Country Survey:

GHANA

Key Facts : Microfinance in Ghana				
By CGAP[1]	No. of MFIs	No. of Borrowers	Borrowers Population[a]	Borrowers/Poor[b]
	51	322,000	1%	4%
By MIX[2]	No. of MFIs reporting (2010)	No. of Active Borrowers	Gross Loan Portfolio (USD)	Average Balance per Borrower (USD)
	55	194,786	71.7 million	352
By MFT[c]	No. of MFIs (2011)	No. of Active Borrowers	Gross Loan Portfolio (ETB)	% Products with a Flat Interest Rate
	90	580,786	302.7 million	84%

Country Overview

Located in West Africa and bordered by Côte d'Ivoire (Ivory Coast) to the west, Burkina Faso to the north, Togo to the east, and the Gulf of Guinea to the south, Ghana is home to 24 million people and 100 different ethnic groups.

Ghana has a land area of 230,460 square kilometers, has a tropical climate and has a landscape that encompasses flat plains, hills and rivers. Ghana's ethnic groups speak over 50 languages. Among the linguistic groups, the most important are the *Akans*, accounting for 43.5% of its population[3]. The official language of the country is English and is used as a medium in all governmental and business affairs. Approximately 51% of Ghana's population live in urban areas and the largest cities are Accra and Kumasi, accounting for 2.3 million and 1.8 million people respectively. The average life expectancy at birth is 61 years. Approximately 60% of Ghana's population is between 15-64 years old with an adult literacy rate of around 57.9%[4].

Political Overview

Ghana was one of the first nations in Sub-Saharan Africa to gain independence from colonial power in 1957 and is often seen as a model for political and economic reform in Africa. Following a period of political instability which witnessed two military coups, first in 1966 and then in 1981, a constitution allowing for a multi-party system was approved in a referendum in 1992. The 1993 constitution provided a basic charter for the republican democratic government and declared Ghana to be a unitary republic with sovereignty residing in the Ghanaian people. The constitution promotes the idea of power sharing, with a view to prevent military coups, dictatorship and a one party state in the future.

[a] MFI borrowers as a percentage of the country's overall population
[b] MFI borrowers as a percentage of the poor population based on national poverty rates
[c] This row of the table is populated with data from MF*Transparency*'s *Transparent Pricing Initiative in Ghana*

The National Democratic Congress (NDC) is the ruling party in the country and has been in power since 1992. The National Reform Party (NRP), formed by a splinter group of the NDC in 1999, is the other dominant political party in Ghana. In December 2008 Ghana held its latest round of general elections. John Atta Mills, presented by the NDC as its candidate for the 2008 presidential election, was elected as the President of Ghana over his opponent from the NPP.

Macroeconomic Overview

In the last decade, the Ghanaian economy has remained strong, recording a growth in real GDP of 4.2% in 2001 to 7.3% in 2008. In 2009, the growth rates dipped to 4.7% as a result of the global economic crisis and uncertainty in policies owing to the change in political leadership in the country. Growth recovered in 2010 to reach an estimated growth rate of 5.9%, owing mainly to the performance of the mining and energy sub-sectors. The positive trend in growth is expected to continue over the next few years, driven mainly by the exports of crude oil[5].

GDP and Inflation				
Year	**GDP (PPP)***	**GDP Growth**	**Inflation**	**GNI Per Capita (PPP)**
2007	24.6	6.5%	10.7%	1,380
2008	28.5	8.4%	16.5%	1,490
2009	26.2	4.7%	19.3%	1,530
2010	31.3	6.6%	10.7%	1,660

*Billion USD, 2010 figures, Source: World Bank[1]

As part of an initiative to improve macroeconomic stability; private sector competitiveness; human resource development; good governance and civic responsibility, Ghana signed a three-year Poverty Reduction and Growth Facility with the International Monetary Fund in 2009. Sound macroeconomic policies focusing on anti-inflationary measures and the elimination of wasteful expenditures have aided growth in Gross Domestic Product (GDP) between 2008 and 2010. Fiscal stability, however has suffered in the recent past owing to increasing budget deficits. President John Atta Mills is now addressing budget deficits as a priority through revenue enhancing and expenditure rationalization policies[6].

Ghana has had a history of high inflation rates through the 1970s and early 1980s owing to a combination of factors including excessive borrowings from the Central Bank of Ghana, large budget deficits and the shortage in supply of domestic agricultural produce. Inflation recorded a continuous decline between 1996 and 1999, falling from 46.7% in 1996 to 12.6% in 1999[7]. IMF data on inflation on consumer prices for Ghana over the years 2009, 2010 and 2011 showed inflation rates of 19.3%, 10.7% and 8.7% respectively. The IMF also projected that inflation will be contained at 8.7% in the coming year, 2012 and estimates a further decline up to the year 2016[8].

