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An Examination of Challenges and Prospects of Microfinance Institutions in Ghana

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Abstract
The dismal performance of the conventional finance sectors triggered the advocation of micro-financing by policy makers, practitioners, and international organizations as a tool for poverty reduction. The essence was to reach the overwhelming population of the poor to assist in the drive to alleviate poverty. The paper examines the challenges and prospects of microfinance institutions in Ghana. Relevant literatures were reviewed to bring out salient issues on the subject matter of this paper. The chief source of information for this write up is secondary method of data collection. It was discovered that the key constraints faced by MFIs in Ghana include poor regulatory environment, regular vicissitudes in government policies, paucity of capital, inadequate skills and professionalism, infrastructural inadequacies, socio-cultural misconceptions, corruption, frauds and forgeries and poor corporate governance. Despite this plethora of challenges, the study identified growing entrepreneurial awareness, increasing government interest, large unbanked and/or underserved rural area and high population of poor and low income households and their microenterprises as opportunities that exist for MFIs subsector. This paper recommends among others, establishment Microfinance Development Fund to support capacity building for the sub-sector on an on-going basis, establishment of National Deposit Insurance Corporation to improve public confidence and trust in MFIs subsector and provision of adequate logistics such as telecommunications and information technology to support the operations of MFIs and make them more efficient in rendering affordable services.
Keywords: Microfinance, Poverty, Capacity Building and Strategy, Rural Development, Challenges

Introduction

The distinctive characteristic of developing and emerging countries' economies is financial dualism and Ghana is no exception. Ghana's financial system can be broadly divided into three categories - formal, semi-formal and informal. The formal financial sector is made up of the Ministry of Finance and Economic Planning (MoFEP), the Bank of Ghana (BoG), Ghana Stock Exchange (GSE), Universal Banks (UBs), Non-Bank Financial Institutions (NBFIs), and other financial institutions, etc. The Semi formal sector comprises Credit Unions and FNGOs. The Credit Unions cater to the financial needs of its members, who are generally from the salaried class. FNGOs, on the other hand, focus primarily on the disadvantaged sections. Beside these formal and semi-formal sectors exists an informal financial sector with people lending and borrowing directly from each other through methods like 'susu' daily contributions and through cooperatives (Asiama and Osei, 2007; Adjei, 2010; Nair and Fissha, 2010). The presence of a large informal finance sector in Ghana had been attributed to several factors, some of which are; population concentration in rural and peri-urban areas most of which are under-banked or unbanked, elitist banking practices, high illiteracy levels, loss of mutual trust and public confidence in the financial system due to distress and absence of other financial institutions in the rural areas [www.business.myjoyonline; Asiedu-Mante, 2001). A major consequence of a large informal sector is difficulty in economic management. The experience of Ghana in this regard is not different as the monetary authorities have had to watch powerlessly as their monetary policy measures fall short of preferred goals (Wampah, 2012; Bank of Ghana, 2013; Centre for Policy Analysis, 2013). Apart from the challenges experienced in monetary management, the governments of Ghana have had to grapple with poverty, underemployment and unemployment since Ghana's independence in 1957. The recognition that many of these poor and/or unemployed persons are with capabilities, accepted knowledge, philosophies and readiness to work, must have impelled the government to make finance accessible to them. Successive governments have tried to achieve this by using diverse programmes. These programmes are custom-made to address the complications of financial dualism, poverty and unemployment/underemployment by successive Ghanaian governments.

Among them, the creation of Agricultural Development Bank (ADB) in 1965 to meet the needs of those who operated in the fisheries and agricultural sector, the institution of Rural and Community Banks (RCBs) in the 1970s to facilitate lending to rural micro-entrepreneurs and farmers; the financial liberalization of the 1990s as well as the introduction of financial sector reforms for the establishment of non-bank financial institutions such as savings and loans companies and credit unions (Asiama and Osei, 2007; Bawumia et al, 2008). Also Government of Ghana established the Operation Feed Yourself in 1970s, National Board for Small Scale Industries (NBSSI), Programme of Action to Mitigate the Social Costs of Adjustment (*PAMSCAD*), Export Development and Agricultural Investment Fund (EDAIF), Ghana Poverty Reduction Project/Social

Investment Fund (GPRP/SIF), the District Assembly Common Fund (DACF), Poverty Alleviation Fund, Heavily Indebted Poor Country (HIPC) Fund, Youth Self Employment Fund, National Youth Employment (NYEP), re-named the Ghana Youth Employment and Entrepreneurial Agency (GYEEDA).

