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INSTITUTIONAL FACTORS AND LOAN REPAYMENT CULTURE AMONG SMES CREDIT TAKERS OF MICROFINANCE BANKS IN KWARA STATE, NIGERIA

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Abstract

The sustainability and efficacy of microfinance banks are greatly aided by their culture of loan repayment; however, Nigerian microfinance banks have been dealing with high default rates and excessive debt from loans given to credit takers across various categories. Hence, this study investigates the effect of institutional factors on the loan repayment culture of the credit takers of microfinance banks in Kwara State. The study gathered primary data from loan officers, account officers and marketers of the 33 microfinance banks in Kwara State as of 2023. Using multi-stage sampling technique, 160 microfinance banks' staff across the 3 senatorial districts in Kwara State were sampled. The study utilized robust OLS regression to evaluate the model, which confirmed that regulatory shortcomings along with operational inefficiencies and governance issues impact microfinance bank loan repayment practices among SMEs in Kwara State. However, the loan repayment culture of Kwara State microfinance banks' credit takers is not affected by government policy. The study concluded that institutional factors influence the payment culture of microfinance bank borrowers in Kwara State. Hence, it was recommended that regulatory frameworks and stringent parameters be designed to eliminate operational inefficiencies and monitor credit disbursement and recovery.

Keywords: *loan repayment culture, regulatory shortcomings, operational inefficiencies, governance issues, Microfinance Banks*

JEL Classification Code: G21, H81, I18, G34

INTRODUCTION

The important role of microfinance banks (MFBs) in the nation-building cannot be overemphasized considering the MFBs' efforts in promoting financial inclusion, especially among small businesses and low-income populations. Microfinance banks provide indispensable financial services ranging from deposit-taking on different forms of accounts, insurance, and microloans which ultimately help expand businesses, stimulate economic development, reduce poverty and improve the standard of living (Christanto & Prasetyo, 2019). Additionally, microfinance banks contribute to women's empowerment by availing them financial independence and entrepreneurship opportunities while broadening the economy to reduce vulnerability to financial shocks through risk mitigation tools and micro-insurance policies (Agbola, et al., 2020; Akinadewo, 2020).

Essentially, the granting of loans by microfinance banks immensely assists in actualizing microfinance banks' objectives but this act of financial services has over time been hampered by the loan repayment culture of the credit takers (Muriu, 2020). This can be attributed to many

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factors of which the prominent ones are the institutional factors. Ali and Hassan (2019) asserted that while assessing the loan repayment performance and credit risk of microfinance banks, institutional factors are vital in ensuring prompt repayment. The regulatory environment, governance quality and institutional efficiency with clear guidelines will not only promote transparency and accountability but also enshrine robust governance structures that implement effective collection strategies, better manage credit risk and assess borrower creditworthiness (Khandker & Samad, 2021).

In Nigeria, microfinance has countless challenges arising from different perspectives. The credit risk-related challenges are bent on the loan repayment culture of the credit takers. The credit takers are banking on regulatory shortcomings, governance issues and operational inefficiencies which are the main components of the institutional factors (Bongomin, 2019; Oke, et al., 2020). Specifically, while inconsistent or weak regulatory framework results in inadequate oversight//monitoring of loan utilization and poor lending practices in microfinance institutions, ineffective governance structure results in poor decision-making, mismanagement of funds and corruption which ultimately influence the loan repayment culture of the credit takers (Mwangi & Muturi, 2020). Also, the ineptitudes in the modus operandi of microfinance banks such as inadequate follow-up mechanisms, delayed loan disbursements, lack of skilled personnel, inadequate technology, poor customer service and poor organizational structure ultimately result in operational inefficiencies which later influence the repayment culture of the credit takers (Nguyen, 2021; Quadri, et al., 2024).

With respect to institutional set-up, the majority of Nigerian credit takers obtain loans from microfinance banks without security thus they feel reluctant and their default behaviour persists. The serious problem arises from the inefficient legal system which grants no punishment for default misconduct of the credit takers and this has loan repayment assurance becomes challenging thereby presenting a high risk to microfinancing operations (Enimu, et al., 2017). The CBN issued guidelines on "Global Standing Instruction (GSI)" on July 12, 2020, with the objective of reducing credit default risks for borrowers and loan recovery for credit institutions as a way to enhance the trust of creditors within Nigeria. The vital role of microfinance banks in national development requires an analysis of institutional factors influencing loan repayment behaviours of credit takers from Kwara State Microfinance Banks. To achieve this objective and align with the indicated research problems, the following hypotheses are specified in null form:

H_{O1}: Regulatory shortcomings do not significantly affect the loan repayment culture of credit takers of microfinance banks in Kwara State;

H_{O2}: Governance issues do not significantly impact on the loan repayment culture of credit takers of microfinance banks in Kwara State;

H_{O3}: Operational inefficiencies have no significant effect on the loan repayment culture of credit takers of microfinance banks in Kwara State;

H_{O4}: Government policy does not significantly affect the loan repayment culture of credit takers of microfinance banks in Kwara State.

