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The Critical Success Factors and Their Impact on Sustainability: Evidence from Microfinance Institutions in Ghana

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Abstract:
This paper aimed at investigating the relationship between critical success factors and sustainability of microfinance institutions in Ghana. The objective of this paper was to assess the level of critical success factors on microfinance operations and consequently investigate how this critical success factors influence the level of sustainability. In this proposed work, the study focused on Core competencies, marketing strategies, company resources, non-financial resources, competive advantages, customer loyalty and brand as a measure of critical success factors. The intention of this study is to provide the understanding on how people should strengthen their business by looking at all the success factors and their impact on organizational sustainability hence helps to reduce the risk of failure and increase chances of success. The study sought to contribute to quantitative estimation of the relationship between these variables given the sound theoretical foundation with no empirical evidence to support or contradict the theory in the Ghanaian context. Employing a cross-sectional survey design, data on the variables are collected via self-administered questionnaires. Thirty (30) microfinance institutions across Ghana and sample size of 300 staff of these institutions were used via multi-stage sampling technique. The study used mean scale and standard multiple regression analysis to address the research process and achieve the objective. However, drawing from the theories arguments and other empirical evidences, it was revealed that six out of seven critical success factors had contributed significant positive influence on the level of sustainability with the exception of non- financial resource considered as negative related impact. It is recommended that microfinance institutions should critically review their critical success indicators, seek for additional external financial support and minimize overreliance on non-financial resources. Management should practically develop and implement constant strategies to strengthen the critical success factors.

Keywords: *Critical success factors, Core competencies, marketing strategies, company resources, portfolio management, brand and customer loyalty, non-financial resources and sustainability of microfinance institutions*

1. Introduction

Microfinance has been recognized as one of the most efficient tools to alleviate poverty by the United Nations considering their significant contribution in term of job creation and revenue generation for the government (Norma and Jarita, 2010). This is due to the empirical finding that accentuated the vast potential of microfinance in improving the quality of life of the poor people. These microfinance institutions therefore need to be effectively managed to continuously champion the course of extending credits to the SMEs. In furtherance of the above, there is the need for management of MFIs to uncover the critical success factors that would lead to survival and growth, enhance their areas of core competencies and strength to formulate and implement more effective strategies to strength these critical success factors within this ever changing business environment.

Success in microfinance refers to measures which when adopted will significantly improve the life and operations of the institutions. According to Pierce and Robison (1997, cited in Kahaso, 2012), an organization's critical success factors identify the areas that are vital in implementing the strategies of a company and these remain the areas that must be given constant management attention. Similarly, Kahaso (2012) defines critical success factors as the "specific skill and competences a firm needs to compete well and also the specific things a firm in any industry must concentrate on doing well." In furtherance, Kahaso (2012) stated that an industry's critical success factors are strategic and would differ from one industry to another industry. This has attracted the attention of researchers who are interested in exploring the contributing factors to its success. It is therefore vital to know the appropriate factors that can have influence on the sustainability of MFIs. According to De Vasconcellos and Hambrick (1989), the success factors can either be internal or environmental factors. While the internal factors can be directly influenced by managers, the environmental factors are rather monitored by management in order to design suitable business strategies. Furthermore, Pinz and Helmig (2014) assert that the success factors of an organization can be considered from the perspective of four dimensions namely: management-relevant factors which enhance acquisition of resource, adaptation to the environment, efficiency, and achievement of target all constitute success factors. In furtherance, Helmig, Ingerfurth and Pinz (2014) argue that studies that elaborate on success factors must consider these four dimensions so as to help ascertain reliable organizational success determinants as regards various parts of the organizational activity.

As reviewed in the literature, researchers such as Pinz and Helmig (2014) Raravi, Bagodi and Mench (2013), Kahaso (2012), De Vasconcellos and Hambrick (1989), Pierce and Robison (1997) have all contributed to dimensions for classifying critical success factors, however, the approaches, perspectives and even the numbers of dimensions have all been different. The present study therefore follows Kahaso as a comprehensive measure of critical success factors (CSFs).

1.1. Specific Objectives

The objective of this study is thus in two parts: first is to examine the critical success factors for microfinance operations; and second is to establish the relationship between the effect of critical success factors (CSF) and sustainability of microfinance institutions.