Many of these programmes failed to achieve the goals for which they were established and were scrapped. One of the last programmes to suffer this fate was rural and community banks (RCBs) and in its place in 2006 the Government of Ghana introduced the Ghana Microfinance Policy (GHAMP), i.e., the first comprehensive policy framework whose objective was to "promote the delivery of sustainable and efficient microfinance services to achieve wealth creation and poverty reduction" (MoFEP 2006; CDC Consult Ltd, 2010). In that same year, the government launched the Microfinance and Small Loans Center (MASLOC) whose aim is to disburse micro and small credit facilities to the 'productive' poor normally working in the MSMEs sector, including women physically challenged and the youth. The failure of these government programmes can be attributed to the difficulties and challenges which they encountered especially during its implementation. The current scheme – microfinance scheme which has been touted as the most popular poverty reduction tool in recent times across developing countries as a whole is not without its own challenges.

Given the foregoing, the broad objective of the study is to examine the challenges confronting MFIs in Ghana; specifically the study seeks to: (i) analyse the appropriateness of prudential management tools adopted by microfinance institutions. (ii) assess the prospects of the scheme; and (iii) evaluate progress made so far and make policy recommendations to Ghana, other countries, international organisations such as IMF, World Bank in order to overcome challenges and avoid the drawbacks of the previous programmes.

The rest of the paper is organised as follows. The next section describes the relevant literature. Next, I discuss the research methodology used in the study. The results are presented in the following section. The paper concludes and draws implications for policy.

Literature Review

According to the Consultative Group to Assist the Poor (CGAP), microfinance is defined as *"a facility that offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance" (* www.cgap.org). Indeed, microfinance serves the un-bankable, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for individuals with money, not for persons without money *(*www.microfinanceinfo.com). Microfinance involves the provision of financial services to the poor and low-income clients who are customarily not served by the traditional banks (Ledgerwood, 1999; Otero, 1999; Schreiner, 2001). These financial services include micro-credit, savings, micro-insurance, micro-leasing and money transfer and payment services (www.themix.org; Bi et al, 2011). The features that distinguish microfinance from other forms of formal and semi-formal financial products are; smallness of loans advanced and savings collected, near absence of assets–based collateral and simplicity of operations (Microfinance Policy, Regulatory and Supervisory Framework for Nigeria, 2005; Ledgerwood, 1999; Robinson, 2003; Bauman, 2001).

From the above-mentioned, it can be concluded that microfinance is a poverty alleviation scheme which operates by providing financial and non-financial services to economically active and low income households and their businesses. To realise this poverty mitigation objective, microfinance supports the poor and low-income households increase their income, build sustainable enterprises, reduce susceptibility to shocks and generate employment (Leikem, 2012; Aigbokhan et al, 2011; Irobi, 2008; Morduch; 2002). Anecdotal evidence suggests that the first credit union in Africa was probably established in Northern Ghana in 1955 by the Canadian Catholic missionaries that were there at the time. This suggests that the practice of microfinance is not new in Ghana. Ghanaians have always tried to provide themselves with needed finances through informal microfinance approaches like self-help groups (SHGs), rotating savings and credit associations, (ROSCAs), accumulating credit and savings associations (ASCAs) and direct borrowings from relations, friends and neighbours (Asiama and Osei, 2007; Nair and Fissha, 2010; Adjei, 2010; www.mofep.gov.gh). These approaches may have sufficed in the traditional society but the growth in the sophistication of the economy as well as advancement in technology and the increasing incidence of poverty among citizens has revealed the shortcomings of this approach. The Government of Ghana (GoG), Bank of Ghana (BoG) and other researchers allude to this when they pointed out that the informal financial institutions that attempt to provide microfinance services generally have limited outreach due primarily to paucity of loanable funds (www.mofep.gov.gh; www.bog.gov.gh; Nwanyanwu, 2011; Asiama and Osei, 2007). It was in a bid to resolve this recognized deficiency of the informal microfinance sector that the GoG in 2006 introduced a microfinance policy as a prelude to the licensing and regulation of microfinance institutions in Ghana. According to this policy document, its aim is to provide a microfinance framework that would enhance the provision of diversified microfinance services on a long-term sustainable basis for the poor and low income households, build a platform for the setting up of MFIs and improve BoG's regulatory/supervisory performance in ensuring monetary stability and liquidity management.

