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Factors that Determine the Sustainability of Microfinance Institutions in Ghana

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Abstract— *Microfinance performs a key role in Ghana and sub-Saharan African countries in their development. Ghana has witnessed unprecedented collapses and unsustainability of microfinance institutions in recent years (2017-2019) necessitating such studies to unravel the determining factors using selected microfinance institutions in the country. The article also investigates the reason for the revocation of microfinance licenses, besides reasons for microfinance collapse and their remedies. Data was gathered and analyzed using SPSS and Microsoft Excel. The results reveal that the factors affecting microfinance institutions' sustainability are positively and significantly driven by minimum capital requirement, credit default, outreach-levels, government policies, high-profit-motive, and capital structure. Insufficient training, poor management, insufficient monitoring/supervision, the collapse of other institutions, and panic withdrawals are the reasons why most microfinance institutions collapsed. Finally, we recommend that there should be compulsory training/capacity building, outreach programs, low-interest-rates, and experienced-staff to strengthen the organizations' performance and maintain sustainability.*

Keywords— *Sustainability, Microfinance Institutions, Outreach, Credit Default Risk, Ghana.*

1. INTRODUCTION

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 to be of significance to the nation at large (Ussif and Ertugrul, 2020). 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. In Ghana, Small and medium enterprises appreciate the work of the Microfinance Institutions since the sector is the major institution that provides them with credit without demanding collateral (Ussif and Salifu 2020). The micro-business and the small business all depend on the Microfinance institutions since they can't deal with the traditional banks due to the same collateral reasons hence the need for sustaining the sub-sector. 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.

Microfinance plays an important role in the Ghanaian economy, sub-Saharan African, and other developing countries where microfinance is practiced. In Ghana, the institution consists of several enterprises, and they help in creating employment, reducing poverty, SME financing, contribution to GDP, increasing savings & investment, growth & development of the economy (Ussif and Ertugrul 2020). 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.

The research objectives of this article are to examine the factors that determine microfinance institutions sustainability in Ghana, discuss the influencing factors of microfinance institutions sustainability in Ghana, expatiate the factors leading to the collapse of microfinance institutions in the country and to examine the solutions/remedies to the collapse of microfinance institutions in Ghana.

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 microinsurance. 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.

2. LITERATURE REVIEW

2.1 Theoretical Review

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).

Sustainability is defined as the ability of microfinance institutions to cover their operational cost and expenses through the revenue and interest of their 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. 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).

Financial stability is the maintaining of stability and smoothness of the financial markets. A financially 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.

2.2. Types of Sustainability

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).

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 defined mission. In case of any change in mission, it would be on good design and articulated process with the organization.

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).

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 maintaining 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).

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.

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 as 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.

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.

Impact of 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).

2.3 Empirical Review

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. Ussif and Ertugrul (2020) examine the "impact of financial regulations on the microfinance institutions sustainability in Ghana" using questionnaires, data was gathered from regulators, managers, policymakers, and customers. SPSS was used in analyzing the data. The results indicated that the financial regulations and policies of the government have positive & negative effects on the sector. The institutions contributed enormously to microfinance institutions' development through regulations & supervision, customers/depositors protection, training programs, skills, and capacity building, increasing financial inclusion, and ensuring stability and financial soundness. 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. The role of microfinance institutions' in poverty reduction, employment creation, and income-generating activities in Ghana was examined by Ussif and Ertugrul (2020). Data were collected from a sample size of ninety (90) participants who were customers of the institution with questionnaires and the data was analyzed using SPSS. The study reveals that microfinance has greatly impacted significantly and positively on the customers of the institution via generating Income, poverty reduction, employment creation, and households' high standard of living. 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. A qualitative study on the impact of financial regulations and the Government policies on microfinance sector development in Ghana was conducted by Ussif and Ertugrul (2020). The study shows that regulations and policies have contributed immensely to microfinance sector development through, training & capacity building, checks & balances, protecting customers & depositors, financial soundness, and financial inclusion. Nevertheless, despite the great impact of regulations & policies to the MFIs, the result again identified ineffective regulations, no decentralization, and inadequate knowledge as challenges of financial regulation. Also, it found the policies formulated to be weak, and the monitoring, supervision, formulation, and implementations of the institutions are inadequate and ineffective.

2.4 Conceptual Framework

Factors Influencing Sustainability of Microfinance Institutions

INDEPENDENT VARIABLES

Factors Influencing Sustainability of MFIs

The Service Quality Delivered
Diversification of Branches
Competencies of the Staff
Capital Structure.

DEPENDENT VARIABLE

Sustainability of Microfinance Institutions

Source: Wambugu and Ngugi (2012)

The above framework concludes that the service quality delivered to the clients/consumers, diversification of branches, staff competencies, and the capital structure has a direct positive impact on financial sustainability in Kenyan microfinance institutions.

3. METHODOLOGY

This article adopted a mixed-methods approach in investigating factors that determines 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, Microsoft Excel, and Content Analysis. 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 using a questionnaire comprising interviews from the regulators, policymakers, managers, and customers of the microfinance companies, and 6 regulators and policymakers were interviewed using interview guides. The respondents were selected purposively and conveniently. 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.

4.0 FINDINGS AND DISCUSSIONS

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:

Table 1 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**:** Primary data, 2018.

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.

