Influence of Environmental and Governance Factors on Sustainability of Microfinance Institutions in Ghana

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Abstract
This study examines the environmental and governance factors and how they affect sustainability of Microfinance institutions (MFIs) in Ghana. Microfinance institutions like any other system are affected by peculiar environmental and governance factors which determine to a large extent how it survives. The study therefore measures seven variables by testing seven hypotheses from a survey data of 114 MFIs in Ghana. The study revealed that even though there was a positive and significant relationship between sustainability and improved regulatory framework, loan recovery, quality of staff and the MFIs ability to create jobs for their clients, existence of Board of Directors, and increased competition, do not impact on sustainability. Recommendations on how to enhance the environmental and governance factors to ensure sustainability of MFIs have been made.
Key words: sustainability, environment, governance, microfinance

1. Introduction

Microfinance emerged as an innovation in lending to the rural poor in Asia and in response to frequent failure of previous interventions in rural financial markets, such as directed and subsidized production credit disbursed by agricultural development banks. While it started "as a collection of banking practices built around providing small loans (typically without collateral) and accepting tiny savings deposits" (Armendariz, de Aghion, and Morduch 2005 , p. 1), today many microfinance institutions (MFIs) expand their services and strive to offer payment and savings facilities, insurance, housing, and longer-term loans to marginalized clientele in rural and urban settings.
It is estimated that there are at least 10,000 microfinance programs worldwide. Two related and important trends are now emerging. The first is toward sustainability, which is how the MFI adopt sound practices that will ensure their long-term survival. The second is the social and political environment which has great influence on how they operate and ultimate survival. Over the years, the microfinance sector has evolved and thrived into its current state as a result of various governmental interventions, including the provision of subsidized credits, establishment of Rural and Commercial Banks, the liberation of the financial sector and the promulgation of Financial Institutions (Non-Banking) Law, 1993 (PNDC Law 328) (Nissanke et al., 1998). In Ghana, the first formal MFI was the Post Office Savings Bank set up in 1962 under the Savings Bank Act (Act 129) to take over the savings operations of the Ghana Postal Service. This was later transformed into a full bank in 1972 as the National Savings and Credit Bank under NRCD 38. Then, came the establishment of the rural banking system, with the first rural bank being established in1976. The savings and loans companies also came into being as a result of the establishment of the Financial Institutions (Non-Banking) Law led to the establishment of the savings and loans companies. All the above governmental interventions were aimed at sanitizing both the macro and micro environment. The critical question is the extent to which the social and political environment has influenced the sustainability of these MFIs.

1. 2 Objective of the study

The main objective of the study is to examine the extent to which environment and governance as performance factors affect sustainability of Microfinance institutions in Ghana. The MFI's responded to questions bordering on the environment as well as issues of governance. These include loan disbursement, job creation, personnel, loan recovery and the regulatory framework. The study hypothesized that:
$H_{1:}$ If executives increase their response to clients' emergency loans, then sustainability will increase.
$H_{2:}$ If MFIs create jobs directly, then sustainability will increase.
$H_{3:}$ Increased competition in microfinance will lend to increased sustainability
$H_{4:}$ If Board of Directors is formed in MFIs then sustainability will increase
$H_{5:}$ If MFIs employ and retain highly qualified staff, then sustainability will increase
$H_{6:}$ If loan recovery increases then sustainability of MFI will increase
$H_{7:}$ If the regulatory framework is improved then sustainability will significantly improve

2.0 Literature Review

Ledgerwood (2000) categorizes the levels of regulation as financial and prudential. Financial regulation refers to the body of principles, rules, standards and compliance procedures that apply to financial institutions. Financial supervision involves the examination and monitoring of organizations for compliance with financial regulation.

A recently released report by the Centre for the Study of Financial Innovation (CSFI, 2008) identified the greatest risk for microfinance as being in the area of governance and human resources. The dominance of today's microfinance leaders will be sustained only if these institutions can develop a set of highly skilled staff which they do not currently possess today. They will face difficulties in loan recovery. To be prepared for such situations, these MFIs will need good corporate governance and dynamic management who will pursue an agenda of improvement in efficiency, innovation and proactive in emergency cases concerning their clientele. The role of the Board of Directors is perceived as very critical as they bring their diverse skills and oversight responsibility to bear on the life and direction of the MFI.

