Impact of Microfinance Operations on Market Women: Evidence from Madina Municipality, Ghana

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Abstract

The study investigated the impact of microfinance operations on the market women in Madina Municipal. Issues addressed includes, impact of the microfinance operations on the livelihood of market women, accessibility to loans, repaying of loan facility and challenges market women face in accessing loans from the microfinance institutions. The mixed method approach was adopted for the study. Questionnaire was distributed to the market women while the staff and management of selected microfinance institutions were interviewed. The study revealed that the operations of the microfinance had visible impact on the livelihood of the market women, their immediate and external families, access to loans was flexible as compared to the banks, but repayment rate among the market women was considerably not perfect. Besides, the study revealed that, the loans obtained were also put to good use by some of the market women and there were challenges associated with the activities of the microfinance. The study recommends among others that, there should be a platform for creating awareness for the market women to know the operations of the microfinance. The microfinance institutions should also adopt flexible procedures and methods that will encourage the market women to access more loans. The period of re-payment of loan facilities should also be flexible so that the market women can pay without difficulties. The microfinance institutions should also take a second look at the system of collateral security because it discourages most market women access to loan facility.

Keywords: Non- Financial Institutions, Non-Banking Institutions, Market Women, Microfinance Activities, Interest Rate, Collateral Security

INTRODUCTION

Sustainable access to microfinance operations helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector (Asamoah, 2006).

Microfinance activities encompasses the provision of financial services to poor and low income people who are normally excluded from traditional financial systems as they are considered uncomfortable due to lack of collateral, steady employment and a verifiable credit including market women (Egyir, 2010). The situation that envisions the poor and low income people of having permanent access to an appropriate range of financial services that include credit, savings, and insurance and fund transfers is the core business of microfinance (Westover, 2008).

Microfinance does not only mean providing poor families with small loans to help them engage in productive activities or grow their small businesses, but over time, microfinance operations has come to provide a broader range of services such as credit, savings, insurance, money transfer facilities for all. This is because developers have come to realize that the poor who lack access to traditional formal financial institutions require a variety of financial products to help them grow their businesses, support their households and to engender sustainable livelihoods (Hagen, 2004).

This has necessity a research of this kind in order to assess the impact of microfinance operations on market women in Madina Municipality in the Grater Accra-Region of Ghana with the intention of finding answers to certain mixed feeling such as, are market women benefiting from microfinance loans, are they meeting the demand for accessing the loans and do they face any challenges in accessing the facilities.

Numerous scholars such as (Lee, 2006; Otoo; 2012; Dzisi & Obeng, 2013) all substantiate that micro enterprise acts as one option to reduce poverty levels among the survival of mankind especially market women. Generally, microfinance is seen as playing a pivotal role about which many families revolve to engage themselves in business to cater for their children's needs and themselves including market women.

However, it seems there are doubt about microfinance's contribution to the growth and development of the individual in society especially market women, children and the venerable. This stems from the fact that, there has been the over-estimation of the impact of microfinance operations in bettering the livelihoods of people especially the poor (Asiama et al, 2007).

There have been some studies that confirm the inability of microfinance operations to reduce poverty as it was found that most contemporary schemes have been less effective than they seek to achieve. And that microfinance is not a panacea for poverty alleviation because in some cases the poorest people have been made worse-off. Microfinance support cannot be the end against poverty and rural enterprise sustenance in Ghana and other developing countries, but rather a means to assist the needy especially market women (Otoo, 2012).

Largely, rural communities still remain underserved financially except for informal means such as borrowing from friends and relatives, with high interest rates thus as high as 100 per cent or more interest rate. The activities of the market women in the Madina Municipality and its immediate environment is characterized by a considerable low levels of cash flowing easily between the people and financial institutions, seasonality of incomes and highly segmented markets. In providing financial services to these rural market women, the microfinance institutions encounter high transaction costs, low rates of internal capital mobilization and a low density population makes outreach expensive according to (Lee, 2006). It is against this backdrop that is why a study of this nature is prudent to assess the impact of microfinance activities on market women in the Madina Municipality focusing on the best practices that could be instituted for them.

