WHAT AILS THE MICROFINANCE INSTITUTIONS IN GHANA?

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Abstract - The primary objective of microfinance is the provision of small loans for economic activities with the purpose of generating income for the poor who are largely ignored by the formal financial institutions. The benefits of a successful microfinance to developing economies cannot be underestimated; this has prompted major developmental organizations such as the World Bank, IMF as well as the United Nations to call on developing countries to adopt MFIs as a poverty alleviation tool. Despite the successes, it has also encountered challenges globally that cannot be ignored. Over the past 5 years, Ghana has experience severe challenges in the MFIs with over 50 microfinance companies collapsing.. The effects of these collapseson the poor clients had been enormous since majority of them had to lose their entire savings during this period of liquidations. For this reason, the study delved into the challenges that confront the MFIs institutions in Ghana and looked at why they exist. To achieve this, we adopted a mix method. Data collected was conducted through a structured questionnaire and survey distributed to respondents which were mainly industry players (regulators, apex bodies, as well as management and staffs of MFIs). Largely, descriptive method was used to analyze the data but because of the concentration on the three (3) most challenging problems, we integrated a little quantitative method with survey to identify the three. Out of the many problems that confront MFIs in Ghana, the findings identified lack of capital and its associated high minimum capital requirement for external problems and lack of qualified staffs and non-performing loans as the external challenge.
The paper concluded that the challenges facing MFIs in Ghana has its root from the policy that regulates the industry. These findings are not unique to Ghana and its solutions are not far-fetched, it recommends government and stakeholders to make commitment to reviewing the policy, decreasing interest rate on loans, lobbying and advocating for donor support, creation of a legal backed apex body for MFIs, which will supervise, monitor and regulate MFIs in Ghana.

Keywords - Challenges, Ghana,Institutions, Microfinance