

Revocation of Microfinance Institutions Licenses and Their Collapse Rate in Ghana

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Abstract: This article discusses the license revocations of microfinance institutions in Ghana. The revocation/withdrawal leads to the collapse of most microfinance institutions. While some of the institutions ceased operation due to insolvency, credit defaults, majority was due to unable to raise the minimum capital requirement by BoG. This study used random sampling techniques and questionnaires were used to collect data from 130 respondent from various institutions involved in the study and the loan beneficiaries. The data collected was analyzed using SPSS. The study reveals the factors leading to collapse of MFIs as lack of sufficient training, credit defaults, bad management, other MFIs collapse, bank runs/panic, and weak regulations. While indicated the reasons for licenses revocations as failure to comply with the rules from BoG, inability to pay license required amount, unable to meet provisional licensing deadlines, insolvency, MFIs deviating from registered duties, unsound and instability of MFIs. We concluded that, the revocation of microfinance institutions in the country as a strong effect on employment and the collapse of the institutions, has a long term effect on the economy. Finally, the study recommends that the government and stakeholder should support the MFIs to help reduce the collapse rates for long term sustainability.

Keywords— Microfinance Institutions, License Revocation, Collapse Rate, Insolvency, Ghana

Abbreviations

BOG- Bank of Ghana

MFIs- Microfinance Institutions

SPSS- Statistical Packages for Social Sciences

1. INTRODUCTION

The rate at which Microfinance institutions is collapsing in Ghana is alarming and need attention since the sector contributes to the economic growth of the country. The unsustainability of some of the microfinance institutions and other financial institutions in Ghana recently hit numerous economies and financial markets with their macroeconomic indicators tumbling one after the other. The existing economic structures, regulatory systems, financial system and the policy framework are henceforth continuing to be examined and observed at the highest level of intellectual and political dialogue. This brought about a comprehensive recognition and needs for proper and appropriate economic and financial institutions. The term microfinance usually connotes very small loans to low-income clients for self-employment, often with the simultaneous collection of small amounts of savings (World Bank, 2007). Socio-economic well-being of women entrepreneurs is used here to mean the economic and material welfare of self-employed women (Johnson and Rogaly, 2007). This is measured by their income levels, the food they eat, their health needs and all those things that make life worth living. Various developmental approaches have been devised by policymakers, international development organisations, non-governmental organisations, and others aimed at poverty reduction in developing countries of late. Microfinance which has become increasingly popular since the early 1990s is one of the approaches (Johnson and Rogaly, 2007). Micro, small and medium enterprises (MSMEs) are the backbone of many economies in Africa, south of the Sahara including Ghana and hold the key to the possible rejuvenation of economic growth and eradication of poverty on a sustainable basis. However, MSMEs are denied institutional and official financial support. Many a time they are excluded from accessing credit from the traditional banks. In Ghana, most of these enterprises are owned by female entrepreneurs. In Ghana, females form 51% of the population according to World Bank (2012) however, it is disheartening to note that their impact on the decision-making process is limited (Amu, 2005). The main aim of this research was to investigate the reasons for the revocation of microfinance institutions licenses and the collapse rate of the institutions in Ghana. It assessed specifically the effects of microfinance institutions collapse on the country, customers, depositors, management and the employees. The study also found solutions to the issues and made some policy directions recommendations.

Every research is conducted based on a problem or research gap that has been identified in the area of study. The motivation for this research on microfinance institutions and the revocation of their license by the regulators from the bank of Ghana was due to the following reasons.

- Limited study in Ghana on the collapse of microfinance institutions.

- Lack of research on the revocation/cancellation of licences or the license withdrawal of microfinance institutions by the regulators from Bank of Ghana and this is worth investigating.
- Furthermore, poor and ineffective regulations of microfinance institutions in the country.
- The rate of the unsustainability of the microfinance institutions is very alarming in the country.

Hence the need for this study to identify what are the regulations, policies, challenges, 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 and licenses revocation by the regulators of the Bank of Ghana in the country to find solutions to these financial issues. Therefore, the above was the knowledge gap motivating this article.

Before Microfinance was made formal in 1976 by the good work of Dr Muhammed Yunus of Bangladesh, the African governments (head of states) were already making credit available to the active poor in their various countries and Ghana was not an exception. This effort was done through the country's Agricultural Development Bank (ADB) which provide subsidized credit to the farmers, businessmen and women, and other funds from programs both targeting poor households living in low-income communities. The Government support to the cooperatives credit union, rural banks, and other micro-businesses/enterprises issue credit to the active poor, a lower interest rate to farmers, though at some point in time, due to overdependence and reliance on the government funding the efforts, failed. (Ussif, R 2020). Though the microfinance institutions can be a major employment provider and poverty reduction strategy in developed, developing, and underdeveloped countries, yet still the un-sustainability and collapse rate of the institutions, are high in Ghana (GLSS 5th report, 2006). Following the regulatory frame and the government policies on microfinance in Ghana. The regulatory framework from BOG gives the guidelines for microfinance institutions operations, licenses registration, the amount involved and the reporting procedures to the central bank of Ghana. While the Policies of the sector offers the necessary process, procedure, and the guidelines for establishing and running of the MFIs in the country (Ussif, R 2020). There is the need for microfinance institutions to be regulated in a country since they deal with the depositors/customers monies to protect the customers funds and to maintain long term sustainability of the institutions in every country.

1.1 Revoked Microfinance Institutions Licenses in 2016 and 2019 by BoG Regularors

Microfinance is growing rapidly from niche product to an internationally recognized form of financing. According to (Ussif R 2020), there is a proper need to regulate all banks and non-bank mobile financial services, providers. The regulatory and operational guidelines for microfinance was brought by the Bank of Ghana with some guiding principles thus the operational and regulatory guidelines for the microfinance institutions. The guidelines are prudential and non-prudential regulations which not fully address soundness of the MFIs in Ghana. Regulations of financial markets are crucial and customer protection is yet another important aspect in the microfinance sector. The regulations require effective and efficient prudential guidelines that allow the development of the sub-sector and at the same time, protecting small savers and depositors interest while supporting the financial system integrity as a whole. Arun, (2005.) showed in their paper that, the goal of prudential regulations is the regulating of the financial markets, financial institution, financial services, and entire financial system by making it sound and stable, and again protecting the active poor customers/depositors. Therefore its oversight needs to be the public duties and responsibilities and specialized supervisory body (Llewellyn 1999).

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. The list of the 70 microfinance institution whose licenses were revoked by the bank of Ghana is attached in the appendix of the article. Furthermore, on May 31, 2019), the central bank of Ghana has with immediate effect withdrawn the licenses of 347 licenses of a microfinance institution in the country. These number (347) was made up of 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 is the list of the affected 347 microfinance institutions in the country whose licenses were revoked by Bank of Ghana.

