



## Finance Management

*Elixir Fin. Mgmt.* 35 (2011) 2798-2801

**Elixir**  
ISSN: 2229-712X

# Assessment of the influence of business loans on socioeconomic status of women beneficiaries of credit unions in the Kumasi metropolis

P. Appiah<sup>1</sup>, A. D. Dartey<sup>1</sup> and E. K. Tham-Agyekum<sup>2</sup>

<sup>1</sup>Department of Agricultural Economics, Agribusiness and Extension, KNUST-Kumasi

<sup>2</sup>Department of Agricultural Extension, University of Ghana, Legon-Accra.

## ARTICLE INFO

### Article history:

Received: 5 April 2011;

Received in revised form:

19 May 2011;

Accepted: 25 May 2011;

### Keywords

Business,  
Cooperative,  
Credit union,  
Influence,  
Loans,  
Socioeconomic,  
Women.

## ABSTRACT

The economic and social benefits derived by women who join credit unions was measured in terms of the state of their businesses, income levels, monthly savings and the financial contribution of beneficiaries towards dependants' education. The simple random sampling technique was used to select 50 women who had obtained business loans from the Credit Union within the time period of June 2009 to July 2010 financial year. The study showed a significant influence of loans on the socioeconomic status of the women beneficiaries of loans.

© 2011 Elixir All rights reserved.

## Introduction

Microfinance creates access to productive capital for the poor. This together with human capital, addressed through education, training and social capital enables people to move out of poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economic and other social issues. According to Asiamah & Osei (2007), the concept of microfinance is not new in Ghana. There has always been the tradition of people saving and/or taking small loans from individuals and groups within the context of self-help to start businesses or farming ventures. For example, available evidence suggests that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries. However, 'Susu', which is one of the microfinance schemes in Ghana, is thought to have originated from Nigeria and spread to Ghana in the early twentieth century.

Women are very active economically in Ghana to be involved in business. Owning their enterprises enables women to meet their current needs and acquire resources for future investments. Many potentially excellent women entrepreneurs are constrained by poor understanding of the importance of savings, poor access to credit (especially at reasonable interest rates), lack of business knowledge and limited access to formal sector financial services.

According to World Bank (1999), the active participation of Women in co-operatives began during the seventies and prior to this period, women were only members of Co-operatives but they did not take any active part in Co-operative organization.

The importance of having cash income increases with the advancement of societies. Many African women undertake income-generating activities in order to sustain their families and have some private income. Too often women constitute an

easy source of cheap labour for routine work, because they lack knowledge and opportunity to rise above the lowest paid jobs (Lee, 1997). The democratic structures of co-operatives allow women to move into more flexible and creative work. But the problem is that when women are not organized into co-operatives, women usually keep to traditional productions for which there may be narrow-market. The more available sources of credit there are to a woman, the higher the probability of joining the cooperative credit unions. Sources of credit are very significant to the success of women in their various enterprises. Since cooperative societies grant reliable sources of credit to their members, this may compel women to join the societies.

Most women join credit unions to increase their capital and for social benefits. The St. Peter's credit union has been extending loans to its member's to aid them to achieve this purpose. The problem is how far has this mission been achieved. Have these women being able to improve upon the state of their businesses, income levels, monthly savings and their financial contribution towards the education of their dependants in anyway?

## Objectives of the Study

1. To examine the state of the businesses of beneficiaries.
2. To evaluate the influence of business loans on the average net monthly income from the businesses of beneficiaries.
3. To evaluate the influence of business loans on monthly savings of beneficiaries.
4. To assess the influence of business loans on financial contribution of beneficiaries towards dependant's education.

## Research Methodology

The study was conducted in the Kumasi Metropolis of Ghana but specifically focused on the beneficiaries of the St. Peter's Cooperative Credit Union. The population employed in this study was all women beneficiaries of loans from the St.

Peter's Cooperative Credit Union within the time period of June 2009 to July 2010 financial year of the union. They numbered about 70. A sampling frame consisting of the list of members of the credit union who have obtained loans within the time period of June 2009 to July 2010 financial year of the SPCCU was used. Purposive sampling was used to select women entrepreneurs who had obtained business loans from the sampling frame after which simple random sampling was used to select 50 women out of 70 (total sample). The main instrument used for this research was structured questionnaires with both closed and opened ended questions. The questionnaire sought information on the following; demographic characteristics, sources of finance, states of businesses, income levels, savings pattern and education of beneficiaries' dependants. The questionnaire was administered to the 50 women out of the 70 who were sampled by visiting some of them at their respective business locations and others were interviewed during the monthly general meetings of the Credit Union. The Statistical Package for the Social Sciences (SPSS) software was used in the data analysis. Data was mainly summarized by descriptive statistics and this comprised frequency tables, cross tabulations, percentages, means and standard deviations. Inferential statistics such as the student *t test* was used to test for the significant differences between the means of the net monthly income and monthly savings before and after the loan acquisition as well as the financial contribution of beneficiaries towards dependants' education.