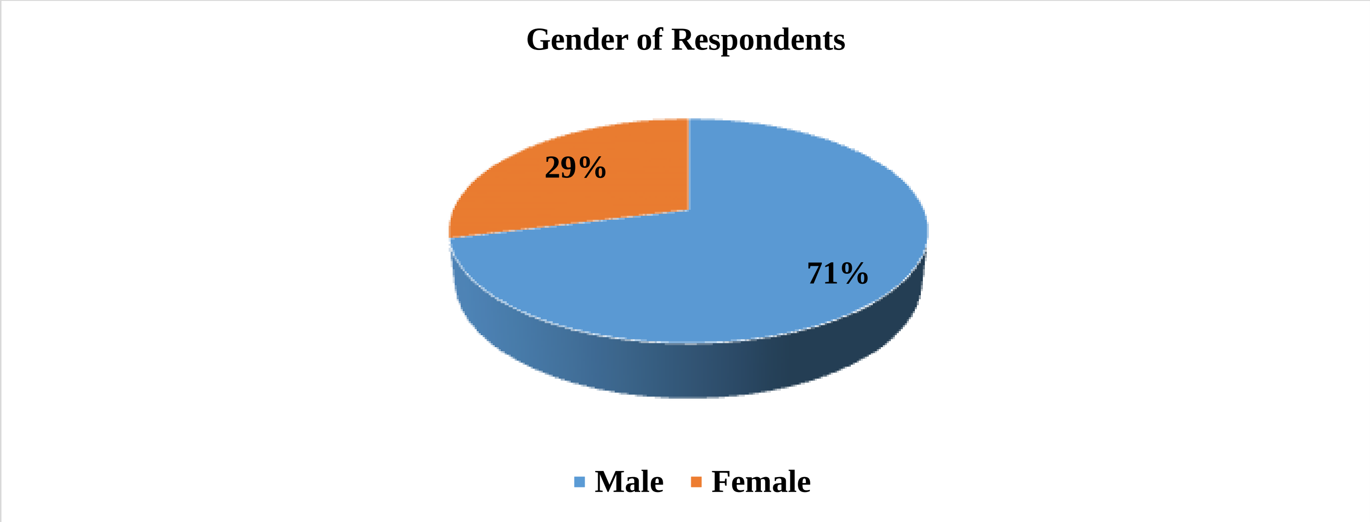
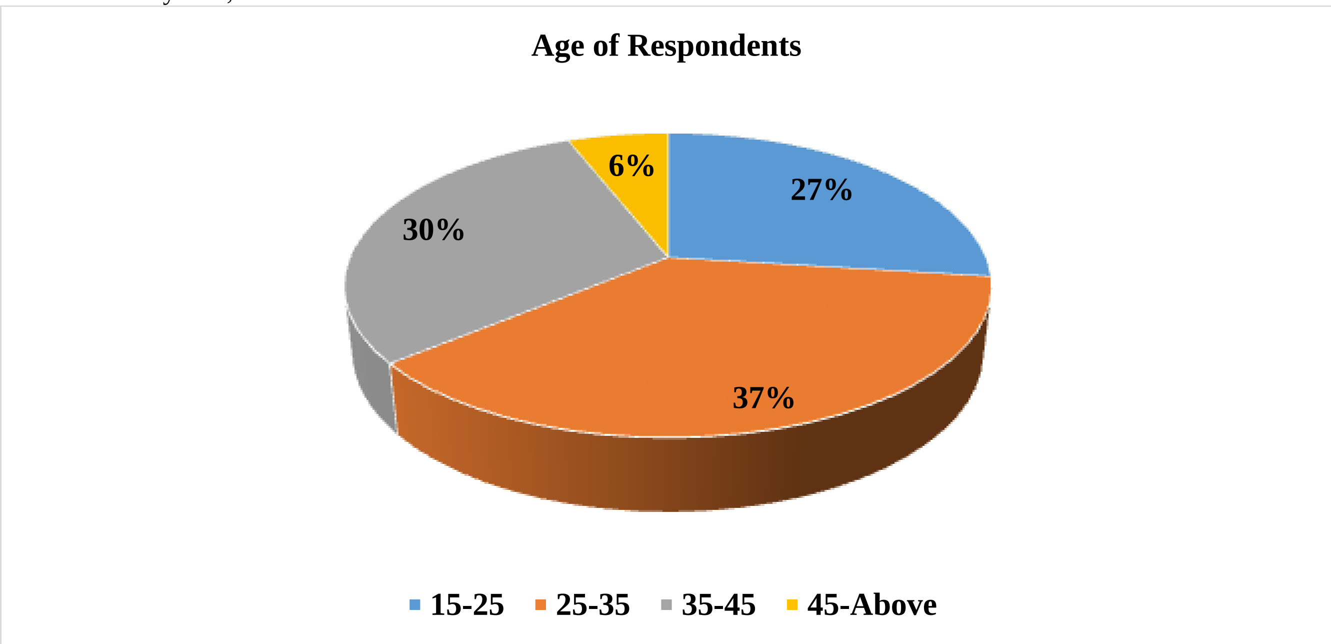


Table 2: The Respondents Age

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**:** Primary data, 2018.



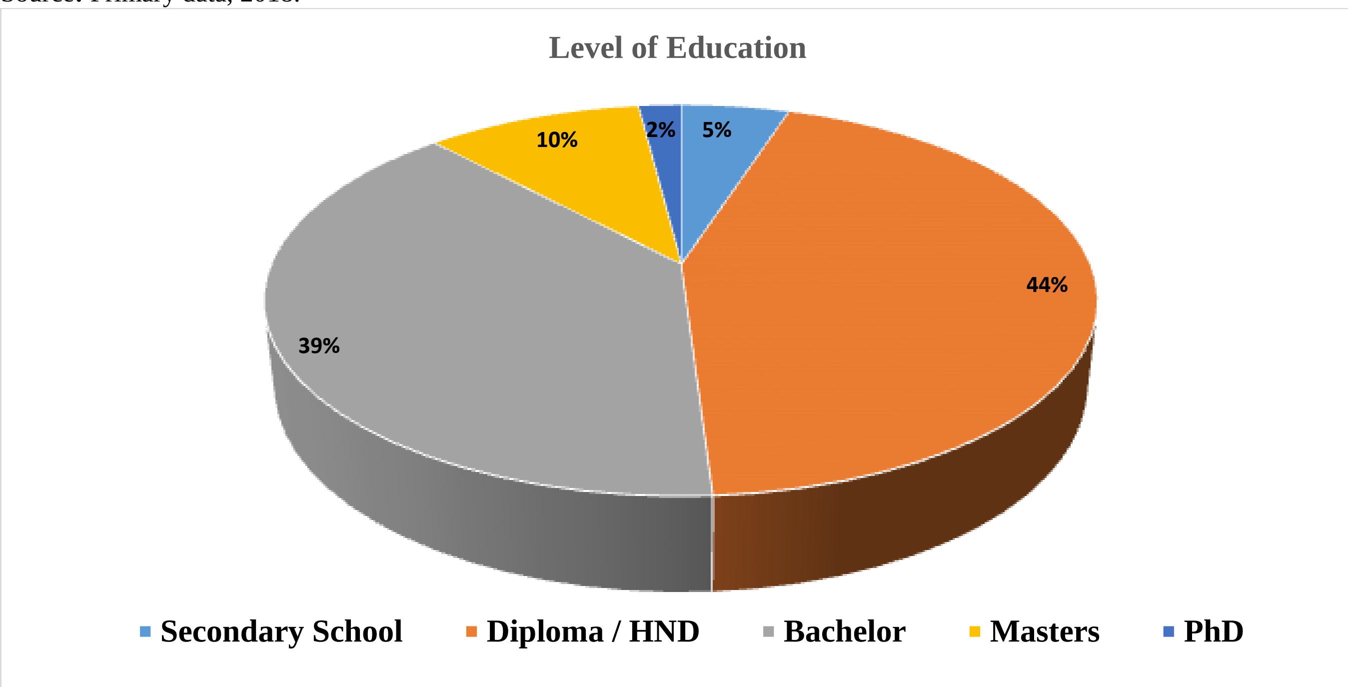
The above table indicates the age of the respondents according to their age groups. From the above table and diagram, it can be concluded that the age group from 25- 35 is the majority with 37 percent of the total interviewed followed by the age group 35-45 with 30 percent. The age group 15-25 and 45 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 institution 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**:** Primary data, 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**:** Primary data, 2018.