GDP – composition by sector:	
Agriculture	30.0%
Industry	19.0%
Services	51.0%
Annual Trade:	
Imports	$11.89 billion
Exports	$7.85 billion
Source: 2010 figures World Bank[i]	

Ghana is a country that is well endowed with natural resources. The country remains a leading producer of gold in the world and is also a lead exporter for cocoa, crude oil, natural gas, timber, electricity, diamond, bauxite and manganese. Ghana derives approximately a third of its Gross Domestic Product (GDP) from agriculture. The services sector too plays an important role and accounts for nearly 40% of its GDP[9].

Poverty in Ghana

Ghana experienced high levels of poverty between 1987 and 1992. The over reliance on the export of a few primary products such as cocoa, gold, timber and others have made the country vulnerable to price shocks and resulted in low levels of revenue for the country. These factors led to stagnant economic growth and a just a limited impact on poverty reduction in that period.

However in the past two decades, poverty rates have declined substantially from 51.7% in 1991-92 to 28.5% in 2005-2006. This is due to significant improvements in economic growth, accompanied by sound social and economic policies on poverty under Ghana's Growth and Poverty Reduction Strategy. Ghana is well on track to become the first country in Africa to achieve the Millennium Development Goal (MDG) of halving poverty and hunger from 1990 levels by 2015[10].

Key Poverty Figures	
HDI	0.466
GINI	41
GNI per capita (PPP $)	1,600
Pop. below $ 1 a day	45%
Pop. below $ 2 a day	79%
Sources: Human Development Report 2011 and Earth Trends	

The overall decline in poverty incidence in Ghana has however not made an impact on rural poverty. Income disparities exist between drought-prone northern plains and the southern regions that tend to have two growing seasons and hence greater income opportunities. Northern regions have poverty levels almost two or three times the national rate with food insecurity remaining a main challenge[11].

Traditional Financial Sector

Ghana's financial sector is divided into three sub-sectors: formal, semi-formal and informal. The formal sector includes commercial banks, nonbank financial institutions (NBFIs), rural and community banks (RCBs) and savings and loans companies. As of 2010, there are about 23 major banks in the country - including 3 development banks, 4 commercial banks, and 16 universal banks. The NBFI sector reported 36 institutions including 17 savings companies, 13 saving and loans companies, 4 leasing companies, 1 discount house, and 1 mortgage company. The 23 major banks accounts for approximately 90 percent of the total assets of the banking and nonbanking sector, whereas the NBFIs account for 5% of the total assets[12].

The largest institutions in Ghana are the commercial banks: Commercial Bank (GCB) Limited, SSB Bank Limited, and Barclays Bank of Ghana Limited, accounting for nearly 55 percent of the total assets in the banking sector. Furthermore, about 25 percent of total assets and 20% of deposits are held by GCB alone[13]. Most of the institutions in the formal sector are concentrated in the urban and semi-urban areas of Greater Accra, Ashanti and the Eastern regions, with limited outreach to the rural areas of Ghana. RCBs represent about 5 percent of the total banking assets and account for about half of the total banking outlets in the country, with a strong presence rural areas[14].

The semi-formal sector includes the key stakeholders of the microfinance sub-sector in Ghana such as the Credit Unions of Ghana, Ghana Cooperatives *Susu* Collectors Association, Ghana Cooperative Council and Association of Financial Non-Governmental Organizations. The informal segment includes money lenders and *susu* clubs. *Susu,* which means savings collection, is a system that offers savings products to help clients accumulate their own savings over periods ranging from a month to two years. The *susu* collectors help mobilize the savings for the clients and form an integral part of the financial system in Ghana. As of 2010, the informal and semi-formal sector was composed of 380 credit unions, 80 financial nongovernmental organizations, and 4,000 *susu* collectors[15].

Approximately 40 percent of the money supply in the financial sector is accounted for by the formal financial sector, while the remaining is outside the formal sector and is concentrated in the rural areas[16].

Financial Inclusion in Ghana

The formal financial sector in Ghana, dominated by a few large commercial banks, constitutes the bulk of the assets in the banking sector. Estimates however show that these banks reach only 5 percent of the households, thereby excluding a large section of the population outside its scope of operations. A case study survey in 2009, by AudienceScapes, an online tool and research program, revealed that many of the respondents of the lower socio-economic groups had very limited access to formal and informal banking and did not use financial services. The study showed that 40% of the extreme poor (self-reported income of less than $1 a day), 29% of women and 27% of the youth had no access to banking. Furthermore, residents in rural areas also showed lower rates of access to financial areas than those in urban areas. In particular, the remote Northern and Upper Eastern regions of the country displayed large gaps in access to finance. Approximately 76 percent of the respondents in the Northern areas and 71 percent of the respondents in the Upper Eastern regions indicated that they had no access to formal or informal banking services[17].

Efforts are being made on the ground to address financial inclusion. In an effort to widen the reach of financial services, the Bank of Ghana issued the Guidelines for Branchless Banking in 2008, which authorized deposit-taking institutions to offer financial services through non-bank agents[18]. Furthermore, since January 2009, Ghana has an approved National Strategy for Financial Literacy and Consumer Education in the Microfinance Sector. The objectives of this strategy are to promoting awareness and understanding of microfinance among consumers, microfinance service providers and policy makers; integrating various stakeholders and providing a platform to share best practices. The strategy also aims to provide financial education to clients and help them understand their roles and responsibilities.

