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Historical emergence of microfinance and the microfinance sector in Ghana.

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Abstract
The study reviewed the historical emergence of microfinance in general and Ghana in particular. It was found that microfinance started as pawnshops with affordable interest rates to Irish loan fund, then to co-operatives, agricultural credits, small loans to poor women and farmers then formally microcredit and finally microfinance (Microcredit plus savings, insurance, money transfers, and non-financial services). In Ghana, microfinance was started by the government offering subsidised credit to farmers, then through NGOs, then establishment of Agricultural Development Bank to supply small loans to the agricultural sector, then establishment of Rural and Commercial Bank, to formalisation and commercialisation of MFI.

Keywords: Commercial Banks, Emergence of Microfinance, Financial services, Microcredit, Microfinance Institutions (MFIs), Rural and Community Banks(RCB)

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INTRODUCTION

Microfinance refers to a range of financial services to the poor; this includes not only credit, but also savings and other services such as insurance and money transfers. The history of microfinance has been reported in different ways by different authors (Copestake, et, al., 2016). According to Fouillet, et, al.(2013) microfinance has grown over the last two decades into an important sub-field of development studies and that microfinance interventions have provided fertile ground for research into the causes and consequences of poverty. Microfinance has attracted debates and controversies because of its claim of growing microenterprises, creating employment, empowering people especially women and eventually reducing poverty. It is important to recognise that microfinance is not a new phenomenon and that every country has its own history of microfinance evolution. The study therefore examines the historical emergence of microfinance in general and Ghana in particular.

Statement of the problem

The evolution and hence the history of microfinance has not been very clear in the microfinance literature. Whilst some claim microfinance began in Bangladesh by Professor Mohammed Yunus(Sinha, 2013), others like Rahman (2010) and Ashta, et, al.(2016) claim it started in Europe, while some also believe that the history of microfinance is traceable to Latin America and even the United States of America(Bateman, 2014). In spite of all these, it must be recognised and appreciated that every country has its own history of evolution or emergence of microfinance because microfinance is not a new phenomenon in each country. The study therefore reviews literature on the history of microfinance in general and Ghana in particular hence the title" Historical emergence of microfinance; the Ghanaian perspective."

LITERATURE REVIEW

The Historical Emergence of Microfinance

Microfinance has emerged or evolved from various stages including microcredit. The concept of microfinance has gone through different historical stages and landmarks, each of which has its own features and characteristics, however always focusing on the needs of the poor (Rahman, 2010, Ashta et al., 2016).

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Middle Ages (15th and 16th Century)
In 1462 the first official community-oriented pawnshop was established in Europe by an Italian monk to offer reasonable and affordable interest rate to needy people to counter the practice of offering loans at unreasonable high rate of interest (usury rates) offered by the informal savings and credit groups (Rahman, 2010). According to Ashta et al. (2016), these pawn shops demanded collateral from the beneficiaries of the small loans. However, in order to cover their operating costs in 1515 Pope Leon X authorised pawn shops to charge adequate interest rates to cover their operating costs (Rahman, 2010).

1700s (18th Century)
In the early 1700s Jonathan Swift initiated and hence developed the Irish Loan Fund System in Ireland (Rahman, 2010). Rahman (2010) further indicated that this system advanced small loans to poor farmers who had no collateral. At its peak, the Irish Loan Fund System was lending to 20 percent of all Irish households yearly. This model, pioneered by Jonathan Swift in the eighteenth century, is believed to be the earliest attempt to offer small loans to the poor (Ashta et al., 2016). According to Hollis and Sweetman (2007), by 1840 the Irish Loan Fund System (which has since collapsed due to poor and incompetent management, and competition from banks) was fairly well developed, and had established 300 Loan Funds making thousands of loans annually. The total loan size granted at that time represented an average annual per capita income of the poorer two-thirds of the Irish population of the time (Ashta et al., 2016).

