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Evolution, Collapse and Financial Sustainability of MFIs and Their Beneficiaries

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Abstract

Microfinance, since its' formal discovery in the 1970s, has received global recommendation for its' invaluable contribution towards poverty alleviation and financial inclusion. This research paper seeks to find out if Contemporary Microfinance Institutions (CMFIs) and their beneficiaries can achieve self-financial sustainability when weaned off assistance. The research uncovered that all CMFIs have self-financial sustainability motive, however the few that have achieved this goal or shown a clear path of attaining it, are regulated and have been noted of applying good financial management practices (cost efficient services) and best operational methodologies. Thus they have appropriate interest rate above that of the conventional banks and flexible terms of repayment, exclusive products for the poor, institutional control systems, good risk management systems, human resource and client's capacity building and group lending (Sara, EK, 2011). Findings on the beneficiaries' financial sustainability revealed mixed reactions; whereas some beneficiaries shown clear signs of financial sustainability when weaned off credit, others were worse off after receiving MFIs credit or indicated consistent dependency on credit. However it was clear that those who attained or have shown signs of financial sustainability were operating with regulated MFIs whereas the later either misappropriated the credit or were operating with unregulated MFIs.

Key Words: Microfinance, Microfinance Institutions/ Contemporary Microfinance Institutions, Depth outreach, self-financial sustainability/sufficiency/independence

1. Introduction

Since the formal discovery of microfinance in the 1970s, its' operations have been largely depended on donor support and government subsidies, hence was much of charity in nature. However, in the 1990s, this capital structure of Microfinance Institutions (MFIs) was discovered to be a threat to the MFIs' sustainability and depth outreach, since donors and governments may not be able to forever have enough funds to support the poor through the MFIs. This thought therefore brought about the need for MFIs to find an alternative source of funding to enable them to continue to fight poverty even when donors or governments withdraw their grants or subsidies. Researches however came out with findings on how MFIs can raise funds from their operations with the poor for self-financial sufficiency. The alternative source of funds was for MFIs to commercialize their activities (Sharma & Wright, 2010). Although this finding has met a lot of criticisms from other stakeholders, it has pass test of time and proven to be bedrock of MFIs' sustainability (Nestor, 2011).

The financial sustainability syndrome of the MFIs is believed to have diverted Contemporary Microfinance Institutions (CMFIs)' attention from their former clientele to the non-poor who are believed to have less risk in credit default and are generally profitable. If this is true, then the assertion of the MFIs being reliable tools to bring the poor close to the formal financial system and to alleviate poverty is questionable, since they will not be any difference between them and the conventional banks. The threat to CMFIs' financial sustainability has therefore created a platform for debate among stakeholders; where some school of thoughts argue that for MFIs to achieve the goal of self-financial sufficiency, continuing serving the poor poses high risk to MFIs' financial sustainability. Therefore, the assertion that the MFIs can serve the poor and still attain self- financial sufficiency is a mirage if the social mission is still core in their operations with the depth outreach, (Annim 2012). The other school of thoughts thinks otherwise; hence argue that if the appropriate services are offered to the poor, they are profitable to do business with; since when they get the appropriate microfinance services, they can become financially independent or sustainable in the long run and will be able to pay back the credit services with the associated interest or charges to enable the MFIs to be financially sustainable. Therefore, MFIs can attain financial sustainability while operating with the extremely poor since they will be able to pay for the cost of microfinance services MFIs may impose for their services. As stated by Simannowitz et al, (2002: p. 29), "it is not the poverty level of clients that actually determines who should get access to microfinance services, but the design of the services or products MFIs offer to them and therefore MFIs can do wide outreach and still achieve Financial Sufficiency if the right methodologies are applied". These researchers however advised that, MFIs should rather focus on developing cost efficient services since the clients and the MFI financial sustainability, directly depend on the cost efficiency of the MFI's services. That is if services costs are high, it will directly affect interest rate on credit which will also increase credit default or reduce outreach since clients may be scared off by the high interest rate, hence will reduce MFIs' profit margin (Simannowitz 2002).