The critical success factors considered in this study are: Core competencies, marketing strategies, company resources, portfolio management, and brand and customer loyalty, non-financial resources. However, the relationship between critical success factors and sustainability has not been much demonstrated statistically in the Ghanaian literature. Most empirical studies have rather focused on issues including explore the critical success of microfinance institutions and determinants of microfinance concentration. It is against this backdrop that the present study seeks to examine the relationship between critical success factors and sustainability of microfinance institutions in Ghana.

2. Literature Review

The theoretical foundation underlying this study is the action regulatory theory. The action theory assumes that entrepreneurial actions are essential to entrepreneurial outcomes (Frese, 2009). The theory posits that whether an organization occupies a successful position or not is not an entirely accidental process but the outcome of actions (Frese, 2007). A critical evaluation of the prepositions suggests that actions and inactions of the entrepreneurs determine the extent of the consequence of challenges on the survivorship of an enterprise. Following the theory, poor management of these Core competencies, marketing strategies, company resources, portfolio management, and brand and customer loyalty, non-financial resources can threaten any positive entrepreneurial outcome or organization sustainability.

Although the theory has demonstrated how entrepreneurial actions can influence success of microfinance institutions, critics contend that the theory is more applicable to the initial stages of the growth of a business in which business owners have the greatest influence of what happens in their firms. Later in the firm's life cycle, a personal perspective becomes much less practical (Van Gelderen, Frese, & Thurik, 2000). However, entrepreneurial actions have been operationalized to include management especially in the developing world such as Ghana where the owners are often part of management. Where even there is separation of ownership and management, the owners may still be able to influence the variables and structures making the theory still applicable to a large extent.

Again, as reviewed in the literature, several scholars have considered various dimensions of success including social and financial performances which have multifaceted natures (See Mersland & Strøm, 2008; Tchakoute-Tchuigoua, 2010, Ledgerwood (1999, Navajas et al. (2000) and Schreiner (2002), Udeaje and Ibe (2006).

One of the more related studies in the Ghanaian setting was conducted by Boateng and Agyei (2013) on the success factors, development and challenges of the microfinance industry in Ghana. The focus of the study was to examine the development of microfinance in the Madina area of the Greater Accra region of Ghana. However, no quantitative analysis was performed to ascertain how the success factors had contributed to the growth and sustainability of the MFIs. This present study seeks to determine the effect of the success factors and the sustainability of MFIs.

Although, there are theoretical reasons to investigate the relationship between critical success factors and sustainability, however, the empirical attentions are relatively not much. For instance, in the Ghanaian context, a study that focused solely on the success of microfinance institutions is the study of Aveh, Dadzie and Krah (2013). The objective of the study was to assess the level of impact of success factors on the sustainability of Ghanaian Microfinance institutions. The research employed both quantitative and qualitative approaches using four perceived success factors of MFIs as the independent variable and sustainability of the MFIs as the dependent variables. However, due to the comprehensive nature of the seven (7) dimensional approaches provided by Kahaso (2012), this present study adopts Kahaso's framework.

A study close to the present study was that conducted by Kinde (2012). The study focused on determining factors that affect the financial sustainability of Ethiopian MFIs. However, Kinde's study was based on secondary data. Therefore, the findings were based on the economic conditions and structure of microfinance institutions and performance in Ethiopia. Therefore, following similar quantitative approach, the present study uses Ghanaian data with considerations of the critical success factors identified by (kahaso 2012). This would provide evidences for Ghanaian context. From the theory, it can be explained that owners or management of these microfinance institutions developed and strengthened these critical success factors for the purpose of surviving the turbulence environment (Frese, 2007).

3. Methodology

The study uses pure quantitative approach to conduct the study. Quantitative research approach requires the use of numerical data and the systematic empirical investigation of phenomena and quantitative properties and their relationships (Bryman & Bell, 2003). These properties are consistent with the two objectives formulated in this study. Each of the objectives requires quantitative measure of the study variables which cannot be adequately supported by qualitative approach.

The Cross sectional survey design is employed to support the quantitative analytical procedure. A cross sectional survey design involves the use of both cross sectional and survey methods in a single study (Nyakundi, Nyamita, & Tinega, 2014). This is appropriate as the study structure requires selection of microfinance institutions and administer data collection instrument. The survey is applied through the use of standardized questionnaires to collect the required data of interest (Anlo, 2012, p.79). The questionnaire is presented to solicit for the critical success factors and sustainability. The study used a 5-point Likert Scale to assess the indicator and subsequently used to measure each component of critical success factors.

