MICROFINANCE SECTOR IN GHANA: CHALLENGES AND RECOMMENDATIONS. A CRITICAL REVIEW OF LITERATURE

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Abstract
Microfinance has been among the phenomena hotly debated by practitioners, researchers, and development agents as a tool for poverty reduction. However the microfinance sector is bedevilled with a number of challenges. The study reviewed literature on challenges facing the microfinance sector in general and Ghana in particular and recommended solutions to the challenges. Some of the challenges faced by the clients include high interest rates and lack of training, whilst loan default, and sustainability issues are some of the challenges confronting microfinance institutions. It was recommended that clients of microfinance institutions should set up their own micro-bank, government should secure loans for the clients at reasonable interest rates, Bank of Ghana should intensify its supervisory and monitoring role, and both the clients and MFIs should be trained, among others.

Keywords: Microfinance, Microfinance institutions, Microfinance sector, Ghana, Interest rate, Loan default.

1. INTRODUCTION

Microfinance according to Rahman *et al*. (2015), entails the provision of microcredit, insurance, remittances, health, education, skill training and social awareness to the poor who are traditionally excluded by formal financial intermediaries. Lorenzetti *et al.* (2017), define microfinance as a platform designed to assist poor families, especially females, to enhance their role in productive activities, improve their economic and material well-being, decrease vulnerability to financial shocks, and smooth consumption.

The microfinance sector, especially the clients including the micro-enterprises, and even the microfinance institutions themselves face a number of challenges. The clients (individuals and micro-enterprises) complain of exorbitant interest rates charged by the microfinance companies, inadequate loan amounts, the term of maturity of the loans, and many more issues Rashem and Abdullah (2018); Prathap, Mahesh, and Karthik(2018). The microfinance institutions also face the problem of default and sustainability among others. In addition to these, although microfinance has been in existence for more than two decades, many people (including even those in the sector) do not fully understand many of the aspects of microfinance. The study is focused on Ghana for a number of reasons. First, though microfinance has been introduced in the country for more than two decades as a tool for business growth, employment generation and eventually poverty reduction, it has not been able to significantly impact positively on the above variables (business growth, employment generation, and poverty reduction). Why? What are the challenges faced by the microfinance sector? Second, there has not been any comprehensive research conducted on the challenges faced by the microfinance sector in Ghana. Third, the study is important because there should be recommendations for the microfinance sector to perform and achieve its objectives of growing businesses, creating employment and hence reducing poverty in Ghana. Fourthly, according to Yimga (2016), most empirical studies on microfinance have concentrated on the downstream; that is the effect on borrowers or clients, ignoring how the MFIs are affected in the process, therefore this study is conducted to include the microfinance institutions as well.

The challenges faced by the microfinance sector have so far prevented the microfinance sector to reach or achieve its goal of reducing poverty in Ghana. The issues motivated this current study. The current study therefore reviews the challenges and recommends measures to overcome the challenges so that microfinance can indeed be a potent tool for business growth, employment creation and hence poverty reduction in Ghana.

2. LITERATURE REVIEW

2.1 Challenges faced by Clients of Microfinance Institutions

A study by Rashem and Abdullah(2018) on the factors influencing the growth and penetration of microfinance institutions in Egypt revealed that high interest rate, political and economic conditions, corruption, customer outreach, competition and technology are challenges, obstacles or hurdles militating the growth of microfinance institutions. The study found lack of appropriate technology to manage internal affairs and clients as a major challenge affecting the growth of microfinance institutions (MFIs) in Egypt. Secondly the study revealed customer outreach as a major hurdle. Customer outreach which is crucial for poverty reduction and sustainability of MFIs is costly and hence poses a threat for the growth of MFIs. This is supported by Wassie, Kusakari, Hitoshi and Sumimolo (2019) who confirmed in their study that providing financial services to the poor(outreach) and attaining financial sustainability are dual challenges faced by MFIs. Rashem and Abdullah (2018) further asserted that the managers of MFIs misuse the powers by attending unproductive conferences and seminars which incurred heavy cost for the institution. Again, according to the findings of the study the high interest rate charged by the MFIs coupled with short–term of repayment impose a burden on the clients leading to inability of repayment and hence high rate of default. To buttress this Sainz-Fernandez, et, al (2015) assert that absence of credit bureaux lead to multiple borrowing which consequently lead to default. Microfinance institutions(MFIs) face the challenges of inadequate infrastructure both physical and financial, unsupportive policy environment, limited institutional capacity, inadequate investment in rural areas, inadequate social capital development, microfinance misconception, among others(Mago, 2019).

