UNIVERSITY OF CAPE COAST

EFFECT OF COLLAPSE OF MICROFINANCE INSTITUTIONS ON ITS CUSTOMERS IN GHANA (A CASE STUDY OF CAPE COAST METROPOLIS)

FREDERICK KWESI AMPAH

2021

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ASSESSING THE IMPACT OF COLLAPSE OF MICROFINANCE INSTITUTIONS ON ITS CUSTOMERS IN GHANA (A CASE STUDY OF CAPE COAST METROPOLIS)

BY

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Dissertation submitted to the Department of Accounting of the School of Business, College of Humanities and Legal Studies, University of Cape Coast, in partial fulfillment of the requirement for the award of Master of Business Administration degree in Accounting

DECEMBER 2021

DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature ……………………………... Date……..........

Name: Frederick Kwesi Ampah

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Supervisor's Signature…………………… Date …..................

Name: Dr. Isaac Drasmani

ABSTRACT

The millennium development goals (MDGs) have brought the emphasis on people back to the center of development, whilst microfinance, by providing financial services to the less endowed people, has created an assurance that many people will be able to improve their economic condition. it was in the 1990‟s that the establishment of Microfinance Institutions was formalized. However recent collapse of microfinance institutions have been disturbing and does not auger well both for the industry and customers alike. The year 2013 alone recorded a collapse of over 30 microfinance institutions with customers loosing monies in the region of billions of Ghana Cedis. It is for this reason this study seeks to find out the impacts of such collapses on the customers of microfinance institutions. The study identifies types of clients that was affected by the collapse of Microfinance Institutions, the media through which clients got to know of the collapse of Microfinance Institutions and assess the effect of the microfinance collapse on clients. To enable this analysis, 150 respondents consisting of customers of collapsed MFIs use through questionnaires. Descriptive statistics were used in the analyses; specifically pie charts, bar charts, tables, and cross tabulation using Statistical Package for Social Sciences (SPSS) software. The study reveals that most of the affected heard of the collapse of Microfinance Institution from the radio, and this reveals that the importance of radio in information dissemination in Ghana cannot be overemphasized. The Causes of the Collapse of MFI's in Cape Coast were Overtrading, Poor Credit Appraisal, Diversion of Funds, Inadequate Monitoring of Loans, Willful Loan Default, Non-compliance with operational policy and Ineffective Board. it is therefore recommended that investigative measures by the media upon rumors of dangers of collapse of microfinance institutions will aid the Bank of Ghana, the clients of Microfinance Institutions and other stakeholders to be well informed about the actual state of affairs. This will go a long way to minimize the effect on the lives of clients.

ACKNOWLEDGEMENTS

I am particularly grateful to my supervisor, Dr. Isaac Drasmani, who greatly helped to shape and set the direction of this text through the generous suggestions offered and supports that was provided throughout the writing of this Dissertation. I must state, I have learnt a great depth of knowledge working with my supervisor.

I also acknowledge contributions of my family, friends, pastors, for their support and encouragement. I could not have reached this far if not for the support of all these great personalities.

DEDICATION

To my lovely wife, Henrietta Okyir and Children, Pastor Ernest Ackon, Sampson Quainoo and Pastor Obed Obeng-Adae of CC I, Kumasi.

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CHAPTER ONE

INTRODUCTION

This chapter provide an introduction to the study, brief introduction to the subject of the study. It starts by presenting the background of the study. It continues by providing the statement of the problem of the study, highlights the goals of the study and objective and research question is presented. Provides the Significance of the Study, Limitations and Delimitation of the Study. At the end of the chapter the structure of the study is be described.

Background to the Study

The millennium development goals (MDGs) have brought the emphasis on people back to the center of development, whilst microfinance, by providing financial services to the less endowed people, has created an assurance that many people will be able to improve their economic condition. The 151 heads of state who attended the UN 2003 world summit, acknowledged the importance of microfinance in achieving MDGs. Other things to be done that emphasized microfinance in minimizing poverty include the 2004 G8 declaration and 2005, the commission of private sector development, the microcredit summit of 1997, the declaration of the international year for the eradication of poverty (1996) and the international decade for eradication of poverty (1996).

Before the commercial banking systems in Ghana, majority of the low-income households, mostly women, and those in small places depended greatly on rural banking services and the savings and loan schemes. Cooperatives, particularly, in the midst of farmers of the 1920s, involve in small loans. The aim of the previous small loans' institutions or microfinance activities in Ghana was to assist the poor with social and economic support, especially rural women and their families (Egyir, 2010). However, microfinance sub-sectors have come up as a development tool intended to provide credit and financial services to the productive poor who do not have access to formal financial intermediation and are engaged in small and micro enterprises (Kyereboah-Coleman, 2007).

Microfinance organizations can be seen as organizations that act as intermediaries for people who save in small amounts and those who need credit facility like societies that give help to such intermediaries (Offei, 2002). Microfinance institutions are seen as a sector to improve the position of the poor. The operations of the commercial banks for some years now have not seen the need to consider the poor as an integral part of their business. The traditional banking system sees the poor people as an unsecured and commercially not viable to banking services, more importantly, the core activity which is giving out credit facility to customers to improve their business and economic well-being of individuals.

From a low profile beginning, the sector has grown significantly over the years to become a well-established sector in the country. Millions of people have made different savings with microfinance institutions (MFIs). This is based on peoples intuition that the sector is reliable and viable for business activities. The main purpose of microfinance is to break the vicious cycle of “low income, low investment – low profit” by inserting capital from outside into the economic life of the poor people. The key feature of microfinance business is bringing the bank to the poor where traditional banking system does the opposite and involves a lot of bureaucratic complications and hidden costs like travel cost.

According to Owusu-Nuamah (2004), Bank of Ghana (BOG) in the early stages of microfinance institutions to compliment the work of traditional banks in the financial services did not pursue tighter regulation, enforcement of microfinance sector. Wagner (2013) reported that microfinance was vulnerable to financial turmoil and in the global financial crises growth dropped sharply. In addition, the crises effect was more severe when institutions had been active in tapping domestic and international financial markets for funds and had operated in countries experiencing a severe crises recession. According to Kratovac (2013), approximately 30 microfinance institutions collapsed in Ghana in 2013. The unfortunate situation of this collapse is that customers were not refunded any money that they deposited.

Despite these interventions, by 1991/1992 the incidence of poverty was estimated at 52 percent (Ghana Statistical Service, 2013). Multi-dimensional approaches were therefore required to reduce poverty to the barest minimum in line with the renewed global agenda evident through the millennium declaration-MDGs. These approaches were not only required from the government's direct investment in the sectors of the economy but also through the creation of the enabling environment to propel the private sector premising on the background that the private sector is the engine of growth and structural transformation of countries" economies.

Through the enabling environment, the private sector has shown an innovative interest in investing in the economy of Ghana cutting across several sectors including education, health and finance. Under the financial sector, MFIs have been seen as one of the surest means of promoting growth and reducing poverty due to their common objective of expanding the economic opportunities available to the poor. Microfinance can help the poor to increase incomes, build viable businesses and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor to become economic agents of change.

Linked to the conception that they are useful tools for poverty reduction, MFIs have gained currency in Ghana over the last two decades through governments efforts. Under the PNDC government, the Council for Indigenous Business Association, the National Board for Small Scale Industries and the Ghana Regional Appropriate Technology and Industrial Service were established to offer skill training and basic working capital tools for start-ups. These efforts were complemented by the New Patriotic Party governments Micro and Small Loans Centre (MASLOC), the Social Investment Fund (SIF) and Export Development Investment Fund (EDIF). All these are designed to support petty traders, businessmen and self-employed households to increase and diversify income, increase assets and to socially empower the poor especially women to contribute to economic development.

The microfinance crises which erupted in Ghana in 2013 are the deepest crises event in microfinance so far in the country. It has widely; but falsely, been perceived as a sudden event triggered by acts of the political tension during the 2012 election petition. In spite of the anticipated and the actual role performed by the MFIs in Ghana in poverty alleviation, the industry has recently suffered nationwide collapses of some of its once vibrant institutions. Microfinance Institutions (MFIs) have assumed prominence as important lending institutions in the economic development process of developing countries. However, in Ghana, 2013 witnessed unprecedented collapses of MFIs, in spite of the fact that they met the minimum requirement for licensing by the Bank of Ghana (Addo, 2014). This research investigates the causes of the collapse of MFIs in Ghana and the impact on its customers.

Problem Statement

Micro-Finance Institutions (MFIs) play a pivotal role in the provision of services to the financially excluded population, particularly the poor and the informal sector. As a key strategy for poverty reduction in the developing world, microfinance has captured the imaginations of governments and donor agencies (Parveen, 2009). Supporters have argued that microfinance institutions cannot only have a major impact in the fight against poverty but can do so on sustainable basis (Mcguire & Conroy, 2000).

In many other developing countries and Ghana, microfinance institutions mainly have been treated as important development instruments in the fight against poverty and over dependency on central and local governments. Microfinance has the capacity to efficiently and effectively provide sustainable financial services to poor households who are otherwise excluded from the conventional financial systems for lack of collateral. These institutions have been useful tools in broading the economic capacity of people. MFIs have offered start-up capitals to several entrepreneurs and business men through their loan facilities. These have contributed to reducing the burden on the central government in terms of employment, credit provision, and general standard of living. The MFIs have thus been seen as vital instruments in Ghana's quest to reduce poverty. Microfinance Institutions

(MFIs) have assumed prominence as important lending institutions in the economic development process of developing countries. However, in Ghana, 2013 witnessed unprecedented collapses of MFIs, in spite of the fact that they met the minimum requirement for licensing by the Bank of Ghana (Addo, 2014).

This role played by MFIs would worsen the already copious demands on the central and local governments if abandoned. This concern has raised serious issues particularly the poor and the informal sector regarding the MFIs sustainability particularly in the developing countries (Parveen, 2009).

The issue of microfinance failure should thus be a major concern to policy makers and implementers about the types of clients that was affected by the collapse if the activities associated with MFIs are really deemed beneficial to the economic development of Ghana. This has necessitated the need to undertake studies to identify the impact of recent collapses of MFIs in Ghana.

Research Objectives

The main objective of the study is to assess the effect of microfinance collapse on its customers in Cape Coast Metropolis. However, the following specific objectives are to be achieved by the study:

1. To identify categories of costumers that was affected by the collapse of Microfinance Institutions.
2. To investigate the media through which costumers got to know of the collapse of Microfinance Institutions.
3. To assess the effect of the microfinance collapse on costumers.

