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Macro Promises of Microcredit- A Case of a local eSusu in Rural Ghana

By Carolette Norwood¹

Abstract

Microcredit's three big promises are one, to reduce poverty; two, to empower women; and three, to enhance family planning knowledge, attitudes and practices. Using a mixed-method approach, this study examines 204 women members and non-members of local eSusus in rural Ghana. Quantitative chi square analysis indicates no associations between membership in an eSusu and relative wealth; women's autonomy family planning practices, knowledge or use and reproductive control. Meanwhile, the qualitative data shows that women members believe that eSusu are extremely useful for acquiring working capital to be reinvested in their small market ventures, and are helpful with school fee and other household expenditures.

Keywords: microcredit, women's empowerment, Ghana

Introduction

About 20 miles outside of Accra, Ghana is a small rural village called Pantang. Like most villages in rural Africa, it is composed of nuclear family units that are a part of a bigger, more complex extended family and clan. One afternoon of every week, women from Pantang and nearby villages attend eSusu meetings. The mission of these informal microcredit organizations is to provide social and economic support for rural women and their families.

Over the last ten years international development agencies like the World Bank and the United Nations, have prioritized women's access to financial services, mainly those informal financial markets made possible by micro-lending operations. Although formal banking systems have existed in Ghana for more than 30 years, many of Ghana's poor, namely women and those in rural villages rely heavily on informal banking services (Doko and Aryettey 1995, 77). This study provides a comparative assessment of the effect of eSusu participation on rural women's relative wealth, empowerment status and family planning practices.

The year 2005 is the year of Microcredit (United Nations 2004, 1). Since the mid 1990's, Microfinance operations have been embraced as a cure-all for alleviating poverty in the "third world," particularly for women, specifically women in rural villages. Poverty in the "third world" is often believed to be the problem of "unchecked" and "unrestrained" reproductive behavior. In the last 30 years women and their wombs have become a primary target of international population policies.¹ More recently, demographers have jumped on the micro-credit bandwagon to investigate possible links

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between membership in a micro-finance group and increasing women's autonomy (which hypothetically reduces fertility levels) and reproductive behavior (e.g. increased contraceptive use) [see Schuler, Hashemi and Riley (1997, 563); Steel Amin and Nave (2001, 262); Amin, Li and Ahemd (1996, 158); Amin, R., R.B. Hill and Y. Li. (1995, 93); Amin, Sajeda and A.R. Peibly (1994, 121); Schuler and Hashemi (1994, 65); Steel Amin and Nave (1998,3)]. This paper critically assesses the limitations of microcredit and evaluates the effects of a local rural women's eSusu (informal microcredit activities) on women's relative wealth, women's autonomy, reproductive control, and family planning knowledge, practices and attitudes in rural Ghana.

What are Microcredit programs?

The Microcredit Summit Campaign of Washington, D.C., defines microcredit organizations as "programmes that extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families" (Microcredit Summit Campaign Report 2002). Stated less ambiguously, microcredit programs are argued to be a cost effective way of helping the poor help themselves out of poverty (Wright 2000, xv).

The principle idea behind microlending is the availability of capital to traditionally vulnerable populations (usually poor, rural and women) not customarily considered for standardized banking loans and lending assistance. In this regard, micro-credit groups are often promoted as a solution or "panacea" to "third world" poverty because it alleges to increase incomes of individual borrowers and thereby reduces poverty for the poor in developing countries. In addition to being touted as "a viable anti-poverty strategy", microcredit ventures, according to Hanak (2000, 303), are viewed as "an instrument to change gender relations to women's advantage" and are "a promising scheme to create employment and income on a significant scale".

Limitations of Microcredit

The principle pledge of microfinance is to reduce poverty. One major problem of microcredit is the tendency to presume that poverty has been alleviated when households earn more than 1 US dollar per day. Using this measure of poverty, how might membership in a microcredit organization reduce poverty at national levels?

The Microcredit Summit² argues that microcredit is a "proven way to help families move out of poverty." They cite research by Shahidur Khandker (1998) of the World Bank who concludes "microcredit programs attack poverty at its source by increasing the household consumption expenditure of participants. Borrowing from a program is estimated to reduce moderate poverty among participants by as much as 20 percent and extreme poverty by as much as 22 percent " (p. 4).

The problem with this argument is that the construct of poverty is too restrictive. Using the World Health Organization's and the United Nation's measure of poverty which includes considerations of income needed to meet basic dietary needs, average life expectancy, rate of infant mortality, adequate shelter and clothing, etc.; the Microcredit Summit's pledge to eliminate absolute poverty by 2015 appears dubious at best (Microcredit Summit Campaign Report 2002, p. 28).