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LITERATURE REVIEW

2.1 Conceptual Clarification

2.1.1 Microfinance Banks

Khamis (2019) defined microfinance banks as financial institutions that provide a series of financial services including insurance, credits and savings to groups or low-income individuals who typically lack access to conventional banking services. Microfinance banks bridge the gap between the unbanked population and the formal financial sector via the promotion of financial inclusion that offers small-scale financial services to the economically active poor. Microfinance banks are also perceived as specialized banks that concentrate on savings products, provision of microloans and other financial services to small businesses and micro-entrepreneurs (Sharma & Gupta, 2020; Amadi & Uche, 2021, Abdulrauf, et al., 2024).

2.1.2 Regulatory Shortcomings

Bello and Akinyemi (2019) described regulatory shortcomings as the weaknesses, deficiencies or gaps in the design, execution/implementation or enforcement of regulatory frameworks that fail to satisfactorily control or guide the activities of institutions, thereby leading to ineptitudes, risks or antagonistic results in the regulated sector. Regulatory shortcomings are the limitations and defects within the subsisting supervisory and regulatory policies in the form of ambiguous rules, lack of coordination among the regulatory bodies, ineffective monitoring mechanisms among others hamper the control and effective governance thereby leading to unintended adverse consequences (Chukwu & Obasi, 2021). Osei and Mensah (2020) asserted that regulatory shortcomings may arise from the insufficiencies or ineptitudes of the regulations governing a particular industry in the form of lack of oversight, insufficient enforcement and outdated laws.

2.1.3 Governance Issues

Governance issues refer to the problems and challenges connected to the practices, processes and structures that determine how an entity is controlled, directed and held accountable by focusing on the conflict of interest, lack of transparency, inability to strictly adhere to the ethical standards and inadequate board oversight that will ultimately lead to corruption, inefficiencies and loss of stakeholder trust (Ahmed & Yusuf, 2019). Smith and Johnson (2020) opined that governance issues entail the failures and weaknesses in the governance frameworks of a company ranging from insufficient stakeholder engagements, ineffective leadership, poor decision-making, lack of accountability etc. By implication, these issues frequently result in legal penalties, financial losses and damages to the organizations' reputations (Olawale & Daramola, 2021).

2.1.4 Operational Inefficiencies

Brown and Green (2019) described operational inefficiencies as the wastage and deficiencies in an organizational resource utilization, processes or systems that hinder the entity from achieving its optimal performance and productivity as a result of redundant procedures, delays, excessive cost and underutilization of assets. The inefficiencies often stem from mismanagement of resources, inadequate technology or poor workflow design that later affect the execution of an entity's operations thereby resulting in lower output or higher costs than

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what is ideally achievable (Nguyen & Tran, 2020; Kumar & Rao, 2021).

2.1.5 Government Policy

Jackson & Brown (2019) defined government policy as the courses of action and strategic plans implemented through laws, regulations and administrative procedures, established by a government to guide decisions and achieve specific results in innumerable sectors ranging from healthcare, education, finance, national security, economic development among others to address societal goals and public needs. The set of guidelines and principles formulated by the government to shape the behaviour of individuals, business enterprises and other economic entities within a society is also referred to as government policy (White & Smith, 2020). By implication, the government takes deliberate actions and frameworks to direct the functioning of different sectors and organization settings to regulate the industries, protect the interests of the citizenry and solve a specific societal or economic problem (Gracia & Patel, 2021).

2.2 Theoretical Framework

This aspect provides a structural and theoretical foundation that connects the study's variables, explains their expected relationship and/or supporting the logical progression from theory to empirical analysis. As this study examines the institutional factors on the loan repayment culture among SMEs credit takers of microfinance banks, this study is underpinned by the institutional theory.