Research Questions

The research work tries to discover responses to the accompanying inquiries:

1. What the categories of costumers that was affected by the collapse of Microfinance Institutions?
2. What are the media through which microfinance clients got to know of the collapse?
3. How does the collapse affect costumers of microfinance institutions?

Significance of the Study

This study will empower strategy producers define suitable systems to enhance the microfinance sub-division in the money related industry. The information to be provided by the research will be helpful to the microfinance institutions in bundling their products and services. To the Ghana Association of Microfinance Companies (GAMC), it will aid them appreciate the type of services to which some of the microfinance institutions give attention to and enable them put appropriate measures in place to well organized the microfinance sub-sector.

To industry regulators, it will help them tighten their regulations on the microfinance sub-sector as in the case of traditional banks. It will also serve as a reference and guidance material for others to conduct research in the microfinance sector.

Delimitation of the Study

The study focuses on the affected customers who do business with microfinance institutions in Ghana with particular focus on places like Kotokraba Market, and Abura market, which are within Cape Coast

Metropolis. The study seeks to establish the sort of engagement that the customers have been having with MFIs and also the effect of the collapse of the institutions on the customers. The reason for limiting the scope to places mentioned above is that they are places within the metropolis where the people have been contributing significantly to the expansion of microfinance operations and helping to give it more recognition in Ghana since its inception. Generally, this study looks at various categories of people who save with MFIs, and the impact of the collapse on customers. This is to ensure that the result reflects the current trend of the collapse in MFIs.

Limitations of the Study

Owing to time and resource constraints, a representative sample of the customers would be used in obtaining general information about the impact of collapse of MFIs on its customers. Considering the brief time needed for the fruition of the work, the contextual analysis methodology was received. Despite the fact that the clients of microfinance establishments nationwide face comparative results, there is the likelihood that a few classifications of individuals would not be truly influenced as may be the situation of others. A sample and not the entire population of customers and a section of staff of MFIs were administered with questionnaires and interviewed to obtain the primary data. In addressing this limitation, an objective headed questionnaire and interview guides were designed for the respondents in order to reduce sampling error.

Organization of the study

This study is structured into five chapters; Chapter One gave a brief introduction to the subject of the study. It starts by presenting the background of the study. It continues by providing the statement of the problem of the study, highlights the goals of the study and objective and research question is presented. At the end of the chapter the structure of the study is be described. Chapter two discussed the theoretical positioning of the study. The focus is mainly on any issues related to the concept and Definition of Microfinance, Characteristics of Microfinance, Evolution of the Microfinance in Ghana, Various Categories of Microfinance Institutions in Ghana and Microfinance Performance. Chapter three presents the study methodology and discusses the procedures used to obtain the data, the reason for using this method, reliability, and validity of the study. Chapter four gives a presentation of the study results and their analysis. Chapter five is the final chapter of the study. It discusses managerial implications provides the conclusion, recommendation and summary to this study. Towards the end of the chapter, areas of future research are suggested.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter reviews the meaning and definition of microfinance, microfinance literature and the concepts of microfinance. The thought considered are those in connection with the region of this thesis. The chapter opens with an overview of microfinance. This shows the characteristics of microfinance, the evolution of microfinance sub - sector in Ghana followed by the development and performance issues regarding microfinance concept. The discussion continues with the causes of failure or collapse of microfinance institutions and challenges facing microfinance institutions in Ghana. The chapter ends with the discussion of the impact of financial needs of poor people.

Theoretical Review

Several theories have been promulgated to explain the impact of microfinance on individuals, SME's and rural communities. This study discusses two theories (stakeholder theory and mission drifting theory of microfinance) that seek to explain how stakeholders (beneficiaries) are affected in their quest to provide social obligation, the need for microfinance lending and reasons why rural banks deviate from lending to the poor.

The stakeholder theory

The stakeholder theory was proposed based on the argument that, apart from stakeholders, there are numerous agents with an interest in the movements and deliberations of companies. Stakeholders are groups and the beneficiaries of such groups are affected by and their rights are either expected or violated by corporate actions (Samantha, 2012). Stakeholders include creditors, customers, employees, suppliers and the communities at large. The Stakeholder theory asserts that businesses have a social obligation that requires them to take into consideration the interests of all parties affected by their actions.

Management should not solely consider its shareholders when making decisions pertaining to the organization, but also any individual who is harmed by the business decisions. The stakeholder theory exhibits some views which go contrary with the classical theory, the stakeholder theory holds the view that "the aim of any organization is or should be the prosperous of the organization and its key stakeholders (Freeman, 2004). MFI's have a social responsibility to perform in the interests of all parties affected by their actions including members from the Cape Coast Metropolis who serve as customers.

According to the stakeholder theory therefore, the Management of the selected MFI's should not solely think about its shareholders and how to maximize profit when making decisions pertaining to the organization, but also any individual (customer) who is harmed by the business decisions. With this, MFI's have obligation to take the interest of members of the Cape Coast Metropolis at heart and find out how to meet their needs, demands, expectations, as well as how to improve their living standards and reduce poverty among them by educating them on innovative business strategies and helping members to acquire easy loans without stress. Some of the setbacks with the stakeholder theory lie in the difficulty of considering stakeholders who are believed to be voiceless such as the ecosystem and potential victims or future generations which are believed to be absent. The difficulty of considering the ecosystem as a stakeholder is tangible due to the fact that the majority of the definitions of stakeholders typically treat them as individuals or groups, thereby excluding the ecosystem as a matter of definition because it is not a community or human group as are, for example, consumers, employees and the like (Buchholz & Rosenthal 2004). Philips and Reichart (2000) contend that only humans can be considered as organizational stakeholders and criticize attempts to give status to ecosystem stakeholder.

Mission drifting theory of microfinance

The theory of mission drifting suggests that the foremost mission of microfinance institutions is to provide financial services which are affordable to majority of the poor populations around the globe. Provision of affordable financial services therefore entails provision of loans at low interest rates and laying more emphasis on poor clients. But some microfinance institutions find themselves shifting their focus from the poor clients who are more risky to lend to and start lending to corporate or rich clients in their bid to enhance financial performance and avoid high levels of non-performing amount overdue. When this happens, microfinance institutions are said to be drifting from their initial mission of providing affordable financial performance is slowly making microfinance institutions to deviate from their mission of lending money to the low-income bracket in the society (Winters, 2010).

In line with this study, MFI's need to provide financial assistance to poor people from the Cape Coast Metropolis by providing them with loans at low interest rates and laying emphasis on poor clients by helping clients to improve upon their living standards through an increase in the individual's utility and wealth, increase in savings, as well as increase in consumption.

However, this is not the case as some MFI's find themselves shifting their focus from the poor clients because they consider it risky to lend to the poor people and are rather lending to corporate or rich clients in their bid to enhance to financial assistance and maximize profit. This implies that, MFI's are drifting away from their original motive of providing inexpensive financial assistance to poor clients making MFI's to digress from their mission of lending money to the income bracket in the society.

The theory further implies that the emergence of microfinance institutions represents an option to going to informal moneylenders and presents a way to eliminate the borrowing constraint in developing countries. In countries where the financial system is not well developed and functioning, microfinance can lead to an increase in the individual's utility and wealth by enabling him or her to increase consumption and saving. It allows the individual to dissave and save which makes it possible for each individual to smooth consumption and follow his or her optimal lifetime consumption (Todaro & Smith, 2003

CONCEPTUAL REVIEW

Definition and Meaning of Microfinance

Microfinance is considered to be among the areas that have received much attention as regards literature publication. It has been defined in many ways by a number of researchers. Otero (1999) refers to microfinance as the provision of financial services to low-income, poor and very poor self-employed people. These financial services, according to Ledgerwood (1999), generally include savings and credit but can also include other financial services such as insurance and payment services usually using non-standard methodologies such as character-based lending, group guarantees and short term loans (Brefo, 2009).

According to Schreiner and Colombet (2001), microfinance is the attempt to improve access to small deposits and small loans for poor households neglected by banks. This means microfinance is not only the provision of financial services to the low-income, poor and very poor self-employed people but offers an opportunity for the non-bank poor households to have to small deposits and small loans.

The terms microfinance and microcredit are often used interchangeably (Robinson, 2001). The distinction that is often discussed is the dichotomy between microfinance and microcredit. However, the definition of microfinance by Schreiner and Colombet (2001) includes microcredit (small loans) as an activity of microfinance. This is clearly seen in Khawari"s (2004) (Khawari, Microfinance: Does it Hold its Promises? A Survey of Recent Literature, 2004) definition of microfinance, where microfinance is defined to include the provision of a broad range of financial services such as deposits, loans, payment services, money transfer and insurance to the poor and low-income households and their micro-enterprises. It is therefore imperative that a clear line of distinction is drawn between the two.

Microcredit has been defined as small loans (Owusu Ansah, 1999). While microcredit cannot be used as a substitute for microfinance, it is worth noting that it forms an integral part of microfinance. Among all the products of microfinance, microcredit is the most popular. It has received international attention by the United Nations when 2005 was declared the International Year of Microcredit (UNCDF, n.d.)

Definition of Microfinance Institution

Poverty is usually characterized by irregular and undependable income. However, the poor require access to a wide range of financial products and services that are tailored to suit their circumstances. These products and services can help the poor build assets through savings or financing income-generating activities, which can make it easier for them to manage shocks, such as medical emergencies, death, or natural disasters. Most Microfinance Institutions (MFIs) began as charitable and/or donor-supported programs to provide sustainable financing for the poor; carried out under the auspices of non-governmental organizations (About Microfinance, 2015)

MFIs can take different forms. They could be public or private, for profit or non-profit. The public ones are usually part of governments" initiative towards poverty alleviation. A typical example is Microfinance and Small Loans Centre (MASLOC) established in 2006 by the government of Ghana (GoG) under the administration of former president John Agyekum Kuffour (Office of the President-The Republic of Ghana, 2010). The private MFIs are mostly for profit, established by individual businessmen or groups (Attefah, Mintah, & Amoako-Agyeman, 2014). The non-profit MFIs are normally Non-Governmental Organizations (NGOs) with donor funding (Lauer, 2008).

MFIs are of essence due to the problem that low-income people pay high costs and sometimes rely on insecure, unpredictable, and unscrupulous options to access basic financial products and services. This is the more reason why the financial inclusion movement is striving to encourage the delivery of a full range of financial products at fair prices and without the risks poor people face today (CGAP, 2015).

The Historical Background of Microfinance

The concept of microfinance is not new. Savings and credit groups have operated for centuries. These include the "susu" in Ghana, " committee" in India, "tanda" in Mexico, "arisan" in Indonesia, "seettuva" in Sri Lanka, “tanomoshi-ko or mujin” in pre-1945 Japan, “wichin gye” in Korea, “likelembas” in the Democratic Republic of the Congo, “xitique” in Mozambique and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world (Mercy Corps, 2006).