A second problem of microcredit as identified by Scully (2004, 1) focus on the assumption that microcredit will somehow fill the void for formal wage work by informal

entrepreneurial activities. Microcredit is viewed as addressing joblessness, as well as providing a “refuge from the shock” of structural adjustment policies. According to Scully, “as unemployment rates continue to rise even in countries where structural adjustment is said to have worked (Argentina, for example), the World Bank increasingly lionizes the informal sector as ‘the real economy’ (2001, 1)

A third limitation is in the claim that microcredit programs empower women. Scully (2004, 1) argues that the empowerment of women is limited by patriarchal systems that undermine women at the community and household levels. A woman’s access to credit will not resolve structurally fixed ailments of patriarchy deeply rooted in traditions, values, beliefs and culture.

A fourth problem rests in the declaration that Microcredit helps the extremely poor. According to Scully (2004, 1) this claim is inherently restricted by the cost to deliver these services and the need of micro-lending programs to be financially successful by recuperating costs. In other words, Scully argues:

MCs [microcredit groups] are responding to the pressures from their donors to become financially self-sustaining in a short period of time, so they are drawn to the less poor borrower who can take out larger loans. And second because, the loans required by the very poor are too small to generate any significant income for lender and are often too expensive to deliver. As a result MCs sometimes, exacerbate the very conditions they are design to address because of the expense of delivering the loans to remote rural village – so in response they may charge high usury rate of interest.

A fifth critique of microcredit is that women disproportionately are burdened by group pressures to pay back loans they borrow but may have little control over. Goetz and Gupta (1996,45) argue that women take loans that their husbands chiefly control, but it is the woman who suffers the pressures to pay them back. Moreover, as cited by Rahaman (1999, 72), the burdens of increased debt can and often do lead to domestic violence (Hanak 2000, 313). A sixth critique of microcredit is the saturated market phenomenon that women will borrow money to engage in gendered entrepreneurial activities already inundated with other female competitors; e.g., to sell tomatoes or weave baskets along side fifty other women in their village with whom they compete for patrons. A seventh and final concern of microcredit is that it “band-aids” a global system of economic inequalities and masks it with the entrepreneurial capitalistic creed of “hard work,” “savings” (e.g. delayed gratification) and “reinvestment.”

Methodology

Sample. This study employs a mixed-methods approach that involves a 180-item survey questionnaire and 7 semi-structured interview questions. The population of interest included 102 women eSusu members and 102 non-members. Non-probability purposive sampling was used to select eSusu members, while snowball sampling techniques were used to select non-members (Neuman 2003; Babbie 1998). All participants are rural dwellers within a 5 to 8 mile radius of Abokobi and Pantang village. The sample population represents 13 different ethnic groups however, more than 80% are

Ga. The average age of the sample was 43.53 with youngest participant at 19 years and the oldest 90 years. More than half are currently married (56.4%) and one-quarter are divorced.

Procedure. Every week, eSusu members meet. Each woman donates a set sum of money to a common pot that is given to one woman each week. In the face of an emergency, a participant can withdraw out of turn; otherwise the pot is rotated uniformly until all members are served. A 180-item survey was administered to the entire sample. Every fifth informant was asked to do an interview. Every participant signed an informed consent form before commencing the study. They were all informed that their participation was completely voluntary and that they could withdraw from the study at any time without penalty. Each participant received 20,000 cedis for their participation.

Instrument. Survey questionnaires and interviews were administered by the author during the winter of 2001. The survey questions included an in-depth demographic profile sheet that inquired about the respondent, her spouse and children, age at first marriage, age at first birth, level of education completed; and type of work engaged. The survey had three major components: relative wealth, family planning and empowerment. The relative wealth questions used for this analysis asked about material items owned such as: a calculator, radio, television, bicycle, motorcycle, refrigerator, and sewing machine. Questions on family planning inquired if a respondent was familiar with, approved of or ever used a modern or traditional family planning method. Likewise, there were two questions that probed reproductive control, namely if she or others (husband, relative or nature/God) decided how many children she would birth and the timing between pregnancies. Questions used to gauge empowerment focused on political participation, economic security, mobility and her assessment of situations when violence against a wife was permissible. An empowerment scale was created from questions about the respondent's mobility. Specifically, if she needed permission from her husband to earn money, attend organization meeting, visit her parents, travel outside the village, see a health care worker or to use family planning. This scale was collapsed into three categorical variables -least empowered, moderately empowered and most empowered – for chi square analysis. Other measures of empowerment were analyzed as single item indicators.