OBJECTIVES OF THE STUDY

The study aimed at assessing the impact of microfinance operations on market women in Madina Municipality with the view of providing underlying evidence and making the necessary suggestions. The specific objectives of the study covered the following variables:

i. To assess the impact of the microfinance operations on the livelihood of market women in Madina Municipality
ii. To assess how market women in Madina utilize loans obtained from Microfinance Institutions
iii. To examine the challenges market women in Madina Municipality face in accessing and repaying of loans from the microfinance institutions

RESEARCH QUESTIONS

To achieve the objectives, the following research questions guided the study.

i. What is the impact of the microfinance operations on the livelihood of market women in Madina Municipality?
ii. How the market women in Madina Municipality do utilize loans from microfinance?

iii. What are the challenges market women in Madina Municipality face in accessing loans from the microfinance?

LITERATURE REVIEW

Diversity of definitions exists on the concept of microfinance literature available. Several contributors have defined the concept per their own standards and conditions surrounding the situation. According to Dzisi and Obeng (2013) ‘‘microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients especially petty trader’s and market women in the society”.

Ike (2012) defines microfinance as services referring to loans, deposits, insurance, fund transfer services and other ancillary’’ financial assistance given to the poor in society”. Non-financial products, such as training and development of social capital targeted at low income clients constitute also this scope. Basically, the three features distinguish microfinance from other formal financial products are namely: smallness of loans and savings, absence or reduced emphasis on collateral security, and, simplicity of operations.

Frimpong and Nguerenomo (2014) posited that ‘‘microfinance encompasses the provision of financial services and a range of products with a system of intermediary functions that are targeted at low income clients’’. It basically, includes loans, savings, insurance, transfer services and other financial products and services.

According to Iheduru (2002) microfinance make credit directly available to the very poor and thereby promote their self-sufficiency. Institutions of microfinance have reached out too many disadvantaged micro entrepreneurs by assisting them to build operational and financial self-sufficiency. The rationale of microfinance was to bring at door step, banking services to rural and low income segment of the society who cannot meet the requirement of orthodox commercial banks (Iheduru, 2002).

From the report of CBN (2005) microfinance is about providing services to the poor who are traditionally not served by the conventional financial institutions. For example, the report had it that, easy access to non- banking helps Nigerian women and the poor to generate significant income or more entrepreneurial activities in the country (Abdulkadir, 2012).

In Kulkarni‘s (2011) discourse it was hinted that, it is difficult, to measure the exact impact of access to microcredit on different dimensions that is, impact on decision-making and on self-confidence. Various studies have shown that MFIs indeed have a positive effect on each of these different dimensions of women's empowerment. For example, an MFI institution in the Philippines known as Tulaysa Pag-unlad, Inc. (TSPI) reported a dramatic increase, from 33 to 51 percent, in women's role as funds managers in their households, with only 5 per cent relinquishing control of household funds management during that period (Ledesma 2002).

Similarly, Gobezie (2010) found that, microfinance has come to play a major role in many gender and development strategies because of its direct relationship to both poverty alleviation and the empowerment of women. This has manifested in the light of giving women access to working capital and training. Microfinance helps mobilize women's productive capacity to alleviate poverty and maximize economic output (Gobezie, 2010). Additionally, investing in women has proven to increase the positive impact of microfinance programmes since women are more likely than men to spend their income on household and family needs (Mersland, 2009).