2.2.1 Institutional Theory

Institutional theory offers a conceptual structure for comprehending the influence of institutional determinants, such as norms, rules, and laws, on the actions and practices of individuals and organizations. Within the framework of loan repayment culture, the institutional theory posits that the conduct of individuals who borrow money is greatly shaped by the formal and informal institutional setting in which they function. Institutional theory posits that institutional elements such as regulatory frameworks, enforcement procedures, and the legitimacy of financial institutions are influential in determining the conditions that either promote or hinder timely loan repayment. In the presence of robust institutions that efficiently uphold contracts, borrowers are more inclined to comply with repayment schedules because of the significant financial consequences of not doing so (Scott, 2019). On the other hand, inadequate institutional infrastructure, marked by lenient rules and ineffective enforcement, can result in a culture of default, since borrowers may believe that the repercussions of not repaying loans are negligible (North, 2020).

Moreover, institutional norms and societal expectations are considerable factors in the loan repayment culture of the credit takers as the repayment of loan is mostly perceived as a moral obligation which is supported by traditions and cultural norms and borrowers are more likely to comply (DiMaggio & Powell, 2021). On the contrary, in a country where the institutions are characterized by corruption and the norms are weak, a non-repayment culture may emerge as the credit takes will strongly believe that they can evade their obligations without significant repercussions. Thus, on the strength and effectiveness of the institutional environment, institutional theory explains the nexus between the institutional factors and loan repayment culture as strong institutions uphold the social and legal norms that promote a responsive loan repayment culture while weak institutions encourage higher default rates.

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2.3 Empirical Review

Ademola and Adegoke (2021) examined the socio-economic variables and MFB characteristics that influence the loan repayment rate in Microfinance Banks (MFBs) located in South West Nigeria. The study employed a purposive selection technique to choose 20 credit officers and 124 respondents who had been customers of the four chosen MFBs for a period exceeding five years. Data were collected using carefully designed questionnaires and later analysed using descriptive statistics and regression analysis techniques. Analysis revealed that three socio-economic factors, namely age, educational level, and average monthly income of the respondents, have a substantial impact on the loan payback rate.

Endris (2022) analysed MSE loan repayments among enterprises situated in the North Wollo Zone of the Amhara Region of Ethiopia. The study selected 336 sample firms using a multi-stage sampling methodology where 181 firms stayed as non-defaulters and 155 turned out to be defaulters. The study drew data through qualitative and quantitative methods from primary as well as secondary sources. The financial ratios analysis revealed that MSEs in the North Wollo Zone of Amhara Region possessed mean values of 0.65 for the current ratio together with 0.72 for the debt ratio along with 7.95 for the debt-to-equity ratio. The logit regression analysis results revealed that firm managers' education level combined with collateral security and financial literacy improved loan repayment substantially while the analysis showed negative results for loan diversion and repayment terms along with distance to lending institutions. Results showed that distance to lending institutions together with repayment period and loan diversion all produce negative effects on loan repayment performance.

Hailu (2023) researched how loan default affects operational efficiency at Microfinance Institutions (MFIs) by focusing on Peace Microfinance S.C. An integrated mixed methods research approach was used in the study, combining both quantitative and qualitative data collecting techniques. The study's results established that loan default has a substantial impact on the operational performance of the organisation, encompassing financial viability, expansion, and outreach. Workforce morale and the reputation of the institution. The study identifies numerous key factors leading to loan defaults such as borrower characteristics, inadequate portfolio management, substandard credit evaluation, internal operational issues, credit risk exposure and organizational policies.

Magali (2023) conducted a comprehensive analysis of existing literature to evaluate the use of constructs from institution theory in research on microfinance institutions. The study employed a manual search methodology and text analysis to ascertain the identification of pertinent studies. The study indicated that the majority of microfinance experts acknowledge the importance of institutional theory in advancing microfinance institution factors, while a small number hold conflicting views. The results suggest that researchers prioritized certain variables above others due to their significance to microfinance organizations. The analysis reveals that many experts in the field of microfinance have established a connection between institution theory and loan repayment due to its significant impact on the functioning of microfinance institutions.

Mbae (2023) investigates the impact of internal factors on the financial performance of licensed deposit-taking microfinance institutions in Kenya. The research used a descriptive approach to fulfil its goal. Thirteen Kenyan microfinance institutions authorized by the CBK to accept deposits made up the research sample. The research used secondary data collection during the period spanning from 2017 through 2021. The research model using business size along with

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management efficiency, asset quality, capital sufficiency and liquidity provided an accurate statistical prediction of financial performance results. Furthermore, the study's results indicated that the size of a company has a growing impact on its financial performance. This implied that bigger microfinance institutions (MFIs) will show superior fiscal performance compared to smaller MFIs.