The main regulatory instruments of microfinance institutions in Ghana include the minimum capital requirements, risk concentration, reserve and liquidity requirement, Asset quality, ownership concentration, sanctions/corrective actions, and insider lending. (Ussif R and Ertugrul M, 2020).

1.2 Research Aims and Objectives

- To examine the reasons for microfinance institutions collapse in Ghana
- To assess the solutions to the collapse of microfinance institutions collapse in Ghana
- To investigate the reasons for MFIs License Revocation by Bank of Ghana
- To discuss how to help reduce microfinance institutions licenses revocation
- To examine the effects of MFIs license withdrawal by Bank of Ghana
- To expatiate an understanding of BOG, and MFIs on license revocation

For the study to achieve the above aims and objectives, answers to the following questions were sought:

1.3 Research Questions

- What are the reasons why microfinance institutions collapse in Ghana?
- What are the solutions to the collapse of microfinance institutions in Ghana?
- What are the reasons for MFIs license revocation by Bank of Ghana?
- How can microfinance institutions license revocation be reduced?
- What are the effects of MFIs license withdrawal by the Bank of Ghana
- How can an understanding of BOG, and MFIs on license revocation be made

2. REGULATION REQUIREMENTS IN GHANA

2.1 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.

2.1.1 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 microfinance unless the Bank of Ghana licenses it.

2.1.2 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.

2.1.3 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.

2.1.4 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 another 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 the 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

- The organizational structure of the company set 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.

2.1.5 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.

2.1.6 Approval in Principle

The Bank of Ghana may issue an 'approval-in-principle' for 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 can 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.

2.1.7 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 the company as contained in the certificate of incorporation and logo where appropriate
3. Has demonstrated security of the premises, including the 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

2.1.8 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.

2.1.8.1 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
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- 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.

2.1.9 Changes in Licensing Conditions

(1) It should be noted that the above conditions for a 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).

2.1.10 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, over 500 microfinance institutions got their licenses revoked by Bank of Ghana. 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.

2.2 Microfinance Policies and Programs in Ghana

The policies and programs of the government in Ghana towards microfinance is targeted towards achieving the objectives of microfinance institutions/sector in the country. These programs and policies are carried out by the ministry of finance and the duties and responsibilities of the sector are the formulations of the policies and policy implementation within the institutions. The department at the ministry work hand in hand with the regulatory bodies from BoG and other microfinance institutions including the key apex bodies of MFIs and the other key stakeholders both within and outside Ghana. (Ussif, R 2020). Financial regulations are rules, regulations and laws that govern the financial institutions, financial markets and other forms of regulations, supervision/monitoring which mostly align the financial institutions to other kinds of requirements, principles, processes and procedures, restrictions and guidelines aiming towards maintaining the integrity of the financial system.

3. LITERATURE REVIEW

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

Theoretical Review

3.1 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).

3.2 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.

Microfinance is the provision of financial services to productive low-income clients (Ledgerwood, 1999). It is also defined as the provision of small scale financial services to people who normally do not have access to traditional banking services

3.3 Empirical Review

Schreiner (2000), in their paper, argued that microfinance institutions should be maintained a long period for a sustainable alleviation of poverty to be achieved. Since the unsustainable institutions are of no benefit to the active poor currently nor in the future because the microfinance institutions would have collapsed. Mishkin (1997), mentioned four main factors that influence financial instability to include an increase in interest rates, negative shocks to firm balance sheets, increase in uncertainty, and the deterioration in the balance sheet of the financial intermediaries. Ussif R and Ertugrul M, (2020) in their study of the impact of financial regulation and policies on the microfinance sector development showed that financial regulations and the government policies have both contributed greatly to the development of the microfinance sector through training and capacity building, protecting of customers/depositors, checks & balances, financial soundness, stability and through financial inclusion. Nonetheless, notwithstanding the great contributions of regulations and policies in the country to the subsector, the outcome of the research also has identified poor regulations, lack of knowledge on regulations, lack of proper decentralization, and the weakness of regulators as a problem with financial regulations. Moreover, the study found out that, the policies that are formulated are weak and the monitoring, supervision, formulation and implementation by the institutions is insufficient and ineffective. The study on the factors that determines the sustainability of Microfinance institutions in Ghana reveal that the factors are positively and significantly determined by credit default by customers, Minimum capital requirement, low outreach level, policies of the government, unqualified & inexperience staffs, high-interest rate, high-profit motive, and capital structure. Additionally, from the result of the findings, microfinance not complying with the regulatory principles and guidelines, lack of sufficient training, poor/bad management, insufficient monitoring & supervision, lack of Government and donor support, panic withdrawals, and the collapse of other institutions are the main reasons why microfinance institutions collapsed in the country (Ussif R and Ertugrul M, 2020). Similarly, Abor and Quartey (2010) indicated in their study that, there is an overall agreement that small and medium enterprises performance in Africa is very important in the economic development of developing countries while Advani (1997) in their research from an economic viewpoint argued that small and medium enterprises had several benefits and are noted as the main interest area to some stakeholders like policy makers, investors, and donors to help increase the growth rate of the low-income countries. In Ghana, small and medium enterprises growth and their development are constrained by the low access to credit/loans by the conventional and traditional banks and other institutions. Ussif R and Ertugrul M, (2020) in their article, challenges facing microfinance institutions and financial regulations demonstrated some challenges facing the microfinance institutions as the institution not complying with regulatory guidelines, no credit risk management policy, defaults on credits, poor managerial skills, high transactional & operational cost, and bad credit monitoring. While examining the challenges facing the financial regulations in the country as the cost of regulations, inadequate/insufficient staff to regulate all MFIs, political influence, uncertainties, poor information dissemination, and the dynamic nature of the financial sector. The Ghana living standard Survey of the Ghana Statistical Service showed that regardless of the continuous improvement in poverty reduction in Ghana from 52 percent in 1991 / 1992 to 28.5 2006, the phenomenon is still high. The government, other stakeholders and all interested parties need to continue supporting the microfinance institutions and the small and medium enterprises since their significance outweigh their disadvantages in the Ghanaian economy (GLSS 5 2006).

4.METHODOLOGY

The article is purely quantitative. Primary and secondary data were used to gather data in Ghana. With the primary data, the questionnaire was the main instrument used. The sample size of the questions 130. Made up of 90 staff and customers of MFIs, 3 from Bank of Ghana, 5 from Ministry of Finance, 3 from Ghana Microfinance Companies, 6 from Ghana Microfinance Institutions Network, and 4 from Microfinance and Small Loans Center. 19 from Small and Medium Enterprises operators who deal with the microfinance institutions. The respondents were interviewed using Random Sampling and Convenient sampling techniques of the participants.