1800s (19th Century)
The concept of the financial cooperative was developed by Friedrich Wilhelm Raffeisen and his supporters in Germany in the nineteenth century (Rahman, 2010). This model was a mutual agricultural credit to support the activity of peasants. From 1865 the cooperative movement spread rapidly within Germany and other countries in Europe, North America and eventually developing countries. The focus of these co-operative financial institutions was mostly on savings mobilisation in rural areas in an attempt to teach the poor farmers how to save (Ledgerwood, 1999). Raiffeisen (one of the founders of credit unions in Europe) believed that there is a correlation between poverty and dependency, so in order to eliminate or minimise the incidence of poverty one should first of all fight dependency (Seibel, 2005). Based on this philosophy, Raiffeisen developed the three 'S' formula: self-help, self-governance, and self-responsibility (Seibel, 2005). In 1850, Herman Schlez-Delitzsch, a German, established an urban savings bank in Germany to assist the poor access loans (Ashta et al., 2016). In 1865, Rochdale Equitable Pioneers, a company in Manchester in England, similarly started offering loans to those excluded from the traditional commercial banks (Ashta et al., 2016).

The 1900s (20th Century)
In the 20th Century different countries and institutions adapted, modified and refined the above models to suit their respective environments. Latin America, United States of America, Indonesia, Bangladesh, Kenya, Ghana and many more adapted the models to suit their respective environments and peculiar situations. This historical era can be looked at as different phases as follows:

1950-1970
The origin of the contemporary microfinance is traceable to the 1950s in the United States of America during the period of the Cold War, according to Bateman (2014). Those socialist/leftist individuals and institutions who opposed capitalism in the US operated under repressive economic conditions dictated by the American government. As a result of this oppression, most of the socialist/leftist individuals and communities became poor and so there was the need to support them. A strategy therefore was put in place to help provide the basic needs of the people in the form of loans, food aid, infrastructure, technical support, and so on, in the hope that these small gains would be sufficient to accommodate the increasing pressure for more radical change (Bateman, 2014).

At the same time, in many countries institutions including NGOs were making attempts to increase access to agricultural credit using government-owned development finance institutions, or farmers' cooperatives, to channel concessional loans and on-lend to customers at subsidised lending rates (Rahman, 2010). In Ghana, for example, the Government established the Agricultural Development Bank (ADB) in 1965 specifically to cater for the financial needs of the agricultural and fisheries sector (Amoah, 2008). The capital of most or all of these development banks was eroded because their subsidised interest rates could not cover their high operating cost. In addition to the high operation cost, most of the clients defaulted hence the banks could not sustain their operations (Rahman, 2010). The high cost of operation was also due to the fact that most of these institutions provided the small loans in very remote or geographically dispersed areas (Ashta et al., 2016).

1970s

In the 1970s a number of experiments were initiated focusing on women in particular. These experimental initiatives, according to Ashta et al. (2016), advanced small loans to groups of poor women to invest in micro-enterprises, and microcredit was born. Early pioneers include Grameen Bank in Bangladesh, ACCION International in Latin America, and the Self-Employed Women's Association Bank in India (Rahman, 2010). For example, in 1976, Professor Mohammed Yunus, who aimed to help the poor out of poverty loaned $27 from his own resources to 42 female micro-entrepreneurs in Jobra in Bangladesh. This idea later led to the formation of Grameen Bank in Bangladesh. Due to this, Sinha (2013) is of the view that microfinance began in Bangladesh and parts of Latin America in the mid-1970s to grant credit to the poor who were generally ignored by the traditional financial institutions. In Ghana, for example the Government, in 1976, initiated the idea of Rural and Community Banks (RCBs) to offer credits to micro and small enterprises and to lend to the agricultural sector.

1980s

Ledgerwood (1999) believed that microfinance started in the 1980s as an answer to doubts and research outcomes about state delivery of subsidised credit to poor farmers. In the 1980s microcredit programmes throughout the world improved on the original methodologies. Lenders started thinking of cost recovery and hence sustainability so they started charging market interest rates. Typical examples include Bank Rakayat Indonesia, Grameen Bank and many more, which moved away from subsidising the poor and started charging cost-recovery interest rates (Rahman, 2010). The cost-recovery interest rates and high repayment rates have enabled them to reach large numbers of clients and to achieve long-term financial and operational sustainability (Ashta et al., 2016). Bank Rakyat Indonesia, a state-owned, rural bank, defied the conventional wisdom of providing subsidised credit to the poor and took an institutional approach that operated on market principles (Ashta et al., 2016; Rahman, 2010). In particular, the Bank designed an innovative motivational and open set of incentives to staff and clients (small farmers), rewarding on-time repayment and depending on voluntary savings mobilisation as a source of funds (Rahman, 2010).

