

## **AN ANALYSIS OF ENDOGENOUS FACTORS INFLUENCING THE SUSTAINABILITY OF MICROFINANCE INSTITUTIONS (MFI) IN GHANA.**

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### **Abstract**

Current happenings of failing Microfinance Institutions (MFIs) within the financial sector in Ghana has raised a lot of concerns among stakeholders. Increasingly, confidence in the sector to achieve its mandate as a developmental tool in tackling the perennial problem of poverty through the provision of banking services predominantly characterised by credit accessibility to the poor and unbanked is deteriorating. This trend gives credence to the timeliness of this study, the purpose of which is to investigate factors that make Microfinance Institutions (MFIs) sustainable in Ghana. An offshoot of the study will also seek to establish whether there is a clear shift in the mission of these MFIs and whether

they are executing one or both dual purpose of poverty alleviation and the provision of banking activities to the poor. Data is sought from 400 employees and owners of microfinance institutions under the seven broad categories within the Ghanaian context and across geographical regions. Results are analysed and confirmed by conducting interviews with practitioners from failed and successful MFIS. Conclusions from the study confirmed that outreach, cost effectiveness, lending methods either to a group or an individual are factors that make MFIs sustainable. However, organisational commitment as a factor in the Ghanaian MFI environment does not have influence on its sustainability. Another interesting outcome identified is that there is improved sustainability of MFIS when the mission and focus of the MFI are geared towards poverty alleviation that is a not-for-profit approach rather than a for-profit-focus and increased commercialisation. The findings of this study would hopefully reverse the current deteriorating trend within the sector as MFIs in Ghana seek to develop strategies that will enable the institution adhere to these sustainability factors as analysed in the study and approach the market with a poverty alleviation or a not-for-profit focus to remain sustainable.