In the 1800s, various types of larger and more formal savings and credit institutions began to emerge in Europe, organized primarily among the rural and urban poor. These institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives. The concept of the credit union was developed by Friedrich Wilhelm Raiffeisen and his supporters. Their altruistic action was motivated by concern to assist the rural population to break out of their dependence on money-lenders and to improve their welfare. From 1870, the unions expanded rapidly over a large sector of the Rhine Province and other regions of the German States. The cooperative movement quickly spread to other countries in Europe and North America, and eventually, supported by the cooperative movement in developed countries and donors, also to developing countries.

Meanwhile, starting in the 1970s, experimental programs in Bangladesh, Brazil, notably by Dr. Muhammad Yunus, one of the founders of modern microfinance, helped to push the industry even further into the spotlight. Tiny loans were extended to groups of poor women to invest in micro-businesses. This type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. These "microenterprise lending" programs had an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced savings schemes) targeting very poor (often women) borrowers (CGAP, 2006).

Microfinance has really existed, although mostly in the shadows and unseen by casual observers, since the rise of formal financial systems, and indeed probably predates them. It has only been within the last four decades, however, that serious global efforts have been made to formalize financial service provision to the poor (Brau, 2004). The rise of the microfinance industry represents a remarkable accomplishment taken within historical context. It has overturned established ideas of the poor as consumers of financial services, shattered stereotypes of the poor as lazy and not bankable, spawned a variety of lending methodologies demonstrating that it is possible to provide cost-effective financial services to the poor, and mobilized millions of dollars of social investment for the poor.

The Evolution of Microfinance in Ghana

The concept of microfinance is not new in Ghana just as it is not new in some African countries (Ikechukwu, 2012). Traditionally, people have saved with and taken small loans from individuals and groups within the context of self-help to start businesses or farming ventures. Available evidence suggests that the first Credit Union in Africa was established in Northern Ghana in 1955 by Canadian Catholic Missionaries (Asiama & Osei, 2007).

Susu, which is one of the current microfinance methodologies, is thought to have originated in Nigeria and spread to Ghana in the early 1990s. According to Littlefield et al (2003), as cited in (Brefo, 2009), microfinance has gone through four (4) distinct phases worldwide. These stages are described below by Ministry of Finance - Ghana (n. d.).

Phase one

This phase was marked by the provision of subsidized credit by Governments starting in the1950‟s when it was assumed that the lack of money was the ultimate hindrance to the elimination of poverty. This phase was not successful and could not impact positively on the poor due to the principle that "poor people need a variety of financial services not just loans". Thus, the failure of this phase to give credence to the other complementary assistance such as savings, skills training, etc rendered this phase ineffective.

Phase two

The second phase involved the provision of micro credit mainly through NGOs to the poor in the 1960‟s and 1970‟s. During this period, sustainability and financial self -sufficiency were still not considered important. This phase overly depended on foreign aid without considering its revitalization for efficiency and effectiveness.

Phase three

In the 1990‟s the formalization of Microfinance Institutions (MFIs) began. This is the phase prior to commercialization of the MFIs. The phase centred on the acquisition of the legislations backing their operations and their formalization.

Phase four

This phase is traced to the mid 1990‟s when MFIs witnessed commercialization and subsequently gained prominence. MFIs were thus mainstreamed into the financial sector and are now seen as a sub-sector of the financial sector, comprising most 14 different financial institutions which use a particular financial method to reach the poor.

Characteristics of microfinance

Microfinance provides the low-income households with the opportunity to have access to financial and non-financial services, in order to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. „The introduction of Microfinance was to help the poor clients and micro-entrepreneurs gained access to small credit in order to raise income for the low-income families. ‟, that is, they can repay, both principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a branch of banking industry has created financial products and services that together have enabled low-income families to become clients of a banking intermediary. According to Asiama & Osei, (2007), the characteristics of microfinance products include:

- Small amounts of credit and savings.
- Short-terms loan (usually up to the term of one year).
- Payment plan to allocate for frequent installments (or regular deposits).
- Portions to provide food for both foremost and interest.
- Interest rate on Loans paid by clients is higher than commercial bank rates but lower than loan-shark rates, which reflect the labour-intensive

work associated with making small loans and allowing the microfinance intermediary to become sustainable over time.

- The microfinance operations permit clients easily to transact business and give the operators to have better understanding of the clients in order to know their financial and social status.
- Easy to apply for a credit facility than with the commercial banks.
- Loan processing period is short, (between the completion of the application and the disbursement of the loan).
- Customers are given the chance to get to consistent credit if past advances are paid on time.
- Clients with higher credibility get higher amounts for subsequent Loans.
- The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates.
- Microfinance Institutions do not require collateral before loans are processed but based on simple cash flow of clients.

Evolution of the microfinance sub-sector in Ghana

The idea of microfinance is not a fresh concept in Ghana. There has always been the tradition of people saving and/or taking small loans from individuals and groups within the context of self-help to start businesses or farming ventures. Before, reserve funds and smaller scale credit from people gatherings inside of the structure to bolster the poor to begin organizations or cultivating endeavors. Accessible confirmation proposes that the first credit union in Africa was founded in 1955 in Ghana by Catholic ministers from Canada. Susu is one of the microfinance plans in Ghana, which began in Nigeria before it was extended to Ghana in the mid twentieth century (Asiama & Osei, 2007).

Over the years, the microfinance sector has thrived and evolved into its current form due to various financial sector policies and programmes undertaken by different governments since independence (Asiama, 2007). The microfinance sub-segment has shot up and advanced into its present state on account of different money related industry arrangements and projects attempted by diverse governments since freedom. Among these are:

- Credit sponsorship gave in the 1950s;
- Establishing the Agricultural Development Bank in 1965 especially to understand the money related needs of the fisheries and agrarian sub-division;
- Arrangement of Rural and Community Banks (RCBs) and the presentation of regulations, for example, business banks being obliged to set aside 20% of aggregate portfolio, to urge loaning to farming and little scale commercial enterprises in 1970s and mid-1980s;
- Developing from a controlling budgetary framework to a casual framework in 1986;
- Announcement of PNDC Law 328 in 1991 to allow the arrangement of different gatherings of non-bank budgetary organizations, including investment funds and advances organizations, and credit unions.

There are three general classifications of microfinance foundations. These are:

- Formal suppliers, for example, country and group banks, investment funds and credit organizations, and in addition some advancement and business banks;
- Semi-formal suppliers, for example, cooperatives, credit unions and money related non-legislative associations and such as cooperatives, credit unions and financial non-governmental organizations (FNGOs);
- Casual suppliers, for example, clubs and susu gatherers, pivoting and aggregating investment funds and credit affiliations (ROSCAs and ASCAs), moneylenders, merchants, and different people. As far as the administrative structure, rustic and group banks are organized under the savings money Act 2004 (Act 673), as funds and advances organizations are right now organized under the non-bank monetary establishments (NBFI) Law 1993 (PNDCL 328)

Empirical Review of related literature

The empirical study of literature, attracts scholarship particularly by gaining knowledge through direct and indirect observation or experience.

The collapse of microfinance institutions

Contemporary microfinance has been taken to task over a number of possible failings. At the same time insight into grassroots microfinance institution (MFI) failure is lacking (Siwale & Ritchie, 2011). Evidences from some countries indicate that the failures of MFIs are as great as their successes. In Nigeria, the increasing rate at which microfinance banks (MFBs) were becoming distressed, made the Central Bank of Nigeria unwilling to bail them out. This compelled the Lagos State chapter of the National Association of Microfinance Banks (NAMB) to set up an Intervention Fund in 2010 to cater for MFBs financial needs (Vanguard, 2010).

In Zimbabwe, in 2014, the Zimbabwe Association of Microfinance Institutions (ZAMFI) cautioned the Zimbabwean public against deposit-taking microfinance institutions (MFIs). As at February 2014, about 147 MFIs were registered by the Reserve Bank of Zimbabwe (RBZ), the country‟s central bank. None of these institutions were licensed to take deposits due to irregularities in the system, as unscrupulous MFIs continued to dupe the public. It further led to the passing of the Microfinance Act in August 2014 to regulate the activities of MFIs (MicroCapital, 2014; The Standard, 2014).

In Zambia, Promotion of Rural Initiatives and Development Enterprises (PRIDE Zambia or PZ), a once promising Zambian MFI actually failed in 2009 while seeking to become a for-profit MFI (Siwale & Ritchie, 2011). Morocco, Nicaragua and even India have all witnessed financial crisis and subsequent failures of MFIs (Wichterich, 2012; CGAP, 2013)

Management of MFIs in crisis

Systemic banking crises involves loss of confidence in a substantial portion of the banking system, serious enough to generate significant negative effects on the real economy thereby affecting the payments system, credit flows and destruction of asset values (Hoelscher, n. d.). Methodological flaws, regular frauds in management, unregulated growth, operating in new markets outside microcredit, lax lending practices and weak risk control systems have been cited among others as the possible causes of banking crises (Hoelscher, n. d.; Mariana, 2015).

Crises in the microfinance sector have always become a source of worry and concern to the stakeholders of MFIs. However, crises management in MFIs has proven to be successful in some countries. A typical case is the Moroccan Microfinance Crisis which began in 2007 (CGAP, 2013). The Consultative Group to Assist the Poorest (CGAP) report indicated that the microfinance sector in Morocco was for a decade, considered a rising star. The sector took advantage of very performing institutions supported by local authorities and international funders.

The cause of the Moroccan crisis was the sharp growth of their loan portfolio, totaling USD733 million to 1.35 million in assets from 2003 to 2007. With this, it became the largest in the Middle East and North Africa. Competition in the sector resulted in multiple borrowing by customers. About 40% of customers accumulated loans in several MFIs, resulting in the rise of the overall credit risk to13.7% in 2009. At the onset of the crisis, the Central Bank of Morocco, the Bank Al-Maghrib (BAM), the Ministry of Finance, national associations and funders mobilized funds to restore the situation and confidence. BAM quickly started supervision missions and increased the frequency of its meetings with the MFIs. BAM and the Ministry of Finance tightened the conditions on funding and governance of MFIs. As part of the measures to curtail the crisis, ARDI, a medium MFI supported by the Crown Corporation Crédit Agricole, was founded by the Central Bank to help strengthen small MFIs by providing a common set of management tools. The Government did so well by improving the regulatory machinery and promoted financial education in the country.