1990---Today

From the 1990s to today the term 'microfinance', which encompasses not only credit or small loans but also savings and other services such as insurance and money transfers to the poor, has replaced the term 'microcredit' (UNEP, 2015; Rahman, 2010). According to Collins, Morduch, Rutherford and Ruthven (2010), micro-credit alone creates problems; the poor do not only need small loans but also micro-savings and other financial services/products, hence microfinance. In fact, the borders between traditional microfinance and the larger financial system are starting to blur. In some cases one cannot differentiate between the traditional commercial banks and the microfinance institutions (Rahman, 2010). The reason is that, in some countries, banks and other commercial actors are entering microfinance and so one cannot see any clear distinction between microfinance firms and the traditional commercial banks.

Some microfinance institutions have acquired bank licences so they are now banks; for example K-Rep in Kenya, and Grameen Bank in Bangladesh. Increasing emphasis is placed on building entire financial systems that work for the poor. In Ghana many traditional banks have entered the microfinance sector and so are providing microfinance services including the provision of micro-credit to micro and small enterprises.

To conclude, it can be said that some microfinance institutions world-wide are doing very well to respond to the needs of the poor. One such MFI is the Grameen Bank, which has achieved an unprecedented feat. Formed in 1983, the Grameen Bank as at December, 2017 served more than 8.9 million borrowers (96.6% of them were female), had 2,568 branches, served 81,400 villages, staff strength of 26,000 employees, disbursed loan of USD23, 596.17 million to clients (USD10,727.75 million to microenterprises), had 1,381,103 groups, 716, 642 houses built with housing loan and a loan recovery rate of 99.24% (Grameen Bank, 2018). In 2013, the number of microfinance borrowers in total in the world was 211million (about 90% of them were women) of which 114 million were the poorest borrowers (Morduch, 2016). Microfinance has significantly evolved from individual credit/loans to group loans, especially for women using social pressure as collateral to its present definition as a broad set of financial and non-financial services tailored to benefit the poor individual, both male and female (CGAP, 2015; Ledgerwood, 2013 cited by Geisser, 2016).

EVOLUTION OF MICROFINANCE IN GHANA

According to Asiamah and Osei (2007) and Amoah (2008), the concept of microfinance is not new in Ghana. The people of Ghana have traditionally saved with individuals/groups and contracted loans from individuals and groups within the concept of self-help to set up enterprises or farming ventures. The available literature dictates that in 1955 the first credit union in Africa was established in Northern Ghana by the Canadian catholic missionaries. Further, according to Amoah (2008) and Asiamah and Osei (2007), *Susu*, one of the microfinance methodologies, is believed to have started in Nigeria and spread to Ghana in the early 1990s.

According to Amoah (2008), the evolution and development of the microfinance sector in Ghana have been through the following:

- Supply of subsidised credits in the 1950s;
- Formation of Agricultural Development Bank (ADB) in 1965 specifically to address the financial challenges of the fisheries and agricultural sector;
- Establishment of Rural and Community Banks, and the promulgation of regulations such as commercial banks being required to reserve 20% of their total portfolio to promote lending to agricultural and small scale industries in the 1970s and early 1980s;
- Moving from a restrictive financial sector regime to a liberalised regime in 1986;
- Promulgation of PNDC Law 328 in 1991 to permit the setting up of different categories of non-bank financial intermediaries, including savings and loans companies, and credit unions.

Asiamah and Osei (2007), on the other hand, are of the view that, like microfinance world-wide, microfinance in Ghana has evolved or developed through four (4) distinct phases. These phases, according to Asiamah and Osei (2007), are described below:

- **Phase One**: The supply of subsidised credit by Governments beginning in the 1950's when it was assumed that the lack of money was the ultimate obstacle to poverty alleviation.
- **Phase Two:** This phase involved the supply of micro-credit mainly through NGOs to the poor in the 1960's and 1970's. During this period sustainability and financial self-sufficiency were still not considered relevant.
- **Phase Three:** In the 1990's the formalisation of Microfinance Institutions (MFIs) began.
- **Phase Four:** Since the mid 1990's the commercialisation of MFIs has gained importance with the mainstreaming of microfinance and its institutions into the financial sector.

