİ

APPENDIX-1E: DECLARATION BY PARTICIPANT



Declaration by Participant:

I accept to take part in this research entitled: **“Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”** conducted by Ramatu USSIF.

I have read and understood all the information attached and again understand that my participation is voluntary and I can withdraw or stop the interview at any point in time.

I have been fully assured of confidentiality and that, the information I will provide will be used strictly for academic purposes has been explained to my satisfaction.

I agree this information be used for scientific purposes entirely at its discretion, with the knowledge that I have given knowing that I can leave or stop the interview at any time if I so desire.

(Please fill out this form and sign it to the data collector).

Participant Name and Surname (Pseudonym Name):

Place of Interview:

Date of Interview:

Time of Interview:

Thank you for your patience, time and understanding!

ANNEX-2A: INTERVIEW GUIDE FOR POLICYMAKERS & REGULATORS
(Interview Guide for Regulations and Policies)

A: Demography

Name (pseudonym name)

Gender of Respondents (Male / Female)

Please what is your Age (15-25, 25-35, 35-45, 45-Above)

Your Level of Education please (SHS/ Diploma / HND/ Bachelor/ Masters/Ph.D.)

Please, your marital status. A. (Married), b. (Singled), c. (Separated), d. (Living Together)

B: Main Questions

1. Why Regulate and Supervise Microfinance Institutions?
2. What are the Microfinance Policies and Programs in Ghana?
3. Please, what are the Rationale for Microfinance Policy in Ghana?
4. Can you please state the objectives of Microfinance Policy?
5. Please any Strategies to help achieve the Goals and Objectives?
6. What are the Benefit and Costs of Regulations in the country?
7. What is the Impact of Regulations and Policies on Microfinance Institutions in Ghana?
Positive impacts..... b. Negative impacts.....
8. What contributions do Regulations and Policies have on MFIs development in the country?
9. Please indicate the Role of Financial Regulation in the Ghanaian Economy?
10. What are the duties and responsibilities of financial regulators?
11. Please, what are the roles of Policy Making body of MFIs in Ghana?
12. What are the contributions of policymaking to regulators and MFIs?
13. What are the objectives of policies for the microfinance sector in Ghana?
14. Please state the relationship between Government, Policymakers, and Regulators?
15. What are the necessary measures to build a comprehensive regulatory framework?
16. Any measures by the government you think to help improve the microfinance sector?
17. What other recommendations do you have for Microfinance Institutions?

Thank you for your patience, time and responses.

ANNEX-2B: INTERVIEW GUIDE FOR MANAGEMENT
(Interview Guide for Sustainability of Microfinance Institutions)

A: Demography

Name (pseudonym name):

Gender of Respondents? (Male / Female)

Please, what is your Age? (15-25, 25-35, 35-45, 45-Above)

Your Level of Education, please? (SHS / Diploma / HND, Bachelor, Masters, Ph.D.)

Please, your marital status? A. (Married), b. (Singled), c. (Separated), d. (Living Together),

B: Main Questions

1. Can you please indicate your years of working Experience? ((1) Year, (2) Years, Three and more)
2. What is your Length of operations in years? A. (0-5) b. (5-10), c. (10-15), d. (15 and above).
3. The number of branches, please? (1, 2, 3. 4 and Above)
4. Please your number of employees? (0-10, 10-20, 20-30, 30 and Above)
5. Where is the Location of your Microfinance Institution (Cities)?
6. Please did you receive Loan from MFI? Number of customers who received
7. Did you repay Loan collected from MFI (53, 10) ten defaulted?
8. What are the types of credit given to customers (Business Loan, Agricultural Loan, Educational Loan, and Auto Loan)?
9. What are the Determinants of MFIs sustainability in Ghana?
10. Please, what are the reasons for the Collapse of MFIs in Ghana?
11. What are the Solutions to the collapse of the Microfinance Institution in Ghana?
12. Please name some of the unsustain / Collapsed Microfinance Institutions in Ghana?
13. Please mention some of the Revoked Licensed of MFIs in Ghana?
14. What are the types of risks associated with the microfinance sector in the country?
15. Please, what is the Ghana Government role and collapse of MFIs?
16. What is the financial regulator's role in the collapse of microfinance?
17. Can you please give any recommendations to MFI, regulators and the government?

Thank you for your patience, time and responses.

ANNEX-2C: INTERVIEW GUIDE FOR REGULATORS & MFIS MANAGERS
(Interview Guide on Challenges of MFIs and Financial Regulations)

A: Demography

Name (pseudonym name):

Gender of Respondents (Male / Female)

Please what is your Age (15-25, 25-35, 35-45, 45-Above)

Your Level of Education please (SHS, Diploma / HND, Bachelor, Masters, Ph.D.)

Please, your marital status? A. (Married), b. (Singled), c. (Separated), d. (Living Together),
e. (Divorced)

B: Main Questions

1. Please, state the internal challenges of microfinance institutions in the country?
2. Please, the external challenges of a microfinance institution in Ghana are what?
3. Can you please indicate the challenges of financial regulations in the country?
4. Please, indicate some solutions to the challenges of MFIs in the country?
5. Please, state the solutions to Financial Regulations challenges in the country?
6. What are the prospects or opportunities of MFIs in the country?
7. Any recommendations to Regulators, Government and the MFIs on how to deal with the challenges?

Thank you for your patience, time and responses.

**ANNEX-2D: INTERVIEW GUIDE FOR MICROFINANCE MANAGERS
(Interview Guide on Poverty Reduction, Employment Creation and Income
Generating Activities)**

A: Demography

Name (pseudonym name)

Gender of Respondents (Male / Female)

Please what is your Age (15-25, 25-35, 35-45, 45-Above)

Your Level of Education please (SHS, Diploma / HND, Bachelor, Masters, Ph.D.)

Please, your marital status? A. (Married), b. (Singled), c. (Separated), d. (Living Together)

B: Main Questions

1. What are your years of Working Experience? (One-Year), (Two-year), (Three-Years), (Four-Years), (Five-Years and More).
2. In which Region is your MFI Located?
3. Please, what are the Products and Services offered to you by MFIs in Ghana?
4. Did you receive Loans from these microfinance institutions?
 - 4a. If yes, what were the loans used for?
5. What was the income from the Loan used for?
6. What role does Microfinance institutions play in Ghana?
7. What are the problems/issues of Microfinance Institution in Ghana?
8. Please indicate the Key Poverty Reduction and Employment Strategies in Ghana?
9. What are the Various Ways to reduce Poverty in Ghana?
10. Can you please state the types of Businesses in Ghana MFIs?
11. What is the Role of the Ghana Government on microfinance institutions?
12. What are some of the Development Agendas of MFIs?
13. Any recommendations to the government, MFIs, and the policymakers?

Thank you for your patience, time and responses.

ANNEX-2E: INTERVIEW GUIDE FOR MFIs & SMEs OPERATORS
(Interview Guide on MFIs and SMEs Financing)

A: Demography

Name (pseudonym name)

Gender of Respondents (Male / Female)

Please what is your Age (15-25, 25-35, 35-45, 45-Above)

Your Level of Education please (Secondary School, Diploma / HND, Bachelor, Masters, Ph.D.)

Please, your marital status? A. (Married), b. (Single), c. (Separated), d. (Living Together), e. (Divorced).

B: Main Questions

1. Please, what is your number of years of working experience in this institution?
2. What are the various types of SMEs businesses in Ghana?
3. What are the purposes of establishing SME Businesses in the country?
4. What is the Objective of SMEs working with Microfinance Institution?
5. Please state the Objective or reasons for Microfinance institutions program/credit?
6. What are the services microfinance rendered to SMEs in the country?
7. What about training and advisory services offered to SMEs by MFIs?
8. Do SMEs operators apply for loans from your MFIs? Please Probe;
If yes, do SMEs Repay the loans given to them by MFIs?
9. What are the types of loans given to SMEs by your institution?
10. What role do MFIs offer towards SMEs Development in Ghana?
11. Please state the role of SMEs in Economic Development?
12. Please, state the challenges facing SMEs in Ghana?
13. Please, indicate the challenges facing MFIs in Ghana?
14. Please, indicate the Prospects of SMEs and MFIs in the country?
15. Any comments, suggestions or recommendations to the government, policymakers or the institutions that will improve the quality & performance of the institution?

If yes, please indicate

Thank you for your patience, time and responses.

ANNEX-2F: FOCUS GROUP DISCUSSION GUIDE FOR MFIS MANAGEMENT
(Focus Group Discussion Guide for some Management of MFIs)

1. Why Regulate and Supervise Microfinance Institutions?
2. What are the Microfinance Policies and Programs in Ghana?
3. Please, what are the Rationale for Microfinance Policy in Ghana?
4. Can you please state the objectives of Microfinance Policy?
5. What impacts do Regulations and Policies have on the microfinance sector?
6. What are the Determinants of MFIs sustainability in Ghana?
7. Please, what are the reasons for the collapse of microfinance in the country?
8. Please, state some solutions to the collapse of the microfinance sector in the country?
9. Please, what types of risks are associated with MFIs in Ghana?
10. Can you please mention the internal challenges facing microfinance in the country?
11. Please, can you also indicate the external challenges facing MFIs in Ghana?
12. Can you please indicate the challenges of financial regulations in the country?
13. Please, what solutions will you give to the challenges of MFIs in the country?
14. Any solutions to financial regulation challenges in the country, please?
15. What are the prospects/opportunities of microfinance in the country, please?
16. What role does the Microfinance institution play in Ghana?
17. What are the problems/issues of Microfinance Institution in Ghana?
18. Please indicate the Key Poverty Reduction and Employment Strategies in Ghana?
19. What are the Various Ways to reduce Poverty in Ghana?
20. What is the Role of the Ghana Government on microfinance institutions?
21. What are some of the Development Agendas of microfinance institutions?
22. Please state the role of SMEs in Economic Development?
23. Please, what challenges are facing SMEs in Ghana?
24. What about the challenges of microfinance in the country, please?
25. Please indicate the Prospects of SMEs and MFIs in the country?
26. Any comment, suggestion or recommendations to the government, policymakers or the institutions

Thank you for your patience, time and responses.

**ANNEX-3A: CUSTOMERS QUESTIONNAIRE
(MICROFINANCE CUSTOMERS / CLIENTS QUESTIONNAIRE)**

Anadolu University
Graduate School of Social Sciences
Business Administration Department
Program in Finance
Eskisehir, Turkey.

Dear Sir/ Madam,

I am Ramatu Ussif, Doctor of Philosophy Student (Ph.D.) of the above-mentioned Program, and University. I am writing my Doctor Thesis research on the title: **“Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”**. Taking into consideration some licensed/registered microfinance institutions and few unregistered institutions in the ten Regions of Ghana. The information/data to be collected from you will be used strictly for academic purposes, and it would be handled with care and confidentiality. Your identity would not be disclosed to any third party and your real names are not necessary. Your participation in this data collection is voluntary and the interview can end/stop at the time of your choice. Counting on your usual cooperation and consideration.

Name of Interviewer: Date of Interview:

Name of Respondent (pseudonym name)..... Location:

Region of Interview / City of the interview:

Signature of Interviewer Signature of Respondent

SECTION A: Demography

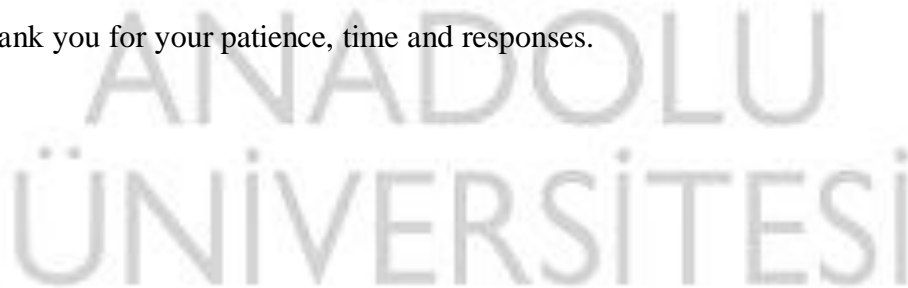
1. Please, your educational level is what? 1. (SHS), 2. (HND), 3. (Degree), 4. (Masters /Ph.D.)
2. Can you please tell me your age range? 1. (18- 25), 2. (25-40), 3. (40-55), and 4. (55 and Above)
3. Your Gender, please? Male () or Female ()
4. Please, what is your marital status? 1. (Married) 2. (Singled) 3. (Separated) 4. (Living together) 5. (Divorced)

SECTION B

Business information

1. What is your current status of employment please: A. (Employed) b. (Unemployed)
If working, what is your main employment sector? A. Self-employed () b. informal Sector
2. Please, what is your occupation? Farming (), Trading () Driving () Tailoring ()
Civil servant () (Other Specify)
3. Please, can you state your income level GHc 100 () GHc 200 () GHc 300 () GHc 400 () Above GHc 400 ()
4. Is the business full time () or part-time ()
5. Please is your startup capital for this business? a. Self-finance () b. from loan () c. family support () d. (Other Specify)
6. How much was the business startup capital? Amount GHc
7. Can you please indicate your number of years of working experience? In years
A. One () b. Two () c. Three (), d. Four () e. Five and more ().
8. What is your Length/number of years in operation? A.2-5 years (), b5-10 years (), 10-15years (), 15 years and above ().
9. Do you get income from the business you do? Yes () or No ()
If yes, what is the income used for?
10. Can you please tell me the kind of financial services you mostly patronize with MFI?
11. Why did you choose those / that product?
12. Have you ever applied for credit in any MFIs? Yes () or No ()
If yes, how much did you apply for? Amount GHc
13. How much money were you given? GHc
14. Did you finish paying the credit? Yes () or No ()
15. What was the credit used for? Start new business Expansion other specify
16. Did you ever default in credit repayment? Yes () or No ()
17. Please what rate of interest is charged on the loans given to you?
18. How do you see the interest rate from the microfinance institution?
A. Very High () b. High () c. Moderate () d. Low () e. Very Low ()
19. How do you rate the services of MFIs? Low (), moderate (), high ()
20. How do you consider the services of MFIs? Bad () Poor () good () better () best ()

21. Do you think the services can be improved? Yes () or No ()
If yes, how can it be improved?
22. Do the services you received help you in any way? Yes it helps (), or No it didn't ()
23. Can you please explain your choice of the answer above.....
24. Do you think MFI is helpful to you and the country at large? Yes () or No ()
Please give a reason.....
25. In your opinion, does MFIs create employment for the poor? Yes, or No
If yes, by what means.....
26. Do you think MFIs reduce poverty? Yes () or No ()
If yes, how?
27. Are microfinance institutions sustainable in Ghana? Yes () or No ()
28. Do you think MFIs in Ghana have some problems/issues? Yes () or No ()
Please, explain?
29. Do you think MFIs contributes to the Ghanaian economy? Yes () or No ()
30. Can you please give some recommendations to MFI, regulators and the government?
.....
Thank you for your patience, time and responses.