In order to improve the liquidity position of the MFIs, the Government, in February 2013, published a new regulation which allowed non-governmental MFIs (NGOs) to hold shares in microcredit companies and merge. In spite of these governmental initiatives, the MFIs did not relent in their efforts. They worked on improving their own systems by engaging dedicated recovery teams, taking legal actions against delinquent borrowers and the creation of information exchange platform for customer blacklists and assets. Even though, the recovery was fragile, the other complementing measures went a long way to ensure the sustenance of MFIs in Morocco. The Moroccan case provides valuable lessons in governance, infrastructure and market supervision.

Economic impacts of Microfinance in Ghana

Micro-Finance Institutions (MFIs) play a pivotal role in the provision of services to the financially excluded population, particularly the poor and the informal sector (Muntambanadzo, Bhiri, & Makunike, 2013). These services rendered to the poor by MFIs have the power to transform the overall living conditions of the beneficiaries. MFIs in Ghana have contributed their quota to the development of the nation in a number ways, some of which are capital provision, provision of employment, capacity building, and community development.

Capital provision

At the very core of MFIs activities is poverty alleviation. The provision of capital to the productive poor for their economic ventures is a major step towards the attainment of this goal. MFIs provide capital to their clients in two ways. The provision of micro loans and other social intermediation services like training, empowering the poor to be able to take up economic ventures (Okezie, Bankoli, & Ebomuche, 2014; Bishnoi, 2015; Muhammad, 2010). Otero (1999), agrees that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty. She further states that by providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society.

The other side of the capital provision to the poor is by creating avenues for them to make micro savings. Such savings, when allowed to accumulate over a period, could serve as a start-up capital. The initial savings made, sometimes serve as collateral upon which a much bigger sum is granted as a loan to the saver. Whatever form the savings may take, it inculcates the habit of savings into the poor which has a long term effect on poverty reduction.

Provision of employment

The critical role of MFIs is poverty alleviation whereby they seek to increase employment opportunities and enhance income adequate to lift the poor above the poverty line (Muntambanadzo, Bhiri, & Makunike, 2013). MFIs in Ghana play significant role when it comes to employment provision. The employment generating power of MFIs is made manifest through their capital provision. Beneficiaries of micro loans are able to create jobs which serve as employment for them. In addition to the employment created for the direct beneficiaries of loans, few hands, in some cases are also employed in the assisted micro enterprises. This makes microfinance a financial sustainable instrument capable of providing capital for and ensuring growth and sustainability in the private informal sector ignored by traditional commercial banks (Boateng, Boateng, & Bampoe, 2015). MFIs offers direct employment opportunities for both skilled and unskilled labour. The operations of MFIs are such that a large number of employees are required to man their various departments. From top management, down to branch staff, requires quite a sizeable number of employees, especially, when the company has branches.

Capacity building

MFIs Capacity building are efforts, projects or programs, schemes and activities that are aimed at building both the institutional and human resource capacity of financial institutions so that they can more ably and satisfactorily serve their growing customer-base while becoming operationally and financially more sustainable (Friends Consult, 2015). With this, MFIs are able to initiate projects and programmes that contributes immensely towards the capacity building of their clients in areas of loan management, customer care, pricing, marketing and selling on credit, as well as social and community issues. This is made manifest, usually, at group levels, where clients are urged to form groups to undergo training.

Community development

While the relationship between outreach and financial self-sufficiency (FSS) of microfinance institutions (MFIs) is increasingly well researched, next to nothing is known about the relationship between broader corporate social responsibility (CSR) measures of MFIs and their financial self-sufficiency (FSS). Hoepner, Liu, & Wilson (2011) said, in light of the social promise of microfinance, the CSR-FSS relationship however is also very relevant. Their results further revealed that corporate social responsibility might be a crucial driver of MFI's financial success. MFIs, their investors and policy makers appear well advised to devote more attention to MFIs' corporate social responsibility. This could be the reason why a number of community-based facilities like schools, police stations, boreholes and the like have either been provided by some MFIs or renovated by them. The country has also witnessed some medical bills of patients being fully paid for by some MFIs.

Various Categories of Microfinance Institutions in Ghana

Rural banks

Rural Banks are a piece of banks, which are possessed and oversaw by inhabitants in a community. They are enrolled under the organization’s code and are authorized by the Bank of Ghana to take part in the matter of keeping money, they are not permitted to open branches but instead to open organizations, they are allowed to work inside of their catchment territories. Their operations are primarily with the end goal of activating stores, the basic operations of country banks are the assembly of investment funds and giving out credit offices to commendable clients in their territories of operation. It is likewise the belief of the national bank that through their monetary intermediation parts, provincial banks will go about as substance for financial change in the country piece of Ghana.

Savings and loans companies

Savings and Loans Companies (S&Ls) are store taking money related foundations directed by the Bank of Ghana under the non-bank budgetary establishment, with the minimum capital prerequisite much littler than business banks yet over that for rustic and community banks. The presentation of the non-bank money related foundation law sprang quickly and the change of some monetary non-administrative associations (FNGOs) into savings and loans organizations working in urban and peri-urban regions in the nation.

Savings and Loans organizations help generally the financial dynamic easygoing unbanked populaces and give customized items to suit this gathering of the populace. They are obliged to business banks, for the most part assembling store, procurement of credit to low pay customers and SMEs, cash exchanges and monetary education. Savings and loans companies exploit microfinance policies to give assistance to most of their clients in the peri-urban areas with an average Loan size greater than the other class of microfinance institutions.

Credit unions

Credit union is a thrift institution. It can also be considered as a financial institution that concentrates on giving the banking and lending needs of its members. These institutions are also structured to care for the needs of customers, not businesses, and are different by their ownership structure and their "common bond" membership requirement. Majority of them are relatively small. A credit union is co-operative, nonprofit depository financial institution owned and controlled by its members who have a common bond, and operate for the purpose of promoting thrift, providing credit at reasonable rates and providing other financial services to its members.

Credit unions in Ghana are allowed to accept deposits and offer credit facility to their members. They are registered by the Department of Co-operatives as co-operative thrift societies in Ghana. The Canadian Catholic Missionaries founded Credit Union in Ghana in 1955 in the Northern part of

Ghana as the first Credit Union. Credit unions have a recognized association generally referred to as CUA. The association serves as a self-regulatory highest body for its affiliates.

Challenges of microfinance

Contemporary microfinance has been taken to task over a number of possible failings. At the same time, insight into grassroots microfinance institution failure is lacking. There are presently few in-depth studies of failed MFIs in countries where microfinance is still emerging (Siwale & Ritchie, 2011). The failure of community banking scheme and many previous government's micro financing schemes was predicated on the challenges they faced. Many of these challenges are still bedevilling microfinance banking (Ikechukwu, 2012). In Ghana, 2013 witnessed unprecedented collapses of MFIs, in spite of the fact that they met the minimum requirement for licensing by the regulator, Bank of Ghana (Addo, 2014). The failure or collapse of MFIs in Ghana as witnessed in 2013 could however be attributed to several factors. Some of these factors are discussed below:

Lack of policy guidelines

Microfinance sub-sector, since the 1950s, has operated without specific policy guidelines and goals. This partially accounts for the slow growth of the sub-sector, and the apparent lack of direction, fragmentation and lack of coordination. There has so far not been a coherent approach to dealing with the constraints facing the sub-sector (Asiama & Osei, 2007). As a result, MFIs without policy guidelines lack direction regarding major decision making and implementation.

Overtrading

Overtraded companies face liquidity problems and/or run out of working capital. The is because these companies enter a negative cycle, where an increase in interest expenses negatively impacts the net profit, which leads to lesser working capital, and that leads to increased borrowings, which in turn leads to interest expenses and the cycle continues.

Addo (2014) is of the view that MFIs were never designed as commercial financial intermediaries. Therefore, opening up branches and behaving like commercial banks does not make them commercial banks. He further revealed that their indulgence in overtrading is borne out of lack of competence or qualified staff. For instance, instead of investing monies to at least break even on the interest rate offered to their clients, they rather saw these timed investments as free or idle monies and applied them wrongly. In most cases, depositors" funds were used in opening branches and making other huge capital expenses (expensive rents, flashy furniture and decorations). Unknown to them, opening branches meant more expenses on utility, salaries and other overhead expenses.

Payment of higher interest rates on investment

In MFIs quest to remain competitive, they resort to payment of outrageous interest rates to customers of their fixed deposits accounts. A study by Owusu-Nuamah (2014) revealed that because there were so many MFIs springing up everywhere, the Ghanaian market was experiencing what the financial authority calls financial saturation. Therefore, to keep up with the pressure of competition, companies rolled-out products that will endear more clients to them.

The study further noted that, some of these products were too costly to the companies; their income streams could not cover some of the expenses they were incurring in the form of interest payment to clients. The most popular of these products were the cement and cloth investment. The products were ran like fixed deposit products where clients deposited Gh¢100.00 (in most of the companies) and took 1/2 piece of cloth or 1 bag of cement whose prices were hovering around Gh¢20.00 for a period of 4-6 months (depending on the competition around).

Inadequate knowledge of the industry by owners of MFIs

The primary purpose of microfinance is to provide loans to poor people at an affordable interest rate in an attempt to enable them to get out of the poverty in which they are entangled (Khan, 2008). Microfinance, therefore, requires highly specialized financial knowledge as well as a unique combination of skills, such as knowledge of social science, local languages and customs (Placeholder3). However, most of the owners, normally the Chief Executive Officers (CEOs), took the business as a trade where they moved on to establish their own after a few months of training in other MFIs. Some of the owners did not pay attention to the analysis and consequences of the decisions they were taking. These business owners would not listen to the advice from young financial professionals they had employed, who also had no option but to allow owners to have their way in order to keep their jobs (Owusu-Nuamah, 2014).

They operated their companies as they wished and deemed good, with little or no managerial consultation. Indeed the MFIs community has experienced major failures, for which inadequacy of government and management is to blame (Khan, 2008). Good corporate governance can improve firm performance and help assure long-term survival. The issue of corporate governance has therefore been of increasing interest for microfinance as it is today considered to be one of the weakest area in the industry (CSFI, 2008). Over-concentration of managerial mandates in the owners, coupled with lack of best practices like board independence and shareholder ownership are some of the major causes of MFIs failure.