The paper gives an overview of the problem statement of the study, its purposes and significance and relevant literature on self-financial sustainability of MFIs and their clients after they are weaned off support. The literature review also make comparison of the two main approaches to financing the poor: the poverty lending approach; which is donor-funded credit for the poor, and the financial systems approach, which advocates commercial microfinance for the economically active poor. The last part of the paper discuss the findings of the research and gives recommendations for further research work and policies making. The purposes of this research work however are; to find out if MFIs' could attain self-financial sufficiency while working with the poor and if the services of MFIs to the poor make them (the poor) financially independent in the long run. The findings of the study stand to significantly add to knowledge on the future of microfinance in poverty alleviation. It will guide the MFIs in developing or designing cost efficient services to help them attain self-financial sustainability.

2. Literature Review

In the context of this study, the extremely poor/poor shall be defined as people with severe disabilities, aged, beggars, unskilled and those who live at $1 or less per day (Robinson 2011; World Bank 1999). Microfinance services shall be referred to both the financial and non-financial services exclusively designed for the poor by MFIs towards poverty alleviation (Robinson 2001). The Microfinance institutions shall be referred to as any institution or organization which provides microfinance services. Financial sustainability shall be the same as self-financial sustainability/sufficiency, institutional financial sustainability/sufficiency and it shall be referred to the ability to have the needed financial resource from one's own or personal activities without taking credit facility, subsidies or grants (Lexicon 2011; Thapa et al. 1992).

2.0. The scope of poverty

All over the world, almost every country seems to be battling with poverty. Poverty is a condition where a person cannot meet quality of life (Bichanga and Njag 2014). According to Hulme (2014) and Paul (1997), poverty is a situation of not having enough sustainable money or resource to meet ones basic needs. Bichanga and Njag (2014) however noted that this societal menace has been identified to be one of the causes of crimes, suicides, civil riots, and other societal vices, and therefore investing resources and efforts in battling it, is recommendable.

The argument as to whether the poor is suitable for the financial sustainability of MFIs brought about the classification of poverty into economically active poor and the extremely poor. Other authors even went further by categorizing some poor under hyper-poor. Although there are multiple degrees and kinds of poverty levels, this study considers poverty in its holistic nature by combining the various classifications of poverty in Robinson (2011) and World Bank Report (1999) under one umbrella as the 'poor'. Therefore in the broadest context, this paper shall define poverty as the deprivation of human's psychological and materials needs influence by internal and external factors. According to World Development Report(2000 & 2001), the internal factors could be political instability, corruption, socio-economic, environmental disparities, inefficient financial system, natural disasters, epidemic, illness, unsound mind (insanity) etc., whereas the external factors could be international trade, global financial crisis, refugees problem, poor weather pattern for agriculture etc., cited in (Bichanga & Njag, 2014).

2.1. Microfinance evolution

Although microfinance is believed to have been formally discovered and implemented by Mohammed Yunus in the 1970s, there is enough proof that the microfinance concept is not a new idea in the human habitation. Before rebranding or transformation of the ancient micro-social aid to microcredit in the 1970s and later to commercial microfinance in the 1990s, various governments and non-profit making organizations (NGOs) were implementing some poverty alleviation policies/projects which were of charity in nature. Research has also discovered that people were already having ways of accessing their financial needs. According to Robinson (2011), the financially excluded, particularly the poor, were having a wide variety of informal, community-based financial arrangements to meet their financial needs. According to the researcher, these arrangements were commonly in a form of crops, animals, gold, silver, jewelry, land and other valuables exchanges (butter trading system), the formation of Rotating Savings and Credit Associations (ROSCA), Regular Savings and Credit Associations (RESCA) also known as Accumulating Savings and Credit Associations (ASCA), money lenders, 'susu' contributions" in Ghana and Nigeria, "Tandas" in Mexico and among others (Robinson, 2011). The deficiency in the ancient way of practicing microcredit was its' incapability to alleviate poor. In actual fact, its main aim was not even towards poverty alleviation but just to show love to one another or the need to assist themselves in times of need. Therefore, its' formalization from micro-social aid to microcredit and microfinance by Mohammed Yunus towards poverty alleviation was in the right direction. Yunus realized that the former system of microfinance was not the best strategy for sustainability of the intervention and to alleviate poverty and therefore said "…credit without discipline is nothing but charity". What Yunus meant with this statement was that, for credit facility to be sustainable, there must be control systems to ensure that it is paid back with its' associated charges to avoid it becoming a gift as explained in Halty (2002).

