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MICROFINANCE AND THE DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES IN THE GAMBIA

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ABSTRACT

This study sought to carry out a preliminary inquiry on how Gambian-based microfinance institutions influence the formation and growth of Micro, Small and Medium enterprises (MSMEs). Following the increasing rigidity of mainstream financial institutions and the sustained status of the Gambia as a Highly Indebted Poor Country (HIPC), the importance of micro finance as a credible funding alternative for the significant majority at the base of the income pyramid, continues to attract huge academic and practitioner attention. The review of the existing research focused on understanding microfinance as a multifactor phenomenon that draws on institutional goals and uniqueness of home country environments to incentivize entrepreneurs to apply for both star-up funding and funding for the expansion of existing businesses. Hence, existing theories on access to microfinance, regulation of microfinance and challenges of microfinance institutions were critically examined.

Data was collected using the questionnaires. The findings of the study highlighted that majority MSMEs had access to MFI Loans although only a few of them were able to secure the amount they required in full. The research study further revealed that significant number of MSMEs beneficiaries of MFI Loans were effectively utilizing the loans for business purposes thus enhancing their growth. Most of the MSMEs indicated a positive effect of MFI Loans towards promoting their product quality and range, increase in branch network, improved cash flow levels and increase in market share. The study recommend that commercial banks and privately owned MFIs must train MSMEs on aspects of financial management before availing loans to them.

1.0 INTRODUCTION

1.1 BACKGROUND

The continuing shift in social class of countries has drawn a huge academic and practitioner attention in recent years. Development intervention from the national governments, non-governmental organisations and international finance institutions like IMF and World Bank have all highlighted increasing importance of the microfinance phenomenon. This becomes more important when the strength and value of a nation are measured of the basis of their financial strength, national productivity and their stock of human capital. This has given rise to varying categorisations like the first world countries, third world countries, or heavily indebted poor countries (HIPCs). This study has not only drawn energy from this classifications but it has been inspired by the quest for an understanding of how accounting and finance knowledge can be used to support both microfinance institutions and micro, small and medium enterprises in the Gambia.

The Gambia is highly indebted poor country (HIPC) That is ranked 155 out of 174 in human development index 2003 (DOSHD, 2006), 69 percent of the population lived below poverty line as at 2000 (DOSHD, 2006). Only 25.8 percent of the population lived in the urban areas as at 2005 (DOSHD, 2006). Agriculture production which is considered to be the backbone of the economy has not been encouraging in recent years due to inadequate policy reforms attention in the sector. This has led to increasing importance of microfinance as many people now engage in micro business since the government is not creating employment.

The impact of micro, small and medium enterprises (MSMEs) on economic development has attracted huge research attention worldwide, especially in formulating development policies. It has been at the core of recent development policies of the Gambia. However, no research has been conducted to investigate what roles microfinance institutions play in facilitating the growth of MSMEs. This has left the gap in our understanding of how effective Gambian government microfinance policies have been fostering the development of both MSMEs and microfinance institutions. Evidences exist in the literature of numerous challenges face by stakeholders in the sector, especially the demand for collateral and other regulation driven requirements. Hence, this study sought to build preliminary understanding on the microfinance phenomenon in the Gambia. Using the exploratory approach, the study sought to use institutional efficiency and management accounting to seek understanding on how MFIs in Gambia have evolved and how such features as institutional capacities like book keeping and knowledge of basic accounting practices have contributed to the survival of MSMEs and how this facilitates their access to micro credit.

1.2 PURPOSES OF THE STUDY

Since the 1970s, microfinance has played an important role in decreasing poverty and supporting economic growth (Maksudova, 2010). Prior to 1970, governments were rendering some services that are currently being rendered by micro finance institutions (Robinson, 2008). Following the global trends, the development of microfinance started in the Gambia in 1990s. This period recorded the advent of microfinance institutions in early 2000 (Jabbi, 2005). In recognition of its role in socio-economic development, evidence in the literature suggests that Gambian government began to give huge policy attention to the sector in terms of access and governance. The study, sought to facilitate understanding of the nature of MFIs and their role in the growth of MSMEs. The purpose of the study includes to identify the extent to which MSMEs have the awareness for the sources of micro-credit, the extent to which they have access to micro credit and the extent to regulatory environment has become an enabler to the growth of both MFIs and MSMEs.