3.1. Population and Sampling

The target population of the study is the staff of microfinance institutions with sample size of 300 from 30 selected microfinance institutions in Ghana. The study operationalizes microfinance institutions as those MFIs with the word 'microfinance' as part of their name. To analyze the data, the study employs two methods using statistical tools such as descriptive statistics and standard multiple regressions. The study uses multi-stage sampling technique. According to Battaglia (2008), a multi-stage sampling is one in which sampling is done sequentially across two or more hierarchical levels, such as first at the county level, second at the census track level, third at the block level, fourth at the household level, and ultimately at the within-household level. This sampling technique is applied in this study by first selecting the microfinance companies and finally the staff to respond to the questionnaires. .

3.2. Data Analysis

The study uses Statistical Package for Social Scientists (SPSS) as the statistical tools in organizing the data. Descriptive statistics and standard multiple regression analyses are used to address the two specific objectives of the study. The first objective which sought to determine the level of critical success factors for microfinance operations are analysed using mean scale score (Dess, Lumpkin & McFarlin, 2005 and Yeboah, 2011) generated from descriptive statistics. Following these, the authors' cut-off point for assessing the minimum and maximum point on the scale is the midpoint minus 0.1. The midpoint for scale of 1 to 5 is 3, therefore the cut-off point is 2.9 (3.0-0.1). Thus, mean value of 1 to 2.9 represents low level and 3 to 5 denotes high region. The second objective that sought to establish relationship between critical success factors and sustainability is analysed using standard multiple regression

4 Results and Discussions

4.1. Level of Critical Success Factors of Microfinance Institution in Ghana

This study sought to determine the level of critical success factors of these microfinance institutions. The critical success factors used in this study include core competency, market strategy, company resources, non-financial service, customer and brand loyalty, business growth and profitability and competitive advantage. These dimensions are measured from number of statements assessed by the respondents. As explained under the first objective, mean scale is used to determine the extent of each dimension as critical success factor. The results are presented in Table 1. The details of the statistics are analyzed and interpreted as follows.

Core competency is the first dimension of the construct, critical success factors. In almost every strategic management literature, core competency is considered as one of the valuable assets a company may have. A company is assumed to have better strength if its internal resources and processes can be defined or classified as core competency. The core competency indicators used in this study with particular reference to MFI include unique capabilities, staff, unique services and goodwill overtime. The details of the statistics assessing the core competency level are reported in Table 1. From the Table 1, the mean score for core competency is 4.30. This is relatively higher than the midpoint or cut-off of the mean scale ($\overline{X} =$ 2.99). This suggests that this dimension is relatively high among the microfinance institutions in Ghana.

This means that microfinance institutions in Ghana generally have high core competency to support their operation. This relatively strong competency may have significant positive influence on the sustainability of these firms holding other factors constant. However, a conclusive conclusion on how this dimension falls in respect of sustaining these microfinance institutions can only be supported by causal analysis which is the subject of subsequent objective. . The results affirm the position that critical success factors revolve around management related factors including developing core competencies (Raravi, Bagodi & Mench, 2013).

Market strategy is also thought as one of the critical success factors for microfinance institutions. It is considered as the second dimension of the critical success factors of this study. A market strategy which is deepened in portfolio planning, seeking and receiving regular feedback from customers, participation in trade fairs, monitoring competitors move, and categorizing customers. Theoretically, it is expected that when MFIs perform well in this, it is likely to continue to operate into foreseeable future, holding other variables constant. From Table 1, it can be observed that the mean score is 3.91. This is also relatively high. This mean score falls within the high region as it is more than the cut-off ($\overline{X} =$ 2.99).

This suggests that the respondents' level of their market strategy is relatively strong to support the sustainability prospects of the MFIs. Thus, by qualitative inference, this is strength to the survivor of these microfinance institutions in Ghana. These results are consistent with the findings of Ledgerwood (1999). Ledgerwood identified among others portfolio quality, competitiveness and credit monitoring as critical success factors.

