CONSULTING PROJECT ON KRABAN SUPPORT FOUNDATION

Financieros Sin Fronteras

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1. Overview

In this section we provide a brief description of the institution and how it fits into the microfinance industry in the country. It outlines the institutions´ vision and mission, organizational strengths and weaknesses, macroeconomic linkages as well as political and other external factors.

1.1 Summary of institutional data

Kraban Support Foundation (KSF) was promoted and established in July 1996 as an NGO by seven professionals with different expertise, of which four females and three males who either subscribed or promoted the interest of the FNGO.

In 2011, due to the launch of the policy and regulation for financial intermediaries, the institution had to convert into a semi-formal financial non-governmental organization (FNGO), which falls under tier 3 Microfinance institutions in Ghana. It is therefore registered as an NGO in the Ministry of Social Affairs and as a financial intermediary in the Ministry of Finance, having to adhere to its financial policy and to Bank of Ghana regulatory requirements.

1.2 Mission and vision

KSF's vision, as stated in their documentation, is that it believes in a sound transitional pro-poor strategy towards a path between market responses and social demands with an imperative gender focus. With this perspective, KSF hopes to be the leading financial non-governmental institution in Ghana by 2025.

Regarding the mission, they say that they are trying to develop innovative strategies that enhances the capacity of vulnerable groups to operate independently and effectively in the informal sectors of the Ghanaian economy.

KSF's strategic mission and vision are formalized well in the constituent document of the institution and in their business plans and manuals. The strategic plan serves as a key document, encapsulating the foundations' objectives, targeting areas of impact, and stating the needed objectives to achieve its vision. There is a strong consistency between the strategic mission and vision of KSF Support Foundation and its business plan, as these documents provide a coherent framework that aligns the organization's strategic direction with its day-to-day operational activities, ensuring that the strategic mission and vision are reflected in practical and actionable plans.

The staff has always been aware and accepting of KSF's mission and vision and is proud of working in such an institution and contributing positively to so many people's lives. They are not doing it only because of personal benefit, but also because of the satisfaction of improving low-income people's lives and make Ghana a better country to live in.

1.3 Organizational strengths, weaknesses, and competition

SWOT ANALYSIS

Strengths	Weaknesses
- Experienced Management - Clear Mission and Vision - Community Engagement - Emphasis on women and low-income populations	- Operational Inefficiencies - Inadequate internal controls - Financial Mismanagement
Opportunities	**Threats**
- Unsaturated market - Technological Advancements - Women Empowerment Programs	- High dependency on key personnel - Economic Instability - Inadequate Regulation - Technological Disruptions

Competitive Environment

Threat of New Entrants

- Barriers to Entry: New financial NGOs (FNGOs) in Ghana face significant barriers to entry due to stringent regulatory requirements. They must register with the Department of Social Welfare and comply with microfinance regulations set by the Bank of Ghana, which can be challenging and resource intensive.
- Existing Competitors: Although there is substantial competition among commercial microfinance institutions, FNGOs typically do not compete directly with them due to differences in their target markets. FNGOs focus more on underserved populations, whereas commercial institutions may target broader markets.
- Product Differentiation: FNGOs distinguish themselves by emphasizing social impact, financial inclusion, and offering tailored products and services for underserved populations, setting them apart from traditional financial institutions.

Bargaining Power of Suppliers

- Supplier Concentration: FNGOs depend on various suppliers, including donors, funders, and service providers. While there are multiple funding sources, reliance on a few major funders can give these suppliers considerable bargaining power.
- Switching Costs: FNGOs typically face low switching costs with suppliers due to the diversity of their funding sources, which include donations, grants, loans, and partnerships with governmental and non-governmental organizations.
- Critical Inputs: Funding, technical assistance, and capacity-building support are essential for FNGOs. These inputs help mitigate risks associated with supplier bargaining power by ensuring operational continuity and effectiveness.

Bargaining Power of Buyers

- Buyer Concentration: FNGOs serve a diverse clientele, including smallholder farmers, micro-entrepreneurs, women, and rural communities. While individual clients have limited bargaining power, collective action or strong client associations can increase their negotiating leverage.
- Price Sensitivity: Clients of FNGOs are often highly price-sensitive due to their low-income status. Therefore, FNGOs must offer interest rates, fees, and terms that are well-adapted to their clients' needs and financial capabilities.

Threat of Substitutes

- Availability of Substitutes: FNGOs' clients generally do not have access to alternative financial services such as traditional banks or commercial microfinance institutions. FNGOs retain clients by offering tailored products, superior customer service, and focusing on social impact.
- Price-Performance Trade-Off: Clients typically only consider the trade-off between the cost and convenience of FNGO services compared to informal providers, as they are often excluded from traditional banks and commercial institutions.
- Switching Costs: Clients face low switching costs when considering other financial service providers. FNGOs can mitigate this threat by building strong relationships, offering customized services, and fostering customer loyalty.

Rivalry Among Existing Competitors

- Number of Competitors: While competition is intense among banks and commercial microfinance institutions, FNGOs face less competition as there are less than 20 FNGOs in the country, spread out geographically.
- Industry Growth Rate: The commercial microfinance sector in Ghana has experienced rapid growth due to increasing demand for financial services. However, the FNGO sector has been costs of clients and limited competition among FNGOs, while capitalizing on opportunities presented by technological advancements and potential collaborations. Effective management of these dynamics, alongside strategic planning and robust implementation, will be crucial for KSF to achieve sustainable growth and fulfill its mission.severely impacted by the dual crises of COVID-19 and the Ukraine war, reducing their numbers from 40 to 18.
- Product Differentiation: FNGOs differentiate their products through unique microfinance methodologies, customer-centric services, and social impact initiatives, which are critical for standing out in the sector.

In conclusion, KSF Support Foundation operates in a competitive and challenging microfinance environment in Ghana. Despite facing significant barriers to entry, dependence on a few major funders, and a high level of price sensitivity among clients, KSF differentiates itself through a strong focus on social impact and tailored services for underserved populations. The organization must navigate the low switching

1.4 External environment

The external environment plays a critical role in shaping the future of entire sectors and those of individual businesses. To keep the business ahead of the competition, managers must continually adjust their strategies to reflect the environment in which their businesses operate.

Ghana presents a mix of political stability and economic challenges, with significant opportunities in technology adoption and social entrepreneurial activities. Understanding and managing these internal and external factors are vital for strategic decision-making and long-term success in the microfinance sector.

Political Analysis

Ghana is recognized for its stable democratic governance and peaceful power transitions, especially since the return to multiparty politics in 1992. The upcoming 2024 elections are crucial, with President Nana Akufo-Addo stepping down due to term limits. This period could be contentious, given the historical context of tightly contested elections and ongoing issues such as electoral register disputes and security concerns in northern regions. The general political stability, however, continues to favor democratic norms and peaceful discourse, crucial for a conducive business environment.

Economic Analysis

Ghana's economy faces significant challenges, including high inflation, debt distress, and subdued growth. Despite recent improvements, economic growth remains slow, with projections around 2.9% for 2023 and 2024. The government is engaged in a comprehensive debt restructuring and fiscal consolidation program supported by the IMF. Inflation has decreased but remains a concern due to external shocks and fiscal vulnerabilities. Long-term economic stability will require substantial structural reforms to attract foreign direct investment and enhance private sector development.

Social Analysis

Ghana has a diverse demographic profile with a mix of ethnic groups and religions. The population is characterized by a high degree of entrepreneurial spirit, particularly in the informal sector, which is critical for microfinance institutions. Education levels are improving, but there are still significant gaps that impact economic opportunities. Social cohesion is generally strong, but disparities in income and access to services persist. Health issues, including HIV/AIDS, and other socio-economic factors also play a significant role in shaping the social environment.

Technological Analysis

Technological advancements in Ghana are growing, particularly in digital financial services. The adoption of mobile money and other digital platforms is transforming the financial landscape, offering new opportunities for MFIs to reach underserved populations. However, there is a need for significant investment in technology to enhance operational efficiency and service delivery. Embracing digitalization can help MFIs reduce costs and improve client outreach, which is essential in a rapidly evolving financial sector.

Environmental Factors

Environmental issues such as climate change, natural disasters, and health pandemics like HIV/AIDS significantly impact Ghana's economic and social stability. Seasonal loan cycles in agriculture, market disruptions, and infrastructure challenges also influence the operations of financial institutions. Addressing these environmental factors is crucial for the resilience and sustainability of businesses, particularly those in the microfinance sector.

2. Institutional set up

This section describes legal and institutional aspects, allowing to provide an analysis of how it is organized internally (ownership, governance and managerial structure) and how it interacts with its shareholders, clients, competitors and other organizations. More particularly, it explains how it fits into the regulatory framework and supervision to which it is subject. It also provides information about its management, information and communication technology, data availability and quality, internal controls, and external auditing.

2.1 Ownership and governance

KSF, as an FNGO is registered as a company limited by a guarantee and does not have owners. Their highest decision-making body is the board of directors, which does not have any fiduciary responsibility within the institution.

The organization operates under the guidance of a board and management team, focusing on its mission rather than the distribution of profits to shareholders.

Currently, full decision-making power is in the hands of the manager, Dr. Nana Opare-Djan. All the responsibilities are in his hands, making him the key risk person as, if, for any reason, he were no longer to continue as the leader of KSF, the institution would face a significant setback in its development. Further description of his responsibilities will be described later in the report.

Board of Directors:

Name	Position	Professional Background
Dr. Nana Opare-Djan	Vice Chair	Development Planner/Lawyer
Madam Fatima Ewudzie	Member	Asst. Director of Education/Guidance and Counselling Coordinator
Ms Hilary Grace Wobil	Vice Chair	Institutional Management
Rev. Augustine Amankwaa	Member	Minister of Religion/ Programme Management
Mr. Ishmael Parry	Member	Adult Educationist/NGO Programmer

Throughout his life, Dr. Nana Opare-Djan has been a seasoned public servant, a development planning professional, a researcher, an academic, a strategist and a legal expert. He graduated from the Ghana School of law in 2021, got his doctorate in Atlantic International University in 2018, and is one of the most experienced microfinance managers in the country. He has numerous certifications, awards, research papers, and recognitions from all around the country and his skillset is impressive beyond a doubt, however him being the only one in charge is worrying for the institution.

The other board members, who were active participants in the institution before, haven't attended a meeting in the last 6 years. In the beginning all of them were extremely committed to the institution. Board meetings were held quarterly, and the minutes from these meetings were documented and signed, which suggested a systematic approach to governance. However, through the years their involvement has been decreasing more and more and currently Dr. Nana Opare-Djan is the only active one. One woman on the board, who was among the more active, passed away a few years ago, further centralizing the decision-making power in Dr. Nana Opare-Djan's hands.

Ownership and governance recommendations

Not having an active and engaged board poses significant risks to any institution, particularly FNGOs. Effective governance is crucial for strategic planning, risk management, and operational health. KSF must establish a robust governance structure to ensure sustainability and growth. To do that, we propose the following recommendations:

1. Create a board of 5 members:
    a. Financial expert to provide insights on financial strategies and sustainability
    b. Internal Control Specialist to ensure strong internal controls and risk management
    c. IT Expert to guide digital transformation and technological advancements
    d. Community Development expert to maintain strong community ties and client relations
    e. Legal Expert to handle legal matters and regulatory compliance
2. Establish Board Mechanisms:
    a. Board meetings at least twice a year
    b. Regularly review financial performance, strategic plans, operational efficiency
    c. Define clear objectives and responsibilities for board members
    d. Establish metrics to evaluate board and institutional performance
3. Develop a Governance manual:
    a. Define policies for term limits and rotation of board members, if possible
    b. Set guidelines to prevent conflicts of interest
    c. Clearly outline the roles and responsibilities of board members to ensure accountability and effective governance

2.2 Management

Dr. Nana Opare-Djan, the CEO, has a strong profile, with an extensive list of work experience and education. Although he has no formal training, either in Finance or Management, he has completed multiple training courses and possesses many certificates in this field. During his career, he coordinated multiple projects in different fields and during different periods, for example he was involved in the creation of GHASSFIN, the Apex Body for FNGOs. He has also published many papers during his career with a special focus in social development and poverty reduction.

Even though the FNGO is currently struggling and COVID hit it extremely badly, it is worth noticing that it is still alive and still serving customers. Dr. Nana Opare-Djan has had a massive impact on the country's FNGO landscape, helping to create GHASSFIN and even being a part of its board. They had a main office in Accra with branches in Takoradi and Somanya, but Covid, the war in Ukraine, and the economic recession had a huge impact on their clients, on their operations and on their profitability. They had to reduce staff gradually and from 20 credit officers they remained with one, while from thousands of clients, they are left with less than 1000.

It is worth mentioning that KSF is not the only financial institution that is struggling. While there were 40 institutions officially registered back in 2011, which was also after a period of a global financial crisis, currently there less than 20 active, showing KSF's resilience and striving for success. While not one of the biggest FNGOs in the country right one, they still have a large history and a large set of previous and current clients. With the right steps, hirings, and financing, the institution can avoid the fate of the bankrupted institutions and quickly get back up on its feet, continuing to pursue its mission.

