

## **Access and Impact of Microcredit on Economic Activities of Organized Women Groups in the Adentan Municipality, Ghana**

*Benzies Isaac Adu-Okoree<sup>1</sup>, Daniella Delali Sedegah<sup>2</sup>, Pancy-Patience Wemoanu Kuyiba<sup>3</sup> & Samuel Kwashie Sedegah<sup>4</sup>*

<sup>1&3</sup> Department of Rural Development, Presbyterian University College, Ghana

<sup>2</sup> School of Natural Resources, University of Energy & Natural Resources, Sunyani, Ghana

<sup>4</sup> GroFin Ghana Limited

### **ABSTRACT**

*The paper examines the accessibility of women groups within the Adentan Municipality to micro-credits and their impacts economic activities. Descriptive survey research design was used in the study. Purposive sampling technique was used to select 80 respondents. A semi-structured interview guide and focus group discussions were employed for data collection. The study revealed that respondents accessed microcredits through the initiative of their associations while others did so through their friends or introduction by workers of Microfinance organizations to the women associations. However, the lack of record keeping and inconsistent saving patterns creates challenges in accessing micro-credits. Micro-credits have helped women to improve their capacity to set aside income from their economic activities for savings, pay for their children's education, as well as improve on their nutritional and medical needs. The study recommends among others that the leadership of women associations need to collaborate with the management of MFOs to educate their members on how to access microcredit services that they provide and the requirements that are needed. This would help those who are yet to access the credits to prepare adequately so that they will not have to face challenges when accessing micro-credits and having to let middle men or women to exploit them.*

*Keywords: Microcredit & Organized women groups*

### **Introduction**

Access to microcredits by women to undertake various kinds of income generating activities to enable them sustain their livelihoods has become a very important issue to many governments and interest groups across the world. This is because microfinance services lead to the empowerment of women as it positively influences their decision-making power and enhance their overall socio-economic status (Stevenson & St-Ong, 2011). By the end of 2016, microfinance services had reached over 89 million of the poorest women in the world contributing to gender equality and the promotion of sustainable livelihoods and better working conditions for women (UNECA, 2017). Women have been disadvantaged in their access to credit and other financial services in many parts of the world (UN Women, 2011) largely because traditional banks often focus on formal businesses and neglect women who make up a large and growing segment of the informal economy and who engage in small scale income

generating activities. In Africa, microcredit programs provide women with the access to networks and markets which equip them with a wider experience of the world that is outside the home. In this process, access to information and possibilities of other social and political roles are enhanced (Seidu & Bambangi, 2006).

Empirical studies propose that access to microfinance will depend on its context and disbursement hence its positive or negative impacts on poverty reduction and women's economic development cannot be generalized in all cases. Afrane (2002) in a survey of fifteen different micro-finance programs in Africa suggests that the extent to which microfinance can contribute to women's economic development depends on the flexibilities that are associated with social norms and traditions. Beatriz & Jonathan (2005) argue further that the impact on women's development also depends on how particular microcredit programs are designed.

### **Problem Statement**

Micro credits are small loans that are accessed by clients from microfinance institutions to boost their income generating activities. In situations where women do not get any support for the income generation activities, they are likely to lose what they have already invested in their petty trading when external shocks happen to set in. In such a situation, they lose the incomes that they derive from their trading activities, their households do not also benefit from such activities, and the economy of the locality also dwindles. In this context, such benefits as the schooling of children and the care for their health needs are curtailed.

Njoroge (2013) however, expressed some doubts on the contributions of microfinance organizations (MFOs) for micro entrepreneurs in the growth of their businesses. Njoroge expressed concern over the overestimation of what microfinance can do in improving the livelihoods of people especially the poor. A study by Hulme & Mosley (1996) confirms the inability of microfinance to improve on the profitability of women groups as it was found that most schemes have been less effective than they seek to achieve, and that, microfinance is not a panacea for business growth and poverty alleviation. They also stressed that in some cases, the poorest women had been made worse-off after accessing loans from the microfinance organizations. From their perspective, the services that are provided by microfinance organizations cannot be the answer for the improvement in businesses as some people believe.

