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Original Research Paper

Management of credit by rural women in central region of Ghana

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The purpose of the study was to find out how women manage credit in rural district in Ghana and examine the relationship between credit management and age and educational level of women. One hundred and eighty-three respondents were randomly selected from four different groups of women engaged in small scale businesses in rural communities in Ghana. Data was collected with structured interview schedule. The results were analyzed and presented in frequency, percentage; mean, standard deviation, correlation and regression tables. Findings revealed that most of the women sourced credit from informal sources such as friends, family members and credited items from wholesalers. The women lacked proper credit management skills and therefore managed credit sourced in their own informal ways such through daily 'susu' contribution, kept sales of various items sold in different containers and records of purchases and sales kept in memory and set money aside for replacing equipment. Also, they managed to honour repayment because it was upon regular payments agreement of credit that more credit was given to keep them in business. Based on the findings, it is recommended that the micro-credit financial institutions and the local government who offer credit to such small scale businesses as well as the universities should organize credit management programmes as part of their community service to train the women on skills in record keeping, savings and the application of principles of credit management especially budgeting in order to effectively manage credit sourced.

Keywords: Financial Management, Credit, Credit management, Rural women

INTRODUCTION

Management of financial resources is an important goal to most families all over the world because financial issues are the most delicate for families and individuals across the life cycle, irrespective of how much money is earned. Financial goals may help to know what needs to be achieved while managing credit require careful decision-making else the process will be frustrating.

Gone are the days when rural families consumed what they produced, built their own shelter and provided their needs on communal basis. As cluster of people came together, it became apparent that it was more efficient for people to specialize to produce and trade their goods and services for income. This led to the commercialization of goods and services hence the need to source for greater capital. Like all other resources, financial resources are scarce and therefore need to be managed. Management means making an effective use of things at individual's disposal to accomplish goals and

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satisfy wants (Gray, 2000). According to Decenzo and Robin (1998), management refers to the process of getting things done effectively and efficiently. Thus, management directs the use of resources to achieve valued goals. Financial management is defined by Cooper (1998) as using financial resources to achieve the goal of an individual and achieving the goal demands planning of the income that comes to reconcile individual members of the family. Cooper was of the view that a money manager sets a target and envisages what should happen, and then thinks through the possible ways through which the goal can be reached. Gray (2000) pointed out that an individual does not have complete control over his finance due to certain environmental influences, such as frequency of the income, multiple goals and limited financial resources. Credit is described as transactions between two parties in which the creditor or lender supplies money, goods or services in return for a promise of future payments by others and the borrower or debtor normally includes payment of interest to the lender (The Encyclopedia Britannica, 2003). The ability to obtain credit is based on the creditors trust in the debtor's ability and willingness to pay back (Erna and Van 2003). Studies conducted across the world indicated that most rural credit is usually demanded for consumption or for production. One of such studies conducted by Food and Agriculture Organization [FAO] (1994), on the use of credit by farming households in Western Nigeria reveal that rural credit is often provided with flexible conditions. However, consumer credit which also mean buy now and pay later gradually gained grounds in rural economy because of change in production process resulting in demand for bigger finance. Credit helps to provide convenience in buying and retailing goods and an opportunity for establishing a credit record. It also serves as a major source of finance for rural women in the performance of their economic activities. Management of financial resources is of paramount concern to many today. The concern may explain the rationale behind the government's plans for poverty alleviation and wealth creation in order to improve the financial status of Ghanaians as part of the Ghana's vision 2020 goals (Ghana Poverty Profile, 1997-98). If rural women manage credit finance properly, their financial conditions and that of their families will improve. Credit is a useful resource if handled with care. Managing credit includes determining when to use credit and how to spend your income. It allows people to take advantage of sales that save more than the cost of the credit (Rice and Tucker, 1986). Rice and Tucker asserted that unlike human resource, which becomes more developed with use, economic resources such as credit are consumed or risked in anticipation of gain. Credit management which is becoming a major ingredient in a consumer's financial planning, includes evaluating when to use credit, when not to use credit and how to resolve credit related problems if they should arise. Management of credit is