The need for the sustainability of the scheme (microfinance) however resulted in the introduction of the commercialization of microcredit/microfinance to be geared towards given mainly financial assistance to the poor who were traditionally excluded from the formal financial system by commercial banks. Although the commercialization of microcredit has raised a debate in the microfinance field; whether the former or the later approach of alleviating poverty is the best. Some researchers have noted the later has significantly contributed towards poverty alleviation and financial inclusion (Armendáriz de Aghion & Morduch 2005). However, Nestor (2011) recommended the co-existence of both approaches by MFIs. On this, the researcher stated "…it has become clear in recent years that not only can these two priorities coexist, but when done right, they are mutually reinforcing, creating a healthier long-term business model for both clients and investors". What Nestor (2011) meant is that, the pursuit of the dual mission by MFIs is possible if the right strategies are applied and is the best approach since it has mutually benefit.

2.2. Meaning of Microfinance

The definition of microfinance has gone through modifications in the microfinance evolution process. Before the commercialization of microfinance, it was considered as micro-social aid (communal aid), which was an informal system and of communal support and charity in nature Robinson (2001). This is what Yunus described as 'credit without discipline'. Its' rebranding to microcredit by Yunus result in modification of former meaning to, given small amount of funds to the rural poor which is paid back with little interest within an agreed period of time. The sustainability drive which resulted in the need for commercialization of MFIs once again transformed the system to microfinance which broadens the service of microcredit to the poor by adding savings mobilization and non-financial services Robinson (2011). According to Wrenn (2005), contemporary microfinance is both financial and non-financial services of MFIs which are geared towards improving the well-being (social impact) of large numbers (outreach) of poor people (depth outreach) and their families (breath outreach) by giving them long-term access to quality financial services (efficient financial inclusion and sustainability).

Some researchers believe that microcredit alone may not be a holistic remedy to the ply of the poor, therefore argue that for effective poverty alleviation strategy, there is a need to integrate some non-finance services to the financial services MFIs provide to the poor. The integration of nonfinancial services and microcredit has however embraced global acceptance to be a comprehensive poverty alleviation strategy (Nestor 2011). Ledgerwood (1999) declares that microfinance is not a simple bank but a human skills development tool to enable the poor to effectively use financial sources. Mordutch et al. point out that it is the entrepreneurial skills of the poor that is essential to ensure the success of their microenterprise and not just credit, hence for effective credit, the human resource capacity building is very important. Hamdan et al. (2012) recommended in their research that the clients of the Malaysian microfinance institutions should be engaged in entrepreneurial and business skills trainings before starting their microenterprises since credit alone provides a short term remedy. Mensah & Benedict, (2010) argue that the entrepreneurship training has a potential to enhance the capacity of micro and small enterprises for jobs creation and growth in the South of Africa. They also assert that the entrepreneurial trainings will be more effective when combined with microcredit service. Researchers who do not support the integration of microcredit with non-financial poverty alleviation services by the MFIs argue that this will increase the MFIs' operational cost which will make the cost of credit very high, hence recommend that MFIs should focus on the credit intervention whereas governments and NGOs take the responsibility of entrepreneurial skills development/ training of the poor.

From these definitions of microfinance, it could be clearly deduced that microfinance is simply the provision of small financial and non-financial services to the economically poor in society who finds it difficult to access formal financial services from the conventional financial institutions.

2.3. Paradigm shift of MFIs

According to Vogel (1984), the paradigm shift of microfinance institutions from their social mission (provision of social aids towards poverty alleviation) to the dual- purpose mission (poverty alleviation strategy with commercial credit facilities) seemed to have caused the exclusion of the extremely poor in the microfinance industry especially by commercial microfinance institutions, due to their vulnerability and unprofitable nature. The researcher added that, apart from their vulnerability, the common services such as microcredit and micro-savings which most MFIs offer seems not to be suitable for the poor hence do not support the commercialization of microfinance. In Robinson's point of view , even though MFIs shun or seemed to have excluded the poor from their operations (services) due to their (the extremely poor) vulnerability, they (the extremely poor) can still benefit indirectly from the development or sustainability of the MFIs, and therefore supports the commercialization paradigm shift. Zeller and Sharma (2000) disagree with the assertion that the vulnerability of the extremely poor is a threat to CMFIs' financial sustainability. This, they explain that the financial systems in developing countries have inherent problems which stall economic development, thereby making investment risky and costly. They however added that, if the financial systems in countries of the global south are properly addressed, MFIs can attain financial sustainability while serving the extremely poor, since they (extremely poor) will be able to get efficient and affordable credit to trade with and pay back the principal loan with its associated interest. According to Pitt and Khanker (1994) and other researchers who support the assertion that MFIs' financial sustainability through wider outreach (serving the economically active poor, middle income earners and the rich) will have a repercussion beneficial effect on the extremely poor, indicate that when a wider outreach (who can pay back the credit facility with its cost) is economically empowered to be financial independent/ sustainable, especially women, they tend to help (i.e. provide food, shelter, health care, employment, economic skills etc.) their relatives who are extremely poor and the society at large. Therefore MFIs should focus on the economically active poor to become financially sustainable while other stakeholders like the government and non-profit making organizations groom the extremely poor with their social aids to become economically active for microcredit.