The Secondary data was also sourced from the following institutions' websites:

- Bank of Ghana (BOG)
- Ministry of Finance (MOF)
- Microfinance Institutions (MFIs)
- Ghana Microfinance Companies (GAMC)
- Ghana Microfinance Institutions Network (GHAMFIN)
- Microfinance and Small Loans Center (MASLOC)
- Ghana Statistical Service (GSS)

5. DATA ANALYSIS

Table 1 Demography (The Respondents Basic Profile)

The table 1 below discussed the demographic characteristics of the respondents taken into consideration their gender, age, marital status, and educational background of the respondents. Below is their statistics from the field data collected.

| | Status | Frequency | Percentage |
|--------------------|--------------------|-----------|------------|
| Gender | Male | 91 | 70 |
| | Female | 39 | 30 |
| Age of Respondents | 20-30 | 25 | 19.2 |
| | 30-40 | 45 | 34.6 |
| | 40-50 | 38 | 29.2 |
| | 50 and Above | 22 | 16.9 |
| Marital Status | Married | 85 | 65 |
| | Singled | 35 | 27 |
| | Separated/Divorced | 6 | 5 |
| | Living together | 4 | 3 |
| Educational Level | SHS/SSS | 6 | 5 |
| | Diploma/HND | 40 | 30 |
| | Bachelor's Degree | 52 | 40 |
| | Master's Degree | 28 | 22 |
| | PhD. | 4 | 3 |

Source: Primary data, 2018

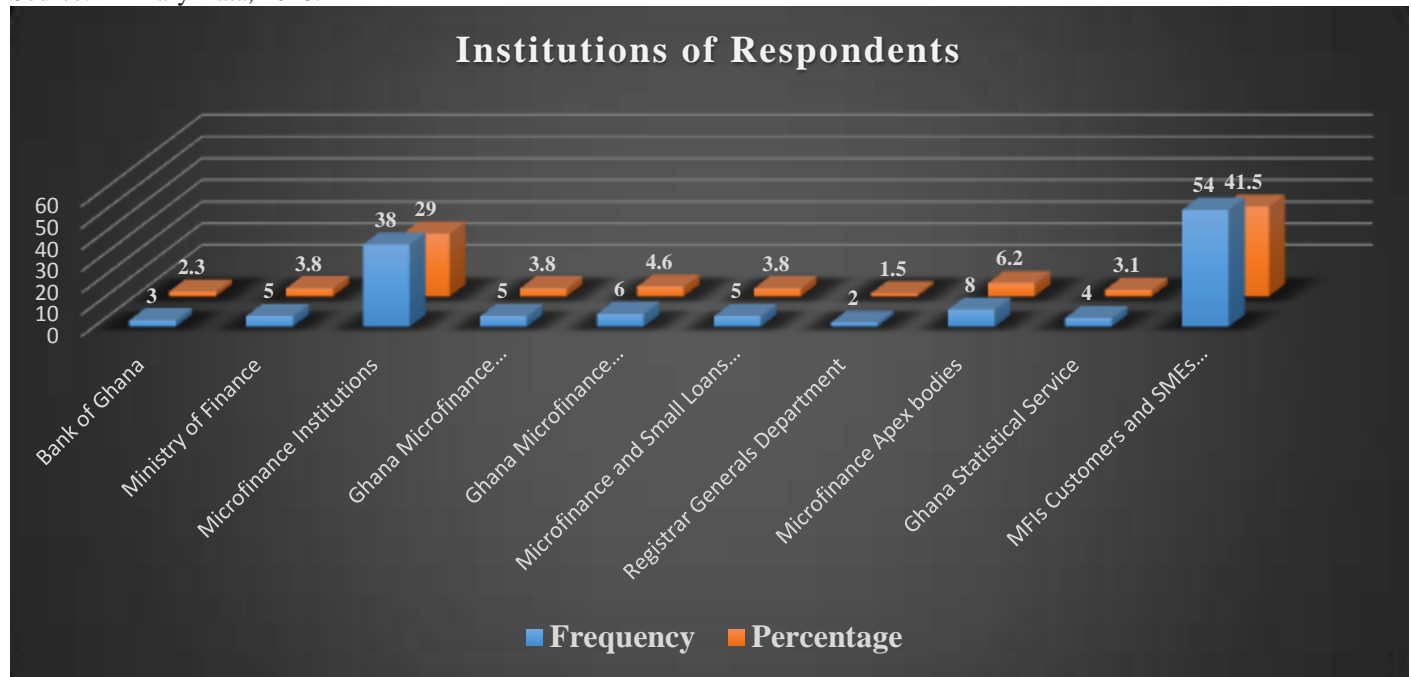
Table 2: Table 5: Institutions of Respondents

The participants are from different institutions from Ghana. While some are the financial regulators from the Bank of Ghana, others are the policies makers from the Ministry of Finance. The registrars from the Registrars General Department who are in charge of licensing the MFIs are not left out. Managers and other staff of the microfinance institutions are also interviewed including some of their customers and the Small and Medium Enterprises that deals with the microfinance institutions. Others institutions who participated in the data collection are the microfinance Apex Bodies, Ghana Microfinance Institutions Network, Ghana Microfinance Companies, Microfinance and Small Loans Center and the Ghana Statistical Service.

| No | Institutions | Frequency | Percentage |
|----|---|-----------|------------|
| 1 | Bank of Ghana | 3 | 2.3 |
| 2 | Ministry of Finance | 5 | 3.8 |
| 3 | Microfinance Institutions | 38 | 29 |
| 4 | Ghana Microfinance Institutions Network | 5 | 3.8 |
| 5 | Ghana Microfinance Companies | 6 | 4.6 |
| 6 | Microfinance and Small Loans Center | 5 | 3.8 |
| 7 | Registrar Generals Department | 2 | 1.5 |

| | | | |
|----|-----------------------------------|----|------|
| 8 | Microfinance Apex bodies | 8 | 6.2 |
| 9 | Ghana Statistical Service | 4 | 3.1 |
| 10 | MFIs Customers and SMEs Operators | 54 | 41.5 |

Source: Primary Data, 2018.