In general, the biggest problem for the institution remains Dr. Nana Opare-Djan, who is the only person in the management to leave KSF or retire. Giving the responsibilities to another person isn't easy and this has to be addressed as quickly as possible. We estimate a period of at least 5 years, in which Dr. Nana Opare-Djan must teach and train a new management team, which knows how every segment of the institution works before he can leave.

The sudden absence of Dr. Nana Opare-Djan would lead to a leadership vacuum, resulting in confusion and lack of strategic direction. His absence would disrupt key relationships, affecting potential funding, support and credibility due to his specialized knowledge, expertise, and institutional memory, which is crucial for day-to-day operations and strategic planning.

Management Recommendations

Effective management is crucial for any organization, especially in the context of Dr. Nana Opare-Djan's plans to retire in the next five years. Good management ensures that an organization can continue to achieve its goals through well-organized planning, staffing, directing, and controlling. For KSF Support Foundation (KSF), establishing a solid management structure is vital to ensure a smooth transition and maintain operational stability after Dr. Nana Opare-Djan's departure.

Given this necessity, it is imperative to do the following:

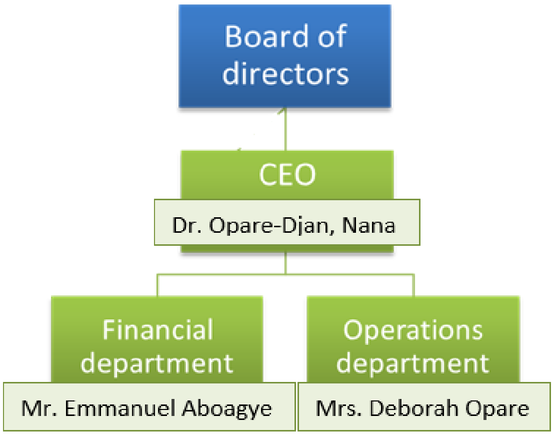
1. Develop a Strategic Plan for Leadership Continuity: Implement a comprehensive strategic plan that encompasses leadership continuity measures . This plan should outline steps to maintain organizational stability and growth in times of leadership transition, ensuring Kraban's long-term success and resilience.
2. Cross-Training and Knowledge Sharing: Encourage cross-training and knowledge sharing among staff members to reduce reliance on any single individual. This will help ensure that operations can continue smoothly in the absence of key personnel.
3. Document Key Processes: Document all critical processes, procedures, and institutional knowledge. This will facilitate continuity and enable new leaders to understand and manage operations effectively.
4. Foster a Culture of Teamwork and Collaboration: Cultivate a culture of teamwork, collaboration, and resilience within the organization. Encourage open communication, trust, and mutual support among staff members to collectively navigate challenges.

By implementing these strategies, KSF can mitigate the risks associated with the potential retirement of its key leader. Proactive planning, building redundancy, and fostering a strong organizational culture are essential for ensuring continuity, resilience, and long-term sustainability, especially during challenging times.

2.3 Organizational structure

KSF maintains a simple organizational structure, which is the best option for a small FNGO. The organization is headquartered in Somanya, a strategic location close to their clients.

The organizational structure includes a board of directors, a CEO, a financial department, and an operations department.



They type of structure is beneficial for efficient processes and decision-making. The departments are well designed and the hierarchical coordination facilitates smooth communication and efficient operations.

Nevertheless, due to diverse challenges in recent years, in practice there is only one-full time staff member active. The board of directors is no longer actively involved, the CEO has additional commitments with another company, and the financial officer is based in Canada. Consequently, the operations officer to have too many responsibilities. This makes the organizational structure ineffective leading to inefficient processes, bottlenecks, and overlaps. If this situation persists, it could result in complete financial mismanagement, resource wastage, increased costs, and financial instability, ultimately jeopardizing KSF's long-term sustainability and its ability to deliver impact.

Organizational Structure recommendations

To avoid organizational structure problems while key staff are on leave for a few months, KSF should consider implementing the following recommendations:

1. Reallocate key responsibilities, distribute essential tasks among remaining staff to ensure continuity.
2. Schedule regular online meetings among staff members to address challenges, concerns, or questions that arise during the absence of the financial officer.
3. Document standard operating procedures and workflow processes, create clear guidelines and instructions for key functions to maintain continuity of operations.
4. Maintain open communication channels with staff members, providing regular updates on the status of products, key tasks, and responsibilities to keep everyone informed and aligned.

2.4 Human resource management

KSF currently has a team of 3 professionals working in the institution. The CEO and Founder Dr. Nana Opare-Djan is a Lawyer with a doctoral degree in Environmental Science and is also currently working in the Ghana Development Planning Commission. He told us on our visit to their Headquarters that he is going to retire in the next 5 years and hand over the management of KSF to Mr. Emmanuel Aboagye.

Mr. Emmanuel is the financial officer of the institution and has higher education in accounting and cost management, and a diploma in Computer Software. He has been working on the institution for the last 8 years but is currently in Canada studying a master and therefore not involved in the institution´s operations.

The Operations Officer, Mrs. Debora Opare, who is the CEO's sister, holds a bachelor's degree in human resources management and a Certificate in Business Management. However, she had no professional experience before joining KSF 12 years ago. She is currently managing all the clients by herself and all administrative functions single-handedly, and she highlighted that she would like to be able to dedicate more time to new academic studies.

While they are well trained and capable, with enough skills and experience to fulfill adequately their roles and responsibilities, it is evident that covid and the economic recession that followed have impacted their motivation. This, together with the fact that currently there is only 1 person in charge of the daily operations (Mrs. Deborah Opare), who is currently overwhelmed with her work, present challenges in terms of management and control of the operations of KSF.

KSF has a staff policy that briefly covers areas like recruiting, placement, promotion, discipline, and study leave but is not currently institutionalized. Regarding recruitment, family and friends are prioritized, which is a normal practice in Ghana. Training is not provided on an ongoing basis, especially because GHASSFIN, the network in charge of training FNGOs' staff, is not active. Lastly, there have been no salary increases in the last 12 years.

In conclusion, the current organization of workforce is not helping to manage operations effectively. Suboptimal performance management practices, inadequate remuneration, and a lack of development opportunities contribute to staff feeling stagnant in their roles. This stagnation hinders individual productivity, strains team and family relationships, and impedes overall organizational growth.

Human resource recommendations

Human Resource Management tools and systems are vital in finding, training, managing, motivating, and developing a team of staff who will effectively carry out the institution´s mission. By building strong, well-functioning human resource systems and tools, KSF will be poised for growth, ready to manage the challenges of its evolving environment, and being responsive to the needs of their staff and clients.

Taking in mind KSF's current situation, HR, and financial capabilities, the following recommendations are feasible and need to be applied in order of importance.

1. Implement basic performance management practices to set clear expectations, provide feedback, evaluate performance, and specifically recognize and reward achievements through compensation and benefits that doesn't have to necessarily be monetary (day offs for example), particularly given that there is currently only one full-time staff member in the institution.
2. Develop a family protocol to manage the unique dynamics and complexities of working with family members. This protocol should promote fairness, professionalism, conflict resolution, values preservation, external perception, compliance, and family harmony within the institution.
3. Offer employees ongoing opportunities for training and development to enhance their skills, knowledge, and abilities. Facilitate their attendance at training sessions organized by NGOs, such as those provided by GHASSFIN.
4. Revise and institutionalize the current HR manual to promote consistency, transparency, legal compliance, employee empowerment, risk management, efficiency, cultural alignment, training and development, and adaptability within the institution.
5. Develop a succession plan to identify and nurture internal staff for future leadership roles, ensuring continuity and minimizing disruptions caused by retirements.

2.5 Information technology

The institution management information system (MIS) does not provide enough valuable data for the different departments. Most data, including accounting books, contracts, and the loan portfolio, is maintained in physical form. They use Excel to summarize the information and elaborate the necessary reports. The relevant information they produce is basically annually and these are the general ledger, fixed asset schedule and financial statements (Balance Sheet, Income Statement and Cash flow statement).

Due to the institution's reliance on physical books for data storage, verifying the accuracy of the information in their Excel spreadsheets becomes challenging, physical books and records can be prone to damage, loss, or theft, which can compromise the integrity of the information. Moreover, physical books require physical access to the location where they are stored, this can be a challenge if the records are stored off-site or if multiple users need simultaneous access to the information. KSF's reports are primarily available only at the end of the year.

In our visit we observed that the limited information they produce is used for reporting purposes only. The information is not used to conduct any analysis or review of the financial information to enhance their activities, which hinders their ability to identify areas for improvement and implement best practices.

Functionality and expandability

Relying on paper records and Excel spreadsheets to manage KSF's operations presents considerable challenges that impede growth and delay adaptability. This traditional approach not only restricts the organization's capacity to produce functional information but also poses limitations in integrating new products and services into their operations.

The organization has plans to start bringing back the previous model with many branches, many credit officers, even to develop an online application, through which the clients can receive and return the money without field visits. Nonetheless, at this moment in time those plans don't sound too realistic as they don't have the sources and capabilities to perform these changes.

Reporting

Despite the lack of information systems, in the case of a missed loan payment the loan officer and managers are aware immediately as the loan officer and the management communicate every day and the loan officers collects the loan in person.

In terms of the information they generate, their primary focus lies in preparing supervisor reports and financial statements. Typically, this information is produced only once or twice a year and is used solely for reporting purposes.

Standards and compliance

The organization attempts to adhere to international standards in its reporting, but it does not comply with regulatory requirements. They should be submitting comprehensive quarterly financial information to GHASSFIN.

Administration and support

In this context, data security could be a problem, physical records are managed for authorized personnel only, but there are not measures for access controls and procedures to prevent unauthorized individuals from tampering with or stealing sensitive information. Furthermore, the company does not have backups of physical records to mitigate the risk of data loss due to theft, damage, or unforeseen disasters.

Information quality, availability, and transparency

Most of the information provided by the company appears unreliable and is only sporadically available to management. The information is predominantly stored in physical documents and analyses cannot be performed. While we understand the challenges KSF faces in implementing systems and enhancing processes, we have encountered a reluctance to provide information and have observed some inconsistencies in the responses of the staff we have spoken with.

Our analysis of the financial information provided by the company, along with on-site findings, revealed discrepancies, particularly regarding the size and growth of their loan portfolio. Based on these discrepancies, it is apparent that the reported data may not reflect the true state of the loan portfolio, which appears largely inactive. Moreover, the lack of analytical insights prevents them from making data-driven decisions that could optimize their operations and increase their impact.

Conclusions and recommendations

The MIS include a series of processes and actions involved in capturing raw data, processing it into usable information, and disseminating the information to users in the form needed. In this sense, there are several recommendations to enhance the current system, considering the organization's financial limitations.

Firstly, leveraging the use of Excel can prove beneficial, implementing quarterly reports, as required, and incorporating data analysis Furthermore, the company could implement a free online system like Drive or Dropbox for data sharing between different departments and install loan performer or open-source MIFOS for organizational reporting needs. These initiatives aim to create a timelier and more efficient data flow, which implies a move towards providing relevant information for different levels within the MFI.

2.6 Internal controls

Assessing the Adequacy and Availability of Internal Control Policies in Managing Operational Risks

KSF has a policy plan that includes only a very basic framework of internal control policies. The document titled "KSF Policy Plan," provided by the owner, outlines several key points, including:

- Deposit Mobilization Policy
- On-Lending Policy
- Interest Income Policy
- Sanctions Policy
- Investment Policy
- General Credit Policy
- Policy on Asset Acquisition

However, these policies are neither institutionalized nor consistently followed in daily operations. The fact that Mrs. Deborah Opare was unaware of its existence is a significant red flag, indicating severe deficiencies in training, communication, and operational culture. This lack of engagement and awareness critically undermines any theoretical framework KSF might have in place for risk management.

The leadership’s readiness to retire and pass the management to Mr. Emmanuel, suggests a deeper systemic issue that no operations manual or policy framework can fix without genuine leadership engagement. In microfinance institutions where operational risks can have significant financial consequences, the leadership's disengagement can lead to lax oversight, unaddressed compliance issues, and unchecked operational risks.

Written policies and procedures

The following section will analyze the different categories of written policies and procedures that KSF has provided to manage operational risks.

Financial Operations

- Credit: KSF's policy documents outline procedures for credit applications, approvals, disbursements, and collections. Details include eligibility criteria, the application process, and approval mechanisms. However, there are no explicit procedures or guidelines documented for refinancing and issuing repeat loans.
- Savings: There are established policies for managing savings accounts at KSF, detailing the processes for account openings, closings, deposits, and withdrawals.
- Portfolio Quality Review and Provisioning: Notably absent in KSF's policy framework are procedures for portfolio quality review and provisioning

Procurement

- Purchases: KSF lacks detailed, documented procedures covering the complete procurement process from requisitions through to payments.
- Payroll: While KSF has some policies related to hiring and remuneration as part of their staff recruitment and placement policies, there is no information on systematic payroll management and personnel file documentation.
- Fixed Assets: KSF has established policies concerning budget requests, approvals, purchases, usage, and the security of fixed assets. They also have a documented depreciation policy. However, there are no clear guidelines on the disposition of fixed assets, leaving a gap in asset lifecycle management.