2.4. Microfinance and Financial Inclusion Theory

"Without financial inclusion, a country's financial stability is at risk and economic advancement stalls", Michael Rizzo, Erin Sock, (2014). Financial inclusion is a mechanism or system which ensures that financial services are efficiently and transparently available, accessible, preferable/ suitable and affordable to everyone including the extremely poor. It is therefore an important tool to economic or a country's development, through the boosting of economic activities (trade) (Zeller and Sharma, 2000). According to Zeller et al (2000), rural household with access to efficient financial services, is able to increase its' income level through trade and improve its' food expenditure. This therefore means that, the exclusion of certain category of people (extremely poor) from getting efficient formal financial services is a threat to poverty alleviation and defeats the financial inclusion concept. Therefore, the deficiency of financial inclusion in a country can cause economic recession as stressed by Rizzo et al above. With the stringent efforts globally by stakeholders to address the exclusion of the poor from the formal financial system , research has revealed that, still throughout the world, majority of people in the financial exclusion bracket are the poor of which women are the majority (Human Development (UNDP) Report 1997 and Gibbson & Kassim 1990). The Asian Development Bank, (2006) noted that only 20% of the people in developing countries have access to financial services as compared to 99% in Denmark (a developed country). The Consultative Group to Assist the Poor (CGAP), in its' 2011 annual report indicated that out of over 15 million adult population in Ghana, only 4.5 million have a bank account of which 61% are in the urban areas and 26% in the rural areas. This is a proof to the high level of financial exclusion at deprived or less developed countries or areas whose habitats are mainly classified as poor. This, according to Rizzo et al (2014), needs urgent solution if only such countries actually want to achieve economic development and attain the status of full development. The limitation of the poor to financial services is therefore a great challenge to poverty alleviation and financial inclusion theory which aims at providing financial services to the general public including the vulnerable and the poorest of the poor in accessible, transparent and efficient manner.

2.5. Microfinance Impact Measurement Methodologies

The interest in the impact of microfinance has led to a number of impactful studies published in scholarly journals and assumed global debates. While some support the positive impact, others think otherwise. According to Mordutch et al (2005 & 2010), there is no clear evidence of microfinance positive impact on its beneficiaries. This, Adams et al (1992) agree to, by stating that those who assert to the positive impact of microfinance might have used weak or wrong research methodologies. However, Pitt and Khanker (1998) disagree to the assertions of Mordutch and Adams hence, stating that lending to women brings much social benefits. This two-sided opinions has however drawn the attention of stakeholders to assess the impact of microfinance on the beneficiaries' enterprises, their households, property acquisition, children education, standard of living, participation in decision making and the communities they live. This social impact assessment has not been straight forward as in the case of financial returns assessment in the formal financial sector. The difficulty in measuring the social impact of microfinance is what had led to the diverse views in whether an improvement in the living standard of beneficiaries of microfinance is solely attributed to MFIs' interventions or not. Where some researches argued that there are empirical evidences of microfinance positive impact, the other side of research thinks otherwise, hence stating that there are many influencing factors like political stability, economic stability, technology etc., associated to an improvement in the living standard of microfinance beneficiaries, therefore, solely attributing the positive impact to microfinance interventions may be misleading (Zeller and Meyer 2003).