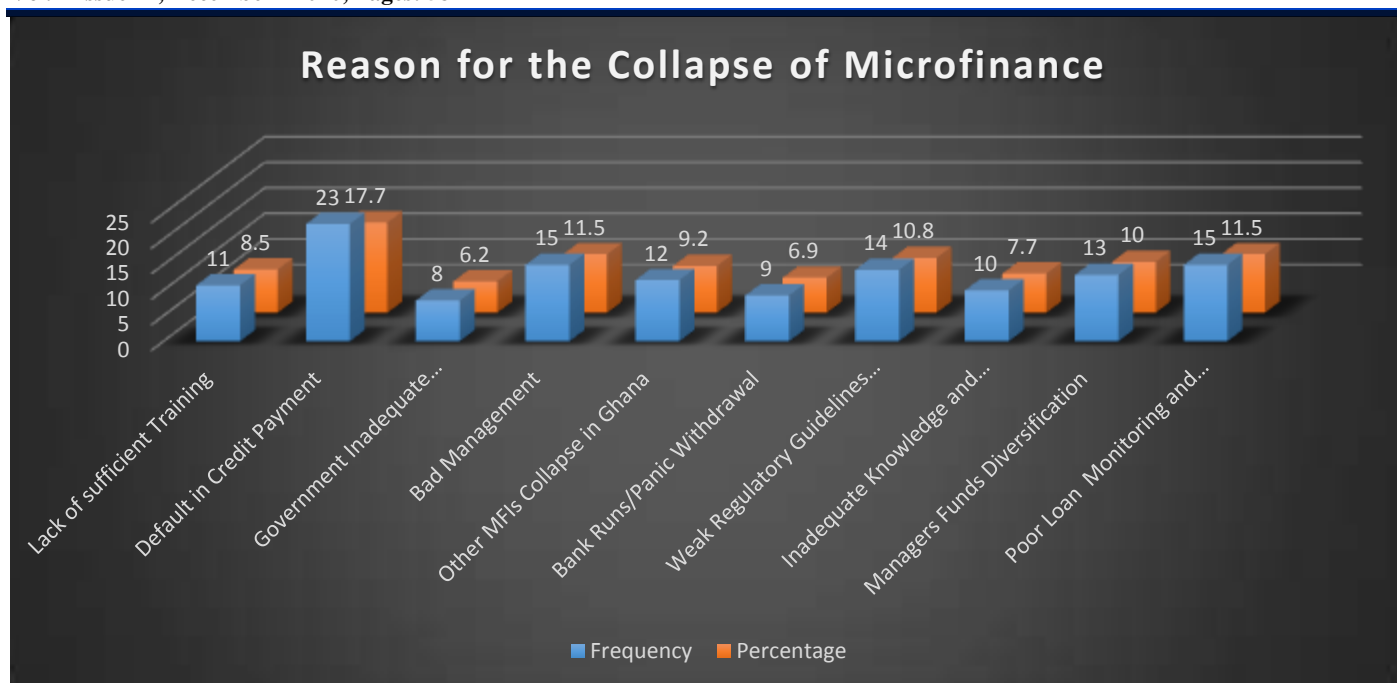
From table 2 above, the respondents from the Bank of Ghana are 3 (2.3percent) and those from the Ministry of Finance are 5(3.8 Percent). The staff of Microfinance Institutions are 38(29 Percent) while Ghana Microfinance Institutions Network staff are 5(3.8 Percent). Ghana Microfinance Companies are 6 (4.6 Percent), and the Microfinance and Small Loans Center 5(3.8 Percent). The Registrar Generals Department is 2 (1.5 Percent) while Microfinance Apex bodies 8 (6.2 Percent), Ghana Statistical Service 4 (3.1 Percent), MFIs Customers and SMEs Operators 54 (41.5 Percent). It was observed that the highest respondent interviewed were the customers of Microfinance Institutions who were made up of small and medium operators and other businesses.

Table 3: Reason for the Collapse of Microfinance Institutions in Ghana

Several Reasons accounted for the collapse of microfinance Institutions in Ghana. Among the factors include Lack of sufficient Training, Default in Credit Payment, Government Inadequate Support, Bad Management, Other MFIs Collapse in Ghana, Bank Runs/Panic Withdrawal, and Weak Regulatory Guidelines & Principles. The below table shows the statistics of the interviewed respondents.

| No | Reason for the Collapse of Microfinance | Frequency | Percentage |
|----|---|-----------|------------|
| 1 | Lack of sufficient Training | 11 | 8.5 |
| 2 | Default in Credit Payment | 23 | 17.7 |
| 3 | Government Inadequate Support | 8 | 6.2 |
| 4 | Bad Management | 15 | 11.5 |
| 5 | Other MFIs Collapse in Ghana | 12 | 9.2 |
| 6 | Bank Runs/Panic Withdrawal | 9 | 6.9 |
| 7 | Weak Regulatory Guidelines & Principles | 14 | 10.8 |
| 8 | Inadequate Knowledge and Experience | 10 | 7.7 |
| 9 | Managers Funds Diversification | 13 | 10 |
| 10 | Poor Loan Monitoring and Supervision | 15 | 11.5 |

Source: Primary Data, 2018.



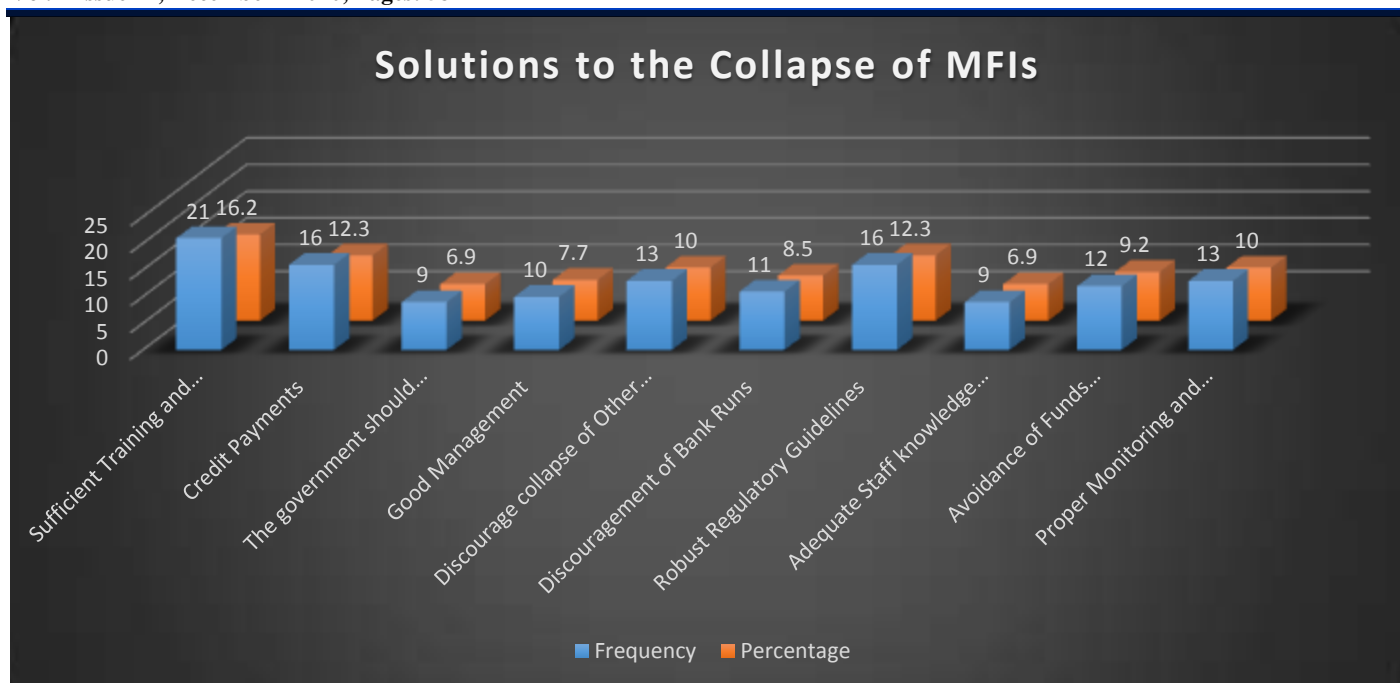
From the field data collection, Lack of sufficient Training was mentioned by 11 respondent (8.5 Percent) and Default in Credit Payment 23 respondent (17.7 Percent), Government Inadequate Support 8 respondent (6.2 Percent), Bad Management 15 respondent (11.5 Percent) Other MFIs Collapse in Ghana 12 respondent (9.2 Percent), Bank Runs/Panic Withdrawal 9 respondent (6.9 Percent), Weak Regulatory Guidelines & Principles 14 respondent (10.8 Percent), Inadequate Knowledge and Experience 10 respondent (7.7 Percent), Managers Funds Diversification 13 respondent (10 Percent) and Poor Loan Monitoring and Supervision 15 respondent (11.5 Percent).