Another study conducted by Prathap, Mahesh, and Karthik (2018) on microfinance and poverty alleviation in India found lack of education, method of repayment and high interest rate as obstacles or challenges confronting the microfinance industry. This is buttressed by Elhadidi

(2018) who also found that high interest rates, lack of business training and short maturity period of loan are factors that hinder the growth of MFIs and hence worsen the plight of microfinance clients. Elhadidi further asserted that unwillingness of clients to invest their loans in their microenterprises but rather use them on consumption is an obstacle to the growth of MFIs leading to loan default. According to Khavul (2010), it is very expensive and risky to serve the poor because they have no official histories, no credit bureaux, are illiterates, have limited or no collateral and are often dispersed across rural areas. Moreover, their micro-enterprises are not registered and hence not taxed and they operate in the informal sector of the economy. This leads to agency and transaction cost challenges which is extremely difficult to overcome. The challenge of high transaction cost involved in providing loans to the poor, given the smallness of the loan size coupled with the geographic dispersion of the rural borrower is a very serious obstacle which adversely affect the growth of the microfinance sector. This is because it leads to high interest rate, may reduce profitability (Ahlin et al., 2011) which may consequently cause scarcity of loanable funds to MFI clients (Burlando & Canido, 2017).

Another study by Cervantes and Montoya (2015) in Mexico found that the clients of microfinance faced a number of obstacles or challenges including but are not limited to, term of maturity of the loan re-payments, sicknesses caused by stress, unbearable responsibility, child neglect as a result of loan terms, problems with family, challenges caused by sentimental partners, and debt related issues. Another hidden challenge was the inability of many of the respondents to definitively declare their source of loan repayments. A greater percentage of the respondents (77.8 %) indicated that their source of repayment was the micro-enterprises themselves. They claimed that the microenterprises are capable of generating enough or sufficient money for repayments, whilst the remaining respondents (24.2%) had to repay or settle their debt obligation with money from other different sources.

High interest and hence high interest payment has been a major concern and a challenge to microfinance clients. In their study on outreach and performance analysis of MFIs in Cameroon, Shu and Oney (2014) found that MFIs in Cameroon, like many MFIs in developing countries, are more focused on profit maximisation rather than reaching out to the poorest of the poor: as a consequence, they charge high interest rates. According to DFID (2006) the demand for micro-credit does not change much when interest rates increase, and so microfinance institutions do not lose clients or change their missions. This argument is buttressed by Dehejia, Montgomery & Morduch(2005) who opined that micro-credit beneficiaries are not sensitive to increases in interest rates because they earn more than enough profit to pay the high interest rates. Studies conducted in India, Kenya and the Philippines, and cited by Yeboah (2010), found that the average return on investments by micro-enterprises ranged from 117% to 847%. Again Morduch (2008) found that profit in retail businesses owned by males in Mexico ranged from 20% to 33% per month and profit were even found to be higher (70% to 75% per month) for businesses identified as financially constrained.