Poor recovery rate

MFIs are organizations which were originally set up in order to help finance those small-scale micro-enterprises and local economic activities which were largely excluded from formal finance and mainstream banking practice (Siwale & Ritchie, 2011). Microfinance in Ghana is, however, plague with challenges including poor recovery rate, lack of capital for sustainability, inadequate credit delivery and management, inability to reach the most vulnerable and marginalized, regulation and supervision problems as well as high turnover of MFI staff (Boateng, Boateng, & Bampoe, 2015). The major source of income for micro-finance companies has been loans. Unfortunately, this department that required critical analysis has not been given the needed attention. The popular method of asking clients to contribute for a month or two so that their balances could be doubled or tripled downplayed the significance of proper assessment and monitoring of loans. Loan Officer to client ratio widened for most companies, hence did not have enough time to look at loans that were defaulting until the loans hit the expiry region (by then it becomes extremely difficult to recover). Clients identified this loop hole and played these companies by robbing Peter to pay Paul (Owusu-Nuamah, 2014).

In addition, some MFIs have resorted to financing capital intensive projects, which is supposed to be the prerogative of the commercial banks. A cursory study, has also revealed that some MFIs have subsidiaries into which greater portion of their mobilizations are injected as loans. As a result, a failure of a subsidiary amounts to non-performance of such loans, rendering them as bad debt.

Lack of qualified staff

A study by Mukama, Fish, & Volschenk (2005), as cited in Addo (2014), indicated that staff related problems, such as educational level of staff, skills development of staff, and appropriate staff incentive schemes can adversely impact on the survivability of MFIs. The study further noted that such staff related problems are probably the most manageable of the problems that MFIs experience. For example, educational level of staff and skills development of staff can be supported by appropriate incentive schemes in order to facilitate improved quality of loans books, improved quality of service to attract and expand customer base and retain existing clients. Good staff selection practices can be given incentives through a well-structured commission scheme, which in turn, would lead to fewer fraudulent practices and increased repayment rates. Staff skills upgrade through both external and in-house training may not only increase regulatory and supervisory compliance, but also professionalism of staffs.

Fraudulent activities by staff

Another major cause of MFIs failure is fraudulent activities by staff of the companies. These acts are mapped out and executed easily because of weak internal controls, bad accounting software and poor supervision. Staff either create ghost accounts to take loans or record fake expenses. There are also peculiar cases where some of the software the companies are using allow users to delete transactions. Some smart staff manage to delete withdrawal transactions so that their account balance will increase again to allow for more withdrawals (Owusu-Nuamah, 2014).

Chapter Summary

The review presents the astounding ways microfinance has evolved, incorporating into its practice social and economic development concepts, as well as principles that underline financial and commercial markets. From its inception in the 1970s, there are enough studies to show that the combination of social and economic development of microfinance has led to the creation of a growing number of sustainable microfinance institutions around the developing world. In this review, there are enough evidence indicating that in spite of the socio-economic developments of microfinance, the MFIs are confronted with a number of challenges which could lead to compete failure of the industry.

CHAPTER THREE

RESEARCH METHODS

Introduction

The research methods employed for the research are outlined in this chapter. The research paradigm, research approach, target population, the sample technique, sample units and size, data sources, data collection methods and also data management and analysis for the research are discussed in this section.

Research Approach

There are specifically different approaches to research. A research approach is a plan of action that gives direction to conduct research systematically and efficiently. There are three main research approaches as (Creswell 2009): quantitative (structured) approach, qualitative (unstructured) approach, and mixed methods research. All researches must involve an explicit, disciplined, and systematic approach to find out most appropriate results. Researchers typically select the quantitative approach to respond to research questions requiring numerical data, the qualitative approach for research questions need textural data, and the mixed methods approach for research questions want both numerical and textural data (Williams 2007). Marshall and Rossman (2006) define a qualitative approach as a broad approach to the study of social phenomenon and Maree (2007) explains a quantitative approach as a formal, objective and systematic way of collecting numeral data and this enables the researcher to look for relationships between variables.

Creswell (2003) explains the mixed methods approach as triangulation. This means, the mixed methods approach mixes both the quantitative and the qualitative approaches. The mixed methods approach collects numerical and text data. In simpler terms, the approach can be used to gather and generate data. The mixed methods approach helps to provide a more complete analysis of the research problem (Maree, 2007) and it offers the best chance of answering the specified research questions (Denzin & Lincoln, 2000; Creswell, 2007; Barbour, 2008). The mixed methods approach is promulgated from both the quantitative and qualitative approaches. The implication portrayed is that, the quantitative approach uses statistical figures, whereas the qualitative approach uses words to describe and analyse participants` individual or collective social actions, beliefs, thoughts and perceptions (Shampoo & Rensnik, 2009). Creswell (2007) opines that the two differ in how they access knowledge. According to Maree (2007), the mixed approach ensures convergence and corroboration of results from different methods on the same phenomenon. With the above-mentioned considerations, the researcher adopted for the qualitative approach.

Study Design

The research design is simply the framework or plan for a study that is used as a guide in collecting and analysing the data. Cooper and Schindler (2001) posit that research design is a plan that promotes systematic management of data collection. It is the blueprint that is followed in completing a study. Research design is the blue print for collection measurement and analysis of data. Actually, it is a map that is usually developed to guide the research (Pandey and Pandey 2015). The research design against this background is a case study of Cape Coast Metropolis whereby the real-life context in which the study occurs is considered.

Study Population

A group of individuals that have one or more common characteristics is regarded as a population. Shumba et al. (2006) define population as the theoretically specified aggregation of the elements under study, while Frost (2010) views population as the group of whom the research will draw conclusions. The term population in research refers to the total number of elements or cases that one can investigate (Murimba and Moyo, 1995). According to Agyedu et al. (1999), population of a study refers to a complete set of individuals or events having common observable characteristics in which the researcher is interested. It was further emphasized that; population constitutes the target of a study and must be clearly defined and identified. In this study, the population was the people in Abura and Kotokraba Market who have been affected by the collapsed of microfinance institutions in Cape Coast Metropolis.

Sampling Procedure

A sample is a collection of some elements of the population. In qualitative research, a small and distinct group of participants can be used (Cohen et al., 2006). Kark and Williams (2002) view a sample as a group of individuals selected from all the possible participants in the population in which the study is being conducted. In this research, a representative sample of population under study was used and allowed the researcher to gain an in-depth understanding of the social, emotional and academic development of students. According to Linchtman (2006), a sample is a limited subset of the entire population. Muchengetwa and Chakuchichi (2010) assert that, the lesser the number of participants the easier it becomes to manage. However, Newman (2000) found out that a sample can lead to the production of biased information. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. The choice of sample size is as important as is the choice of sampling scheme because it also determines the extent to which the researcher can make statistical and/or analytic generalizations (Onwuegbuzie, & Collins, 2007). A sample size of one hundred and fifty (150) respondents will be used for the study from Abura and Kotokraba Market in Cape Coast Metropolis. To get a good sample for the study, the researcher used purposive and convenient sampling methods.

In designing the study, the researcher considered the sample selected from the population to answer the research questions and to meet the research objectives. In order to obtain true results for the research, the researcher considered people who saved and invested their monies with the MFIs. The sampling methods that were used to select the sample from the population were purposive and convenient sampling methods. These are a non-random sampling and simple random sampling methods. The purposive sampling was chosen to ensure the right people were contacted to answer the questions. However, the convenient sampling was also chosen to ensure flexibility in data collection among the customers.

Data Collection Instruments

Primary data will be gathered through questionnaire. Getting questionnaires filled up provides good and timely information in a very low cost. Questions can cover almost all the psychographic details excluding the ones that require extensive reasoning (Adebimpe, Adebola, and Olaniyi, 2013). Questionnaire surveys can be used in a wide range of settings and to gather a variety of different types of information. The study will employ closed-ended questionnaires for the respondents. The questionnaires are divided into various sections to capture areas that set out to achieve the objectives of the study. The questionnaires will be administered to a total of one hundred and fifty (150) people in Abura and Kotokraba Market who have impact on collapse of microfinance institutions in Cape Coast Metropolis in Ghana.

Data Collection Procedure

The data collected would be analyzed using tables and charts to group respondents' views in order to establish percentages of the groups and interpreting those percentages. Charts like the bar-chart and pie chart will be used. The Statistical Package for Social Sciences (SPSS version 21) will be used in the analysis of data. Bar chart is a type of graph in which values are presented by rectangular bars. Bar charts are used to display set of data for qualitative variables. The chi-square test of independence was conducted to determine whether variables used for a study are dependent.

Data Processing Analysis

All questionnaires collected were edited and checked for completeness and correction of errors. Excel was used for the quantitative data entry and exported to Social Package for Social Science (SPSS) for analysis. Quantitative analyses were reported with reference to the study's objectives placing it in the context of the conceptual framework. Descriptive Statistics including mean and standard deviation was used to analyse the perceived objective one. ChiSquare analysis was also used to analyse the objectives of the study.

Chapter Summary

Ethics is the suitability of performance relative to the right of its subjects. According to Saunders et al 2009, the design of the study must protect respondents from inconveniences, harm, and prejudice. In view of this, the information obtained from respondents was reserved private and was strictly used for the intended purposes only. The purpose for which information was sought from respondents was made known to them and their right to deciding participation was guaranteed and as such respondents took part without coercion of any form throughout the study period. The study made sure there was fair representation of both Abura and Kotokraba market in sampling to help avoid any discrimination against a particular result to a bias conclusion for the study. The identities of respondents were protected for ethical reasons and no specific information/data was associated with specific respondents or personal opinions of individuals and the researcher finally remains committed to ensuring that the appropriate research reporting standards are strictly adhered to, in order to avoid any biases in this study.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Introduction

This chapter deals with the analyses and discussions of data obtained from respondents in the study. The main purpose of the study was to know the "Assessing the Impact of Collapse of Microfinance Institutions on Its Customers in Ghana". The selected site for the study was Cape Coast Metropolis. It began with an analysis of the demographic characteristics of respondents and then followed with the analysis of responses to the research questions as follows.

1. To identify categories of costumers that was affected by the collapse of Microfinance Institutions.
2. To investigate the media through which costumers got to know of the collapse of Microfinance Institutions.
3. To assess the effect of the microfinance collapse on costumers.

Descriptive statistics such as means and standard deviations were used to analyze the data and draw conclusions on the research objectives. All figures and tables used were well labeled and interpreted. In all, a total of 150 respondents were captured for the study. The next session discussed the demographic characteristics of the respondents.

Demographic Characteristics of Respondents

The demographic characteristics of the respondents of the study that was considered were gender, age and type of accounts respondents operated. The response of the participants in terms of gender is presented in Figure 1.

Figure 1 shows the distribution of respondents by gender.

