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EMPIRICAL ANALYSIS OF DEBT RECOVERY STRATEGY EFFECTIVENESS AND NON-PERFORMING LOAN MITIGATION IN GHANAIAN MICROFINANCE INSTITUTIONS: EVIDENCE FROM THE ASHANTI REGION

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Abstract
High non-performing loans (NPLs) threaten the sustainability of microfinance institutions (MFIs) in emerging markets like Ghana. This study investigates the effectiveness of debt recovery strategies, their impact on NPLs, and implementation challenges faced by MFIs in the Ashanti Region. Using a mixed-methods approach, data were collected from 315 respondents across 11 strategically selected MFIs through stratified sampling. Multivariate regression analysis assessed the impact of strategies on NPLs, while qualitative analysis explored implementation barriers. Grounded in agency theory, social capital theory, and relationship banking theory, the study finds that debt recovery strategies collectively explain 65.1% of NPL variation. Regular monitoring (β=0.235, p=0.003) and delinquency follow-up (β=0.232, p=0.001) have the most significant effects. Although borrower education is widely implemented, it shows limited statistical impact (β=0.022, p=0.748), highlighting a disconnect between perceived and actual effectiveness. Key implementation challenges include economic downturns, limited credit information infrastructure, and weak borrower cooperation. The study contributes a relationship-based framework for sustainable loan performance, advocating long-term partnerships over enforcement-focused approaches. It advances microfinance research by analyzing multiple strategies simultaneously rather than in isolation. Policy recommendations include creating shared credit databases, introducing counter-cyclical support measures, and promoting regulatory frameworks aligned with relationship banking. Practically, the findings help MFIs prioritize monitoring and follow-up in resource allocation, offering actionable insights for sustainable microfinance in Ghana and comparable emerging markets.

Keywords: Debt Recovery Strategies, Microfinance Institutions (MFIs), Non-Performing Loans (NPLs), Financial Sustainability

1. Introduction

In Ghana's economic landscape, MFIs serve as financial agents for populations excluded from formal banking services due to their creditworthiness. They provide financial services to small and medium enterprises, farmers, and low-income households in rural and urban areas. Thus, they bridge the gap between informal moneylenders and commercial banks. The evolution of MFIs in Ghana is driven by the broader development of financial inclusion, poverty reduction, and improved economic strategies. According to Muthama and Warui (2021), MFIs have expanded from offering small credit to include savings, insurance, and financial literacy, to strengthen household economic resilience. In Ghana, MFIs have expanded, formalized, and modernized their services and transactions to include formal banking principles. This diversity creates innovative opportunities and standardized regulatory challenges.

The Ashanti Region is one of Ghana's commercial hubs. It occupies a unique position of varied economic activities and socioeconomic dynamics. MFIs in this region serve clients including urban traders, illegal miners, informal apprentices, manual workers, and cocoa farmers from diverse economic, educational, and ethnic backgrounds. These clients present distinct financial needs, risk profiles, and cultural considerations that affect credit provision and repayment behaviours in this dynamic environment.

A significant obstacle for Ghana's microfinance sector is the high percentage of non-performing loans (NPLs). Bank of Ghana (2020) reports that as of December 2019, MFIs had a non-performing loan (NPL) ratio of 19.9%, higher than the average NPL percentage of 13.6% for all Ghanaian deposit-taking institutions. Since high NPLs can negatively influence MFIs' reputation, social impact, profitability, liquidity, solvency, and sustainability, this gap is a major challenge in risk management and debt recovery methods that require immediate attention. Beyond statistical rates, the severity of NPLs in Ghana's financial sector influences institutional failures, reduces credit access, and hinders growth outcomes. The 2017 – 2019 financial crisis in Ghana, triggered by high non-performing loans, led to the annulment of banking licenses and the collapse of many indigenous banks by the Bank of Ghana. This created a confidence crisis that continues to influence investors, stakeholders, and borrower-lender relationships in the sector. This has also complicated debt recovery attempts and effective collection strategies for institutional survival.