1.3 RESEARCH QUESTIONS

1. How does Microfinance institutions influence enterprise development in The Gambia?
2. What are the challenges facing micro finance lending and borrowing in the Gambia?
3. What are the role of micro finance institution enterprises development in the Gambia?
4. What are regulatory framework that can influence micro finance institutions and enterprises in the Gambia?

1.4 RESEARCH OBJECTIVES

This the primary objective is to evaluate the role of MFIs in the development of micro, small and medium enterprises in (MSMEs) in the Gambia. This goal is not to focus on the lending decisions of microfinance institutions, but instead, to evaluate the extent to which the regulatory environment guarantees access to micro credit and how such access impacts on the survival and the growth of MSMEs in The Gambia.

The general objective include:

1. To evaluate how access to micro credit influences MSMEs development in the Gambia
2. To identify the challenges of micro finance lending and borrowing in the Gambia
3. To access the role of microfinance institutions in enterprises development in the Gambia
4. To determine the extent to which regulatory framework can influence micro finance institutions and enterprises development in the Gambia.

2.0 LITERATURE REVIEW

2.1 Conceptual Framework

This research is aimed at assessing the relationship between the development and growth of micro, small and medium enterprises and micro finance in The Gambia. According to the existing research (Mosley, 1996), increase in income is positively related to success and increase in number of MSMEs, and access to credit increases income per capital. Hence, it could be argued that access to microfinance is a key driver of MSMEs development. Therefore, this chapter examines existing research, theories and applications of microfinance as instruments of social development in general, and stimulant for the development, survival and growth of micro, small and medium enterprises (MSMEs). Following the main objectives of this study, literature on the concepts of micro finance and MSMEs have been critically reviewed. This is followed by a critical examination of existing models of micro-finance and their relevance and application within the Gambian context. The financial sustainability and the poverty alleviation theory of micro-finance have been used as frameworks for examining the impact of micro-finance on the growth of MSMEs. The chapter concludes by assessing the impact of the regulatory environment on the operations on microfinance institutions

Micro-finance is defined by the Asian Development Bank as “the provision of broad range of financial services such as deposits, loan, payment services, money transfers, and insurance to poor and low-income household and their micro enterprises” (Asian Development Bank, 2000). Micro-finance is a service of small quality provided by financial institutions to the poor. These financial services may include savings, credit, insurance, leasing, money transfer, equity transfer etc. Which are provided to customers to meet their financial needs with the qualifications that (1) transaction value is small and (2) customer are poor (Dasgupta, 2005).

According to CBG, Micro finance institutions means credit institutions or financial institutions stated in financial institution Act (FIA) 1992, which is own and self-managed by rural or grass root community or a cooperative or a person under a registration or a license issued by the CBG

(Colombet, 2001), described microfinance institutions as tool or instrument for development. According to these scholars micro finance institutions are created to provide funds to small and medium enterprises, which cannot acquire fund from the commercial banks through the formal bank proceeding for acquiring loans, due to the target groups’ inability to provide collateral securities that is required for these loans.

Number of employees is the main criteria for defining micro, small and medium enterprise. The number varies from country to country. For the European Union, the proper limit is 250 employees. In the USA, the limit is 500. Any firm in the USA that has total employees below 500 is categorized as MSMEs. The other criteria of defining MSMEs are location, size, sales volume and the worth of assets among others (Rahman, 2001). MSMEs dominates commercial and industrial infrastructures, they creates lot of employment, supplier to the large organization. They supplied raw materials to the large firms in the manufacturing industries and parts to the automobile assembling industries. (Rose, 2000)

These are more MSMEs in emerging economy than first world countries. This is confirmed by a study made across 132 countries. There are 125 million formal MSMEs in this economics. Out of 125 million, 89 million are found in emerging economics (IFC and McKinsey & company, 2010). Although an economy with higher income per capital, tend to have more MSMEs per 1000 people. This means that higher income per capital is positively related to number of MSMEs. According to this study, on average, there are 31 MSMEs per 1000 people across the world the economics covered and also MSMEs creates one-third of the employments globally.

