Ghana Micro-Credit Case Study

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SELF-HELP INTERNATIONAL
"To alleviate hunger by helping people help themselves"

- During 1990, foundation for work set in Ghana
- Began micro-credit program in Ghana during 1998
- First loan granted in 1999
- Group of 17 women in Serebouso
- Now on fourth loan
- Mechanization of palm-oil processing
- Repayment of loans satisfactory
- Subsequent groups now receiving micro-credit financing
- Case study focuses on the first group with the longest micro-credit loan history

Methodology for case study

- Historical Documents sought and reviewed
- Current Self-Help International Board Members questionnaire responses
- Beneficiaries of the Serebouso program questionnaire responses
- Responses of Staff member in Ghana to specific questions

Program development process

- SHF Ghana staff urged to explore opportunities for programs
  - Consistent with goals & objectives
- Evolved from observations and inputs of staff and board members
- Ghana staff made suggestions based on collaboration with MOFA (Ministry of Food and Agriculture)
- SHI Board fine-tuned proposal
- Board approved grant for program start

Early reservations of Self-Help Board (during development stage)

- Adequate supervision of program
- Level of repayment of loans
- Sustainability of enterprises when weaned from SHI financing
- Felt interest rates high even though lower than Ghanaian bank rates
- SHI not able to supply enough funds

Information Challenges

- Staff member interviewing beneficiaries did not use provided questionnaire
  - Made up alternative which did not cover all issues desired by researcher
- Historical documentation of program is sparse and unorganized
**Initial conditions for Micro-Credit beneficiaries**

- Group ownership
- Proof of existence of structured group
  - List of duly registered members
  - List of executive members (group leaders)
  - Constitution (by-laws)
  - Bank account
- Initial deposit of 20% of cost of micro-credit
  - Cheque
  - Cash
  - Sweat equity
- All members attend training programs provided

**SHI’s responsibilities**

- Disburse capital with set interest rate & payment period
- Bear costs of delivery
- Provide basic business and household training
- Monitoring program and loan repayment
- If not satisfied with use of micro-credit project, can withdraw

**Serebouso Group**

*Palm Oil Processing and Marketing Association*

- Began in 1999 with 17 members
- Currently 20 members
- 16 beneficiaries responded to questionnaire

**Marital Status**

- 7 are married
- 4 are widowed
- 4 are divorced
- 1 not categorized

**Age**

- Range from 28 to 85 with the average at 57 years of age

**Number of dependents**

- Range from 3 to 10 with the average at 5.43

**Manual Palm Oil Processing**

**Step 1**

- Harvest or purchase bags of palm fruit

**Step 2**

- Sort out spoiled palm fruits

**Step 3**

- Pack fruits into kettle for cooking
- Wrapped in burlap and plastic
Manual Palm Oil Processing

- **Step 4**
  - Steam palm fruits
  - Approximate time is 2 hours

- **Step 5**
  - Pound the fruit
  - Manually takes 8 people 2 hours for a ½ barrel of fruit

- **Step 6**
  - Separate the fruit and oil

- **Step 7**
  - Skim the foam (sludge) off the oil after the second cooking

- **Step 8**
  - Straining the oil

- **Step 9**
  - Cooling the oil
**Manual Palm Oil Processing**

- **Step 10**
  - Pouring the oil into plastic containers for transport to market and vending

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**Palm Oil Press**

- **Initial benefit of micro-credit**
  - Press allows for higher level of production
  - Reduced injury to shoulders, arms and back from pounding mortars by hand

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**Training programs for Serebouso group**

- **First loan**
  - Financial management
  - Book-keeping
  - Accounting for income and expenditure
- **Second and Third loans**
  - AIDS prevention and control
  - Malaria prevention and control
  - Nutrition
  - Hygiene
  - Conflict Resolution
- **Fourth loan**
  - Business expansion
  - Mechanization processes

*Training occurs 3 hours a month for 6 months prior to loan funding*

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**Record-keeping training**

- **Attempt to ensure proper documentation of fund usage**
- **Each women provided exercise book**
- **Account for**
  - Travel expenses
  - Use of fuel, water
  - Costs incurred in pounding process or hiring of utensils
- **Illiterates are expected to have someone help- often wait for Self-Help staff to complete**

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**Training February 2004**

- Benjamin Kusi
- Wilberforce Ansah

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**Equipment for full mechanization**

- Press, kernel cracker, digester, fruit shredder
**Manual vs. Mechanized Palm Oil Processing**

<table>
<thead>
<tr>
<th>Manual</th>
<th>Mechanized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm fruits processed</td>
<td>½ barrel</td>
</tr>
<tr>
<td>Bottles of oil per barrel/fruit</td>
<td>120</td>
</tr>
<tr>
<td>Water usage</td>
<td>¼ that of manual</td>
</tr>
<tr>
<td>Digesting fruit</td>
<td>8 people 2 hours to pound</td>
</tr>
</tbody>
</table>

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**Other gains from mechanization**

- Purchase and process more fruit during bumper crops
- Income provided equipment producers
- Assets that can be leased to other groups or individuals
- Reduction of inefficient wood usage for fueling process
  - 1 gallon of petrol per ton of palm fruit
  - 2 times the fuel (wood) gathered and hauled to process 1/10 the palm fruit
- Now using electric motors as just available in early 2004

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**Even more gains**

- Reforestation with new saplings
- Value added production
- Reduced drudgery of process
- Reduction of water usage
- Reduction of Deforestation due to wood usage for fuel