MFIs were therefore established because of the failure of the existing financial institutions to adequately address the financing needs of the poor and low income households (MoFEP, 2006; Asiedu-Mante, 2005). Again, several cases in which customers of MFIs have lost their monies and investments (www.business.myjoyonline.com) reached the government and the regulator, but seemingly powerless BoG then, only advised customer caution in dealing with mushrooming MFIs. Furthermore, the incidence of people with 'tainted' characters setting up MFIs with the objective of duping poor clients will be reduced, since the Central Bank as part of certifying the establishment and continuity of MFIs will conduct background investigations of directors of all the regulated MFIs thus improving public confidence and mutual trust in MFIs.

The GoG and BoG further justified its licensing of MFIs with the lack of institutional capacity and weak capital base of existing RCBs, which was promulgated particularly to serve the low income households and rural dwellers, need for increased savings opportunity, existence of huge un-served market and coupled with need to guarantee the security and protection of deposits or savings of poor customers (Bank of Ghana, 2007; Bank of Ghana, 2011; MoFEP, 2006).

Taking the issue of lack of capacity by existing financial institutions further, the BoG pointed out that only 30% of Ghanaians had access to financial services (www.business.myjoyonline.com) and that most of those without access to financial services dwell in the rural areas. In the same vein, traditional banks choose not to finance such micro and small enterprise, most often owned by the poor, although according to Abor and Quartey (2010) over 92% of the enterprises in Ghana are micro, small and medium and account for 70% of Gross Domestic Product (GDP) of Ghana. This is attributed to the high risks inherent in them and their inability to provide asset-based security. MFIs were established to make up for the shortfall in the financing of the entrepreneurial poor and their small businesses, thus awakening the entrepreneurial spirit at the micro-level, which is critical to the sustainability of growth in emerging economies such as Ghana's.

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MFIs in Ghana

As already noted MFIs were founded because of the perceived deficiencies in the existing financing schemes for the poor and small businesses. New companies were licenced to begin operations in 2011 and existing institutions and Non-deposit taking Financial Non-Governmental Organisations (FNGOs) that met the conditions spelt out by BoG for licencing were allowed to metamorphose into MFIs. To qualify for a microfinance license MFIs were required to have a paid-up capital of GH¢500,000 (deposit-taking) and GH¢300,000 (non- deposit-taking). Unlike the RCBs banking legal framework which compulsorily confined all RCBs to particular catchment area, the MFIs operating rules and guidelines permits the branching of MFIs throughout the country provided MFIs are able to meet additional capital requirements (i.e. 1-5 branches attracts an additional paid-up capital of GH¢100,000 and additional GH¢200,000 if the branches exceed 5). Another point of divergence between the RCBs and MFIs is in those which the regulatory guideline allows to own them. Shareholding of MFIs such as Susu companies, Deposit taking financial NGOs and Money lending companies shall be restricted to only Ghanaians. Shareholding in non-deposit taking MFIs may be exclusively Ghanaian, exclusively foreign or jointly Ghanaian and foreign (Bank of Ghana, 2011). These changes in the policy framework establishing microfinance were due to the perceived failure of the existing microfinance framework. Asiama and Osei (2007) captured this thus, "despite decades of public provision and direction of provision of microcredit, policy orientation, and the entry of new players, the supply of microcredit is still inadequate". They identified some of the challenges which MFIs face that impinge on their ability to perform to include; undercapitalization, inefficient management and regulatory and supervisory loopholes. To these, Settor Amediku, Deputy Head of Financial Stability Department at the Bank of Ghana added usurious interest rates and poor outreach (www.business.myjoyonline.com). Further buttressing the challenges facing MFIs, Andah, (2008) identified diversion of funds, inadequate finance, and frequent changes in government policies, heavy transaction costs, huge loan losses, low capacity and low technical skill in the industry as impediments to the growth of this subsector. These challenges many of which contributed to the failure of previous schemes are still bedevilling the MFIs scheme in Ghana.