Treasury

- Cash Handling: KSF's policies on cash handling are not explicitly detailed in the documents provided, suggesting a lack of formalized procedures.
- Banking: While there are general guidelines for account management including opening, closing, deposits, transfers, and withdrawals, the policies are not comprehensively outlined to ensure robust banking operations.
- Investments: KSF has established an investment policy that covers types of investments and management practices. However, specifics on strategic investment decisions and performance monitoring are lacking.
- Funding: Documentation on managing different funding sources such as donations, capital stock, and debt is absent, indicating a significant gap in the financial framework.
- Liquidity Management: There is no clear policy.

Financial Management

- Budget Controls: There is an indication of budget request and approval processes within the fixed asset management policies, but broader budget controls and enforcement mechanisms across the organization are not detailed.
- Asset Safeguarding: Policies for safeguarding fixed assets are noted, including usage and security measures. However, comprehensive asset safeguarding strategies, particularly for liquid assets and other non-fixed assets, are not clearly outlined.
- Accurate Financial Statements: The production of accurate financial statements is essential for transparency and decision-making. KSF's policies do not explicitly describe the procedures for ensuring the accuracy and regular production of these statements.

- Fulfillment of Statutory Requirements: There is a lack of documented procedures regarding the fulfillment of statutory and regulatory requirements.

Impact of Inadequate Written Policies and Procedures on KSF's Operational Integrity

The absence of comprehensive written policies and procedures significantly hampers KSF's operational effectiveness and risk management. Without detailed guidelines for credit refinancing, payroll management, portfolio quality review, and procurement processes, KSF is vulnerable to inconsistencies and inefficiencies in daily operations.

The lack of robust cash handling and liquidity management policies increases the risk of financial mismanagement. Furthermore, the absence of clear guidelines for accurate financial reporting and compliance with statutory requirements undermines the organization's transparency and regulatory adherence. Overall, these gaps hinder KSF's ability to maintain operational integrity, safeguard assets, and ensure sustainable growth.

Other Applicable Areas

Further examination of KSF's policy framework reveals additional critical gaps in governance and operational protocols, potentially impacting the organization's overall effectiveness and compliance.

1. Risk Management: There is no comprehensive risk management framework that addresses various types of risks including operational, market, and credit risks.
2. Compliance and Regulatory Oversight: KSF lacks clear policies detailing compliance checks and balances or the monitoring of regulatory requirements.
3. Human Resources Management: While there are some policies related to staff recruitment and promotion, broader HR management practices including staff development, performance evaluation, and conflict resolution are not addressed.
4. Technology and Data Security: There is no mention of policies regarding the management of technology infrastructure or the safeguarding of data.
5. Fraud and Safeguards: KSF has had incidents of fraud by their staff, and client repayment issues in the past.

Impact of Other Applicable Areas on KSF's Operational Integrity

The absence of comprehensive policies in several key areas poses significant risks to KSF.

- The lack of a risk management framework leaves the organization vulnerable to unmitigated threats, jeopardizing stability.
- The failure to implement robust compliance and regulatory oversight increases the likelihood of non-compliance with legal requirements.
- Inadequate human resources management practices, including insufficient staff development and performance evaluation, impair workforce efficiency and morale.
- The absence of technology and data security policies exposes KSF to cybersecurity risks and data breaches.
- Insufficient fraud detection measures, exacerbated by the lack of an audit function, diminish KSF's ability to proactively prevent and address fraudulent activities.

Internal controls recommendations

KSF's reliance on informal and unwritten practices significantly hinders its ability to manage operational risks effectively. The institution must develop and implement comprehensive written policies and procedures across all operational areas to ensure efficiency, effectiveness, and reliability.

Aligning with best practices recommended by the Basel Committee on Banking Supervision, these measures will enhance KSF’s capacity to manage risks, safeguard assets, and ensure regulatory compliance. Establishing robust internal controls, transparent HR policies, and comprehensive risk management frameworks, coupled with staff training, will be essential for supporting KSF's sustainable growth and operational success. These steps are crucial for positioning KSF to thrive in the competitive field of microfinance.

Effective internal controls are essential for maintaining organizational integrity and operational efficiency. By establishing comprehensive systems, KSF can mitigate risks, ensure compliance, safeguard assets, and foster accountability, positioning the organization for sustainable growth and resilience.

Taking in mind KSF’s current situation, internal controls, and financial capabilities, the following recommendations are feasible and need to be applied in order of importance.

1. Build a comprehensive manual taking in mind the real risks of the institution: The policies should not only be detailed in terms of "how" and "who" but also need to be implementable given the staff and resources of KSF.
2. Institutionalize the policies that will be introduced in the manual.
3. Improve reporting by maximizing the use of Microsoft Excel.
4. Create a warning system through ratio analysis.
5. Audit financial statements when KSF has enough financial resources.
6. Ask every 3 years an external auditor to make an internal audit.
7. Hire an internal audit when KSF has grown significantly.

2.7 Regulation and supervision

Microfinance expanded rapidly in Ghana during the 2000s through existing institutions, increasing financial inclusion. To further strengthen the sector, the government enacted the Non-Bank Financial Institutions (NBFI) Act in 2008, which providing a legal framework for regulating and supervising microfinance institutions. Additionally, the Ghana Microfinance Institutions Network (GHAMFIN) was established to represent and advocate for microfinance institutions in Ghana.

However, in the latter part of the 2000s, the microfinance sector was disrupted due to the rapid rise of profit-driven businesses, that mobilized public savings and investments, lending out funds at high interest rates. They were registered as companies by the Registrar-General but were not licensed by the Bank of Ghana (BoG) to take public savings. This result in an increase of fraudulent practices and there were a growing number of complaints from people who had lost their savings.

In response to these challenges, the BoG undertook regulatory reforms to strengthen oversight and protect depositors. Thus, the BoG issued the Guidelines for Microfinance Institutions in 2011, covering all types of microfinance institutions. Based on a 2010 study commissioned by GHAMFIN, the guidelines took a tiered approach, establishing four tiers of MFIs based on their activities. Tier 3 includes Non-Deposit-taking MFIs, such as Incorporated Money Lenders and FNGOs. The main guidelines established in this document for Tier 3 institutions are detailed in Annex 1.

According to this Guidelines, non-deposit taking microfinance institutions in Ghana are subject to prudential regulation, this approach diverges from recommended international standards. Prudential regulation includes compliance with mandatory standards such as minimum capital levels, liquidity management ratios and asset quality standards. This raises several challenges to FNGOs, as they have to convert from NGOs with a social mission into regulated and supervised financial intermediaries.

These rules contain the most important requirements that MFIs must comply with, but they also are subject to other several regulations and rules such as anti-money laundry and combating the financing of terrorism, consumer protection, credit reporting, among others.

Currently KSF does not have the license from the Bank of Ghana, but it is registered in the Ministry of Social Welfare and reports to the Ghana Association of Financial Non-Governmental Organizations (GHASSFIN). In this sense, the MFI is considered a semi-formal institution, which allows them to continue to operate.

The prudential regulation does not specify limits on the interest rates that FNGOs can charge but highlight their social mission. However, FNGOs face challenges in accessing commercial funding due to their non-ownership structure. As tier 3 institutions, they are not allowed to take savings deposits from the public. Consequently, commercial banks do not provide loans to FNGOs and while individual board members have the option to seek individual loans, they often fail to meet the necessary requirements, resulting in increased funding costs.

According to the CEO, the regulation requirement that represents the main difficulty for them is the minimum paid-up capital of GH¢300,000. To have the legal status they need to raise GH¢300,000 with liquid assets or cash as the minimum capital maintain while operating, which considering their financial model would be so problematic and would affect their operations.

Other requirements, which are comparatively less challenging to meet, include improvements in business standards. FNGOs must develop annual operational plans, report their activities quarterly, and establish comprehensive risk management frameworks. Additionally, new governance standards require disclosing extensive information about FNGOs' board members, including their professional backgrounds, sources of income, tax records, criminal histories, marital status, etc. These requirements significantly escalate operational costs and pose challenges in achieving the minimum board size of 5 members.

KSF Support Foundation has the long-term objective to obtain the license from the Bank of Ghana, now they are considered a semiformal institution in the process of obtaining it. Thus, they are not being supervised by the Bank of Ghana, but they are reporting to GHASSFIN.

Despite not being licensed, Kabran partially comply with the requirements of improvements in business standards and the new governance standards. They send their reports and financial statements to GHASSFIN, but not at the required frequency. Additionally, they possess the necessary information about the board members.

As established by the regulation they can only collect deposits as collateral for loans and held it escrow account. If an FNGO collect deposits illegally they would be acting as a Susu collector, these institutions belong to Tier 4 and have other requirements. After our analysis we conclude that KSF is collecting deposits from its clients but acts as an intermediary by holding these funds it in a separate account at a commercial bank.

The current regulatory environment, which involves a strict prudential regulation, introduces new challenges to the sustainability of FNGOs, for this reason only a few institutions have managed to comply with these requirements and obtain the license.

According to the study of MSEs in Ghana*, almost 82% of the FNGOs surveyed by the authors considered regulation the major challenge to achieve sustainability and viability. The same sentiment is held by the CEO of KSF, he argues that the framework is good, but it needs to adequate to the reality of FNGOs in Ghana and focus on their primary social mission. He would prefer to be subject to non-prudential regulation and not have the capital requirement, considering they do not (or are not supposed to) collect voluntary savings from the public, FNGOs are not expected to pose a substantial risk to the microfinance industry.

FNGOs are in principle supervised by BoG, but in practice, associations are being asked to take the lead in monitoring and reporting on their subsectors. Thus, GHASSFIN is the Apex and Regulatory body for FNGOs in Ghana. Additionally, in the case of licensed institutions, they are subject to on-site supervision by the BoG, which includes an annual visit as a supplementary measure.

Dr. Nana Opare-Djan mentioned that KSF reports to GHASSFIN, sending them the mandatory reports required and doing pair to pair review. The mandatory reports include balance sheet, income statement, cash flow statement, portfolio report and ratios analysis.

2.8 External relationships

According to the CEO, they currently do not have external donors or grants that provide capital or support to the company, generally international institutions ask for several requirements when they offer financial support and if these are not fulfilled, they withdraw their money, generating volatility, which is very damaging to the business. Given this, the most significant external relationships for KSF are the Bank of Ghana as regulator and the Ministry of Finance as policy maker. They also have relationships with commercial, rural and community banks.

At the origins of the institution the board of directors was more numerous and vital for its operations. In the period of MFIs quick expansion KSF had several international organizations as key stakeholders.

Nowadays, those relationship have ended, and the organization relies only on banks or donors to provide funds, but these sources present many challenges. In that way, the most significant domestic network for KSF is the Ghana Association of Financial NGOs (GHASSFIN), the Apex and Regulatory body for FNGOs in Ghana, which has a membership of 7 licensed FNGOs and about 20 operating countrywide.

The relationship with Financieros sin Fronteras is significant too, it could be considered as technical assistance provider because they have provided technical support to improve the company operations. According to the CEO the recommendations, templates and models made by the institution have been very helpful and they continue to utilize them to date.

The most significant relationships that can affect KSF’s operations are with GHASSFIN, banks and donors. Reporting to GHASSFIN allows KSF to continue its activities, while banks and donors could provide crucial funding when additional equity is unavailable.

The national network for microfinance institutions is the Ghana Microfinance Institutions Network (GHAMFIN), which englobes all the types of MFIs. Here we also find GHASSFIN as one of the seven recognized Apex Bodies, which concentrates on financial NGOs. Both organizations engage with the Bank of Ghana and other regulatory bodies to represent the interests of their members.

As an FNGO, KSF is a member of GHASSFIN but they also belong to the GHAMFIN. Currently, GHASSFIN is not very active, which has led the organization to collaborate more closely with GHAMFIN. This allows the organization to leverage GHAMFIN's resources and support to continue its operations and initiatives. By working closely with GHAMFIN, the organization can benefit from a broader network, enhanced advocacy efforts, and more comprehensive training and capacity-building programs, ensuring that it remains effective and resilient in achieving its goals.

The objectives of GHASSFIN are to provide advocacy and representation for FNGOs and to ensure that the Bank of Ghana receives the necessary quarterly information from the licensed institutions. This institution should also act as a bridge between members and key stakeholders involved in the promotion of micro finance, it is intended to help FNGOs connect with investors and development institutions that can provide support and resources. In addition, GHASSFIN should conduct annual performance studies to identify trends, opportunities, and threats, and assist FNGOs in addressing these issues. Finally, GHASSFIN should continuously build its members' capacity for effective and efficient service delivery and provide them with technical assistance.

However, we have identified that GHASSFIN is currently inactive due to a lack of funding. The organization has only the president as staff, who solely serves as a connection between the Bank of Ghana and FNGOs for reporting purposes.

3. Financial viability and risk management

3.1 Income Statement Analysis

The income statement of KSF reveals a decline in efficiency and profitability over recent years, exacerbated by the COVID-19 pandemic. This decline is evident from multiple areas within their financial reporting, as elaborated below.