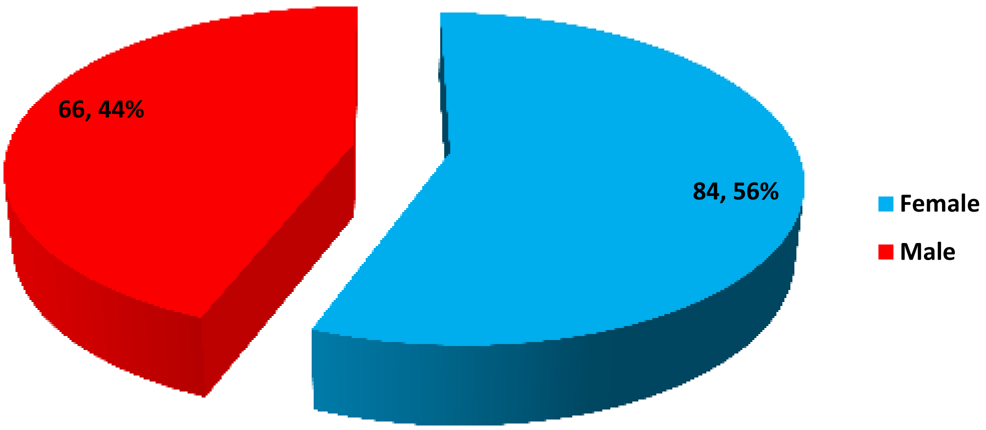

Figure 1: Distribution of Gender of the Respondents
Source: Field Study, 2020

From fig. 1 the result shows that out of the 150 respondents, 66(44%) were males while the remaining 84(56%) were females. With respect to the respondents used for the survey, more females than males were affected with the collapse of Microfinance Institutions in the Cape Coast metropolis. The evidence provided by this study was in line with (Aryeetey 2008) one of the fundamental goals of microfinance companies in Ghana. According to Aryeetey (2008) the focus of purely microfinance concepts have been to focus on women as it forms the heart of the microfinance system. The study statistics provided above indicates that on the average, this focus has been achieved by microfinance companies in Ghana, a tendency for increased income and welfare inequality between males and females.

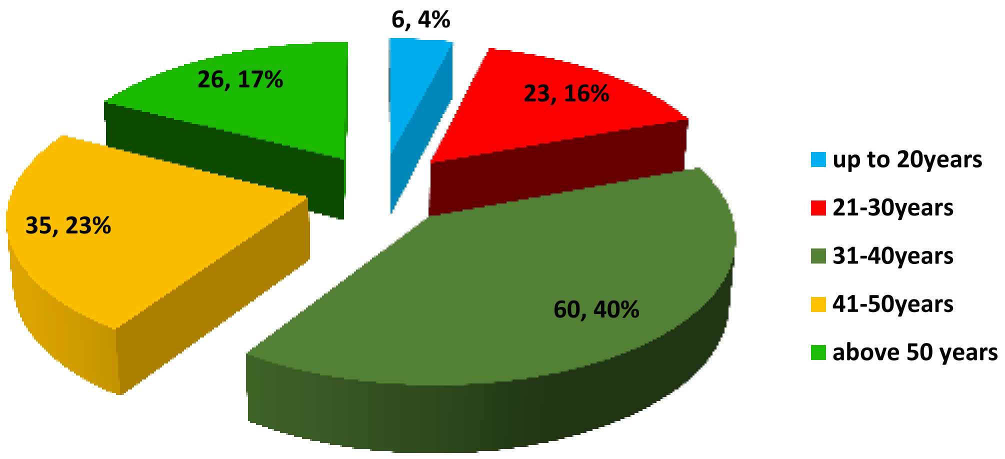

Figure 2: Distribution of Age Group of Respondents
Source: Field Study, 2020

Figure 2 shows that, out of the 150 respondents, 6(4%) were up to age 20, 23(16%) were between the age group of 21 to 30 years, 60(40%) were between the age group of 31 to 40years, 35(23%) were between the age group of 41 to 50 years while the remaining 26(17%) were above 50years. Comparatively, it can be concluded from the survey that about 79% of respondents between the ages 21 to 50 were affected with the collapse of the Microfinance Institutions. The implication is that majority of the youthful working class who operate with microfinance companies were affected with the collapse. It can generally be concluded that, since people belonging to this age range were the working population and hence highly depended on by the younger and older population, it is imperative that access to credits when effectively monitored can boost growth in the economy given the information gathered from the field work.

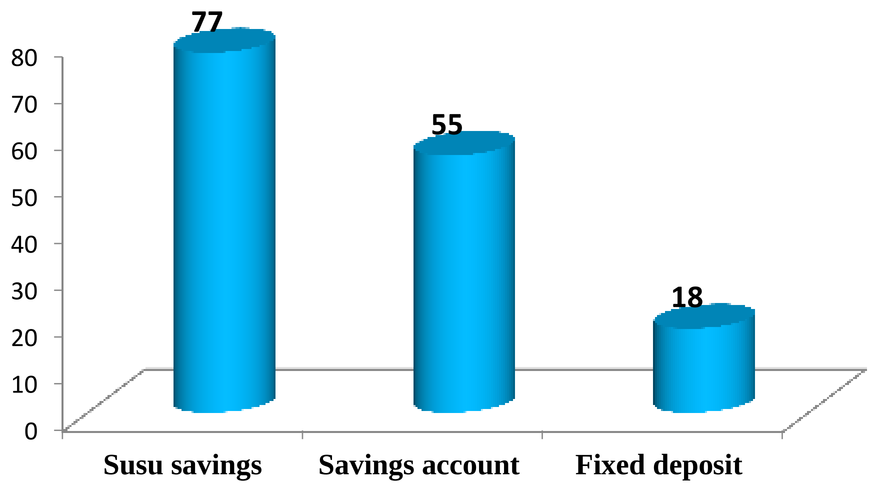

Figure 3: Type of Accounts Respondents Operated
Source: Field Study, 2020

With regards to the question on the type of accounts respondents operated as shown in fig. 3. The result indicates that 77(51.3%) of the respondents had Susu savings, 55(36.7%) had Savings accounts, and the 18(12.0%) had fixed deposits. Loosely speaking, it can be said that over 120 of the respondents had savings either a susu savings or savings account which was not much of a surprise due to the door-to-door services of the susu operations and the ease of withdrawal of both the savings and susu accounts services of microfinance companies. Susu is one of the microfinances plans in Ghana, which began in Nigeria before it was extended to Ghana in the mid twentieth century (Asiama & Osei, 2007).

Table 1: Distribution of Total Amount Deposited/Invested Before the Collapse

Amount	Frequency	Percentage
Gh¢100- ¢999	31	20.7
Gh¢1,000- ¢1,999	62	41.3
Gh¢2,000- ¢2,999	26	17.3
Gh¢3,000- ¢3,999	16	10.7
Gh¢4,000- ¢4,999	11	7.3
Gh¢5,000 and above	4	2.7
Total	150	100.0

Source: Field Study, 2020

Again with regards to the question on the total amount deposited/invested before the collapse were shown in table 4.1. The result reveal that, out of the 150 respondents, 31(20.7%) of the customers had deposited from GH¢100- ¢999 with the Microfinance Institution. 62(41.3%) had deposited from Gh¢1,000- ¢1,999, 26(17.3%) had deposited from Gh¢2,000- ¢2,999, 16(10.7%) had deposited from Gh¢3,000- ¢3,999, 11(7.3%) had deposited from Gh¢4,000- ¢4,999 while the remaining 4(2.7%) respondents had deposited from Gh¢5,000 and above with the microfinance. It can clearly be seen that majority of the respondents who were affected with the collapse of Microfinance Institutions had deposits ranging from GH¢1,000- ¢1,999.

Table 2: Distribution of Main Reason for Saving with Microfinance Institution

Amount	Frequency	Percentage
Easy loan access	67	44.7
High interest rate	25	16.7
Future contingencies	29	19.3
Educational plan saving	11	7.3
Excellent customer service	18	12.0
Total	150	100.0

Source: Field Study, 2020

From table 4.2, it is observed that 67(44.7%) of the respondents saved with Microfinance Institutions because of easy access to loans, 25(16.7) saved with Microfinance Institutions because of high interest rate while 18% saved with Microfinance Institutions for future contingencies. Out of the remaining 15%, 8% saved with Microfinance Institutions because of their educational plans while the remaining 7% saved with Microfinance Institutions because of excellent customer service. Generally speaking, majority of the respondents saved with Microfinance Institutions because of easy access to loans since most of them were traders and would want to expand their business with time. It also goes to affirm that microfinance companies are making thrives at their target groups in their attempt at alleviating poverty among the poor and less privileged. Microfinance operations are to fit in to the "fresh planet" of small venture business (stake 2007) provide funds and support to organizations, mainly delivery banks, which assist a lot of needy customers. Given the information above, effective management of MFI"s will enhance the entire growth patterns of the economy in the areas of education, business and other social-economic factors.

Media through Which Clients Got to Know of the Collapse of Microfinance Institutions

Another significant objective that the research examined was the media through which clients got to know of the collapse of the Microfinance Institutions in Kumasi. Presented below is a pie chart that clearly illustrates the cumulative responses of clients that were sampled for the study.

Table 3: Media through Which Clients Got to Know of the Collapse

Media	Frequency	Percentage
Through the radio	83	55.3
Through friends and relatives	46	30.7
Through staff of MFI	21	14.0
Total	150	100.0

Source: Field Study, 2020

From Table 4.3, it is shown that out of the 150 clients that were sampled for the study, 83(55.3%) heard of the collapse of Microfinance Institution from the radio, 46(30.7%) through friends and relatives while the remaining 21(14.0%) heard of the collapse from staff of their Microfinance Institutions. The results reveal that the importance of radio in information dissemination in Ghana cannot be overemphasized. As indicated in the work of Familusi et. al., (2014), radio is ranked as the most popular means of disseminating information regardless of continent. The results also reaffirm the cross-boarder characteristic of radio. According to Omenesa (1997), radio is able to transmit information to audience no matter where they may be and overcomes challenges posed by road, light, water, topography, time, illiteracy and socio-political exigencies. Inference can be made from the information obtained from the study about how critical the role of the media is in the activities of microfinance institutions in Ghana.

Effects of Microfinance Collapse on Customers

Another important objective of the study was to assess the effects of the collapse of Microfinance Institutions on their customers. This was of essence because microfinance companies emerged to help the poor in accessing productive resources through financial services like credit creation. It is in this vain that this study evolves to ascertain the exact effects of the collapse of microfinance companies on the main stakeholders; the poor. Figure 4.8 below illustrates the effects of the collapse on customers‟ welfare.