Microfinance research cuts across the disciplines of Economics, Development studies, and Public Management and Finance (Hermes, 2007). Thus, varying theoretical perspective have been advanced by different scholars. However, the focus of this research will be on two theoretical and philosophical perspectives, which are financial sustainability theory and poverty alleviation theory. The poverty alleviation theory gives explanation on reduction of poverty by empowering the poor, while sustainability theory advances the debate on the dependency of micro finance institutions (MFIs) on donors and grants to facilitate their operations. The objectives of this study are more aligned with these theories. The other theories are women empowerment theory, games of microfinance and uniting theory of microfinance.

According to Graham A.N. Wright (1999), people tend to equate poverty with lack of income. While income poverty exist and still remains a prominent part of the literature, the poverty phenomenon has been understood to be broader than just lack of income. Wright (1999) argued that increasing income is not a sufficient means of reducing poverty. The effectiveness of reducing poverty by increasing income depends on how the poor spend the loans given to them. Hence, it could therefore be argued that increase in income can reduce poverty, when the loan is used for investment rather than consumption. Drawing on this view, it could be seen that the concern of MFIs should not only be to increase income but also to institute monitoring mechanisms to track how the loans are used by the borrowers. Another work which appears to support the views of Wright (1999) is an earlier study by Hulme and Mosley (1996). These authors argue that the use of micro finance as a poverty reduction tool should transcend mere provision of credit to include a “well designed program that would add monitoring and advisory services since there is evidence of a relationship between higher income and greater investment opportunities.

However, there are some critics who doubts the impact of MFIs; such critics believed that microfinance is not reaching its targets, which are the poorest in the societies (Rosenberg, 2004). The study argued that microfinance is only reaching a small fraction of the estimated demand of the poor for financial services.

Despite critics, most studies have concluded that microfinance has been successful in reducing poverty for many cases. According to Littlefied et al (2003) many studies has shown the increase in wealth and decrease in vulnerability of microfinance clients.

The financial sustainability theory advances the debate on the dependency of microfinance institutions (MFIs) on donors and grants to facilitate their operations. According to Markowski (2002) the objectives of MFIs is not only reducing poverty (social objective) but also to achieve financial sustainability (commercial objective). Such sustenance could have been pursued through the establishment of institutional governance mechanisms that would mirror the combined features of both social and commercial enterprises so that the balance of social and commercial would be pursued by these institutions. This is a view that is supported by the works of Simanowitz and Walter (2002.These authors argue that the focus of MFIs on either social or commercial objectives would be self-defeating (Quang Vinh Evans Luong 2010), meaning that there needs to a balance between the two objectives. Financial sustainability is important for the continuous provision of financial services to the poor, which is beneficial to the poor. It is also important for the going concern of the MFIs. For a MFI to be financial sustainable, its income from other charges interest should cover its operation cost, fund cost, inflation and loan writes offs (Havers, 1996).

`According to Markowski (2002) and IMF (2005), less than five percent of microfinance institutions are financially sustainable. The IMF study identified financial sustainability as a huge challenge for micro finance institutions arguing that is a requirement for their expansion and efficiency and by extensions a requirement for visible impact of the development of MSMEs.

2.2 Theoretical Framework

Existing research suggests that there are about fourteen different microfinance models which have been used to ensure that credit schemes easily reach the identified target groups (Grameen Bank, 2000). According to UNCDF (2004), prior to these models, only four percent of the targets in the world were reach by MFIs. The Grameen Bank identified these models in order to close the gap between the intended target groups to be reached and those that actually receive these credits (Wrenn, 2005). These models have been known to provide theoretical support to the effort to scale up access MSMEs to micro credit. Below are three modes whose assumptions align most with the conceptual framework and the main objectives of this study.

2.2.1 Rotate Savings and Credit Associations (Susu Kafo).

These are associations that are formed by groups in societies who know each other; they are either neighbours or friends. It is very common in Gambian societies; it has been practiced in The Gambia for years. In this credit process, a specific amount is contributed by all members in every specified period and then the whole amount is given to one person. This is done in every specified period until all members receive the contributions. The payment period depends on the number of members. Existing studies have identified this model as a very popular method of saving and credit (Harper, 2000). In The Gambia, this is common among the women and it call for integration and provide opportunity for investment. In Ethiopia, savings mobilized by ROCSA is equivalent to 8 to 10 percent of the GDP, (Bouman, 1995). ROSCA are not only common in LDC but in advance countries like Taiwan and United States of American and European countries formed by migrant's communities who more likely to be rationed from the credit market.