very complex because individuals have multiple goals to achieve and the misuse of credit can lead to greater risk. The World Book Encyclopedia (1994) stated that credit rating then establishes the extent to which a person can buy on credit or borrow money. There are so many types and sources of credit and money managers need to compare the alternatives because accepting credit from the first lender may be a costly mistake. Wise credit management therefore involves knowing how to find the best credit arrangement. Several factors have been observed as characteristics of rural women. Duncan (1997) observed that Ghana's population is predominately rural and women form the majority of rural dwellers. Duncan noted further that disparities exist in the conditions and living standards of rural and urban people. She contended that every human being needs a range of basic necessities such as food, clothing, shelter, education and health care. The economic condition where these essentials are lacked leads to poverty. The 2012 Ghana Living Standard Survey (GLSS) report further indicated that Ghana is rapidly urbanizing, despite this most of the poor still live in rural areas without basic facilities and women form the majority. Rural women, according to Jones (2006), refer to women living in an area with a population less than 5000 and possess the following characteristics: i, the areas they live lack basic facilities such as pipe borne water, electricity and proper health care. ii, majority are illiterate and they occupy extended family households with large family sizes. iii, they engage in farming, petty trading and agro processing such as palm oil, "gari" and batik making. Studies carried out by Date-Bah (1984) on rural women, their activities and technology showed that major economic activities of rural women include farming, petty trading and agro- processing. These economic activities are financed through the use of informal credit schemes. Using good credit management skills can help control and direct change the lives of rural women. The objectives of this research therefore were to: examine the management practices of the selected group of women as well the relationship between credit management and age and educational level of women.

METHODS

Descriptive sample survey was used to search for detailed information about the credit management practices of the participants. The target population for the study was women traders in four rural communities in Gomaa district of the central region of Ghana. The sample size was 183. Systematic random sampling procedure was used to select 10% women traders from each of the four rural communities involved in the study. Data was collected with structured interview schedule, which was designed into two sections 'A' and 'B' to cover background information of the respondents and their credit management practices.

DATA COLLECTION AND ANALYSIS

Data was coded manually and descriptive statistics was used to compute results into frequency, percentage, mean and standard deviation tables. Correlation and regression were also computed to examine relationships between credit management and age and educational level of women

RESULTS AND DISCUSSION

Background characteristics of the women, action processes used to manage their credit, outcomes of effective credit management and the relationship between their credit management and a selection of their background characteristics were considered for discussion.

Background Characteristics of Women

Marital status may exert a strong influence on the economic activities of women. The study therefore considered marital status of the respondents as one of the background characteristics that needed to be studied.

Table 1 shows that about 44% of the women were married and 56% were single. The single women were never married 47%, widowed 8.7%, divorced 8.2% or separated 13.3%. Thus, they were living without husbands' support. This finding is in line with Adu-Koree (2012)'s finding that majority of micro finance beneficiaries were single. The author asserted that the reason could be due to the fact that these single women need more financial resource to take care of their needs as well as that of their children.

The study then focused on the age distribution of the respondents in order to find out whether age is a factor influencing effective credit management performance of women, and also to ascertain the age group of women who have benefited most from rural microcredit in the study area. Figure 1 has the details of results from the study on ages of women.

Figure 1 depicts that more than half (62.4%) of the women were aged between 18 and 30 years and therefore fell within the definition of "youth". Youth as used in the study is defined as individuals aged 15 to 35 years. By this definition, some women placed within the age group 31 - 35 years (6.2%) would also be in their youthful years. Thus the percentage of women in their youth by the definition was (68.6%). This implies that more women in their youth have benefited from various rural credit schemes in the study area. Such youth instead of migrating to the urban centres for jobs would continue to work in the rural areas to generate incomes to support themselves and their families and also contribute towards the nation's development

programmes if their businesses were sustained. The result confirms Afrin, Nazrul-Shahid and Uddin (2008) observation that age is a factor for developing rural women entrepreneurship. In their study, they found that majority of rural women started their businesses between the ages of (20-29 years) with credit. They explained that at those ages, the women did not have many family bindings and as such, they worked freely on their projects as well as contributed immensely towards rural development in Bangladesh.