The qualitative part of the study reported here covers two questions: 1) what are the major issues women in Ghana face today and 2) For eSusu members only, how has being a member in a susu benefited you?

Findings

As indicated in figure 1, membership in an eSusu did not significantly enhance relative wealth, empowerment, family planning practices, knowledge, or the feeling of being in control over one's own reproductive destiny. In each case, the critical chi square value indicates that variables are independent and the null hypotheses are not rejected.

The qualitative findings strongly imply that eSusu are useful and do provide a much needed service to women within these rural communities. Women reported with some consistency that the major problems facing Ghanaian women were a lack of opportunities to earn sustainable income. For example, one respondent states:

The problems are in the employment market. Plus many people complete their schooling and they can't get any work to do. We could be helped with money, [we need help] financially.

Another informant reflects:

Women, they don't have work, employment. This is the biggest problem women are facing in Ghana. And we have been complaining. So they said they have informed women leaders...open up jobs for women.

When asked, how does being a member of an eSusu benefit you personally?, respondents almost uniformly report that the eSusu helps them to gain the necessary working capital to reinvest in their market venture or start a petty trade business. One member states:

The eSusu helps me progress, I am able to use part of the money to hire labor on the farm and also use part of it to do my trading.

Another member recalls:

Before I joined I was not doing any work, but gradually began to collect and save my [eSusu] money. I bought flour and started frying donuts. And now I can spend, and use the proceed to buy food and make a nice home.

When asked what kind of business they are likely to want to engage, many reported gendered types of work like sewing, doing hair and petty trading. Others noted using their supplemental eSusu cash to pay school fees and make household related purchases.

The eSusu has empowered me in that when my child comes from school or from any training place, and needs money to go back... from my collection of money I am able to easily give my child the things she need to go back to school.

Conclusion

Microcredit organizations have great potential to enhance the lives of local rural women. It cannot reduce absolute or relative poverty at national levels, but can relieve temporary pains associated with abject poverty. Microcredit organizations can be a safe haven for women. For many women eSusu meetings are a chance to meet and congregate socially. For this reason, microcredit organization can be extremely useful in enhancing women's status by encouraging political participation, economic security via savings and provide much needed information on family planning options for reproductive health care. The latter is particularly important for women in Africa, who are most likely to be infected with and die from the HIV Aids virus.

This study paints a contradictory message. Quantitatively, by use of conventional measures used in prior studies mostly in Asia of women participants in the Grameen Bank, findings suggest that membership in a microcredit organization in rural west Africa is not significantly associated with women's status, relative wealth and family planning

practices, knowledge or reproductive control. Yet, qualitatively, results suggest that women do find these organizations valuable and even indispensable. Further examinations are needed to assess formal and informal microcredit groups in Africa. A limitation of this study is that it is cross-sectional, meaning that data were collect at one single point in time. The drawback is that from these data I cannot ascertain how women's experience change during the course of their participation in the eSusu group. Future research on microcredit in Africa should give strong consideration to longitudinal designs.

Figure 1

	Member	Non-Member	Chi Square	df	Valid N
	Mean	Mean			
Feels she controls reproductive timing between births and how many children she will have.	0.11	0.18	1.82	1	196
Relative Wealth	0.78	0.91	0.27	2	203
Empowerment (mobility)	0.13	0.14	0.00	2	201
Oppose spousal violence against women	0.47	0.40	1.26	2	204
Have own savings	0.38	0.37	0.04	1	203
Voted in last election	0.86	0.90	0.76	1	204
Know Family Planning	0.92	0.93	0.07	1	204
Approve of Family Planning	0.62	0.72	2.31	1	195
Ever use Family Planning	0.38	0.38	0.00	1	201

p* .05; *p* .01, ****p* .001

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End Notes

¹ Pakistani NGO Shirkat Gah, "it is the womb that is the object of policies, the woman is only incidentally its location" *Private Decisions, Public Debate* (1994,)

² Khandker, Shahidur. 1998. *Fighting Poverty with Micro-credit: Experience in Bangladesh*, Oxford University Press summarized in *State of Microcredit Summit Campaign Report* (2002:4): "Poverty in Bangladesh is largely a matter of not having enough to eat. Microcredit programs attack poverty at its source by increasing the household consumption expenditure of participants. Borrowing from a program is estimated to reduce moderate poverty among participants by as much as 20 percent and extreme poverty by as much as 22 percent. This means that as much as 5 percent of program-participating households should be able to lift their families out of poverty every year by borrowing from a microcredit program."