Research Methodology

The methodology adopted for this study is the literature review. A research literature review, as a process, is a systematic, explicit, and reproducible method for identifying, evaluating and synthesizing the existing body of completed and recorded work produced by researchers, scholars and practitioners (Fink, 2010). As a noun, literature review is an organised critical account of information that has been published on a specific topic, (for example, MSMEs access to loans) and provides an organised synthesis of the information, ideas and knowledge.

Using deductive approach, the researcher was able to draw conclusion having critically reviewed salient issues in existing literatures and records. This method was adopted because time and financial constraints would not permit the use of questionnaire which primarily has to be administered to a sizeable number of micro finance institutions across the country. However, reviewing related works by other researchers gave a deeper insight to the researcher which enabled me to draw reasonable conclusion.

ANALYSIS OF FINDINGS

This section presents descriptive findings of the study which are divided into three sections:

a. Internal challenges
b. External challenges
c. Prospects

The Internal challenges of Microfinance Banks in Ghana

The failure of many previous government's micro-financing schemes including rural and community banking scheme was predicated on both internal and external challenges they faced. Many of these challenges are still bedevilling MFIs at both macro and micro levels. This section of the challenges is about the key internal challenges faced by MFIs in Ghana.

One of the most fundamental internal challenge of MFIs in Ghana is high operational/transaction cost. The operational costs include payment of rent, utility bills, salary of employees, travel and transportation, administration, depreciation etc. Electricity and water tariff hikes coupled with epileptic nature of supply forces MFIs to provide themselves with electricity and water at exorbitant costs resulting in high operational costs, thus threatening their survival. Other operational costs include mobile service, door to door service which is the most used medium for advertising MFIs products. In sum, 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 especially in rural communities.

Another important internal challenge identified to militate against the performance of MFIs in Ghana as identified by Asiama and Osei, 2007; Gyamfi, 2012; Boateng and Boateng, 2014 is limited support for human and institutional capacity building. The paucity of human capacity in the microfinance sub-sector in Ghana has been an issue from the days of RCBs. According to Asiama and Osei, (2007), one of the major problems of the microfinance sub-sector is recruitment of effective and appropriate manpower. This they ascribed to the inability of the sector to adequately compensate personnel. Other human resource problems faced by microfinance institutions include lack of training opportunities and poor conditions of service. The quality of manpower in these institutions is reflected in the poor performance of many of them, inefficiency and high levels of frauds and forgeries. The institutions also suffer from high labour turnover a further indication of low staff motivation and poor personnel practices.

Further, for MFIs that operates small branches/agencies which are physically linked by weak transportation and communications infrastructure or susu operators that have several field staff or "mobile bankers", monitoring branch/agency activities or field officers activities to prevent internal fraud and theft is a major challenge. This challenge has resulted in several fraud cases where field officers under record the actual deposits or repayments of their clients and in some cases abscond with deposits collected. MFIs with such challenges most often gloss over them. Supervisors and managers of such MFIs most often do not undertake random visit with their field officers to interact with some of its customers and to verify their deposits in the case of susu clients and the repayment of loans. This is because of MFIs inability to develop an attractive incentive package system to enable it to attract well qualified and motivated staff to support its operations. Inadequate supervision and non-monitoring coupled with poor record keeping contribute to the perpetuation of fraud and cash theft. Another potential problem is a chance that staff with bad track record in one MFI can be recruited to other MFIs and in time will create problems in the new MFI.