According to Andah and Steel (2004), the Government of Ghana has in the past launched a number of special credit schemes, sometimes with support from donor agencies. These schemes usually came with subsidies but only few poor people benefit. The recovery rates were noted to be extremely poor. They contend that as a result of the poor recovery rates, these subsidies which were labeled as "revolving funds" were steadily depleted.

Adjei (2010) argues that prudent policies drawn up to encourage the development of an effective microfinance sector can also reinforce other poverty reduction agenda, such as job creation and vice-versa. Many microfinance institutions encourage their clients to develop a socio-economic agenda covering matters such as health, nutrition and education of children. He further argues that even where this emphasis is not explicit, increased empowerment and higher income for clients as a result of their participation in microfinance programmes will propel them to adopt other socio-economic agenda. Adjei (2010) further states that microfinance institutions have learned to operate effectively and efficiently in competitive environments. In most countries of the developing world, there are several microfinance institutions competing for the same borrowers, for example, Bangladesh, Bolivia, Nicaragua, Uganda, Kenya and Ghana. Competition is beneficial for both the microfinance institutions themselves and their clients who are mainly the poor. For instance, a poor woman can now choose between several microfinance institutions, comparing products and services, interest rates and other benefits. These poor clients can now choose which of these competing institutions work best for them. He again states that competition makes institutions more efficient; they seek to lower their costs and therefore their interest rates to borrowers. Data from several countries in Latin America show that with competition the annual interest rate to the borrower has steadily decreased. The rate at BancoSol decreased from 70 percent in 1992 to just over 20 percent in 2006 (Otero 2006). The data also showed important innovations in the use of technology and other means to lower costs of operations and loan recovery which transferred to clients in the form of lower interest rates.

2.1 Corporate Governance and Microfinance Institution

Governance broadly defined is the system of people and processes that keep an organization on track and through which it makes major decisions (CMEF, 2005). Corporate governance is defined as the whole set of measures taken within the social entity that is an enterprise to favor the economic agents to take part in the productive process, in order to generate some organizational surplus, and to set up a fair distribution between the partners, taking into consideration what they have brought to the organization (Maati, 1999, p. xvii).Corporate governance principles have received more attention from academics and practitioners of the microfinance field, particularly when dealing with the topics of long-term sustainability and institutionalization, in recent years (Labie, 2001). The principles of corporate governance have imposed themselves as the basic rules for any well-run company to follow. It affects much more than just the traditional business companies for which these principles were originally designed. In a way, corporate governance even tends to be part of the globalization process, as it is often seen as a tool for standardizing the controlling vision for any major organization in the world (Labie, 2001). The suitability and relevance of corporate governance principles to the sustainability and growth of MFI is underscored in the literature. Good corporate governance has been identified as a key bottleneck in strengthening MFIs' financial performance and increases their outreach (Rock et al., 1998; Labie, 2001; Helms, 2006; United Nations, 2006; Otero and Chu, 2002).

Although governance takes place in this broad context, the board of directors is the pivotal point through which all stakeholders of the MFI connect to governance. This statement focuses on the composition and operations of the board. The following major responsibilities of the board of directors reflect the broad purposes of governance, according to CMEF, 2005:

- Define and uphold the mission and purpose of the MFI;
- Develop and approve strategic directions (with management); monitor achievement of strategic goals;
- Oversee management performance, including selection, support and evaluation of CEO;
- Ensure that the MFI manages risks effectively; assume fiduciary responsibility;
- Foster effective organizational planning, including succession planning;
- Ensure adequate resources to achieve the mission, including assisting in raising of equity and debt;

- Represent the MFI to the community and the public; ensure that organization fulfills its responsibilities to the larger community; and
- Ensure that the organization changes to meet emerging conditions; particularly in times of distress, temporarily assume management responsibilities.

3.0 Research Methodology

The research was based on both the qualitative and quantitative approaches. A two stage approach was used. First, an exploratory qualitative interview was conducted by interviewing 14 executives of sampled microfinance institutions with focus on how the environment and governance factors impact on the sustainability MFIs. This was followed by a self-administered survey involving 130 microfinance institutions.

3.1 Data Source

Data for this study is collected from two sources; the financial reports (secondary) and structured questionnaires and interviews (primary) to elicit institutional characteristics and modes of handling the performance variables. Operating manuals where they were available and useful were used to examine their mode of day to day operations of the selected microfinance institutions. The survey data was complemented with information gathered through the qualitative phase.