The Ashanti Region presents unique challenges to MFIs in the area due to its economic diversity, cultural intricacy, and informal business practices. MFIs' clients in the region are largely cash-based entrepreneurs who rarely keep proper records. This makes traditional credit evaluation and monitoring approaches inadequate. Other clients, including informal apprentices and laborers, may go to great lengths to avoid interaction with lenders. The consequence of ineffective debt recovery in the region impacts institutions and people who depend on microfinance services. High default rates affect entrepreneurs' working capital, farmers' seasonal financing, and household emergency finance. These disseminate poverty cycles and weaken Ghana's broader development objectives. Therefore, debt recovery effectiveness becomes a national development priority.

The recent financial crisis in Ghana (2017 – 2019) revealed weak risk management practices in the financial sector. However, clientele traits, operational models, and the regulatory environment are additional intricacies that MFIs face. This research aims to answer why conventional debt recovery approaches prove inadequate in Ghana's microfinance context and how institutional strategies can address persistent challenges. This study examines the social effects of MFIs' failures. Challenges in MFIs in the Ashanti Region reflect national and global concerns about sustainable microfinance. Therefore, understanding local dynamics is essential for developing unique and effective recovery strategies. Bank of Ghana's ongoing regulatory reforms and institutional restructuring provide motivation and opportunity for this study to offer complete, evidence-based guidance for MFI managers struggling with debt recovery challenges.

Most existing literature on microfinance focuses on credit disbursement mechanisms and borrower selection criteria. According to Ganzallah and Wekesa (2023), few studies have examined the effectiveness and impact of debt recovery strategies on loan performance in the context of deposit-taking MFIs. Despite being the second hub of MFIs in Ghana, there are limited studies on debt recovery strategies among MFIs in the Ashanti Region. This indicates a significant knowledge gap regarding how different recovery

strategies perform in various institutional and cultural contexts. Existing research in Asia and America creates a knowledge gap regarding African microfinance experiences. Therefore, this study addresses these gaps in existing literature.

This study examines the effectiveness of debt recovery strategies, their impact on NPLs, and implementation challenges faced by MFIs in the Ashanti Region of Ghana. The study addresses three essential empirical questions. First, how are various debt recovery strategies effective and impact MFIs' loan performance within the Ashanti Region? Second, what specific challenges do MFIs face when implementing debt recovery strategies? Third, how can MFIs improve their debt recovery methods?

Unlike previous studies on individual strategies, this study advances research methodology in microfinance by demonstrating how debt recovery strategies integrate to impact NPLs. The study employs an integrated framework that examines multiple strategies within their operational context, addressing the gap in existing studies that examine individual debt recovery strategies in isolation. This study contributes to enhancing theoretical understanding of how established microfinance theories apply within different economic contexts. The study addresses how agency theory, social capital theory, and relationship banking theory can be used in Ghanaian MFIs where informal economic activity, limited verified credit histories, and strong social structures exist. The study offers evidence-based guidance for MFI managers on strategy selection, resource allocation, and implementation priorities. Furthermore, this study contributes to addressing the gap in West African perspectives in international microfinance literature. This study contributes to policy discussions on regulatory frameworks, microfinance supervision, capacity building, and infrastructure development needs that could enhance the effectiveness of MFIs in Ghana.

2. Theoretical Background

2.1 Theoretical Foundations for Debt Recovery in Microfinance

In this study, agency theory, social capital theory, and relationship banking theory are employed to explain how different debt recovery strategies influence borrower behavior and loan outcomes. Agency theory provides the basic framework to understand the principal-agent relationship between MFIs and borrowers. This occurs when information asymmetries and moral hazard influence default. According to Sahan and Phimister (2023), MFIs use joint liability lending to address information asymmetry and enforce repayment discipline among borrowers who lack collateral.