Table 4: Solutions to the collapse of Microfinance Institutions in Ghana

Table 4 below discussed the solutions or remedies to the collapse of Microfinance institutions in the country as Sufficient Training and Capacity Building, Credit Payments, The government should support MFI, Good Management, Discourage collapse of Other MFIs, Discouragement of Bank Runs, Robust Regulatory Guidelines and many more.

| No | Solutions to the Collapse of MFIs | Frequency | Percentage |
|----|--|-----------|------------|
| 1 | Sufficient Training and Capacity Building | 21 | 16.2 |
| 2 | Credit Payments | 16 | 12.3 |
| 3 | The government should support MFI | 9 | 6.9 |
| 4 | Good Management | 10 | 7.7 |
| 5 | Discourage collapse of Other MFIs | 13 | 10 |
| 6 | Discouragement of Bank Runs | 11 | 8.5 |
| 7 | Robust Regulatory Guidelines | 16 | 12.3 |
| 8 | Adequate Staff knowledge and Experience | 9 | 6.9 |
| 9 | Avoidance of Funds Diversification | 12 | 9.2 |
| 10 | Proper Monitoring and Supervision of Loans | 13 | 10 |

Source: Primary Data, 2018.



According to the participants from the field data collected, Sufficient Training and Capacity Building 21(16.2 Percent), Credit Payments 16 (12.3 Percent), The government should support MFI 9 (6.9 Percent), Good Management 10 (7.7 Percent), Discourage collapse of Other MFIs 13 (10 Percent), Discouragement of Bank Runs 11(8.5 Percent), Robust Regulatory Guidelines 16 (12.3 Percent), Adequate Staff knowledge and Experience 9 (6.9 Percent), Avoidance of Funds Diversification 12 (9.2 Percent), and Proper Monitoring and Supervision of Loans 13 (10 Percent).

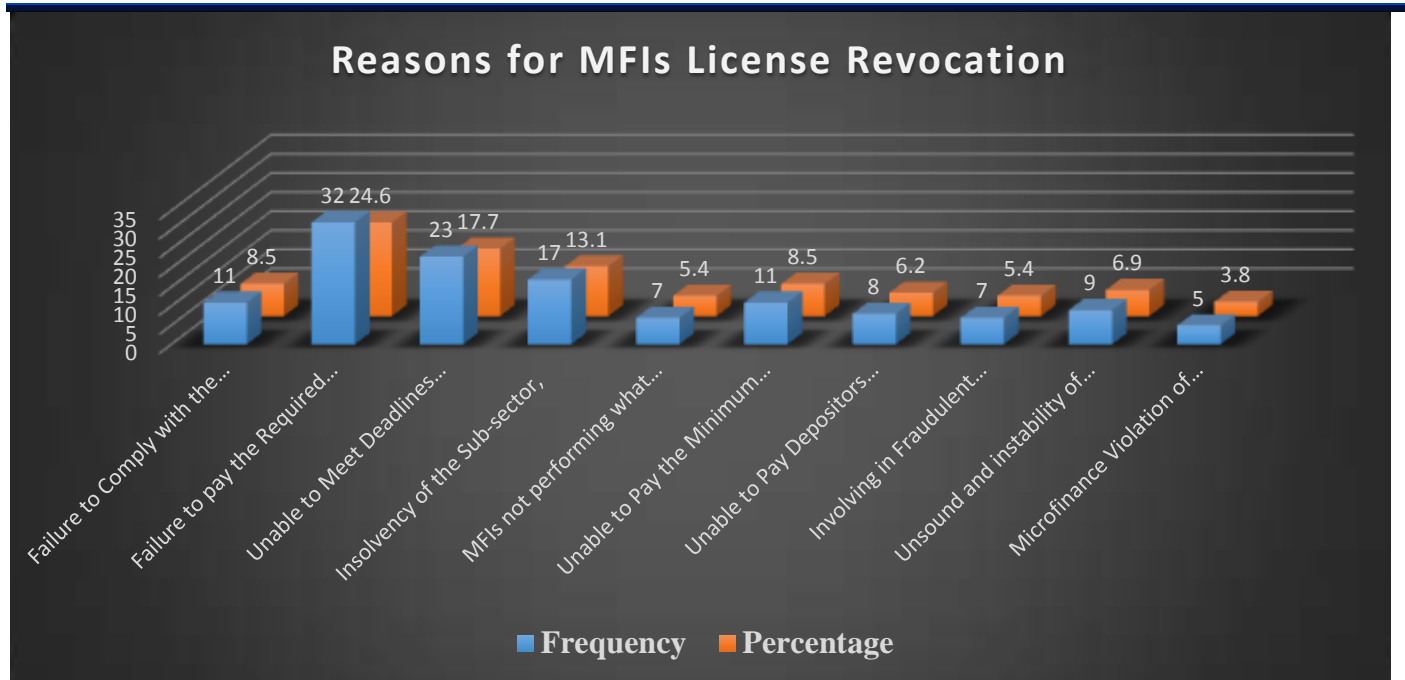
Table 5: Reasons for MFIs License Revocation in Ghana

Microfinance Institutions in Ghana licenses were revoked or cancelled by the Bank of Ghana on different occasions at different times. Many reasons accounted for that and some among the reasons are Failure to comply with the rules of Bank of Ghana, Failure to pay the Required Amount for Licenses, Unable to Meet Deadlines for their Provisional Licensing, Insolvency of the Sub-sector,