2.2.2 The Grameen Solidarity Group Model

In these models, loan is given to a group of people and there is no subsequent until the previous loan payment is made. The system forces the group members to assess the credit worthiness of each other. Less credit worthy member will be taken out the group if the group does not want to be defaulted and a default will mean no new credit to the group, Ledgerwood (1999). This model was pioneer by professor Yunus in Bangladesh in 1976, where it dominate the market. According to Berenbach and Guzman (1994), this mode has achieved success as evidenced by loan repayment achieved by Grameen Bank. It has been estimated that over 10 million people received credit in Bangladesh through this system (Fotabong, 2011).

2.2.3 Village Banking Model

This is owned and managed by the members; they are mostly formed by NGOs. They are saving and credit association. They receive sponsors and loans from MFIs then credit it to individuals and collect repayment (Grameen Bank 2000). The loan commitments are signed by all the members to show that all members will be liable in case of default. Members are requested to pay 20 percent of the loan amount per cycle (Ledgerwood, 1999). The major weakness of village banking is over dependency on external funding, which put it at risk in a situation where funds are not being channeled to village bank. This model sounds like The Gambia VISACA model but the two model are different in terms of source of funding and sustainability. Innovative first quantum minerals community banking program is a village banking models initiated by rural women in Zambia (webmaster, 2007). This model is closer to VISACA of The Gambia in many aspects such as funding, sustainability and operation.

2.3 History And Regulatory Frameworko f Micro Finance Institution

In history, Gambia government has long been sponsoring institutional credit that has proven poorly managed, and there were very high administrative and overhead cost (Dr. Seeku, April, 2015). The objectives of these credit programs were to improve productivity and efficiency in agriculture and at the same time reduce poverty and increase rural employment. There were also informal associations providing some microfinance services. Merchants, moneylenders and the Rotating Saving and Credit Associations (ROSACAs) were the well-known service providers.

Late 1980s and early 1990s was marked as a turning point in the development of microfinance in the Gambia. This was when NGOs, shelf help organizations and other civil society organizations started venturing in the industry seriously. The new approach emphasizes on the need for diversifying the intermediation base to the extent of covering grassroots community-owned institutions. It also placed equal emphasis on resource mobilization and a shift from supply-led to a demand-driven approach.

The microfinance industry in the Gambia is dominated by savings and credit structure. The industry may be categorized into seven based on the structural and statutory framework of the operators. Jaabi and Chandran (2015) identified seven categories of microfinance institutions (MFIs) in the Gambia. These include wholesalers (Gambia Social Development Fund SDF, Rural Finance and Community Initiatives Project RFCIP and commercial Banks), the non-banking financial institutions, (Reliance Supersonic), NGO-MFIs, the VISACA, the credit unions (GAWFA, NACCUG), Community Based Organizations CBOs and commercial banks.

According to ADB (2006), prior to 2006, the Gambia microfinance industry had a credit and savings value that was in excess of twenty-one million dollars (total credit value) and forty-one million dollars (total savings) respectively. Commercial banks accounted for 64% of total micro credit within this period. This is remotely followed by whole sale operators and non-bank financial institutions which accounted for 11.33% and 11.22% respectively. While VISACA accounted for 8.56%, the community-based organization, credit unions and NGOs accounted for the remaining 6%. The dominance of commercial banks in Gambia's microfinance industry makes a clear case for the need for regulatory reforms that could bridge existing gap between demand and supply of microcredit.

This trend of commercial banks' dominance also facilitates understanding of the low survival rate in the country as these institutions apply bank-line requests for collaterals and guarantees to a target group that may not be predisposed to meet these requirements. The industry is growing in terms of number of clientele. The number of clientele is growing more than the national credit portfolio. The beneficiaries of microfinance in the Gambia are largely women because they participate more in Micro and Small Enterprises (Sahel invest management intl, 2006). They may access services as individuals, solidarity groups with limited membership, or community-based Group.