**ANNEX-3B: EMPLOYEES QUESTIONNAIRE
(MICROFINANCE INSTITUTIONS EMPLOYEES QUESTIONNAIRE)**

Anadolu University
Graduate School of Social Sciences
Business Administration Department
Program in Finance
Eskisehir, Turkey.

Dear Sir/Madam,

I am Ramatu Ussif, Doctor of Philosophy Student (Ph.D.) of the above mentioned Program, and University. I am writing my Doctor Thesis research on the title: **“Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”**. Taking into consideration some licensed / registered microfinance institution and few unregistered institutions in the ten Regions of Ghana. The information/data to be collected from you will be use strictly for academic purpose, and it would be handled with care and confidentiality. Your identity would not be disclose to any third party and your real names are not necessary. Your participation in this data collection is voluntary and the interview can be end/stop at the time of your choice. Counting on your usual cooperation and consideration.

Name of Interviewer: Date of Interview:

Name of Respondent (pseudonym name)..... Location:

Region of Interview / City of interview:

Signature of Interviewer Signature of Respondent

SECTION A: Demography

1. Please, your educational level is what? 1. (SHS), 2. (HND), 3. (Degree), 4. (Masters / PhD)

2. Can you please tell me your age range? 1. (18- 25), 2. (25-40), 3. (40-55), and 4. (55+)
3. Your Gender please? Male () or Female ()
4. Please what is your marital status? 1. (Married) 2. (Singled) 3. (Separated) 4. (Living together) 5. (Divorced)

SECTION B

Business information

1. What is your current status of employment please: A. (Employed) b. (Unemployed)
2. If working, what is your main employment sector? A. formal Sector () b. informal Sector
3. Please, what is your occupation? A. Banker () Employee () Employer () Staff ()
4. Please, can you state your salary level? Less than GHc 200 () GHc 200 – 300 () GHc 300 - 500 () GHc 500- 700 () Above GHc 1000 ().
5. Is the work you are doing full time ()/part-time ()?
6. Where from the startup capital for this business? Self-finance () loan () family support
7. How much was your startup capital? Amount GHc
8. Can you please indicate your number of years of working experience? In years
A. One () b. Two () c. Three (), d. Four () e. Five and more ().
9. What is your Length of operation in years? A. (0-5), b. (5-10), c.(10-15), d.(15 and above)
10. Please what is the range of / number of customers your institution is serving?
A. (0-1000) b. (1000-2,000), c. (2,000-5,000), d. (5,000 and above)
11. What is your number of branches, please? (1, 2, 3, 4 and Above)
12. Please your number of Employees? (0-10), (10-20), (20-30), (30 and Above).
13. Where is the Location of your Microfinance Institution (Cities)?
14. Please state number of your customers who received loan? Number ()
15. Please, what kind of credit/loan does your institution give to your customers?
A. (Business Loan), b. (Agricultural Loan), c. (Educational Loan), and d. (Auto Loan).
16. Do you think MFIs reduce poverty? Yes () or No ()
If yes, how?
17. What do you think about microfinance institutions and financial regulations in Ghana?

Please indicate your answer

18. Are Microfinance institutions sustainable in Ghana? Yes () or No ()

If yes, how?

19. Please, do you think MFIs in Ghana have problems and issues? Yes () or No ()

If yes, how?

20. What are the contributions of MFIs in the Ghanaian economy?

.....

21. Please, do you have any comments or suggestion about MFI to add to me? Probe

.....

22. Do microfinance Institutions have challenges in Ghana? Yes () or No ()

23. If yes, please state the challenges.....

24. Are there any challenges in regulating microfinance institutions? Yes () or No ()

If yes, how?

25. What do you think something can be done to improve the MFIs products and services?

Yes (), or No ()

If yes, what can be done?

26. Is there anything thing you think that can be done to make the institutions sustainable?

Yes (), or No ()

If yes, please what do you think?

27. Any other recommendations or suggestion you think that can help to improve the activities of MFIs

Thank you for your patience, time and responses.

**ANNEX-3C: MANAGERS QUESTIONNAIRE
(MICROFINANCE INSTITUTIONS MANAGEMENT QUESTIONNAIRE)**

Anadolu University
Graduate School of Social Sciences
Business Administration Department
Program in Finance
Eskisehir, Turkey.

Dear Sir/Madam,

I am Ramatu Ussif, Doctor of Philosophy Student (Ph.D.) of the above mentioned Program, and University. I am writing my Doctor Thesis research on the title: **“Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”**. Taking into consideration some licensed / registered microfinance institution and few unregistered institutions in the ten Regions of Ghana. The information/data to be collected from you will be use strictly for academic purpose, and it would be handled with care and confidentiality. Your identity would not be disclose to any third party and your real names are not necessary. Your participation in this data collection is voluntary and the interview can be end/stop at the time of your choice. Counting on your usual cooperation and consideration.

Name of Interviewer: Date of Interview:

Name of Respondent (pseudonym name)..... Location:

Region of Interview / City of interview:

Signature of Interviewer Signature of Respondent

SECTION A: Demography

1. Please, your educational level is what? 1. (SHS), 2. (HND), 3. (Degree), 4. (Masters / PhD)

2. Can you please tell me your age range? 1. (18- 25), 2. (25-40), 3. (40-55), and 4. (55 and Above)

3. Your Gender please? Male () or Female ()

4. Please what is your marital status? 1. (Married) 2. (Singled) 3. (Separated) 4. (Living together) 5. (Divorced)

SECTION B

Business information

1. What is your employment position please: Manager () Employee () Other staff ()
2. As a manager, can you state your salary level? GHc 50 - 100 () GHc 100- 300 () GHc 300 – 600 () GHc 600 -1000 () Above GHc 1000 ()
3. Is your work full time () or part-time ()
4. Where from the startup capital for this business? Self-finance () loan () family support()
5. How much was your startup capital? GHc.....
6. Can you please indicate your number of years of working experience? In years
A. One () b. Two () c. Three (), d. Four () e. Five and more ().
7. What is your Length of operation in years? A. (0-5), b. (5-10), c.(10-15), d.(15 and above)
8. Your number of customers served/range of customers 1000-5,000 (), 5,000-10,000(), 10,000-15,000(), 15,000 and above ().
9. How many branches do you have, please? (1, 2, 3, 4 and Above)
10. What is the number of your Employees? 5-10 () , 10 -15 (), 15-20 (), 20+()
11. Where is the Location of your Microfinance Institution (Cities)?
12. What is the total number of customers who received credit in your institution ()
13. Please do all the customers repay the loans given to them? Yes () or No ()
If yes, how many of the loan beneficiaries repaid? Number (), and
If No, how many of the loan beneficiaries defaulted? Number ()
14. Which types of loan/credit are offered to the customers?

- a. (Business Loan), b. (Agricultural Loan), c. (Educational Loan), and d. (commercial Auto Loan)?

15. What do you think about microfinance institutions and financial regulations in Ghana?
.....

16. Are microfinance institutions sustainable in Ghana? Yes () or No ()

17. Which factors are the determinants of microfinance institution's sustainability?
.....

18. Which factors lead to microfinance institution's collapse in the country?
.....

19. As a manager, what do you think can be done to reduce collapse rate of MFIs in Ghana?

20. What do you think are the problems/issues of MFIs in the country?
.....

21. Do you think MFIs contributions to the Ghanaian economy? Yes (), or No ()

22. Do the institution (MFIs) help reduce poverty in Ghana? Yes (), or No ()

If yes, how

23. Do microfinance institutions have challenges in Ghana? Yes () or No ()

If yes, please state the internal challenges of MFIs in Ghana

Please state the external challenges of MFIs in the country

24. Please regulators in Ghana have challenges in regulating MFIs? Yes (), or No ()

25. What do you think should be done to improve the MFIs products and services?

26. Anything you think that can be done to make the MFIs sustainable? Yes (), or No ()

27. Any other recommendations or suggestion to help improve the activities of MFIs?
.....

Thank you for your patience, time and responses.

ANNEX-3D: SMES QUESTIONNAIRE
(Small and Medium Enterprises Operators Questionnaires)

Anadolu University
Graduate School of Social Sciences
Business Administration Department
Program in Finance
Eskisehir, Turkey.

Dear Sir/Madam,

I am Ramatu Ussif, Doctor of Philosophy Student (Ph.D.) of the above-mentioned Program, and University. I am writing my Doctor Thesis research on the title: **“Essays on Impact of Financial Regulations on Microfinance Institutions Sustainability in Ghana”**. Taking into consideration some licensed/registered microfinance institutions and few unregistered institutions in the ten Regions of Ghana. The information/data to be collected from you will be used strictly for academic purposes, and it would be handled with care and confidentiality. Your identity would not be disclosed to any third party and your real names are not necessary. Your participation in this data collection is voluntary and the interview can end/stop at the time of your choice. Counting on your usual cooperation and consideration.

Name of Interviewer: Date of Interview:

Name of Respondent (pseudonym name)..... Location:

Region of Interview / City of the interview:

Signature of Interviewer Signature of Respondent

1. Your gender please? (Male / Female)

2. Please, what is your age group?

1. (10-20), 2. (20-30), 2. (30 -40) and 4. (40 and Above)

3. Your marital status, please?

1. (Married), 2. (Singled), 3. (Separated), 4. (Widowed), and 5. (Divorced)

4. Your Educational level please?

1. No / lack of formal Education ()

2. JHS / SHS ()
3. Diploma / HND ()
4. Bachelor's Degree ()
5. Masters and Above ()

5. Please, your number of experience working years?

1. One () 2. Two () 3. Three (), 4. Four (), 5. Five and More ()

6. What are the types of SMEs businesses in Ghana?

1. Retail services ()
2. Seamstress / Tailor ()
3. Food vendor ()
4. Provision Sellers ()
5. Other (Manufacturing) ()

7. Please state the purpose of establishing SME Businesses?

1. To get an income and support family members ()
2. To create more employment opportunities for the youth ()
3. To better self-living standard ()
4. To be self-employed ()
5. For the growth of the Ghanaian Economy ()
6. To pay my children's school fees ()

8. The objective of SMEs working with MFIs?

1. To secure credits to run Business ()
2. To get funds to expand Business ()
3. To save funds for Personal Projects ()
4. To Receive Business Advice externally ()
5. To get better training from MFIs ()
6. To do investments and savings with income gained ()

9. Please, what are the objectives of Microfinance institutions program/credit?

1. Microfinance institutions help the poor to alleviate poverty ()
2. They create employment for the rural poor ()
3. Help in income-generating activities ()
4. Women empowerment ()
5. Giving credit to the SMEs and the active working poor ()
6. Train their loan beneficiaries/customers on loan usage ()

10. What are some of the services MFIs rendered to SMEs?

1. Issuing Credits / Loans ()
2. Savings and Deposits ()
3. Investments ()
4. Micro Insurances ()
5. Money Transfer ()
6. Remittances ()



11. Please, what are the training and advice services MFIs offered to SMEs?

1. Books and records keeping ()
2. Loan management Advice ()
3. Training on SMEs management ()
4. Training on human resources ()
5. Advice on finances and deposits ()
6. Risk management ()

12. Please, are you one of the loan Applicants to MFIs?

1. Yes, I Apply for Loan ()
2. No, I did not apply for Loan ()

13. SMEs Loan Repayment to MFIs

1. Yes, I repay the Loan ()
2. No, I did not repay the Loan ()

14. Please indicate the types of Loans given to SMEs?

1. Business Loans ()
2. Agricultural Loan ()
3. Educational Loan ()
4. Auto Loan ()
5. Others ()

15. What roles do MFIs play towards SMEs Development in the country?

1. Providing SMEs with Credit ()
2. Organized Training programs for SMEs ()
3. Train SMEs on Proper Records keeping ()
4. Advice SMEs on credit utilization ()
5. Risk management training ()
6. Advice SMEs on building savings and investment culture ()

16. What are the roles of SMEs to Economic Development?

1. Skills and knowledge developing ()
2. Creation of employment ()
3. Empowerment of women ()
4. SMEs stimulate competition ()
5. Support large companies ()
6. Innovation and flexibility encouragement ()

17. Please, what is the challenges facing SMEs in accessing Loans?

1. Lack of capital ()
2. Inadequate managerial skills ()
3. Low level of education or no formal education ()
4. Poor Marketing skills ()
5. Electricity Issues ()
6. Improper Records keeping ()

18. What are the challenges facing MFIs in dealing with SMEs?

1. The high credit default rate ()
2. Lack of information on SMEs Loan Applicants ()
3. Managers Attitude ()
4. Regulatory issues ()
5. Politics and Policies ()
6. Inexperienced Staff ()

19. What are the Prospects of SMEs and MFIs in Ghana?

1. Large Market ()
2. Entrepreneurs Interest ()
3. Politicians Interest ()
4. Government Interest ()
5. Economic Growth ()
6. Potential Customers ()



20. Any comment, suggestion or recommendations to the government, policymakers or the institutions to help improve both MFIs and SMEs performance? If yes, please indicate
Thank you for your patience, time and responses.

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**ANNEX-4A: INTERVIEWED MICROFINANCE INSTITUTIONS
(LIST OF INTERVIEWED MICROFINANCE INSTITUTIONS IN GHANA)**

1	Afro - Arab Microfinance Limited
2	Albrim Microfinance Limited
3	Aspect A Microfinance Institution
4	Baobab Microfinance Company Limited
5	Common Capital Microfinance Limited
6	Crown House Microfinance Limited
7	Dahinsheli Susu and Microfinance Company Limited
8	Dunia Microfinance Limited
9	Expert Link Microfinance Limited
10	G Life Microfinance Limited
11	Global Trust Microfinance Services Limited
12	God Is Perfect Microfinance Institution
13	Golden Trust Microfinance Company Limited
14	Innovative Microfinance Limited
15	Jimet Microfinance Company Limited
16	My Bank Microfinance Company Limited
17	Prudence Microfinance Limited (UER)
18	Safe Microfinance Institution
19	Sinapi Aba Microfinance Institutions

Source: Own Field Research September, 2018.