The Table (2) shows that generally, the level of education of the women involved in the study was low. Majority of the women (68.8%) had basic education while 21.3% had no formal education. The generally low level of education among the respondents may affect their credit management practices. Delcon, Hulme, and Mosley (1989) observed that education plays a vital role in the entrepreneurial performance of Small and Medium Scale Enterprise (SMSE). Thus, entrepreneurial performance is dependent on proper and efficient management of human, physical and financial resources available to the manager to work with. The study result then implies that with their low level of education, the women who have benefited from credit as a financial resource might lack the needed entrepreneurial ability to efficiently manage the credit for better result in their income generating activities that will ensure livelihood improvements. The data from United State Bureau Census (1990) confirms that educational attainment and income levels are correlated. Rural women with low level of education have limited employment opportunities, a situation that compel them to engage in self-supported business and part-time jobs.

The findings further indicated that 10% of the respondents had secondary, vocational and tertiary education respectively. Baiden, Green, Otoo-Oyortey and Peasgood (1994) indicated that lack of female education in rural areas limit farm and economic productivity. They observed that currently, three quarters of female farmers and traders in Ghana have no education. Thus, inadequate literacy and numeracy skills limit the efficiency of women traders

The economic activities of women to earn a living in the study area were examined and the results are presented in figure 2.

Figure 2, indicates that 98% of the women studied engaged in either farming or trading or combination of both. Only 2.2% were teaching. The figure again shows that trading is the predominant occupation (55.6%) among the rural women. Most of the women (84.6%) interviewed explained that apart from their primary income activities, they also engaged in small scale farming. Jones (2006) and Date-Bah (1984) also found in their study of rural women that majority engaged in farming, petty trading, and agro-processing. The sources women obtained credit were also discussed.

It is evident from figure 3 that the women sourced credit from friends, family members, district assemblies

Table 1. Marital Status of Respondents

Marital status	No.	%
Single	47	25.7
Married	81	44.3
Widowed	16	8.7
Separated	24	13.1
Divorced	15	8.2
Total	183	100.0

**Fig 1.** Age of Respondents in Years**Table 2.** Level of Education of Women

Educational level	No.	%
Basic	126	68.8
Secondary	16	8.7
Tertiary	2	1.1
No formal education	39	21.3
Total	183	100.0

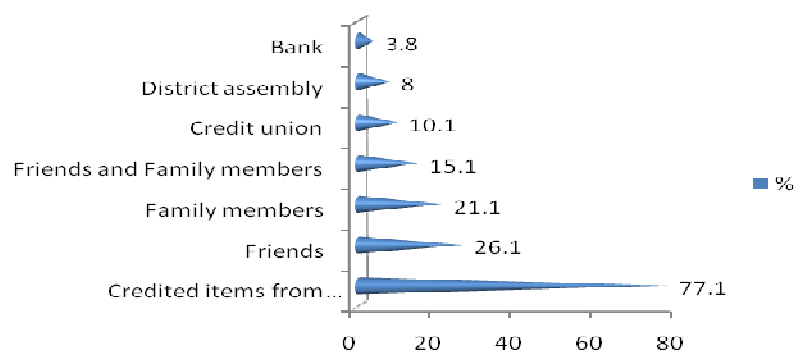
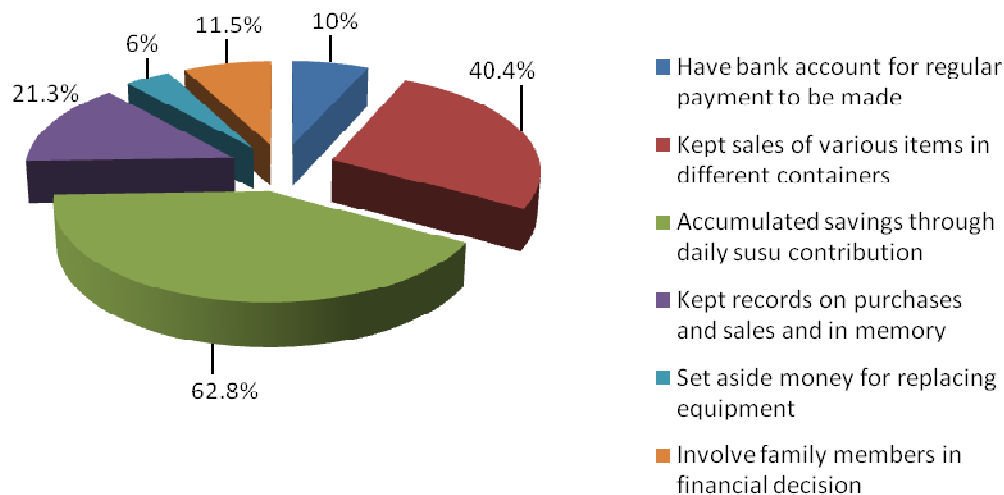
**Figure 2.** Economic Activities of the Women**Figure 3.** Sources of Credit Used by the Women