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**Serebouso loan history**

<table>
<thead>
<tr>
<th>Loan 1</th>
<th>Loan 2</th>
<th>Loan 3</th>
<th>Loan 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items purchased</td>
<td>100% used to purchase palm fruit to increase production</td>
<td>Purchase palm fruit</td>
<td>Purchase palm fruit</td>
</tr>
<tr>
<td>Increase in production</td>
<td>50 to 94%</td>
<td>Purchase farming inputs</td>
<td>Purchase farming inputs</td>
</tr>
<tr>
<td>Increase in profits</td>
<td>54 to 87%</td>
<td>57 to 91%</td>
<td>Not available</td>
</tr>
<tr>
<td>Utilization of additional funds</td>
<td>Roofing sheets</td>
<td>Expansion of farm</td>
<td>Expansion of farm</td>
</tr>
<tr>
<td>Date of loan</td>
<td>19 May 1999</td>
<td>13 March 2001</td>
<td>30 May 2002</td>
</tr>
<tr>
<td>Amount issued</td>
<td>2,000,000 cedis</td>
<td>8,500,000 cedis</td>
<td>17,000,000 cedis</td>
</tr>
<tr>
<td>Interest rate</td>
<td>20%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Date of loan</td>
<td>31 October 2000</td>
<td>15 May 2003</td>
<td>9 July 2003</td>
</tr>
<tr>
<td># of beneficiaries</td>
<td>15</td>
<td>17</td>
<td>17</td>
</tr>
</tbody>
</table>

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**Serebouso production increases**

<table>
<thead>
<tr>
<th>Loan 1</th>
<th>Loan 2</th>
<th>Loan 3</th>
<th>Loan 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly production prior to loan</td>
<td>Less than 20 gallons</td>
<td>30-39 gallons</td>
<td>54 plus gallons</td>
</tr>
<tr>
<td>Monthly production at end of loan</td>
<td>30-39 gallons</td>
<td>54 plus gallons (base figure listed)</td>
<td>105 gallons</td>
</tr>
</tbody>
</table>

NOTE: Unclear from data the exact level at the end of loan 2 and beginning of loan 3.

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Life improvements from program

- House repair
  - 14 of 16 or 87.5% (no indication of how intensive)
- Increase in size of farm or number of fields cultivated
  - All respondents for 100%
- Children learning trade
  - 14 of 16 or 87.5%
- Children attaining a higher level of education e.g. teacher training or university
  - 1 of 16 or 6.25%
- All but one beneficiary now has electricity to home

Difference in ability to buy clothing for self

<table>
<thead>
<tr>
<th></th>
<th>BEFORE</th>
<th>AFTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can buy any cloth of my choice</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Improved</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Improved a lot</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Improved very well</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Able to clothe myself</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Difference in ability to buy meat or fish (improve diet)

<table>
<thead>
<tr>
<th></th>
<th>BEFORE</th>
<th>AFTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficult</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Bad before</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Could not afford</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Things were not up to standard</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>No response</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Abundance of food</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Can buy enough meat</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Better than before</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Beneficiary comments

- 12 respondents indicated the need for help to expand their palm plantations
- One respondent wants financial support to go into sheep rearing
- Several respondents mentioned the need to increase in funding levels needed.
- Needs assistance to complete the processing shed
- SHF has been of good help to me and my family

Micro-credit funding

**Group requirements**
- Members should not exceed 15
- Pay back loan monthly
- Attend meetings regularly
- Pay dues/levy

**Initial Loan**
- Approval
- After required training program

**Successive loans**
- Main requirements: commitment to group activities
- On-time repayment of previous loans
- Additional training
**Strengths of program**

**Self Help Ghana Staff**
- Committed and efficient staff
- Effective collaboration between staff and beneficiaries
- Efficient loan recovery mechanism

**Strengths of program**

**Self Help Board**
- Helps women provide for families
- Bypasses bureaucracies
- Engages development need at the basic unit level
- Clearly defined program from onset
- SH-Ghana administration
- Lower interest rates than banks in Ghana
- Low administrative expenses
- Program easily replicated
- Concept of group support

**Vulnerabilities of program**

**Self Help Ghana Staff**
- High illiteracy rates of beneficiaries
- Lack of sufficient and effective adult learning materials
- Unstable economic conditions
- High inflation rates in Ghana
- Limited sources of funds for loans - donor supported
- Less efficient farming and agro-processing methodologies used by beneficiaries

**Vulnerabilities of program**

**Self Help Board**
- Lack of available dollars for more loans
- Need for more business training of beneficiaries
- Need female practitioner in Ghana
- Limited number of women able to participate
- Lack of good reports
- No timely sharing of results

**Further considerations**

- Acquisition of effective adult learning materials
- Assessment of socio-economic impact overall
- More comprehensive reporting standards
- Improved and expanded training programs
- Geographic diversification
- Revolving loan fund vs. donor fed program

**Program’s future**

- expand as much as resources allow
  - 9 board members
- expansion should be conservative
  - 2 board members
- limited number of loans should be allowed by recipients, forcing self-sufficiency
  - 1 board member
- a better evaluation of the program is needed before determining the level of expansion
  - 1 board member
Beneficiary Training requests

- Communication skills
- How to read and write
- Marketing strategies

Beneficiary improvement proposals

- Increasing amount of money in loan
- Mechanization of operations
- Identification of more market avenues

Thank you for your interest