2.2 Credit Appraisal and Evaluation Process (CAEP)

In financial institutions, credit appraisal and evaluation processes (CAEP) directly address issues with adverse selection by screening borrowers before loan disbursement. Tin (2019) claims that MFIs can evaluate borrowers' creditworthiness to ascertain the possibility of prompt repayment before loan approvals. This method assesses the borrower's financial situation, repayment ability, company cashflows, family income sources, outstanding debts, character references, and credit history. This posits that CAEP has a negative impact on NPL ratios.

2.3 Regular Monitoring and Supervision (RMS)

Regular monitoring and supervision (RMS) mitigate moral hazard by observing borrower behavior after loan disbursement. Mia et al. (2022) claim that active monitoring of repayment plans, site visits, and regular interaction with borrowers to resolve problems

or difficulties are part of close monitoring of loan accounts. Active and regular loan monitoring strengthens repayment discipline. This suggests that RMS has a negative impact on NPL ratios.

2.4 Social Capital Theory and Relationship-Based Lending

The study used social capital theory to explain how relationship-based strategies enhance loan performance through trust-building and community enforcement mechanisms. In loan administration, proactive education (PE) and flexible repayment options (FRO) strengthen borrower-lender relationships by demonstrating institutional commitment to client success rather than purely extractive objectives. Tin (2019) alleges that providing training sessions to borrowers on product features, repayment schedules, and financial management skills equips them with the knowledge and tools to manage their loans effectively. FRO reduces the risk of default by aligning loan repayments with borrowers' ability to pay. This recognizes debt recovery as integral to the cooperative, mutually beneficial exchange between lenders and borrowers. These suggest that PE and FRO have inverse relationships with NPL ratios.

2.5 Relationship Banking Theory and Client Retention Strategies

Relationship banking theory posits that long-term relationships reduce information asymmetries and create mutual incentives for NPLs. Follow-up on delinquencies (FD) and incentives for on-time repayment (IOR) operationalize relationship banking principles by maintaining continuous communication and providing positive reinforcement for desired behaviors. Sikira (2021) alleges that by offering incentives and rewards to customers who make regular repayments, MFIs create a positive reinforcement mechanism that encourages borrowers to adhere to repayment schedules. This prevents accumulated debt obligations from consuming too much of their limited cash flow. These provide an empirical foundation for hypotheses linking FD and IOR to reduce NPLs.

2.6 Internal Productivity Management (IPM) and Staff Efficiency

Internal productivity management (IPM) relates with organizational behavior theory. This suggests that motivated and well-trained staff execute debt recovery strategies more effectively. Motivated staff engage proactively with delinquent borrowers, following up on missed payments and negotiating repayment arrangements. Sikira (2021) said that in a culture of accountability, recognition, and support, MFI staff members perform their roles effectively in recovering debts. This theorizes that IPM influences NPL ratios through improved strategy implementation.

2.7 Empirical Evidence on Strategy Effectiveness

Research on debt recovery strategies in microfinance institutions has shown mixed results. For instance, Sangwan et al. (2020) found that frequent monitoring of borrowers' business activities has a positive impact on repayment rates. However, Mia et al. (2022) identified no effect of increased monitoring on repayment rates. They posit that intensive supervision could be indicative of riskier borrowers. These contrasting findings suggest that effective loan monitoring depends on the implementation method and borrower perception. Ngonyani and Serbes (2020) found that robust credit evaluation and appraisal processes lower default rates. This confirms the importance of direct risk assessment to predict borrower repayment capacity. Lamichhane (2022) found that regular documentation review has a significant positive impact on loan defaults. This suggests

that a thorough review is a vital oversight mechanism. Brihaye et al. (2019) employed a two-game model and found a 3% improvement in repayment rates when incentives are given. However, the effectiveness of repayment incentives may depend on the motivation levels of borrowers as well as the cultural context. Regarding flexible payment options, Mia et al. (2022) found a 17% reduction in default rates when grace periods were offered to high-risk clients.