The difficulty therefore in assessing social impact of microfinance is due to the difficulty in getting a research methodology that will be able to assign specific units of measurement to the intangible positive impact microfinance claims to have on its beneficiaries, and will also be able to isolate the impact level of microfinance intervention from other contributing external factors. Apart from the difficulty in getting social impact assessment methodology, the cost involved in measuring social impact is also very high thereby causing most MFIs, donors and policy makers having less interest in its' measurements (Petrick et al 2013). According to Coleman (1999), researches which still try to measure MFIs' social impact, normally overestimate impact as a result of failure to control 'self' or hypothesis and the use of non-random sampling technique; which is not scientific. Although there are devised methodologies researchers attempt using in measuring social impact, the three widely used methodologies are; the scientific method, this involves the use of control-groups, the humanities tradition method, which is ethnographical in nature (researcher lives with the element and observes) and lastly the participatory learning and action method. In this method the researcher tries to learn the way of life of the people by taking part in their daily activities, Hulme (1998 & 2000). Therefore, while the debate on microfinance impact and measurement still goes on, there has been enough evidence that microfinance services have helped and continue to help the poor to improve their financial security, allow them to take advantage of business opportunities, facilitate the growth of their enterprises, economic empowerment of households, and make women actively participative in decision making, reduce social vices among others (Robinson, McKernan 1996, Khandker et al 1998, Wydick 1999).

2.6. Microfinance Beneficiaries' financially sustainability

According to Wrenn (2005) & Robinson (2001) when the MFI beneficiaries attain financial independence, credit default is reduced drastically, they are able to pay for the cost of the MFI services, and they sometimes wean off the MFI's credit or reduce the amount of credit they take which reduces the burden on MFIs' loan portfolio. They have excess money to save at the MFIs which widens the MFIs' loan portfolio, hence increase MFIs' profit margin for self-financial sufficiency. Therefore MFIs' beneficiaries' financial independence facilitates MFIs self-financial sustainability rather than decreasing profit margin. The assertion of the MFIs being a valuable tool for poverty alleviation will however be factual if their beneficiaries become independent from further credits (i.e. when they are able to satisfy their personal and business needs with their own resources without going for credit) in the long run. The issue of interest in this paper however is if MFIs' beneficiaries can be financially independent from MFIs credit in the long run.

A research conducted by (Abaluk, 2012) on the income level sustainability of beneficiary farmers of Masara N'ariziki Programme in Ghana, found out only 30% of the farmers testifying that the programme has made them financial independent. This is an indication that the rate at which microfinance is eradicating poverty is very slow. According to Bichanga and Njag (2014) the effect of microfinance on beneficiaries' financial sustainability is still largely unknown. According to De Birhaner (2011), MFIs credits have caused more harm to many people businesses than good. He stated that MFIs credits have made most of their beneficiaries perpetually tied to credits and do not have any hope to be free from credit any moment. He added that some beneficiaries of MFIs services have even lost their personal properties to defray defaulting credits and many lost their lives (commit suicide) as a result of their inability to repay credit taken or loss of their saving/ investment with MFIs which have liquidated. For instance the liquidation of DKM a microfinance institution in Ghana in 2015 as a result of unstainable services and financial mismanagement, adversely affected a lot of people in Ghana especially the rural folks who formed greater percentage of the clientele. There were media reports of suicidal cases and collapses of many small scale businesses as a result of the liquidation of DKM (Stephen Odoi Larbi, 2016). These facts among others sometimes puzzle one mind to accept the assertion of MFIs been essential tools towards their beneficiaries financial sustainability. Therefore, microfinance which is globally noted to have positive impact on poverty alleviation, needs a second look since most of its beneficiaries are found worse off after taken MFIs credits. However notwithstanding these defects of MFI services to its' clientele, De Birhaner in agreement with Pitt and Khanker (1998) among others concluded that most MFIs beneficiaries in Ethiopia have shown significant positive transformation in their standard of living.