Table 4: Effects of Microfinance Collapse on Customers

EFFECT	SD	D	N	A	SA
Loss of finance for educational plan	4(2.7)	9(6.0)	24(16.0)	72(48.0)	41(27.3)
Discouraged from saving	9(6.0)	18(12.0)	26(17.3)	38(25.3)	59(39.3)
Loss of capital	7(4.7)	2(1.3)	23(15.3)	48(32.0)	70(46.7)
Collapse of business	7(4.7)	17(11.3)	25(16.7)	61(40.7)	40(26.7)
Problems with paying my creditors	13(8.7)	21(14.0)	41(27.3)	38(25.3)	37(24.7)
Affected financial obligation as head of the home	11(7.3)	13(8.7)	21(14.0)	48(32.0)	57(38.0)
Mistrust among friends and family	34(22.7)	74(49.3)	12(8.0)	21(14.0)	9(6.0)

Source: Field Study, 2020

Analyzing from table 4.4, it can be said that customers were in one way or the other affected with respect to the collapse of their microfinance institution. 41(27.3) out of the 150 customers strongly agreed to have lost finance for their educational plan, 72(48.0) agreed that they had lost finance for their educational plan while 24(16.0) were neutral. However, 9(6.0) disagreed and 4(2.7) strongly disagreed that they had lost finance for their educational plan.

Moreover, 59(39.2) customers strongly agreed that they were discouraged from saving while 38(25.3) agreed that they were discouraged from saving. Out of the remaining 53 customers, 26(17.3) neither agreed nor disagreed that the collapse of their respective Microfinance Institution had any impact on their decision to save. On the other hand, 18(12.0) disagree while 9(6.0) were strongly disagreed to the fact that the collapse had affected their decision to save.

Loss of capital was one of the effect and out of the 150 respondents, 70(46.7) strongly agreed, 48(32.0) agreed, 23(15.3) neither agreed nor disagreed, 2(1.3) disagreed and the remaining 7(4.7) strongly disagreed that the collapse of Microfinance Institution had made them loose capital.

With collapse of business as one of the effects of the collapse of Microfinance Institutions, 40(26.7) respondents strongly agreed, 61(40.7) agreed, 25(16.7) neither agreed nor disagreed, 17(11.3) disagreed and 7(4.7) strongly disagreed that the collapse of the Institution had made their business collapse.

Furthermore, 37(24.7) customers strongly agreed that they were having problems paying their creditors while 38(25.3) agreed that they were having problems paying their creditors. Out of the remaining 75 customers, 41(27.3) neither agreed nor disagreed that the collapse of Microfinance Institution had affected their ability to pay their creditors. On the other hand, 21(14.0) disagree while 13(8.7) strongly disagreed to the fact that the collapse had affected their ability to pay off their creditors.

In addition 57(38.0) out of the 150 customers strongly agreed that the collapse had affected their financial role as head of their home, 48(32.0) agreed that they were facing challenges of living out their financial duties while 21(14.0) were neutral. However, 13 disagreed and 11 strongly disagreed that their role as bread winner of their homes had been affected.

Since some people open joint accounts and also by borrowing money from friends and family, it was necessary to know if the collapse of Microfinance Institution had any effect on the relationship between friends and families with joint accounts and borrowing. From the Table 4.4, 9(6.0) respondents strongly agreed, 21(14.0) agreed, 12(8.0) neither agreed nor disagreed, 74(49.3) disagreed and 34(22.7) strongly disagreed that the collapse of Microfinance Institution had any effect on their relationship with friends and family.

Table 5: Causes of the Collapse of MFI's

Factors	N	Mean	Std. Dev.
High Interest Rate on Investment	150	2.35	1.528
Overtrading	150	3.33	.577
Poor Credit Appraisal	150	3.67	1.015
Business Failure	150	2.33	1.028
Diversion of Funds	150	4.00	1.000
Inadequate Monitoring of Loans	150	3.00	1.000
Willful Loan Default	150	3.33	.577
Lack of Qualified Staff	150	2.00	1.000
Non-compliance with operational policy	150	4.05	0.987
Ineffective Board	150	4.23	0.556
Overall mean		**3.229**	**0.927**

Source: Field Study, 2020

In the table 4.5, the researcher sought to find out whether High Interest Rate on Investment, Overtrading, Poor Credit Appraisal, Business Failure, Diversion of Funds, Inadequate Monitoring of Loans, Willful Loan Default, Lack of Qualified Staff, Non-compliance with operational policy and Ineffective Board were the Causes of the Collapse of MFI's in Cape Coast. The result recorded a mean ranged of 2.00 to 4.23 and a standard deviation range of 0.556 to 1.528. From the results Ineffective Board was ranked as highest Causes of the Collapse of MFI's in Cape Coast with a mean of 4.23, standard deviation of 0.556.

Non-compliance with operational policy was ranked second Causes of the Collapse with a mean of 4.05 and standard deviation of 0.987. Diversion of Funds was ranked third with a mean of 4.00 and standard deviation of 1.000. In addition, Poor Credit Appraisal was ranked forth with a mean of 3.67 and standard deviation of 1.015. Furthermore, Overtrading and Willful Loan Default was ranked fifth with a mean of 3.33 and standard deviation of 0.577.

Moreover, Inadequate Monitoring of Loans was ranked seventh with mean of 3.00 and standard deviation of 1.000 and the rest were shown on the table 4.5.

Overtrading

Overtrading refers to the over expansion of a company's operations. Whereas overtrading may not always be bad, the sources of the funds for such expansionary work and the maturity period of such funds need to be highly considered. For instance it may not be financially sound to use short term funds for long term maturity projects. Overtrading in the company took the form of rapid expansion of its branches of operations to be able to reach out to a wider market. More loans were also granted to both customers and non-customers since most of the products were loan-based and also to be able to generate more interest on loans than it is paid on customers‟ investments. Overtrading was considered by the researcher to determine whether or not it was a contributing factor to the collapse of the company.

Poor Credit Appraisal

Credit appraisal refers to an important activity carried out by credit department of a bank to determine whether or not to accept the proposal for finance. In the process, the loan applicant is assessed to determine whether or not he/she qualifies for the loan being applied. The loan appraisal process forms a crucial part of the credit policy of financial institutions. While the process and the requirements may differ from one company to another, the overall objective is the same in every institution; to determine whether or not the applicant deserves to be granted the loan. It is important to note that the problem of loan default begins with poor credit appraisal. Since credit is one of the means through which financial institutions create money for sustainability and growth, poor credit appraisal is worth considering in this study.

Diversion of Funds

Diversion of funds refers to the reallocation of funds for purposes other than the intended. For instance, funds intended to be invested in Treasury bill may be considered diverted when it used to pay staff salaries and allowances. Funds diversion from the core business of a company may tend to impact negatively on its operations, especially when such funds become difficult to be paid or never get repaid. The researcher found this factor worth noting.

Inadequate Loans Monitoring

Like credit appraisal, loan monitoring is also a major activity performed by the credit department to ensure that loans granted get repaid. In some companies, loans monitoring is not regarded as the prerogative of the credit department. The marketing department is also used in some instances as an agency for loan monitoring. Unlike credit appraisal which is a pre loan disbursement activity, loan monitoring is a post loan disbursement activity. This means that loans monitoring only becomes necessary after loans have been duly approved and disbursed to the applicant. Even though the techniques, processes, systems and strategies of loan monitoring may be company specific, they are universally intended to ensure loan repayment and to minimise loan default if not totally avoid it. It is therefore of essence that the researcher considered the adequacy of loan monitoring as a possible factor which contributed to the collapsed of Noble Dream Microfinance Limited.

Willful Loan Default

This refers to the act of loan customers deliberately deciding to default loans granted them by their lenders. Willful loan default implies that the borrower has the ability to repay a loan amount but just unwilling to do so. Whereas such customers may individually have their reasons for willingly defaulting, it is important that critical attention is paid to early and consistent loan monitoring in order to detect signs of default before the loans even near maturity.

Lack of Qualified Staff

The staff of a company refers to its employees. The term staff is variously referred to as workforce, personnel, human resource, manpower and labour. The quality of the labour of a particular company is determined among other factors by their educational and the training levels. Where the two are high, the workforce tends to be competent and productive. Lack of education and training can result to low productivity and poor performance. It is therefore important that particular attention is paid to the educational level during the recruitment and the selection process. The researcher wanted to find out whether or not the quality of staff of Noble Dream Microfinance Limited accounted for its collapse.

Business Failure

This refers to the ceasing of operations by a company due to its inability to make profit or generate enough revenue to cover its expenses. It must be noted that a profitable business can still fail if it does not generate enough cash flow to cater for its expenses. Among the factors that can lead to a business failure are excessive taxation, high interest rates, wars, poor management decisions, excessive regulations, lack of public interest and lack of competitive power. Some companies decide to willingly shut down, whereas others continue operations until they are forced to shut down by a court order. Due to the fact that a lot of the customers of Noble Dream Microfinance Limited fought the company through the law courts, the researcher chose to find out whether or not business failure also contributed to the collapse of the company.

Table 6: Chi-Square Tests on the Effects of Microfinance Collapse on Customers

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.988	12	.000
Likelihood Ratio	184.588	12	.000
Linear-by-Linear Association	84.014	1	.000
N of Valid Cases	150		

Source: Field Study, 2020

The chi – square critical value from the chi – square table is 21.0261

Since the calculated value (Pearson Chi – square) of 1.988 is less than the table value of 21.0261, we do not reject the null hypothesis at a 0.05 significance level. Hence, a customer strongly agreeing to loss of capital as an impact of the collapse of Microfinance Institutions is not dependent on the working capital of traders. The collapse of Microfinance strongly impacting on traders' loss of capital is therefore not influenced by their working capital deposited in the Microfinance Institution before the collapse.

From the table 4.5, it can be concluded that majority of the respondents agreed that the collapse of Microfinance had impacted most especially on their ability to finance educational plans. This is because the higher number of customers (113) confirmed through the study that it constitutes one major factor where they suffered from.

Again, it was observed that traders who formed the majority group of respondents for the study strongly agreed to loss of capital as an impact of the collapse of Microfinance but this strong agreement was statistically not due to the amount of working capital they had deposited in the Institution before the collapse.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter is all about the summary of the findings of the project. It presents the conclusions from the essential issues arising from the data and it gives recommendations on the basis of the findings and the conclusions. The main purpose of the study was to know the "Assessing the Impact of Collapse of Microfinance Institutions on Its Customers in Ghana". The selected site for the study was Cape Coast Metropolis. The study identifies categories of costumers that was affected by the collapse of Microfinance Institutions. It investigates the media through which costumers got to know of the collapse of Microfinance Institutions and finally assess the effect of the microfinance collapse on costumers.