However, other studies revealed that, due to high interest rates charged by microfinance institutions, some micro-enterprises have collapsed or are not doing well. For instance, Del Mel, McKenzie & Woodruff (2008) indicate that for female-owned businesses the average returns to

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capital was almost zero. Considering the fact that most microfinance clients are women, high interest rates on loans is a challenge or obstacle to their growth. This is confirmed by Schindler(2010) cited by Salia, Hussain, Tingbani, and Kolade (2018) in their article; Is women empowerment a zero sum game? Unintended consequences of microfinance for women's empowerment in Ghana; who asserted that inefficiency and cost of microfinance is a hindrance to women's ability to come out of poverty. This is a moral issue. This is because, if microfinance institutions (MFIs) claim their aim (among others) is to deliver the poor out of poverty, and help expand microenterprises, thereby create and expand employment why then should they charge exorbitant interest rates to kill microenterprises and make the poor worse off? The MFIs also claim their operating costs, including the cost of capital is high, hence to be sustainable they should charge market interest rates. For the MFIs to charge affordable interest rates, their loanable funds should come from a source with concessionary interest rates, so that both the clients and MFIs will benefit. If their sources of loanable funds come from, say, NGOs, the government or an International Development organisation like UNDP at concessionary interest rates for on-lending to the poor and microenterprises then they can charge affordable interest rates to benefit both the clients and themselves. According to Rashem and Abdallah (2018) and buttressed by Dahir (2018), MFIs should be financially supported by donors and governments for them to offer adequate loan amount to their clients at affordable interest rates, and come up with standardised reporting and monitoring systems, rules and regulations to prevent default. In this case, the poor may come out of poverty, microenterprises may grow, and employment may be created and expanded leading to economic growth and development. Even this will depend on some factors including how the loan is used, among others. For example, if the loan is diverted by the clients, in spite of the concessionary interest rate, poverty will not reduce, microenterprises will not expand, employment will not be created and there will be no economic growth. Furthermore, Dehejia et al.'s (2005) study in the slums of Dhaka in Bangladesh, which assessed sensitivity of borrowers to increases in interest rates on loans, found that the sensitivity levels of the less poor microfinance clients to changes in interest rates is less than that of the poorer borrowers. A field survey conducted by Karlan et al. (2007 cited by Yeboah, 2010) in urban Accra, Ghana, to assess people's sensitivity to interest rate changes showed that micro-entrepreneurs were more likely to apply for loans at lower interest rates than at higher interest rates. A study by Ntim (2019) on microfinance and poverty reduction in Ghana also revealed that lack of collateral, high interest rates, and lack of track record are challenges faced by clients from accessing loans from the MFIs. The results of a study by Dahir(2018) in Mogadishu on challenges faced by microfinance institutions indicate that loan default, inadequate donor funding, insufficient support from governments, improper regulations, lack of standardised reporting and performance monitoring system for MFIs are among the challenges facing the microfinance industry. Lack of well-trained staff, lack of monitoring system and inadequate loan size are obstacles or challenges faced by MFIs (Khanam, Mohiuddin, Hoque and Weber, 2018).

In addition to the interest rate, the other charges, fees, and deductions demanded by the microfinance institutions also serve as another obstacles or challenges to microfinance clients. MFIs deduct processing fees from the loan, and the clients are usually required to make compulsory deposits etc., which obviously reduces the net cash they receive as loans (Rosenberg, Gonzalez & Nahrain 2009). According to Rosenberg et al. (2009) all these are termed hidden cost, which increases the effective interest on the loan. A study conducted in Ghana by Addae-Korankye & Abada, (2017) on Microfinance and female empowerment revealed that female microfinance beneficiaries encounter a number of challenges including exorbitant interest rates, access to credit, inadequate loan sizes, lack or inadequate training, access to market, high taxes/market tolls charge by the assemblies, high prices of inputs including utility bills and frequency of loan repayment (maturity, loan terms). Salia, et, al. (2018) reported in their study that some husbands of women microfinance beneficiaries marry their maids leading to spousal disputes and family breakdown. The reason is that the husbands claim their wives leave home very early for their shops by 6.00 am and come home after 7.00 pm, and so the women are not able to satisfy their husbands' domestic or physical needs. Others include inadequate supply of inputs, lack of storage facilities, transportation, and difficulty in collecting their debts among others. These obstacles adversely affect the growth of their businesses and some businesses have even collapsed.