MFIs not performing what they were registered to do, and Unable to Pay the Minimum Capital Required etc. See table 5 below for more details:

| No | Reasons for MFIs License Revocation | Frequency | Percentage |
|----|--|-----------|------------|
| 1 | Failure to Comply with the rules of Bank of Ghana | 11 | 8.5 |
| 2 | Failure to pay the Required Amount for Licenses | 32 | 24.6 |
| 3 | Unable to Meet Deadlines for their Provisional Licensing | 23 | 17.7 |
| 4 | Insolvency of the Sub-sector, | 17 | 13.1 |
| 5 | MFIs not performing what they were Registered to do | 7 | 5.4 |
| 6 | Unable to Pay the Minimum Capital Required, | 11 | 8.5 |
| 7 | Unable to Pay Depositors /Customers Money | 8 | 6.2 |
| 8 | Involving in Fraudulent Businesses | 7 | 5.4 |
| 9 | Unsound and instability of the MFIs | 9 | 6.9 |
| 10 | Microfinance Violation of their Duties | 5 | 3.8 |

Source: Primary Data, 2018.



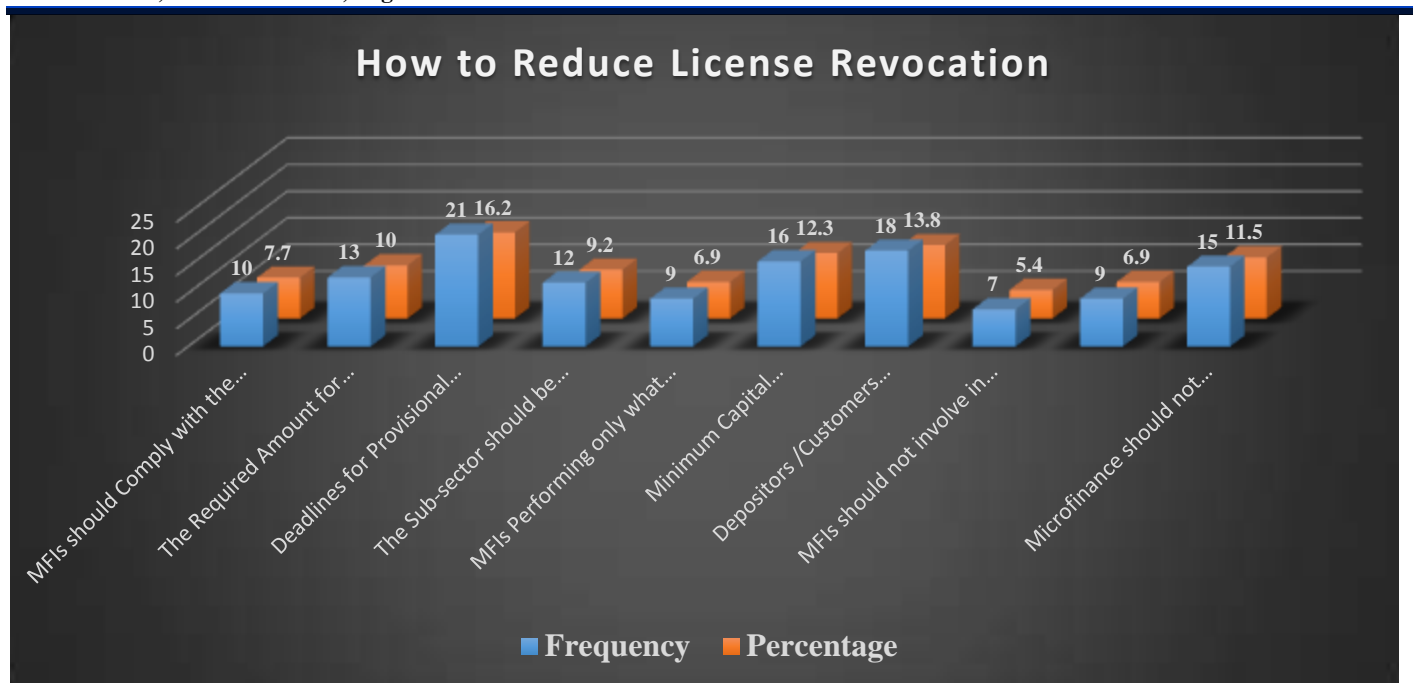
The interviewees from the data collected made mentioned of reasons why microfinance institutions licenses were revoked and the statistics as Failure to Comply with the rules of Bank of Ghana 11 individuals (8.5 Percent), Failure to pay the Required Amount for Licenses 32 individuals (24.6 Percent), Unable to Meet Deadlines for their Provisional Licensing 23 individual (17.7 Percent), Insolvency of the Sub-sector, 17 individual (13.1 Percent), MFIs not performing what they were Registered to do 7 individual (5.4 Percent), Unable to Pay the Minimum Capital Required, 11 individual (8.5 Percent), Unable to Pay Depositors /Customers Money 8 individual (6.2 Percent), Involving in Fraudulent Businesses 7 individual (5.4 Percent), Unsound and instability of the MFIs 9 individual (6.9 Percent), and Microfinance Violation of their Duties 5 individual (3.8 Percent).

Table 6: How to reduce License Revocation

How the Licenses revocation can be reduced is elaborated in Table 6 below:

| No | How to Reduce License Revocation | Frequency | Percentage |
|----|--|-----------|------------|
| 1 | MFIs should Comply with the rules of Bank of Ghana | 10 | 7.7 |
| 2 | The Required Amount for Licenses should be paid | 13 | 10 |
| 3 | Deadlines for Provisional Licensing must be met | 21 | 16.2 |
| 4 | The Sub-sector should be Solvent | 12 | 9.2 |
| 5 | MFIs Performing only what they were Registered for | 9 | 6.9 |
| 6 | Minimum Capital Requirements should be paid by the MFIs | 16 | 12.3 |
| 7 | Depositors /Customers Money should be paid to them on demand | 18 | 13.8 |
| 8 | MFIs should not involve in Fraudulent Businesses | 7 | 5.4 |
| 9 | MFIs should be sound and stability | 9 | 6.9 |
| 10 | Microfinance should not Violate their Duties | 15 | 11.5 |

Source: Primary Data, 2018.



The respondents indicated that MFIs should Comply with the rules of Bank of Ghana 10 (7.7 Percent), The Required Amount for Licenses should be paid 13 (10 Percent), Deadlines for Provisional Licensing must be met 21 (16.2 Percent), The Sub-sector should be Solvent 12 (9.2 Percent), MFIs Performing only what they were Registered for 9 (6.9 Percent), Minimum Capital Requirements should be paid by the MFIs 16 (12.3 Percent), Depositors /Customers Money should be paid to them on demand 18 (13.8 Percent), MFIs should not involve in Fraudulent Businesses 7 (5.4 Percent), MFIs should be sound and stability 9 (6.9 Percent), Microfinance should not Violate their Duties 15 (11.5 Percent).