Microfinance Industry of Ghana

Introduction

Similar to many other microfinance markets around the world, the evolution of microfinance in Ghana can be best described through four phases. In 1950s, the governments started to provide subsidized credit as a step towards tackling poverty. Non-governmental organizations (NGOs) then started to provide microcredit in 1960s and 1970s, without much attention being paid to indicators such as financial sustainability and self-sufficiency. The 1990s saw the formalization of microfinance institutions (MFIs) and by the mid-1990s we saw the advent of commercialization in microfinance and the mainstreaming of microfinance institutions into the financial sector[19].

Ghana has always had a history of a savings and loan taking culture. There is evidence that suggests that as early as 1955, Catholic missionaries established one of the first credit unions in Northern Ghana and one of the microfinance schemes in existence in Ghana today – *Susu* (savings collection) microfinance scheme, is believed to spread to Ghana from Nigeria in the early twentieth century.

The government of Ghana recognizes microfinance as an important tool for poverty reduction, linking the overall policy framework for microfinance with the poverty reduction strategy for the country. Since 1989, a number of subsidized credit schemes have been launched by the government. Examples include Enhancing Opportunities for Women in Development (ENOWID), direct poverty alleviation programs and the District Assembly Common Funds. Except for a few exceptions, these schemes have met with limited success as they have targeted very few people with low recovery rates, and in some instances been tagged as "politically motivated loans"[20].

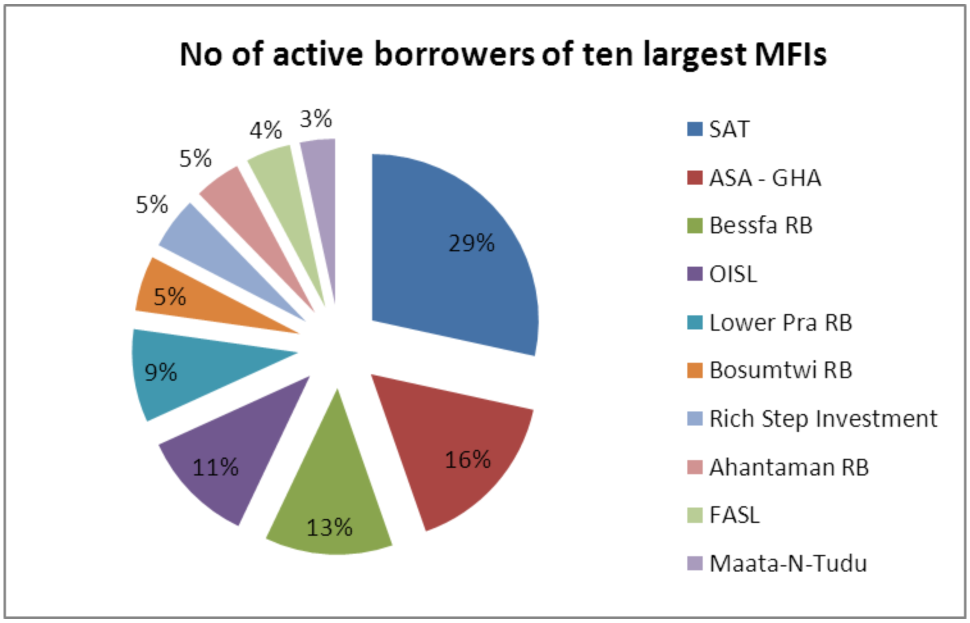
Microfinance Institutions

The microfinance sector in Ghana, according to the MIX, reported approximately 195,000 active borrowers and 55 microfinance institutions as of 2010. Studies estimate that as of 2008, approximately 50% of the microfinance demands of microfinance institutions were not being met due to limited access to funds. Furthermore, the studies also reveal out of the 3 million active and bankable poor in the country, the needs of only 10% of them are actually been catered for through formal and semi-formal microfinance institutions[21].