## Findings

### The State of Businesses of Beneficiaries

Table 1 shows the state of businesses of beneficiaries before and after the acquisition of loans from the Credit Union. From the table, it can be realized that before most of the beneficiaries (42%) acquired the loan, their businesses were declining, 34% of them had their businesses growing, 14% had their businesses stagnant, 6% of the beneficiaries had their businesses collapsed. This results reveals that more than half (66%) of the beneficiaries had their business in a 'negative state' before they obtained the loan. Only 34% had their businesses growing. The 'negative state' of the businesses could have necessitated the request for business loans in order to expand, change business or the location of the businesses to enable the achievement of better productivity in the various business ventures.

The table also shows that 48% of the beneficiaries were able to expand their businesses, 6% were able to change their businesses to a more profitable business while 34% experienced no change in their business. This shows that the beneficiaries were able to make good use of the loan they acquired and this has resulted in the improvements they have experienced in their businesses. This result also implies that the women used the loan they received from the Credit Union for business operations and they have subsequently experienced the resultant better productivity, improvement and for some complete transformations in their businesses. Tempelman (2000) observed that women play the central role in ensuring the social and economic well being of their families and when presented with economic opportunities, they ensure their basic survival and the survival of their children through increased access to food, housing, security, healthcare, education and justice.

### Average Net Monthly Income Before and After Loan

Table 2 shows the average net monthly income before and after receiving the loan. From this table, most of the beneficiaries (34%) were in the income group of GH¢ 50-100

before the acquisition of loans. After acquiring the loans, most of the beneficiaries (24%) now belonged to the income group of GH¢ 151-200. The number of beneficiaries in the smallest income range, < GH¢ 50 also dropped from 18% to 10%. Beneficiaries within the GH¢ 50-100 range (34%) also reduced to 20%. It is evident from the results above that the women used the loan they obtained efficiently and this is reflected in a rise in their monthly incomes from their businesses. This can enable them live a more comfortable life in terms of their economic well being. Empowering women through income generation enhances both their self-esteem and their ability to participate in decisions that affect them within the home and community (Women in Progress, 2002).

### Influence of Business Loans on Average Net Monthly Income from the Businesses of Beneficiaries

Table 3 shows the paired sample *t test* showing the influence of loans on the average net monthly income before and after the loan acquisition. The mean net monthly income of beneficiaries before and after the loan was GH¢ 177.40 and GH¢ 252.60 respectively. Now, from the table above, the difference between the two mean net incomes (before and after the loan) is GH¢ 77.20 indicating an increase in the average net monthly income from the businesses of beneficiaries after obtaining the loan. The student *t test* ( $p=0.00$ ) indicates that there is a statistically significant difference between the means of the two average net monthly incomes at 1% significance level. This result implies that there has been a positive influence of the loan on the incomes of beneficiaries. The reason for this significant difference in the monthly incomes of beneficiaries could be that they kept on ploughing back more of their profits into their businesses in order to obtain greater profits subsequently and in the long run increased incomes. According to Graeme (1997), by providing opportunities for self-employment which enables women to receive income, it results in a significant increase in women's security, autonomy, self-confidence and status within the household.

### Influence of Business Loans on Monthly Savings of Beneficiaries

Table 4 shows the paired sample *t test* showing the influence of loan on the monthly savings of beneficiaries before and after loan acquisition. The mean monthly savings before and after the loan acquisition was GH¢ 41.43 and GH¢ 56.76 respectively. From the table above, it can be realized that the difference between the two mean monthly savings (before and after the loan) is 15.42 indicating an increase in the monthly savings of beneficiaries. The student *t test* ( $p=0.018$ ) shows that there is a significant difference between the means of the two saving amounts at 5% significance level. This result implies that there has been a positive influence of the loan on the monthly savings of beneficiaries. Efficient utilization of the business loans acquired by the women accompanied by the increased productivity in their businesses and income levels has necessitated the increase seen in the monthly savings of the beneficiaries.

### Influence of loan on the Financial Contribution of Beneficiaries towards their dependants education

Table 5 shows the paired sample *t test* showing the influence of loan on the financial contribution of beneficiaries towards their dependants' education. The mean financial contribution of beneficiaries towards their dependants' education before and after the loan was GH¢ 4.76 and GH¢ 5.36 respectively. There is an increase of 0.6 in the mean financial

contribution of beneficiaries towards the education of their dependants after the loan was acquired. The *t test* used to estimate the differences between the two mean financial contributions of beneficiaries towards their dependent education showed statistical significance at 1%. The positive influence of the loan on the incomes of beneficiaries has enabled them to increase their financial contribution towards the education of their dependants. As noted by Graeme (1997), higher productivity in the businesses of women, produces long-term benefits by improving the health, education and productivity of their children.