However, they caution that flexibility could be a moral hazard if not properly targeted. Effective follow-up on late payments reduces defaults. Mutuku (2020) found a strong negative correlation between the speed of follow-up and default rates. This implies that timely delinquency management is essential. Also, heavy workloads and a lack of motivation among credit officers can hamper recovery efforts. Stănescu's (2021) survey in EU member states indicated that higher job satisfaction was associated with better portfolio quality. Therefore, ensuring reasonable workloads and incentives for collection agents improves productivity. Msuya et al. (2019) found that joint liability lending has higher repayment rates and lower portfolios at risk. Conversely, Schwecke's (2022) spatial econometric analysis found repayment rates declined in loosely connected joint liability groups in India. While most studies were conducted in Asian and Latin American contexts, those in sub-Saharan Africa are limited due to methodological differences, sample attrition, and a lack of broader economic and social context. These hinder the applicability of findings to MFIs in Africa.

3. Methods

The study used a pragmatic paradigm, combining descriptive and explanatory research designs. This study employed a mixed-methods approach. Out of 58 MFIs in the Ashanti Region of Ghana, a stratified random sampling technique was used to select 11 MFIs for the study. Accordingly, purposive sampling with power analysis calculations was used to obtain 315 respondents. This sample size accounts for possible non-response and incomplete surveys, which is relevant for multivariate regression analysis. A web-based survey tool (Qualtrics) was used to gather data. This tool was selected for its security features, response tracking, and compatibility with mobile devices. A 5-point Likert scale (1 = Strongly Disagree, while 5 = Strongly Agree) was used to gather data. The study employed Statistical Package for Social Sciences (SPSS) version 21 for descriptive statistics and multivariate regression analysis.

A few assumptions guided the study's econometric models.

Assumption 1: The recovery rate from one debt recovery strategy is the variance between interrelated benefits and risks observed by MFIs. This is represented as:

$$Vi = \Theta i - Ri \quad \ldots\ldots (1)$$

Where:
Vi = Recovery rate from one debt recovery strategy.
Θi = Benefits linked to the use of the debt recovery strategy.
Ri = Associated risks of the use of the debt recovery strategy.

Assumption 2: The recovery rate from one debt recovery strategy is proportional to regulatory policies, staff awareness, and agility in lowering defaults.

$$Vi = Ci + Ki + Ai \quad \ldots\ldots (2)$$

Where:
Ci = Compliance with regulatory bodies.
Ki = The level of knowledge by loan officers and agents.
Ai = The ability to minimize the loan default rate.

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Furthermore, the study adopted the regression model below to assess the impact of debt recovery strategies on the loan performance of selected MFIs in the Ashanti Region.

$NPLi = \beta 0 + \beta_1 X1 + \beta_2 X2 + \beta_3 X3 \ldots. \beta 8 X8 + \varepsilon$ ……. *(3)*

Where:

NPLi = non-performing loans
β0 = regression intercept
β1 - β8 = regression coefficients of the debt recovery strategies
X1 - X8 = debt recovery strategies
εi = Error term