For the many roles that microfinance organizations have played in the development and empowerment of women, especially those in Ghana and specifically those in the Adentan Municipality, there are others who are still struggling with the challenges of accessing financial services from MFOs. This means that access to finance remains the leading setback for some small-scale enterprises in Ghana (Asiamah & Osei, 2007). A preliminary interaction with some of the women groups in the Adentan Municipality indicated that they still find it difficult to access microcredits. They explained that the levels of the amounts of money that they request for are always not gotten and the offer of smaller amounts are inappropriate for their businesses. In other situations, requirements such as record keeping and consistent saving of

money with the MFO (Micro-Finance Organization) have prevented a number of women from accessing the microcredits. The question therefore is; how do the operations of MFOs impact on the businesses of women groups in the Adentan Municipality in Accra.

Boudreaux and Tyler (2008) also suggest that there is the tendency of an overestimation of the way MFOs benefit women groups. McGuire et al. (1998) also made it clear that studies on impacts of MFOs have been few and have had mixed results. They cautioned that microfinance is therefore not appropriate for every situation and every enterprise. In this regard, the assessment of the services of microfinance organizations by enterprises may not solve all the financial challenges of women groups in other jurisdictions. Even though they remain stable in the provision of credit facilities to various women to improve upon their income generating activities in the informal sector, the real benefits need to be established.

This study therefore seeks to find out how the access of microcredits by women groups in the Adentan Municipality impact on the economic activities of individual women livelihoods and sustenance of their family members in general.

### **Research Design**

Kothari (2004) defines research design as the arrangement of the conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with scaling-down the procedure. The study area for the research was the Adentan Municipality which is one sixteen districts in the Greater Accra Region of Ghana. The target population consisted of women groups that were in Adentan Municipality using a mixed method approach of quantitative and qualitative tools and analysis. A sample size of 80 economically active women who belonged to women groups or association and had accessed microcredit in the municipality were engaged in the study.

Purposive sampling technique was chosen instead of other methods because it allowed for the right kind of women to be approached for information. A second level simple random sampling procedure was used to select 40 women out of the 80 women for the qualitative aspect of the study which employed focus group discussions to complement the interviews conducted with the semi structured questionnaires.

### **Theoretical Framework on Micro credits**

The growth of the private sector such as the activities of small and medium enterprises (SMEs) depends on many factors. While some researchers like Boudreaux and Tyler (2008) maintain that it is the presence of excess labour that acts as the driving force for the development of SMEs, others like Fishman & Love (2003) argue that SMEs come about in response to the growth in unemployment because they act as the last resort for those who were unable to find employment in the formal sector. For this reason, many women find themselves involved in microenterprises in the informal sector which tend to rely on the services of microfinance

organizations (MFOs) for their development. The theorization of the impact of MFOs on the operations of entrepreneurial women groups as it pertains to this research emphasizes the importance of how businesses can grow when they get soft loans from MFOs. This study is therefore grounded on the game theory of micro-finance and uniting theory of microfinance.

The game theory is used in this research since it has contributed to wider advantages in its mutual trust arrangement at the expense of an entire group that benefit from the financial services of institutions. Game theory is used in understanding how group borrowers such as microfinance organizations play their game with creditors such as women groups. From the theoretical point of view, the starting point comes from the group that decides to borrow some money for its business activities. In this manner, the beneficiary does not have the free ride to fail the repayment schedule because there will be collusion behaviors that will be performed on the beneficiary by the entire group.

The uniting theory of micro finance emphasizes on joint liability. It states that joint liability can help alleviate the major problems that lenders face which include screening, monitoring, auditing, and enforcement through the utilization of local information and social capital that exists among the borrowers. Under such joint liability principle, when one borrower cannot repay a loan, the group that the person belongs to is contractually required to repay for that person. The application of this principle improves repayment rates and the welfare of borrowers.

### **The Evolution of Microfinance in Ghana**

The concept of microfinance is not new in Ghana. Traditionally, people have saved with and had taken small loans from individuals within the context of starting and improving on their own businesses or farming ventures with the hope of paying back with an interest. Those who are not known by the lender are guaranteed by well-known persons before they benefit from such lending. These types of lending existed in many African communities before the institutionalized microfinance organizations came into existence and they are still in operation in some places (Afrane, 2002).

According to Asiamah & Osei (2007), the first formalized institution that offered loans to small businesses was in the form of a Credit Union which was established in Northern Ghana in 1955 by the Canadian Catholic Missionaries. Then another local microfinance system which is locally called 'susu' was also introduced into the country from Nigeria in the early 1990s. It was around this time that the formalization of the microfinance institutions began. It was at this time that many local financial institutions transformed their 'susu' collection ventures into microfinance firms through the acquisition of legislation to back their operations. From then, the MFOs gained prominence and were mainstreamed into the formal financial system and are now seen as a part of the financial sector (Egyir, 2008).