A Micro enterprise is defined as an informal economic activity with typically weak compliance to labour legislation and may use informal accounting and operational procedures. Micro enterprises typically require an average investment of less than GMD 75,000. Small enterprises are defined as slightly more formal, may employ up to five workers and may have an average investment of below GMD 150,000 (Sahel invest management intl, 2006). Medium enterprise are bigger than small enterprises and employ more than five workers with an average investment of more than GMD 150,000.

The contribution of MSMEs in the Gambia cannot be underestimated. They created the largest number of employment in the Gambia (MSMEs 2013). About 60 percent of the labor force is employed by MSMEs for which 70 percent are self-employed, but it contributes about only 20 percent of the GDP. Micro and Small enterprises constitute about 99 percent of the private sector in the Gambia (The Gambia National Development Plan, 2017). It is therefore important for the government to create conducive environment where enterprises can grow sustainably and improve their productivity. There appears to be consensus in the literature (Jaabi and Chandran (2015), ADB 2006) that robust government intervention would reverse some of the challenges being faced by these enterprises. Jaabi and Chandran (2015) argues that policy initiatives like access to start-up funding, skills incubation programs, and access to markets, would guarantee the survival of existing enterprises and facilitate the growth of new ones.

The strategic importance of MSMEs to wealth and employment creation is widely recognized in both practitioner and academic literature. Thus, the updated National MSE policy 2008 sought to establish an enabling environment for MSE development and promotion as the main vehicle for poverty reduction for the vulnerable and poor Gambian population (Amin, 2004). In particular, it aims to enhance the process of equitable participation of indigenous entrepreneurs in the economy, to put in place efficient regulatory and legal framework, enable increased access to microfinance by entrepreneurs, establish an entrepreneurship culture, and to build local capacities to provide training opportunities. An assessment of the extent to which this policy objective has been met in the Gambia appears to be the subject of an ongoing debate.

According to Jaabi and Chandran (2015) and, Jaabi (2014), the major problem for MSMEs in the Gambia is accessibility of fund, accessibility to reliable market, managerial skills, lack of technological innovation and equipment, and the inarticulate policy environment. These challenges have been linked to the stability of microfinance institutions and their ability to support the incubation, survival and growth of MSMEs in The Gambia. From 2007 to 2012, on average only 14 percent of the GDP is credited to the private sector. This figure is very low compared to the regional average of 58.7 percent (World Bank, 2009). Most firms use internally generated fund and retained earnings to finance their operating cost and long-term investments. In late 2000s, internal fund represents about 65 to 90 percent of the long-term investment for manufacturing and informal firms respectively (World Bank 2009).

Insufficient technical and business managerial skills are another problem for MSMEs in the Gambia (DOSHD, 2006). These enterprise are mostly managed by owners most of whom lack managerial skill. The managers or the sole proprietors are not able to move their enterprises from one level to another. Their enterprises do not indicate any sign of growth even though there are good potentials for growth. Most of them even lack basic education, which make it hard for them to identify and exploit opportunities. The enterprises also lack equity and accounting records and most of them are formal enterprises. This view is supported by the view of Paul Derreumeux, chairman and CEO of Bank of Africa, according to him; there are three major barriers that deter access of credit from financial institution. The three barriers are lack of equity in SMEs, lack of organization in terms of human resources, accounting and administrative management among others and finally the firms' lack vision. According to him, this short coming causes challenges in accessing fund from MFIs.

The activities of financial institutions in the Gambia are regulated by financial institutions Act 1992. This Act is enforced by the Ministry of Finance through the Central Bank of the Gambia (CBG). According to this Act, all microfinance institutions must have certificate of registration issued by CBG before starting its operations. The CBG, as the only regulatory body of financial institutions in the Gambia, has recently established prudential guidelines on policies and procedures micro finance operation in the Gambia. Drawing on these guidelines, organizations like Gambia microfinance network (GAMFINET) and National Association of Cooperative Credit Unions of The Gambia (NACCUG) drew up self-regulatory frameworks that are used to regulate their members' activities using mutually agreed code of Ethics (Sahel invest management intl, 2006).