Sustained growth and significant poverty reduction over the recent decades have made Ghana an African success story. According to the Ghana Statistical Service (2013), notwithstanding the fact that the private informal sector is the largest employer of the working population in Ghana, for a greater number of micro and small scale entrepreneurs, the lack of access to financial services is a critical hindrance or obstacle to the growth of viable micro-enterprises (Adjei, 2010). Accordingly, the emergence of the microfinance

revolution brought about the processes required to democratise capital and allowed diversification and expansion of economic activities by micro-entrepreneurs (Robinson, 2001).
From very humble beginnings of church and NGO led microfinance, the microfinance sector has grown to occupy a prominent place in the development agenda of Ghana. At the close of December 2014, MFIs in the country had a total of over 8 million clients of which 62% were women; contributed between 13-15% of total banking assets; and employed 31,071 of the labour force in Ghana (Gyamfi, 2016). Currently (2020) there are 137 microfinance institutions in Ghana after Bank of Ghana (Central Bank of Ghana) revoked the licenses of 347 microfinance institutions in 2019 for insolvency and non-compliance of laws and regulations. This reduces the number of suppliers of microfinance but at the same time cleaning the microfinance sector of inefficient and fraudulent suppliers. The implication is that clients will have more confidence in the microfinance sector.

Types of Microfinance Institutions in Ghana

According to Bank of Ghana, the microfinance sector in Ghana can be categorised into four main groups: formal, semi-formal, informal and public programmes.

Formal Institutions

The formal institutions are mainly institutions with a relatively large asset base authorised to operate as limited liability financial companies under the Companies' Code 1963, the Banking Law (1989) and the Financial Institutions Law (1993). Formal microfinance institutions in Ghana include: Commercial Banks, Savings and Loans Companies (S & Ls), and Rural and Community Banks (RCBs).
According to Amanor (2012), RCBs are formed with the sole objective of mobilising rural and community capital resources. Rural and Community banks are classified as unit banks owned solely by the community to perform such functions as to finance agricultural activities, finance micro and small enterprises, and individuals within the catchment area. A unit rural bank, according to IFAD (2000), serves within a range of 53000 km^2; however recent developments show that a greater percentage of the rural banks are operating outside their catchment areas and, more or less, performing the functions and duplicating the structure of commercial banks. The activities of RCBs are not only crucial to national development but also the growth of microfinance in the country as well. For example, as at the end of 2006, the total loans disbursed by all rural banks totalled GH¢115.10 million (Asiama & Osei, 2007). From 2004-2006, in absolute terms, RCBs increased the breadth of their outreach by 61% thereby serving a larger clientele than any other category of MFI (GHAMFIN, 2008).
Commercial banks are the next category classified under this broad type of MFIs. These are made up of the traditional banking institutions including development banks (Amanor, 2012). The universal banks/commercial banks are mainly concentrated in the urban and peri-urban areas. A peri-urban area is classified as an interaction or transition zone, where rural and urban activities are juxtaposed or interact, and where human activities influence the rapid modifications of landscape features (Douglas, 2006). The commercial banks mainly target the rich and the urban middle income households as their clientele (Amanor, 2012). A research conducted by UNDCF (2008) revealed that only about 5% of households are reached and hence served by the commercial banking system, with most of the population excluded due to their inability to satisfy the high minimum deposit requirements. With 60% of the money supply outside the commercial banking system, the semi-formal, informal financial systems, the rural banks, and savings and loans companies, play a particularly significant role not only in Ghana's poverty reduction strategies but also private sector development.
Savings and Loans Companies (S&Ls) are also categorised as formal suppliers of microfinance services. They form a very vital component of the microfinance sector in Ghana even though they are restricted on the number of services they can provide. At the close of 2014 there were 24 S&Ls in Ghana, up from 14 in 2007 (Gyamfi, 2016). The money value of total assets of all savings and loans companies in Ghana by the end of 2008 exceeded $167m, which forms about 2% of the money value of the total assets of all commercial banks in the country at that time. In addition to the above, savings and loans companies mobilised total savings to the tune of $88m and disbursed a total of $96m as credit to clients. According to

Adjei (2010) aside from the rural banks which perform well in the microfinance sector, the savings and loans companies are equally increasing their performances; as at the end of 2008, the 14 S&Ls and 128 RCBs together had an outstanding loan portfolio of GH¢345.8m and a total savings deposit of GH¢471.02m (representing about 70% of the total savings portfolio).