METHODOLOGY

3.1 Research Design

This study utilized a survey research design to draw conclusions on the topic matter by presenting a standardized questionnaire to the selected respondents. This research design is justified because it effectively facilitates the systematic collection of standardized data from a broad and heterogeneous population within a specified timeframe. This approach enables the empirical analysis of variable relationships, especially when the aim is to delineate patterns, evaluate theoretical claims, or investigate the opinions, attitudes, or behaviours of respondents.

3.2 Population and Sampling

The targeted population covers the personnel involved in the facilitation of loans, including loan officers, marketers, and account officers employed by thirty-three microfinance institutions in Kwara State as of 2023. For this study, a multi-stage sampling technique was employed to choose the participants who are employees of microfinance institutions in Kwara State. The initial stage involved the use of a stratified random sample technique, whereby the population was divided into strata or groups, each of which included elements with comparable characteristics and subsequently, in the second and third stages, items from each of these strata were deliberately chosen at random to ensure an equal opportunity for selection into the sample. Under this sampling methodology, every element within each group has an equal probability of being chosen as it offers an impartial approach to picking the representatives for the study. Hence, this study includes a representative sample of 160 personnel from MFBs located in all the senatorial districts of Kwara State.

Table 1 Sampling Size Selection

S/N	**Senatorial District**	**Local Government Areas**	**Five MFB staff selected in each LGAs**	**MFB staff Selected**
1	Kwara Central	Asa, Ilorin East, Ilorin West and Ilorin South	4 LGAs * 5	40
2	Kwara South	Ekiti, Oke-Oro, Offa, Ifelodun, Irepodun, Isin and Oyun	7 LGAs * 5	70
3	Kwara North.	Baruten, Edu, Pategi, Kiama and Moro	5 LGAs * 5	50
	Total Sample Size			**160**

Author's Compilation (2023)

3.3 Model Specification

To examine the variables that is responsible for loan repayment in Nigerian microfinance banks,

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the study adapted the model of Ssekiziyivu *et al*. (2017). The original model is stated as:

$LRP = f(BC, TC)$ ……………..………………………………………..……………….… (i)
$LRP = \beta_0 + \beta_1 BC + \beta_2 TC + \varepsilon_i$ ……………………………………………...………..(ii)
Where: LRP = Loans Repayment
BC= Borrowers' Characteristics
TC = Credit Terms
εj = Error Term

From the original model, credit term was removed in line with the objective of this study while institutional factors were introduced into the model. Hence, the modified model from Ssekiziyivu *et al*. (2017) is expressed as follows:

Institutional Factors of LP of MFBs in Kwara State

$LR = f(\mathrm{RS}, \mathrm{GI}, \mathrm{OI}, \mathrm{GP})$ …………………………………………………………………… (1)
$LR = \beta_0 + \beta_1\mathrm{RS} + \beta_2\mathrm{GI} + \beta_3\mathrm{OI} + \beta_4\mathrm{GP} + \varepsilon_i$ …………………………...………………,(2)

Where:

LR = Loan repayment whether or not the client pays their loan. This is the dependent variable
RS = Regulatory Shortcomings
GI = Governance Issues
OI = Operational Inefficiencies
GP = Government Policy
β_0 = Constant Coefficient
β_{1-4} = Parameters of the estimate
ε_i = Error term (5% significance level)

RESULTS AND DISCUSSION

4.1 Reliability of Research Instruments

Table 2: Cronbach's Alpha Reliability Test for the Study

S/N	SECTION	NUMBER OF ITEMS	CROMBACH'S ALPHA	INTERNAL CONSISTENCY
1.	Loan repayment Culture of Credit Takers	5	0.712	Acceptable
2.	Institutional Factors	4	0.781	Acceptable

Source: Author's Computation, 2023

Table 2 shows the Cronbach's Alpha for each of the variables of the research instrument. The results demonstrate that the scores obtained for all variables (loan repayment culture of credit takers and institutional factors) exceeded 0.7. The measured values meet the requirements for the acceptance category. The research instrument demonstrates internal consistency which makes it fitting for study use and establishes the trustworthiness of the constructs involved.