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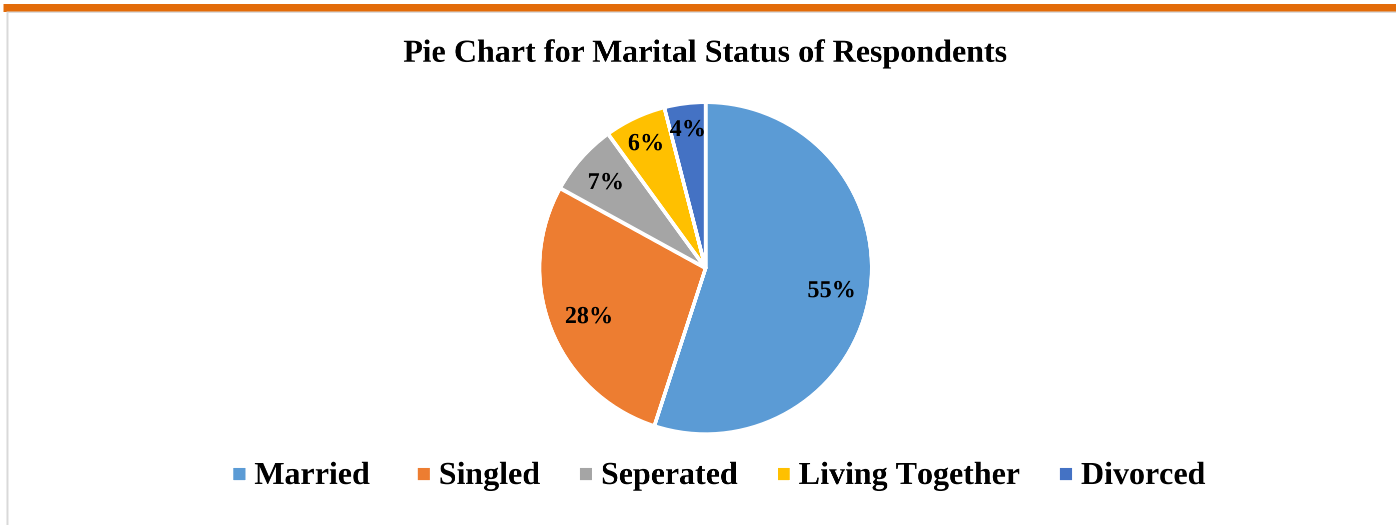


The majority of the respondents are married men and women with 55 percent and those who are not married (single) are the second majorly with 28 percent. Followed by those who got separated with 7 percent and those living together under the same roof but are not married with 6 percent. The respondents 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.

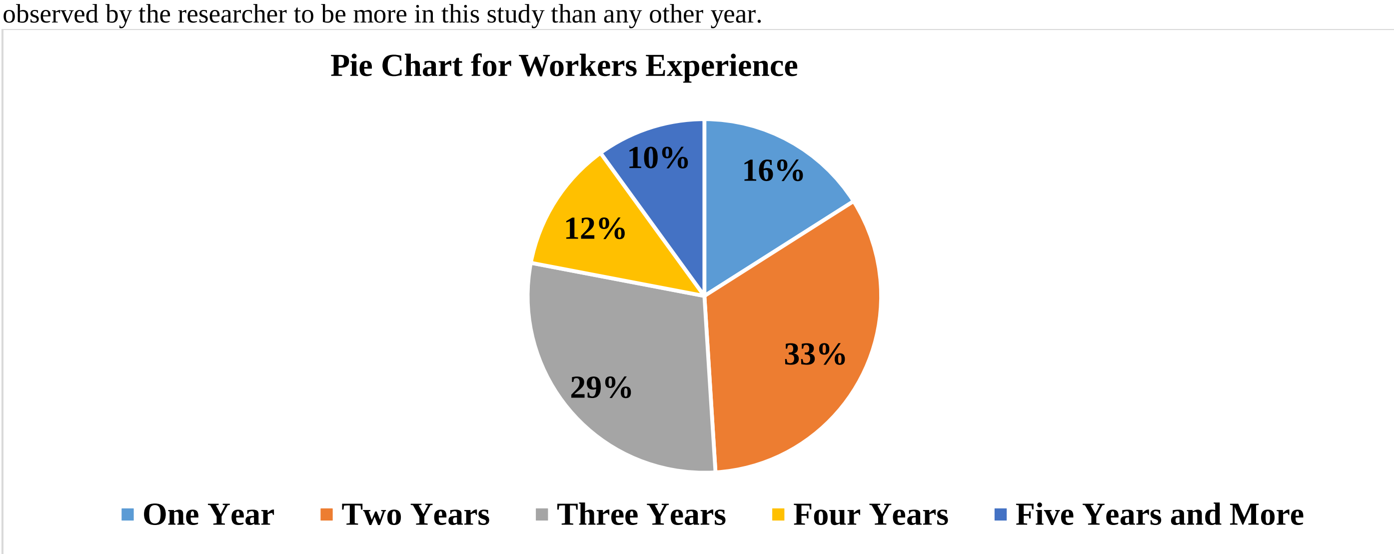
Table 5: Workers Experience

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**:** Primary data, 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.



International Journal of Engineering and Information Systems (IJEAIS)
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Vol. 4, Issue 6, June – 2020, Pages: 24-41

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**:** Primary data, 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.