3.1.1 Operating Income

Exhibit 3.1.1.1 outlines the financial revenue streams of KSF:

Exhibit 3.1.1.1

Operating Income - Financial Revenue (GHS)					
	2019	**2020**	**2021**	**2022**	**2023**
BDS Fees	4.600,00	4.600,00	4.600,00	4.600,00	4.600,00
Interest Income	275.516,00	318.250,00	80.765,26	53.265,26	39.952,26
Subscribers' Investment	191.707,00	224.658,00	88.119,00	55.950,00	75.297,97
TOTAL INCOME	**471.823,00**	**547.508,00**	**173.484,26**	**113.815,26**	**119.850,23**

Source: KSF Financial Statements

- **Business Development Service (BDS) Fees:** Subscription fees collected from participants in projects such as "Higher Heights" and "Sika Rose ". However, since these projects have been suspended due to the pandemic, it is likely that these fees are no longer being generated, impacting the overall revenue stream.
- **Interest Income:** Derived from the interest on the loan portfolio. A discrepancy has been noted here; despite an apparent growth in the loan portfolio, interest income has decreased, which is another indicator that a large portion of the portfolio may be inactive or non-performing.

  Additionally, the significant decrease in the gross interest yield from 8,23% to 0,96% over the past four years raises further concerns. This decline is particularly alarming considering that KSF theoretically charges a 30% interest rate on loans (and this is not even an annualized figure). Such a stark reduction in yield is a strong indicator that a considerable segment of the portfolio may be non-performing.

Exhibit 3.1.1.2.

Year	Gross Loan Portfolio	Interest income	Gross interest yield
2019	3.641.890,00	275.516,00	
2020	4.093.361,00	318.250,00	8,23%
2021	4.092.171,00	80.765,26	1,97%
2022	4.100.962,00	53.265,26	1,30%
2023	4.237.913,00	39.952,26	0,96%

Source: KSF Financial Statements

- **Subscribers' Income:** Includes contributions from Dr. Nana Opare Djan and his close associates, which are classified as donations to the institution.
- The observed decline in total income aligns with expectations, given the substantial loss of clients since the onset of COVID-19. This reduction in active engagement is further evidenced by the contradictory financial trends noted in KSF's records: while the loan portfolio is reported to have grown by 16,4% since 2019, the corresponding interest income has paradoxically decreased by 85,5%. Such discrepancies underscore our concerns regarding the dormant or inactive status of a significant portion of the loan portfolio, suggesting an operational dissonance that impacts the foundation's financial health.

3.1.2 Operating Expenses

Exhibit 3.1.2.1 outlines the operating expenses of KSF:

Exhibit 3.1.2.1

Operating Expenses (GHS)	2019	2020	2021	2022	2023
Financial Expenses					
Interest and fee expenses on funding liabilities	35.997,00	35.997,00	35.997,00	35.997,00	35.997,00
Provision for Loan Losses	18.209,00	20.464,00	20.458,00	2.191,31	2.191,31
Administrative Expenses					
Personnel expenses	8.618,00	15.031,00	4.103,00	4.866,01	10.873,80
Other Administrative expenses	30.303,00	50.440,00	35.646,00	51.971,94	54.105,27
Total Operating Expenses	**(93.127,00)**	**(121.932,00)**	**(96.204,00)**	**(95.026,26)**	**(103.167,38)**

Source: KSF Financial Statements

Financial Expenses: Related directly to the management of the loan portfolio, including the costs associated with funding liabilities and provisions for losses.

- **Interest and Fee Expenses:** Expenses incurred from the interest and fees on financial debts held by the company. These interest payments correspond to financial debt that has been renegotiated to be deferred indefinitely or with no set repayment schedule.
- **Provisions for Loan Losses:** Allowance for bad debt which KSF anticipates will not be repaid. Intended to reflect realistic expectations of potential losses in the loan portfolio, however, not sufficient.
- **Administrative Expenses:** Related to the administrative part of operations and are divided in two sub-parts, personnel expenses, and other administrative expenses.

Personnel Expenses: Shown in Exhibit 3.1.2.2.

Exhibit 3.1.2.2

Personnel Expenses (GHS)					
	2019	**2020**	**2021**	**2022**	**2023**
Salaries & Allowance	2.910	7.250	3.100	3.650	7.280
Training	2.503	3.503	-	-	-
Medical Expenses	743	357	681	833	2.382
T & T Expenses: Local	2.111	2.773	322	384	1.212
T & T: International Travels	351	1.148	-	-	-
Total Personnel Expenses	**8.618**	**15.031**	**4.103**	**4.866**	**10.874**

Source: KSF Financial Statements

These expenses show inconsistencies with the information received on-site. Despite claims of salary increments linked to educational advancement, there is a noted discrepancy in the reported salary expenses during periods of supposed organizational growth as, for instance, the number of employees has decreased drastically since 2019.

Other Administrative Expenses:

Exhibit 3.1.2.3

Other Admin Expenses (GHS)					
	2019	**2020**	**2021**	**2022**	**2023**
Bank Charges - Cedi Accounts	-	-	-	-	1,35
Bank Charges - Foreign Accounts	-	-	-	-	29,00
Audit Fees	500,00	500,00	-	-	-
Insurance	50,00	150,00	-	275,00	-
Depreciation Expenses	-	-	-	-	-
Rents and Rates	3.120,00	5.485,00	2.000,00	30.000,00	11.600,00
Electricity and Water	875,00	1.069,00	880,00	1.010,00	913,00
Communication Expenses	2.062,00	3.127,00	2.796,00	1.129,00	1.027,00
Fuel and lubricants	11.793,00	10.106,00	15.154,00	6.253,00	12.182,00
Subscription	-	-	250,00	194,06	350,00
Office Equipment Maintenance	627,00	2.510,00	35,00	-	3.460,00
Directors Remuneration	300,00	-	300,00	150,00	300,00
Accommodation and Meals	1.505,00	4.656,00	2.774,00	2.789,38	8.245,92
Printing and Stationery	744,00	609,00	462,00	49,00	20,00
Sponsorship	4.375,00	14.557,00	10.042,00	6.683,00	11.025,00
Office Suppliers	216,00	860,00	18,00	86,50	1.002,00
Vehicle Repairs	890,00	2.720,00	-	2.038,00	2.610,00
Board Meeting Expenses	600,00	1.100,00	-	-	-
Sanitary Expenses	84,00	101,00	35,00	-	135,00
Newspapers and Periodicals	1.825,00	-	-	-	-
Publicity and Advertisement	-	-	-	65,00	-
Legal Fees	-	-	200,00	1.200,00	-
ICT (Website/MiFOS Installation)	737,00	2.890,00	700,00	50,00	1.205,00
Total Administrative Expenses	**30.303,00**	**50.440,00**	**35.646,00**	**51.971,94**	**54.105,27**

Source: KSF Financial Statements

No depreciation has been charged for fixed assets, which is unconventional and raises concerns about the accuracy of asset valuation. Rental expenses have been reported at irregular figures, alongside other questionable expenditures such as accommodations, meals, and sponsorships.

3.1.3 Net Operating Income

The financial statements indicate a net operating income that portrays the company as profitable. However, this portrayal requires scrutiny, especially given the anomalies in reported revenues and expenses.

Exhibit 3.1.3.1

Reported Net Income (Loss)					
	2019	**2020**	**2021**	**2022**	**2023**
Reported Net Income	467.042	579.929	126.698	89.727	96.332
Growth		*19,5%*	*-357,7%*	*-41,2%*	*6,9%*

Source: KSF Financial Statements

3.1.4 Non-Operating Revenue

Moving beyond the core business activities, the following section explores KSF's non-operating revenue, which encompasses various income streams that are not directly related to the foundation's primary financial services. The reported section on Non-Operating Revenue encompasses two subsections: Grants and Donations and Other Non-Operating Income.

Exhibit 3.1.4.1

Non-Operating Revenue (GHS)					
	2019	**2020**	**2021**	**2022**	**2023**
Grant and Donations	8.175,00	41.230,00	-	5.500,00	-
Other Non-Operating Income	80.171,00	113.123,00	49.418,00	65.437,95	79.648,72
Total Non-Operating Revenue	**88.346,00**	**154.353,00**	**49.418,00**	**70.937,95**	**79.648,72**

Source: KSF Financial Statements

Grants and Donations: Previously a significant part of revenue, these are no longer a reliable income stream.

Other non-operating income: The accounts included in this section, shown in Exhibit 3.2.4.2, include "Director’s Subscription" and "BDS Fees," which seem to be recorded both under operating and non-operating income, suggesting potential double-counting.

Exhibit 3.1.4.2

Other non-operating income (GHS)					
	2019	**2020**	**2021**	**2022**	**2023**
Director's Subscription	75.571,00	108.523,00	44.818,00	60.837,95	75.048,72
BDS Fees	4.600,00	4.600,00	4.600,00	4.600,00	4.600,00
Other Non-Operating Income	**80.171,00**	**113.123,00**	**49.418,00**	**65.437,95**	**79.648,72**

Source: KSF Financial Statements

3.1.5 Net Income

The reported Net Income is positive according to the financial statements. However, this figure is inflated by repeated entries (Director's Subscription and BDS Fees) and the significant contributions from Dr. Nana Opare Djan, treated as donations (Subscribers' Investment). Adjusting for these anomalies, the true financial condition of KSF would reflect a net loss, as indicated by an adjusted net income shown in Exhibit 3.2.5.1.

In operational terms, this means the situation is dire. The dependency on these donations is so significant that if Dr. Opare Djan stops contributing, the organization would not be able to sustain itself.

Exhibit 3.1.5.1

Adjusted Net Income (Loss)					
	2019	**2020**	**2021**	**2022**	**2023**
Reported Net Income	467.042,00	579.929,00	126.698,26	89.726,95	96.331,57
(-) Total Subscribers Capital	267.278,00	333.181,00	132.937,00	116.787,95	150.346,69
Subscriber's Investment	*191.707,00*	*224.658,00*	*88.119,00*	*55.950,00*	*75.297,97*
Director's Subscription	*75.571,00*	*108.523,00*	*44.818,00*	*60.837,95*	*75.048,72*
(-) BDS Fees	4.600,00	4.600,00	4.600,00	4.600,00	4.600,00
Total Adjusted Net Income (Loss)	**195.164,00**	**242.148,00**	**(10.838,74)**	**(31.661,00)**	**(58.615,12)**

Source: Team Analysis

3.2 Balance Sheet

The balance sheet of KSF provides critical insights into the financial positioning of the foundation, outlining assets, liabilities, and equity. Following is a detailed analysis of each component.

3.2.1 Assets

As of 2023, the total assets of KSF are reported to be 4,366,853.01 GHS according to the financial statements shown in figure 3.3.1.1. This section provides a detailed analysis of the composition and valuation of these assets, examining the accuracy and realism behind each category.

Exhibit 3.2.1.1

Balance Sheet - Assets					
	2019	**2020**	**2021**	**2022**	**2023**
Cash & Cash Equivalent	1.036,00	5.135,00	8.045,00	8.132,00	5.259,50
Short Term Investments	10.000,00	10.000,00	10.000,00	10.000,00	10.000,00
Gross Loan Portfolio	3.641.890,00	4.093.361,00	4.092.171,00	4.100.962,00	4.237.913,00
Loan Loss Reserve	(387.311,45)	(310.670,26)	(249.358,11)	(219.862,92)	(191.052,49)
Net Loan Portfolio	3.254.578,55	3.782.690,75	3.842.812,89	3.881.099,08	4.046.860,52
Fixed Assets	39.632,00	39.632,00	39.632,00	39.632,00	39.631,00
Other Assets	219.632,00	271.735,00	328.501,00	353.501,00	265.101,00
Total Assets	**3.524.876,55**	**4.109.192,75**	**4.228.991,89**	**4.292.364,08**	**4.366.852,01**

Source: KSF Financial Statements

Short Term Investments: Upon inquiry, it became apparent that the short-term investments listed on the balance sheet are non-existent, raising concerns about the accuracy of the asset reporting, as they failed to provide an explanation or proof of ownership, whether physical or digital.

Loan Portfolio: The loan portfolio represents the majority of the company's assets, concretely 93%. Given the discrepancies noted in the operational review of the loan portfolio, the valuation of these assets may be overstated, especially in light of the dormant or inactive loans discussed earlier.

Fixed Assets: The company's reported fixed assets are as follows:

Exhibit 3.2.1.2

Fixed Assets 2023 (GHS)	
Leasehold	36.316
Motor cycles	2.140
Goodwill	1.176
Total	**39.632**

Source: KSF Financial Statements

The company's reported fixed assets include items such as office equipment and possibly vehicles, which were not observed during the site visit. The lack of depreciation expense reported in the income statement and constant asset valuation since 2019 suggest an overstatement of these asset values.

Additionally, the company records Leasehold but also a "Prepaid rent" under "Other Assets" as well as Goodwill, even if they have not undertaken any acquisition, indicating a misclassification and further questioning the accuracy of the asset valuation.