4.2 Normality Test and Correlation Analysis of the Variables

The analyses of normality tests for research variables within the study models are presented below. The Jarque Bera normality test provided the results needed to determine the distribution patterns of the variables used in the regression models. The researcher implemented a Jarque Bera test due to its power in detecting overall model residual distribution compared to conventional methods.

Table 3: Jarque Bera Normality Test

Variables	Adjusted Chi-squared (χ^2)	p-value
Loan Repayment Culture of Credit Takers	1.46	0.401
Institutional Factors	1.63	0.430

Source: Author's Computations, (2023).

The adjusted Chi-squared analysis in Table 3 shows that all variables possess small Chi-squared metrics along with p-values exceeding the highest significance threshold of 0.1 or 10%. High p-values from these Chi-squared values demonstrate that none of these test results provides grounds to reject the test hypothesis about normality distribution. All these variables demonstrate normal distribution because available evidence fails to reject their hypothesis.

4.3 Robust OLS Regression Model to Examine the Determinant of Loan Repayment Culture (Composite Model)

The results of the robust OLS regression model reveal how institutional factors affect loan repayment culture among microfinance bank credit takers in Kwara state. This model uses continuous dependent variables that emerged from a factor analysis to minimize the construct items and normalize these response factors. The OLS calculation produced a result with heteroskedasticity issues that emerged from applying the Breusch-Pagan/Cook-Weisberg heteroskedasticity test during evaluation. The following robust OLS regression implements robust standard error estimation to resolve heteroskedasticity because the data shows such issues:

Table 4: Robust OLS Regression Result for Loan Repayment Culture

Variables	Coefficient	Robust Std. Err.	t	p-value
Institutional Factors (IF)				
Regulatory Shortcomings	0.358	0.104	3.43	0.001***
Government Policy	0.111	0.083	1.337	0.184
Operational inefficiencies	0.367	0.115	3.182	0.002***
Governance issues	0.344	0.152	2.260	0.026**
Constant	-1.569	2.705	-0.580	0.563
R-squared	0.633			
F-statistic	4.264		p-value	= 0.000

Source: Author's Field Computation, 2023.

The R-squared value in Table 4 reveals that institutional factors explain 63.3% of the variations in loan repayment culture among credit takers at microfinance banks. The F-statistic value of 4.264 indicates statistical significance along with its matching p-value of 0.000. The results from this analysis establish that the overall model displays statistical significance. With respect to the variables employed in the model, regulatory shortcomings, government policy, operational inefficiencies and governance issues positively influence the loan repayment culture and the coefficients revealed 0.358, 0.111, 0.367 and 0.344 respectively. By implication, a unit change in all these variables will have a positive effect on the loan repayment culture of credit takers of microfinance banks.

Essentially, the p-values of the institutional factors indicated how statistically significant these variables are to the loan repayment culture of credit takers of microfinance banks in Kwara State. Specifically, the regulatory shortcomings, operational inefficiencies and governance issues have p-values of 0.001, 0.002 and 0.026 respectively indicating that the variables are significant at 5% significance level thereby leading to the rejection of null hypotheses and acceptance of alternative hypotheses which state that regulatory shortcomings, operational inefficiencies and governance issues have a significant impact on the loan repayment culture of credit takers of microfinance banks in Kwara State. On the contrary, government policy has a p-value of 0.184 indicating the rejection of the alternative hypothesis and acceptance of the null hypothesis which states that government policies have no significant impact on the loan repayment culture of credit takers of microfinance banks in Kwara State.

4.4 Post Estimation Variance Inflator Test

Post Estimation Variance Inflator Test The study used a variance inflation factor analysis to confirm the OLS regression results involving loan repayment culture determinants were not affected by multicollinearity.

Table 5: Results of Variance Inflation Factor

Variable	VIF	1/VIF
Institutional Factors (IF)	1.22	0.819592
Mean VIF	1.22	

Source: Author's Computation, 2023.

The computed VIF values demonstrate low numbers. The VIF values beneath 4 mark an acceptable indicator for no severe multicollinearity (Asteriou & Hall, 2011). The evidence indicates the explanatory elements function as linear combinations of other variables.

4.5 Restatement of Hypotheses

H_{01}: Regulatory shortcomings do not significantly affect the loan repayment culture of credit takers of microfinance banks in Kwara State.