Women are largely the targets of microcredit programs in part because improving women status and personal empowerment is viewed as being crucial for achieving development goals. Yet, disparities in education, health, level of earnings, employment and political participation prevail in spite of efforts to reduce these inequalities for women to gain better access to micro credits (Asiedu& Freeman, 2012).

## **Results and Discussions**

### **Socio-Economic Characteristics**

Demographic characteristics of the respondents are discussed to provide an understanding of the status of women who are involved in the study. Table 1 is about the age distribution of the respondents. It shows that 17.5% of the respondents were between 20 and 29 years and 32.5% of them were between the ages of 30 and 39 years. Another 27.5% of the respondents were between 40 and 49 years while 22.5% of them were 50 years and above. The respondents belonged to Hairdressers Association, Tomatoes Traders Association, Association of Fish Mongers, Beads and Craft Association and Association of Cold Store Operators as shown in Table 2. The data shows that majority (65%) of the respondents had engaged in the economic activities for eleven (11) or more years making them the apt for the relevant information to satisfy the objectives of this study. About 70% of respondents had been members of their associations for seven (7) or more years suggesting they have had enough experience with their trading activities over the years. About 77.5% of respondents had used the facility from the micro-finances for at least seven (7) years. Most (62.5%) of the micro-finance organizations required a savings for a minimum period of six (6) months before one could qualify for a microcredit.

**Table 1: The Age Distribution of the Respondents**

Age Group	No. of Respondents	Percentage
20 – 29	14	17.5
30 – 39	26	32.5
40 – 49	22	27.5
50 and above	18	22.5
Total	80	100.0

**Source: Field Survey, 2019**

**Table 2: The Types of professional Groups that the Respondents Belong to**

Women Groups	No. of Respondents	Percentage
Hair Dressers Association	24	30.0
Tomato Traders Association	20	25.0
Association of fishmongers	16	20.0
Beads and Crafts Union	8	10.0
Association of Cold Store Operators	12	15.0
Total	80	100

**Source: Field Survey (2019)**

### **Types of Micro-credits that the Respondents were enjoying**

The types of micro-credits that the respondents were enjoying included group loans, individual business loans, savings account, and susu account and each of the respondents accessed at least two of these services. It was observed that the group loans were offered to the women through their association or specified groups. They were given equal amounts for them to repay within a specific period. Those who accessed individual business loans indicated that the financial institution assessed the type of shop and trading activities that they were engaged in before they offered that service. It was found that those who got individual business loans had access to bigger credits than others. Saving accounts were the initial requirement for any individual who wanted to do business with the microfinance as well as obtain microcredits from them. This was a basic requirement for getting a microcredit and other financial services from the financial institutions.

The credit available were, individual business loans, saving accounts and susu accounts. These findings are in agreement with the assertion of McCulloch and Baulch (2000) who asserted that the borrowers they studied were involved in group lending or loans and these had the benefit of both individual creativity and participatory planning initiatives by the group of peers.

### **Source of information on micro-credit**

Analysis of how the respondents got information of the micro-credits has been illustrated in Table 3. This analysis shows that 27.5% of the respondents accessed the microcredit through promotion by the microfinance organizations and 10% accessed theirs through their friends.

Others (22.5%) got access to the microcredit through an introduction by the workers of the microfinance organizations and the remaining 40% through the initiative of their associations.

These findings confirm that of Mbithe (2013) and the Game Theory and Grameen Lending model which asserted that group lending through the initiative of the members of the group or association was the best way that repayments of the micro credits could be effected. Mbithe stressed that lending to groups guarantee their fellow members to the settlement of the micro credits so that others could also access other credit facilities. This means that when micro credits are given to group members, the other members in the group tends to jointly guarantee their fellow members' credit settlements so that they will have access to succeeding credit facilities based on the successful repayments by all the members of the group. According to Asiedu & Freeman (2012), the Sinapi Aba Credit Foundation in Ghana used group credit facility to target women and provide micro credits for the development of their microenterprises

