THE IMPACT OF THE ACTIVITIES OF MICROFINANCE IN THE DEVELOPMENT OF SMALL SCALE ENTERPRISES IN GHANA

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Abstract: Microfinance is the provision of financial services to those who are excluded from conventional commercial financial services since most are too poor to offer much- or anything –in the way of collateral. It presents a series of exciting possibilities for extending markets, reducing poverty and fostering social change. Over the years, the microfinance sector has thrived and evolved into its current state thanks to various financial sector policies and programmes undertaken by different governments since independence.

Microfinance is considered as one the most important and effective mechanism for poverty alleviation. There are also effective mechanism through which to disseminate precious information on ways to improve the health, education, legal rights, sanitation and other living standards, which are of relevant concerns for the poor. Above all, many micro-credit programs have targeted one of the most vulnerable groups in society- women, who live in households with little or almost no assists. By providing opportunities for self-employment, many studies have concluded that these programs significantly improved women`s security autonomy, self-confidence and status within the household.

Microfinance refers to a variety of financial services that target clients, particularly women. Since the clients of microfinance institutions (MFLs) have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These include loans, savings, insurance, and remittances. Micro loans are given for a variety of purposes, frequently for micro enterprise development. The diversity of products and services offered reflects for the financial needs of individuals, households, and enterprises can change significantly over time, especially for those who live in poverty. Because of these varied needs, and because of the industry`s focus on the poor, microfinance institutions often use non-traditional methodologies, such as group lending or other forms of collateral not employed by the formal financial sector.

Keywords; Effective Mechanism, Poverty Alleviation, Vulnerable groups

I. INTRODUCTION

Traditionally when a person wants to start a business venture, he or she goes to a bank for a loan. But what should a budding entrepreneur do if he or she is too poor to obtain financing to start a profitable business? The purpose is to provide basic financial services such as loans, savings and insurance to underprivileged people. Microfinance Institution (MFI) is simply one that offers such services to the poor according to the Consultative Group to Assist the Poor (CGAP). It can be a credit union, commercial bank, financial non-governmental organization or a credit co-operative.

II. OBJECTIVES

1. To examine the contributions of microfinance in the development of the small scale enterprises in Ghana.
2. To examine the role of microfinance enterprises and the extent to which it has been able to access credit from the finance market in Ghana.
3. To determine the importance of microfinance in the reduction of poverty in Ghana.
4. The effects of microfinance on small scale enterprises.
5. To find out Opportunity International Savings and loans programmes as microfinance have impacted on the lives of its clients.

III. MICROFINANCE SYSTEM IN GHANA

The most common form of micro credit is the extension of small loans to entrepreneurs too poor to qualify for conventional bank loans.

By giving a small loan to an individual, they hope to give them the ability to work their own way out of poverty. Micro loan lends to groups of about 10 to 15 women, allowing individuals to support, encourage, and provide assistance to each other if things go wrong.

Funding for the sub sector has been from the three sources: the institutions themselves, government and development partners.

IV. THE CONSTRAINT THAT HAVE IMPACTED NEGATIVELY ON THE DEVELOPMENT OF MICROFINANCE IN GHANA

LENDERS:

Current micro finance practices lack the mechanisms for ensuring consumer protection or sovereignty. The non disclosure and lack of transparency undermines the operations of some Micro Finance.

There is also no national body which is responsible for co-ordinating all activities associate with microfinance. As a result there is lack of coherent approach, fragmentation, duplication and inadequate collaboration between and among Metropolian, Municipal, District Assemblies, development

partners, service providers, practitioners and end users

V. BORROWERS

For the ultra-poor (those that live on around a $1 a day) something more lending is needed. The poorest of the poor need grants their income is too inconsistent and a loan make the situation worse. They are not handouts- because they help them build skills and business.

The current capacity of various institutions in the sun-sector to undertake monitoring and evaluation of programs and activities is currently inadequate. No national monitoring valuation framework exists to guide practitioners on their activities. Different monitoring and evaluation frameworks are being used making it difficult to undertake comparative assessment of programs and projects for their impact on the performance of institutions and clients. The outcome is inadequate data base for decision –making and planning.