Other Assets:

Exhibit 3.2.1.3

Other Fixed Assets (GHS)					
	2019	**2020**	**2021**	**2022**	**2023**
Prepayment (Electricity + Rent)	9.663	5.000	5.000	30.000	41.600
Stocks (Educational Materials, Computers...)	209.969	266.735	323.501	323.501	223.501
Total	**219.632**	**271.735**	**328.501**	**353.501**	**265.101**

Source: KSF Financial Statements

- **Prepayments** (Electricity & Rent): The prepayment amounts reported are suspicious as they have not been appropriately amortized over time, which contradicts standard accounting practices and inflates the asset base unrealistically.

- **Stocks:** Would include inventory or other small assets held for operational purposes. There was no evidence of these assets during the on-site visit, which was concerning due to the amount.

3.2.2 Equity

As of 2023, the total Equity reported by KSF amounts to 3,977,698.52 GHS. The equity accounts are detailed in Exhibit 3.3.2.1, and includes only:

Exhibit 3.2.2.1

Balance Sheet - Equity (GHS)					
	2019	**2020**	**2021**	**2022**	**2023**
Subscribers Capital	584.286	584.286	584.286	584.286	584.285
Reserves	2.500.636	3.080.568	3.207.266	3.296.993	3.393.325
Total Equity	**3.084.922**	**3.664.854**	**3.791.552**	**3.881.279**	**3.977.610**

Source: KSF Financial Statements

Subscribers' capital: The equity contribution by subscribers, primarily by Dr. Nana Opare Djan, has remained constant over the years.

Reserves: Reserves have reportedly increased with retained earnings annually, though this increment predominantly stems from Dr. Opare Djan's financial contributions rather than from operational profits. This reveals that the company's growth in equity is largely fuelled by owner contributions, not by business operations.

Equity represents 91% of the total assets, indicating that the company is primarily funded through equity. This high proportion of equity financing illustrates a low leverage ratio but also reflects limited external financing, which could be restrictive for growth and expansion.

3.2.3 Liabilities

In 2023, liabilities constituted only 8.9% of KSF''s total funding, reflecting a notably low level of debt in the organization's financial structure, divided as follows:

Exhibit 3.2.3.1

Balance Sheet - Liabilities (GHS)					
	2019	**2020**	**2021**	**2022**	**2023**
SIF/ARB Apex Bank	187.130	187.130	187.130	187.130	187.129
MiDA - ACP	207.850	207.850	202.850	199.850	183.349
Other Liabilities (Accruals)	15.940	19.225	17.415	16.105	18.764
Total Liabilities	**439.955**	**444.339**	**437.440**	**411.085**	**389.242**

Source: KSF Financial Statements

3.3 Profitability and Financial Performance

First of all, in order to assess the profitability and the financial prospects of the association, it is important to understand what the approach of KSF itself and the people working for it is towards the concept of profitability. After talking to the management, it seems that their primary goal is not profitability, but rather the establishment of long-lasting relationships based on trust with their clients. What was evident from talking to them is that they aim at increasing the number of clients and maintain a very low default rate.

When it comes to increasing profitability through, for example, raising interest rates, they did not seem too interested. This is likely because KSF's goal, as revealed by the management, is to help local communities by both providing them loans and education concerning how to best develop their businesses. They sometimes invite clients in their office and teach them how to invest, take insurance on their crops, how to keep their books, sometimes they bring in office colleagues that have experience in one of the fields. In other words, KSF's priority is clearly to maintain alive and hopefully expand the business, so that their good actions towards the local community can continue.

In their eyes, raising interest rates to increase profitability could jeopardize their good relationships with the clients.

This lack of stimulus towards decent profitability is reflected in KSF's unawareness about the factors that are impeding profitability. For example, they do not even take into consideration re-pricing products in order for their margins not to be eaten up by inflation, which stands at about 25% annually, as they want to maintain a good relationship with clients and be seen as a trustworthy institution. Moreover, according to them, their expenses are already quite low and there is not much room to lower them. Also, the cost of funds has remained quite stable over the years, and they are happy with that. To wrap up, KSF's members are not really interested in pursuing the goal of profitability and are rather afraid of losing clients if they take measures that could upset their counterparties.

Having explored KSF's limits and their approach to the objective of profitability, let's now actually dive into the elements that could potentially drive the association's profitability. Its portfolio quality (0 % PAR > 30 Days) is generally reported to be superior to that of its peers (0.4% PAR > 30 Days) and all RMFIs (5% > 30 Days). In the past 5 years, KSF had a similar portfolio quality in terms of arrears rate 0.07% as against 2% for its peers and 27% for all RMFI participants. Moreover, KSF administered its loan portfolio slightly more efficiently than its peers, and all RMFI participants on average: its adjusted operating expenses represented 22.6% of its gross loan portfolio, compared with 28% for its peers and 49% for all RMFIs. This relative efficiency, which was especially notable when considered in light of its relatively smaller loan size, was due to a low cost per borrower: KSF's adjusted cost per borrower was GHS9.29 as against GHS35.88 for its peers and GHS54.97 for the average of participating RMFIs.

What is really curious though is that, notwithstanding a portfolio quality in line, if not better, than that of its peers, and a better-than-average efficiency, KSF demonstrated a level of profitability that was lower than average: its adjusted return on assets (AROA) was -22%, compared with -19.1% for its peers and -0.07% for all RMFIs on average. Its adjusted return on equity (-23%) was similar to its AROA, lower than both its peer average (-26.88%) and the average of all RMFI participants (14%). KSF was 100.7% operationally self-sufficient (OSS) and 49.9% financially self-sufficient (FSS), compared to 88.2% OSS and 54.7% FSS for its peers and 123% OSS and 100.29% FSS for all RMFIs on average.

To deepen our analysis of KSF's profitability, let's now have a look at the Return on Equity and, in particular, how the association's leverage and cost of funds affect it. Note that all figures are in GHS.

Exhibit 3.3.1 - Cost of funds

	2019	2020	2021	2022	2023
Interest and Fees on Funding	**35,997**	**35,997**	**35,997**	**35,997**	**35,997**
Funding Sources	**394,980**	**394,980**	**389,980**	**386,980**	**370,478**
SIF/ARB Apex Bank	187,130	187,130	187,130	187,130	187,129
MiDA - ACP	207,850	207,850	202,850	199,850	183,349
Cost of Funds (%)		**9%**	**9%**	**9%**	**10%**

Exhibit 3.3.2 - RoE

	2023	2022	2021	2020	2019
Net Income	96,332	89,727	126,698	579,929	467,042
Total Equity	3,977,610	3,881,279	3,791,552	3,664,854	3,084,922
ROE	**2.42%**	**2.31%**	**3.34%**	**15.82%**	**15.14%**

Exhibit 3.3.3 - Leverage

	2023	2022	2021	2020	2019
	GHS	GHS	GHS	GHS	GHS
Net Financial Debt	365,218.50	386,848.00	393,935.00	404,845.00	411,944.00
Equity	3,977,609.52	3,881,278.95	3,791,552.00	3,664,854.00	3,084,922.00
Debt / Equity	**9.18%**	**9.97%**	**10.39%**	**11.05%**	**13.35%**

The cost of funds is calculated by dividing the yearly interest and fees on funding by the average of the funding sources amount in the current and past year. It can be seen that the cost of funds remained stable across the examined period, with just a slight, not significant increase in 2023. It is important to notice that KSF's leverage was reduced from 2019 to 2023. This might be one of the reasons that led to a sharp decrease in the return on equity. KSF saw a big slump in ROE from 2020 to 2021, mainly due to Covid lockdowns, which halted the association's business and consequently cut net income. It is quite worrying that in 2023 the ROE is still very low and further decreased after 2021.

After a qualitative and quantitative analysis, we can now firmly state that KSF's profitability is relatively low. The cause is most likely the interest rate policy. As a matter of fact, let's now dive into how the FNGO sets, controls and changes the interest rates they charge on their products.

Interest rates are a key factor of the MFI's operations, and they should be determined based on numerical analysis taking several conditions into consideration. The nominal yield on KSF's gross loan portfolio (30%) was less than that of its peers (35.5%) and for all RMFI on average (40%).

After talking to Mrs. Debora Opare, it was clear that interest rates were 30% and had always been so. Dr. Nana Opare-Djan on the other hand explained that they determine interest rates based on an Excel model incorporation 5 factors into the calculations. Dr. Nana Opare-Djan shared with us the model used to calculate the interest rates, and the following factors were taken into account: premium, finders fee, inflation rate, depreciation rate, and operating expense over loan portfolio, to arrive at a final interest rate charged to its clients.

We found several inconsistencies in the model for interest rate determination. Inflation rate, which is added to each source of fund, is different for the different sources of funds. This should all be the same as the inflation We found several inconsistencies in the model for interest rate determination. Inflation rate, which is added to each source of fund, is different for the different sources of funds. This should all be the same to be considered for the calculation of interest rate charged, if decided to be used as a factor. KSF also adds a operation expense over loan portfolio ratio of 28.1 for all sources of funding, except for ADA where they add 42.77, and NBSSI where they add 2.19. It is not clear to us what this rate actually indicates, and for what reason it is included in the calculation. It does not make financial sense to have opex 28.1x their loan portfolio. Lastly, KSF also adds a depreciation rate, which varies significantly among the different sources of funding. To arrive at final interest rate in the last column seen in the table below the average everything from column “Weighted Int Rate” to column “Ops Exp/Loan portfolio”. In the “Total” row they average the whole column “Final Int Rate” except the final interest rate corresponding to NBSSI. Lastly, they sum the whole column “Final Int Rate”, including the newly calculated “Total”, but excluding the first row “Subscribers Capital”. The reason for this approach is unclear, but one rationale may be that they calculate interest rates to subscribers with a separate approach.

Yet, after this approach to calculating interest rates, Mrs. Deborah Opare, the credit officer, said that they always charge a fixed interest rate of 30%. The clients said the same thing, so there seems to be either an internal confusion or a misunderstanding.

Exhibit 3.3.4 – Interest Rate Computation Table

Interest rate determination formula												
Source of funds	Principal Amount	Interest amount	Total Amount	Interest rate	Weighted amount	Weighted Int rate	Premium	Finders fee	Inflation rate	Depreciation rate	Ops Exp/Loan portfolio	Final Int Rate
Subscribers' Capital	584,286.00	-	584,286.00	-	-	-	-	-	17.6	1.42	28.1	**47.12**
Social Investment Fund (S.I.F)	642,800.00	19,246.35	662,046.35	15.5	9,963,400.00	15.5	0.465	0.31	10.9	1.1	28.1	**56.375**
MiDA – ACPC												
Agricultural Value Chain Financing	280,148.00	9,447.80	289,595.80	15	4,202,220.00	15	0.45	0.3	8.58	15	28.1	**67.43**
Microfinance Small Loans Centre (MASLOC)/ASSFIN	50,000.00	6,252.00	56,252.00	10	500,000.00	10	0.3	0.2	12.75	4.8	28.1	**56.15**
Ghana Commercial Bank (GCB)/ASSFIN	50,000.00	7,475.33	57,475.33	30	1,500,000.00	30	0.9	0.6	15.97	15	28.1	**90.57**
EB ACCION												
Savings & Loans Ltd	220,000.00	73,679.99	293,679.99	34	7,480,000.00	34	1.02	0.68	18.1	20.1	28.1	**102.00**
RHEMA Consulting Ltd	140,000.00	10,215.00	150,215.00	26	3,640,000.00	26	0.78	0.52	8.6	4.9	28.1	**68.90**
KIVA Micro funds	378,586.00	-	378,586.00	-	-	-	0	0	12.75	4.8	28.1	**45.65**
Energy-in-Common (EiC)	32,750.00	-	32,750.00	-	-	-	0	0	18.1	20.1	28.1	**66.30**
People Helping People (PHP) International	37,700.00	-	37,700.00	-	-	-	0	0	8.84	0.17	28.1	**37.11**
International Alliance for Women (TIAW)	40,000.00	-	40,000.00	-	-	-	0	0	10.9	1.1	28.1	**40.10**
ADA	1,032,410.00	103,241.00	1,135,651.00	10	10,324,100.00	10	0.3	0.2	17.6	13	42.77	**83.87**
NBSSI	100,000.00	3,000.00	103,000.00	14.5	1,450,000.00	14.5	0.435	0.29	10.6	6	2.19	**34.02**
Total	**3,056,270.00**	**126,316.47**	**3,284,586.47**	**147.5**	**37,485,620.00**	**11.71**	**0.35**	**0.23**	**13.39**	**8.46**	**29.32**	**63.46**
						13.89	**0.42**	**0.28**	**13.92**	**9.54**	**29.61**	**67.66**

Commercial banks interest rates range between 36 – 65%. Micro-finance institutions in Ghana lend between 30 to 40 percent. Also, entrepreneurs interviewed in a study on MSEs in Ghana declared to rely on short term funds (4-6 months) from different formal and informal financiers, with interest rates varying between 36% - 200% p.a. Therefore, the nominal yield on KSF’s gross loan portfolio (30%) is lower than what commercial banks and other micro-finance institutions charge.

The total micro financial market has taken an upward trend over the past five years. Competition in the industry has grown over the last two years. Though the influx of new formal banks, especially rural banks are offering micro finance services, the modus of operandi of some are not achieving desired results.