4. Results and Discussion

4.1 Effectiveness of Debt Recovery Strategies of Microfinance Institutions

Table 1. Effectiveness of Debt Recovery Strategies

Debt Recovery Strategy/Statement of Effectiveness	Mean	SD
Credit Appraisal and Evaluation Process (CAEP)		
Thorough evaluation of borrowers' creditworthiness	4.09	.883
Loan applications may be denied if repayment ability is deemed insufficient	3.89	1.198
Regular Monitoring and Supervision (RMS)		
Monitor borrowers' financial performance and activities before loan disbursement and repayments	3.56	.593
Actively monitor repayment plans to avoid loan default	3.72	1.311
Documentation Review (DR)		
Documentation and periodic reviews of lending policies and procedures	4.14	.730
Organize and communicate loan contracts, repayment schedules, collections protocols, and default remedies	4.44	.593
Proactive Education (PE)		
Provide training sessions to borrowers on product features, repayment schedules, and financial management skills	4.50	.513
Educate clients on loan terms, balance repayment capacity, and disbursements, and demonstrate collection mechanisms	4.36	.569
Flexible Repayment Options (FRO)		
Provide flexible loan terms and repayment plans based on borrowers' financial capabilities and cash flow patterns	3.95	.815
Offer options like grace periods, payment rescheduling, or interest-only payments to provide temporary relief to our borrowers	3.39	.596
Incentives for On-time Repayment (IOR)		
Offer lower interest rates, larger loan amounts, and recognition certificates to our clients	4.18	.963
Provide personal development training and tangible benefits for borrowers who demonstrate good payment behavior	3.38	1.392
Follow-up on Delinquencies (FD)		
Ensure immediate follow-up after a missed payment	4.15	.629
Follow up to provide support or solutions and negotiate alternative repayment arrangements to avoid further arrears.	3.41	.588

Debt Recovery Strategy/Statement of Effectiveness	Mean	SD
Internal Productivity Management (IPM)		
Monitor and improve the motivation of internal staff involved in loan recovery processes	4.20	.523
Foster a culture of accountability, recognition, and support within the MFI	4.25	.910

Source: Data processed by SPSS (2024)

Table 1 reveals distinct levels of effectiveness in debt recovery strategies among MFIs in the Ashanti Region. Table 1 indicates that proactive education is the most effective strategy, with mean scores of 4.50 for training sessions on product features and 4.36 for client education on loan terms. This highlights the relevance of financial literacy in contemporary microfinance literature. Findings underscore the awareness of borrower education as a credit risk mitigation tool. Document review strategies reveal mean scores of 4.14 for policy reviews and 4.44 for contract communication. These suggest that MFIs in the region adhere to regulatory policies and risk management procedures. The effectiveness of this strategy supports the emphasis of relationship banking theory on information sharing and mutual understanding.

Internal productivity management strategies exhibit mean scores of 4.20 for improving staff motivation and 4.25 for fostering culture accountability. Findings suggest that Ghanaian MFIs identify their capacity as fundamental to debt recovery success. The effectiveness of this strategy questions how institutional capabilities translate into repayment. Regarding the credit appraisal and evaluation process, findings show mean scores of 4.09 for creditworthiness evaluation and 3.89 for loan denial practices. These findings validate the preventive approach to debt recovery in microfinance. The effectiveness of this debt recovery strategy suggests heterogeneity in implementation rigor that reflects resource limitations or capacity differences among MFIs.

Given mean scores of 4.15 for immediate follow-up and 3.41 for provision and negotiation practices, follow-up on delinquency strategy presents a mixed pattern. These suggest that MFIs are effective in detecting and responding to repayment delays but struggle to integrate problem-solving and alternative arrangements. These findings highlight a critical gap between reactive monitoring and proactive relationship management. With mean scores of 4.18 for financial incentives and 3.38 for personal development benefits, incentives for on-time repayment show mixed patterns. These findings suggest that some Ghanaian MFIs use cultural incentive systems while others rely on financial motivators as a debt recovery mechanism.

Regarding regular monitoring and supervision strategies, the mean scores of 3.56 for financial performance checks and 3.72 for repayment plan oversight suggest execution challenges, including resource constraints and competing operational priorities. These findings indicate potential areas that MFIs must prioritize for institutional growth and capacity building. Flexible repayment options reveal varied strategy implementation, with mean scores of 3.95 for loan term flexibility and 3.39 for grace period provisions. These findings suggest that MFIs recognize flexible repayments but face practical implementation constraints. These reflect concerns about liquidity management and regulatory limitations.

4.2 Impact of Debt Recovery Strategies on Loan Performance in MFIs

The study used multivariate regression analysis and assessed the impact of debt recovery strategies on the loan performance (NPL) of the selected MFIs.