Semi Formal Institutions

These are companies that are registered to provide welfare services to their members and beneficiaries but are not licensed by Bank of Ghana. The implication is that, in case of bankruptcy or collapse of these institutions, customers may not have their deposits returned to them, because Bank of Ghana will not pay. The reason is that these institutions are not required by law to deposit a percentage of their cash with Bank of Ghana, so they do not have any deposit with Bank of Ghana. This is not good for the customers. They include: Non-Governmental Organisations (NGOs) and Credit Unions. There are two categories of NGOs: those that supply financial services and those that supply non-financial services such as advocacy on issues of sanitation, rights of the vulnerable and environmental protection (Amanor, 2012). NGOs are mainly established with the aim of reducing poverty levels; and since they do not have the licence to mobilise savings deposits from clients, they depend mostly on donor support or external funds to perform these activities effectively (Steel & Andah, 2003). They are typically localised and are mostly found in the northern part of Ghana where the number of the formal banking intermediaries is marginal or in some areas non-existent. On the contrary however, a limited number of NGOs, especially the financial NGOs, are widespread. These financial NGOs mainly adopt the group solidarity methodologies centred on already existing Community-Based Organisations (CBOs) formed on the basis of friendship, family ties, gender, occupations or location to serve a social purpose at the community level (Chord, 2000). A significantly high percentage of women clients are involved in the activities of NGOs (95% in 2004; 88% in 2005; and 90% in 2006). It is asserted by GHAMFIN (2008) that the above is as a result of their social orientation and also the sources of their loanable funds, which tend to have a high social content and target women to achieve their social objectives. They concentrate on women and the poor and so do not provide greater opportunities for a wider cross-section of society.

Credit Unions, on the other hand, are workplace-based where the majority of employees (if not all) are members. They have the legal backing to take or accept deposits and grant loans but only to their members: they are therefore more exclusive. Non-members cannot be granted loans. Unlike most forms of microfinance institutions, the services of Credit Unions are not opened to the general public. They are registered by the Department of Cooperatives and are governed by the apex body, Ghana Cooperative Credit Unions Associations. There were 555 credit unions in Ghana and they employed 2,516 people as at the close of 2014 (Gyamfi, 2016).

Informal Sector

The informal sector under the microfinance industry mainly consists of the Susu system, the activities of money lenders, self-help groups, trade creditors and family loans (Fosu, 2008). The Susu system is made up of Susu companies, Susu collectors, Susu clubs, and Susu associations. Susu system is an informal financial institution where members are required to make small deposits daily for at least three months before one qualifies for a loan (a multiple of one's total deposit at the time of applying for the loan). They are regulated by an apex body called Ghana Co-operative Susu Collectors Association (GCSCA).

Indeed, irrespective of the type of MFI, the Susu system is the most widespread and perceptible methodology used across the landscape of microfinance institutions in Ghana. Also, in Ghana the susu system is one of the most corrupt and exploited systems of microfinance delivery. For example, a number of Susu companies and collectors have been reported to have absconded with people's deposits on countless occasions; more than GH¢150,000 of mobilised savings has been lost to embezzlement through the fraudulent practices of unregulated Susu collectors (GCSCA, 2017). The regulated Susu collectors are highly monitored, supervised and controlled by Ghana Co-operative Susu Collectors Association (GCSCA) so will find it difficult to abscond with clients' deposits even if they have the intention. GCSCA, which is one of the apex associations in the microfinance sector in Ghana regulates, supervises, monitors, develops and promotes the business of all Susu collectors in a manner that safeguards the interest of collectors, clients and other stakeholders. Even though this displays the need for stringent supervision and control, it also exposes the capacity of the Susu collection system as an effective mechanism for the mobilisation of resources at the informal sector level. At the close of 2016, GCSCA had a membership of 628, a clientele base of 323,516 (65% female, 35% male), and in 2016 alone contributed Ghc202million representing 0.12% of 2016 GDP of Ghana (GCSCA, 2017). It is convenient for the clients because the Susu collectors go to the clients wherever they may be to collect their deposits, send them the loan and also send them their total contribution less a day's contribution as commission at the end of every 31 days. Due to its contribution to the Ghanaian economy, the Government, through GCSCA, is putting in mechanisms to properly streamline their activities to safeguard the interest of clients, collectors, and all stakeholders.