2.2 Challenges and Obstacles faced by Microfinance Institutions (MFIs)

In spite of the successes achieved by some efficient MFIs, a considerable number of them face challenges in attaining both operational and financial sustainability (Rahman, et al., 2015). According to Yimga (2016), most empirical studies on microfinance have concentrated on the downstream; that is the effect on borrowers, ignoring how the MFIs are affected in the process. Shu and Oney (2014) studied MFIs in Cameroon and concluded that MFIs in Cameroon and in most developing countries do not manage their risk very well. They are proned to high default risk among others. Some MFIs complain about loan default by some microenterprises and individual borrowers. Some clients of MFIs fail to repay their loan amount on time and some also do not pay at all. This is partly due to the absence of a credit bureaux (Sainz-Fernandez, 2015). A study conducted by Sainz-Fernandez (2015) using a sample of 832 MFIs from 74 countries on crises of MFIs indicated that excess liquidity, excess of deposits over loans, and absence of a credit bureaux increases the probability of crises and is hence a challenge to MFIs. Loan default is a serious challenge, which adversely affect their sustainability. They went on further to say that a company's positive performance, a country's economic growth, political stability, and existence of a private credit bureaux reduces the probability of crises. The MFIs also borrow their loanable amount at commercial interest rates, so if they experience huge default rates some of them will collapse; in fact, some MFIs have collapsed due to the high default rate and high cost of capital. The cost of delivering small loans to micro-clients is very high. In addition to the above, the provision of training and advisory services offered to the microenterprises add to their cost and hence negatively affect their sustainability and lead to collapse of MFIs (Cull et. al., 2018). To reduce the probability of default and to ensure sustainability MFIs whether State-owned or privately-owned resort to credit rationing at certain times (Diaz-Serrano & Sackey, 2018). MFIs that provide social services in addition to the financial services have greater depth of outreach and higher repayment rates and so reduces the risk of default (Lensink et al., 2018). However, provision of social services like training, business development, access to market and health care increases cost of operation to MFIs, hence poses a challenge. To increase the income of the clients and hence minimise loan default, Ferdousi (2015) recommends that MFIs should do careful screening of clients and effective monitoring to ensure that the loans are effectively utilised and used for the purpose for which it is granted. To minimise and protect against default risk Heather and Howard (2019) also assert that micro-insurance and hence insurance premium should be paid. This will enable MFIs to better manage default risk, and thereby provide sustainable and accessible microfinance assistance to small and micro businesses. Begun, et, al(2018) also asserted that Islamic MFIs often reschedules the time of repayment for clients especially if they found that the client genuinely has a problem. Boateng and Oduro (2018) showed that micro-credit default is a function of the educational level of the client, number of dependants, type of loan, adequacy of loan, term of maturity of the loan, number of years in business, and the period within the year the loan was acquired. Based on their findings, they recommended that, to minimize loan default, the group-lending methodology should be used as the main mode of delivering microfinance to suitable applicants. In India as asserted by Prabhjot (2016), the poor are losing confidence in the MFIs due to the high interest rates they charge on loans granted to their clients. Their clientele base is dwindling, which if not addressed will lead to the collapse of many of the MFIs. Further, loan default if not checked will reduce the lending ability of the MFIs, as the flow of repayment breaks or declines leading to rejection of some loan applicants (Lilay, 2015). Some MFIs also face legal, regulatory and licensing challenges, inadequate infrastructure, and competition from commercial banks, high illiteracy rates of their clients, a huge work load, and inadequate skilled personnel (Kenubeh, 2015).