VI. ANALYSIS PRESENTATION

Table 1.0 the gender distribution of the customers interviewed.

GENDER	FREQUENCY	PERCENTAGE
Males	54	45
Females	66	55
TOTAL	120	100

The sample population is 120, which when expressed in percentage is 100%. Out of 120 people, 54 were Males representing 45%, while 66 were Females, representing 55%.

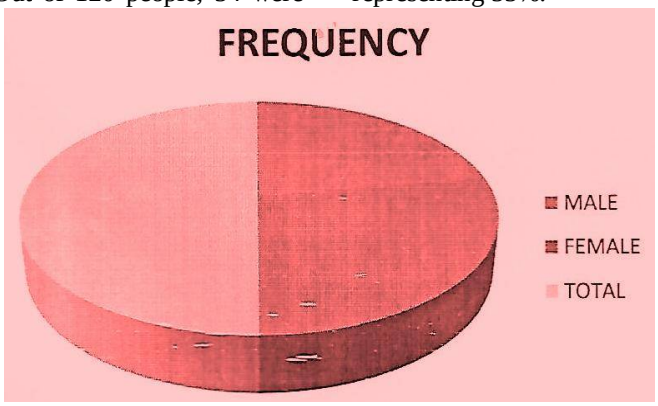


Table 1.1 Demonstration of customers' perception about the Bank:

OBSERVATION	FREQUENCY	PERCENTAGE
YES	90	75
NO	30	25
TOTAL	120	100

The table above shows that 90 customers out of 120 representing seventy five (75%) are those that the bank services have helped them to improve upon their businesses and twenty-five (25%) which represents 30 customers are with the perception that the bank service did not improve upon their business.

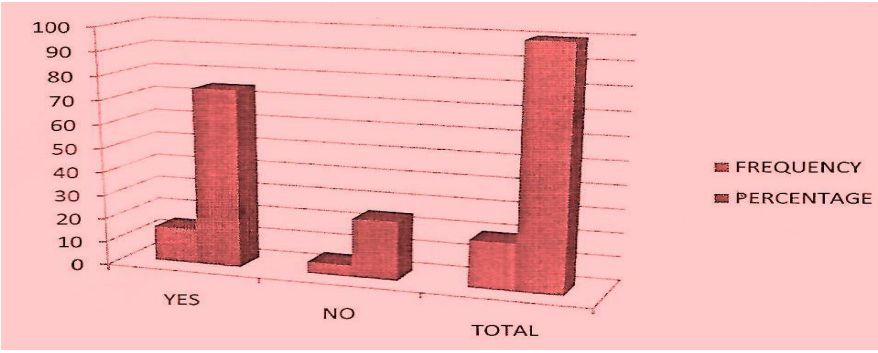
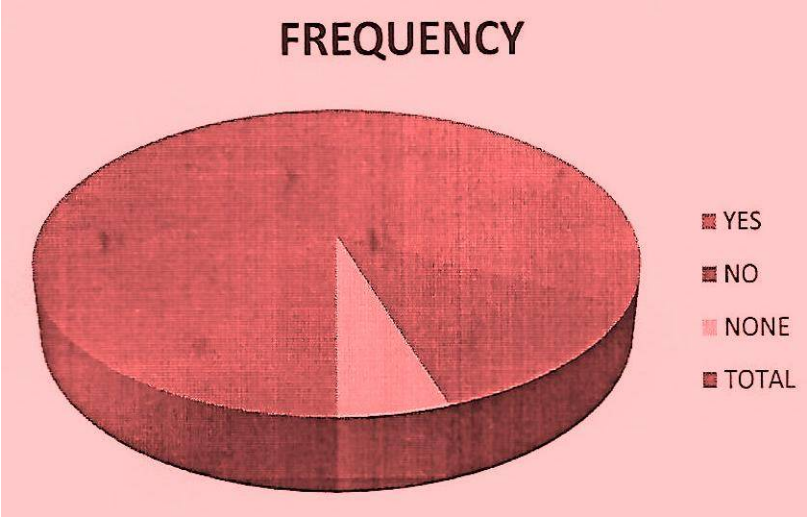


Table 1.2 illustration of Customers Satisfaction about the bank services.