Note: Sinapi Aba Microfinance Institution is located in all regions ten (10) of Ghana and in each region an interview was conducted in the institution.

**ANNEX-4B: OTHER INTERVIEWED INSTITUTIONS
(LIST OF INTERVIEWED & VISITED INSTITUTIONS/COMPANIES IN GHANA)**

1	BANK OF GHANA (BOG)
2	GERMANY DEVELOPMENT COOPERATION GHANA (GTZ)
3	GHANA MICROFINANCE COMPANIES (GAMC)
4	GHANA MICROFINANCING INSTITUTION NETWORKING (GHAMFIN)
5	MICROFINANCE INSTITUTIONS (MFIS)
6	MICROFINANCE & SMALL LOANS COMPANIES (MASLOC)
7	MINISTRY OF FINANCE (MOF)
8	SMALL & MEDIUM ENTERPRISES (SMES)

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**ANNEX-4C: 70 REVOKED MICROFINANCE INSTITUTIONS LICENSES 2016
(THE LIST OF 70 REVOKED MICROFINANCE INSTITUTIONS LICENSES BY
BANK OF GHANA ON 5TH OF JANUARY 2016)**

On the 5th of January 2016, bank of Ghana revoked 70 Microfinance Institution’s (MFIs) licenses in the country. This was due to solvency of the sub-sector, not able to pay the minimum capital required, unable to pay depositors money, and to meet deadlines for their provisional licensing by Bank of Ghana. The above were the reasons that led to the immediate withdrawal of their licenses with immediate effect on the above stated date. Below is the list of the 70 microfinance institution in table, whose licenses were revoked by bank of Ghana.



1.Cedar House MFI	2. Ezi Access MFI	3.KB Star MFI	4.Money Link MFI
5. Xpress Link 7	6. Quick Loans	7.Vanliz Microfinance	8.Glow Microfinance
9. Sufficiency MFI	10 Apex MFI	11. Atwiman MFI	12. Genesis Seed MFI
13 Look-Ahead MFI	14 Silison MFI	15 Soft biz MFI	16 Growth Champions
17 Money Home MFI	18 Reach MFI	19 Sika Dwa MFI	20 TTS Microfinance
21 Fast Money MFI	22 Ideal Way MFI	23 Skii Credit MFI	24 Royal Kingdom

25 Silver MFI	26 Time-First MFI	27 Agapet MFI	28 Citiville MFI
29 City Trust MFI	30 Coastal Link MFI	31 First Unity MFI	32 Golden Life MFI
33 Mothers' MFI	34 My Hope MFI	35 Paxman MFI	36 Pency-Glo MFI
37 Promise MFI	38 Stegenor MFI	39.Ultimate Focus	40 Bees MFI
41 Ego Vision MFI	42. J'cobs MFI	43 Mckeown MFI	44 Opportunity Global
45 Rimda MFI	46 Spark Trust MFI	47 Swift Trust MFI	48 Topnet MFI
49 Kab MFI	50 Kwabef MFI	51 Medlorm MFI	52 Western MFI
53 Ganyo MFI	54 Kinsban Captial	55 Medal Credit MFI	56 Rejoice MFI
57 Trust Jesus MFI	58 Images MFI	59 Central Capital	60 Sab Trust MFI
61 Antcave MFI	62 F.H&C MFI	63 Pryme Hedge MFI	64 Safe Credit MFI
65 Seab MFI	66 The Lord is Peace	67 Protege MFI	68 Uni Cash MFI
69 Reemalex MFI	70 Diamond Winners MFI		

Source: Vivian Kai Lokko/citifmonline.com/Ghana.

**ANNEX-4D: 347 REVOKED MICROFINANCE INSTITUTIONS LICENSES 2019
(THE LIST OF REVOKED LICENSES OF 347 MICROFINANCE INSTITUTIONS
BY BANK OF GHANA ON MAY 31, 2019).**

The central bank of Ghana has with immediate effect on the above stated date withdrawn the licenses of 347 licenses of microfinance institution in the country. These number (347) was made up 192 insolvent microfinance institutions and 155 microfinance institution which were insolvent & ceased operations. The microfinance institutions revocation of the licenses, by BoG was to maintain soundness, and stability of the financial system, and to protect the affected customers of the sector. Below are the list of the affected 347 microfinance institutions in the country whose licenses were revoked by Bank of Ghana.



(i) 192 Insolvent Microfinance Institutions

1. First Eye Microfinance Institution	2. Abepa Microfinance Institution
3. Acea Microfinance institution	4. Adom Sika Microfinance Co. Limited
5. Advalue Microfinance Co. Limited	6. Ae Microfinance Services Limited

7. Af Microfinance Co. Limited	8. Afrique Capital Microfinance Co. Ltd
9. Akad Microfinance Co. Limited	10. Aki Microfinance Co. Limited
11. All Ghana Microfinance Co. Limited	12. All Inclusive Microfinance Co Limited
13. Alliance trust Microfinance Co Limited	14. Amisgold Microfinance Co Limited
15. A-N Microfinance Company Limited	16. A-One Trust Microfinance services Limited
17. Appiaduman Microfinance Co. Limited	18. Aspet-A Microfinance Institution
19. A-Star Microfinance Co. Limited	20. Axis Direct Microfinance Co.Ltd
21. Benkoston Microfinance services Limited	22. Best Microfinance Co. Limited
23. Bluehills Microfinance SServices Limited	24. Boafo Ne Nyame Microfinance Institution
25. Bodev Microfinance Co. Limited	26. Boin Microfinance Co. Limited
27. Bonamax Microfinance Services Limited	28. Brite Life Microfinance Co. Limited
29. Broadview Capital Microfinance Co. Limited	30. Capital & More Microfinance Co. Limited
31. Capital Connect Microfinance Services Limited	32. Cash Multi-trust Microfinance Co. Limited
33. Cashphase Microfinance Services Limited	34. Cashplus Microfinance Co. Limited

35. Christian Community Microfinance Services Limited	36. Citizen Capital Microfinance Co. Limited
37. City Credit Microfinance Services Limited	38. Connect Capital Microfinance Services Limited
39. Cottage Microfinance Co. Limited	40. Credability Investment MFI
41. Crown Capital MFI Limited	42. Crown House MFI Limited
43. Cymain Capital Microfinance Services Limited	44. Cypress microfinance Co. Limited
45. Dahinsheli Microfinance Services Limited	46. Daily Capital Microfinance Co. Limited
47. Datacash Microfinance Co. Limited	48. Dbm Microfinance Co. Limited
49. Delight Microfinance Services Limited	50. Des Microfinance Services Limited
51. Dolphin Microfinance Co. Limited	52. Donewealth Microfinance Services Limited
53. Dove Microfinance Services Limited	54. Dpf Microfinance Services Limited
55. D-Vanc Microfinance Co. Limited	56. Dwetire Microfinance Co. Limited
57. Easyfast Microfinance Services Limited	58. Ebenezer Microfinance Co. Limited
59. Eclipse Microfinance Services Limited	60. Emefs Microfinance Services Limited
61. Emeralf Microfinance Co. Limited	62. Emerge Microfinance Co. Limited

63. Emeton Microfinance Company Limited	64. Empire Credit Microfinance Services Limited
65. Emwl Microfinance Services Limited	66. Et Microfinance Co. Limited
67. Evergreen Microfinance Services Limited	68. Expressway Microfinance Co. Limited
69. Fast Track Capital MFI Limited	70. Financial Republic Microfinance Services Limited
71. Fino Microfinance Services Limited	72. First Call Microfinance Co. Limited
73. First Liberty Microfinance Co. Limited	74. Fountaingate Microfinance Services Limited
75. Frontier Capital Microfinance Services Limited	76. Frontline Microfinance Co. Limited
77. Fts Capital Microfinance Services Limited	78. Future Leaders Microfinance Co. Limited
79. Gab Microfinance Services Limited	80. Gad Microfinance Co. Limited
81. Galaxy Microfinance Services Limited	82. Geo Multi Microfinance Co. Limited
83. Gg Credit Microfinance Co. Limited	84. Ghabsy Microfinance Co. Limited
85. Giant Steps Microfinance Co. Limited	86. Global Feed Microfinance Services Limited
87. Global Trust Microfinance Co. Limited	88. God Is Perfect Microfinance Services Limited

89. Goldman Capital Microfinance Co. Limited	90. Great Nation Microfinance Services Limited
91. Greenfield Microfinance Co. Limited	92. Hegis Microfinance Services Limited
93. Heritage Microfinance Co. Limited	94. Hodidi Microfinance Services Ltd
95. Home Support & Allied Microfinance Co. Ltd	96. Idos Microfinance Services Limited
97. Integrity Capital Microfinance Services Limited	98. Jcf Consumer Microfinance Co. Limited
99. Jdc Microfinance Company Services Limited	100. Jefam Microfinance Co. Ltd
101. Jidai Microfinance Services Limited	102. Jw Microfinance Co. Limited
103. Kingdave Microfinance Services Limited	104. Kingsbridge Microfinance Co. Limited
105. Kka Empire Microfinance Co. Limited	106. Kwahu Microfinance Services Limited
107. Lake View Microfinance Co. Limited	108. Legend Microfinance Co. Limited
109. Liberty Dmi Microfinance Services Limited	110. Liberty Trust Microfinance Co. Limited
111. Lj Cashplus Microfinance Co. Limited	112. Lloyds Capital Microfinance Co. Limited

113. Mace Microfinance Co. Limited	114. Masadar Microfinance Services Limited
115. Melbond Microfinance Co. Ltd	116. Meridian Microfinance Co. Ltd
117. Micaid Microfinance Co. Ltd	118. Mop Microfinance Services Limited
119. Multi Money Microfinance Co. Limited	120. Multibility Microfinance Services Limited
121. Nas Microfinance Co. Limited	122. Nationwide Microfinance Co. Ltd
123. New Business Microfinance Services Limited	124. New Image Microfinance Co. Limited
125. New Ways Microfinance Services Limited	126. Nkosuo Microfinance Services Limited
127. 1 Microfinance Company Co. Limited	128. Ofs Microfinance Co. Limited
129. Optimal Microfinance Co. Ltd	130. Osomufo Microfinance Co. Ltd
131. Oval Microfinance Services Limited	132. Paragon Microfinance Services Limited
133. Pathway Microfinance Co. Limited	134. Pearlhouse Ghana Microfinance Co. Limited
135. Peesam Microfinance Services Limited	136. Perebrim Microfinance Co. Limited

137. Planet Microfinance Co. Limited	138. Planters Capital Microfinance Services Limited
139. Prime Guaranty Fsl Microfinance Co. Ltd	140. Prime credit Microfinance Services Limited
141. Primus Microfinance Services Limited	142. Prof Microfinance Co. Limited
143. Progressive Microfinance Co. Limited	144. Pronto Microfinance Co. Limited
145. Proseed Microfinance Co. Ltd	146. Purpose Microfinance Co. Ltd
147. Q-Star Investments & Microfinance Services Limited	148. R&J Gateway Microfinance Co. Limited
149. Rancare Microfinance Services Limited	150. Redeemer Microfinance Co. Limited
151. Renaizance Capital Solutions Microfinance Services Limited	152. Reob Fekams Microfinance Services Limited
153. Rightway Microfinance Co. Limited	154. Rivers Capital Microfinance Co. Limited
155. Ropa Microfinance Services Ltd	156. Ross Capital Microfinance Services Limited
157. Royal Steps Microfinance Co. Ltd	158. Royalty Capital Microfinance Services Ltd
159. Safenet Microfinance Services Limited	160. Samag Microfinance Co. Ltd

161. Savannah Microfinance Co. Ltd	162. Savplus Microfinance Co. Ltd
163. Silver Trust Microfinance Co. Ltd	164. Solid Rock Microfinance Services Ltd
165. Solutions Microfinance Co. Ltd	166. Sources Unlimited Microfinance Co. Ltd
167. Sovereign Microfinance Services Limited	168. Standard Trust Microfinance Co. Limited
169. Star Alliance Microfinance Services Limited	170. Starling Microfinance Co. Ltd
171. Start well Microfinance Services Limited	172. Supreme Trust Microfinance Co. Ltd
173. The Orange Capital Microfinance Services Limited	174. The Rashards Microfinance Co. Ltd
175. The Trustline Microfinance Services Limited	176. Ti Microfinance Services Ltd
177. Total Discount Microfinance Services Ltd	178. True Life Capital Microfinance Services Ltd
179. Trust Link Microfinance Co. Ltd	180. Trust Microfinance Co. Ltd
181. Turnstar Microfinance Services	182. Unik Life Microfinance Co. Ltd
183. Unique Microfinance Services Ltd	184. Unique-Mas Microfinance Co. Ltd
185. Vision Credit Microfinance Co. Ltd	186. Voa Microfinance Co. Limited

187. We Enable Microfinance Services Ltd	188. Wintrust Microfinance Co. Ltd
189. Wondaland Microfinance Services Ltd	190. Yan Microfinance Co. Ltd
191. Yeken Microfinance Services Limited	192. Yoli Microfinance Co. Ltd

Out of the 347 microfinance institutions affected in the revocation, the above 192 institutions were insolvent and operating while the below 155 institutions were insolvent and their operations ceased by Bank of Ghana.