Table 3. Motivation for Sourcing Credit by the Women

Motivational factor	No.	%
Economic independence	152	83.1
Family pressures	139	76.0
Meeting emergencies	116	63.4
Husband	7	3.8
Rent/renovation of building	4	2.9

**Fig 4.** Action Processes used to Manage Credit

and credit unions and also credited items from wholesalers. The women borrowed from friends (26.1%), family members (21.1%), both friends and family members (15.1%), and credited items from wholesalers (77.1%) all of which are informal sources of credit. Though these numerous credit sources give a hope to the working rural woman, the worry is why the formal financial institutions which are supposed to assist the working poor with flexible loans schemes (microcredit schemes) have not done much to help most rural women. Those sourced from credit unions and bank were; (8% and 3.8.0%) respectively. Borode (2011) explained that most rural women are not interested in modern banking systems due to collateral required. Hence they obtain credit through indigennious borrowing systems such as from relatives, money lenders, local group money collectors and self- initiated rotating credit associations (susu).

Management of Credit

It was believed that for a woman to source credit, she might have been motivated by some factors which might compel her to go in for the credit. In this research, motivational factors which influenced the women's decision to patronize the various credit sources were therefore investigated.

From table 3, 83.1%, 76.0%, and 63.4% of the women

respectively, indicated that economic independence, family pressures, and the need to meet emergencies were the major factors that motivated them to source credit for use. Apart from economic independence which might ensure effective credit management to meet their intended objective of generating income, all the other motivational factors mentioned by the women were likely to negatively affect proper credit management. The study further investigated action processes used by the women to manage credit.

Figure 4 shows that the most common action processes used by the women to manage credit were accumulated savings through daily 'susu' contribution (63%), kept sale of various items sold in different containers (41.3%) and keeping records on sales and purchases in memory (21%) respectively. Few respondents indicated involved family members in financial decisions (11.5%), set aside money for replacing equipment (6%) and had a bank account for regular repayment (10%).

All these action processes that were common with the women would ensure that funds were not misused by them. This implies that most of the women took necessary precautions to enable them manage credit efficiently. These findings buttress the assertion that keeping records of expenditure regularly helps the entrepreneur to think before spending (Asare and Kwafoa, 2009).

Table 4. Outcomes of Credit Management practices of the women

Outcome	N	Mean	Std. Deviation
Methods used to managed credit led to changed economic status	176	3. 6557	.61176
Methods used to managed credit led to profit maximization	173	3.4712	.57441

Scale: 1= SD; 2 = D; 3 = A; 4 = SA

Table 5. Challenges encountered by women in credit management practices

Outcome	No.	%
Inability to reinvest	130	71.0
Difficulties in loan repayment	106	57.9
Lack of profit	76	41.5
Over indebtedness	20	10.9
Inability to provide basic need	18	9.8
Collapse of business	16	8.7

Table 6. Ordinary Least Squares (OLS) Regression Analysis and Results

Explanatory variables	β coefficient	T	Sig (P- value)
(constant)	0.754	7.005**	0.000
Marital status	-0.031	-1.412	0.160
Age in years	0.199	4.276**	0.000
Level of education of women	0.015	1.200	0.032
Economic activities to earn a living	0.041	1,203	0.231
Model summary			
R Square	Adjusted R Square	F	Sig (P- value)
0.339	0.317	6.417	0.000

*: significant at 0.05 alpha level **: significant at 0.01 alpha level

Training in Credit Management

The women studied were interviewed about their training in credit management experiences either by their lenders or workshop/seminar ran by any Business Development Service (BDS) provider in their localities. The responses indicated that majority (67.8%) of the women had not received any training in credit management. Though this result has serious implications for effective credit management, the women were noted to have used some action processes as indicated in figure 3 in their credit management which might work well for them. Perhaps the women learnt about some of these action processes for their credit management in informal ways through friends and family members especially their husbands.