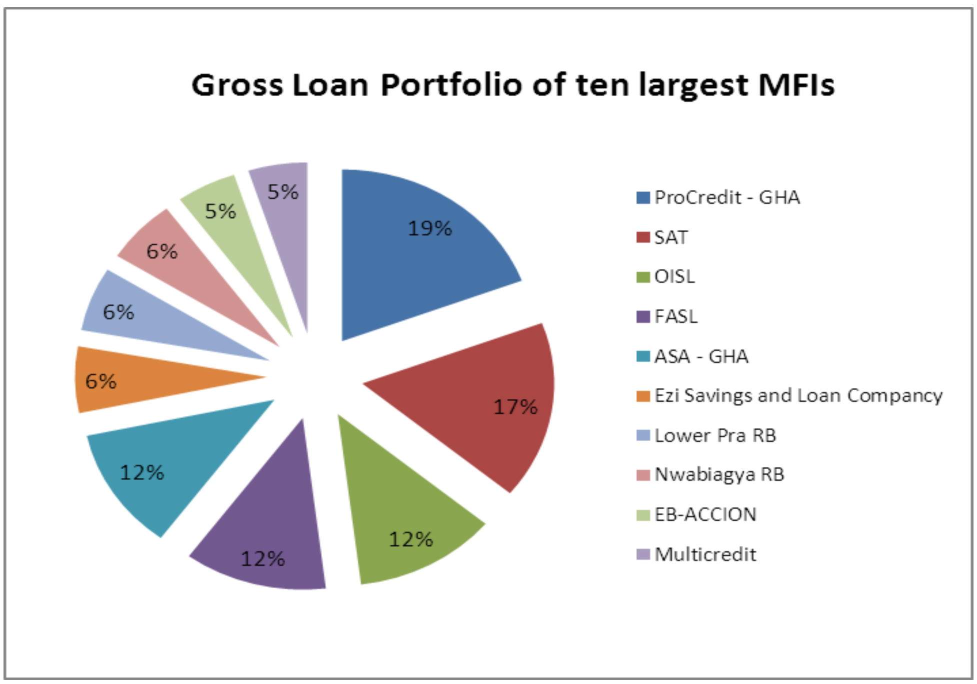
The Ghanaian microfinance industry is dominated by a few large players. ProCredit-GHA, Sinapi Aba Trust (SAT), First Allied Savings & Loans (FASL) and Opportunity International Savings and Loans – Ghana (OISL) are the largest institutions when measured in terms of gross loan portfolio. SAT, ASA-Ghana, Bessfa RB and OISL are the largest institutions when measured in terms of number of active borrowers. SAT has a clear lead among all the microfinance institutions in Ghana when it comes to outreach, reporting approximately 107,000 active borrowers.

Source: MF*Transparency 2011*

Institution	Gross Loan Portfolio (GHC)	Number of Active Borrowers	Reports to MIX (2009)	Participated in MF*Transparency Pricing Initiative (2011)*
Sinapi Aba Trust (SAT)	34,500,000	107,000	Y	Y
ASA-Ghana	23,730,166	61,000	Y	Y
Bessfa RB	2,270,495	46,838	Y	
Opportunity International Savings & Loans (OISL)	24,784,265	41,836	Y	Y
Lower Pra RB	12,443,472	34,056		Y
Bosumtwi RB	5,694,289	20,202	Y	
Rich Step Investment	536,965	19,109		Y
Ahantaman RB	9,200,000	17,000	Y	Y
First Allied Savings & Loans (FASL)	24,767,499	16,406	Y	
Maata-N-Tudu	1,413,852	12,900	Y	Y



Source: MIX 2009 and MF*Transparency Transparent Pricing Initiative 2011*



Source: MIX 2009 and MF*Transparency Transparent Pricing Initiative 2011*

Microfinance Networks in Ghana - *The Ghana Microfinance Institutions Network (GHAMFIN)*

GHAMFIN was formed in 1990s as a network of MFIs by a group of rural and microfinance institutions. The network was created with the objectives of providing information on the microfinance industry, to monitor performance of MFIs and assist in capacity building measures. GHAMFIN's members include formal, semi-formal and informal institutions and key groups representing several rural microfinance institutions. GHAMFIN reports a membership of 80 regulated and un-regulated microfinance institutions, which serve approximately 60,000 clients. GHAMFIN's executive committee consists of 11 members, two of whom are women. GHAMFIN works with government of Ghana and several donor agencies in the areas of policy change and institutional and capacity building activities. A benchmarking tool called Performance Monitoring and Benchmarking Scheme (PMB) along the lines of the Micro Banking Bulletin is also being developed by GHAMFIN, which is intended to serve as a point of reference for unregulated rural microfinance institutions (including credit unions and *susu* collectors), donors and the Bank of Ghana to monitor and assess the performance of the sector, thereby providing them with the tools to improve their institutional performance and widen their outreach to the poor[22].

Funders and Donors

Funding for the microfinance sector in Ghana has primarily come through three sources: government programs, international donors and development partners and the institutions themselves. The funds however, have not been adequate to fully meet the needs of the sector and this has posed severe challenges to the sector in the face of expansion and development. International organizations such as CORDAID, GTZ and the World Bank have initiated programs to strengthen the microfinance sector in Ghana. In fact, GHAMFIN evolved from a World Bank-sponsored research program, aiming to aid the sustainable development to grass-root organizations that provided financial services to the poor. GTZ, on the other hand sponsored the "Grain Banking" experiment. Grain banking involves the provision of grain storage facilities to farmers, thereby providing a mechanism for them to store their produce and obtain better prices. In addition to this, grain banks also loans seeds, fertilizers and other inputs to farmers and provides them with vital market information on prices.

While these efforts have supported the innovation and the emergence of new products and services, the lack of a sustained supply of funds for on-lending and capacity building for MFIs, still create a significant gap between the demand and supply of funds in the sector.