(ii) **155 Insolvent and Ceased Operations of Microfinance Institutions in Ghana:**

1. 72 Hours Microfinance Co. Ltd	2. Abis Plus Microfinance Co. Ltd
3. Acit Capital Microfinance Services Limited	4. Adwenpa Microfinance Co. Ltd
5. Adwumaden Microfinance Services Limited	6. African Trust Microfinance Co. Ltd
7. Ag Microfinance Services Limited	8. Agt Microfinance Co. Ltd
9. Allot Microfinance Services Limited	10. Arhinpa Microfinance Services Limited
11. Attention Microfinance Co. Ltd	12. Av Global Microfinance Services Limited
13. Beaconcity Microfinance Co. Ltd	14. Bedel Microfinance Services Limited

15. Bengay Microfinance Co. Ltd	16. Better Life Microfinance Co. Ltd
17. Big Dreams Microfinance Services Limited	18. Bik Microfinance Co. Ltd
19. Boatem Microfinance Services Limited	20. Boavole Microfinance Co. Limited
21. Brisk Credit Microfinance Services Limited	22. C.I.G. Microfinance Services Limited
23. Capital House Microfinance Co. Ltd	24. Capital Line Microfinance Services Limited
25. Captains Microfinance Co. Ltd	26. Casablanca Microfinance Services Ltd
27. Cashbridge Microfinance Co. Ltd	28. Cc Microfinance Services Limited
29. Citizens Resource Microfinance Co. Ltd	30. Comaid Microfinance Limited
31. Comba Microfinance Co. Ltd	32. Common Capital Microfinance Services Ltd
33. Community Microfinance Services Limited	34. Crucial Times Microfinance Co. Ltd
35. Cypress Cedar Microfinance Services Ltd	36. Daa Nhyira Microfinance Services Limited

37. Dc Microfinance Co. Ltd	38. Dems Microfinance Services Ltd
39. Dg Capital Microfinance Co. Ltd	40. Divine Fortunes Microfinance Services Ltd
41. Divine Microfinance Co. Ltd	42. Dwiadifo Adanfo Microfinance Co. Ltd
43. Dynasty Microfinance Co. Ltd	44. Eden Microfinance Services Ltd
45. Ekoba Get Rich MFI Ltd	46. Elite Microfinance Services Limited
47. Ellis Microfinance Services Limited	48. Era Microfinance Co. Ltd
49. Excel United MFI Limited	50. First Fidelity Microfinance Co. Ltd
51. Flexi Microfinance Services Limited	52. Focus Link Microfinance Co. Ltd
53. Fortress Microfinance Co. Ltd	54. Frankaman Microfinance Services Ltd.
55. Giant Gait Microfinance Services Limited	56. G-Life Microfinance Services Limited
57. Global One MFI Limited	58. Gmet Microfinance Services Limited
59. Godigo Microfinance Services Co. Ltd	60. Golden Trust Microfinance Services Co. Ltd

61. Goldpot Microfinance Services Co. Ltd	62. Goodnews Microfinance Services Co. Ltd
63. Halal Microfinance Services Limited	64. High Prestige Microfinance Co. Ltd
65. Hog Microfinance Services Limited	66. Ics Microfinance Services Co. Ltd
67. Ik Microfinance Services Co. Ltd	68. Instant Microfinance Services Ltd
69. Investsure Microfinance Co. Ltd	70. Jada Microfinance Services Co. Ltd
71. Jays Microfinance Co. Ltd	72. Jopat Microfinance Services Co. Ltd
73. Jorbies Microfinance Services Limited	74. Joyhelp Microfinance Company Limited
75. Joyprin Microfinance Services Co. Ltd	76. K. A. D. Microfinance Services Co. Limited
77. Kanafin Microfinance Co. Ltd	78. Kapital Express Microfinance Services Limited
79. Karsi Microfinance Services Limited	80. Kenlasab Microfinance Services Co. Ltd
81. Kingdom Trust MFI Co. Ltd	82. Landmark Microfinance Services Ltd
83. Last Chance MFI Co. Limited	84. Latter Rain MFI Co. Limited

85. Lead Capital Microfinance Services Limited	86. Lead Global MFI Limited
87. Leap Credit Microfinance Services Ltd	88. Light Microfinance Services Company Limited
89. Liquidity Solutions Microfinance Services Company Limited	90. Liyac Microfinance Services Co. Ltd
91. Loyal Shepherd MFI Limited	92. Mallon Microfinance Services Co. Ltd
93. Man Capital Microfinance Services Co. Limited	94. Mars Microfinance Services Limited
95. Megamitch Microfinance Services Limited	96. Micrene Microfinance Co. Ltd
97. Mighty Microfinance Services Company Limited	98. Mokap Microfinance Co. Ltd.
99. Moneyshop Microfinance Services Limited	100. Moore Naara MFI Limited
101. Mt Microfinance Services Limited	102. Nativity Microfinance Co. Ltd
103. Niva Microfinance Services Limited	104. Noble Dream Microfinance Services Company Limited
105. Obaatanpa Microfinance Services Co. Ltd	106. Obuoba Microfinance Services Ltd
107. Oye Microfinance Services Co. Ltd	108. Panam Microfinance Services Co. Limited

109. Pimcel Microfinance Services Co. Ltd	110. Pinnacle Microfinance Services Limited
111. Platinum Capital Microfinance Services Co. Ltd	112. Premier Microfinance Services Ltd
113. Price Capital Microfinance Services Ltd	114. Profit Point Microfinance Services Limited
115. Pro-Link Microfinance Services Ltd	116. Prudence Microfinance Services Ltd
117. Purple Microfinance Services Ltd	118. Qodesh Microfinance Services Limited
119. Quick One Microfinance Services Limited	120. Reell Microfinance Co. Ltd
121. Restore Microfinance Services Company Ltd	122. Rhokida Microfinance Services Ltd
123. Royal Future Microfinance Co. Ltd	124. Sag Ave Maria Microfinance Co. Ltd
125. Say-Adsam Microfinance Services Ltd	126. Seedshare Capital Microfinance Co. Ltd
127. Shalom Microfinance Services Co. Ltd	128. Shine Credit Microfinance Services Co. Ltd
129. Sica Microfinance Services Co Ltd	130. Silban Capital Microfinance Services Co. Ltd

131. Sim Microfinance Services Ltd	132. Skycredit Microfinance Services Ltd
133. Skyy Creditline MFI Limited	134. Solution Pioneers Microfinance Services Co. Ltd
135. Ss Microfinance Services Co. Ltd	136. Ss Stacots Microfinance Services Co. Ltd
137. St. Mary's Microfinance Services Co. Ltd	138. Stalwart Microfinance Co. Ltd
139. Star Plus Microfinance Services Co. Ltd	140. Star Wealth Microfinance Services Ltd
141. Strategies Microfinance Co. Ltd	142. Sweet Jesus Microfinance Services Company Ltd
143. Tbs Capital Microfinance Services Co. Ltd	144. The Informal Project MFI Limited
145. Tipping Point Microfinance Services Co. Ltd	146. Trans Microfinance Services Limited
147. Turning Point Microfinance Services Co. Ltd	148. Unicorn Happy Investment MFI Limited
149. V-Seed Microfinance Company Limited	150. Waxson Microfinance Services Co. Ltd
151. Western Allied Microfinance Services Co. Ltd	152. Wetland Microfinance Services Limited

153. Wimac Trust Microfinance Services Co. Ltd	154. Wise link Microfinance Services Co Ltd
155. Xerox Microfinance Company Limited	

Source: Ghanabusinessnews.com



**ANNEX-4E: MFIs IN COMPLIANCE WITH BOG REGULATION 2017
(THE LIST OF MFIs IN COMPLIANCE WITH BANK OF GHANA REGULATIONS AS AT DECEMBER 31, 2017)**

On the 31st of December, 2017, the Ghana Central (BoG) came up with the below listed microfinance institution as those that are in compliance with the bank of Ghana regulations. These was before the current revocation of the microfinance institution in 2019. Below are the list of those microfinance institution in compliance to the regulations. Indicating their names, status, types, tier, region, and town of operation, and telephone number.

NO	NAME OF INSTITUTION	STATUS	Type	Tier	REGION	TOWN	TELEPHONE NO.
1	ADWUMADEN MICROFINANCE CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	AKYAWKROM	0244222931/ 0575222931
2	A-ONE TRUST MICROFINANCE CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	KEJETIA; KUMASI	0322036242 / 0249258888 /0209502141
3	APPIADUMAN MICROFINANCE SERVCIES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	APPIADU – KUMASI	0208832950
4	BEVAUD-SUPPORT FOUNDATION FNGO	ACTIVE	FN	TIER 3	ASHANTI REGION	DANYAME	0322026030 / 028227637 / 0244 820435
5	DIVINE-ANNOUNCEMENT MONEY-LENDING LTD	ACTIVE	ML	TIER 3	ASHANTI REGION	OLD AMAKOM	0327016000
6	DYNASTY MFI COMPANY LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	ABUAKWA; KUMASI	0267457733/ 03220492471
7	FINO MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	BANTAMA	0202461216 / 0281048080 /0289588885
8	FLEXI MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0244750903/0322035098
9	GHABSY MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	ABUAKWA; KUMASI	0205110247
10	GOLDEN FOUNDATION MFI CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	NORTH SUNTRESO	0244641301/0279577518/0322392762
11	HERITAGE MFI SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	APEMSO JUNCTION	0245848680/0501330609
12	IDOS MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	SUAME	0505134581/0505035531
13	IMPACT MFI SERVICES CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	ADUM	0322038874
14	JALLY MFI SERVICES CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	PATASI	0244035029/0322036493
15	K5 MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	TAFO	0208140293/0244638371
16	KDA MONEY-LENDING SERVICES LTD	ACTIVE	ML	TIER 3	ASHANTI REGION	ADUM	0322028948/0208110959/0208185450/0501330609
17	KKA-EMPIRE MICROFINANCE CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	5267/0501363516
							0262224095/0204802579

18 LAKE VIEW MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0322398610 / 020990384
19 MGI MICROFINANCESERVICES CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0245979990 / 028000210
20 MID-COUNTY MICROFINANCE CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0502330801 / 0244541914/ 0269740903 /0322398594
21 MOKAP MICROFINANCE SERV CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0248386737
22 MULTITRUST-MONEY LENDING CO. LTD	ACTIVE	ML	TIER 3	ASHANTI REGION	ADUM	0244232044 / 0322082759 / 0244650074
23 NEW-WAYS MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	ASAFO	0322036280/0208185191/0208229432/0 0881
24 OSOMUFO MICROFINANCE CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0209292257/0208759360/0244547938
25 PATHWAY MICROFINANCESERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0208159013 /0243654516
26 PLANET MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0501441364 / 0501441366 / 0243784441/0208246641
27 POSITIVE MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0208121239/0245889494/0270889494/0 9494
28 PURPOSE MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0244580515
29 RIGHTWAY MICROFINANCE CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	MBROM; KUMASI	0322046119/ 0244931721
30 ROYALE MIKRI MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	ATONSU	0209171585/0244486532
31 SAFE MICROFINANCESERVICES CO. LIMITED	ACTIVE	MF	TIER 2	ASHANTI REGION	PATASI	0322049188
32 SAY-ADSAM MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	KOTWI; KUMASI	0266012147
33 SECURE CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	ADUM; KUMASI	0322230592/0501304306
34 SOLID-ROCK MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI	0209990317
35 STANDARD-TRUST MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	KUMASI CENTRAL MARKET	0202099223/0204433760 / 0322000196 0243163900/0249536577/0243069614/0
36 STEGENOR MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	OBUASI	2861
37 SUN-SHADE FOUNDATION FNGO	ACTIVE	FN	TIER 3	ASHANTI REGION	ASHTOWN – KUMASI	0322026397 / 0263473170
38 WALLSTREET MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	ASAFO	0322001055/ 0501319276
39 WE ENABLE MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	MAMPONG	0244116628 / 0244116628 /0208158625 0322298012
40 WONDALAND-MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	ADUM	0200245671 / 0322298585
41 YAN MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	ASHANTI REGION	ASUOYEBOAH	0208967926/0244442588

42	APA MICROFINANCESERVICES CO. LIMITED	ACTIVE	MF	TIER 2	BRONG AHAFO REGION	SUNYANI	0352195491
43	ASPECT-A-MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	BRONG AHAFO REGION	TECHIMAN	0244590011 / 0262590011
44	BENEFICIAL MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	BRONG AHAFO REGION	SUNYANI	0352097350/0208148036
45	EXPERT-LINK MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	BRONG AHAFO REGION	TECHIMAN	0244526844 / 0501286658
46	GAB MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	BRONG AHAFO REGION	SUNYANI	0244562141/0209981874 0203707201/0209981863
47	HIGH-AGES MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	BRONG AHAFO REGION	SUNYANI	0352027394/0352097070/0244295680 0264414847/0266838600
48	SNJ-MONEY-LENDING LIMITED	ACTIVE	ML	TIER 3	BRONG AHAFO REGION	SUNYANI	0352025227 0352096339 0502960334
49	AKI MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	KASOA	0244024742 / 0302 862876
50	CASH-MULTITRUST MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	JUKWA	0244724156 / 0244223604
51	CITY-CREDIT MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	ASSIN FOSU	0243942837
52	CRAN-MICROFINANCE SERVICES CO. LIMITED	ACTIVE	MF	TIER 2	CENTRAL REGION	CAPE COAST	0247816657
53	EASY-FAST MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	KASOA	0289529592/0208293248
54	GG-CREDIT MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	KASOA	0264802526 / 0272587897 / 057099090
55	INTEGRITY-INFINITY MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	SWEDRU	0244908157/0332021251/0302993868
56	NAATOA MICROFINANCE COMPANY LIMITED	ACTIVE	MF	TIER 2	CENTRAL REGION	SALTPOND	0544339180/ 0244341899/0544339171
57	OSACS MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	BAWJIASE	0243 414 268 / 0208 509 438
58	PATKAT MONEY-LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3	CENTRAL REGION	MANKESIM	0244623454/0234979892/0208581251/0824
59	PRICE-CAPITAL MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	DUNKWA	0244267699/0262343889
60	QUICK-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	KASOA	0502918678/0269595262
61	R&J GATEWAY MICROFINANCE COMPANY LIMITED	ACTIVE	MF	TIER 2	CENTRAL REGION	KASOA	0208137810 / 0547932741/0302863434
62	SALT-TO-GHANA FNGO	ACTIVE	FN	TIER 3	CENTRAL REGION	ELMINA	0501317377 / 0265407510 / 0201317377
63	FRONTLINE MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	CENTRAL REGION	ASSIN FOSU	0266090090 / 0307097750
64	3AS MICROFINANCE SERVICES CO. LIMITED	ACTIVE	MF	TIER 2	EASTERN REGION	AKOSOMBO	0244167851
65	CALMAD-MONEY-LENDING CO. LIMITED	ACTIVE	ML	TIER 3	EASTERN REGION	MALLAM	0244408308 / 0302 431571 / 00302 703
66	DAA NHYIRA MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	EASTERN REGION	NSAWAM	0302-998898/ 0244-869919/ 0277-6512
67	DES MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	EASTERN REGION	SOMANYA	0501334451/ 0208601132