Records available by the World Bank (2007) stipulated that enabling women to develop and strengthen income generative activities, microfinance is likely to increase their monetary income, their control over their income and their bargaining power. These effects are then expected to lead to various social, psychological and even political effects which are mutually reinforcing, better self-esteem and self-confidence, improvement in status within the family and the community, better spatial mobility and visibility of women in public spaces among others. As far as poverty reduction and efficiency is concerned. It is "argued that women invest their income to nurture the well-being of their families, and this is supported by various empirical studies conducted all over the world, therefore one dollar loaned to a woman has greater development impact than one dollar loaned to a man" as found in the records of (World Bank, 2007).

In the perspective of Asiedu (2011) the impact of micro finance on women entrepreneurs have largely been captured through its impact on women's livelihood, which is widely assumed to be positive, and empirically confirmed in studies in countries such as Bangladesh, India, Sir Lanka and Thailand as indicated in the records of (International Labour Organization, (ILO) 1998).

Asiedu (2011) however, argued that where funds raised are not utilized directly by women, but handed over to male member of the family; they nevertheless serve as veritable intermediary between the male productive members of the family and the credit institutions. Asiama et al (2007) put on records that, most observers concluded that, microfinance can indeed facilitate the achievement of the Millennium Development Goals (MDGs) as well as national policies that target poverty reduction, women's empowerment, vulnerable groups, and improving standards of living.

As noted by former UN Secretary General, Kofi Annan, during the launch of the International Year of Micro Credit (2005), "sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs " is indeed a strong manifestation in the lives of many especially women and children (United Nations, 2004; Asiama et al, 2007).

Equally, according to Otoo (2012) although microfinance is not a panacea for poverty reduction and its related development challenges, when properly connected, it can make sustainable contributions through financial investment to the empowerment of people, which in turn promotes confidence, self-esteem, and civic and economic participation, particularly for women.

Most formal financial institutions do not serve the poor because of perceived high risks, high costs involved in small transactions, perceived low relative profitability, and inability of the poor to provide the physical collateral usually required by such institutions. The business culture of these institutions is also not geared to serve poor and low-income households. Lacking access to institutional sources of finance, most poor and low-income households continue to rely on meager self-finance or informal sources of microfinance (Asian Development Bank (ADB) (2000).

To Morduch (2000), just as SMEs do not most at times have collaterals to access loans from the formal sector banks, the same kinds of difficulties arise when the microfinance institutions themselves seek commercial funds, since they lack collateral to back their portfolios. This has left most of the MFIs especially those in rural Ghana to grow at a slower pace hence not meeting all the needs of their clients and has also made interest rates higher in dealing with MFIs. Most people are therefore left unattended to, which undermines sustainability (Anane, 2012).Dzisi and Obeng (2013) it has been observed that nearly two-and-a-half billion adults worldwide do not have access to savings and credit through formal financial institutions. borrowers.

METHODOLOGY

Survey is a method of collecting primary data based on communicating with a representative sample of individuals of interest to the researcher. The study was a descriptive survey using questionnaire as the main instrument for data collection and supplemented by an interview guide (Babin, Carr & Griffing, 2010).

The use of the approach was to blend and verify the information and data collected from the participants. Creswell (2009) contested that mixed method approach is research design with philosophical assumptions as well as methods of inquiry. The population of the study was the market women in Madina Municipality in the Greater Accra Region of Ghana and loans staff of the selected microfinance institutions (Gravetter & Forzano, 2007).

A questionnaire and an interview guide were used to collect the data and information for the study. The intended purpose of using the two main instruments was to appraised the principle underlying mixed methods approach, that is, the use of both qualitative and questionnaire. The researcher visited the market women on the market in the municipality and assisted the women to fill the questionnaire due to their busy schedule. Out of 120 copies of questionnaire distributed, 101 copies were retrieved completely filled which represented a response rate of 84.1% of the sample size.

It took a period of four (4) weeks to complete the process. To meet ethical standards no participants was forced to give information or otherwise. All the participants were assured of their safety and confidentiality. The quantitative data was analyzed with the use of Statistical Package for Social Sciences (SPSS) and qualitative content analysis was used to analyze the information obtained from interviewing the core staff of the microfinance institution.