Microfinance Regulation

The Ghanaian regulatory framework for financial institutions adopts a tiered system of regulation depending on whether the institutions are formal, semi-formal or informal in nature. Formal institutions including rural and community banks (RCBs), non-banking financial institutions and savings and loan companies, are licensed and supervised by the Bank of Ghana. Semi-formal institutions which consists of the credit unions are not regulated by the Bank of Ghana, however they are registered with the Registrar of Cooperatives and the Non-Governmental Organizations which in turn are registered with the Registrar of Companies as companies limited by guarantee (not for profit)[23]. Informal institutions, consisting mainly of the *Susu* collectors, fall outside the scope of regulation.

While the Bank of Ghana covers the commercial banks extensively, microfinance portfolios are not monitored as thoroughly. Several apex structures at different levels have therefore been established to delegate some of the supervisory and monitoring functions of the Bank of Ghana. These are listed below:

ARB Apex Bank

The Association of Rural Banks (ARB) was founded in 1981 as an NGO with the intention of strengthening and promoting the concept of rural banking. Membership to the association is voluntary and members are influenced mainly through training seminars and advocacy. The geographic spread of RCBs coupled with the extra diligence required in monitoring them has initiated the setup of the ARB Apex Bank in 2001, which is promoted by the ARB and is owned by RCBs. The Apex Bank serves as the head-office for all its affiliates in its network and performs functions such as check clearing, treasury management, product development and training. ARP Apex Bank reports a total of 125 RCBs with 439 branches across all ten regions of Ghana[24].

Ghana Co-operative Credit Unions Association (CUA)

Established in 1968 as an apex body of the cooperative credit unions, the Ghana Co-operative Credit Unions Association (CUA) Limited regulates and supervises credit unions in the country on behalf of the Bank of Ghana. CUA also provides financial and technical assistance to its members including services such as education and training, auditing, bookkeeping, computer related services, general supervision and risk management insurance. There is a requirement for credit unions to deposit a percentage of their funds in statutory reserves and deposit guarantee schemes with the CUA. This measure is undertaken to ensure that the CUA has adequate capacity to provide funds to those credit unions at times of financial need. In the last decade CUA has received support from the Rural Financial Services Project in the provision of training services to its members, transport facilities and in equipping CUA with resources that aid in data management. As of 2010, CUA reported a total of 433 active credit unions and 336,137 members in Ghana[25].

Ghana Co-operative Susu Collectors' Association (GCSCA)

Established in 1994, the Ghana Co-operative Susu Collectors' Association (GCSCA) is an umbrella organization for all regional *susu* collectors co-operative societies in Ghana. GCSCA operates in all regions of Ghana, monitoring and assisting its members through capacity building and training measures. The Association's current membership stands at 1,463, comprising individual collectors and corporate members[26]. The members of the association serve a diverse market of clients and provide services to approximately 60% of the population in Ghana. As of December 2007, the association mobilized GHC 38.5 million in deposits and has disbursed GHC 1.02 million to its members with support from banks and other financial institutions[27].

Association of Financial NGOs (ASSFIN)

The Association of Financial NGOs was established in 2005 as the apex and regulatory body of financial non-governmental organizations. ASSFIN aims to set up performance indicators to enable member institutions to monitor their performance and align themselves with international best practices. ASSFIN is run by a 7-member

Executive committee and is supported at the zonal levels by a 3-member executive committee. The zonal councils were established to provide information to members on ASSFIN's activities and to deepen their understanding of the sector. As of 2007, ASSFIN reported a total membership of 96 institutions[28].

Ghana Co-operatives Council (GCC)

Established in 1957 by the Department of Cooperation, the Ghana Co-operatives Council (GCC) is an independent apex body of all cooperatives in Ghana, operating across four sectors: agriculture, finance, industry and service. GCC aims to promote and assist in the sustainable development of cooperatives and other self-help organizations in the country. As of 2007, 13 national apex cooperative associations are affiliated to GCC and all national associations are listed in the GCC[29]. The board of the GCC comprises representatives from national associations. As of 2007, the Bank of Ghana has indicated that the GCC has sensitized 15 non-economic cooperatives to include microfinance in their operations and have helped co-operative societies in creating their own five year business plan.

Microfinance Law

The law governing the Bank of Ghana is the Bank of Ghana Act No. 612 of 2002. The act authorizes the Bank of Ghana as the regulator and supervisor of the financial sector. The legal framework for the Bank of Ghana to regulate the banking sector is set out in the Banking Act No. 673 of 2004. It is the primary law governing all commercial, rural and community banks in Ghana. The act was subsequently amended by the Banking (Amendment) Act No. 738 of 2007 to provide for the inclusion of an International Finances Services Center that deals with foreign direct investment and other foreign income. The law governing non-bank financial institutions and licensed money lenders in Ghana is the Non-Bank Financial Institutions Act No. 774.

In an effort to include the previously unregulated microfinance sector within its scope of regulation and supervision, the Bank of Ghana issued Operating Rules and Guidelines for MFIs in July 2011. The guidelines divide the financial intermediaries in microfinance into four tiers and sets out the regulation for each of the tiers[30]:

- Tier 1: Rural and Community Banks, Finance Houses and Savings and Loans Companies
- Tier 2: Susu companies and deposit-taking, for-profit financial NGOs, but not Credit Unions
- Tier 3: Money lenders and non-deposit-taking financial NGOS
- Tier 4: Susu collectors and individual money lenders

The Banking Act and Non-Banking Financial Institutions (NBFI) Act continue to regulate the Tier 1 institutions. The Operating Rules and Guidelines provide the rules relating to capital requirements, branch expansion, permissible activities and reporting for the institutions in Tiers 2, 3 and 4.