68 EVERGREEN MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2 EASTERN REGION	SUHUM	0244-211436 / 0243-306685 / 0501 318 0501 318414 / 0342 099342
69 KWAHU MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 EASTERN REGION	SOMANYA	0246064384 / 0570822686
70 MAROON-CAPITAL MICROFINANCESERV. CO. LTD	ACTIVE	MF	TIER 2 EASTERN REGION	KITASE	0508346972
71 PRIMEFEX-MONEY LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3 EASTERN REGION	ACCRA	0245704280/0342290529
72 REDEEMER MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 EASTERN REGION	KOFORIDUA	0342027419/0501318403/0246844443/0 6695
73 WETLAND MICROFINANCE SERVICESLIMITED	ACTIVE	MF	TIER 2 EASTERN REGION	AHWIAM	0247118762
74 YILO-STAR MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 EASTERN REGION	SOMANYA	0501354435-6 / 0208214399
75 ACEA MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0302 957411 / 0263 017954 / 0263 0167 0243 686638
76 ADIPA MICROFINANCE SERVICES CO. LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	LA; PALMWINE JUNCTION	0303310668/03027802120/ 0244 36365 648456/ 0209 386409
77 ADOM-BOAFO MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0267928055 /0244254308 / 0303203156/0501296195/0501296191
78 ADO- SIKA MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ASYLUM DOWN; ACCRA	0302241995
79 AE MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KASOA	0302902726
80 AFRO-ARAB MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA-NEWTOWN	0302252529 / 0244257965 / 024462090 0246403421
81 ALBRIM MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	LA	0264256729 / 0244 964064 / 0302 7985 0302 279201 / 0269 099639
82 AL- INCLUSIVE MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	LARTEBIOKORSHIE - ACCRA	0244318151
83 ALLIANCE-TRUST MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	024461558 / 0303201624
84 ALPHAMAGA MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ADA	0242963644/ 0267653142/ 0289542290
85 AMISGOLD-MICROFINANCE COMPANY LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KOKOMLEMLE - ACCRA	0206746578 / 0244369103

86	AXIS-DIRECT MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	AMASAMAN	0244725677 / 0501290061
87	BAF MICROFINANCE SERVICES CO. LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ACCRA	0208567840 / 0243567840 / 0203567840
88	BEDEL MICROFINANCE SERVICES CO. LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	SAKUMONO	0322193311/027521123
89	BENKOSON MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	EAST LEGON	0204454505
90	BESWORTH MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	MADINA	0202012203
91	BI MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ROMAN RIDGE	0202-600032
92	BIDVEST MICROFINANCE SERVICES CO. LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	KOKOMLEMLE; ACCRA	0243352117/0502102001
93	BJ-CAPITAL-MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ADENTA; ACCRA	0244-149734/0232-961976
94	BLUEHILLS MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	EAST LEGON	0246646836 / 0236646836
95	BOSTON PREMIER MICROFINANCE LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	KANESHIE PAMPROM	0302631066
96	BROADVIEW CAPITAL MICROFINANCE LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ADABRAKA	0302220034/(23357) 411-7641/(23324) 8166
97	CAGL MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TEMA	0303 934487 / 0303400569
98	CAPITAL HOUSE MICROFINANCE LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ACCRA	0205774312 / 0302 328138 / 0244 6750 / 0342 028363
99	CAPITALNET MICROFINANCE LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	POKOASE	(23324) 498-1071/(0303932750)
100	CASHBACK-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	LABONE; ACCRA	0202220064

101 CASHCOW-MONEY-LENDING SERVICES LTD	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	DOME	0244230584
102 CEDI-CAPITAL MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	NORTH KANESHIE	0242851689/0302231110/0235009844/09485
103 CENTRAL MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	HIGH STREET; ACCRA	0272123123 /0573233400
104 CHRISTIAN-COMMUNITY MFI SERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	NORTH DZORWULU	0204666800 / 0302 504246 / 0302 95390302 779701 / 0204 666805
105 CIDAN-CAPITAL MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TEMA	0302 544 351
106 CITIZENS-CAPITAL MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ACCRA	0244223007/0302902495
107 CITIZENS-MONEY-LENDING SERVICES CO. LTD	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	ACCRA	0302900791
108 CLASSIC MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TEMA	0303217242
109 COBBS-MONEY-LENDING COMPANY LTD	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	ADABRAKA	0302673822 / 0208161986
110 COTTAGE MICROFINANCE SERVICES CO. LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	MADINA	0302541922/ 0244636092/ 0302540410/ 0268781800/0244695752
111 CREDABILITY-INVESTMENT & MFIs SERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	EAST LEGON	0233444600
112 CREDIT NEST MICROFINANCE SERVICES. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	LEBENE JUNCTION-ASHAIMAN	0573390331/ 0244362075/ 0264830299
113 CROWN-CAPITAL MICROFINANCESERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TESHIE OPPOSITE LEKMA HOSPITAL	0302611553/0202021427 / 020209412
114 CROWN-HOUSE MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	RAWLINGS PARK	0200001141
115 CUD-MONEY-LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	ACCRA	0204454505

116	CYMAIN-CAPITAL MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ASYLUM DOWN	0302201755
117	CYPRESS MICROFINANCESERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	KOKOMLEMLE	0302242687 / 0244460483
118	DATAFLASH MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TEMA	0277471161
119	DCI MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ASYLUM DOWN	0244678702 / 030 2230 010
120	DELIGHT MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	PANTANG	0267171272
121	DELTA MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	CANTONMENTS	0302201711
122	DEMS MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	LASHIBI	0202018366
123	DIBERU MICROFINANCE SERVICES. GHANA LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	DZORWULU	0244810182/0244065625/0244845918
124	DL MONEY-LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	ACCRA	020201577/ 0500106010
125	DOLPHIN-MICROFINANCE COMPANY LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TEMA	0303214233 / 0244729229
126	DPF MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	LA	0302-923992/0577675131
127	DUNIA MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	NIMA	0275793129/0236443503/0236443504
128	DWETIRE MICROFINANCESERVICES. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	HAATSO	0262200700/0262288288
129	EAZY-CAPITAL MICROFINANCESERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ADABRAKA	0302220693/0302220694
130	ECLIPSE MICROFINANCE SERVICES. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ADENTA; ACCRA	0501394401/05051394390/0505-139439
131	EMEFS MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TESHIE	0302720040/0265518914

132	EMERALF MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	SPINTEX	0269412488
133	EMERGE MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	OGBOJO NEW MARKET	0269133215 / 0232 509885
134	EMPIRE-CREDIT MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TEMA	0507067376/030935856/0342291139
135	EMWL MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ACCRA HIGH STREET	0249870870/0302686954 / 0501335952
136	EQUITY-FOCUS MICROFINANCE SERV, CO LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ABOSSEY OKAI	0208136837
137	EV MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TESHIE; ACCRA	050133 8089
138	EXPRESSWAY MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	KANTAMANTO	0302684360/0501339858
139	F.O.D.-MONEY-LENDING SERVICES LTD	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	LAPAZ	0202027476/0243154908
140	FAMILY-TRUST-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	RINGWAY; ACCRA	0243281242/0249850080
141	FAST-TRACK MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	GRAPHIC ROAD ACCRA	0501435871
142	FED-MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	SWANLAKE	0289533590/0302201990/0268192909
143	FID- MONEY-LENDING LIMITED	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	DZORWULU	054-0114250
144	FINANCIAL-REPUBLIC MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	SANTA MARIA	0244417933/0302433049/0289016963
145	FIRST-CALL MICROFINANCE SERVICE LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	MADINA	0502568960
146	FOUNTAINGATE MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	NORTH ODOKOR	0302918957/0208177436
147	FRONTIER-CAPITAL MICROFINANCE SERVICES.LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ACCRA	0262798364/0244580084/0509783636

148	FTS-CAPITAL MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	LASHIBI	02447875261 / 0266150488 / 02660810
149	FUTURE-LEADERS MICROFINANCESERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	AWUDOME	0302236516/0302228405
150	FWF MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ASHAIMAN	0274423837 / 0243667110
151	GALAXY MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	CANTONMENTS	0508555277
152	GAP-MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	KUKU HILL – OSU	0302779670
153	GDFS-MONEY-LENDING LIMITED	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	ASYLUM DOWN	0501331827/0289671955
154	GEEM MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	KWABENYA	0202011585/ 0204333420
155	GEM-CAPITAL MICROFINANCE SERVICES. LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ACCRA	0302337711
156	GIANT-STEPS MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	DANSOMAN	0244622087
157	GLOBAFIN MICROFINANCE SERVICES. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	SWEDRU	0547116939 / 03320 - 20509 / 0574 116 0302 956521
158	GOLDMAN-CAPITAL MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	KWASHIEMAN	0248138070/0262575663/0574117571
159	GREAT-NATION MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	AGBOGBA JUNCTION	0501453193/0302974218/0244373878/0 9759/0208844001
160	GREENFIELD MICROFINANCE COMPANY LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ASYLUM DOWN	0202011660/0289016981(2)/024478775
161	GROWTH-PIONEERS MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ATICO	0544330431/0302938823
162	HATMAG-MONEY-LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	TEMA	0244188107

163	HAUBINS-MONEY-LENDING SERVICES CO. LTD	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	MADINA	0208166644/0302505342/0246268800
164	HEGIS MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	MATAHEKO	0302328815/ 0244741578/ 0278200763
165	HERITAGE & LEGACY MONEY-LENDING CO. LTD	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	KANDA-ACCRA	0207431581
166	HM-PLUS MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	SAKUMONO	0209101444/0243276657/0244890968
167	HOME-SUPPORT & ALLIED MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TESANO	0244676527/0289676527/0302814008
168	HOPELINE MICROFINANCESERVICES LIMITED	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	MADINA	0302959013/0244611300/0244789485
169	IMPACT-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	TEMA	0244400328/0302984533/0244263990/0363
170	IMPERIAL-RUST FNGO	ACTIVE	FN	TIER 3	GREATER ACCRA REGION	SAKUMONO; ACCRA	0302-814404/0249-265488
171	INFINITY-CAPITAL-MONEY LENDING SERVICES LTD	ACTIVE	ML	TIER 3	GREATER ACCRA REGION	ACCRA-NEWTOWN	0302964372/0203469586
172	INITIATIVE-DEVELOPMENT-GHANA FNGO	ACTIVE	FN	TIER 3	GREATER ACCRA REGION	DANSOMAN	0245004293
173	INNOVATIVE MICROFINANCESERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	ADABRAKA	0302258540/0302257107/0572778117
174	INTEGRITY-CAPITAL MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	SPINTEX	0206870536/0561111289/0246699204
175	INTERZEN MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	NINGO	02448993947/0302902736
176	JADEL-PLUS MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	KANESHIE	0503880909/0302200855
177	JIDAI MICROFINANCESERVICES CO. LTD	ACTIVE	MF	TIER 2	GREATER ACCRA REGION	MADINA	0540289333/0208193248/0573519464/0244602891

178	JIREH MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ATOMIC JUNCTION	0246734744/0506810301/02445660
179	JITA-CREDIT PARTNERS MFI CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	LAPAZ	0243202274/0542350482
180	JL-BRISK MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	HAATSO	0244332930/0302 969099
181	JW MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ODORKOR	0502285209/0246937646/05434642482/0230804005
182	KAF-INVESTMENTS-MONEY-LENDING LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	LABONE	0208174681 / 0207777532/ 0303960238/0208124089
183	KAPITAL-EXPRESS MFI SERVICES CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	MALLAM-ATTA	0302225018/0244255393/02081623
184	KASDAF MICROFINANCE SERVICES CO. LTD	Active	MF	TIER 2 GREATER ACCRA REGION	TEMA	0244711355/0501274801
185	KENSTEP MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KANDA-ACCRA	0302244718
186	KESINOR MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0244337311/0244368189/05401224
187	KINGSBAN-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	DANSOMAN	0501290182/0208383893
188	KINGSBRIDGE MFI SERVICES CO. LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACHIMOTA	0302405475/05080508032701
189	KROWE-MONE- LENDING SERVICES CO. LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	HAATSO- ACCRA	0302770404 / 0302783144 / 024420
190	LEGEND MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0263009158 / 0307011046 / 0303211432
191	LEVERAGE MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	SAKAMAN	0302250247/0277799999

						/0244702875 / 0303933698/054518 0243455639
192 LIBERTY-TRUST MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	NORTH KANESHIE		0501266431
193 LINK-EXCHANGE-MONE- LENDING LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	KOKOMLEMLE		0302242746
194 LITTLE ROCK MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	SOWUTUOM		0302963047/0267422158/02710409
195 LJ CASHPLUS MICROFINANCESERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA		0303 210 834 / 0208 110 824
196 LLOYDS-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA		0244943267/ 0302 661085
197 MABIA MICROFINANCE COMPANY LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ASHALEY BOTWE		0208734959 / 0260845696 / 0244870207 / 0213220404
198 MACELLA MONEY-LENDING SERVICES LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	ASHIAMAN		0205369118 / 0307031193
199 MAGNET MONEY-LENDING SERVICES LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	AGBOBA		0302969087/0206619118
200 MEDI-GHANA MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	WEST LEGON		0302432961 / 0577666688
201 MELBOND MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KANESHIE		0244470323 / 0303933392 / 0208317750
202 MERIDIAN MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA		0202019849 / 0260989330/ 0266119350
203 METRO-GOLD MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA		0275906057/0541924309
204 MHT MONEY-LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	ACHIMOTA		0302948885/ 0302975587/ 0245925