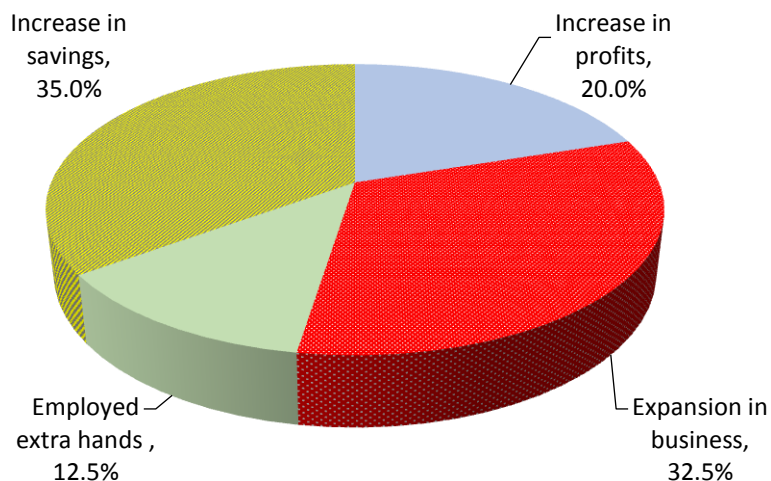
**Table 3: How the Respondents Accessed the Microcredits**

Method of Access	No. of Respondents	Percentage
Through promotion by a microfinance	22	27.5
Through an introduction by a friend	8	10.0
Through an introduction by the microfinance workers	18	22.5
Through the initiative of the women's group	32	40.0
Total	80	100.0

**Source: Field Survey (2019)**

### **Changes observed in economic activities after accessing Micro-finance**

As shown Figure 1, 35% of respondents had observed increase in their savings, 32.5% had observed expansion in their businesses and 20% had had increases in their profits. The remaining 12.5 % had employed extra hands in their businesses. This data suggests that all the respondents had experienced positive impact from the microcredits accessed for their economic activities.



**Figure 1: The Changes that the Respondents had observed in their Economic Activities**

**Source: Field data, 2019**

### **Household Wellbeing Indicators Observed by the Respondents**

Micro-finance beneficiaries had observed improvement in their capacity to meet critical household needs as shown in Table 4. All respondents observed some improvements in their working capitals as well as had the capacity to set aside some income from their economic activities as savings. This implies that they were able to save some money to take care of other issues that may come on their businesses or within their families. It was also observed that the micro-credits helped to improve the capacity of the respondents to set aside incomes from their economic activities for savings. These findings are in agreement with the findings of Dupas & Robinson (2012) who confirmed that the microfinance services contributed to increased savings for the beneficiaries.

**Table 4: Household Wellbeing Indicators Observed by the Respondents**

Indicators	Yes		No	
	Frequency	Percent	Frequency	Percent
Capacity to meet household nutritional needs	80	100	0	0
Capacity to meet household clothing	58	72.5	22	27.5
Capacity medical needs	66	82.5	14	17.5



Capacity to meet household accommodation needs	46	57.5	34	42.5
Capacity to pay school fees of children	70	87.5	10	12.5
Improvement in working capital	80	100	0	0
Improvement in saving	80	100	0	0

**Source: Field Survey (2019)**

### **Major Challenges Faced by Respondents in accessing Microcredits**

The study revealed that there were some challenges that the respondents experienced as they accessed microcredits from the microfinance organizations (MFO).

Analyzing the data, 77.5% of the respondents indicated that the major challenge of accessing microcredit was lack of consistent saving with the MFO which had to be fulfilled before they could access credit. Some of the respondents lamented on the difficulty in meeting some of the requirement precedents' which include the challenge of maintaining a minimum amount in the savings account (46.8%); record keeping (73.8%); joining of a group (62.5%) while some reported of the unfriendly attitude of the staff (53.85) as shown in Table 5.

**Table 5 Major Challenges Faced by Respondents in accessing Micro-credits**

Challenge	Frequency	Percent
Maintaining savings account for the minimum 6 months	62	77.5
Meeting minimum balance in the savings account	37	46.3
Requirement to join a group before applying for the credit	50	62.5
The requirement for records of previous economic activities	59	73.8
The unfriendly attitude of some of the staff of the MFI	43	53.8
Total	251	

**\*Excess is due to multiple choices**

**Source: Field data, 2019**

From the qualitative analysis all the respondents had a one challenge or the other. One respondent lamented when she complained as follows:

*“They came to look at my shop and told me that they could give me the loan so I applied. After that, they asked me to bring some of the records that I kept for the transactions I carry out at the shop and I was not having it. This prevented me from getting the loan for some months.”*

Another also noted that:

*“After I had applied for the loan, they told me that they will come and visit my shop and they came. They then requested for my records and I did not have so they asked me to start preparing the records on my transactions. I did this before I was given the loan.”*

Another respondent indicated that:

*“When they came to my store and asked of my records that I keep for the trading activities, I showed them what I had and they told me that those records were not good enough. They then showed me how I had to go about it and I did them like the way they wanted through the assistance of a friend before I got the loan.”*