Cost of Borrowing - Interest Rates, Fees and Charges

Interest rates in Ghana have been responsive to the macroeconomic and financial market situations. The post-independence period from the 1960s through the mid-1980s, in Ghana was characterized by interest rate controls by the central bank. The 1970s witnessed financial repression marked by low GDP growth rates and high inflation. The interest rate controls also resulted in negative real interest rates during this period. The government of Ghana embarked on an economy recovery program and the period from 1987 saw the liberalization of the financial sector, with the controls on interest rates being fully relaxed by 1988[31]. The period through 2006 saw a decline in interest rates with a stable macroeconomic environment made possible by a fall in inflation, faster growth and a stable currency. It has been reported that the average retail lending interest rate declined from 29% in December 2004 to 24% at the end of 2006. The trends in interest rates were reversed in 2007, prompted by the global rise in fuel and food prices, with the average lending interest rate reaching levels in excess of 32 percent in early 2009[32]. As the inflationary pressures began to subside in the later part of 2009, the monetary policy was eased however retail lending rates remained at their 2008 levels, and the significant gap between deposit and lending rates remains a concern.

Despite easing controls on interest rates in 1987, the government has initiated a set of subsidized credit programs as part of its poverty alleviation strategy, with interest rates well below the market levels. Furthermore, District Assemblies have been mandated since 1979 to ear-mark 20% of their funds to micro and small enterprises at an interest rate which is at a discount of 25% to the commercial bank rate[33].

Recent studies reveal that that mainstream lending rates in Ghana hover between 2.5 - 3 percent per month and averaging 36 percent per annum, whereas microcredit lending rates are between 2 - 8 percent per month and average around 45 percent per annum. Furthermore, it was also found that there is a wide variation between the different segments engaged in micro-lending. Formal financial institutions had the lowest rates (35%) compared to semi-formal institutions including FNGOs and savings and loans companies (47%), and informal institutions (63%)[34].

Reporting and Supervision

The Operating Rules and Guidelines issued by the Bank of Ghana in July 2011, establishes the reporting and supervision requirements for microfinance institutions. While the reporting requirements for Tier 1 institutions have already been stipulated in the previously issued Acts, these guidelines set out the requirements more specifically for institutions that fall under Tiers 2, 3 and 4.

Tier 1 institutions including rural and community banks continue to be governed by the Banking Act No.243 of 2004. The act requires rural and community banks submit monthly, quarterly, semi-annual and annual returns on a variety of financial and nonfinancial indicators in addition to annual returns[35]. Rural and community banks, until recently, were only required to submit paper-based returns, meaning the data collated was of poor quality with a number of errors. The Bank of Ghana has subsequently introduced the concept of electronic reporting for annual returns through an electronic Financial Analysis and Surveillance System (e-FASS). In addition to this, once a year, the Bank of Ghana is expected to conduct an on-site inspection of rural and community banks, which involves the review of the bank's operations, books and other records. With the creation of the ARB Apex Bank, some of these supervisory functions of the Bank of Ghana have been delegated to the ARB Apex Bank, however the Bank of Ghana continues to perform both on-site and off-site supervision.

For non-bank financial institutions, the Non-Bank Financial Institutions Act of 2008 sets out the reporting requirements. While the Bank of Ghana is primarily responsible to supervise these institutions, the Bank of Ghana Act of 2002 allows for the Bank to appoint an authorized agent to perform the supervisory role for specific activities. These agents include apex institutions, industry association and networks. NBFI are required to submit their annual returns to the Bank of Ghana or the appointed agent. The Bank or its authorized agent may, at any time, inspect a non-bank financial institution and its books, accounts and records.

Tier 2 and Tier 3 institutions are required to submit periodic reports to the Bank of Ghana and are also subject to on-site supervision at the Bank's discretion. Operating licenses for Tier 3 and Tier 4 institutions are subject to an annual review and will be renewed based on their performance and payment of the license renewal fee. Umbrella associations of Tier 4 institutions are required to collect statistics on the operations of their members and make these available to the Bank of Ghana.

Loan Products

Both group and individual lending methodologies exist in the Ghanaian microfinance market. MF*Transparency's Pricing Initiative* revealed that group lending and individual lending constitute 45% each of methodologies, whereas village banking constitutes a much smaller portion (10%).

Both credit and savings products are offered in the market. Credit products are usually offered for a short term, between 4-6 months. There is a wide range in loan size, however the average is between USD 50-70[36]. A compulsory up-front deposit of 20% is retained as security against the loan, in addition to the individual or group guarantees. Savings products are mainly offered through the *susu* channels. Estimates show that approximately 60% of the domestic savings fall outside the formal banking system[37]. *Susu* collectors charge a commission for their services and this varies according to the type of *susu*.