2.7. MFIs Self-financial Sustainability

There is already a global impression that microfinance is the most successful poverty alleviation intervention tool ever discovered. For this course, many policy makers and researcher are engaged on how to make it sustainable to be able to serve more poor people. According to CGAP (2010), microfinance can pay for itself (financial sustainability) and therefore must do so if it is to reach a large number of poor households. The message in this assertion is that, unless MFIs commercialise their services to the poor, they will always be financially limited in their operations due to the scarce resources they have and the uncertain or unreliable nature of donors' funds and government subsidies. Murdoch (2000) saw the inevitability of MFIs' services charges to MFIs' financial sustainability and therefore advised that, MFIs that follow good banking practices will always be able to cover service cost and attain financial sustainability. Bichanga and Njag (2014) added that for MFIs to be financial sustainable, they have to operate as business ventures. Researches in the financial sustainability of MFIs have discovered that it is not only the vulnerability of the poor that is a threat to MFIs' financial sustainability, but the cost efficiency of their services to the poor is also a factor that has made most MFIs to go bankruptcy. The cost involved in designing and implementing most MFIs' services have been identified to always been higher than the income returns of the services they provide to their clients, thereby depleting the MFIs available funds (capital) to continue and to widen outreach. For example most MFIs spend so much in loan issuing and recovering which is always higher than the interest rate on the loan. Rapid infrastructural development and long term investments (capital investments) are also notifiable with MFIs, which returns are of long term in nature hence in most of the time result in treasury management problems since most of the savings/investments made by their (MFIS) beneficiaries have short maturity period. This usually results in MFIs overtrading and thereby aggravating clients demand for withdrawals. Beside these, high administrative expenses, fraud and low skilled labour force among others are also identified to be hindrance to MFIs financial sustainability. However, notwithstanding these common practices of most MFIs which deter their financial sustainability attainment, research has revealed that financial sustainability has been achieved by some successful MFIs for instituting good financial and operational practices like operational systems efficiency, operational cost efficiency, management information system efficiency, good risk management and exclusive product portfolio designing for the poor (Wrenn, 2005).

MFIs' financial sufficiency can therefore be achieved consistently if resource (human and capital resources) utilization is maximize. The fundamentals of MFIs' operational efficiency however can be achieved through the adaptation of an effective service delivery methodology and significant institutional control systems. Successful MFIs have been noted to have covered administrative expenses out of interest income and client fees on services they provide to the poor. According to Robinson, MFIs' financial sustainability largely depends on their services cost efficiency and the financial sustainability of their beneficiaries. This is because if MFIs products cost is low, it means that credit interest charges will be low too thereby having an insignificant adverse effect on the beneficiaries' revenue or profit margin. This in the long run will help the client to be able to pay off the credit taken and even have excess to save or invest with the MFIs which have positive impact on the MFIs financial sustainability. This is because, the MFIs will have low default loans, less burden on its' loan portfolio and an increase in revenue from the savings/investments of beneficiaries who have attained financial independence status. On MFIs services cost efficiency, Hulme (1998) and Mosley & Paul (1997) raised the concern that targeting the poor on microcredit imposes much research costs; that is finding out who is eligible for the service, frequent communication with the eligible and monitoring to prevent access by the ineligible people, cost of recovering the credit and many others make it difficult for MFIs have cost efficient services in relation to the poor. Therefore, if there are no effective control systems to closely match and monitor operation cost against revenue from those activities, operational cost can exceed the returns on the credit given out hence depleting the MFIs' scarce funds in the long run if because clients shirking, MFIs charges lower interest rate than their (MFIs) service cost. On this, Rhyne summarized the findings of Christen et al by stating that successful MFIs had developed service delivery methodologies so efficient and customized to their clientele to make their services afford for the poor to pay the full cost of the services, making the institutions financially viable. The researcher however debunked Hulme (1998) and Mosley & Paul (1997) assertions that service cost efficiency is difficulty to achieve by MFIs in relation to the poor.

It is therefore clear that MFIs with financial sustainability objective should always ensure that benefit derived from operations is always higher than the cost incurred, by adapting prudent cost control systems to minimize operational cost to enable them set appropriate interest rates to make some profit for wider outreach and to also enable the clients to payback credit and have excess to depend on.