3.2 Sampling Frame and Sample Size

The sampling frame included managing directors/ financial managers from microfinance institutions in seven out of the ten regions of Ghana; Greater Accra, Eastern, Central, Western, Ashanti, Northern and Volta regions. The subjects were 130 top executives of MFIs. The sample was considered adequate for generalizability and for statistical testing (Hair et al., 1998)

3.3 Sampling Procedure

The study utilized a 'two phased' stratified random sampling technique. The stratum development began by assessing the regional distribution. From there the microfinance institutions located in the regions were determined. The next stage involved the aggregation of coverage by examining the regions with the high number of MFIs. The selection of Greater Accra, Central, Western, Eastern, Ashanti, Northern and Volta regions gave 130 MFIs, representing 74.4%). The importance of achieving a high coverage is to ensure that the intensity of activities is captured to allow for the creation of a proportionate representation of the population within the research (Frankfort-Nachimias & Nachimias, 1996).

3.4 Data Collection Method

Face to face interview method was mostly used. Respondents were first called by phone and briefed about the research. Their consent was sought for their participation and the face to face interviews conducted. There were instances where respondents though agreed to complete questionnaires, reneged. The face to face interview was not only expected to yield the highest response rate but also to ensure that the appropriate personnel answered the questionnaires.

3.5 Data Analysis

A two-stage approach was used in analyzing the data for the study. The first stage where sustainability was measured at the nominal level (yes=1, and no=0) which led to the use of the chi-square test.

4.0 Results and Discussion

4.1 Governance Issues in MFI

In order to understand both the micro and macro factors that impact on the sustainability of the MFIs, issues relating to governance and environment were considered in the study. Governance issues related to the regulatory framework governing the operations of the MFIs which Staschen (2003) categorizes as primary (laws and acts of parliament) and secondary (benchmarks and procedures) that need to be adopted by the MFIs. The main issues considered were emergency loans, job creation, competition, Board of Directors, personnel constraints, loan recovery and the regulatory framework.

The research question therefore was which environmental and governance issues adopted has significant impact on the sustainability of the MFIs? The test results for these hypotheses provided insight into those macro level factors that impacted on the sustainability of the MFI in Ghana.

4.1.1 Emergency Loans

When the MFI's were asked whether they provided loans for emergency situations, 60% answered in the affirmative. They explained that the rationale for emergency loans was to help serve the immediate needs of clients in critical situations such as ill-health, funeral, and for addressing other social needs and also to ensure clients who have already accessed a facility not to default. However, such facilities were extended only to deprived women mostly engaged in petty trading or farming. On the other hand, 40% of the MFIs indicated that they did not grant emergency loans because clients do not have collaterals, and also as a measure to protect their money and curb risk. But generally, most of the MFI's sampled grant emergency loans.

4.1.2 Job creation for Clients

Responding to a question on job creation opportunity for clients, whilst 47.8% of the MFI's stated that they have not created any job for clients, 52.2% stated that they have created jobs for their clients by offering them loans in many ventures that demanded labour force. It appears as though the jobs created by these institutions were indirect jobs. One Chief Executive had this to say:

''By extension yes, we have created jobs. This is confirmed by our baseline studies.''

4.1.3 Competition in the industry

On competition in the micro financing business, with the exception of 6.3% of the MFI's who indicated that they did not face any competition, 93.7% of the MFI's affirmed that they face a lot of competition in the industry. The main competitors were other microfinance institutions and the commercial banks.

4.1.4 Availability and Composition of Board of Directors

The MFI's also responded to questions on various issues bordering on governance. When asked whether they have board of directors in place, with the exception of 12.5% of the MFI's, the majority (87.5%) affirmed that they had board of directors. The commitment of the board of directors was described as either high or excellent. Thus, all the MFI's who had board of directors stated that they were very impressed with the commitment of the board of directors.

On the structure of the board, only few (26.7%) had the CEO as chairman. For the majority (73.3%) of the MFI's, they have a separate chairman from the CEO.

The members of the boards range between 4 and 12, with an average number of 6 board members, but 35.9% of the boards, were however, composed of 7 members.

The MFI's also responded to question on the constitution/composition of the boards. Interestingly, the least group represented on the board of the MFI's were other professional bodies with an average of 3 members whilst women representation was highest averaging 4 women board of directors. This emphasizes that micro financing activities were pro-women which was reflective in terms of client composition, management staff and even board of directors. Perhaps, an indication that women were the most economically marginalized group hence poverty reduction programmes like micro financing should begin and end with women at the forefront.