Despite the competitive pressures and the emergence of new players in the microfinance sector, many of these initiatives face challenges such as institutional bureaucracy, complex loan appraisal procedures, inadequate banking networks, and restrictive credit delivery and collateral requirements that are difficult for often illiterate local micro-entrepreneurs to meet. However, the KSF Support Foundation believes that adopting flexible group lending mechanisms, including mutualist guarantee schemes based on the group solidarity concept and other inventory credit systems, can lead to high repayment rates and significant savings mobilization. This approach underlines those specialized methodologies in small business lending, which are not typically within the purview of average commercial banks, can effectively address some of the challenges posed by the competitive environment and regulatory constraints. Moreover, KSF is confident that no real competition nor threats from new entrants as they have established very good relationships with the clients, also because they charge lower interest rates with respect to competition. More specifically, according to Dr. Nana Opare-Djan, although there is a big need for more institutions such as KSF, both in rural and urban areas, KSF face little to no competition on price, especially in rural areas. Therefore, they could potentially charge higher interest rates, but would likely face some pressures from their clients if that were the case.

MFIs in Ghana do not have any usury limit on interest rate setting, although this is not very relevant for KSF since they charge interest rates that are much lower than its peers, so there already is a lot of room to increase the rates.

One of the factors that might force KSF to charge low interest rates is that their profitability depends on one product only. As a matter of fact, contrarily to many of its peers, which provide other products like savings, they only offer individual loans to their clients, and as such is the case rely solely on one financial product to drive profitability. The loans all have the same interest rate (30%), so no differentiation is made based on credit quality of different clients. They don't offer savings but do act as a middleman bringing the clients savings to the local bank branch for them.

Another inconsistency that we found is that, on the description of their business, KSF states that, through a precise decision-making process and evaluation of each individual loan, they charge different and "fair" interest rates, and update them according to certain elements. Here we analyse what their pricing and updating policies are according to their documents that were made available to us.

KSF states that interest rates must be based on Board approved rates and must be on reducing balance basis. Borrowers are required to pay an interest rate that is deemed appropriate and commensurate with the loan amount received, ensuring fairness and reflecting the costs and risks associated with lending. Beyond interest rates, KSF applies several charges on loans disbursed, such as processing fees, membership fees, passbook fees, and other related loan service fees, which are essential for covering the administrative expenses involved in loan management and servicing. Moreover, the foundation prioritizes the collection of interest on disbursed loans to secure funds for operational purposes, emphasizing the significance of maintaining financial stability. Additionally, interest owed to project and development partners is allocated as repayments are made by borrowers, prioritizing these payments before settling the principal loan amount.

It is the Organization's General Policy on interest that credit from the organization shall not attract interest payment lower than the cost at which credible funds are acquired and managed. Thus, apparently, in fixing the organization interest rates, the Board takes into account several economic and other factors including the cost of acquiring the loanable funds and ensures that there is a net income to the organization on its loans. In the case of staff loans, however, interest charged is usually lower than the cost of the organization's loanable funds, but it is ensured that such loans come from such funds as retained earnings, staff provident funds, and grants (if any) which bear virtually no cost of acquisition.

KSF also claims that Interest chargeable on director's loan shall be 7½% lower than the FNGO's approved interest rates for all categories of loans and overdrafts. Loans charged to Provident Fund sources shall attract an annual interest rate of 3%. Staff loans charged to the organization's retained earnings or surplus funds shall attract an annual interest rate of 5%. Staff loans charged to other sources of funding shall have the interest rate chargeable determined by management with the approval of the Board or shall be in line with policy directive in respect of such funding sources.

In reality, after talking to the credit officer and the owner, it is quite clear that KSF does not (or at least not anymore) discern among different clients and does not apply any kind of appropriate evaluation of cost of funds nor of other elements like economic factors in order to choose what interest to charge and how to update them. As a matter of fact, as mentioned above, they always apply a 30% interest rate, no matter what, to any individual client.

We also notice that, even if what they claimed on interest rate charging and updating was true, their pricing policy would still not be appropriate to respond to external factors: throughout the life of KSF, we see that a lot of interest rates charged on loans are well below inflation rate, meaning that the real interest rates would be negative and hence the nominal interest rates set are too low. In fact, macro-economic conditions in Ghana have hampered the provision of credit to micro and small-scale entrepreneurs. The economy of Ghana has been experiencing double-digit rate of inflation since the 2000s. Inflation rate reached a peak level of 49% in 2001. The Government of Ghana since 2008 has embarked upon an economic stabilization drive and succeeded to reduce interest and inflation rates. In February 2015, the Monetary Policy Unit (MPU) of the Central Bank reviewed the base rate and retained it at 14.5% to help address an inflation rate of 14% as at December 2014, while more recently, the inflation rate is close to 25%.

In the interest rate model mentioned above, these economic factors are taken into account, but as Dr. Nana Opare-Djan stated they always have interest rates of 30%, which would yield very low real interest rates which are dangerously close to the inflation rate and vulnerable to any change of policy from the Ghanaian central bank.

Profitability and Financial Performance Recommendations

To enhance financial performance and profitability, KSF should consider revising its interest rate policy. Revising these rates to account for inflation and other economic factors will prevent kraban from loosing competitiveness, while still maintaining a client-friendly approach.

Operational efficiency is another area where KSF can make significant improvements. Investing in technology by leveraging digital platforms for loan processing, client management, and financial tracking can reduce operational costs and improve service delivery. Additionally, conducting a thorough review of operational processes to identify and eliminate inefficiencies, and implementing best practices in microfinance operations, will ensure cost-effectiveness.

Strengthening financial analysis and planning is crucial for KSF. Implementing comprehensive financial metrics, beyond basic financial indicators, using advanced metrics like Return on Investment (ROI) and Economic Value Added (EVA), can provide deeper insights into profitability and financial health. Regularly conducting scenario planning and sensitivity analysis will help anticipate potential financial challenges and develop strategic responses.

Enhancing client relationship management is also essential. Continuing and expanding client education initiatives to ensure clients are well-informed about managing their finances can lead to better loan performance and higher client satisfaction. Implementing regular client feedback mechanisms will help understand their needs and preferences, allowing KSF to adjust its services accordingly.

3.4 Risk Management

When analysing KSF it is essential to grasp their understanding of risk, and how they mitigate risk. In order to do so we would firstly identify what they see as their biggest risks, and secondly what they do to mitigate them.

The FNGO don't apply measures for measuring, monitoring and managing their financial and operational risks. They do not perform common risk management and control practices in the realm of MFIs like scenario and sensitivity analyses, although they were recommended of doing so in the past as it can be seen from their last strategic plan. The only actions they take in that respect are: "friendly threaten" clients (using words) that do not promptly repay debt; maintain good relationship with community leader and assigning him/her the task to check that every individual is doing their best to repay debt; relatively frequent visits to communities; they also assign an amount equal to 40% of all loans given to provisions (does not really make sense especially if they say they have only 1-2% defaults).

Finally, for what concerns risks linked to the balance sheet, including the management of the mismatch in the tenors of the liabilities and the loan portfolio, KSF's balance sheet is not very complex, neither is it completely updated. As an example, they had motorcycles under their assets, but they were non-existent. Moreover, no information whatsoever about the maturities of the sources of funds was disclosed, while we understand their loans have a maturity that ranges from 3 to 12 months. Mature MFIs usually form an asset-liability committee that meet regularly to make sure of asset-liability match, but KSF does not do so, and there is little to no active financial management in terms of asset-liability match. This is a problem, and as a result new equity must be put into the business on a regular basis.

Risk Management Recommendations

Developing a comprehensive risk management framework is essential for KSF. This involves conducting a thorough risk assessment to identify potential financial, operational, and strategic risks, including understanding external risks like economic downturns and internal risks such as operational inefficiencies. Implementing robust risk mitigation strategies, such as diversifying funding sources, enhancing credit assessment procedures, and establishing contingency plans for operational disruptions, is crucial.

KSF should establish a risk management committee that meets regularly to review and manage risks related to the balance sheet, ensuring an appropriate match between assets and liabilities. Active monitoring of key risk indicators and implementing early warning systems to detect potential issues before they escalate is also recommended.

Improving credit risk management is another critical area. Strengthening credit policies to ensure thorough vetting of borrowers and implementing a risk-based pricing model to charge interest rates based on the risk profile of the borrower can significantly reduce credit risk. Maintaining adequate provisions and reserves to cover potential losses from non-performing loans and regularly reviewing and adjusting these provisions based on loan portfolio performance is essential.

Enhancing operational risk controls through regular audits and inspections ensures compliance with internal policies and regulatory requirements. This helps in identifying and rectifying operational weaknesses. Additionally, investing in regular training programs for staff to enhance their understanding of risk management practices and procedures is crucial.

Financial risk management should also be a priority. KSF should diversify its funding sources to reduce dependency on a single funding source by seeking grants, equity investments, or alternative financing options. Implementing strategies to hedge against interest rate fluctuations and inflation risks, such as the use of financial instruments or contractual agreements that lock in favourable terms, will help manage financial risks effectively.

By implementing these recommendations, KSF can improve its risk management system in order to ensure long-term sustainability and growth.

4. Products

KSF currently offers a focused portfolio of products, primarily providing microcredit to its clients. The demand for these loans is significant, yet the institution faces capital constraints, limiting its capacity to meet the full demand. Despite these limitations, the microcredit product has proven to be highly beneficial for KSF's clients, aligning well with their financial needs.

In addition to microcredit, KSF offers educational services, both in their office and in the field. In the office, posters explain the workings of credit, interest rates, and the benefits of insurance—although KSF does not offer insurance products to their clients. Officially, KSF does not provide savings accounts, but it facilitates savings by transporting clients' savings to the bank and maintaining records. This practice, however, poses regulatory and operational risks.

4.1 Financial and Non-financial Products

Product Design and Delivery

KSF's microcredit product follows a standard industry approach, offering individual loans organized on a group basis to simplify tracking and collection. These loans are issued with a fixed interest rate of 30%, irrespective of the loan term, and repayments are collected bi-weekly. This frequent collection schedule helps clients manage their payments more effectively and ensures regular contact between KSF and its clients. The institution primarily targets business owners, such as small restaurant or food truck operators, and farmers. This focus ensures that loans are provided to clients who can generate income to repay the loans.

Historically, KSF had multiple funding partners and sponsors, enabling them to offer a variety of products and run eight different projects. Currently, only two projects—SIKA ROSE and HIGHER HEIGHTS—remain active.

- SIKA ROSE: Initiated in 2004, this microfinance program supports small enterprises across several districts in the Greater Accra Region. Initially, it achieved full repayment rates and received training support from the Ministry of Finance's Rural Financial Services Project.

- HIGHER HEIGHTS: This program finances agricultural value chains for four farmer organizations in three communities in the Yilo Krobo District, focusing on maize and chili pepper production. Significant funds have been disbursed to these farmers.

These projects have evolved over time, and while their initial purposes have been somewhat forgotten, what remains are the communities they serve, and microcredits are still being given to them.

Marketing and Client Outreach

KSF employs a two-pronged approach to marketing and client outreach: online advertisements and direct outreach to potential clients. Clients can apply for loans online after seeing KSF’s ads, although the specifics of the screening process and ad placements are unclear. Additionally, KSF reaches out to potential clients directly, identifying those in need of financial services. Word of mouth also generates some business, particularly crucial in regions where internet access is limited and literacy rates are low. Many clients are introduced to KSF through friends and family, which remains a powerful marketing tool despite its less-than-expected effectiveness according to KSF.

Ethical Considerations

KSF operates without a formal code of conduct or ethics, relying instead on general rules and moral principles to guide their operations. Their policy plan document includes sections on "Discipline at the Time of Appointment," "On The Job Discipline," and "General Rules." These guidelines reflect KSF's commitment to eradicating rural poverty through community education and improving clients' livelihoods. While there is no explicit code of ethics, KSF's operations are heavily based on honesty and trust, with both parties maintaining a fair and honest relationship. Clients are fully informed of the costs associated with their loans, though they often express a desire for lower costs. Despite this, clients appreciate the necessary services provided by KSF.

Financial Products and Strategic Alignment

KSF's microcredit products are designed to serve low-income entrepreneurs who are typically excluded from the formal financial system. By providing access to credit, KSF supports individuals who can use the funds productively to generate cash flows and repay the loans. The institution follows industry standards in product design, offering fixed repayment amounts collected regularly, most often on a two-week basis. This structure helps clients manage their payments and maintain financial discipline.

Challenges and Internal Controls

KSF faces significant challenges, including a lack of capital to meet the high demand for credit and the absence of a strategic plan to address these issues. The institution's internal controls are manual and need improvement to prevent potential misappropriation of funds by loan officers. Although KSF reports a 0% default rate, this claim is questionable without accurate data. Proper data on defaults would enable KSF to set interest rates that cover costs and defaults, enhancing sustainability.

Hybrid Product Model and Client Education

KSF adopts a hybrid model that combines financial and non-financial services. Basic financial education is provided alongside microcredits, helping clients understand loans, interest rates, and business improvements. This approach enhances repayment rates and contributes to KSF's profitability. Despite some delivery issues, KSF facilitates client repayments by collecting them in communities rather than requiring clients to visit the office, easing the process for rural clients.