The third component of critical success factors used in this study is the level of company resources. The nature and extent of company resources are key determinants of the company's survival and continuity. These resources include employees' ability, financial stability, availability of credits to serve its credit needs, and the ability to grant customers credit needs. This measures the MFIs strength to engage and train staff and other financial resource capacity of these financial institutions. From the Table 1, the MFIs have some level of financial and human resource strength to support their activities. The degree of this human resource and financial health to support the institution is relatively good. This is evident in the relatively high mean value ($\overline{X}$ = 3.85).

This mean score is more than cut-off point of 2.99 and hence considered as relatively good. This means that the respondents believe generally that their institutions have strong internal resources. This means that they have some level of financial and human capacity to run their operations and to guarantee some level of continuity. Though intuitively, company resources are critical determinant of sustainability, it is difficult to draw sharp conclusion given. This finding affirms the results of Mersland and Strøm (2008). Mersland and Strøm revealed that ability of firms' to command resources including financial resources is critical to their success

Besides providing financial services, one way for microfinance institutions to stay in business is to open their services to other non-financial services. These include advising customers on product introduction, training for new and existing customers, business advisory, and capacity building. From the results, it can be seen that the mean value is more than the cut-off point (($\overline{X}$ = 4.51). It suggests that these microfinance institutions do engage significantly in other non-financial services. This implies they do not only concentrate on their core businesses.

It is believed that providing these non-financial services enhance the level of performing loans and reduce loans defaults as customers are given guide useful ventures to apply their loans. Although, it is not the core business strengthen: it is critical to the survivor of the institutions. This is consistent with the findings of Kahaso (2012). Kahaso identified among others provision of non-financial services to customers as critical to the success of MFIs.

Customer and brand loyalty is the fifth dimension of critical success factors in this study. It measures strong brand loyalty, symbol of unique identity, distinctive brand and company branding on company's assets. Following the results in Table 1, this is one of the most outstanding critical success factors the MFIs have strived to achieve. The mean score is relatively high ($\overline{X}$ = 3.35). The mean falls within the high region on the mean scale as it exceeds the cut-off mean.

This suggests that the respondents believe that their individual institutions spend much effort to build this success factor. It is not surprising because Customer and brand loyalty is one of the few CSFs needed in the microfinance industry in Ghana as most of the malfunctioned and liquidated MFIs have bred bad reputations. The findings are similar to the conclusions drawn by Kahaso (2012). Kahaso concluded that brand and customer loyalty is part of the critical success factors.

The six dimensions of CSFs is business growth and profitability which encompasses increase in loan portfolio, high market share, increase in market share, profitability and positive contributions from general services line. The respondents rated business growth and profitability as one of the highly considered CSF among all the dimensions under consideration. This is revealed by the high mean value ($\overline{X}$ =3.95).

This result is consistent with the assumption that the bottom line of every business to exist is to generate profitability and meet its growth prospects. Therefore the microfinance institutions consider this very significant. This result does not only affirm the findings of Kahaso (2012) but also other studies such as Ledgerwood (1999) and Schreiner (2002).

The last dimension of the critical success factors is the competitive advantage. This dimension measured the intensity of efforts exerted and strategies develop to outperform their competitors. Per the indicators, respondents exhibited relatively high level of this dimension ($\overline{X}$ = 3.95). This implies that microfinance institutions engage in aggressive competitions to survive.

CSF Dimension	Indicator	Mean
Core competencies	CoreCompe	4.30
Marketing strategies	MktStrateg	3.91
Company resources	ComResource	3.85
Non-financial service	NonFinServ	4.51
Customer and brand loyalty	CustomBranLoyal	3.35
Business growth and profitability	BizGrowProfit	3.95
Competitive advantage	CompetAdv	3.95
Grand Mean		3.97

Table 1: Level of dimensions of critical success factors (CSF) of microfinance institution in Ghana
**Scale (Mean): 0-2.9 = low and 3-5= high.*
Source: Field data, (2016)

4.2. Relationship between the Effects of Critical Success Factors and Sustainability of Microfinance Institutions in Ghana

The second specific objective of the study is to assess the relationship between the effects of critical success factors on the level of microfinance sustainability. Any influence on the level of microfinance sustainability would therefore represent a combination of the effects of the seven categories. As conducted, this objective is also analyzed in two parts. The first part focuses on how each critical success factors category affects the level of microfinance sustainability while the second deals with the effect of composite critical success factors on the level of microfinance sustainability.