### Conclusions and Recommendations

The following conclusions have been drawn based on the findings of the study. The beneficiaries were within the age range where they are energetic and strong and are therefore expected to be entrepreneurial and economically active. The beneficiaries were predominantly married and this indicates that business ownership provides greater flexibility that enables women to fulfil their domestic obligations as wives and at the same time, pursue a challenging career. The women were generally able to appreciate the need to make use of credit facilities to improve the productivity of their businesses as well as their socioeconomic status. The women had tapped into diverse business opportunities that will suit their various acquired skills, available capital, interest, experience and also to meet the market demands and opportunities. According to the study, the beneficiaries are able to invest more of their money into their businesses that has resulted in increased productivity and social status due to the general small number of dependents. The beneficiaries also experienced diverse improvements in the states of their businesses after they acquired the loan. The income levels of most of the beneficiaries have increased after they obtained the loans. Beneficiaries increased their monthly savings after they acquired the loan. The positive influence of the loan on the incomes of beneficiaries has enabled them to increase their financial contribution towards the education of their dependants.

It is therefore recommended that the credit union visits the market places where many women do their daily business

transactions to have massive campaigns about their products and services so as to draw more women to join the union. The Credit Union can also advertise their product through campaigns in the Churches and other social organisations where many of the women are found. Finally, the study recommends that more women entrepreneurial women should join Cooperative Credit Unions as this will serve to increase their incomes, monthly savings and their financial contributions towards their dependants' education.

### References

- Ajagbe, F. A., & Adewwoye, J. O. (2007). Influence of Socioeconomic Characteristics of Loans Beneficiaries on the performance of Community Banks in Ogbomoso area, Nigeria. *Medwell Journals on International Business Management*, Volume 1, Number 4, pp 60-64
- Asiamah, J. P., & Osei, V. (2007). Microfinance in Ghana: An Overview, Research Department, Bank of Ghana, Accra.
- Graeme, B. (1997). Microfinance in Africa: is it either the problem or the solution? *World Development Journal*, Volume 25, Number 7, pp 8-9
- Hari, S. (1997). Documents and Reports, The Virtual Library on Microfinance, Online, Available at <http://www.gdrc.org/icm/icm-documents.html> [Retrieved April 29, 2010].
- Lee, J. (1997). The motivation of women entrepreneur in Singapore. *International Journal of Entrepreneurial Behaviour*, Volume 3, Number 2, pp 41-45.
- Tempelman, D. (2000). Enhancing women's managerial skills for small scale business enterprises. *Women in Development Journal*, Volume 12, Number 8, pp 55.
- Women in Progress (2002). Women in progress mission and objectives, Online, Available at <http://www.womeninprogress.org/mission/approach.asp> [Retrieved October 21, 2010].
- World Bank (1999). *Studies in Rural and Micro Finance: Financial Services for Women Entrepreneurs in the Informal Sector of Ghana*. New York, World Bank.

**Table 1: The State of the Businesses of Beneficiaries**

Before Loan Acquisition			After Loan Acquisition		
Responses	Frequency	%	Responses	Frequency	%
Collapsed	3	6	Expanded	24	48
Declining	21	42	Changed for better one	3	6
Stagnant	7	14	No change	17	34
Growing	17	34	Other	6	12
Other	2	4	No response	0	0

**Table 2: Average Net Monthly Income Before and After Loan**

Average Net Monthly Income GH¢	Frequency Before Loan	% Before Loan	Frequency After Loan	% After Loan
< 50	9	18.0	5	10.0
50-100	17	34.0	10	20.0
101-150	6	12.0	6	12.0
151-200	6	12.0	12	24.0
201-250	3	6.0	1	2.0
251-300	4	8.0	7	14.0
301-350	0	0	1	2.0
351-400	0	0	1	2.0
401-450	1	2.0	1	2.0
451-500	1	2.0	2	4.0
>600	3	6.0	4	8.0
Total	50	100.0	50	100.0

**Table 3: Paired Samples *t* test on the influence of loans on the average net monthly income before and after loan acquisition**

Net Monthly Income before Loan - Net Monthly Income after Loan	Paired Differences					Sig (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	<i>t</i>	df	
	-77.20	97.10	13.73	-5.62	49	0.00

**Table 4: Influence of loan on the monthly savings before and after loan acquisition**

Amount saved monthly before loan - Amount saved monthly after loan	Paired Differences					Sig (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	<i>t</i>	df	
	15.42	44.53	6.30	2.45	49	0.018

**Table 5: Influence of loan on the Financial Contribution of Beneficiaries towards their dependants' education**

Amount Contribution towards Education before Loan - Contribution towards Education after Loan	Paired Differences					Sig (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	<i>t</i>	df	
	0.600	1.429	0.202	2.970	49	0.005