Furthermore, the proposed upward adjustment of paid-up capital GH¢ 500,000 ($207,500) for deposit-taking and GH¢300,000 ($124,500) has put undue pressure on smaller companies to meet it and the revised operating rules and guidelines has added on more cost to already high operational cost which subsequently affect the interest rates charged by the MFIs.

In addition, Loan default is a major threat to MFIs' sustainability and growth, it is the deadly 'virus' which afflicts the operation of the institutions. It demoralizes staff and deprives beneficiaries of further valuable services. According to the Executive Secretary of the Ghana Association of Microfinance Companies (GAMC), Richard Amaning, it had become increasingly difficult to recover loans (www.business.myjoyonline.com). This has been attributed to lack of understanding on the part of the customers, their inability to correctly manage the loans given to them. As a result, they are not able to pay back the loan.

The External challenges Microfinance institutions in Ghana

One of the most fundamental external challenge MFIs in Ghana have is the near absence of basic infrastructure. This lack of basic infrastructure compounds the operational difficulties of these banks, which ordinarily are faced by high operational costs because of their nature of business. By dealing with many small customers MFIs' transaction costs are usually higher than those of conventional banks. Regrettably, these banks are also forced to incur additional costs to provide themselves with electricity and water. The absence of good roads, electricity, telecommunications and information technology etc especially in the rural areas also distorts their outreach (Asiama and Osei, 2007). All these work in concert to drive cost of operations up and put them at a very big competitive disadvantage.

The lack of banking culture in the rural areas, peri-urban and among the urban poor is another factor militating against the growth of MFIs. Traditionally, these people borrow money from friends and relatives and repay the same amount of money borrowed no matter the tenure of such loans. They therefore find it difficult to understand the payment of interest on bank loans, coupled with the fact that the rate of interest charged by MFIs leaves a lot to be desired. According to a study carried out by Boateng and Boateng (2014), MFIs charge between 40% - 100% interest on loans while they pay 3% to 6% on savings (www.vibeghana.com). Collins Amponsah, National Board Chairman of GAMC, confirmed that the MFIs rates are way too high and may not augur well for the smooth development of this sector (www.ghanabusinessnews.com; www.ghanaianagenda.com)

The failure of many mediocre and distressed RCBs and the withdrawal of the licence of 15 RCBs in 2010 have badly damaged public confidence in these banks according to Okoh Sai, Director Banking Supervision Department of the Bank of Ghana (www. ghanaweb.com). Many MFIs established in communities where failed banks, particularly RCBs existed are faced with an uphill task of convincing these societies that they will not go through the unfortunate experience of losing money in a bank failure. The sudden withdrawal of the licence of 15 of these banks has fuelled the lack of public confidence. Many of the customers of these banks have refrained from dealing with them in fearing the same fate would befall them. On the other hand, the BoG has constantly assured the public that it will not allow any universal bank to fail; this, places the MFIs at a great disadvantage by tilting public confidence in favour of universal banks that are normally bigger and stronger.

Corruption is a cankerworm that has wrecked-havoc in many sectors of the Ghanaian economy. The microfinance sub-sector is not left out of the depredations of corruption. This manifests in many ways, such as, corporate governance failures, frauds and forgeries, theft and refusal by customers to repay loans. The standard of corporate governance in many MFIs in Ghana is very poor. Board members are known to misuse their positions to obtain facilities way above the regulatory limit for insider related loans and worse still with no intentions of repaying such facilities. They also use their positions to unduly influence and manipulate the recruitment processes in favour of their cronies. Frauds and forgeries by both insiders and outsiders to the banks are rife and people generally obtain loans with no intention to repay.