On the responsibility of the board, the respondents stated that the board serves as the policy formulation grounds with the managers as implementers of the policies of the institutions. Thus, the respondents were highly aware of the existence and responsibilities of the board of directors of their respective institutions.

4.1.5 Personnel Constraints

Problems and challenges faced by the MFI's with regard to personnel included poor or low quality of personnel who lack professionalism, as a result of inadequate in-house training. Also, the MFI's cited lack of capacity building for staff coupled with difficulty in getting the right calibre of personnel. Inadequate staff therefore remains a major human resource challenge of the MFI's. The most critical issue in this regard cited by the MFIs was the fact that the big commercial banks use the power of the purse to attract their staff after they have trained them.

4.1.6 Management Constraints

The resultant effect of personnel constraints of the MFIs was that middle or supervisory levels were weak, lack of human resource management, lack of capacity building and a restrictive environment which ultimately affect the management of the operations of the MFI's.

4.1.7 Loan Recovery Constraints

The challenges faced by the MFI's with regard to loan recovery, included low salaries of clients, low yields for farmers, all of which affect clients ability to meet repayment schedules. Other loan recovery challenges enumerated by the MFI's include; few loan officers to enhance monitoring, lack of insurance for loans and sometimes non-purposeful utilization of the loans by the clients which result in high default rates.

4.1.8 Financial Constraints

On financial challenges, the MFI's stated that they are hindered by inadequate funds to meet their growing customer base, low savings by clients especially during Christmas, inadequate lending facilities, high interest rates from funding agents, and sometimes single donor support. The MFI's described their financial status as good, except for the Susu operators.

4.2. Environmental and regulatory framework of MFIs

On environmental and regulatory framework, 61.5% of the MFI's affirmed the existence of environmental and regulatory framework which was perceived as more restrictive (69.2%) than favourable. Thus, the majority of the MFI's had negative perception about the environmental and regulatory framework. This is what one Chief Executive said in response to the regulatory environment:

''The regulatory environment is restrictive in that we as FNGOs are by law not allowed to collect client's money for savings. Savings you and I know is the foundation for building a strong capital base which would have helped us to expand our outreach programme. What we are doing now is to direct our clients to a certain bank to deposit their monies there.''

Another Chief Executive in the savings and loans institution reflected as thus:

''Our ultimate goal is to transform this operation into a commercial bank, but the increase in the minimum capital requirement by the government is a big blow to us. It has somewhat derailed our plans but we are going back to the drawing board to see how we can strategize to achieve our goals. We are talking to our partners abroad.''

Again, another Chief Executive who operated a Susu company was rather concerned about tax payments:

''You see all Susu companies are not the same in terms of size and even where they operate significantly affect their revenue generation. We pay assessed tax which is across board and I think it is arbitrary and discriminatory. We operate mostly in the markets and the market women only do repayments on these market days when they have come to sell their wares. Some parts of the country have large markets and again some have more market days in a week. We only have one market day in a week while others have two or three market days in a week.''

4.3 Future Sustainability of MFI

The opinions of the MFI's were sought on the future and sustainability of micro financing in Ghana. With the exception of few (11.90%) of the MFI's who doubted the sustainability of micro financing in Ghana, describing it as highly constrained and short-lived, the majority (88.10%) were optimistic. They expressed the hope of a bright future for micro financing in Ghana, but only if the operational framework is based on sound business principles and measures.

4.3.1 Emergency Loan and Sustainability of MFIs

It is argued that one of the failures of the traditional banks that MFIs came to correct was closeness to the community who are mostly poor by responding to their emergency needs. Granting of emergency loans was therefore considered a bait to attract and retain clients and enhance the sustainability of the MFIs. In line with this it was hypothesized that: *If executives increase their response to emergency loans, then sustainability of MFI's will increase.*

The results in Table 1 show the relationship between granting of emergency loans and the sustainability of the MFIs.