Table 4 presents the results of the outcome of credit management practices of the women in the study area. The extent of the women's agreement towards four positive outcomes of effective credit management were measured using a four-point likert-type-scale ranging from 1 to 4 indicating Strongly Disagree = SD, Disagree = D, Agree = A, and Strongly Agree = SA respectively.

Table 4 portrays that majority (not less than 176) of the

women interviewed agreed (mean of 3.0343 to 3.6557; their standard deviations are .23725 and .61176) to all the items on the outcome of effective management of credit. Most women in their explanations reported that apart from their belief that the above factors have influence on effective credit management, they had actually experienced some of these outcomes in their effective use of credit. The results conforms to that of Asante-Frimpong and Bannerman (1993), who reported that about 73% of their respondents effectively managed credit and that management of credit is as important as money management in general. According to them, effective management of credit places greater responsibility on the entrepreneur to make frequent reviews of spending and income in relation to goals and review of financial growth in general. Having assessed views of women on outcome of effective credit management, the study then assessed the challenges the women faced their credit management.

Table 5 reveals most of the women lacked effective credit management practices and this resulted into inability to re-invest (71%), difficulty in loan repayment and lack of profit (41.5%) respectively. 29.4% of them indicated over indebtedness, inability to provide

basic needs and collapse of business. Corton (1990) observed that poor credit management practices that among rural women leads to misuse of credit facilities which result in repayment difficulties, loss of income and damage family relationship.

Relationship between credit management and background characteristics of women

The study examined the relationships between the dependent and some independent variables operationalized in the study by running correlation and regression statistics. This was done to test and answer the research question on whether age and educational level of the women contribute to credit management. In ascertaining the quantitative effect of how the identified background characteristics affect effective credit management outcome by women in the study area, the Ordinary Least Squares (OLS) multiple regression was estimated and the results are presented in Table 6.

The result of regression analysis in Table six shows that Age (i.e. $t = 4.276^{**}$; $p\text{-value} = 0.000$) and education (i.e. $t = 1.200^{*}$; $p\text{-value} = 0.032$) respectively. This implies that age and education make a significant impact in explaining effective credit management outcome. Considering the Adjusted R-square of 0.317 in the model summary result, it implies that these two variables have 31.7% influences on effective credit management outcome as perceived by the women interviewed. Perhaps there might be other variables such as trust, personal relationship, income, size of business, location, and number of children that may contribute to inability of the women to manage credit sourced and make repayment as expected. Studies carried out by Ardayfio – schanmdof, Brown and Aglobitse (1995) on enhancing opportunities for women in development, the impact of PAMCSCARD credit intervention in Western Region of Ghana, indicate that participants that were granted credit with education and motivation, 60.7% of them managed the credit schemes so well that the proceeds from their income-generating activities through the use credit schemes had helped to improved their living standards.

CONCLUSION

The study concludes that the respondents were using credit in various forms for their businesses but had not received any significant training in credit management. Consequently they device their own strategies which includes daily 'susu' contribution, kept sales of various items sold in different containers and records of purchases and sales kept in memory to managed credit. They also ensured to make regular repayment in order to remain in business, because it was upon regular repayment of credit that more credit was given to keep them in business. Age and education of women were

found to have significant positive relationship with effective credit management. To help the women manage credit well, it is important for them to ensure proper planning, implement as planned and evaluate frequently. This will help to improve their management competences.

RECOMMENDATIONS

It is recommended that the micro-credit financial institutions and the local government who offer credit to such small scale businesses as well as the universities should organize credit management programmes as part of their community service to train the women on skills in record keeping, savings and the application of principles of credit management especially budgeting in order to effectively manage credit sourced. Also women are encouraged to control credit management activities in order to eliminate waste by spending on planned goals, avoid impulse buying and compare prices of commodities before crediting.

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