Another category of MFIs, which also plays a significant role in the business of microfinance at the informal sector, are the money lenders. The basic difference between Susu and money lenders is that, whilst with Susu deposits are required before one qualifies for a loan, with money lenders no deposit is required. In actual fact, money lenders do not accept deposits. Literature has it that moneylenders in Ghana are largely traders and wealthy farmers (a large percentage being cash crop farmers) who have easy access to bank loans or own huge assets. Usually, they grant loans based on trust or sometimes through the witness of third parties usually friends, relatives or family heads. Credits, which normally have three months maturity with high interest, are made against secured collateral (Amanor, 2012).

Existing Interventions

Microfinance activities are found in the rural and urban areas of every region in Ghana. These microfinance activities are delivered through Government of Ghana (GOG) programmes, donor assisted programmes, microfinance institutions (such as rural banks, savings and loans companies, credit unions, NGOs, etc.), District Assembly initiatives, Community-based initiatives, Church-based programmes, etc.

The existing interventions can be classified under the following broad headings: Government support, Donor interventions, Public sector programmes, Private financial institutions.

Government Support

Government recognises that its commitment to poverty alleviation, particularly among the rural poor and women as well as vulnerable groups, can be met in part if access to credit for these groups is improved. Some initiatives by Government of Ghana to strengthen institutions in the sector are:

i. The government through the Microfinance and Small Loans Centre (MASLOC) disbursed an amount of Ghc 8,415, 855.50 to 4,592 beneficiaries (Office of Government Machinery, 2016). In 2018 alone Government through MASLOC disbursed loans to 41, 188 beneficiaries, procured 1530 tricycles, and 482 vehicles to micro-entrepreneurs (Ministry of Finance, 2018).
ii. The Ministry of Gender, Children, and Social Protection have enrolled 93,000 households onto the Livelihood Empowerment Against Poverty (LEAP) programme (Ashiagbor, 2018).

Donor Interventions

Donor support for Microfinance programmes have been primarily from the World Bank, European Union, UNDP, African Development Bank, CIDA, GTZ, IFAD, JICA, USAID, DANIDA etc.

The support has been in the areas of:

i. Providing grants to finance institutional development costs of MFIs with the objective of building capacity within these institutions to enable them to improve outreach to the rural and urban poor.
ii. Financing the purchase of fixed assets such as equipment, vehicles, and logistical support to enhance the mobility and institutional capacity for improving outreach, monitoring, supervision and general management of microfinance operations.
iii. Funding for Revolving Loan Funds (RLF) as a strategy for improving access to the rural and urban poor to loanable investment funds for investing in their micro /small scale and informal sector enterprises.

Both donor interventions and Government of Ghana support in the microfinance sector have positively impacted on poverty. This is because they make loans accessible to micro-enterprises at a relatively low interest rate, thereby expanding employment, increasing income and profit of micro-entrepreneurs leading to a reduction in poverty levels in many cases (Antwi, 2015).

However, some records also indicate that the intervention of donors and government in microfinance has negatively affected some MFIs. Indeed it has even led to the collapse of some of them. This is because the interest rate ceilings imposed by the donors and government undermine the ability of MFIs to cover their costs. It makes competition very keen and so the inefficient MFIs are competed out of business. In an attempt to compete strongly with the donors and governments, some MFIs offer high returns on clients' deposits, reduce their interest rates, open more branches leading to over-trading, and other strategies that eventually lead to collapse, slow growth, and negative growth of some MFIs (Antwi, 2015).

Public Sector Programmes

These are policy programmes run by the government and its development partner agencies aimed at reducing poverty and achieving the Millennium Development Goals (MDGs). Public sector programmes include, but are not limited to, Agricultural Services Investment Project (ASSIP), Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD), Financial Sector Strategic Plan (FINSSP), and the Financial Sector Improvement Project (Amoah, 2008; GHAMP, 2006). Politicisation of the programme, wrong public perception, misconduct of management and staff, and improper appraisal of projects are the main obstacles of public programmes (Amanor, 2012).