Table 1: Emergency Loans and Sustainability of MFIs

Granting of emergency loan	Sustainability of MFI		Total
	Yes	No	
Yes	76 (71.7%)	8 (100%)	**84(73.7%)**
No	30(28.3%)	-	**30(26.3%)**
Total	**106(100%)**	**8(100%)**	**114(100%)**

It can be observed that the majority (71.7 %) of the MFIs who granted emergency loans to clients were perceived as sustainable compared to those who did not (28.3%) and yet were perceived as sustainable. There were others who did not grant emergency loans (7.0%) and were not perceived as sustainable. Thus sustainability of the MFIs was significantly (X^2=21.15, df=1, p< 0.012) dependent on the granting of emergency loans to clients. Therefore, *the hypothesis that if MFIs increase their response to emergency loans, then sustainability will increase was supported.*

4.3.2 MFIs Job Creation and Sustainability

It has been argued that MFIs must move away from only the provision of loans to direct job creation by way employment through the setting of businesses with the indigenes as the workforce. The premise is that if MFI create jobs they will help employ people who are incapable of self-employment and managing the loans or funds made available to them, empower them in so doing thereby helping to alleviate poverty which is the main aim of micro financing. The direct job creation by the MFIs will also enhance their sustainability. In line with this it was hypothesized that: *If MFIs create jobs directly, then sustainability will increase.*

The data for the study as shown in Table 2 revealed that those MFIs (55.7 %) that created jobs for their clients were perceived as sustainable as those who did not (44.3%). Thus there was a significant relationship between direct job creation by the MFIs and their sustainability (X^2 = 6.04 , df =1 and p< 0.05).

Table 2 Creation of Jobs for Clients by MFIs and Sustainability

Creation of jobs by MFIs	Sustainability of MFI		Total
	Yes	No	
Yes	59 (55.7%)	8 (100%)	**67 (58.8%)**
No	47 (44.3%)	-	**47 (41.2%)**
Total	**106 (100%)**	**8 (100%)**	**114 (100%)**

In effect, there was enough evidence at the 95% significance level to suggest that MFIs sustainability was dependent on their direct creation of jobs for their clients. *Therefore the hypothesis that if MFIs create jobs directly, then sustainability will increase was supported.*

4.3.3 Competition and sustainability of MFIs

Healthy competition is good for all economic activities and for that matter a vibrant micro financing industry. Evidence point to increased engagement in micro financing activities by commercial banks and even foreign owned institutions who have higher capital and can afford to charge lower rates just to attract clients. In effect competition for the clients in the industry has direct implications for sustainability. In line with this, it was hypothesized that "*Increased competition in microfinance will lead to increased sustainability"*. The result (X^2=1.612 , df=1 and p<0.201), was obtained for the relationship between competition in microfinance delivery and sustainability. In effect sustainability of MFIs was not significantly dependent on competition. Thus very low levels of competition by the MFIs correspond with their low levels of sustainability. The result was not significant at 0.05 level. Therefore, at 95% significance level, *the hypothesis that if there is increased competition in microfinance then sustainability will significantly increase was not supported.*

4.3.4 Availability of Board of Directors and Sustainability of MFIs

The existence of Board of Directors is the first step towards effective and efficient institutional management since they give strategic directions for the attainment of organizational objectives, vision and mission. It is said that a strong and effective Board translates into both efficiency and effectiveness of organizational objectives. To answer the question as to whether the presence of Board of Directors ensures good performance of MFIs, it was hypothesized that "*If Board of Directors are existent in MFIs, then sustainability will increase".*

The result (X^2=0.612 , df=1 and p<0.601), was obtained. The relationship was however not significant (p>0.05). Therefore at 95% significant level, *the hypothesis that if Board of Directors are existent in MFIs, then their sustainability will increase was not supported*

4.3.5 Personnel Constraints and Sustainability of MFIs

An institution's ability to attract and retain high quality staff, may enhance their sustainability in that these high calibre staff then become the pivot on which the micro finance delivery revolves. Evidence from the exploratory study point to difficulty on the part of most MFIs to retain or attract qualified personnel due to the presence of the big financial institutions who could afford better remuneration. We ascertain the impact of personnel constraints on the sustainability of MFIs, and a strong and positive result (X^2=22.05 , df=1 and p<0.001), was recorded for the relationship between quality of personnel and sustainability of MFIs. This means that a very high calibre staff corresponds with sustainability of MFIs. Therefore at 95% significance level, *the hypothesis that if MFIs employ and retain qualified staff, then their sustainability will significantly increase was supported.*