Table 7: Effects of MFIs License Revocation

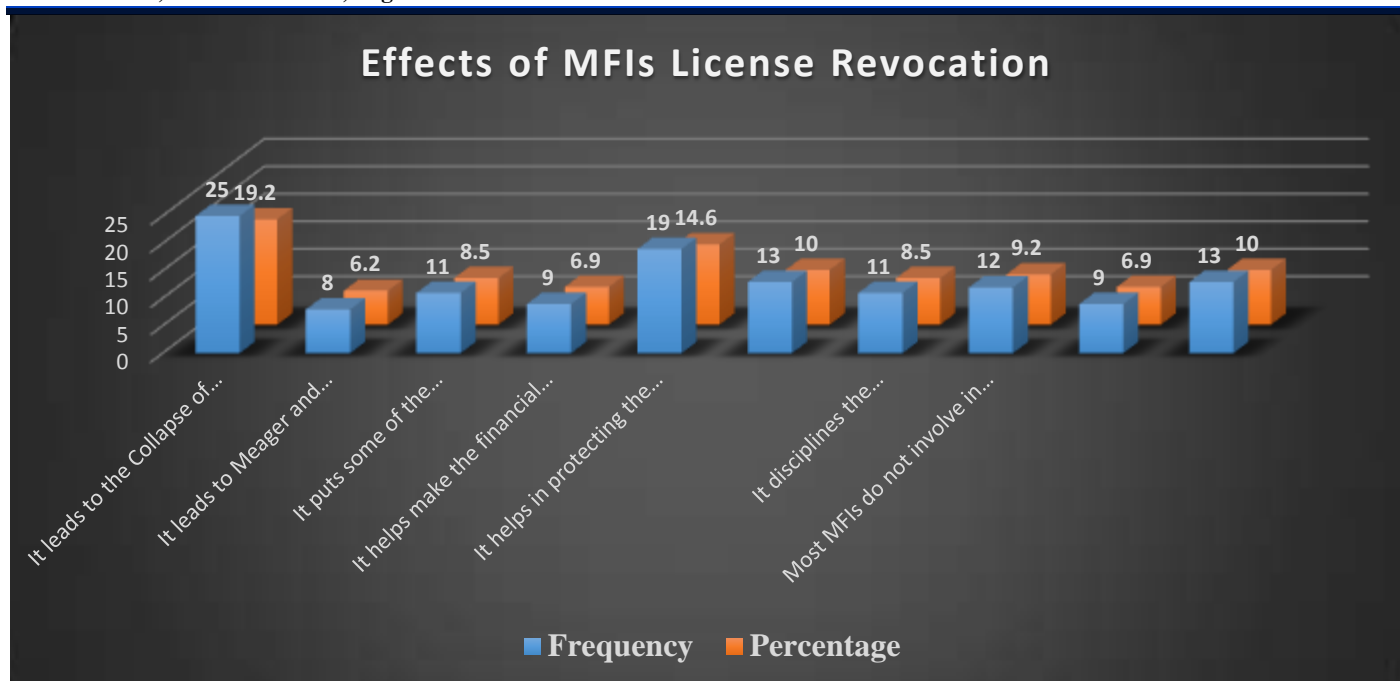
The revocation or withdrawal of microfinance institutions licenses in Ghana has both positive and negative effects on the institutions. Some of the effects include: It leads to the Collapse of MFIs in Ghana, It leads to Meager and acquisition of some institution, It puts some of the microfinance institutions on track, It helps make the financial system sound and stability, It helps in protecting the savings and deposits of customers, Most institutions paid the Minimum Capital Requirements

It disciplines the Management of MFIs, Most MFIs do not involve in Fraudulent Businesses

It makes most MFIs sound and stability, and help it creates public awareness of MFIs.

| No | Effects of MFIs License Revocation | Frequency | Percentage |
|----|--|-----------|------------|
| 1 | It leads to the Collapse of MFIs in Ghana | 25 | 19.2 |
| 2 | It leads to Meager and acquisition of some institution | 8 | 6.2 |
| 3 | It puts some of the microfinance institutions on track | 11 | 8.5 |
| 4 | It helps make the financial system sound and stability | 9 | 6.9 |
| 5 | It helps in protecting the savings and deposits of customers | 19 | 14.6 |
| 6 | Most institutions paid the Minimum Capital Requirements | 13 | 10 |
| 7 | It disciplines the Management of MFIs | 11 | 8.5 |
| 8 | Most MFIs do not involve in Fraudulent Businesses | 12 | 9.2 |
| 9 | It makes most MFIs sound and stability | 9 | 6.9 |
| 10 | It creates public awareness of MFIs | 13 | 10 |

Source: Primary Data, 2018.



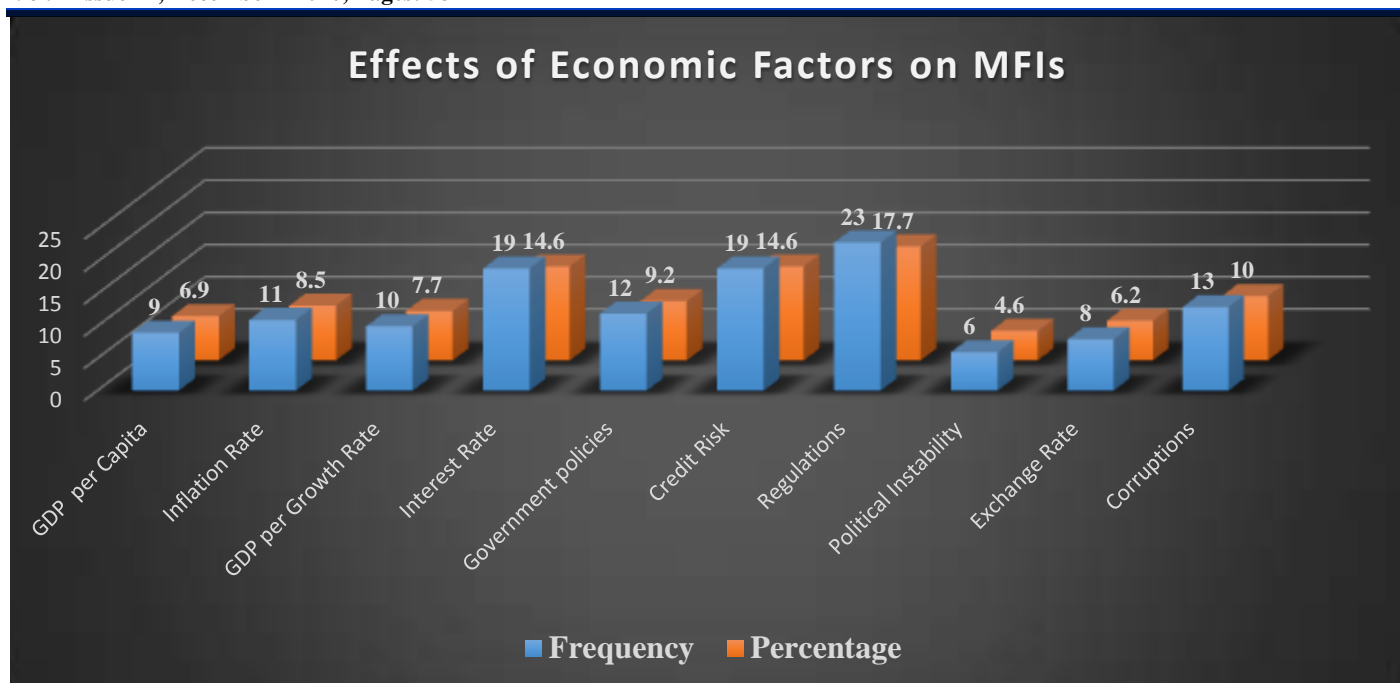
It leads to the Collapse of MFIs in Ghana 25 (19.2 Percent), It leads to Meager and acquisition of some institution 8(6.2 Percent), It puts some of the microfinance institutions on track 11(8.5 Percent), It helps make the financial system sound and stability9 (6.9 Percent), It helps in protecting the savings and deposits of customers 19 (14.6 Percent), Most institutions paid the Minimum Capital Requirements 13 (10 Percent), It disciplines the Management of MFIs 11(8.5 Percent), Most MFIs do not involve in Fraudulent Businesses 12 (9.2 Percent), It makes most MFIs sound and stability 9(6.9 Percent), and It creates public awareness of MFIs 13 (10 Percent).