205 MICAID MICROFINANCE SERVICES LIMITED	Active	MF	GREATER ACCRA TIER 2 REGION	ODORKOR	0234935098/ 0577667060/ 0577667066/ 0233-791126
206 MONICAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	GREATER ACCRA TIER 2 REGION	NORTH KANESHIE	0302914377 / 0244913999
207 MULTI – VALUE-MONEY-LENDING CO. LTD	ACTIVE	ML	GREATER ACCRA TIER 3 REGION	NORTH LEGON	0242613448/ 0242613586/ 0500408982
208 MULTI MONEY MICROFINANCE SERVICES LTD	ACTIVE	MF	GREATER ACCRA TIER 2 REGION	KANESHIE	0302851253//851254/851255 / 0244
209 MULTIBILITY MICROFINANCESERVICES LTD	ACTIVE	MF	GREATER ACCRA TIER 2 REGION	EAST LEGON	0244573454 / 0543288210
210 NDL MONEY-LENDING SERVICES LIMITED	ACTIVE	ML	GREATER ACCRA TIER 3 REGION	TESHIE	0206467368
211 NECTAR MONEY-LENDING SERVICES LIMITED	ACTIVE	ML	GREATER ACCRA TIER 3 REGION	ASYLUM DOWN	0302962311
212 NEEDS MICROFINANCE SERVICES LIMITED	ACTIVE	MF	GREATER ACCRA TIER 2 REGION	CHRISTIAN VILLAGE	0302433937 / 0289548421
213 NEIGHBOURHOOD-MICROFINANCE SERV. LTD	ACTIVE	MF	GREATER ACCRA TIER 2 REGION	TEMA	0303932079 / 0261010951
214 NEW ACME TRUST-MONEY LENDING LTD	ACTIVE	ML	GREATER ACCRA TIER 3 REGION	ABEKA LAPAZ	0243220404\0342290780\03039375 5683
215 NKOSUO MICROFINANCE SERVICES LIMITED	ACTIVE	MF	GREATER ACCRA TIER 2 REGION	OSU	0208883295
216 NOBLE-TRUST MICROFINANCE CO. LTD	ACTIVE	MF	GREATER ACCRA TIER 2 REGION	ACCRA NEW TOWN	0302201664 / 0501335457
217 OBRAPA MONEY LENDING SERV. LTD	ACTIVE	ML	GREATER ACCRA TIER 3 REGION	DZORWULU	0302- 798551/0281066000/0570801873/0 / 0264326311

218 OCEAN-CAPITAL MICROFINANCE SERV. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	NEWTON	0207-293344
219 OFS MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	DOME	0302-405948 /0289538174
220 OLIVE-BRANCH-CAPITAL MFI SERV LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KANTAMANTO	0244231205
221 ONTIME-MICROFINANCE SERV. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	SPINTEX BATSONA; ACCRA	0244106343 /0202967716
222 OPTIMAL-MICROFINANCE SERV. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KANESHIE; ACCRA	0302 268733/ 0302 268718/ 0207 9
223 OPTIONS MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ALAJO	0244694091/ 0302225228
			GREATER ACCRA		0244751012 / 0302 766430/0302 76
224 ORBIT MONEY-LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3 REGION	ACCRA	351503
225 OVAL MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA NEW TOWN	0244272824
			GREATER ACCRA		0302767861/0269629661
226 PAK MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 REGION	ACCRA	0233359145
227 PANAM MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0302230474 / 0243287720
			GREATER ACCRA		0244684497/0302944450/03029445
228 PARAGON MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 REGION	ANYAA	3394/0262090181
229 PAYFLEX MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	OSU	0244809090
230 PEREBRIM MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA NEW TOWN	0302252523/0302226296
231 PRIMECREDIT MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0208175451

232 PRIMUS MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0283424949
233 PRINCIPAL-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	DZORWULU	0244373941/0244986088
234 PROF MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0244341644
235 PROGRESSIVE MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KWASHIEMAN	0202083383
236 PURE EDEN MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0204904049/0244858877
237 PWF CAPITAL MONEY LENDING CO. LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	PIG FARM	0208141968 / 0268141968
238 Q-CAPITAL MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0302245942/ 0277600600/0244987
239 QUALITY MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0243522359
240 QUICKEN MICROFINANCE SERV. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0307020846-9
241 RENAIZANCE CAPITAL SOLUTIONS MFI LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0302542583/0544338441/02834480
242 REOB FEKAMS MICROFINANCE SERV. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ASYLUM DOWN	0244384661/0302903106
243 ROSS-CAPITAL MICROFINANCE SERV. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	(23327) 783-1777/(23354) 968-6190/0302675211
244 ROYAL STEPS MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	DOME	0303930008/0244788581
245 SAFENET MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0303306262

246 SAVANNAH MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	MADINA	020 8128077 / 026 8128077
247 SELVAN & SALIA CAPITAL-MONEY LENDING LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	ACCRA	0208350396/0249001534
248 SHALOM MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	EAST LEGON	0302974389/0204676957
249 SHIELD MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	SPINTEX ROAD	0544356888/0244637830
250 SIKAPRESS MONEY-LENDING SERVICES LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	ACCRA	0302676435/0302676336/24417262
251 SOLIDARIO MICROFINANCESERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ADENTA RIZ JUNCTION	0302504205/0509039426/02081953
252 SOLUTIONS MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	NORTH KANESHIE	0243525253
253 SOVEREIGN MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ASHAIMAN	0303973035
254 SPEED MICROFINANCE SERV CO. GH. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	MADINA	0244746466 / 0243010116/0302984
255 STAR ALLIANCE MFI SERV. CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ABBOSEY OKAI; ACCRA	0302631635/0209345895/02663882
256 STAR-CAPITAL MONEY LENDING SERV. LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	EAST LEGON	0572231930/0302
257 STARLING MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACHIMOTA	542177/0302542182/0289601918
258 SUMMIT-VISION MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KANESHIE	0302975585/0248450611
259 TAILORED-SOLUTIONS MICROFINANCE CO.LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ADENTA	0302232226/0207340538
					0222511779 / 0265338227

260 TALENT MICROFINANCE COMPANY LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0200885416/0302- 246429
261 THE MINT MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	RING ROAD CENTRAL	0204336006 / 0204336010
262 THE ORANGE-CAPITAL MICROFINANCE SERV. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	MILE 7	0303934521/0202013755(0233) 819
263 THE TRUST LINE MICROFINANCE SERV. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ADABRAKA; ACCRA	0302260056/0307079302
264 TI MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KANTAMANTO	0302632550
265 TIGER-FORCE MFI SERV. CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0302766725 / 024 4380003/020920
266 TOTAL-DISCOUNT MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	MADINA	0505718020 / 0208153345
267 TRUST-LINK MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	DANSOMAN	0273064404/0208214639
268 TRUST-MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACCRA	0244682587
269 TRUSTWELL-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ADABRAKA	0302201968 / 0277790900
270 TURNSTAR MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0244635934 / 0243184655
271 UBUNTU-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	EAST LEGON	0501436201 / 0244894386 /030254
272 UDF MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KWABENYA	0303932838/9
273 UNI-CAPITAL MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ASHAIMAN	020-8616060/0544-833309

274	UNIVERSAL MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	MALLAM	0302333660
275	UPTIMA-CREDIT & MICROFINANCE-HOUSE LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0303313166/0506204006 /0233281024/0269604000
276	USAVE MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	AWOSHIE	0302329284
277	VISION-CREDIT MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0248-799332 / 030-3314036
278	VISION-FUND GHANA MONEY LENDING LTD	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	ADENTA	0302502064 / 0244258848 / 054670501423871
279	VOA MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ACHIMOTA	0208178464 / 0289601430
280	WEMA MICROFINANCE SERVICES CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ASHONGMAN	0203001468/ 0208501703
281	WEST ONE MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	ABEKA LAPAZ	0267-513853 /0207088161/0362194
282	WESTLAKE-CAPITAL MFI SERV. CO. LTD	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	KANESHIE; ACCRA	030-2201602/020-6452655
283	YEKEN MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	SPINTEX ROAD	0244092489/0249780645/02095626
284	YOBSONS MONEY LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	MALLAM	0208377974 / 0242210520 /030233
285	YU MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 GREATER ACCRA REGION	TEMA	0302-779104
286	ZETA-MONE- LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3 GREATER ACCRA REGION	TEMA	0264346270/0303204997
287	BAOBAB-MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 NORTHERN REGION	ZOEPOLI – TAMALE	0244384164 /0372027297 / 037202
288	CARD-FNGO	ACTIVE	FN	TIER 3 NORTHERN REGION	TAMALE	0372023512

DAHINSHELI-SUSU & MICROFINANCE COMPANY						0372022129
289 SERVICES LIMITED	ACTIVE	MF	TIER 2 NORTHERN REGION	TAMALE		0203258388 / 0244506945
290 GLOBAL-TRUST MICROFINANCE CO. LTD	ACTIVE	MF	TIER 2 NORTHERN REGION	TAMALE		0372028081
291 NAS MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 NORTHERN REGION	CHEREPONI		0570231810 / 0268289886
292 MWINTUUR MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 UPPER WEST REGION	WA		0208238660 / 0204847663 / 020856
293 ASRUD FNGO SERVICES LIMITED	ACTIVE	FN	TIER 3 VOLTA REGION	HO		0244835624 / 0208136790
294 DBM MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 VOLTA REGION	JASIKAN		0503053300/0244966973
295 DICKMAFLE MONEY LENDING SERV. LTD	ACTIVE	ML	TIER 3 VOLTA REGION	AGBOZOME		0244028009
296 GAEWORNU MICROFINANCE COMPANY LIMITED	ACTIVE	MF	TIER 2 VOLTA REGION	AKATSI		0208129871 /0209259911
297 JCF-CONSUMER MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 VOLTA REGION	AFIADENYIGBA		0243584219/0509543729/02434227
298 LAST-CHANCE MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 VOLTA REGION	HO		0303931984 / 0244984498
299 UNIVERSAL-CAPITAL FNGO SERVICES LTD	ACTIVE	FN	TIER 3 VOLTA REGION	HO		024 476 3193/ 020 765 1651
300 BOAFO NE NYAME MFI SERV. CO. LTD	ACTIVE	MF	TIER 2 WESTERN REGION	SEFWI – DWINASE		0249 118787 / 0244 372424
301 ABEPA MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 WESTERN REGION	KWESIMINSTIM - TAKORADI		0264679750
302 AF-MICROFINANCE SERTVICES CO. LTD	ACTIVE	MF	TIER 2 WESTERN REGION	TAKORADI		0312001313
303 ASANKRAMAN MICROFINANCE SERV. LTD	ACTIVE	MF	TIER 2 WESTERN REGION	ASANKRAGWA		0208078366/0209985400
304 BOAVOLE MICROFINANCE SERVICES. LIMITED	ACTIVE	MF	TIER 2 WESTERN REGION	AIYINASI – AXIM		0302717149 / 0244594037 / 026416
305 BOIN MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 WESTERN REGION	ANYINASI		0209986768/ 0209986769 / 024306
306 CASHPOINT MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 WESTERN REGION	TAKORADI MARKET CIRCLE		0262768096 / 0501294419/0501294
307 DAD-MONE- LENDING SERV. CO. LTD	ACTIVE	ML	TIER 3 WESTERN REGION	TAKORADI		0246441101 / 024448089
308 DAILY-CAPITAL MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 WESTERN REGION	TAKORADI		0209121838
309 DOWNEALTH MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 WESTERN REGION	TAKORADI		0302970970/0244635147/02029149 2378
310 FIRST-RATE MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 WESTERN REGION	TAKORADI		0302223390/0312025765/02043448
311 GEO-MULTI MICROFINANCE SERV. CO. LTD	ACTIVE	MF	TIER 2 WESTERN REGION	TARKWA		0312098864/0244526923
312 INDEPENDENT MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 WESTERN REGION	PRESTEA		0501291523
313 LOAN-LINE MICROFINANCE SERVICES LTD	ACTIVE	MF	TIER 2 WESTERN REGION	TAKORADI		0312001169 / 0209995640

						/ 0209995639
314	NEW-BUSINESS MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 WESTERN REGION	BIBIANI	0244518688 / 0208929824
315	SKILIMIT MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 WESTERN REGION	AGONA NKWANTA	0312198096 / 0501334290
316	UNI FOCUS MONE- LENDING SERVICES LIMITED	ACTIVE	ML	TIER 3 WESTERN REGION	TAKORADI	0501335067
317	UNIK-LIFE MICROFINANCESERVICES LIMITED	ACTIVE	MF	TIER 2 WESTERN REGION	TAKORADI	0243326178/0244065000
318	WELCOME MONEY-LENDING COMPANY LIMITED	ACTIVE	ML	TIER 3 WESTERN REGION	TAKORADI	0312000602
319	YAALEX MICROFINANCE SERVICES LIMITED	ACTIVE	MF	TIER 2 WESTERN REGION	TAKORADI	0208198477/ 0312020757

Source: Bank of Ghana website.

The above microfinance institutions were in existence and very good standing as at 2017. Currently in 2019, due to insolvency and other factors, the number has reduced drastically to one hundred and thirty seven (137) institutions.

ANADOLU
ÜNİVERSİTESİ

**ANNEX-4F: MICROFINANCE INSTITUTIONS IN CURRENT OPERATION
(THE LIST OF MFIs TO REMAIN IN OPERATION IN GHANA).**

The Ghana central Bank came up with the list of 137 microfinance institutions that are to remain in operation in the country. These institutions are said to be in full compliance with the regulations, principles and guidelines of operations for microfinance institutions by BoG in the country. Below are the list of the institutions in a table.