4.3.6 Loan Recovery and Sustainability of MFIs

The ability of the MFIs to embark on outreach programmes, recover loans and cover their operational costs enhances their survival or sustenance. Considering the difficulty in recovery of loans by MFIs due to unplanned movement and relocation of clients, among others, the study set out to understand the bearing that loan recovery has on the sustenance of the MFIs. The hypothesis was that "*If there are difficulties with loan recovery, then the sustainability of the MFIs will decrease".* There was a positive and strong relationship between loan recovery and sustainability of MFIs. A very high and significant (X^2=25.05 , df=1 and p<0.000) result was recorded). This confirms the findings that progressive lending based on prompt repayments, frequent repayment schedules and compulsory savings (Nissanke, 2002), are most essential in ensuring sustainability of MFIs. Therefore, at the 95% significant level, *the hypothesis th*at *if there are difficulties with loan recovery, then the sustainability of the MFIs will decrease was supported.*

4.3.6 Regulatory Framework and Sustainability of MFIs

Regulatory framework could be financial (principles, rules, standards and compliance procedures) as defined by Ledgerwood (2000) or prudential (designed to avoid banking crisis and maintain integrity) as stated by Chavez and Gonzalez-Vega (1995). Where the regulatory framework is outdated or perceived as not favourable, it is likely to affect the sustainability of the MFIs. The regulation that governs the MFIs in Ghana is the Cooperative Decree (NLDC 252 of 1968). The question therefore is to what extent does the nature of the regulatory framework impacts on the sustainability of the MFIs? In line with this it was hypothesized that "if the regulatory framework is favourable, it will increase the sustainability of MFIs significantly"

The results in Table 3 revealed that where the regulatory framework was considered favourable the MFIs were sustainable (78.1%). Conversely where regulatory framework was perceived as restrictive the MFIs were not considered sustainable (21.93%). Thus, there was a significant relationship between sustainability of the MFIs and the nature of the regulatory framework (X^2=28.20 , df=1 and p<0.000).

Table 3: Regulatory Framework and Sustainability

Nature of regulatory framework	Sustainability of MFI		Total
	Yes	No	
Favourable	89 (78.1%)	-	**89 (78.1%)**
Restrictive	-	25 (21.93%)	**25 (21.9%)**
Total	**89 (78.1%)**	**25 (21.93%)**	**114 (100.0%)**

There was therefore enough evidence at the 95% significance level to suggest that MFIs sustainability was dependent on the nature of the regulatory framework. Hence *the hypothesis that if the regulatory framework is favourable, it will increase the sustainability of MFIs significantly was supported.*

5.0 Conclusions and Recommendations

The study concludes that certain environmental and governance factors influence sustainability of MFIs in Ghana. The factors identified include emergency loans, job creation, highly qualified staff, increased loan recovery and favourable regulatory framework. MFIs in the formal sector operate within a rigid regulatory and supervisory environment which presents some challenges for innovations, outreach and the overall performance of such institutions. There is also an absence of specific Central Bank regulatory guidelines for the apex bodies in the semi-formal and informal sectors for the supervision of their members which may account for the high interest rates charged by most MFIs. This has culminated in uncoordinated oversight roles and responsibilities which do not adequately address the need for better and safer performance by their member institutions. Regulations for disclosure and transparency could help build confidence in the operations of microfinance providers.

The study found that emergency loans given to clients are critical to the operations of the MFIs as indicated by 60.0% of the sampled institutions. It was established that there is a positive relationship between the response to emergency loans and sustainability of MFIs. Job creation by the MFIs was high (52.2%), even though it appeared to be indirect, and it was found that the higher the job creation ability of MFIs and the higher the chances of sustaining its operation. Competition from the bigger financial institutions was stated as a difficulty for most of the MFIs, but the capability of the MFIs to cope with this growing competition improves their sustainability index. Most MFIs were found to have effective boards in place, however there was no evidence to support the fact that the existence of the Board of Directors impacts on sustainability of MFIs. The caliber of human resource that MFIs engages is crucial factor in its sustainability and the study provides sufficient evidence to support this fact. Loan recovery was perceived as critical to the sustainability of MFIs, and so was the regulatory framework and environment. We recommend the improvement in the regulatory environment of MFIs by the central bank through enhanced coordination and harmonization of the oversight responsibilities within a common framework. The study considers the impact of existence or non- existence of board of directors on the sustainability of MFI. Future researches may focus on the characteristics of boards of MFI and the sustainability of the MFIs.

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