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Table 2. Model Summary of Debt Recovery Strategies on Non-Performing Loans

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.807a	.651	.637	.26344

a. Predictors: (Constant), CAEP, RMS, DR, PE, FRO, IOR, FD, IPM
Source: Data processed by SPSS (2024)

With an R2 value of 0.651, the model demonstrated that these debt recovery strategies collectively explain 65.1% of the variation in NPL ratios of MFIs. A minimal standard error of 0.26 denotes that the model's predictive power can be relied on.

Table 3. Analysis of Variance (ANOVA[a])

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.584	8	3.073	44.588	.000b
	Residual	11.511	167	.069		
	Total	36.095	175			

a. Dependent Variable: Loan Performance (NPLs)
b. Predictors: (Constant), CAEP, RMS, DR, PE, FRO, IOR, FD, IPM
Source: Data processed by SPSS (2024)

The F-statistics of 44.588 ($p<0.000$) confirmed the statistical significance of the relationship, validating the relevance of these strategies to loan performance outcomes.

Table 4. Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.742	.190		9.185	.000
	CAEP	.103	.048	.168	2.128	.035
	RMS	.235	.077	.340	3.062	.003
	DR	.108	.042	.160	2.542	.012
	PE	.022	.068	.024	.323	.748
	FRO	.189	.055	.189	3.407	.001
	IOR	.128	.060	.170	2.116	.036
	FD	.232	.066	.254	3.522	.001
	IPM	.003	.027	.004	.095	.003

a. Dependent Variable: Loan Performance (NPLs)
Source: Data processed by SPSS (2024)

The study's regression model is:

$$NPLi = 1.742 + 0.103(CAEP)i + 0.235(RMS)i + 0.108(DR)i + 0.022(PE)i + 0.189(FRO)i + 0.128(IOR)i + 0.232(FD)i + 0.003(IPM)i$$

The regular monitoring and supervision strategy has a positive impact on NPLs (coefficient = 0.235, p-value = 0.003), suggesting that while practitioners may undervalue monitoring, regular supervision of borrower performance can enhance loan performance. This validates agency theory's emphasis on reducing moral hazard through active supervision. The impact of follow-up on delinquency strategies on NPLs (coefficient = 0.232, p = 0.001) supports relationship banking theory's emphasis on continuous engagement and problem-solving. Findings indicate that proactive delinquency management prevents minor payment delays from escalating to defaults. This provides empirical backing for early intervention strategies in debt recovery.

The flexible repayment options' impact on NPLs (coefficient = 0.189, p = 0.001) confirms considering borrower circumstances during repayments. This supports the social capital theory on mutual accommodation but challenges rigid repayment enforcement approaches. The finding suggests that effective flexibility does not undermine repayment discipline but rather enhances it. The relationships between incentives for on-time repayment, documentation review, credit appraisal, and NPL demonstrate (coefficients = 0.128, 0.108, and 0.103, respectively) validate how multiple strategies contribute to loan performance improvement.

Despite the high effectiveness ratings, the minimal impact of proactive education strategies on NPLs (coefficient = 0.022, p = 0.748) challenges the widespread assumption that borrower education directly improves repayment behavior. This indicates that education can impact various aspects of the borrower-lender relationship, but it does not impact payment performance. Similarly, internal productivity management strategies' impact on NPLs (coefficient = 0.003, p = 0.003) indicates that organizational efficiency alone is insufficient to improve loan performance. The results show that, without directly influencing results, institutional capability facilitates the execution of strategies.

4.3 Challenges in Implementing Debt Recovery Strategies in MFIs

The study used descriptive statistics to identify challenges that MFIs face in the Ashanti Region when implementing debt recovery strategies to minimize default rates.