There are no specific act for microfinance institution. The provisions for microfinance are given in the volume 2 of financial institution act. These provisions are for saving and credit associations. It is divided into three parts. Parts A is preliminaries (scope, interpretation), part B policy (prudent rules) and part C guideline (authorized banking system, saving deposits, time deposits, sundry deposits, loan advances and investments, registration of SACA). The prudential guide promotes entrepreneurship and reduces discrimination and inequality between men and women because the main beneficiaries of the loan are small producers, micro enterprises and it also give equal opportunities for loan access. (Central Bank of the Gambia, 2010). All enterprises must also have record, accounting system and equity in order to have access to loan.

3.0 METHODOLOGY

This section focuses on the research techniques that were adopted for this study with the aim of achieving the research objectives. It elaborates the research design and provides details regarding the population, sample and sampling techniques used in collecting data for the study.Descriptive survey design was adopted for this study to determine the influence of micro-finance services on the growth of small enterprises in The Gambia. Survey research design was chosen because the sampled elements and variables that was studied was simply being observed as they were and can be used to study large population. This was done without making any attempt to control or manipulate them.Also the design is chosen because quantitative information needs to be collected through the use of standard and structured questionnaire.

The targeted geographic location in the Gambia, since the study is specific for the Gambia. The targeted population is the, micro, small, and medium enterprises (MSMEs) and microfinance service providers in the Gambia. According to (bundly, n.d.), population indicates group that is designated for gathering information. Most of the MSMEs in the Gambia are concentrating on the urban areas, especially in the greater Banjul. Hence, the participants that took part in this study were randomly selected and from a sample frame that is made up of small business owners, microfinance managers and regulators. Thus, participant from Credit Unions, VISACAs and MFIs were randomly selected. The justification for this approach is to ensure representativeness both in terms geographic clusters, the main actors in the Gambia's micro-finance industry as well as their roles and designations. The aim of these types of sampling is to make sure all the elements in the population are considered. The aim here is to enhance the validity of outcomes.

Survey was conducted from 30 SMEs business. Questionnaires were distributed. Out of 30 questionnaires only 23 questionnaires were returned which indicate a 76.66% response rate.Such a high response rate concurred with Saunders and Thornhill, (2009) who recommended that a response rate above 50% was regarded as the as the minimum for results obtained from the research to be considered accurate.

Data collected from the questionnaire was analyzed, summarized and interpreted accordingly with the aid of descriptive statistical techniques such as frequency and simple percentage. . The quantitative data was analyzed using statistical package for social scientist (SPSS).

4.0 DATA ANALYSIS, INTERPRETATION AND DISCUSSION

The study objective was to investigate the influence of micro-finance services on growth of small enterprises in The Gambia. In order to attain this, the study determined the influence of loans disbursement; assessed the influence government policies on growth of small enterprises and established the rate of credit utilisation by MSMES.

The study targeted 30 institutions in th Gambia. To this end, a total of 30 were expected to participate in the study. A response rate of 76% was therefore attained, with 23 responding. According to Mugenda and Mugenda (1999), a response rate of 50% and above is adequate for analysis and reporting. It therefore goes that the study registered an excellent response rate.

The study sought to establish whether there was gender parity.The respondents were therefore asked to indicate their gender and majority (75%) were male ans 26% of the questionaaires completed happen to female

The results show that there were more responses from males than females in the organizations subjected to the survey.It can be concluded from the finding that the sector that male has more access to micro credit as compared to the female in The Gambia.The finding concurs with what Goetz and Gupta (1994) concluded, that management of loans was done by men hence not making the development objective of the lending of women to be met in order to start .

The survey looked at the age distribution of the participants that have access to micro finance credit regardless of the gender, it is observed that 52% respondents were above 40 years , 26% of respondents represents 35years-40years , 22% of respondents represents 25years-34years. The results show that there were more responses from the age group above 40 in the organizations subjected to the survey. This is shown on the table above.

Majority (65%) of the respondent's provide savings as the product they offer and 35% offer loan/credit and both investment and Non-financial service offered are 0%.The results shows that most of the respondents offer which shows an indication of an average 0.65 of Micro finance institution offers savings as the product they provide and an average of 0.34 which less than 1 offer loan/credit to customers as a product.The study him to find out which category of SMEs serves as their target market and 57% of respondent went with commerce and 43% went with service and 0% responded with manufacturing.This simply means that an average of more 1 of the micro finance credit is given to individuals that are in to trading of commodities and with less 1 is given to the service industry and none to the productive sector of the economy. Based on this study, it was discovered that in term patronage from customers 87% comes from the commerce and 13% from the service and 0% from the Manufacturing Sector.