It is important to note that there is over four hundred and thirty five (435) licensed MFIs today according to Raymond Amanfu, head of BoG's Other Financial Institutions Supervisory Department (www.myjoyonline.com/business) and they are regulated and supervised by the Bank of Ghana (BoG). The BoG also has the responsibility of supervising universal banks, non-bank financial institutions, primary mortgage institutions and forex bureaus. The multiplicity of the institutions and their diverse nature possess a regulatory challenge. This is against the backdrop that, since for instance, universal banks and MFIs differ in operational methodology and scope, a regulator trained to inspect/supervise the activities of one may be handicapped in the supervision of another. The emergence of wonder or 'mystic' banks from time to time has done a lot of disservice to the image of MFIs. These banks spring up without any license, promise to pay outlandish interest on deposits, mobilize deposits from the uninformed and/or greedy clients and disappear. Most of the victims of these scams are customers that MFIs should service but become skeptical about banking after the miracle bank experience. Many others do not see any difference between those magic banks and the regulated MFIs. Notable one in Ghana was Pyram and R5 which emerge promising fantastic interest rates but collapsed in 1995 bringing down with them thousands of depositors, who had lodged billions of cedis with them. Nothing has happened to their owners up to date.

Another prevalent problem among MFIs is the copying, competing and mimicking the practices of universal banks. Many MFIs managers and other management staff were universal banks' staff who were either retired or sacked by their former employers. To these staff MFIs is just an extension of the conventional universal banking they know. They also come with their organizational orientation, philosophy and culture. They refuse to understand that microfinance is not micro-universal banking but a different kind of banking requiring a different methodology, philosophy and client base. This may be why many MFIs spend colossal sums on office complex, glamorous vehicles and the walk-in wardrobe of their staff. They also engage in inordinate competition with the universal banks. This class of staff lack orientation as to the essence of microfinance.

The constant government policy changes offer its set of challenges to the MFIs. The introduction of the Universal Banking Law has enable some city banks, especially the merchant banks which have branches only in some few major cities, to open more branches both in the cities and in some of the regions to attract more customers, even those for the MFIs. Further, the city banks have the capacity to grant bigger credit facilities and also at competitive rates, this crowds out the MFIs opportunity to grant credits, thus reducing their profit levels. If this situation persists, is likely to threaten the survival of MFIs.

Generally, there is lack of information on MFIs, their operations and clients in the country. Approaches to and methodology for data and information gathering at the national level are not uniform, making it difficult to centrally monitor progress of the sub-sector. There is a lack of well-defined reporting system by both the government and development partners with regards to their interventions, and hence there is inadequate database for decision making and planning. At the institutional level, data/information gathering and dissemination are weak within and between institutions. Also, the lack of common benchmarks, methods for measuring and information sharing further inhibits the performance of the sub-sector. Thus, lack of adequate and reliable information on outreach in terms of its depth and breadth remains one of the most daunting in the sub-sector. This lack of information has affected targeting of clients and ultimate poverty reduction.

Prospects of MFIs in Ghana

That a lot of opportunities exist in the microfinance subsector in Ghana is unarguable. Scholars are unanimous in their agreement that there exist a large untapped market for MFIs. GhanaWeb, 2010, Osei-Boateng and Ampratwum (2011), buttresses this by pointing out that about 80% of the Ghanaian population is engaged in the informal sector or agricultural production. Going by the country's population of over twenty six million people we can deduce that about sixteen million are in this sector. In the same line though differing in figures, Akuffo, (2014) held that MFIs in Ghana only serve less than one million people against the over fourteen million adult population that require their services.

The scenario above is indicative of an enormous market which MFIs can take advantage of. This large untapped market in the microfinance subsector is further enhanced by the fact that over 70% of the entire population of Ghana has no access to banking services (Akuffo, 2014; www.business.myjoyonline.com). To say that this leaves a lot of room for existing MFIs to expand their scope of operations and for new ones to enter will be stating the obvious.