Table 8: Effects of Economic and other Factors on MFIs in Ghana

The Economic factors such as Gross Domestic Products, Inflation rate, Interest rate, Government Policies, corruption, Regulations, Political instability, Exchange rate, Credit risk and others have both positive and negative effects on Microfinance Institutions.

| No | Effects of Economic Factors on MFIs | Frequency | Percentage |
|----|-------------------------------------|-----------|------------|
| 1 | GDP per Capita | 9 | 6.9 |
| 2 | Inflation Rate | 11 | 8.5 |
| 3 | GDP per Growth Rate | 10 | 7.7 |
| 4 | Interest Rate | 19 | 14.6 |
| 5 | Government policies | 12 | 9.2 |
| 6 | Credit Risk | 19 | 14.6 |
| 7 | Regulations | 23 | 17.7 |
| 8 | Political Instability | 6 | 4.6 |
| 9 | Exchange Rate | 8 | 6.2 |
| 10 | Corruptions | 13 | 10 |

Source: Primary Data, 2018.



According to the participants, the Effects of Economic factors on MFIs statistics is GDP per Capita 9 (6.9Percent), and Inflation Rate 11 (8.5 Percent). GDP per Growth Rate 10 (7.7 Percent), while Interest Rate is 19 (14.6 Percent), Government Policies is 12 (9.2 Percent). the Credit Risk is 19 (14.6 Percent), and Regulations is 23 (17.7 Percent), Political Instability is 6 (4.6Percent), Exchange Rate 8 (6.2 Percent), and the Corruption is 13 (10 Percent).

6. SUMMARY AND CONCLUSION

The article was summarized based on the research objectives and research questions of the study and the necessary conclusions made from the summary. The respondents reveal the Reason for the Collapse of Microfinance institutions in the country to include Lack of sufficient Training, Default in Credit Payment, Government Inadequate Support, Bad Management, Other MFIs Collapse in Ghana, Bank Runs/Panic Withdrawal, Weak Regulatory Guidelines & Principles, Inadequate Knowledge and Experience, Managers Funds Diversification, Poor Loan Monitoring and Supervision.

While the Solutions to the Collapse of the institutions as sufficient Training and Capacity Building, Credit Payments, The government should support MFI, Good Management, Discourage collapse of Other MFIs, Discouragement of Bank Runs, Robust Regulatory Guidelines, Adequate Staff knowledge and Experience Avoidance of Funds Diversification, Proper Monitoring and Supervision of Loans

Furthermore, according to the interviewees, the Reasons for microfinance Institutions License Revocation are Failure to Comply with the rules of Bank of Ghana, Failure to pay the Required Amount for Licenses, Unable to Meet Deadlines for their Provisional Licensing, Insolvency of the Sub-sector, MFIs not performing what they were Registered to do, Unable to Pay the Minimum Capital Required, Unable to Pay Depositors /Customers Money, Involving in Fraudulent

They further mentioned how to Reduce License Revocation of the institutions through Microfinance Institutions Complying with the rules of Bank of Ghana, The Required Amount for Licenses should be paid, Deadlines for Provisional Licensing must be met, The Sub-sector should be Solvent, MFIs Performing only what they were Registered for, Minimum Capital Requirements should be paid by the MFIs, Depositors /Customers Money should be paid to them on demand, MFIs should not involve in Fraudulent Businesses, MFIs should be sound and stability, Microfinance should not Violate their Duties Businesses, Unsound and, instability of the MFIs, Microfinance Violation of their Duties.

During the interview, the management and other staff of the institutions concluded that the Effects of MFIs License Revocation include: It leads to the Collapse of MFIs in Ghana, It leads to Meager and acquisition of some institution, It puts some of the microfinance institutions on track, It helps make the financial system sound and stability, It helps in protecting the savings and deposits of customers, Most institutions paid the Minimum Capital Requirements, It disciplines the Management of MFIs, Most MFIs do not involve in Fraudulent Businesses, It makes most MFIs sound and stability, It creates public awareness of MFIs.

The participants also indicated that Effects of Economic Factors on MFIs are as follows: Effects on GDP per Capita, Inflation Rate, GDP per Growth Rate, Interest Rate, Government policies Credit Risk, Regulations, Political Instability, Exchange Rate and Corruptions.

We concluded that, the revocation of microfinance institutions in the country as a strong effect on employment. The collapse of the institutions, has a long term effect on the economy. Though it helps protect the savings of some of the customers,

the majority of the customer do not get their savings and investments back. The customers who receive loans majority of them did not payback.

7. RECOMMENDATION

It is recommended that microfinance institution should work and comply with the rules and regulations of the regulators to avoid licence revocation since that has a great effect on the survival of the institutions. The government and the donors' partners should support the functioning microfinance institutions with credits and other relevant resources to help avoid the revocations of the licenses for long term survival.

The regulators 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. 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.

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.

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 manager 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 collapse rate for the institutions. 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.

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The 70 Revoked Microfinance Institutions Licenses by Bank of Ghana on 5th of January 2016

| | | | |
|--------------------|-------------------|-----------------------|----------------------|
| 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 Pendy-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.