1	3 AS MICROFINANCE SERVICES LIMITED
2	ADIPA MICROFINANCE SERVICES LIMITED
3	ADOM BOAFO MICROFINANCE COMPANY LIMITED
4	AFRO - ARAB MICROFINANCE COMPANY LIMITED
5	ALBRIM MICROFINANCE SERVICES COMPANY LIMITED
6	ALPHAMAGA MICROFINANCE SERCVICES LIMITED
7	APA MICROFINANCE SERVICES COMPANY LIMITED
8	ASANKRAMAN MICROFINANCE SERVICES LIMITED
9	BAF MICROFINANCE SERVICES COMPANY LIMITED
10	BAOBAB MICROFINANCE SERVICES LIMITED
11	BENEFICIAL MICROFINANCE SERVICES LIMITED
12	BESWORTH MICROFINANCE SERVICES COMPANY LIMITED
13	BI MICROFINANCE SERVICES LIMITED
14	BIDVEST MICROFINANCE SERVICES COMPANY LIMITED
15	BJ CAPITAL MICROFINANCE SERVICES LIMITED
16	BOSTON-PREMIER MICROFINANCE SERVICES LIMITED
17	CAGL MICROFINANCE COMPANY LIMITED
18	CAPITALNET MICROFINANCE SERVICES LIMITED
19	CASHBACK-CAPITAL MICROFINANCE SERVICES CO. LTD

20	CASHPOINT MICROFINANCE SERVICES LIMITED
21	CEDI-CAPITAL MICROFINANCE SERVICES COMPANY LIMITED
22	CENTRAL MICROFINANCE SERVICES LIMITED
23	CIDAN-CAPITAL MICROFINANCE COMPANY LIMITED
24	CLASSIC MICROFINANCE SERVICES COMPANY LIMITED
25	COASTAL-COMMERCE MICROFINANCE SERVICES LIMITED
26	CRAN MICROFINANCE SERVICES COMPANY LIMITED
27	CREDIT-NEST MICROFINANCE SERVICES LIMITED
28	DCI MICROFINANCE SERVICES COMPANY LIMITED
29	DELTA MICROFINANCE COMPANY LIMITED
30	DUNIA MICROFINANCE SERVICES LIMITED
31	EAZY-CAPITAL MICROFINANCE SERVICES LIMITED
32	EDDIEVYN MICROFINANCE COMPANY LIMITED
33	EMAN-CAPITAL MICROFINANCE COMPANY LIMITED
34	EQUITY-FOCUS MICROFINANCE SERVICES LIMITED
35	EV-MICROFINANCE SERVICES COMPANY LIMITED
36	EXPERT-LINK MICROFINANCE SERVICES COMPANY LIMITED
37	FAMILY-TRUST CAPITAL MFI LIMITED
38	FAST-LINK MICROFINANCE SERVICES COMPANY LIMITED
39	FAST-TRACK MICROFINANCE SERVICES LIMITED
40	FED MICROFINANCE SEFVICES CO. LTD
41	FIRST-RATE MICROFINANCE SERVICES COMPANY LIMITED
42	FORBES MICROFINANCE SERVICES LIMITED
43	FWF MICROFINANCE SERVICES COMPANY LIMITED

44	GAEWORNU MICROFINANCESERVICES COMPANY LIMITED
45	GAP MICROFINANCE SERVICES COMPANY LIMITED
46	GEEM MICROFINANCE COMPANY LIMITED
47	GEM-CAPITAL MICROFINANCE SERVICES COMPANY LIMITED
48	GIFS MICROFINANCE SERVICES COMPANY LIMITED
49	GLOBAFIN MICROFINANCE SERVICES COMPANY LIMITED
50	GOLDEN-FOUNDATION MICROFINANCE SERVICES CO. LTD
51	GROWTH-PIONEERS MICROFINANCE SERVICES CO. LTD
52	HIGH-AGES MICROFINANCE SERVICES CO. LTD
53	HM-PLUS MICROFINANCE SERVICES COMPANY LIMITED
54	HOB-CAPITAL MICROFINANCE SERVICES COMPANY LIMITED
55	HOPELINE MICROFINANCE SERVICES COMPANY LIMITED
56	IMPACT-CAPITAL MICROFINANCE SERVICES COMPANY LIMITED
57	IMPACT MICROFINANCE SERVICES COMPANY LIMITED
58	INDEPENDENT MICROFINANCE SERVICES COMPANY LIMITED
59	INNOVATIVE MICROFINANCE SERVICES COMPANY LIMITED
60	INTEGRITY-INFINITY MICROFINANCE SERVICES COMPANY LTD
61	INTERZEN MICROFINANCE SERVICES COMPANY LIMITED
62	JADEL-PLUS MICROFINANCE SERVICES COMPANY LIMITED
63	JALLY MICROFINANCE SERVICES COMPANY LIMITED
64	JIMET MICROFINANCE SERVICES COMPANY LIMITED
65	JIREH MICROFINANCE SERVICES COMPANY LIMITED
66	JITA-CREDIT-PARTNERS MICROFINANCE SERVICES CO. LTD
67	JL-BRISK MICROFINANCE SERVICES COMPANY LIMITED
68	K5 MICROFINANCE SERVICES COMPANY LIMITED

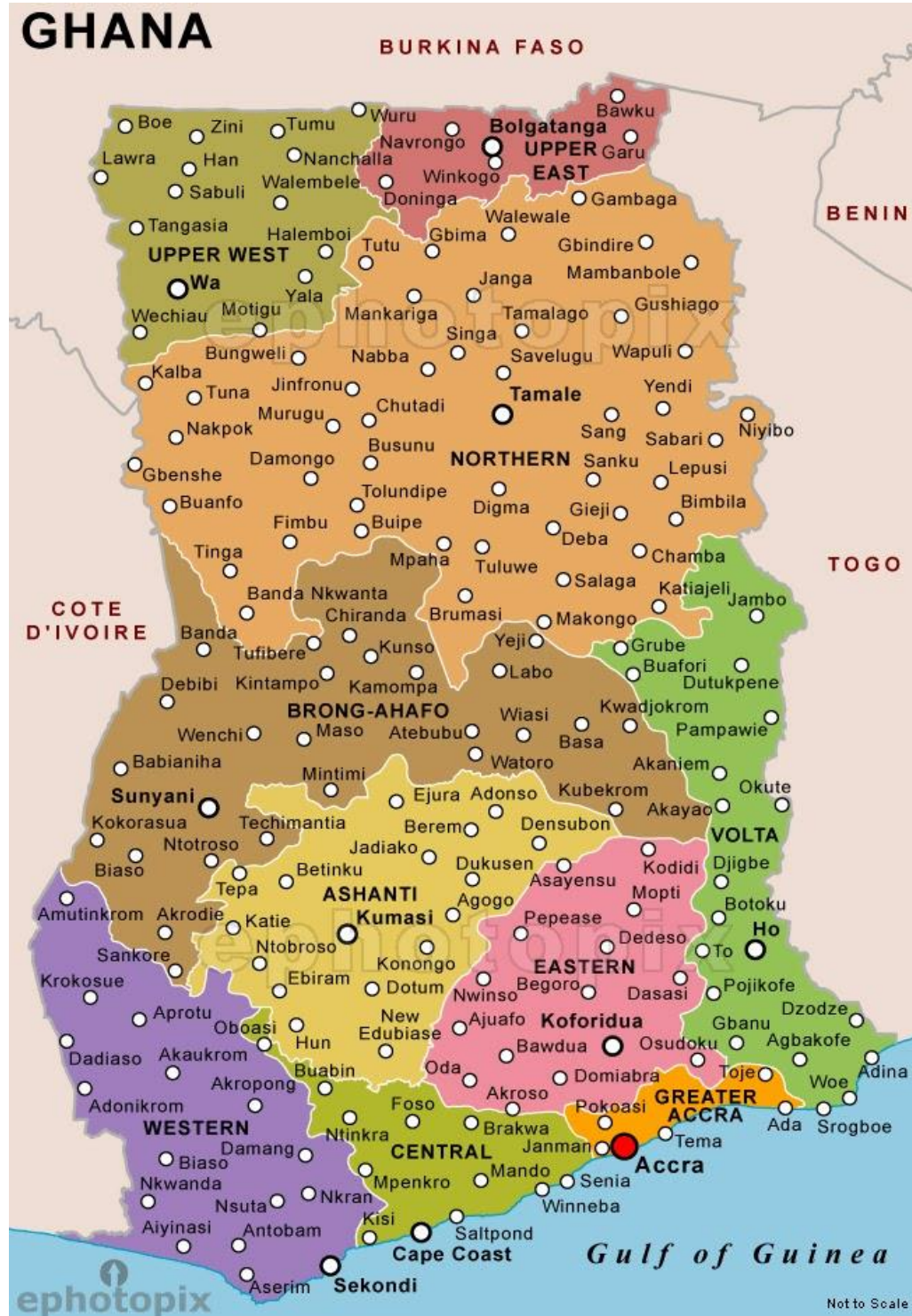
69	KASDAF MICROFINANCE SERVICES COMPANY LIMITED
70	KENSTEP MICROFINANCE SERVICES COMPANY LIMITED
71	KESINOR MICROFINANCE SERVICES COMPANY LIMITED
72	KINGSBAN MICROFINANCE SERVICES COMPANY LIMITED
73	LEVERAGE MICROFINANCE SERVICES COMPANY LIMITED
74	LITTLE-ROCK MICROFINANCE SERVICES COMPANY LIMITED
75	LOAN-LINE MICROFINANCE SERVICES COMPANY LIMITED
76	LOVE MICROFINANCE SERVICES COMPANY LIMITED
77	MABIA MICROFINANCE SERVICES COMPANY LIMITED
78	MAROON MICROFINANCE SERVICES COMPANY LIMITED
79	MEDI-GHANA MICROFINANCE SERVICES COMPANY LIMITED
80	METRO-GOLD MICROFINANCE SERVICES COMPANY LIMITED
81	MGI MICROFINANCE SERVICES COMPANY LIMITED
82	MID COUNTY MICROFINANCE SERVICES COMPANY LIMITED
83	MONICAPITAL MICROFINANCE SERVICES COMPANY LIMITED
84	MWINTUUR MICROFINANCE SERVICES COMPANY LIMITED
85	NAATOIA MICROFINANCE SERVICES COMPANY LIMITED
86	NEEDS MICROFINANCE SERVICES COMPANY LIMITED
87	NEIGHBORHOOD MICROFINANCE SERVICES COMPANY LIMITED
88	NOBLE-TRUST MICROFINANCE SERVICES COMPANY LIMITED
89	OCEAN-CAPITAL MICROFINANCE SERVICES COMPANY LIMITED
90	OLIVE-BRANCH-CAPITAL MICROFINANCE SERVICES CO. LTD
91	ONTIME MICROFINANCE SERVICES COMPANY LIMITED
92	OPTIONS MICROFINANCE SERVICES COMPANY LIMITED
93	OSACS MICROFINANCE SERVICES COMPANY LIMITED

94	PAK MICROFINANCE SERVICES COMPANY LIMITED
95	PAYFLEX MICROFINANCE SERVICES COMPANY LIMITED
96	POSITIVE MICROFINANCE SERVICES COMPANY LIMITED
97	PRIME-INVEST MICROFINANCE SERVICES COMPANY LIMITED
98	PRINCIPAL-CAPITAL MICROFINANCE SERVICES CO. LIMITED
99	PURE-EDEN MICROFINANCE SERVICES COMPANY LIMITED
100	Q-CAPITAL MICROFINANCE SERVICES COMPANY LIMITED
101	QUALITY MICROFINANCE SERVICES COMPANY LIMITED
102	QUICK-CAPITAL MICROFINANCE SERVICES COMPANY LIMITED
103	QUICKEN MICROFINANCE SERVICES COMPANY LIMITED
104	RAPID-LINK MICROFINANCE SERVICES COMPANY LIMITED
105	ROGAI MICROFINANCE SERVICES COMPANY LIMITED
106	ROYALE-MIKRI MICROFINANCE SERVICES CO. LIMITED
107	SAFE-MICROFINANCE SERVICES - COMPANY LIMITED
108	SECURE-CAPITAL MICROFINANCE SERVICES CO. LIMITED
109	SHEEDY MICROFINANCE SERVICES CO. LIMITED
110	SHIELD MICROFINANCE SERVICES CO. LIMITED
111	SKILIMIT MICROFINANCE SERVICES CO. LIMITED
112	SOLIDARIO MICROFINANCE SERVICES COMPANY LIMITED
113	SPEED MICROFINANCE SERVICES GHANA CO. LTD
114	SPRINGBOARD MICROFINANCE SERVICES COMPANY LIMITED
115	STEGENOR MICROFINANCE SERVICES COMPANY LIMITED
116	SUCCESS FOR PEOPLE SERVICES COMPANY LIMITED
117	SUMMIT-VISION MICROFINANCE COMPANY SERVICES LIMITED
118	TAILORED-SOLUTIONS SERVICES LIMITED

119	TALENT MICROFINANCE COMPANY LIMITED
120	THE MINT MICROFINANCE SERVICES CO. LIMITED
121	TIGER-FORCE MICROFINANCE SERVICES CO. LIMITED
122	TRUSTWELL MICROFINANCE SERVICES CO. LIMITED
123	UBUNTU-CAPITAL MICROFINANCE SERVICES CO. LIMITED
124	UDF MICROFINANCE SERVICES CO. LIMITED
125	UNI CAPITAL MICROFINANCE SERVICES COMPANY CO. LIMITED
126	UNIMAS MICROFINANCE SERVICES COMPANY LIMITED
127	UNIVERSAL MICROFINANCE SERVICES COMPANY LIMITED
128	UPTIMA-CREDIT & MICROFINANCE-HOUSE SERVICES LIMITED
129	USAVE MICROFINANCE SERVICES COMPANY LIMITED
130	VIVANTI MICROFINANCE SERVICES COMPANY LIMITED
131	WALL-STREET MICROFINANCE SERVICES COMPANY LIMITED
132	WEMA MICROFINANCE SERVICES CO. LIMITED
133	WEST ONE MICROFINANCE SERVICES COMPANY LIMITED
134	WESTLAKE-CAPITAL MICROFINANCE SERVICES CO. LIMITED
135	YAALEX MICROFINANCE SERVICES COMPANY LIMITED
136	YILO STAR MICROFINANCE SERVICES COMPANY LIMITED
137	YU MICROFINANCE SERVICES COMPANY LIMITED