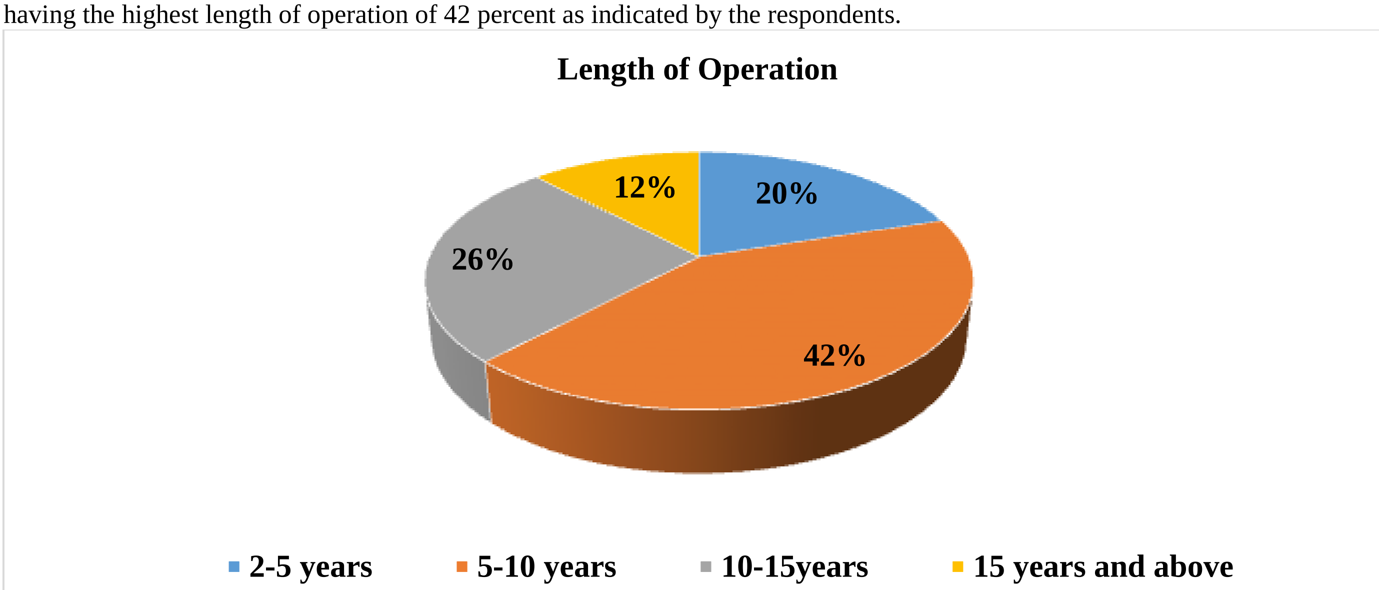

Table 7: Number of Clients

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**:** Primary data, 2018.

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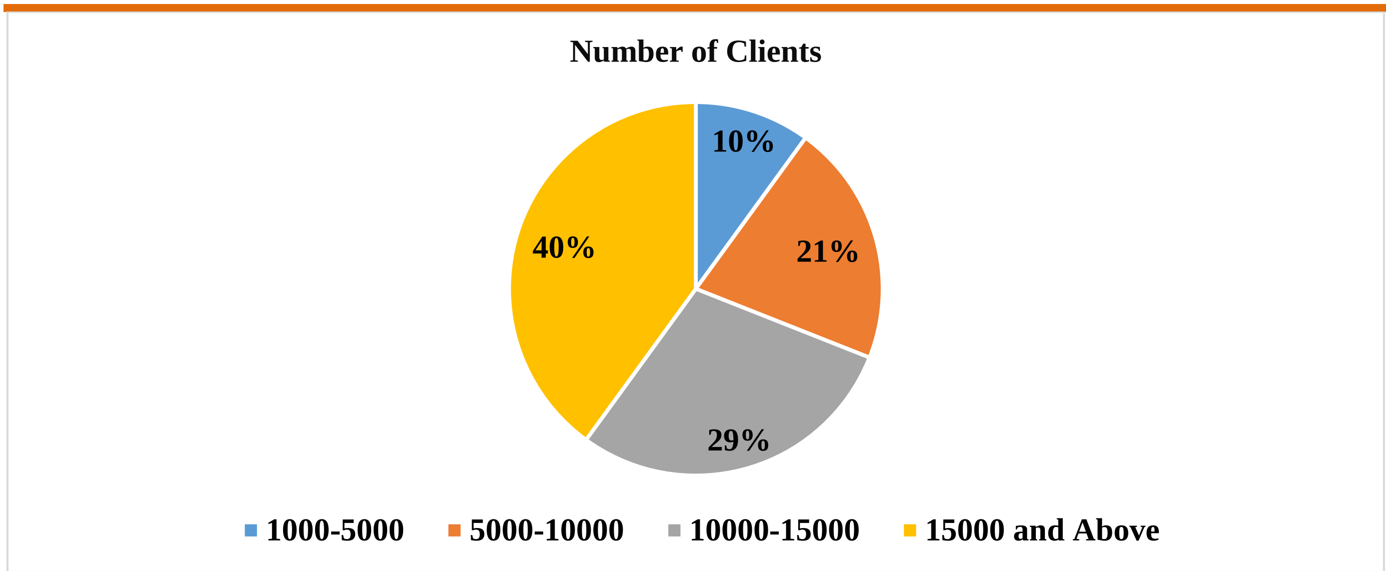