The robust OLS regression model presented in the Table 4 showed that regulatory shortcomings' coefficient is positive implying that it influences the repayment culture of the SMEs credit takers. also, the p-value is 0.001 which is lower than 0.05 indicating that it is statistically significant. Thus, the null hypothesis is rejected while the alternative hypothesis is accepted which states that regulatory shortcomings significantly affect the loan repayment culture of credit takers of microfinance banks in Kwara State.

H_{02}: Governance issues do not significantly impact on the loan repayment culture of credit takers of microfinance banks in Kwara State.

The robust OLS regression model presented in the Table 4 showed that governance issues'

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coefficient is positive implying that it influences the repayment culture of the SMEs credit takers. Also, the p-value is 0.184 which is higher than 0.05 indicating that it is statistically insignificant. Thus, the alternative hypothesis is rejected while the null hypothesis is accepted which states that governance issues do not significantly impact the loan repayment culture of credit takers of microfinance banks in Kwara State.

H_{03}: Operational inefficiencies have no significant effect on the loan repayment culture of credit takers of microfinance banks in Kwara State.

The robust OLS regression model presented in the Table 4 showed that operational inefficiencies' coefficient is positive implying that it influences the repayment culture of the SMEs credit takers. In addition, the p-value is 0.002 which is lower than 0.05 indicating that it is statistically significant. Thus, the null hypothesis is rejected while the alternative hypothesis is accepted which states that operational inefficiencies have significant effect on the loan repayment culture of credit takers of microfinance banks in Kwara State.

H_{04}: Government policy does not significantly affect the loan repayment culture of credit takers of microfinance banks in Kwara State.

The robust OLS regression model presented in the Table 4 showed that government policy's coefficient is positive implying that it influences the repayment culture of the SMEs credit takers. also, the p-value is 0.026 which is lower than 0.05 indicating that it is statistically significant. Thus, the null hypothesis is rejected while the alternative hypothesis is accepted which states that government policy significantly affects the loan repayment culture of credit takers of microfinance banks in Kwara State.

4.6 Discussion of Findings

Empirical evidence obtained from the robust OLS regression result showed that regulatory shortcoming significantly impacts the loan repayment culture of the credit takers as weak regulatory frameworks often lead to relaxation of credit assessment procedures, exploitation or overwhelmingness of loan terms, inadequate monitoring of borrower's credit history or allowing for over-indebtedness that ultimately affect the repayment culture of credit takers of microfinance banks. Moreso, regulatory shortcomings allow for laxed credit risk assessment, fluctuating interest rate, hidden charges and unfair lending practices which one way or the other affect the repayment culture of the credit taker. This finding aligns with the institutional theory that foresees regulatory inadequacies as a result of pressures in complying with the best practices and international standards.

Furthermore, the result revealed that operational inefficiency affects the loan repayment culture of credit takers as borrowers' dissatisfaction arising from delay in loan disbursement, frustration with the institutions or inadequate customer service can make credit takers deprioritize loan repayment. This finding also lines up with the view of the institutional theory that posits that while adopting certain practices to boost operational efficiency, firms face normative pressures and hindrances such as limited resources which later lead to engaging staff that lack specialized skills or are undertrained and this will negatively impact on their operational efficiency that will ultimately affect the loan repayment culture of credit takers.

Lastly, the governance issues as revealed by the results also impact the loan repayment culture of credit takers as poor governance practices ranging from ineffective board oversight, lack of

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accountability or inadequate transparency allow for poor monitoring and the credit takers will bank on these lapses and deprioritize their loan repayment

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Sequel to the findings, it is concluded that institutional factors affect the loan repayment culture of the credit takers of microfinance banks in Kwara State. Evidently, the repayment culture of credit takers is influenced by the level of shortcomings and inefficiencies spotted in the regulatory frameworks of microfinance banks, modes of operation and governance structures of microfinance banks.

5.2 Recommendations

Consequent on the conclusions drawn from the findings, this study recommends that:

i. The regulatory framework should be redesigned to encapsulate the peculiarities of microfinance banks' customers, allow for fair and unbiased credit assessment procedures and focus more on risk management aspect that will monitor the credit disbursement and recovery
ii. In line with the stringent parameters used in the deposit money banks, the performance measurement in terms of operation should be further raised to eliminate any operational inefficiency that may negatively influence the repayment culture of the credit takers
iii. As much as the board of directors of most microfinance banks are known people to the credit takers, this should not hamper the board's statutory roles of oversight and monitoring to further foster transparency and accountability.

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