2.8. Approaches of MFIs Operations.

The financial sustainability objective of MFIs however, has stimulated a philosophical debate about whether contemporary MFIs can combined the social objective with profit motive, hence the quest for best way for MFIs to provide financial services to the poor in order to achieve this dual objective. The debate however has resulted two leading views on how microfinance should be operated. Thus the poverty lending approach and the financial system approach. The former was social mission focus, whereas the later seems to achieve the bottom-line or the dual mission of contemporary MFIs. The primary goal of these two approaches to microfinance is similar. That is outreach drive. They both aim at MFIs' financial sustainability to increase outreach. The debate of which is the best approach is therefore just on the means to achieve a goal. Therefore, the choice of the means determines the achievement of the goal, hence the need for stakeholders in the microfinance industry to consensually come out with the best strategy of achieving the financial sustainability goal of CMFIs. One side of the debate is the sustainability camp, called the "institutionists"; who are mainly concerned with the creation of financial systems that are financially self-sufficient to MFIs. They argue that the future sustainability of MFIs who dominantly depends on donors and governments subsidies or benevolence is blunt and outreach is at risk since donors and governments are unlikely to continue subsidizing microfinance indefinitely, and they also have resources constraints to attain wider outreach. The institutionists therefore believe that the only way to assure continuous access to financial services by the poor is to ensure microfinance services are commercialized. It is only commercialization that can create more resources for MFIs sustainability to achieve wider outreach. This approach suggests and encourages the provision of microfinance services like microcredit and micro-savings to the economically active poor at a reasonable cost to cover operational cost of MFIs. The other side of the debate is the outreach camp known as the "welfarists". They stress their argument on the depth of outreach to alleviate poverty and attainment of financial sustainability by MFIs through charitable social interventions known as 'Poverty Lending Approach'. Their focus is on maximizing outreach first with donor support and government subsidies. They believe that charging the poor for services provided to them will worsen their plight; hence instead of MFIs alleviating poverty, they will in the long run aggravate poverty. Even though they do not absolutely disregard the charging of interest by MFIs, they believe the poor should first be helped financially or non-financially to move to the stage they can afford to absorb the MFIs interest. They added that even if MFIs' focus on reaching large number of clients with very small interest rates, they will still be able to attain financial sustainability through economy of scale (Robinson 2011). The deficiency of the welfarist argument is that CMFIs are not business angle investors or venture capitalists and therefore cannot take the risk of grooming the poor to attain financial sufficiency before imposing service charges to them.

Therefore the debate on the best way of serving the poor with microfinance towards MFIs financial sustainability is described as a mathematical concept. That is, each side is incomplete without the other; thus the concept of reaching the poor and MFIs financial sustainability are complementary. MFIs financial sustainability widens outreach and wider outreach by MFIs helps the MFIs to attain financial sustainability through economy of scale if services are commercialised. It is only when MFIs attain high degree of financial sufficiency through commercialization of their services, that they will be able to serve significant number of the poor. This reveals that there is in fact only one objective of MFIs. That is outreach, as stated by Elisabeth Rhyne (1998) that, sustainability is but the means to achieving outreach.

2.9. Some Successful MFIs Working with the Poor

Some MFIs in Asia, Africa, and Latin America that are working with substantial numbers of the poorest households were found to have gained a clear path toward financial sufficiency due to the right methodologies or strategies they applied in operating with the poor. Some of these MFIs are; The Center for Agriculture and Rural Development (CARD), Grameen Bank; Credito con Education Rural (CRECER), Freedom from Hunger Credit in Bolivia; The Foundation for International Community Assistance (FINCA), Financial & Technical Services Private Limited in India, SINAPI ABA Trust in Ghana, now Opportunity Saving and Loans Ltd; First National Savings and Loans in Ghana, now transformed to a banking institution known as GN Bank and Arpex Banks in Ghana etc.

The purpose of referring to these successful MFIs is to give empirical evidence to debunk the assertion that MFIs cannot attain Self-Financial Sufficiency while serving the poor and that the commercialization of MFIs services to the poor is a threat to financial inclusion and poverty alleviation. Therefore it is evidential that if MFIs are regulated and their operations are systematically well planned from their operational commencement and the appropriate policies and control measures are implemented, coupled with appropriate products for the poor, MFIs and their beneficiaries can operate profitably for financial sustainability.

3. Methodology

Relevant secondary literature and separate structured interview questionnaires were used to gather data on the financial sustainability of microfinance institutions and their beneficiaries. The combination of primary data was meant to validate the various findings in the secondary data. The random sampling technique was used to gather the primary data from thirty (30) beneficiaries of microfinance services and five (5) Microfinance Institutions in the Northern and Upper East Regions of Ghana. This sampling technique was necessary because of the scientific nature of the research paper. The qualitative/descriptive research method was used to analyse the research findings due to the theoretical nature of the research and to also give in-depth expressions or discussions of the findings to aid the understanding of all readers of this research work.

4. Discussions on Research Findings

This part of the paper discusses research findings on the financial sustainability of MFIs and their beneficiaries.