4.2 Savings

KSF does not offer distinct savings programs as products but provides a complementary service by acting as an intermediary between clients and banks. Due to the extremely remote locations of their clients, it is typically very difficult for them to reach local bank branches to deposit money. As a result, clients often adopt a "money under the mattress" approach, leading to misplacement of cash. To address this, KSF staff collect clients' cash and deposit it into KSF's bank accounts. It is likely that these client funds become part of KSF's loan portfolio, although due to a lack of reporting and disclosures, this detail is unknown. The savings collected help lower KSF's cost of funds, but the overall impact is difficult to measure due to insufficient reporting.

KSF's savings offerings are complementary and not a requirement for clients to access financing. Clients can receive loans without using the savings service, which tends to result in client satisfaction. However, current regulations do not allow FNGOs to take savings on behalf of clients, making it essential for KSF to discontinue this offering until they receive proper certification from The Bank of Ghana.

KSF's savings products align well with its mission to enhance the capacity of vulnerable groups in the informal sectors of the Ghanaian economy. These services are tailored to meet the unique needs of these groups. Additionally, KSF provides financial literacy programs to empower clients to make informed decisions, increasing their independence and effectiveness. By focusing on the informal sector, KSF ensures that underserved communities gain access to essential financial services, promoting financial inclusion and economic growth.

These voluntary savings are collected from time to time and deposited in the institution's bank account. While it is suspected that these funds are used to finance the loan portfolio, this cannot be confirmed due to inadequate monitoring and reporting. This informal method of savings exposes both KSF and its clients to significant risks, including liquidity and operational risks. KSF staff traveling via public transport to and from client sites are vulnerable to theft.

Currently, KSF does not employ any methods to mitigate the risks associated with their savings offerings. This lack of awareness regarding the severe operational risks posed by their savings system leaves both the institution and its clients completely exposed to adverse effects.

Products and Savings Recommendations

KSF needs to conduct market research to understand the costs and profitability of their products within different communities. Reviewing and adjusting pricing strategies will ensure that financial products and services remain affordable for clients while being sustainable for KSF. Implementing regular data collection, analysis, and reporting processes to monitor progress is essential. Developing standardized reporting frameworks and procedures to capture key performance indicators (KPIs) will facilitate this process. Finally, establishing systems for monitoring and evaluating the performance of products will help assess effectiveness, track progress, and make informed decisions to optimize operations.

Despide the need of clients to keep their money save, KSF should stop offering savings services, and keep only 10% of the loan in a escrow account. This step is crucial to mitigate regulatory and operational risks associated with unauthorized savings activities in FNGOs operations.

KSF should could consider expand its training programs to include structured and regular sessions on financial literacy, business management, and health education by implementing a linked model by partnering with specialized organizations to provide non-financial services, while allowing KSF to focus on its core financial services.

Risk management and internal controls related to product delivery must be strengthened as well. Developing and implementing robust internal control systems will prevent fraud and ensure accurate financial reporting. Furthermore, developing risk mitigation strategies to address operational and financial risks, such as theft, liquidity mismatches, and regulatory non-compliance, will safeguard the organization's assets and ensure stability.

Improving marketing and client outreach is another key area. Enhancing the marketing strategy through a mix of online advertising, direct outreach, and community engagement will increase visibility and attract new clients. Given the literacy and internet access issues, emphasis should be placed on word-of-mouth and community-based marketing strategies. Additionally, developing a client relationship management system will help maintain regular contact with clients, gather feedback, and provide ongoing support.

By addressing these areas, KSF can improve its product offerings, enhance client satisfaction, and build a more sustainable and resilient organization, better equipped to meet the evolving demands of its clients.

5. Loan portfolio quality

KSF's loan portfolio is exclusively composed of microloans with maturities ranging from 3 to 12 months.

According to the financial statements provided by KSF, the total gross loan portfolio is reported at 4,237,913 GHS across 10,145 clients for 2023, as shown in Figure 5. This results in an average loan size of approximately 460 GHS per client. The financial statements indicate a current portfolio at risk (PAR) of 2.49%.

Exhibit 5.1.5 – KSF's loan portfolio characteristics

Rescheduled Aging Status	Gross Loans	Percentage	No. of Clients
Current Loans	4.132.533,00	97,51%	9.007,00
Loans Past Due 1 - 30 Days	44.057,00	1,04%	650,00
Loans Past Due 31 - 90 Days	30.124,00	0,71%	325,00
Loans Past Due 91 -180 Days	29.105,00	0,69%	104,00
Loans Past Due >180 Days	2.094,00	0,05%	59,00
TOTAL	**4.237.913,00**	**100,00%**	**10.145,00**
Portfolio At Risk			2,49%

Source: KSF financial statements

However, our on-site observations suggest that the majority of the portfolio may be dormant, with a significant risk that these loans will not be recovered. Contributing to this assessment are several factors:

- The constant number of 10,145 clients reported over the last three years, contradicts the typical variance expected in dynamic loan portfolios. This leads us to believe that the number of clients could be miscalculated.
- Conflicting statements from KSF staff further support these concerns: Dr. Nana Opare-Djan cited a current client count of 3,000, whereas Mrs. Deborah Opare reported only 200 clients, with an average loan size of 3,000 GHS—latter figures appear more consistent with the conditions observed at KSF.
- Interest income has been decreasing drastically in the previous years, as opposed to the loan portfolio size, as will be shown in the subsequent section. This leads to believe that the loan portfolio is indeed overstated, and that a significant part of it is non-performing

Given these discrepancies, it appears that the reported data might not fully reflect the true condition of the loan portfolio, which seems somewhat inactive with limited prospects for recovering either interest or principal.

6. Business planning

6.1 Overview

KSF does not currently have an updated form of business or strategic planning. The last form of business planning took place in 2015 when Dr. Nana Opare Djan created a business plan highlighting their objectives and providing a brief overview of financial performance. However, the old document did not cover key areas such as market analysis, organization and management, and products and services, leaving gaps in understanding KSF's business model. Although KSF set realistic financial objectives in 2015, substantial setbacks and disruptive events since then have rendered these projections outdated and unrepresentative of KSF's current state.

Performance Analysis

Due to the lack of an updated business plan and adequate reporting, analysing KSF's previous performance is challenging. KSF had previously aimed to grow its loan portfolio as a tool for assisting human development in the region. However, various disruptive events led to a decrease in staff, an increase in loan defaults, and an overall reduction in the loan portfolio size.

Disruptive Events and Economic Conditions

From 2020 to 2024, Ghana experienced significant inflation rate fluctuations. In 2020, inflation was relatively stable at around 9.9%. By 2021, it increased to approximately 10%. In 2022, inflation surged dramatically to 31.9%, driven by global supply chain disruptions and local economic challenges. By the end of 2023, inflation had escalated to 54.2%, reflecting severe economic instability. In early 2024, inflation remained high, with a rate of around 25.8% in March. These high inflation rates severely impacted microfinance institutions (MFIs) in Ghana. Elevated inflation eroded the real value of loan repayments, increased operational costs, and heightened credit risk as borrowers struggled to repay loans. Consequently, MFIs faced tighter margins and often needed to raise interest rates on loans, which reduced loan demand and impacted financial inclusion efforts.

Additionally, the Bank of Ghana's policy interest rates experienced significant fluctuations. In early 2020, the rate was at 16%, but it was quickly reduced to 14.5% in March to support the economy amid the COVID-19 pandemic. The rate remained steady through much of 2020 and early 2021. However, by the end of 2021, it was still at 14.5%. In 2022, to combat rising inflation, the rate was significantly increased to 27%. As of early 2024, the policy rate was held at 29%, following a series of adjustments aimed at stabilizing the economy and controlling inflation. These fluctuations in central bank interest rates had profound impacts on MFIs in Ghana. Higher interest rates generally led to increased borrowing costs for MFIs, constraining their ability to lend to small businesses and individuals. This also led to higher interest rates on loans provided by MFIs to their clients, making it harder for low-income borrowers to access affordable credit. Conversely, lower interest rates reduced borrowing costs and promoted lending activities, helping to stimulate economic growth and support financial inclusion efforts by making credit more accessible and affordable.

The economic recession in Ghana, triggered by the COVID-19 pandemic, led to the country's first recession in 40 years, with GDP contracting by 3.1% and 1.1% in the second and third quarters of 2020, respectively. This downturn severely impacted various sectors, especially hospitality and mining, and resulted in increased public debt and inflation. The Bank of Ghana's response included tightening monetary policy and raising the policy rate to 27% in 2022. For MFIs like KSF, the recession posed significant challenges. Increased inflation and economic instability reduced borrowers' ability to repay loans, leading to higher default rates. Additionally, the tightening of monetary policy increased borrowing costs for MFIs, further straining their financial operations. However, initiatives like the Ghana CARES program provided some support to businesses, aiming to stabilize and revitalize the economy.

Most importantly, the effects of the COVID-19 pandemic are very noticeable. Due to the physical, in-person nature of KSF's operations, they were unable to visit clients and collect payments for a long spell of time. Additionally, COVID-19 and the breakdown of global transportation systems caused a drop in sales for clients being served and ultimately increased the difficulty of loan repayment. This led to a decrease in KSF's loan portfolio size as well as the restructuring of many of their previous microcredits.

As a result of these severe disruptive events, KSF senior management has no direct plans to expand their business in any form. At its core, KSF's vision to be the leading MFI in Ghana and to serve vulnerable groups of the economy remains the same. However, due to the difficulties they have faced in recent years, they have been forced into a change of vision. The massive hit to KSF's loan portfolio and staff has caused operational difficulties. Additionally, KSF is no longer receiving money from other organizations or investors and relies exclusively on donations from Dr. Nana Opare Djan. These dramatic changes have resulted in a shift in vision and mission. KSF still focuses on serving vulnerable groups but must now face the new reality that being a leading MFI is out of reach. Instead, they must focus on re-establishing their roots and surviving the current hardships, requiring a new strategic business plan.

Market Positioning

KSF strategically positions itself as a pivotal player within the microfinance sector in Ghana, particularly focusing on serving the entrepreneurial poor entrenched in the informal sector of the economy. Its targeted demographic primarily comprises small-scale business operators, especially rural women micro-entrepreneurs. These individuals, often part of marginalized groups, face significant barriers in accessing essential financial resources from formal banking institutions, which traditionally view lending to such demographics as high-risk and low-return ventures. Additionally, the low literacy levels among informal sector operators and their unfamiliarity with the complex procedures of formal lending further exacerbate their financial accessibility challenges.

KSF's strategic positioning is characterized by its concentrated focus on a market segment that includes small-scale agriculture producers/marketers, fish and agro-processors, retailers, and service operators like artisans, hairdressers, and fast-food vendors. This segment remains largely underserved by conventional financial institutions. A significant part of KSF's strategy involves catering to a clientele that is 98% female, reflecting a deliberate focus on women who traditionally face more significant obstacles in accessing loans. This emphasis not only serves to differentiate KSF in the market but also aligns with broader developmental objectives aimed at enhancing rural incomes, skills training, and micro-enterprise development, particularly for women.

A review of KSF's 2015-2017 business plan highlighted the need for a more refined strategic plan with clear and realistic milestones on a monthly basis, especially covering funding plans. KSF currently lacks any official form of business planning, making it impossible to plan and work towards directions and goals without any real conviction. Due to the severe adverse effects KSF has endured in the past few years, their strategic positioning has been jeopardized. For the moment, KSF is entirely supported by donations from Dr. Nana Opare Djan, placing them in a point of extreme vulnerability. During COVID-19, KSF had to cede servings to various clients as their loan portfolio became too difficult to manage. While KSF would like to continue these operations in the future, they currently have no plans to do so and instead focus on regaining their stability and serving the clients at hand.

Profitability

According to KSF's financial statements, they have been profitable since 2019. However, it is motivated because KSF reports donations from Dr. Nana Opare Djan as revenue streams. Removing such donations shows that KSF is likely not profitable. Threats to their current financial performance revolve around both internal and external factors.

Major Risks

A major risk to KSF is the underperformance of the agricultural sector, from which a large proportion of KSF's clients come. Clients typically face difficulties around crop yields and climate change, with many mentioning long periods of drought and extreme heat, which massively impact crop yields and ultimately the ability to repay loans. Additionally, due to this client profile, many of KSF's clients are located in remote areas, making client visits for debt collection extremely difficult, especially since they do not own a vehicle and rely on public transport.

KSF currently has two key staff members: Dr. Nana Opare Djan and Mrs. Debora Opare, as the accounts manager is in Canada. Mrs. Debora Opare is an extremely important asset as she runs client visits and maintains the loan portfolio. However, Mrs. Debora Opare has expressed to further pursue higher education. Should she leave, KSF could face major issues around maintaining operations, hurting profitability. Another internal risk is the dependency on donations from Dr. Nana Opare Djan. Currently, these donations are the key driver of revenue for KSF, as post-COVID the loan portfolio has become mostly dormant. Therefore, if these donations were to cease, KSF would struggle greatly.

Externally, the economic and political situation of Ghana presents risks to KSF's profitability and will continue to do so. Regulatory risks have also resulted in difficulties, with KSF struggling to obtain proper certification to register as an MFI via the Bank of Ghana. This has made raising external funding a major issue for KSF in the past and continues to be an issue today, creating a threat to their profitability.