FINDINGS AND DISCUSSION

Demographic Characteristics of Respondents

Table 1: Demographic data

Age	Frequency	Percentage
20-25	15	14.8
26-30	25	24.7
31-35	15	14.8
36-40	36	35.6
41-50	10	9.9
Education	Frequency	Percentage
Illiterate	10	9.9
Primary / JHS	20	19.8
SHS/VOC	67	66.3
Tertiary	4	3.9
Total	101	100

Source: Survey data, 2016

With reference to the demographic characteristics such as age and educational level, the data collected indicate that with regard to age, 15(14.8%) were within 20-25 age group, 25 (24.7%) were within 26-30 age group, 15(14.8%) also within 31-35 age group, 36 (35.6%) within the group of 36-40 whiles 10 (9.9%) within the group of 41-50. This showed that most of the respondents were within the age distribution of 31-35 years. On the educational level of the respondents, 10(9.9%) were Illiterates, 20 (19.8%) were Primary/JHS graduates, 67(66.3%) were graduates of SHS/Vocational whiles 4(3.9%) were Tertiary graduates. This portrays that majority of respondents had SHS/Vocational background of education.

Table 2: Impact of Microfinance on Livelihood of Market Women

Impact of Microfinance	Frequency	Percentage

Better standard of living	47	46.5
Taking care of the family	30	29.7
Reduce the habit of unnecessary borrowing	10	9.9
Paying of other debits	10	9.9
Others	4	3.9
Total	101	100

Source: Survey data, 2016

Results from Table 2, it indicates that out of the total valid respondents of 101, on impact of microfinance on livelihood, 47(46.5%) indicated better standard of living, 30 (29.7%) indicated taking care of family matters, 10(9.9%) were of the view it has reduce the habit of unnecessary borrowing, 10(9.9%) were of the view that it had help in the payment of all outstanding debts 4(3.9%) it had impact on other factors such as improved status in their respective communities, churches and countless others. It could be deduced that, from the picture most of the respondents attested to the fact that microfinance had impact on their livelihood. When the service providers were interviewed, it was confirmed that the impact of the assistance on the livelihood of the clients cannot be over-estimated.

Table 3: Effect of Impact on Family Members

Effect on family	Frequency	Percentage
All family	20	19.8
Adults	10	9.9
Children	57	56.4
Aged	14	13.8
Total	101	100

Source: Survey data, 2016

Observing Table 3 the results depict that out of the valid response of 101, as to the effect of microfinances on the family, 20(19.8%) indicated All family member’s benefits financially, 10(9.9%) indicated extended relations (Adults) enjoy financial supports to meet financial obligations, 57(56.4%) indicated Children in the family are able to obtain financial support in pursuing their education while 14(13.8%) indicated the aged are been taking care of properly in society. This implies that all members in family benefits from the source of assistance given by microfinance but the children are those who enjoy the most. When the service providers were interview it was ascertained that the teams responsible for visiting the clients have confirmed that, most of the customers are completely satisfied with the services given them. This confirms the previous study of Obeng & Dzisi (2013) who found out children are the most beneficiaries of assistance from their mothers.

Table 4: Reasons for Accessing Loan Facilities

Reasons for Loans	Frequency	Percentage
Increase Initial Capital/ Start-up Capital	15	14.8
Expand Existing Business	47	46.5
Accessibility to Future Loans	26	25.7
Improve Standard of Living	3	2.9
Sustaining Existing Business	10	9.9
Total	101	100

Source: Survey data, 2016

Concerning the reasons for accessing the loan facility, Table 4 indicated that out of 101 valid responses, 15(14.8%) indicated for start-up capital, 47(46.5%) indicated for expansion of existing business, 26(25.7%) said to get access to future loan from the microfinance institutions, 3(2.9%) were of the view that it is because of improving their living standard and 10(9.9%) indicated that it is to sustain their existing business. When the service providers were contacted on the reasons for giving the loans to the market women it was confirmed that the main rationale is to assist them do business.