Source: Bank of Ghana website

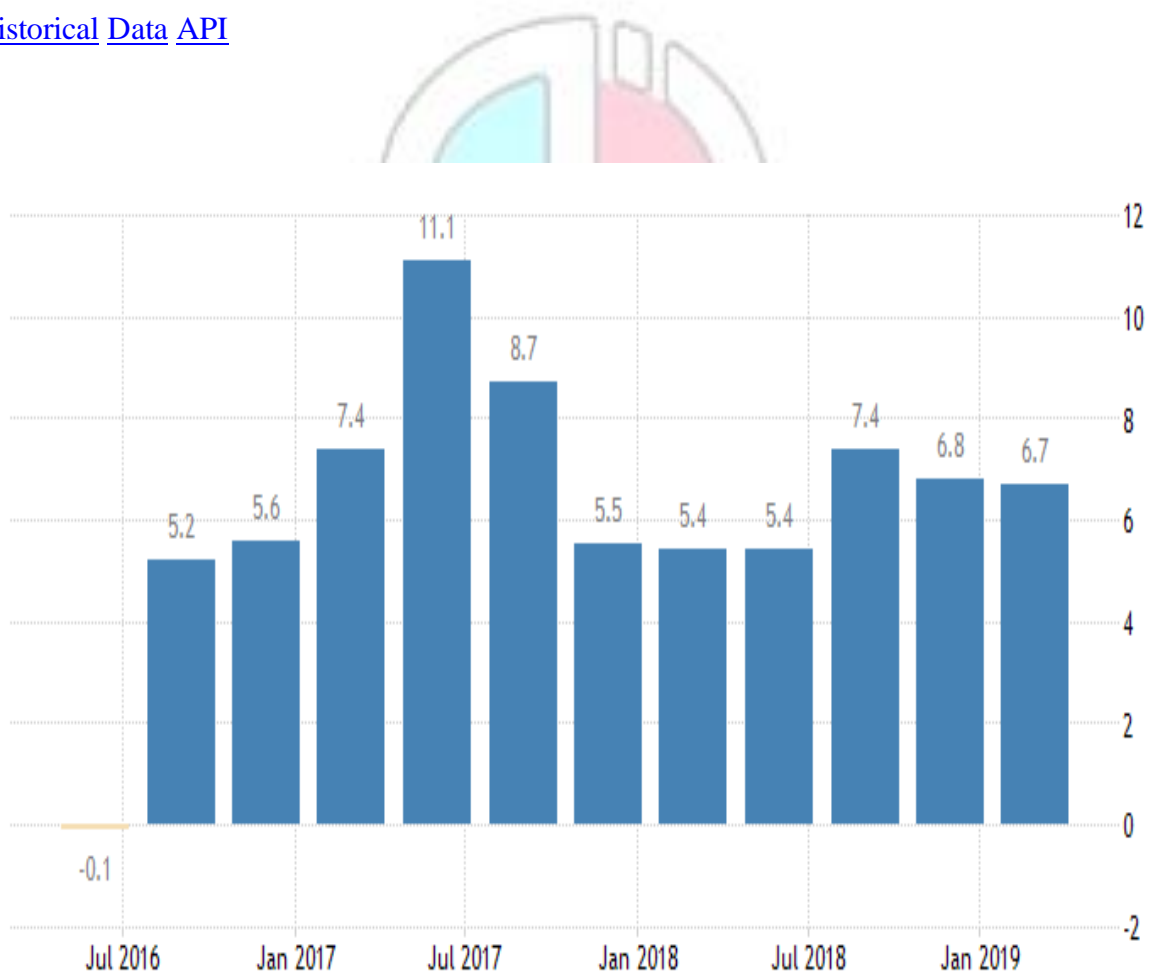
**ANNEX-4G: MAP OF STUDY AREA/BOUNDARIES
(MAP OF GHANA/ STUDY AREA/ BOUNDARIES)**



ANNEX-5A: GROSS DOMESTIC PRODUCT IN GHANA (GROSS DOMESTIC PRODUCT RATE IN GHANA)

Ghana's economy year-by-year is advancing 6.7% this year (2019) in the first quarter, with a 6.8% growth last year 2017, which is solely boosted by the industrial sector and services sector. The GDP on the quarterly basis, grew 1.6% as compared to 1.7% in the 4th quarter of the previous year. The Ghana GDP growth rate annually is averaged 6.68% from the year 2000 to the current year 2019, reaching 25% high in the 1st quarter of 2012 and a low record of -1.60% in the 3rd quarter of 2015.

[Historical Data API](#)

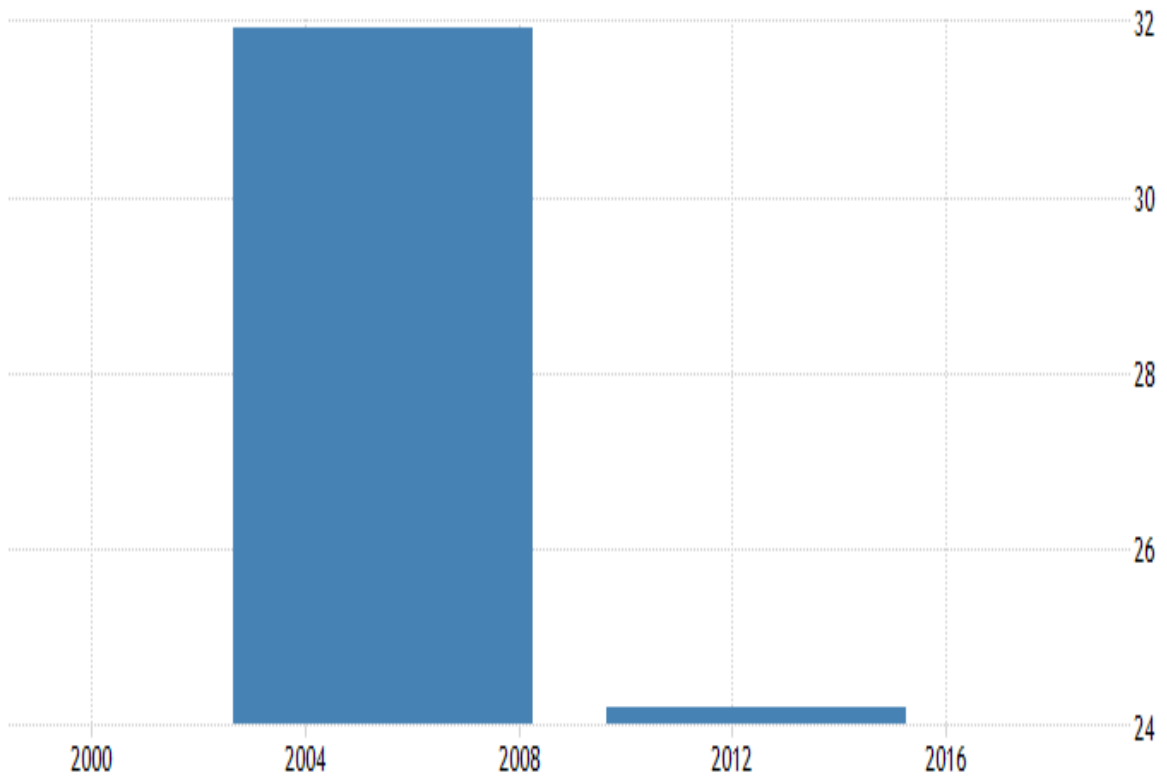


SOURCE: TRADINGECONOMICS.COM | GHANA STATISTICAL SERVICE

ANNEX-5B: POVERTY RATE IN GHANA (POVERTY RATE IN GHANA)

The poverty headcount ratio of Ghana at the national poverty line (percentage of population) was reported in 2012 at 24.2% according to the report of World Bank collection of development indicators that was compiled from officially recognized sources. The national poverty rate is defined as the percentage of a population who are living below the national poverty line. The estimates in the nation are based on population-weighted estimates from the survey of households in the country (household survey).

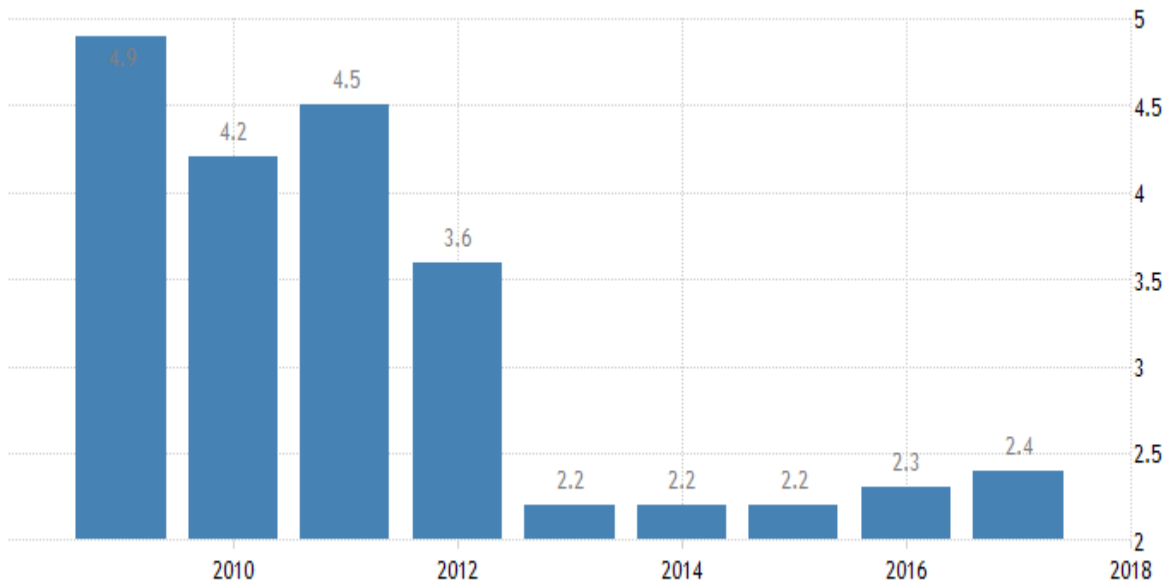
[Historical Data API](#)



WORLD BANK | TRADINGECONOMICS.COM

**ANNEX-5C: UNEMPLOYMENT IN GHANA
(UNEMPLOYMENT RATE IN GHANA)**

The rate of unemployment in Ghana from 2.30 % in 2016 has increased to 2.40% in 2017. The unemployment rate in the country was averaged 5.41% since 1991-2017, reaching highest level of 10.40% in the 2000 and a lower record of 2.20% in 2013.



SOURCE: TRADINGECONOMICS.COM | INTERNATIONAL LABOUR ORGANIZATION (ILO)

Ghana Labour	Last	Previous	Highest	Lowest	Unit	
<u>Unemployment Rate</u>	2.40	2.30	10.40	2.20	Percent	[+]
<u>Population</u>	29.77	29.12	29.77	6.64	Million	[+]
<u>Living Wage Family</u>	1720.00	1600.00	1720.00	1600.00	GHS/Month	[+]
<u>Living Wage Individual</u>	900.00	860.00	900.00	860.00	GHS/Month	[+]
<u>Wages High Skilled</u>	2030.00	2110.00	2110.00	1440.00	GHS/Month	[+]
<u>Wages Low Skilled</u>	870.00	698.00	870.00	472.00	GHS/Month	[+]

The Ghana unemployment rate is the rate that measures the of individuals looking for job actively as a percentage of the labour force in the country. The above indicates the Ghana unemployment rate, historical data, and actual values, data forecast, chart, the statistics, and the economic calendar. The last update was on september 2019.

Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
2.40	2.30	10.40	2.20	1991 - 2017	percent	Yearly



**ANNEX-5D: RATE OF INTEREST IN GHANA
(INTERESR RATE IN GHANA)**

In September 2019, the Bank of Ghana in a meeting held its benchmark interest rate at 16 percent, as expected, concluding that, the economic growth of the country still remains strong and also the medium term outlook is positive with expectations of higher production in the sectors of oil and gas. The policymakers also noted that, despite headline inflation continued trajectory downwardly, underlying inflation and price growth expectations rose slightly reflecting pressures from the recently upward adjustment of transport fares, ex pump prices, utility tariffs and their impact to be monitored very closely over the next quarter of the year. The slowdown in global economy, the country's fiscal situation concerns were voiced out by the bank of Ghana. Ghana's interest rate from 2002-2019 averaged 17.97%, reaching highest record of 27.50% in march, 2003 and a lower record of 12.50% in 2006, December.

Historical, Data, API.

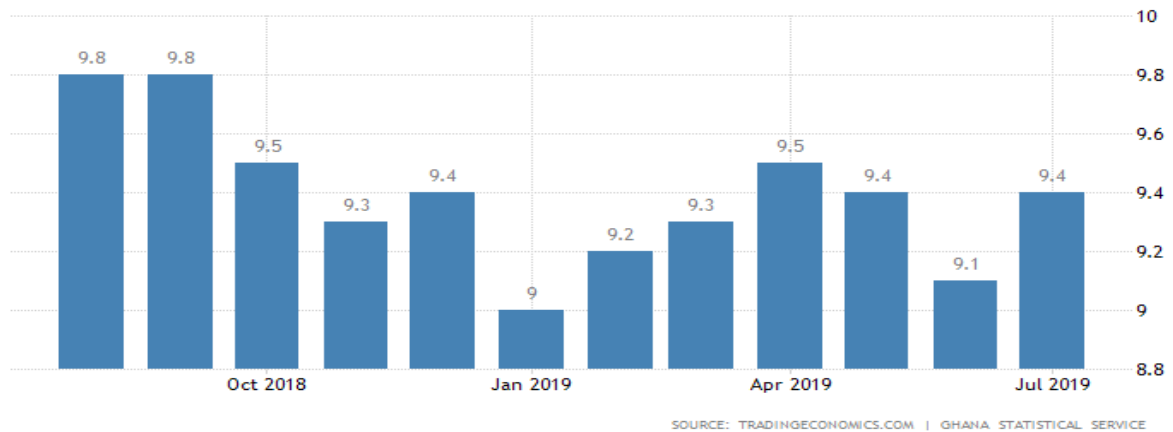


SOURCE: TRADINGECONOMICS.COM | BANK OF GHANA

The decisions of interest rate in Ghana is taken the Bank of Ghana Monetary Policy Committee. The Monetary Policy Rate (MPR) is the official interest rate in the country. The above indicates the Interest Rates of Ghana, historical data, actual values, forecast, chart, statistics, and the economic calendar. The last updates of the Ghana's Interest rate, actual data, historical chart, and calendar of releases was on September, 2019.

**ANNEX-5E: RATE OF INFLATION IN GHANA
(INFLATION RATE IN GHANA)**

In July 2019, the annual rate of inflation rise up to 9.4% from 9.1% in the month of June, driven by prices of food and non-food products in the country. From 1998-2019, Ghana's inflation rate averaged 16.20%, reaching the highest record in March of 2001 as 63.10% and a low record of 0.40% in May 1999.



Calendar	GMT		Actual	Previous Consensus	TEForecast
2019-05-15	10:10 AM	Inflation Rate YoY Apr	9.5%	9.3%	9.0%
2019-06-12	10:20 AM	Inflation Rate YoY May	9.4%	9.5%	8.6%
2019-07-10	10:10 AM	Inflation Rate YoY Jun	9.1%	9.4%	9.1%
2019-08-14	10:20 AM	Inflation Rate YoY Jul	9.4%	9.1%	8.7%
2019-09-13	10:00 AM	Inflation Rate YoY Aug		9.4%	9.2%
2019-10-17	01:00 PM	Inflation Rate YoY Sep			9.2%
2019-11-14	10:30 AM	Inflation Rate YoY Oct			8.7%