Based on the study 100 % of the respondent demonstrated clear understanding of the MSMEs and also the following credit facility were offered by the micro finance institutions in the Gambia: Long Term,Medium Term and Short Term. 70% of the micro institution of medium term credit facility which indicate that an average of 0.69 of all micro institution offers medium term credit and a percentage of 9% and 22% offers both long term and Short term credit facility. The study also help to determine the success percentage in terms of loan granted. An average of 0.22 falls within the range of 75%- 99% and average 0.78 has a range of 50% - 74% success respectively. 61% with an average of 0.60 also confirm that the processing of loan takes less a week to process and disburse and 30% with an average of 0.30 confirm that the processing and disbursement take between one week and two weeks but the maximum processing time is between two weeks to three weeks.

The criteria loan processes were cumbersome as the results shows that 87% of the respondents answered Yes to the question and 13% of the respondent answered No. An average of of 0.86 confirmed that collateral securities is required before granting of loans to MSMEs and average 0.13 said to collateral is needed . 35% of microfinance owners observed that to obtain a loan you need to have house or land. There others who observed that one needed to have a shop (17%), or a car (13%). This implies that most MSMEs had land or house who were financially stable to guarantee them for a loan.It was established that majority of the respondents (83%) could afford the collaterals, with only 17% is unable able to afford the collaterals. This is a possible explanation for the the higher numbers of MSMEs sourcing their capital from the MFIs. It therefore goes that most of the requirements as collateral for loan application be afforded by most MSMEs in The Gambia.100% of respondents face challenges in granting credits to SMEs . 96% of that loans granted leads to growth in their businesses.78% of all loans granted are for business activities. The micro finance guideline in the gambia also have a significant effect on the involvement with MSMEs as was confirmed by 65% of the total respondents. The financial regulatory environment through the help of the Central Bank of the Gambia (CBG) could help to facilitate in financing the SMEs. Most often, government policies and incentives facilitate access to microfinance favour large enterprises more than MSMEs.

5.0 SUMMARY,CONCLUSION,FINDINGS AND RECOMMENDATION

5.1 Summary

The increasing importance of micro finance and the evolving rigidity of mainstream financial institutions motivated the proposition for this research. Further to this, is the sustained status of the Gambian as a highly indebted poor country (HIPC).Drawing on the research question and objectives of study, the implication therefore is that micro-finance provides a credible alternative for MSMEs. However, the environmental sensitivity of the microfinance phenomenon makes it difficult to make generalizations based on the outcomes of studies that focused on those dynamics that are unique to countries outside Africa in general and the Gambia in particular. This provided the basis for arguing the relevance of this study. Guided by the research question and objectives, this chapter presents the conclusions and recommendations of this study. Drawing on evidence that have been documented in chapter four above, this research concludes that MFIs have positive impact on the formation, survival and growth of micro, small and medium enterprises. These conclusions do not make any case for scale of access or proportion of access against credibility of need. Instead they have been made based on empirical and confirmable trends in extant studies (Jaabi 2014, ADB 2006, Littlefield 2003).

Positive regulatory environment has been found to be the main catalyst for devolved access to microfinance in the Gambia. Such environment would incentive microfinance institutions thus facilitates access in terms of softer requirements for credit applications, the condition for repayment, as well as the portfolio depth of MFIs and geographic spread of their branch networks. The conclusions reached on each research objectives have been outlined in the sections below.

5.2 Conclusions

This study assessed the influence of MFIs on the development of MSMEs in the Gambia. This research has found MFIs important for the development of MSMEs in the Gambia. It has helped in the expansion and the establishment of new enterprises in the Gambia. It has alleviated household from poverty by making low income earner have access to fund. More than 75 percent of microfinance products are targeting MSMEs. This conclusion is supported by the research of Wrights (1999) that concluded that increasing in income could help in reducing poverty if the incomes are used for investment rather than consumption.