The study used mixed method approach, the researcher aimed to use descriptive survey design for the quantitative and qualitative phases. This design was chosen because the study sought to determine the effects of job stress on employees' job performance of the Cape Coast Technical University (CCTU) in the Cape Coast Metropolis. Descriptive statistics such as means, standard deviations, and Chi-Square Tests were used to analyze the data and draw conclusions on the research objectives using Statistical Package for Social Sciences (version 21). All figures and tables used were well labeled and interpreted. In all, a total of 150 respondents were captured for the study.

Summary of Findings

The demographic characteristics of the respondents of the study that was considered were gender, age, and academic qualification. The result shows that more females than males were affected with the collapse of Microfinance Institutions in the Cape Coast metropolis. The evidence provided by this study was in line with one of the fundamental goals of microfinance companies in Ghana. The focus of purely microfinance concepts have been to focus on women as it forms the heart of the microfinance system. The study statistics provided above indicates that on the average, this focus has been achieved by microfinance companies in Ghana, a tendency for increased income and welfare inequality between males and females. Again, respondents between the ages 21 to 50 were affected with the collapse of the Microfinance Institutions. The implication is that majority of the youthful working class who operate with microfinance companies were affected with the collapse. It can generally be concluded that, since people belonging to this age range were the working population and hence highly depended on by the younger and older population, it is imperative that access to credits when effectively monitored can boost growth in the economy given the information gathered from the field work.

Loosely speaking, it can be said that over 120 of the respondents had either a savings or Susu which was not much of a surprise due to the door-to-door services of the susu operations and the ease of withdrawal of both the savings and susu accounts services of microfinance companies.

Again, with regards to the question on the total amount deposited/invested before the collapse, the result reveal that majority of the respondents who were affected with the collapse of Microfinance Institutions had deposits ranging from GH¢1,000- ¢1,999. In addition, majority of the respondents saved with Microfinance Institutions because of easy access to loans since most of them were traders and would want to expand their business with time. It also goes to affirm that microfinance companies are making thrives at their target groups in their attempt at alleviating poverty among the poor and less privileged. Given the information above, effective management of MFI"s will enhance the entire growth patterns of the economy in the areas of education, business and other social-economic factors.

Customers were in one way or the other affected with respect to the collapse of their microfinance institution. They lost finance for their educational plan, were discouraged from saving and the collapse had affected their decision to save. Loss of capital was one of the effects of the collapse of Microfinance Institution, collapse of business, it had affected their ability to pay their creditors, facing challenges of living out their financial duties which is affected their role as bread winner of their homes had been affected. Since some people open joint accounts and also by borrowing money from friends and family, it was necessary to know if the collapse of Microfinance Institution had any effect on the relationship between friends and families with joint accounts and borrowing.

The researcher sought to find out whether High Interest Rate on Investment, Overtrading, Poor Credit Appraisal, Business Failure, Diversion of Funds, Inadequate Monitoring of Loans, Willful Loan Default, Lack of Qualified Staff, Non-compliance with operational policy and Ineffective Board were the Causes of the Collapse of MFI's in Cape Coast. The result recorded a mean ranged of 2.00 to 4.23 and a standard deviation range of 0.556 to 1.528. From the results Ineffective Board was ranked as highest Causes of the Collapse of MFI's in Cape Coast with a mean of 4.23, standard deviation of 0.556.

Non-compliance with operational policy was ranked second Causes of the Collapse with a mean of 4.05 and standard deviation of 0.987. Diversion of Funds was ranked third with a mean of 4.00 and standard deviation of 1.000. In addition, Poor Credit Appraisal was ranked forth with a mean of 3.67 and standard deviation of 1.015. Furthermore, Overtrading and Willful Loan Default was ranked fifth with a mean of 3.33 and standard deviation of 0.577.

Moreover, Inadequate Monitoring of Loans was ranked seventh with mean of 3.00 and standard deviation of 1.000 and the rest were shown on the table 4.5.

From the table 4.5, it can be concluded that majority of the respondents agreed that the collapse of Microfinance had impacted most especially on their ability to finance educational plans. This is because the higher number of customers (113) confirmed through the study that it constitutes one major factor where they suffered from.

Again, it was observed that traders who formed the majority group of respondents for the study strongly agreed to loss of capital as an impact of the collapse of Microfinance but this strong agreement was statistically not due to the amount of working capital they had deposited in the Institution before the collapse.

Conclusions

Microfinance Institutions are generally set up to provide financial assistance and services to the economically vulnerable category of people. In the case of Ghana, since its inception, one obvious challenge has confronted Microfinance companies; customers who deposit with Microfinance Institutions find it impossible to get back their deposits. This development motivates this study in order to know the reasons why Microfinance institutions are struggling to thrive and rampantly collapsing and its impact on the customers who mostly fall in the low-income bracket of the economy. The study used a primary data collection technique (questionnaire) to gather information from customers who are victims of the collapse of an MFI. The 150 clients were traders of Abura and Kotokoraba market who deal with MFI mostly. From the finding we can concluded that;

More females than males were affected with the collapse of Microfinance Institutions in the Cape Coast metropolis. The evidence provided by this study was in line with one of the fundamental goals of microfinance companies in Ghana.

Comparatively, it can be concluded from the survey that about 79% of affected were between the ages 21 to 50 with the collapse of the Microfinance Institutions. The implication is that majority of the youthful working class who operate with microfinance companies were affected with the collapse.

Again majority of those who were affected with the collapse of Microfinance Institutions had deposits ranging from GH¢1,000- ¢1,999 and they saved with Microfinance Institutions because of easy access to loans since most of them were traders and would want to expand their business with time. It also goes to affirm that microfinance companies are making thrives at their target groups in their attempt at alleviating poverty among the poor and less privileged.

In addition most of the affected heard of the collapse of Microfinance Institution from the radio, and this reveal that the importance of radio in information dissemination in Ghana cannot be overemphasized. As indicated in the work of Familusi et. al., (2014), radio is ranked as the most popular means of disseminating information regardless of continent. Inference can be made from the information obtained from the study about how critical the role of the media is in the activities of microfinance institutions in Ghana.

The Causes of the Collapse of MFI’s in Cape Coast were Overtrading, Poor Credit Appraisal, Diversion of Funds, Inadequate Monitoring of Loans, Willful Loan Default, Non-compliance with operational policy and Ineffective Board

Recommendations

Given the findings of the study, the following sub-section discusses some policy recommendations based on the analyses in chapter four and summarized;

- It is recommended that policies can be in the form of gathering details pertaining to women in the community where the microfinance company operates and then designing projects and plans that are lured towards enticing women into working with them. Given this, it is the responsibility of the companies to ensure sustainability of these policies to ensure company loyalty.

- Also the formation provided above indicates that most people engage in microfinance operations to have access to loans. It can therefore be recommended that microfinance companies can design individual loan products and graduation strategies that meet the needs of customers.
- It is also recommended that the media especially radio stations become circumspect in the advertisement of the product and services of microfinance companies. Thus is due to the inherent ability of the media to proliferate information to all walks of life within the Ghanaian society.
- Aside these, it is also recommended that investigative measures by the media upon rumors of dangers of collapse of microfinance institutions will aid the Bank of Ghana, the clients of Microfinance Institutions and other stakeholders to be well informed about the actual state of affairs. This will go a long way to minimize the effect on the lives of clients.

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APPENDIX A

UNIVERSITY OF CAPE COAST

SCHOOL OF BUSINESS

QUESTIONNAIRE FOR CUSTOMERS OF THE MFIs

The purpose of this questionnaire is to gather data for the topic "Assessing the Impact of Collapse of Micro Finance Institutions on its Customers in Ghana – A Case Study of Cape Coast Metropolis." Data collected would be used solely for academic purpose and respondents are assured of confidentiality of information provided.

A. BACKGROUND INFORMATION

Please tick the relevant and appropriate box (X) for each question.

1. Gender of Respondent: a. Male ( ) b. Female ( )

2. Age Group of Respondent:

a. Up to 20years ( ) b. 21 – 30 years ( ) c. 31 – 40 years ( )

d. 41 – 50 years ( ) e. above 50 years ( )

3. Occupation of Respondent ………………………………………………

4. Type of account that was operated

a. Susu ( ) b. Fixed deposit ( ) c. Savings account ( )

5. Total amount deposited/invested before the collapse

a. Gh¢100- 999 ( ) b. Gh¢1,000- ¢1,999 ( ) c. Gh¢2,000- 2,999 ( )

d. Gh¢3,000-3,999 ( ) e. Gh¢4,000- ¢4,999 ( ) f. Gh¢5,000 and above

6. Main reason for saving with Microfinance Institution

a. Easy loan access ( ) b. High interest rate ( )

c. Future contingencies ( ) d. Educational plan saving ( )

e. Excellent customer service ( )

B. MEDIA THROUGH WHICH CLIENTS HEARD OF THE COLLAPSE FROM

7. How did you get to know about the collapse (please tick as many as possible)

a. Through the radio ( ) b. through friends and relatives ( )

c. Through staff of MFI ( )

C. EFFECT OF MICROFINANCE COLLAPSE ON CUSTOMERS

8. With respect to the table below, please grade the level of impact the collapse of Microfinance had on you. Kindly tick [ ] where appropriate

	Effect	**SD**	**D**	**N**	**A**	**SA**
a)	Loss of finance for educational plan					
b)	Discouraged from saving					
c)	Loss of capital					
d)	Collapse of business					
e)	Problems with paying my creditors					
f)	Affected financial obligation as head of the home					
g)	Mistrust among friends and family					

9. How much of your total deposit was your working capital

a. Gh¢100- 999 ( ) b. Gh¢1,000- ¢1,999 ( )

c.Gh¢2,000- 2,999 ( )

d. Gh¢3,000-3,999 ( ) e. Gh¢4,000- ¢4,999 ( ) f. Gh¢5,000 and above

D. CAUSES OF THE COLLAPSE OF

10. How will you rank the following factors as causes of the collapse of MFIs?

Kindly tick [ ] where appropriate

	Factors	**SD**	**D**	**N**	**A**	**SA**
a)	High interest rate on investment					
b)	Overtrading					
c)	Diversion of funds					
d)	Business failure					
e)	Poor credit appraisal					
f)	Inadequate loan monitoring					
g)	Willful loan default					
h)	Lack of qualified staff					
i)	Non-compliance with operational policy					
j)	Ineffective Board					

E. CHALLENGES FACING THE MFIs

11. What are the challenges microfinance institutions faces in their operations and practices?

	Challenges	**SD**	**D**	**N**	**A**	**SA**
a)	Poor supervisory atmosphere					
b)	Insufficient capabilities improper organization and management					
c)	No golden rule set up to guide and classify beneficiaries					
d)	Directing funds by MDAs,					
e)	No proper coordination between the commercial banks and other financial institutions					
f)	Insufficient skills and professionalism					
g)	Lack of capital.					