Government's renewed interest and improved regulatory environment in the microfinance sub-sector also enhances the prospects for development and success of MFIs. One indication of this is the implementation of training programmes for regulators, promoters and practitioners by the government. The GoG has even gone ahead to adapt the suggestion of (Andah, 2008) that it builds the capacity of practitioners in the sector through training to reduce the burden on the banks. The Ministry of Finance funded and Financieros sin Fronteras project on capacity building where professors from the IE Business School in Madrid, Spain, conducted training for the policy makers and BoG staff responsible for regulating/supervising MFIs in Ghana.

Policy Recommendations

The potential economic benefits of sustainable microfinance in Ghana are compelling, and its gargantuan market potential effects on the development process cannot be understated. To facilitate the development of the microfinance sub sector and thereby unleash its potential for accelerated growth and development, the following recommendations are suggested:

The capacity building for the regulators and policy makers which the GoG are undertaking is a welcome development and should be extended to the Board of Directors as well as management of MFIs. This will ensure that the Directors who craft the policies for these banks are on the same page with their management and other staffs. They should be made to understand the operational limits, modalities and objectives of MFIs. Particularly, they should be made to realize that these institutions are not mini universal banks and that MFIs pursue social motives in addition to financial sustainability. The government should set up Microfinance Development Fund to support capacity building for the sub-sector on an on-going basis.

In order to bridge the technical skills gap, especially among operators and the directors of MFIs, BOG should recognise the need to set up an appropriate capacity building programme. In this regard, the BoG should put in place the Microfinance Certification Programme (MCP) to ensure the acquisition of appropriate microfinance operational skills by staff and management of MFIs. The BoG can run the programme in collaboration with Chartered Institute of Bankers of Ghana, which will certify persons qualified to manage MFIs having passed a certification examination set by the Institute. The regulator should take this certification/human capacity building programme serious through the issue of policy guidelines stating in an unambiguous terms that only certified persons will qualify to manage MFIs in the near future.

The government should make good its promises of improving social infrastructure in the country. Special attention should be paid to epileptic power supply, telecommunications systems as this constitutes a major cost to MFIs. Government interventions are needed to support use of new information and communication technology in rural areas because these can not only expand the size of the potential markets but also reduce transaction costs and risks for both clients and service providers. Government should source for multilateral and bilateral funds to support the development of microfinance sector, create investor friendly environment such profit repatriation and avoidance of below market rate direct lending which undermine the system.

Since poor banking culture is one of the fundamental problem plaguing MFIs in Ghana, it becomes expedient that these institutions should train their customers in financial literacy before disbursing loans to them. The customers should be made to understand the intricacies of such facilities, including repayment mode, interest charges and benefits of keeping to the terms of the credit contract.

The government as a matter of urgency should establish National Deposit Insurance Corporation as it pertains in Nigeria, USA etc to provide deposit insurance services to MFIs. The National Deposit Insurance Corporation (NDIC) will strengthen financial safety net following the adoption of the financial sector reforms. The system when introduced will provide a further layer of protection to depositors, contribute to financial system stability by complementing the role of prudent management and the Bank of Ghana's supervisory activities in minimising risks, as well as by providing a framework for orderly failure resolution. This will improve public confidence in the subsector.

Conclusion and the way forward

The study sought to examine challenges and prospects of MFIs in Ghana. Using deductive approach, the researcher was able to draw conclusions having critically reviewed salient issues in existing literatures and records. The findings indicated that the key constraints faced by MFIs in Ghana include inequitable distribution of wealth and income and outreaching the poor, regular changes in government policies, lack of requisite human capital, infrastructural inadequacies and socio-cultural misconceptions, corruption, frauds and forgeries and poor corporate governance. Despite this plethora of challenges, the study identified growing entrepreneurial awareness, increasing government interest, large unbanked and/or underserved rural area and high population of poor and low income households and their microenterprises as opportunities that exist for MFIs subsector. Time and financial constraints did not allow for use of questionnaire and interview which ordinarily has to be administered to a sizeable number of MFIs across the nation. In future, different methods of research could be used for study of the same topic or other related aspects of the topic. Specifically future research should focus on role of the state in the development of MFIs sub-sector in Ghana.

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