4.0. Financial Sustainability of Microfinance Beneficiaries (the Poor)

Poverty is said to be alleviated if it is permanently eradicated. Where poverty is eradicated in the short term and resurfaces in the long run is not poverty alleviation but poverty management. Therefore for poverty to be permanently eliminated, its' strategies should be able to make the victims (poor) to be out of the poverty bracket permanently. Literature reviewed and data gathered and analyzed on this revealed mixed reactions from researchers, stakeholders and beneficiaries; while others assert to the empirical evidence of MFIs in poverty alleviation been invaluable, researchers like Mordutch et al (2005 & 2010), Coleman (1999), Adams (1992) in the other side debunk this assertion. They argue that MFIs' services are rather geared towards managing poverty rather than eradicating it since beneficiaries are just relieved from poverty in the short run which is not sustainable in the long run when they are weaned off assistance. Some of those on this side attribute the unsustainability of poverty alleviation among MFIs' beneficiaries to the profit drive of MFIs, whereas others blame it on inappropriate service design and administrative deficiency of MFIs. Researchers like Zeller & Meyer (2003) and others are indifferent in the sustainable impact of MFIs beneficiaries. They believe that efficient MFIs' clients in some countries have shown sustainability in improvement in standard of living whereas most clients of inefficient MFIs struggle to maintain positive impact. They however cautioned that the impact on the living standard of beneficiaries, be it positive or negative is not solely attributed to MFIs but there are other external factors like political environment, climate etc. as contributing factors. From the primary data gathered from MFIs' beneficiaries in this research paper, 78% asserted to the positive impact of MFIs operations, of which 82% were women. However there was no evidence of self-financial sustainability since 93% of the respondents were prepared to go for credit if accessible.

It could therefore be deduced from the findings that beneficiaries of regulated and efficient MFIs have shown sustainability after they are weaned off assistance, whereas unregulated MFIs clients are worsen off and highly dependent on credit facilities hence cannot maintain or attain improvement in their living standard without assistance. With this discovery, it can be concluded that MFIs beneficiaries can attain self-financial sustainability and empowerment sustainability if MFIs are regulated like any other financial institution. This is because regulation put checks in their financial management and operations to ensure that best practices are adhered to.

4.1. MFIs' Financial Sustainability

As discovered in the literature reviewed, the financial sustainability of MFIs largely depends on their services cost efficiency and the financial independence of their beneficiaries. This research paper however revealed that all MFIs have financial sustainability goal hence the evolution of commercialization of their services. Therefore for CMFIs to attain financial sustainability, they must be regulated and allowed to commercialise their services to both poor and economically active in order to generate income to cover operational expenses and widen outreach or invest in profitable investment assets. Thus well-regulated MFIs can attained financial and operational efficiency to enable them to have affordable commercial services. This will widen their clientele base to enable them enjoy economy of scale, hence building up reserve for financial sustainability in the long run.

Therefore the misconception that the poor are not economically viable for MFIs financial sustainability is not the main factor but the level of regulation of MFIs operations.

5. Conclusion

On the financial sustainability of MFIs and their beneficiaries, the research uncovers that successful MFIs are well regulated and charge appropriate interest rate above that of conventional banks and most of their beneficiaries are also able to attain financial independence in the long run. Therefore well-regulated MFIs' services have positive impact on MFIs financial sustainability and their beneficiaries' income level and social empowerment sustainability.

6. Recommendation

The research therefore recommends that MFIs should be affiliated at the beginning to strong financial institutions (conventional banks) for mentoring and when they are strategical groomed in the long run, can then

be allowed to have autonomy of operation. That is regulated MFIs should begin to establish track records with the conventional banks in their respective countries as soon as possible in order to gain experience to be able to independent efficient operations in the long run.
Secondly, to maximize MFIs benefits to the poor, MFIs should give share option to their successful beneficiaries to become shareholders. In this way, the poor would be able to enjoy some of the MFI profits hence an added value to poverty alleviation. It will also minimize loan delinquencies since clients see the MFI to be their own hence misappropriation of loans given them implies that they are jeopardizing their own businesses.
MFIs should also blend their financial services with nonfinancial services like enterprise development training, health education, basic financial literacy education, micro-insurance policies to adequately safe guide the beneficiaries towards self-financial sustainability.
Lastly, smaller MFIs should form consortium to enable them meet regulation requirements and be regulated. This will also help them to minimize operational cost and increase outreach to increase revenue.
On further research, a research should be conducted on the best approach of serving the poor with MFIs services for mutual financial sustainability.

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