Table 5: Provision of Collateral Security

Collateral Security	Frequency	Percentage
Land/Building Documents	19	18.8

Business Documents	48	47.5
Records of Past Loan Facility	25	24.7
Family Property	9	8.9
Total	101	100

Source: Survey data, 2016

With reference to Table 5 out of the valid response of 101, 19(18.8%) when quizzed on whether they provide collateral security before access to loans indicated land/building documents, 48(47.5%) said business documents, 25(24.7%) said records of any loan facility and 9(8.9%) said family property. The interview conducted with the service providers indicated that in order to be able to trace back the location of clients that is why collateral security of some sort is required before the loan facility is given.

Table 6: Difficulty in Repaying Loan

Repaying of Loans	Frequency	Percentage
Low Profit Margin	24	23.7
Break Even Margin	5	4.9
Collapse of Business	12	11.8
High Interest Rate	57	56.4
Unstable Prices of Commodities	3	2.9
Total	101	100

Source: Survey data, 2016

With regards to Table 6, the results show that out of the valid response of 101, as to whether the respondents have any difficult in repaying the loan, 24(23.7%) indicated low profit margin in business, 5(4.9%) break even margin thus unable to make profit and no loss in their business, 12(11.8%) collapse of business, 57(56.4%) indicated high interest rate on the loan facility and 3(2.9%) indicated inflation issues.

Table 7: Practical Challenges of Accessing Loans

Practical Challenges	Frequency	Percentage
Delay in Payment from Microfinance	25	24.7
High Interest rate on Loans	22	21.7
Difficulty in Providing Collateral Security	37	36.6
Unfriendly Attitude of Microfinance Staff	17	16.8
Total	101	100

Source: Survey data, 2016

On the issue of challenges, most of the respondents agreed that there are challenges in accessing the loan facility from the microfinance. Table 7 shows that in practical terms, the challenges are many but 25(24.7%) indicted delay in payment, high interest rate was 22(21.7%) 37(36.6%) difficulty in providing the needed collateral security and sometimes the attitude of the staff 17(16.8%).

CONCLUSION

The study sought to address the impact of microfinance activities on market women in the Madina Municipality in the Greater Accra of Ghana. The study confirmed that, assistance given to the market women had a considerable impact on their livelihood. This was visible especially among the children and the aged of the women's family. The research showed that, most of the market women use the loans obtained from microfinance to solve pressing issues such as paying of medical bills, school fees, but most of them used it to set up new business or expand existing ones. The study brought to light that, most of the market women always get access to loan facility, but it was confirmed that, sometimes due to collateral security demanded by microfinance institution it is difficult to get access to the loan facility. Most of the market women agreed that accessing the loans from microfinance is not without challenges, some of these challenges as confirmed by the study are attitude of staff, delays in payment of loans as well as high interest rate, however, to them their worry is the persistence demand of collateral security which most of the cannot provide.

RECOMMENDATIONS

Base on the findings the study recommends among others that the microfinance institutions should intensify their awareness of their existence for the market women to know their products and services. It is therefore recommended that the microfinance institutions should provide education and training to the market women, and also support their micro-enterprises. The market women should also be given training in financial literacy and capital management so to enlighten them. The microfinance institutions should also adopt flexible procedure and methods that will encourage the market women to access more loans. The loan officers should work together with the market women to identify their specific needs to enable them provide appropriate services.

The period of re- payment of loan facilities should also flexible so that the market women can pay without difficulties. The loan terms and conditions should be adjusted to take care of cyclical cash flow and bulky investments. The microfinance institutions strictly put measures in place to track the cash flow cycles of their clients more closely, especially how they use their loans and allocate their profit. The microfinance institutions should also take a second look at the system of collateral security because it discourages most market women from accessing loan facility.

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