The standard multiple regression technique is used for this analysis as well. The seven categories of critical success factors namely, core competency, market strategy, company resource, non- financial service, customer and brand loyalty, business growth and profitability and competitive advantage as predictor variables with microfinance sustainability being the dependent variable. Like other multiple regression, the study first analyses the key assumptions of multiple regression. These include sample size, linearity, normality, homoscedasticity of residuals and multi-collinearity. The rest of the assumptions, namely, linearity, normality, homoscedasticity of residuals and multi-collinearity are tested using test statistics. Thus, the Normal Probability Plot, according to Pallant (2007) is used to test for linearity, normality and homoscedasticity of residuals. Figure 1 below presents the results of these assumptions.

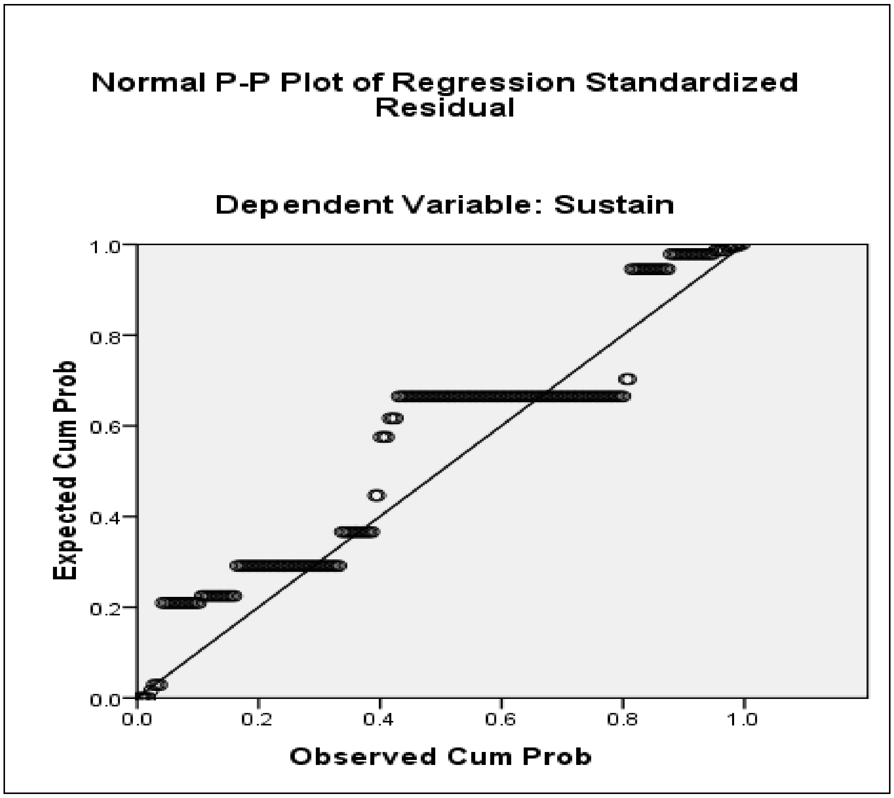

Figure 1: Normal Probability Plot for Sustainability and critical success factors

It can be observed from the Figure above that the data are not normally distributed. However, the linearity assumption is met from the relatively straight diagonal line from the bottom left to top right suggests linearity and homoscedasticity. The multicollinearity assumption is tested using the correlation matrix, tolerance and VIF.

Pearson Corr	**Sustain**	**CoreCom**	**MktStrate**	**ComResource**	**NonFinServ**	**Bran Loyal**	**BizGrow Profit**	**CompetAdv**
Sustain	1.000	0.753	0.353	0.577	0.519	0.957	0.847	0.778
CoreCom	0.753	1.000	0.340	0.515	0.896	0.682	0.879	0.846
MktStrate	0.353	0.340	1.000	0.009	0.508	0.251	0.426	0.596
ComResource	0.577	0.515	0.009	1.000	0.294	0.522	0.364	0.575
NonFinServ	0.519	0.896	0.508	0.294	1.000	0.439	0.711	0.661
BranLoyal	0.957	0.682	0.251	0.522	0.439	1.000	0.806	0.681
BizGrowProfit	0.847	0.879	0.426	0.364	0.711	0.806	1.000	0.802
CompetAdv	0.778	0.846	0.596	0.575	0.661	0.681	0.802	1.000