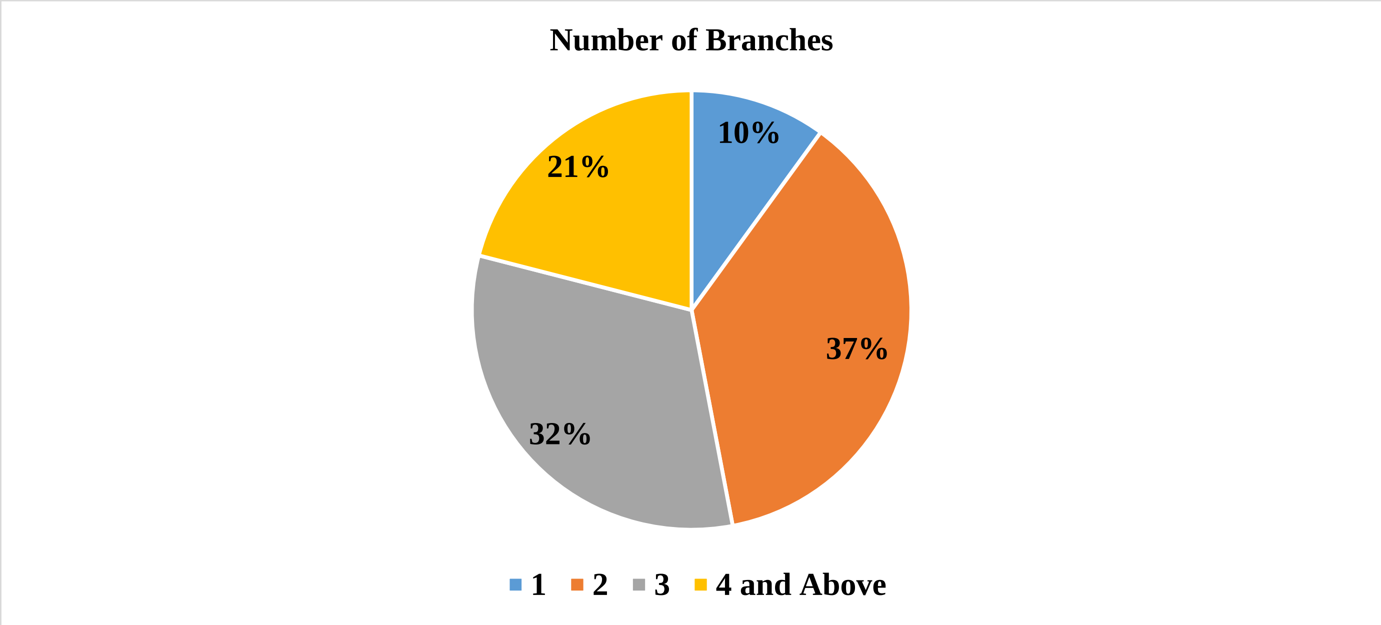
Regarding the number of customers, the study found out that, 40 microfinance institutions had over 15, 000 clients which represented 40 percent of the total respondents interviewed. 29 percent had between 10, 000 to 15, 000 clients and 21 percent had between 5, 000 to 10, 000 clients. Only 10 percent 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**:** Primary Data, 2018.



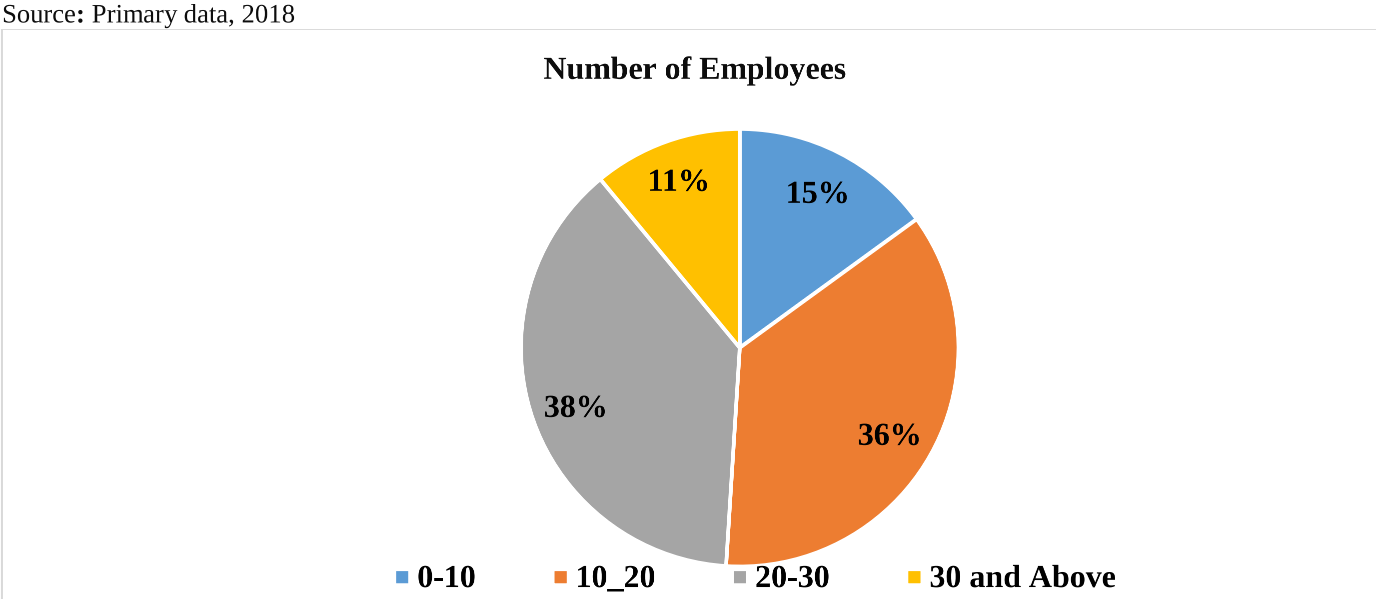
From table 8, on the number of branches each of the microfinance had, the study had revealed that 37 percent had 2 branches while 32 percent had 3 branches. 21 percent had 4 and above branches and only 10 percent had 1 branch. We observed that most of the interviewed institutions had 2 branches each 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 staff number the microfinance institution is working with is asked. This provides the researcher with information on whether the institution is understaffed or overstaffed. The ratio of workers to a customer in a financial institution is a very important factor.

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

Source**:** Primary data, 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, 2018.

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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.