From a study on the efficiency and competency levels of MFIs, Riaz and Gopal (2015) found the efficiency and competency levels of MFIs in Pakistan to below, unstable, and shows no specific trend. The study revealed that almost all the MFIs are not fully utilising their resources; none of them has 100% resource utilisation. Other challenges faced by MFIs include panic withdrawals by clients, mismanagement, and disregard to due diligence, macroeconomic instabilities, and unethical and illegal practices (Boateng et al., 2016). In addition to the above, MFIs lack skilled personnel (because most of them do not recruit skilled employees), and high operational cost(Asiamah, and Osei, 2007), there is no institutional capacity building and hence capacity enhancement in the sector, lack of funding and basic infrastructure like good roads, electricity, telecommunication services, lack of reliable information for effective planning and decision making, and lack of regulation and supervision (Gyamfi, 2012; Boateng, et, al. 2015).

2.3 Challenges facing Microfinance Sector in Ghana

2.3.1 Internal Challenges.

One major challenge is loan default of clients. This challenge adversely affect MFIs' profitability and sustainability and also blocks other clients' chances of receiving loans from them (Boateng, et, al.,2015). MFIs also face the challenge of high operational cost in the form of staff salary, electricity bills, rent, and travel and transportation cost, among others to reach clients in remote places to collect repayment, and take deposits. Other operational costs revealed by the study conducted by Boateng et, al., (2015) include mobile service, and door to door service which is the most used medium for advertising MFIs products. This small units of services pose the challenges of high operating cost, several loan applications to be processed, numerous accounts to be managed and monitored, and repayment collections to be made from several locations in near and remote places especially in rural communities.

Another challenge faced by MFIs is that some staff of MFIs abscond with clients' deposits, under record deposits and repayments of clients, whilst some steal from the MFIs. Further, a staff with a questionable character can be employed by an other MFIs unknowingly and this perpetuates the fraudulent activities leading to loss of confidence in the MFI sector by clients and potential clients.

MFIs’ also face the challenge of lack of skilled personnel in most cases (Asiamah and Osei, 2007). Most MFIs are not able to attract high level staff with requisite skills to execute the needed functions. This leads to poor performance of the sector. This is due to poor or low salaries and compensations given to staff by MFIs leading to high turnover in the microfinance sector. In addition to this, there is no or limited human and institutional capacity building in the sector (Gyamfi, 2012; Boateng, et, al., 2015). The sector, do not recruit appropriate and quality staff and at the same time do not train them at all or inadequately train them (Boateng, et, al., 2015). The MFIs also face the challenge of inadequate and irregular supervision and monitoring of both staff and clients’ activities, lack of frequent visits to clients’ shops and business centres, poor record keeping and many more leading to fraud, theft and loan default in the industry. The main objective of microfinance is to provide resources for the poor and as a result reduce poverty levels. However, the MFIs do not have adequate, reliable and acceptable methods for classifying clients into various poverty levels to identify their needed forms of support that may be more appropriate for different groups of people.

2.3.2 External challenges

Microfinance plays important roles in the economy of Ghana in terms of creation of employment, enhancing business growth, and eventually reduce poverty. However, according to Asiamah and Osei, (2007) cited by Boateng, et al.,(2015), the sector lacks basic infrastructure in the form of good roads, telecommunication services, electricity especially in rural areas and this makes it difficult to reach majority of the rural folks who need their services most. This problem leads to high operational cost and hence makes the microfinance institutions highly uncompetitive in the financial sector.

Another challenge is the lack of defined areas of operation. This is because the roles, responsibilities, and operations of various stakeholders which is supposed to be complementary currently overlap in some cases according to Bank of Ghana (2004). The overlap is also due partly to the fact that organisational and institutional hierarchy and reporting relationships among all the stakeholders are not clearly defined. The role of Bank of Ghana (Central Bank), Association of Microfinance institutions, Ghana Microfinance Institutions Network(GHAMFIN), etc are not clearly defined hence the overlap. There is the need therefore to clearly define relationships and roles to enhance effective implementation and delivery of services.