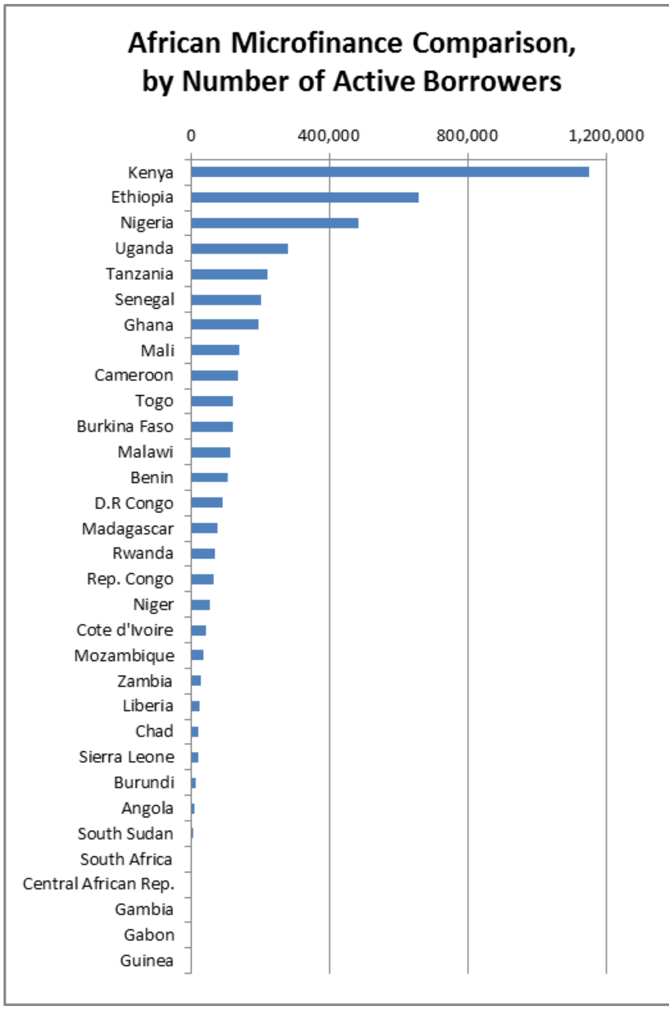
Consumer Protection

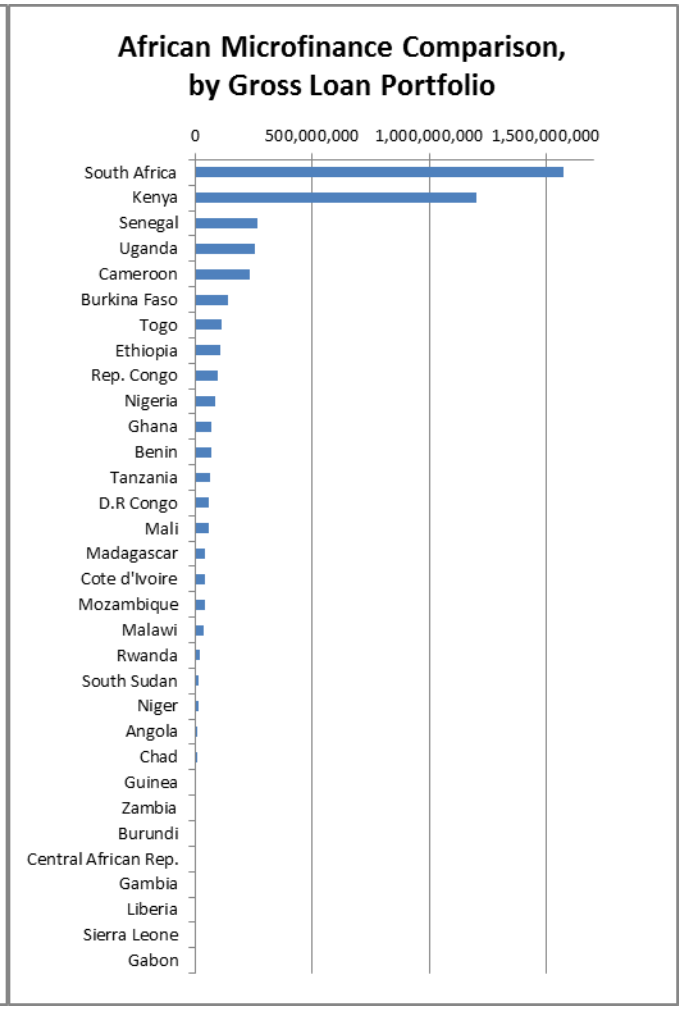
Consumer Protection efforts are beginning to gain importance in the Ghanaian microfinance sector, however a comprehensive law on consumer protection does not exist at the moment. The Bank of Ghana in its role as the supervisory and regulatory authority of the financial institutions, houses the Investigation and Consumer Reporting Office (ICRO) to promote consumer protection and educate consumers on their rights and responsibilities. More recently, in 2009, the Microfinance Unit at the Ministry of Finance and Economic Planning launched a strategy more specific to microfinance called the National Strategy for Financial Literacy and Consumer Education. As part of this strategy, the ministry also seeks to establish a complaint center that will serve as a platform to advocate social issues and as a mechanism to report instances of customer abuse.