Table 2: Correlation Matrix for Sustainability and Critical Success Factors
Source: Author's analysis (2016): Computed from SPSS 17.0

It can be observed from the Table 2 that all the predictors have correlation coefficient of less than 0.9 thresholds. This implies that there is no multicollinearity problem. However, the correlation between core competency versus non -financial service, business growth and profitability and competitiveness are relatively high (r = 0.896; 0.879 and 0.846) respectively. These are investigated further using the tolerance and VIF. The study therefore also affirms or otherwise provides different evidences using tolerance and VIF. It is important to reiterate that when the tolerance is greater than 0.1 and VIF is not more than 10, then there is no multicollinearity problem. The statistics are reported in Table 3

	Tolerance	VIF
CoreCom	-0.016	-61.262
MktStrate	0.415	2.408
ComResource	0.373	2.679
NonFinServ	0.377	2.651
BranLoyal	0.245	4.088
BizGrowProfit	0.129	7.781
CompetAdv	0.148	6.776

Table 3: Collinearity Analysis of Critical Success Factors
Source: Author's analysis (2016): Computed from SPSS 17.0

It can be seen from the model presented in Table 3 there is a multicollinearity problem. Although almost all the variables had Tolerance values of more than 0.01 and VIF values less than 10, core competency statistics in both cases fell outside the threshold (Tolerance = -0.016; VIF = -61.262). To correct this problem, the study separates the highly correlated variables into different multiple regression model. Thus, at the component level, one model is used to analyze core competency, marketing strategies, company resources and customer and brand loyalty. A second model is also used to analyze non-financial services, business growth and profitability and competitive advantage.

Having corrected the multi-collineraity, the multiple regression analysis for the relationships is presented. These analyses would be in three parts considering the multicollinearity challenges. (Model 1, model 2 and model 3). The first and second regression models deal with the components of the CSFs whiles the composite of all scores is presented as model three. The results are reported in Table 4

From the Table 4, it can be observed that all the three models have strong R^2. These suggest fitness of the regression model. The model 1 generated high R-square (R^2=0.949). This implies holding other factors constant, the four dimensions of critical success factors explain about 94.9% of variance in microfinance sustainability. Thus, only 4.1% is explained by other factors. There are therefore critical to the sustainability of microfinance institutions. Furthermore, the f-stat which measures the joint significant of the four CSFs is also highly significant (f-stat=1139.484; sig.=0.000). This means that these factors collectively predict sustainability.

Model 2 and Model 3 also exhibited high R^2 (Model 2=0.770; Model 3=0.823). Their corresponding f-stats are also significant at 1 percent (Model 2: f-stat= 221.482; sign. =0.000; Model 3: f-stat=371.517; sign. =0.000). These demonstrate the goodness of these models

	Beta(β)	Std. Error	t-stat	Sig.	F-stat	R^2
Model 1				0.000	1139.484	0.949
(Constant)	0.335***	0.057	5.831	0.000		
CoreCompe	0.094***	0.016	5.827	0.000		
MktStrateg	0.077***	0.011	7.045	0.000		
ComResource	0.065***	0.012	5.403	0.000		
CustomBranLoyal	0.634***	0.016	38.588	0.000		
Model 2				0.000	221.482***	0.770
(Constant)	0.624***	0.133	4.680	0.000		
NonFinServ	-0.178***	0.038	-4.650	0.000		
BizGrowProfit	0.674***	0.057	11.891	0.000		
CompetAdv	0.232***	0.040	5.771	0.000		
Model 3				0.000	371.517	0.823
Critical success factors	0.766***	0.029	26.685	0.000		

Table 4: Standard multiple regression analysis summary for critical success factors predicting sustainability of microfinance institutions in Ghana
Source: Author's analysis (2016): Computed from SPSS 17.0
*Note: *, **, *** are 10%, 5% and 1% significance level respectively*

As depicted in the Table 4, all the four components of critical success factors (CSF) used in model 1 made unique contributions to explaining the level of microfinance sustainability. The contributions of core competence (β = 0.094; Sig. = 0.000), marketing strategy (β =0.077; Sig. = 0.000), company resource (β =0.065; Sig. = 0.000) and customer and brand loyalty (β =0.634; Sig. = 0.000) are all significant.