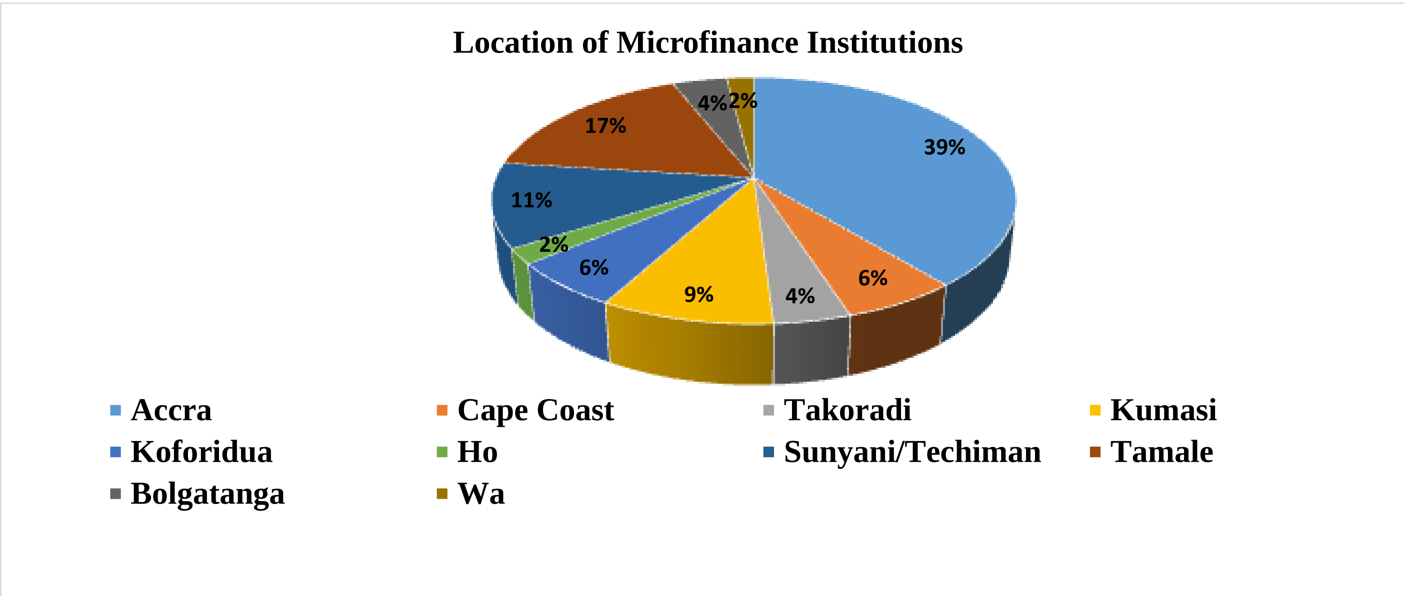
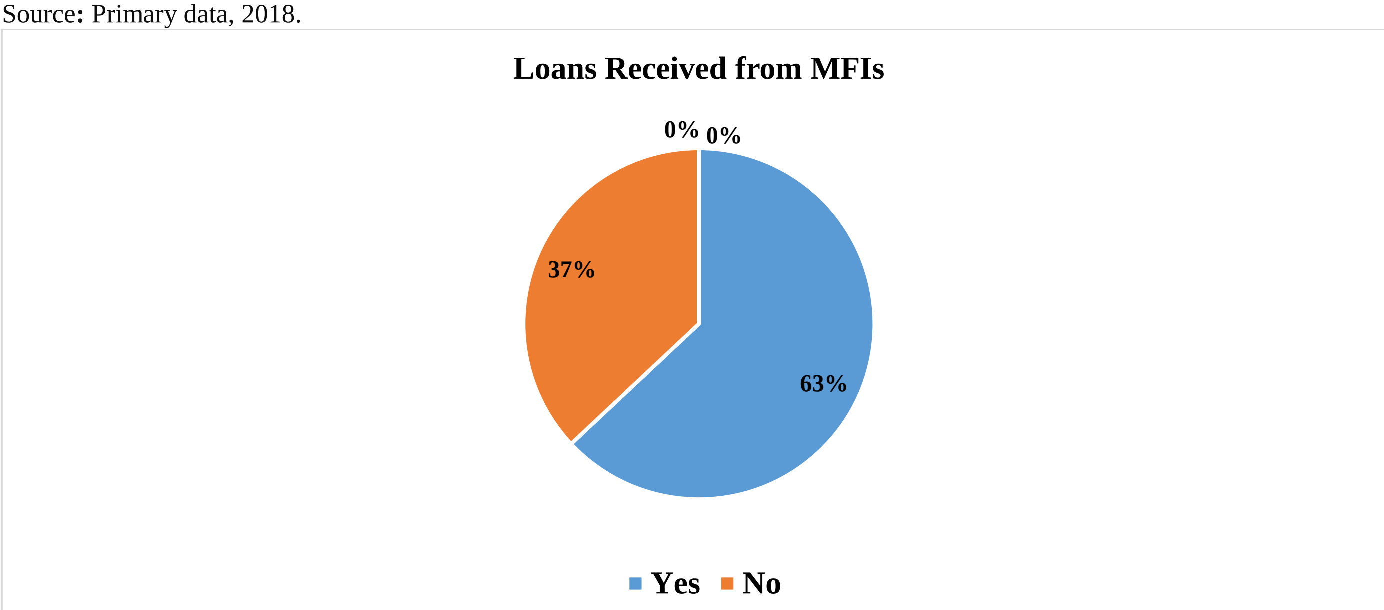


Table 11: Loans received from Microfinance Institutions

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**:** Primary data, 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 on a percentage basis.

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

Source**:** Primary Data, 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.