Capacity enhancement and funding is also one of the challenges facing the microfinance industry (Boateng et, al., 2015). Despite the fact that training programmes are often organised by stakeholders, the sector still lacks the requisite skills and staff with the right competencies needed to make the sector competitive in the financial industry. For instance, the capacity of some key stakeholders and institutions including Microfinance and Small Loans Centre

(MASLOC), GHAMFIN, MFIs, relevant Ministries, and technical service providers etc. needs to be enhanced for microfinance operations. Also, the current microfinance Apex bodies do not have enough in-house trainers and/or facilitators as well as in-house monitoring and evaluation units to continually measure progress of their activities consistently over time. Further, funding for the microfinance sub-sector has been another challenge for the sector. The sector can conveniently boast of only three sources of finance – the microfinance institutions themselves, government, and development partners. The challenge is that available funding for the MFIs has not been sufficient, and secondly, the different sources come with their associated conditions, and thus distort the market in some cases (Bank of Ghana, 2007). There is the need therefore for a central microfinance fund to which MFIs can apply for on-lending and/or capacity building support.

Lack of information on microfinance institutions, their operations and clients in the country is another challenge faced by the sector (Steel and Andah, 2004). There is no uniform methods, procedures and data and information gathering at the national level, making it difficult to centrally monitor progress of the sub-sector. Secondly, a well–defined reporting system by both the government and development partners with regards to their interventions is lacking leading to insufficient database for planning and decision making. At the institutional level, data/information gathering and dissemination are weak within and between institutions. Thus, lack of reliable and sufficient data and information on outreach in terms of its depth and breadth remains one of the most challenging issues in the sub-sector. This lack of information has adversely affected targeting of clients and ultimate poverty reduction.

Furthermore, regulation and supervision is and has been one of the serious challenges in the microfinance sector. The Central Bank of Ghana is the overall regulator of the financial system of Ghana and hence microfinance institutions. The players in the industry advocate that to ensure consistency and efficient approaches to regulation across different types of microfinance institutions, there should be dialogue on the formulation, implementation and review of regulatory and supervisory policies and procedures. This is necessary to ensure that depositors funds are protected, customers/clients are fed with the right, adequate and timely information, to facilitate the evolution of a variety of institutions providing microfinance products and services, and coordinate expansion and regulation of different segments of the market. In July-August, 2019 Bank of Ghana revoked the licences of 347 microfinance institutions due to lack of compliance of regulation. This was done to protect customers' deposits according to Bank of Ghana (Bank of Ghana, 2019). Finally, the other apex bodies, like CUA, GCSCA, ASSFIN etc do not have well defined guidelines for operations leading to uncoordinated activities which invariably hinder the performance and outreach of their member institutions. To worsen the situation, there is no formal body charged with the responsibility of coordinating all activities associated with microfinance, neither is there a forum for stakeholders to dialogue on policy and programme issues concerning microfinance. The result of these is that there is fragmentation, duplication and inadequate collaboration between and among stakeholders including clients who are the end users. The current institutional structure of the microfinance sector should be redesigned to include all the relevant stakeholders.

Vol. 5, No.07; 2021

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3. METHODOLOGY

The study was purely a critical review of the challenges and obstacles confronting microfinance sector in general and Ghana in particular. The study also recommended measures to implement to address the challenges. The review began with the microfinance in general, analysed and reviewed challenges from various studies in a number of countries. The study then tackled microfinance sector in Ghana, and examined its challenges and obstacles and finally recommended measures to address the challenges. The recommendations were made separately for the microfinance institutions, their clients, the government, regulatory authorities and Bank of Ghana, and policy makers.