The findings showed that the respondents encountered different challenges in record keeping. As Eluhaiwe (2005) indicates, inadequate bookkeeping or record keeping makes it difficult for some women in small businesses to access micro-credits

### **How the Respondents Overcame the Challenges**

The study observed that all the respondents tried to overcome the challenges that they faced with the access of their microcredits through the assistance of other members of their associations. It was expressed by one respondent that:

*When I was told to have a continuous savings for some time before I could get the loan, I consulted one of our members and she told me how much I could save and the amount that I could get as a loan so I did that and I got the amount I wanted.”*

It was noted by another respondent that:

*“It was not easy for me to save for the six months that they told me to do. So, I tried to borrow some money from my association members to top up with my savings before I was able to get the loan I wanted. And after I got the loan, I gave back those amounts that I collected from the association members and used the rest for my business.”*

It was also expressed by another respondent that:

*“It was not easy keeping the records for my shop. Sometimes I forgot to enter the transactions that I had carried out. I therefore asked one of our association members to show me how she went about her own and I followed the same steps before I got the loan.”*

It was also indicated by another respondent that:

*“I told my colleagues during association meeting about my challenge for accessing the loan and I was told what to do about the records that I had to keep. I did what I was shown and it went well with the access of the loan.”*

### **The Use of the micro-credits**

From Table 6, it can be seen that 67.5% of respondents used their micro-credits to buy more goods for their businesses. This means the microcredit helped them to increase their wares and sell more to get extra income. Another 17.5 percent of the respondents used the microcredit to pay for extra labor at their shops. This implies that they needed extra hands to enable their businesses to go on smoothly so they employed other hands to improve on their delivery services to their customers.

It also came out in this study that such economic activities as buying and selling of tomatoes, fish, beads and crafts were undertaken by some of the respondents. These were in response to the fourth research question which was to examine the economic activities that the respondents put the micro-credits into. In a similar trend, Norwood (2005) observed that when women groups were provided with micro-credits, they used the credits for their small businesses such as buying and selling of items like tomatoes and fish in the market which helped them to enhance their status in the communities.

**Table 6: Use to which micro-credit was employed**

Economic Activities	No. of Respondents	Percentage
Bought more goods/stock	54	67.5
Paid for extra labor at my shop	14	17.5
Entry to other markets with my goods	12	15.0
Total	80	100.0

**Source: Field Survey (2019)**

## The Impact of the Micro-credits on the Families of the Respondents

How the micro-credits impacted on the families of the respondents was ascertained and it came out that it had helped 22.5% of the respondents to pay for their children's school fees while it improved on the nutritional needs of the families of 40% of the respondents. Another 27.5% observed that the micro-credits had helped to get better accommodation for their families while 10% indicated that it enabled them to pay for medical bills of their family members. These outcomes show that the micro-credits had improved on the livelihoods of all the respondents in some aspects of their families as shown in Table 7.

The findings indicate that the microcredit impacted on the wellbeing of the respondents, as they were able to use the credits profitably from which they were able to pay for their children's education, improve on their nutritional and medical needs. These outcomes are similar to the findings of Adu-Okoree (2010) who observed that a significant number of the beneficiary respondents used the facility for the upkeep of their families, contribute to their children's education and many were also able to purchase household goods. Similarly, Eluhaiwe (2005) showed that providing microfinance for women offers the most effective means to improve on their health, nutrition, hygiene, and educational standards for families and consequently for the whole of society.

**Table 7: Impact of micro-credit on the family of respondents**

	Frequency	Percent
Enabled to pat school fees of children	18	22.5
Improved nutrition	32	40
Improved accommodation	22	27.5
Meet medical needs	8	10
Total	80	100

**Source: Field survey, 2019**

## Conclusion and Recommendation

Women are pivots in society due to their dual role in both their families and society. Micro-finance is a tool in empowering women in generating incomes to improve on their livelihoods. However, accessing microcredits comes with its own challenges. Challenges identified in this study are; maintaining savings account for the minimum six (6) months, meeting minimum balance in savings account, the requirements need to join a group before applying for credit,

records of previous economic activities and the unfriendly attitude of some staff on micro-finance institutions. The study recommends among others that the leadership of women associations need to collaborate with the management of MFOs to educate their members on how to access microcredit services that they provide and the requirements that are needed. This would help those who are yet to access the credits to prepare adequately so that they will not have to face challenges when accessing micro-credits and having to let middle men or women to exploit them.

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