Customer and brand loyalty is the critical success factor that is most associated with microfinance sustainability in Ghana as per model 1 (β =0.634; Sig. = 0.000; t-stat=38.588) followed by core competence (β =0.094; Sig. = 0.000). The third contributor is market strategy (β =0.077; Sig. = 0.000) and the least is the company resources. This implied that microfinance institution with strong customer and brand loyalty, core competence, market strategy and company resources are likely to be sustainable.

The significant coefficients (beta) in all cases of the CSF in the model 1 suggest that these factors are critical to the survival of microfinance institutions in Ghana. Thus, the study rejects the null hypotheses that these factors do not have positive effect on microfinance institutions. The coefficient of 0.634 for customer and brand loyalty means that on the average when microfinance institutions improve their customer and brand loyalty by 1 percent, it will lead to 0.634 increases in the rate of sustainability and vice-versa. Similarly, when a microfinance institution develops its core competence by 1 percent, holding other factors constant, it will enhance its sustainability by 0.094 and reverse is also true. The findings revealed that the level of customer and brand loyalty had the most significant effect on sustainability in the model 1

Furthermore, regarding the market strategy, the results suggest that all other things being equal when a microfinance institution enhances its marketing strategies, it will beef up its sustainability rate by 0.077. Also enhancing internal resources (company resources) by 1 percent will lead to 0.065 improvement is the sustainability. The study showed that there was significant relationship between the level of marketing strategy and level of sustainability. The coefficient was positive suggesting marketing strategy had significant positive effect on the level of sustainability

The second model also presents analysis of how another three CSFs predict sustainability of microfinance institutions. The results show that all these three CSFs are also significant and therefore have predictive power of microfinance sustainability (see Table 4). Among these factors, business growth and profitability made the most significant contribution ((β =0.674; Sig. = 0.000), followed competitive advantage (β =0.232; Sig. = 0.000) and the least contributor is non-financial service (β =-0.178; Sig. = .000). All these CSFs have positive coefficients except non-financial service. The negative coefficient of non-financial services implies that it is not a critical success factor. The study found a significant negative effect of non-financial service on the level of sustainability. The remaining two factors are critical success factors and therefore improving their level will lead to sustainability.

Regarding business growth and profitability as well as competitive advantage, when their levels are increased by 1 percent by a microfinance institution, all other things being equal, it will increase sustainability by 0.674 and 0.232 for business growth and profitability and competitive advantage respectively. On the other hand, a decrease in the extent of business growth and profitability and competitive advantage will lead to the reverse effect. The same cannot be said for non-financial services. With the non-financial services, an increase in its level will deplete the rate of sustainability by 0.178 and vice-versa. The results showed that the level of business growth and profitability has significant effect on the level of sustainability as evident in the significant coefficient. The coefficient indicated that the effect was positive.

The composite score of critical success factors also exhibits strong influence on the level of sustainability (see model 3 in Table 4). In absolute terms, it made the most significant contribution to sustainability. This is reflective in significant coefficient and t-stat (β = 0.766; Sig. = .000; t-stat=26.685). Overall, the positive coefficient demonstrates the significant positive contribution of critical success factors to the sustainability of microfinance institutions in Ghana.

5. Conclusions and Recommendations

The study focused on critical success factors and its effects on sustainability of microfinance institutions. Following the analysis and key findings from the study, the study concluded that microfinance institutions in Ghana have high level of positive effects on critical success factors in relation to core competency, market strategy, company resources, customer and brand loyalty, business growth and profitability and competitive advantage with negative non-financial service on sustainability level.

6. Recommendations

Base on the results from the study, microfinance institutions are advised to formulate operational strategies that would strengthen critical success factors especially company finance. With regards to the funding; it is recommended that management should seek external funding to support operations and capacity in order to develop comprehensive and coherent training for employees taking into account their respective roles and responsibilities as well as their needs to beef the financial sustainability. It is further recommended that microfinance institutions should pay critical attention to building financial sustainability as it is core to sustaining the overall operations. It is also recommended that the financial institutions should seek for external partners and investors to strengthen the financial sustainability.

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