According to Steel and Andah (2003), of the many intervention schemes under the governance of the National Board for Small Scale Industries (NBSSI), only Enhancing Opportunities for Women in Development (ENOWID), which falls under PAMSCAD, was operationally successful and recorded a more than 70% recovery rate. Adjei (2010) and Quansah, Amankwah & Aikins (2012) reported that, as at mid-2009, the Government of Ghana's Micro and Small Loan Center (MASLOC) had only a 25% repayment rate.

Examples of public sector programmes include National Board for Small Scale Industries (NBSSI), Ghana Regional Appropriate Technology Industrial Services (GRATIS), and Enhancing Opportunities for Women in Development (ENOWID):

i. National Board for Small Scale Industries (NBSSI) is the apex governmental body for the promotion and development of the Micro and Small Enterprises (MSE) sector in Ghana. It was created by an Act of the Parliament of the Third Republic of Ghana (Act 434 of 1981) and became operational in 1985 because government views the sector as having the potential to contribute substantially to reducing poverty levels, the high unemployment, and contribute significantly to the growth of the economy of Ghana. Among the objectives of NBSSI is the linking up of micro and small enterprises to microfinance schemes (Amanor, 2016).

ii. Ghana Regional Appropriate Technology Industrial Services (GRATIS) project was established in 1987 by the Ministry of Industries, Science and Technology to promote small-scale industries in Ghana. To accomplish its goal, GRATIS was established and operates through a network of Intermediate Technology Transfer Units (ITTUs) now designated Regional Technology Transfer Centres (RTTCs). It currently operates in nine regions of Ghana to transfer appropriate technologies to small-scale industrialists through training, manufacturing, and the supply of machines, tools, plants and equipment. Among its objectives is the provision of credit facilities to support its clients (Asiedu, 2016).

iii. Enhancing Opportunities for Women in Development (ENOWID) Foundation was developed and implemented in 1991 as a UNDP project to provide technical and financial support to increase women's production, improve their management skills and the marketing of their products. Its main aim is to create opportunities for poverty reduction and empowerment through financial and technical support to rural women (World Bank, 1999).

The microfinance delivery component of the projects aims to increase the income of women through the facilitation of savings mobilisation and the provision of credit.

Private Financial Institutions

Private capital has been invested in microfinance activities through the services provided by MFIs, savings and loans companies, NGOs, and some commercial banks. Almost every month a new microfinance institution is established: of course some are licensed and hence have the legal right to operate whilst others are not. Bank of Ghana has mounted an operation to arrest and close down all the unauthorized microfinance institutions in the country. Recently, bank of Ghana revoked the licenses of 347 microfinance institutions in Ghana (Bank of Ghana, 2019).

METHODOLOGY

The study was purely a review of literature on historical emergence of microfinance. It started with a critical review of historical emergence of microfinance globally and then looked at the evolution of microfinance in Ghana, and microfinance sector in Ghana. Both articles written by foreign authors and those authored by local writers were examined and reviewed. Some of the authors whose works were reviewed include Adjei(2010), Amanor(2012), Geisser(2016), Fouillet, et al(2016), and Morduch(2016). In addition to that reports from Bank of Ghana, Ministry of Finance, Grameen bank, World bank, and UNDP were also reviewed.

CONCLUSION

In conclusion, the microfinance sector in Ghana is a thriving sector with lots of potential for growth and a lucrative market for investors and organisations who seek to diversify their assets into low risk, high yielding portfolios - the reason for the current commercialisation in the sector. Hence, practitioners should strive to minimise waste and be efficient producers for the sector to maintain its commercial viability and to continue to attract more investments for growth (Amanor, 2012). Secondly, for the sector to adequately achieve its aims of growing microenterprises, creating employment and ultimately reducing poverty, the MFIs, governments, donors and development partners should also provide the necessary environment to help microenterprises grow, and as a result reduce poverty. These include granting microloans at relatively low interest rate, flexible payment terms, good infrastructure, training and advisory services, etc.

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