POSITION	FREQUENCY	PERCENTAGE
Yes	78	65
No	30	25
None	12	10
TOTAL	120	100



Looking at the pie chart and the frequency tables above. Seventy Eight(78)Customers Representing 65% of the respondents are very satisfied with the bank services, Thirty (30) representing 25% of the respondents are dissatisfied and Twelve(12) representing 10% are customers who did not make attempt to answer the questions given.

VII. THE PROFILE OF THE OPPORTUNITY SAVINGS AND LOANS LIMITED

Opportunity International savings and loans limited is a non bank financial institution licensed by the Central Bank of Ghana to operate in savings and loans. They serve micro small entrepreneurs with small loans, deposit and other financial services in the Greater Accra, Ashanti and Brong-Ahafo Regions of Ghana. They are a partner member of Opportunity International Network an ecumenical Christian economic development organization with 42 partners operating in Africa, Asia, Europe,Latin America and North America. At the end of the year, 2015, their stated capital stood at GH¢4.8 million (USD 3.1 million) making them the highest capitalized savings and loans company in Ghana. Their shareholders are committed to reaching the greatest number of people in order to transform their live and have a lasting impact on their families, their communities and society at large

VIII. VISION

To see the lives of micro and small entrepreneurs transformed through which they provide customers financial and transformational services.

IX. CORE VALUES

Respect: Their respect for one another compels them to fully value and affirm the dignity and uniqueness of each client.
This respect is also the foundation for their relationship with their client communities and their relationship with others involved in their work shareholders, clients, colleagues, creditors, donors and fellow members of network.
Commitment to the poor: They focus their energy and effort on their families, and their communities, their business needs and expansions determine the service they give and their well being inspires what they do.
Integrity: They commit to integrating actively what they believe with what they do, and do the right thing for right reasons, whether or not anyone will know.
Stewardship: They are committed to being good stewards of their own resource and those of their shareholders, client, colleagues, donors and creditors by exercising a thoughtful and maximize the opportunities they have to fulfill their mission.

X. THEIR TRIPPLE BOTTOM LINE

Outreach: They are committed to large scale outreach to the poorest of the economically active poor.
Sustainability: Our income must exceed the cost of all expenses plus the cost of inflation.
Transformation: They will empower clients in a manner that they become agents of the transformation in their communities.

XI. RECOMMENDATION

- First of all, there should be mechanisms for ensuring customer protection or sovereignty disclosure and transparency in the operations of some Microfinance Institutions. Also, there should be a national body which will be responsible for co-ordinating all the activities associated with micro finance to avoid lack of coherent approach, fragmentation, duplication and in adequate collaboration between Ministries, Departments and Agencies, development partners, service providers, practitioners and end users.
- In addition, research activities within the sub-sector must be very effective and adequate and research undertaken should be co-ordinated and focus on areas of specific institutions. Therefore, there must be national research agenda to inform planning and policy formulation in the sub-sector.
- Furthermore, Microfinance Institution should organize or provides information on the risk and problems small scale businesses go through to repay the loans obtained from the microfinance operators.
- Moreover, there should be ways to which unregistered and fraudulent microfinance operators can be identified so that undue advantage is not taken from innocent clients who want some loans to top up their capital.
- Finally, microfinance institutions must consider their clients by charging low interest rates on loans given to their customers, since a lot of the clients of small scale enterprises which obtain loans from microfinance operators go through pains to pay the loans they have taken because of high interest rates on the loans. Sometimes all the savings which these clients have made is in turn to pay the loans that was taken from the operators of these microfinance.

CONCLUSION

The study has shown that Microfinance has contributed greatly to the standard of living to the average citizen in the country and had improved their lives especially Opportunity Savings and Loans limited.

However, there are some of the Microfinace companies who had fraudulently bolted away with customers hard-won incomes, therefore Bank of Ghana should regulate the activities of these Financial Institutions through strict supervision.

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