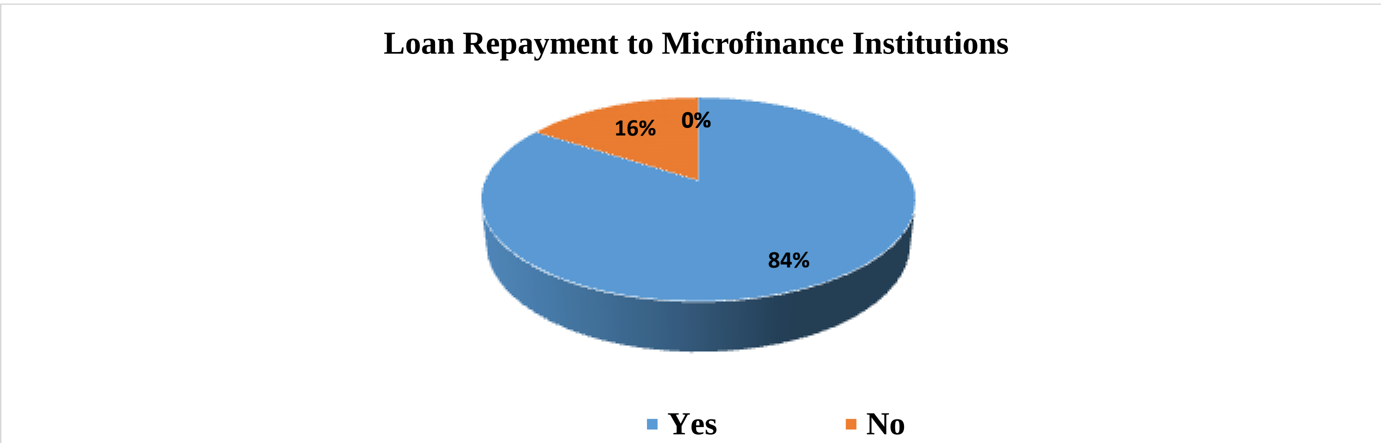


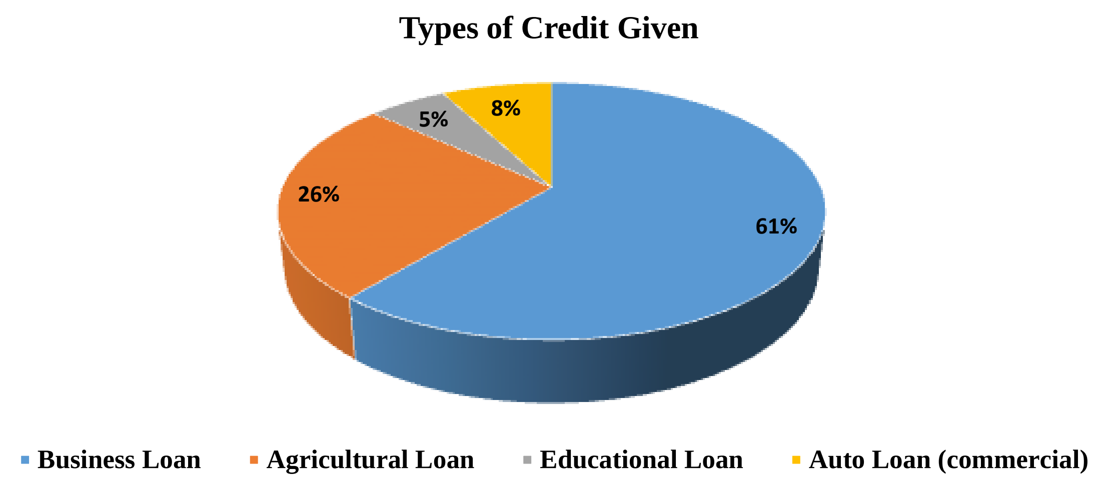
Table 13: Types of Credit Given

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 institution 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**:** Primary data, 2018.

International Journal of Engineering and Information Systems (IJEAIS)
ISSN: 2643-640X
Vol. 4, Issue 6, June – 2020, Pages: 24-41



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.

Table 14. Determinants of Microfinance Institutions Sustainability in Ghana

Among the factor mentioned by respondents are those outlined in the table below.

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**:** Primary data, 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.

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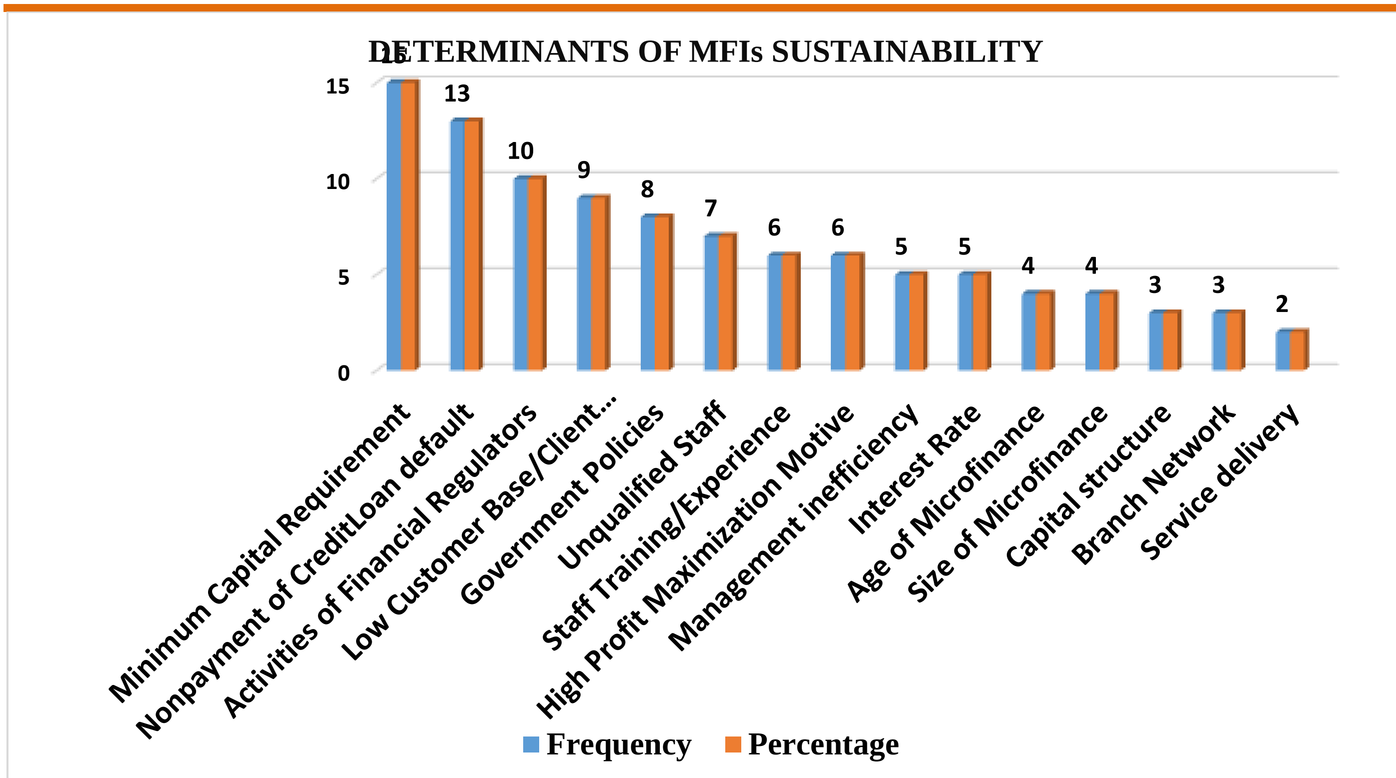

Table 15: Reason Why Microfinance Institutions Collapse in Ghana

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	The 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, 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 percents 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 is 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.