6.2 Funding

Current Funding Structure and Sources

KSF requires funding to finance expanded outreach, develop new products, and move into new regions and market segments. The majority of direct funding to MFIs typically supports portfolio growth, though this varies depending on the development stage of the provider. According to the recent financials provided by KSF, the primary source of funding comes from the MFI's equity, comprising 78% reserves and 13% capital. Additionally, around 8.5% of funding is sourced from banks.

The table below highlights the weighting for each funding source:

- **Equity Reserves:** 78%
- **Capital:** 13%
- **Bank Funding:** 8.5%

Borrowing:					
SIF/ARB Apex Bank	187,130	187,130	187,130	187,130	187,129
MiDA - ACP	207,850	207,850	202,850	199,850	183,349
LSI (Corporate) - RHEMA Consulting Ltd	18,000	15,000	12,000	8,000	0
Accounts Payable (Sundry Creditors)	11,035	15,134	18,045	0	0
Other Liabilities (Accruals)	15,940	19,225	17,415	16,105	18,764
Total Liabilities	**439,955**	**444,339**	**437,440**	**411,085**	**389,242**
Subscribers Capital	584,286	584,286	584,286	584,286	584,285
Reserves	2,500,636	3,080,568	3,207,266	3,296,993	3,393,325
Total Equity	**3,084,922**	**3,664,854**	**3,791,552**	**3,881,279**	**3,977,610**
Total Liabilities + Equity	**3,524,877**	**4,109,193**	**4,228,992**	**4,292,364**	**4,366,852**

Borrowing:					
SIF/ARB Apex Bank	5.3%	4.6%	4.4%	4.4%	4.3%
MiDA - ACP	5.9%	5.1%	4.8%	4.7%	4.2%
LSI (Corporate) - RHEMA Consulting Ltd	0.5%	0.4%	0.3%	0.2%	0.0%
Accounts Payable (Sundry Creditors)	0.3%	0.4%	0.4%	0.0%	0.0%
Other Liabilities (Accruals)	0.5%	0.5%	0.4%	0.4%	0.4%
Total Liabilities	**12.5%**	**10.8%**	**10.3%**	**9.6%**	**8.9%**
	0.0%	0.0%	0.0%	0.0%	0.0%
Subscribers Capital	16.6%	14.2%	13.8%	13.6%	13.4%
Reserves	70.9%	75.0%	75.8%	76.8%	77.7%
Total Equity	**87.5%**	**89.2%**	**89.7%**	**90.4%**	**91.1%**
Total Liabilities + Equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The cost of funding for KSF is as follows:

Interest and Fees on Funding	**35,997**	**35,997**	**35,997**	**35,997**	**35,997**
Funding Sources	**394,980**	**394,980**	**389,980**	**386,980**	**370,478**
SIF/ARB Apex Bank	187,130	187,130	187,130	187,130	187,129
MiDA - ACP	207,850	207,850	202,850	199,850	183,349
Cost of Funds (%)		**9%**	**9%**	**9%**	**10%**

Financial Forecasting and Funding Sufficiency

KSF does not have any forecasts for the future, making it difficult to assess whether the current sources of funds are sufficient to meet projected needs. Without a detailed business plan and financial projections, it is impossible to determine if the existing equity reserves and bank funding can support future growth and operational requirements. To address this, we will provide a comprehensive financial model that will enable KSF to create realistic forecasts and identify potential funding gaps. This model will incorporate intra-year cash flow figures to detect any potential shortage of funds. By analysing these projections, KSF can better understand whether new funding will be necessary to support its strategic goals and anticipated growth. Additionally, the model will help KSF plan for various scenarios, ensuring that it remains financially resilient and can meet its obligations even during periods of financial strain.

Funding sources

KSF relies heavily on equity reserves and external funding sources, such as bank loans and donations. This dependency on external sources can lead to higher funding costs and increased financial vulnerability. KSF must focus on diversifying its funding sources and improving its financial management to maintain liquidity and support growth.

Cash Flow Management

KSF's Cash Flow Statement indicates a positive cash flow for the past few years, yet it appears incomplete, accounting only for depreciation. To improve the Cash Flow Statement, KSF should include actual Profit and Loss (P&L) figures, donations made to KSF, disbursements, and repayments. Additionally, discrepancies between cash flow and cash balances suggest errors in calculations that need rectification.

KRABAN SUPPORT FOUNDATION
ENDING 31 DECEMBER 2023
NET CASHFLOW FROM OPERATING ACTIVITIES

i)	**2023 GH¢**	**2022 GH¢**	**2021 GH¢**	**2020 GH¢**
Operating Profit/(Loss)	-	-	-	-
Foreign Exchange Loss	-	-	-	-
Depreciation	706	3,980	5,940	32,057
(Increase)/Decrease in Stocks	-	-	-	-
(Increase)/Decrease in Debtors	-	-	-	-
(Increase)/Decrease in Creditors	-	-	-	-
Loss Provision	-	-	-	-
Net Cashflow from Operating Activities	**706**	**3,980**	**5,940**	**32,057**

ii)				
Analysis of Cash and Cash Equivalents as shown in the Balance Sheet				
Cash and Cash Equivalents	**261**	**1,473**	**2,198**	**11,861**

iii)				
Analysis of changes Cash and Cash Equivalents				
Balance as at 01/01/2023	140	791	1,180	6,369
Net Cash Inflow (Outflow)	121	682	1,018	5,492
Balance as at 30/12/2023	**261**	**1,473**	**2,198**	**11,861**

Liquidity and Short-term Finance

KSF currently lacks access to short-term finance to address liquidity tensions, relying mainly on donations from Dr Nana Opare Djan. Without a well-designed strategy to finance anticipated growth, KSF faces significant risks to sustainable development and expansion. To mitigate these risks, KSF must estimate anticipated growth and create detailed business forecasts based on market analysis, demand for microfinance services, competitive landscape, and financial health. This strategy should include identifying funding requirements, diversifying funding sources to reduce reliance on donations. However, in its current state external funding would prove very difficult for KSF to achieve, therefore, this option should not be explored until the future.

Historical Funding Evolution

The funding sources for KSF have evolved from 87.5% equity and 12.5% liabilities to 91.1% equity and 8.9% liabilities, reflecting increased reliance on equity, primarily through donations. The cost of funding from liabilities has remained stable at 9-10%, yet KSF has not accounted for the cost of equity, essential for accurate financial planning. Establishing an estimated required return on equity is crucial to account for the opportunity cost of donated funds and future investments. Diversifying funding sources beyond donations is necessary to reduce financial risk and ensure sustainability.

Addressing Key Risks

While funding is critical to KSF's growth, there are notable risks associated with large funding amounts. Rapid portfolio growth might exceed operational capacity, leading to potential issues in loan management and quality control, which could increase default rates. Insufficient profitability to repay large loans poses significant financial strain.

Before disbursing funding, KSF must address key areas such as profitability and risk management. Implementing robust financial controls, enhancing credit risk assessment processes, and developing strategies to maintain loan quality are essential. Funders should monitor KSF's financial performance, including profitability metrics and risk management practices, to ensure the institution remains financially healthy and capable of managing increased funding effectively.

Business Planning Conclusion and Recommendations

The KSF Support Foundation (KSF) currently faces significant challenges due to a lack of updated business and strategic planning. The last business plan, created in 2015, is outdated and lacks comprehensive coverage of key areas necessary for understanding and improving KSF's business model. Various disruptive events, including inflation fluctuations, economic recession, and the COVID-19 pandemic, have severely impacted KSF's operations and financial stability. The absence of a credible and updated business plan, combined with insufficient reporting and analysis, hinders KSF's ability to set realistic goals, measure performance, and make informed decisions.

KSF's strategic positioning focuses on serving the entrepreneurial poor, particularly rural women micro-entrepreneurs. However, the foundation's internal and external challenges—such as reliance on donations from Dr. Nana Opare Djan, staff attrition, regulatory hurdles, and economic instability—threaten its profitability and operational sustainability. The foundation's planning processes have been largely inactive since 2019, resulting in a lack of direction and underperformance against its missions and goals.

The current funding structure of KSF Savings and Finance (KSF) heavily relies on equity, primarily through donations, with only a small portion funded by liabilities, posing a significant risk to the institution's long-term sustainability and growth. To ensure stable and sustainable operations, KSF must diversify its funding sources, improve financial management, and enhance institutional capacity.

Developing a comprehensive financial model will enable KSF to create realistic projections, identify funding gaps, and plan for various scenarios. Leveraging short-term loans that align with the duration of the microcredits provided will ensure manageable repayment schedules. Enhancing institutional capacity through improved governance structures, staff training, and technological upgrades will improve operational efficiency and service delivery. Building investor confidence is crucial for attracting and sustaining external funding, requiring KSF to demonstrate a solid track record of financial performance, effective risk management, and strong governance.

By following these recommendations, KSF can develop a more sustainable and diversified funding strategy, reduce its reliance on donations, and enhance its capacity for growth and impact. This approach will ensure long-term financial stability, support the continuation of current activities, and facilitate new initiatives, ultimately aligning with KSF's strategic goals and mission to support low-income entrepreneurs.

Recommendations:

1. **Develop a Comprehensive Business Plan:** To enhance strategic direction and operational effectiveness, KSF Savings and Finance (KSF) should update and expand its business plan to cover all essential areas, including market analysis, financial projections, operational strategies, and risk management. The financial projections should be based on current data and realistic assumptions, taking into account recent economic conditions and operational challenges. The comprehensive business plan should follow a structured format, ensuring all critical components are addressed systematically. This approach will provide a clear roadmap for KSF's future growth and sustainability, aligning strategic goals with actionable plans. The business plan structure should be as follows:

    - **Executive Summary:** Overview, Mission Statement, Business Goals, Key Financial Highlights
    - **Company Description:** Business Structure, History, Business Model, Products or Services
    - **Market Analysis:** Industry Overview, Target Market, Market Size and Growth, Competitive Analysis.
    - **Organization and Management:** Organizational Structure, Management Team, Advisors
    - **Products or Services**: Description, Lifecycle
    - **Marketing and Sales Strategy:** Marketing Plan, Sales Strategy, Pricing Strategy
    - **Operations Plan:** Operational Processes, Location, Technology
    - **Financial Plan:** Financial Statements, Financial Projections, Funding Requirements, Break-even Analysis

2. **Implement Regular Strategic Planning:** To enhance strategic planning and ensure comprehensive organizational development, KSF Savings and Finance (KSF) should reinstitute annual strategic planning meetings involving senior management and key staff to review performance, set goals, and develop action plans. Additionally, engaging all levels of staff in the planning process will ensure diverse perspectives are considered and foster greater commitment to the strategic goals. This inclusive approach will not only improve the robustness of the strategic plans but also enhance staff morale and ownership of the institution's objectives.

3. **Enhance Financial Management:** To improve financial stability and sustainability, KSF should establish a robust budgeting process and conduct regular variance analysis to monitor financial performance and make necessary adjustments. Additionally, to reduce dependence on donations, KSF should diversify its revenue streams by exploring new sources such as partnerships with NGOs, securing grants, and expanding the client base to more resilient sectors. This approach will not only enhance financial oversight but also create a more stable and diversified funding structure, supporting long-term growth and operational resilience.

4. **Strengthen Operational Capacity:** To strengthen operational efficiency and resilience, KSF Savings and Finance (KSF) should implement training programs to build the capacity of existing staff and prepare for potential departures, ensuring that multiple staff members are capable of managing critical tasks. Additionally, improving loan collection should be a priority, focusing on clients closer to the Somanya office to enhance collection efficiency and

foster stronger client relationships. This dual approach will ensure that KSF maintains a skilled workforce and optimizes its loan collection processes, contributing to overall institutional stability and growth.

5. **Mitigate Internal and External Risks:** To ensure long-term stability and compliance, KSF should develop comprehensive risk management strategies to address both internal and external risks. This includes working with agricultural clients on sustainable practices and securing proper certification from the Bank of Ghana to enhance credibility. Additionally, KSF should actively engage with regulatory bodies to resolve certification issues and participate in industry advocacy to influence favourable regulatory changes. These measures will strengthen KSF's risk management framework, enhance its credibility, and ensure adherence to regulatory requirements, thereby supporting sustainable growth and operational integrity.

6. **Regular Performance Review:** Monitor and Evaluate: Establish a system for regular performance monitoring and evaluation against the strategic goals and business plan. Use findings to inform future planning and decision-making.

7. **Diversify Funding Sources:** KSF should explore options such as debt financing, impact investments, grants, and partnerships with financial institutions or NGOs. This will reduce dependency on donations and enhance financial stability.

8. **Improve Financial Management:** Implement robust financial controls and risk management practices to enhance credibility. Accurately account for the cost of equity by establishing an estimated required return on equity.

9. **Develop a Comprehensive Financial Model:** Create a detailed financial model to provide realistic projections, identify funding gaps, and plan for various scenarios. This model should incorporate intra-year cash flow figures to detect potential funding shortages.

By addressing these areas, KSF can improve its business planning process, enhance operational efficiency, and build a more sustainable and resilient organization better equipped to fulfil its mission and goals.