The study reviewed some of the works of the following researchers and institutions among others: Burlando & Canido, (2017), Ahlin, Lin, & Maio, M. (2011), Boateng, & Oduro, (2018), Boateng, Boateng, & Bampoe, (2015), Cull, Demirguc-Kent, & Murduch,(2018), Asiamah, & Osei (2007), Cervantes, & Miguel, (2015), Elhadidi, H. H. (2018), Bank of Ghana. (2019), Dahir, (2018), DFID (2006), Diaz-Serrano, & Sackey, (2018), Heather, & Howard, (2019), Khanam, Mohiuddin, Hoque, & Weber (2018), Yimga, (2016) and Salia, Hussain, Tingbani, & Kolade, (2018).

4. CONCLUSION AND RECOMMENDATIONS

Based on the findings of the various studies and literature reviewed above the following are recommended for clients of MFIs, the Government, Regulatory bodies, MFIs, Policy makers and Practitioners. The recommendations are also the contributions of the study for policy formulation.

4.1 To Clients of MFI

Long-term recommendation/solution

As a long-term solution, the Clients of MFIs should set up or establish their own micro-bank (microfinance company), which should be capable of granting loans to its members at a reasonable interest rates, offering them relevant training and advisory/technical services to grow their businesses, create employment, achieve financial self-sufficiency and, as a result, alleviate poverty. If the clients form their own micro-bank they can address most, if not all, the challenges they face. For example the micro-bank can offer their members loans at reasonable interest rates, use a flexible payment system, requires no physical collateral among others, offer its members relevant training and advisory services etc. Micro-entrepreneurs are capable of establishing, managing, and controlling their own micro-bank. This was proposed by Dr. P.K Fokam(**MC²** methodology) and has successfully worked in countries like Bangladesh, and India (Fotabong, 2011).

Some clients divert the loans they receive from the MFIs thereby causing default in most cases leading to collapse of some microenterprises. It is recommended that the clients should be advised to know the benefits of investing the loans in their microenterprises, and also the consequences of diversion. It is also recommended that clients attend relevant training programmes to grow their microenterprises, create employment and hence reduce poverty.

There should be careful screening of clients in addition to effective monitoring to ensure that the loans are used for the purpose for which it is granted. This has perfectly worked in Bangladesh and other developing countries in minimising default and growing businesses (Ferdousi, 2015).

4.2 To the Government

Short-term solution

One of the challenges of the beneficiaries of microfinance (clients) is the high level of interest charged. It is recommended that governments should secure loanable funds and either loan it to the Clients directly or pass it through MFIs, Commercial or Rural and Community banks at reasonably low or concessionary rates for on-lending to microenterprises (Clients of MFIs). The government can also appeal to development partners like UNDP, USAID, JICA. DFID, etc to lend to microenterprises at reasonably low interest rate in order to help grow their businesses, create employment and as a result reduce poverty. This has worked in many countries. For example in Latin American countries including Bolivia.

Secondly, based on the results from the challenges or obstacles of using microfinance by the clients, there is lack of training and advisory services for some of the clients. It is recommended that the Government should appeal to the international development partners, like UNDP, USAID, JICA, DFID etc., to sponsor relevant training programmes, and offer relevant advisory services to microenterprises/clients.

In the third place, the short maturity period of the loans was revealed as one of the challenges/obstacles face by the clients of MFIs. It is recommended that the maturity period of the loan should depend upon the nature of one's business. For instance, those in the agricultural sector should be allowed to repay their loans when they harvest their produce. This, however, can only be possible if the loan is coming from the government because if the loan is from the MFIs they also have to meet their obligations to their creditors so they cannot allow the clients to pay the loan at their own convenience. Again, MFIs should reschedule the time of repayment especially if the client genuinely has a problem. This practice has successfully worked in 382 MFIs across 70 countries (Begun, et, al, 2018).

Medium to Long-term solution

In the medium to long-term it is recommended that microfinance must be part of government's broad strategy for poverty alleviation within a framework of good macroeconomic policies. It is therefore recommended that, as a long-term solution, the government should incorporate microfinance in her broad poverty alleviation strategy for it to have meaningful impact on poverty reduction.

