

Country to Develop Micro Finance Policy

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Ghana will soon launch a Micro Finance Policy developed in consultation with policy makers, practitioners and end users. The introduction of such a policy is said to be the first in Ghana and in Africa as a whole.

The Chief Executive Officer of the Microfinance and Small Loans Centre, (MASLOC) Dr. John kofi Agyekumhene announced this at a Media / Small Scale Entrepreneurs dialogue on "Providing Credit to the Micro and Small Scale Enterprise (MSE) Sector - Role of MASLOC".

The dialogue was part of the initiative by the Ghana Journalist Association (GJA) and KAB Governance Consult with BUSAC Fund.

MASLOC manages the micro credit and small loans fund for micro enterprises largely operated by the productive poor, unemployed, small scale farmers, petty traders, mechanics and hairdressers among others. Under the fund, micro credit to groups or corporative and mechanics ranges from €250, 000 to a maximum of €10,000,000 with a concessional interest rate of 10% per annum.

The small loans can however be assessed on individual or group basis. The minimum amount an individual can access is €10 million and €250 million maximum.

It is meant to nurture and strengthen them into medium enterprises where they can be linked to banks. According to the CEO, although it is not the business of government to go into financial intermediation, it decided to establish MASLOC for financing due to the enormous credit gap facing these sectors.

He noted that close to four million people in Ghana are estimated to be poor, but the banks and other financial institutions are unable to develop adequate capacity to assist them due to the enormous demand for micro credit.

Dr. Agyekumhene observed that notwithstanding the positive prospects of these interventions, there seem to be a range of constraints with the biggest concern being low outreach and poor recovery.

"It appears that those who need credit most are not being reached. These are some of the issues the government wants to facilitate and address through MASLOC's coordinating leadership."

"The long term objective of MASLOC is to develop a decentralized, institutionalized and sustainable micro financial system which is non-and-prudentially regulated and maintains effective linkage with the formal financial system and with the integrated grassroots participation in the ownership, management and control of the institutions and activities."

Dr. Agyekumhene stated that his outfit will engage in dialogue with tertiary institutions on micro finance and small enterprises opportunities available to encourage graduates develop business foresight so as to walk into it after school.

"The nation is in the right direction using microfinance and small loans as tool for job and wealth creation under its GPRS I and II. Access to financial services is certainly an effective means for poverty reduction."

To make the fund easily accessible to targets, MASLOC has opened a regional office in each region headed by a regional coordinator with supporting technical and administrative staff.

In addition, each district has two or three sub-district offices managed by financial extension assistant. The Ghana government support fund principally supports programmes and activities under some Ministries, Departments and Agencies (MDAs).

Since last year, micro financial institutions such as Ghana Cooperative Credit Unions Association, Ghana Cooperative Susu Collectors Association, Financial NGOs as well as Savings and Loans Companies have been admitted into the Scheme.

Meanwhile, MASLOC has developed Special Scheme for People with Disability for which €5.700 billion has been allocated this year. This programme has been on going since 2004.

The other Special Scheme for which MASLOC has a budget of €3.00 billion this year is the one for Borstal and Ex- Convicts. Inmates who have acquired vocational training will be assisted with vocational credit on discharge. This, it is believed, will enable them settle properly in the society.