AN APPLICATION OF CREDIT RISK MANAGEMENT STRATEGIES FOR OPTIMISING LOAN RECOVERY IN MICROFINACE INSTITUTIONS: A CASE STUDY OF THE HFC – BOAFO MICRO-FINANCE SERVICES LTD. IN ACCRA METROPOLIS

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DECLARATION

I hereby declare that this submission is my own work towards the Commonwealth Executive Masters in Business Administration (CEMBA) degree and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any degree of the University, except where due acknowledgement has been made in the text.

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ABSTRACT

As Microfinance Institutions become larger and more sophisticated, risk management should become a more conscious part of their management and governance. Microfinance Institutions with strong risk management maintain quality loan portfolios, avoid liquidity crises, and reduce the risk of loss caused by human error. Credit risk management is a crucial factor that Microfinance Institutions have to handle it effectively in order to promote business continuity. Despite the strict debt recovery guidelines and operational policies set by management to regulate the activities of the credit operations and to manage the credit risk of the institution, yet, they continue to battle with low debt recovery. The objectives of the study were to find out factors contributing to low debt recovery within the organization, assess the guidelines for credit risk management in the organization and finding out the recovery rate as at the end of 2011. The main purpose of the study is to find out the link between how the microfinance Institutions in Accra metropolis applies credit risk management strategies in order to optimise loan recovery. To be able to establish this link in the study, a stratified and purposive sampling procedure was used to select fifty (50) staffs from HFC-Boafo Microfinance Institutions for the study. Pie chart, tables and graphs were used to analyze the data collected from the officers. It was observed that the company had low debt recovery rate which was fuelled by two of its loan products. This was due to some officers not complying to their operational policy. Due to the fact that most of the officers overlook factors leading to low debt recovery and this was not properly supervised by their respective managers as seen in their debt recovery guidelines and operational policy manual, their loan credit were highly exposed to risk leading to leading to low debt recovery rate.

DEDICATION

This project work is dedicated to my lovely Mother; Faustina Afi Dede Odonkor, Wife; Mrs. Kate Adom Odonkor and my Children; Janet Dede-Nyengor Odonkor, Eunice Korkor Odonkor, Keren-Happuch Mamle Odonkor and Emily Nana Esi and a friend Erica Maku Okoto for the wonderful support to make this work a successful one. I am profoundly grateful.

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