It is also recommended that the government in addition to ensuring a supportive and conducive macroeconomic environment and good trade and industry policy, it should also provide good infrastructure (e.g good roads), affordable means for microenterprises to move and market their products, and access to ready market. From the literature, it is revealed that microfinance is a necessary but not a sufficient condition for microenterprise growth, employment creation and hence poverty reduction, other inputs are required hence government should endeavour to provide those other inputs including strong legal framework and other conducive environment.

4.3 To the Regulatory Body (e.g. Bank of Ghana)

Short to medium-term solution

One of the challenges or obstacles identified from the review was the loss of depositors' (clients') money due to the collapse of the MFI or some MFIs absconding with depositors' (clients') money. It is recommended that the Central Bank (Bank of Ghana) should intensify its monitoring and supervisory role of the microfinance institutions so that the illegal (unlicensed) MFIs which abscond with depositors' money are wiped out from the system. Secondly, Bank of Ghana should intensify its supervisory, monitoring and regulatory role, by increasing the frequency of visits to the MFIs so that it can quickly notice inefficiencies to avert the collapse of the MFI in order to safeguard the interest of depositors. Again, the licensing requirement should be vigorous in terms of the processes and, more importantly, the capital requirement.

Furthermore the government and Central bank must facilitate MFIs' growth and development by the establishment of credit bureaux which could help MFIs to assess the level of indebtedness and credit risk of their clients and potential clients, to either grant or reject a loan application. This will help minimise or reduce delinquency or default rates.

4.4 To the Microfinance Institutions (MFIs)/Practitioners

Short to medium-term solution

Lack of technical advice/advisory services is one of the obstacles/challenges confronting microfinance clients leading to the collapse of some of the businesses and/or adversely affecting the growth of the businesses. It is recommended that microfinance institutions should offer technical advice to their clients. They should regularly visit their clients' shops, business centres and areas of operation, to monitor and assess their clients' performance and hence offer adequate and useful technical advice that will lead to the growth of the clients' businesses. The staff of microfinance institutions can do this perfectly when they are trained. Regular, appropriate, relevant and adequate training should be organised for the employees, and owners of MFIs. The training can be local, in-house or international. When this is done, loan default will be minimised if not entirely eliminated because businesses will grow and, as a result, loans will be repaid. As noted by Ferdousi (2015), when MFIs in Bangledesh started careful screening of clients, effectively monitoring to ensure that loans are effectively utilised and used for the purpose for which it is granted, the micro-enterprises are growing and as a result default has drastically reduced.

Secondly, MFIs can enhance their performance by implementing strategies to lower their operational and administrative cost. This can be achieved partly by reducing the delinquency rates and transaction cost. They should also provide incentives to their staff to increase their productivity, and identify optimal number of clients per staff.

Further, to minimise default, MFIs should grant loans to only those clients who are members of a group. In other words, the group methodology should be the sole method of delivering microfinance. They should also concentrate on poor individuals and microenterprises and stop granting loans to medium and large enterprises. Group methodology has proven to be very effective in minimising default in most MFIs; for example in Bangladesh, India, and Bolivia (Prathap, et al.2018). Again, to minimise and protect against default, MFIs should ensure that

Vol. 5, No.07; 2021

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micro-insurance and insurance premium should be paid by clients. This has worked successfully in India and China (Heather and Howard, 2019).

All the above recommendations are likewise beneficial to scholars and researchers, as they will use the information and findings as reference material (literature) in similar researches. If the above recommendations are efficiently and effectively implemented, the challenges in the microfinance sector and hence poverty in Ghana will be drastically reduced if not entirely eliminated.

Recommendation for further/future study: The study recommends that further study or research should be conducted to include all countries in West Africa; hence the Topic: Microfinance sector in West Africa. Challenges and Recommendations.

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