GHAMFIN has also become active in the field of consumer protection, and has been working with several initiatives, including SPEED Ghana and MF*Transparency* to improve consumer protection within the microfinance sector.

Ghana and Microfinance in Africa

Data from the Mix Market in 2010 showed the African microfinance sector as having 4.5 million borrowers and a gross loan portfolio of $4.6 billion. In the African context, Ghana ranks seventh in terms of total number of active borrowers and tenth in terms of gross loan portfolio.





Source: Mix Market 2010

MFI Ratings & Reporting

The Ghanaian microfinance market displays a strong adherence to international reporting standards, with 55 MFIs including most of the market leaders reporting their financial and operational performance data to MIX market.

All of the MFIs listed below in the table, with the exception of Union Rural Bank, are also members of the local GHAMFIN network and represent over half of the market share, when measured in terms of gross loan portfolio, in the Ghanaian microfinance industry. These institutions also participated in the *Transparency initiative in Ghana*.

Only six of the 55 microfinance institutions that adhered to international reporting standards underwent thorough ratings checks of their financial and operational performance. Two of the three major rating agencies in the microfinance industry have worked in the Ghanaian microfinance market – PlanetRating and Microfinanza. Two MFIs –CRAN and ID Ghana also underwent social performance ratings. The following table lists the MFIs with their respective rating score.

MFI	Rating	Rating Agency	Reporting Date
Financial / Operational Ratings			
APED	C+	PlanetRating	Jun-07
CRAN	C+	PlanetRating	Mar-08
ID-Ghana	CC	Microfinanza	Oct-10
Opportunity Ghana	N/A	Microfinanza	Oct-08
Union Rural Bank	D	PlanetRating	Nov-09
Sinapi Aba Trust	B	PlanetRating	Jul-07
Social Ratings			
CRAN	BB	Microfinanza	Jul-08
ID-Ghana	BBB-	Microfinanza	Sep-10

Challenges for the Ghanaian Microfinance Industry

The Ghanaian microfinance sector in the last decade has displayed signs of growth and has had an impact on the economic lives of over 3 million Ghanaians. Despite these positive signs, the sector is believed to be in its infancy and there is still a lot to be accomplished in terms of financial sustainability and outreach. One of the main challenges facing the sector is the lack of comprehensive regulatory framework for microfinance. While formal financial institutions have a strong regulatory framework, it is less developed for the microfinance sub-sector. Various apex structures and associations to help coordinate the activities of the different segments of the financial system have been created to address this, however, regulation and supervision is not as systematic and thorough as one would have hoped. The lack of well-defined guidelines for apex institutions like the CUA, GCSCA, ASSFIN and the Cooperative Council has contributed towards the lack of coordination and also inefficiencies in operations.

In the absence of a strong regulatory framework for microfinance, funders are reluctant to invest in the sector. The lack of funding has severely hampered the growth in the sector as timely funds that are required to finance MFI loans and to strengthen the infrastructure, have not been made available. Funding through the government and donors, which are currently the primary sources, often comes with conditions attached and this has further led to market imperfections. Staffing and training have also suffered as a consequence of inadequate funding. Apex bodies lack in-house trainers, facilitators and monitoring and evaluation units to measure the performance of their affiliates. There has also been insufficient investment in sound management information systems (MIS), which means useful information is not been made available to management to make timely decisions.

The issue of mission drift in microfinance is yet another challenge that is facing the sector today. Many investors are inclined towards maximizing profit without adequate consideration given to social returns. Value-add services to clients which are valuable tools in aiding people out of poverty, such as training and improving awareness on health care, have been neglected by providers of credit. The lack of product diversification has also led to the sector's over-reliance on micro-loans. Significant gaps exist in the provision of products such as micro-savings, micro-insurance and micro-housing.

As with many microfinance markets in Africa, the Ghanaian microfinance market requires a holistic approach in addressing the challenges outlined. This calls for better coordination among the various stakeholders in microfinance, development of a robust regulatory framework and provision of social performance assistance to ensure that the dual goals of sustainability and social impact are pursued. Recognized initiatives, such as MF*Transparency*, are also working to help strengthen the sector and improve the quality of microfinance in Ghana.

About the Country Survey

The Country Survey resources are comprehensive literature reviews that outline the country-specific context for the data collected during the Transparent Pricing Initiatives. Each country has a unique set of circumstances defining the state of its microfinance market. The macroeconomic conditions, the political history, and the level of financial inclusion in a country are important factors characterizing the origins and future development of its microfinance market. An awareness of the country-specific regulatory environment for microfinance, as well as the involvement of other industry actors and industry challenges, is a valuable backdrop when considering a market's pricing data. Country Surveys are prepared by a team of talented interns working for MFTransparency, and should be viewed as a resource offering general contextual information for the Transparent Pricing Initiative in each country.

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