Table 5. Challenges of Debt Recovery Strategies

Challenges	Mean	Std. Deviation
Irregular Payment Schedules	3.80	.951
Economic Downturns	4.25	.639
Group Lending	3.55	1.395
Lack of a Shared Credit Office Database	4.00	.649
Lack of Cooperation from Borrower	4.00	1.026
Inadequate Staff Training	3.10	1.071

Source: Data processed by SPSS (2024)

An average score of 4.25 for economic downturns reflects how macroeconomic shocks make microfinance portfolios vulnerable. This result underscores the need to build counter-cyclical policy and institutional resilience. The lack of shared credit office databases and borrower cooperation received equal mean scores of 4.00. These highlight information asymmetrical and relationship management difficulties. These findings reflect inadequate financial infrastructure development and suggest that cultural and attitudinal factors influence repayment behavior. The irregular payment schedules' mean score of 3.80 indicates that many borrowers have uneven income streams. This finding validates the relevance of flexible repayment options but highlights implementation difficulties. Therefore, MFIs must balance flexible repayment strategies with institutional liquidity management to create operational efficiency. Group lending challenges (mean = 3.55) reveal tensions in joint liability mechanisms. This aligns with Schwecke's (2022) findings that joint liability groups reduce repayment rates in India. Findings support recent literature that questions how group-based approaches increase repayment rates. Inadequate staff training's mean score of 3.10 indicates that human resource development is a minor constraint to MFIs. This indicates that structural and systemic challenges offset capacity constraints in MFIs' recovery effectiveness.

4.4 Qualitative Analysis

The study also analyzed qualitative data to enrich the quantitative findings. The qualitative data highlights three critical challenges facing MFIs when implementing debt recovery strategies. First, limited financial literacy among borrowers creates fundamental misunderstandings of loan terms and obligations. Second, character and discipline issues with borrowers undermine repayment commitment despite financial capacity. Third, institutional weaknesses in lending policies, credit risk assessment, and monitoring procedures exacerbate default risks and complicate recovery efforts.

5. Conclusion

The study concludes that effective debt recovery in MFIs requires a paradigm shift toward relationship-based approaches over traditional enforcement-based strategies. This provides a definitive answer to MFI managers questioning which strategies to emphasize in their debt recovery frameworks. By emphasizing borrowers' education and collaborative problem-solving, findings contribute to social capital theory in microfinance by demonstrating that trust-building mechanisms generate superior outcomes compared to enforcement-based approaches. The study provides specific solutions by quantifying the relative importance of different debt recovery strategies. This enables MFIs to allocate resources effectively based on demonstrated impact rather than intuition or conventional wisdom. The study concludes that MFIs require enhanced macroeconomic risk management capabilities and potentially counter-cyclical policy support during economic stress. The theoretical implications extend beyond operational effectiveness to question fundamental assumptions about borrower behavior in microfinance contexts. The study concludes that information asymmetries, rather than moral hazard, may be the primary driver of loan defaults in Ghanaian microfinance settings. The study challenges traditional agency theory applications in microfinance and supports arguments for relationship banking models, prioritizing long-term client development over short-term risk mitigation. These conclusions emphasize the contribution to resolving the broader challenge of microfinance sustainability in Ghana. With these evidence-based solutions to debt recovery challenges, the study addresses the fundamental problem of high NPL ratios that threaten institutional viability and limit financial inclusion outcomes. This study transforms theoretical understanding into practical problem-solving tools that MFI managers can implement immediately to improve loan performance and institutional sustainability.

The study recommended that MFIs invest in developing more sophisticated monitoring systems to track borrower performance and detect early warning signs of default. Policymakers should consider developing frameworks that promote information sharing among financial institutions while guiding best practices in debt recovery. Future studies could investigate technology-enabled debt recovery methods, including mobile payment reminders, digital tracking systems, and fintech solutions in the Ghanaian context, particularly as digital financial services expand. I appreciate my family and friends for their unwavering love and support, especially Mrs. Anane Paulina, Mr. Bonsu Collins, Faustina Amoah, and Georgina Essiaw, who walked alongside me during my academic journey. I must also express gratitude to the esteemed faculty of the Department of Accounting and Finance at Christian Service University College in Kumasi, who have enriched my learning experience and development as a researcher in many ways. Lastly, I am grateful to everyone who has made this achievement possible.

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