5.3 FINDINGS

1. Base on the trend of the micro credit applications, this research concludes that MFIs will continue to contribute to increase in the number of MSMEs and alleviate poverty in the near future if they are empowered,

since MSMEs and the poor are the targets of MFIs, this conclusion reach to consensus with a study made across 132 countries (IFC and Mckinsey Company 2010), which concluded that income per capital is positively related to number of MSMEs. Women who are the vulnerable in societies are found to be the major benefices of microfinance in the Gambia. In fact, about 60 percent of the loans are advanced to women entrepreneurs. There is currently no evidence that a significant percentage of these loans were not used to partly or wholly support family-based micro enterprises.

2. This study concluded that higher rate of interest is the major borrowing challenges for MSMEs in the Gambia. Base on the findings, interest rate is considered to be very high in the Gambia. This is a discourage factor and it is the reason why many have never applied for micro credit. Improper record keeping by MSMEs has been found to be a challenge for both MFIs and MSMEs. The MFIs use accounting records to assess fund need of the concern enterprise, and the product that suit that entity base on their lending policies. Accounting record is requirements for lending that must be met in some cases. This is supported by the view of Paul Derreumeux that identifies three major barriers that deter access of credit from financial institution that include lack of accounting practice records.

3. Based on the data gathered on this study, this research has concluded that regulatory framework highly influences MFIs and important for the development of MSMEs in the Gambia. In the Gambia CBG monitored the operation of MFIs to ensure that they in accordance with the law and to the prescribed service standards.This is supported by the research of (Sahel invest management intl, 2006). The regulatory framework determines the registration requirement of MFIs, which determines the number of registered MFIs, and any MFIs, that does not have the license is conceded to be operating illegally by the Non-Bank Financial Institution act 2016 that regulate MFIs in the Gambia. From the findings the regulatory framework is not clear to entrepreneurs, but all the respondents of the regulatory theme agreed that it is important for the development MSMEs.

5.4 Recommendations

1.The MFIs should try to improve the outreach in the rural areas. This could be achieved by extending their branches to the rural areas. Increasing advertisement can help to increase awareness of the availability of MFIs. MFIs should have a product, specific for areas that are very concerned about religious matters. They can come with a product that will finance a business without repayment of interest and then they can share profit base on the prior agreements.

2.Interest rate should be reduced to a reasonable level, even to single digit if possible. One might say that this could be at a cost to the MFIs and to the government, because of lost in interest income and tax revenue respectively. This loses can be compensated by increasing in the number of MSMEs and the expansion of existing ones, which could reduce rate of unemployment and increase income per capital in the country. The tax loss by reducing interest rate will be compensated by increase tax from MSMEs. Then the government can exempt MFIs for tax payment to make all parties winners. Increase in the volume of loans will also compensate for interest income loss because increase in number of loans means increase in interest income.

3.The CBG of the Gambia has to do some reforms in microfinance industry. The government has to come with policies that can empower MFIs, for them to be able to give out more credit to close the wide gap between credits that is given by MFIs and commercial banks. They can do this by making sure more external loans and grants are available to MFIs. This will help in the Expansion to rural areas and make access of credit easier.

4.The MSMEs policy in the Gambia is unarticulated; therefore, call for a greater attention. The regulators should make sure that MSMEs policies are very clear to entrepreneurs. This can be achieved by issuing of policy book to all registered enterprises after registration, and also perform period monitoring to make sure the policies are adhered by enterprises. This will reduce illegal activities by MSMEs and promote the development of MSMEs. To achieve these, the policies should be enabling and supportive.

5.The study of microfinance as a course should be extended to the universities and colleges to increase the awareness of microfinance among the entrepreneurs. It can also help educate the staffs at MFIs, which could help in the provision of effective and efficient service to the clients. It should not be an optional course but a general requirement for all students. This could done through the ministry of higher education making it a required course in all universities and colleges.

6.MFIs should improve the supervision of their clients after issuing credits to them. This can be done by monthly visiting the clients' business enterprise to find whether they are using the credits for the purpose it is issued for. This will help to alleviate their clients from poverty and also reduce default risk. Both the regulators and microfinance institution should come with measures that will reduce fraud and mismanagement in MFIs, which will increase effectiveness and efficiency in operation.

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