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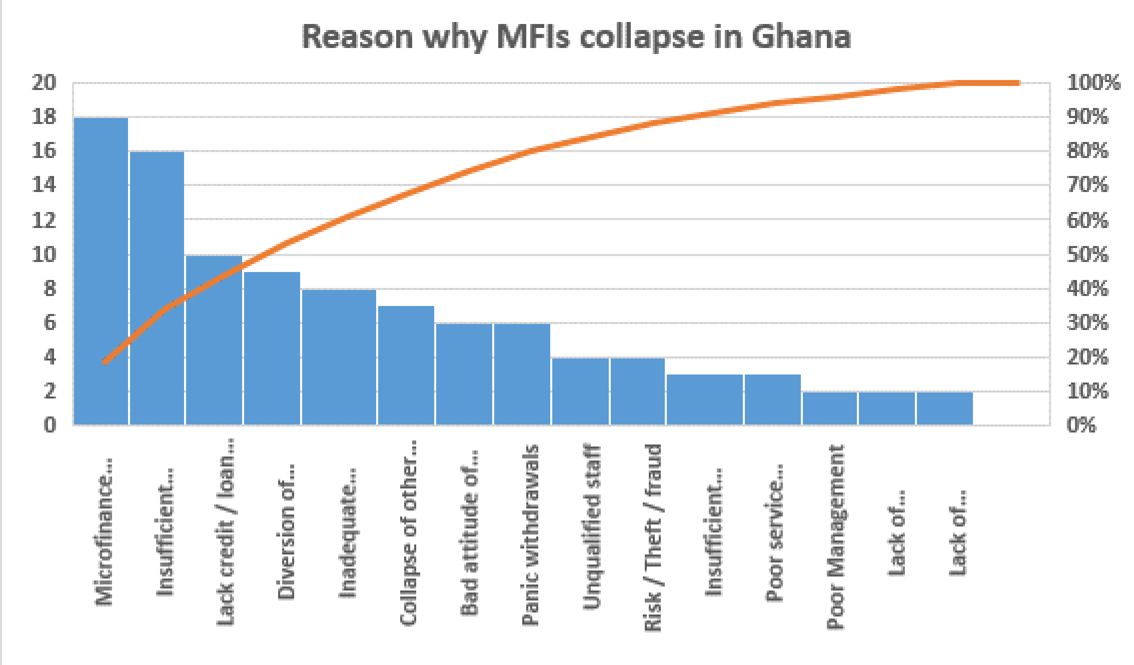


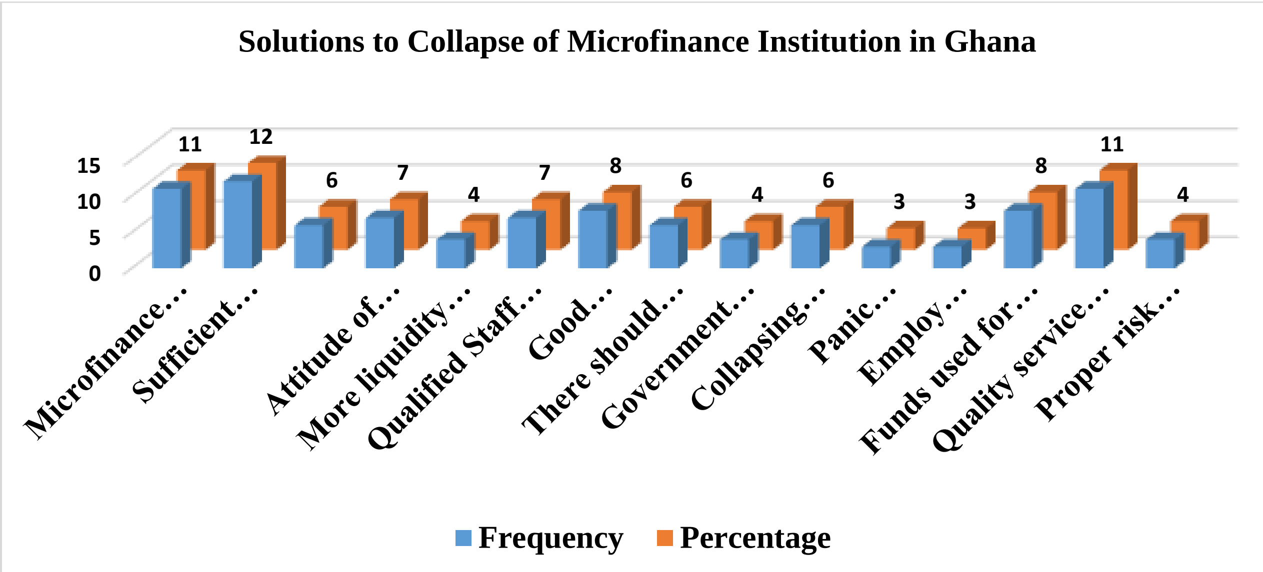
Table 16: Solutions to the Collapse of Microfinance Institutions in Ghana

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
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	The 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	The 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, 2018.



The above indicates the factors that when taken into account, the rate at which microfinance institutions collapse will be minimized if not eradicated.

5.0 Responses to other Questions on the Interview Guide
5.1 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".

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”.

5.2 Revoked Licensed of Some Microfinance Institutions in Ghana

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".

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.

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 Bank of Ghana 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".

6.0 CONCLUSIONS

It was concluded that the laws, rules, principles, regulatory guidelines that cover the microfinance industry in the country influences the sustainability of the institution and 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. Again, it was concluded that the breadth and length of outreach by the institution also affect the sustainability of the sub-sector. Mismanagement, inexperienced, and unqualified staff to a large extent have a larger influence on microfinance institutions' sustainability in Ghana. Finally, the default rate of some customers strongly has an impact on microfinance sector sustainability.

7.0 RECOMMENDATION

There should be effective monitoring and evaluation by the regulators and compulsory training should be given to the staff of the 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, credit should be given in groups, so that, in case of default, management can force the beneficiaries to contribute to pay. The interest rate charged by the microfinance sector should be reduced for repayment to be done at the due date. The management should adopt good practices to improve the institution's outreach level to attain better efficiency.

More so, an effective and efficient credit rating bureau should be established to help investigate who qualifies for a microfinance loan. Owners should be involved in product diversification and do more publicity/advertisement of the products to gain greater outreach to increase their customer base.

The loan processing procedure should be tightened and strengthened by the management to avoid bad debt or nonpayment of loans by customers and there should be intensive training, capacity building, and financial literacy programs of the staff to boost their knowledge/skills in the rural communities to increase financial inclusion.

Finally, for microfinance institutions to be sustainable, we recommend that management should take any opportunity that comes their way in cash or kind from donors, government, and other external support.

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