Who Were/Are The Users Of Microfinance Services? Evidence From The Kumasi Metropolis Of Ghana

Samuel Adarkwa

Ernest Appiah Darko

Kyei Edmund

Samuel Osei Owusu Atuahene

Department of Accountancy and Accounting Information Systems,
Kumasi Technical University, Kumasi, Ghana

Abstract: With poverty being a major challenge in the world, the concept of microfinance is seen as a major tool that can be used to tackle poverty. This has led to the proliferation of microfinance firms in several countries of which Ghana is no exception. However in Ghana, the saddening aspect has been the recent collapse of several microfinance firms. Given this, studies have been done on factors contributing to the choice and collapse of financial institutions especially microfinance firms. However, little is known about the features of the individuals who patronise the services of microfinance firms in Ghana. This study therefore purposively sampled 400 adults in the Kumasi Metropolis of Ghana and investigated how the personal features of people influenced their demand for microfinance services using the logit regression technique. The study found the unemployed, female respondents, the uneducated, those who were younger and those with no accounts with other financial institutions to be more likely to patronise microfinance services in the Kumasi Metropolis of Ghana. The study therefore concludes that personal characteristics of individuals are relevant determinants of demand for microfinance services and hence should be given attention in addressing the unsustainability of microfinance firms or finding alternative to microfinance.

Keywords: Microfinance Services; Personal Characteristics; Ghana; Logit

I. INTRODUCTION

Poverty remains as the single challenge of humanity that could affect lives in all facets, be it health, education, clothing, shelter, food as well as negative psychological effects etc. However, among strategies suggested to curb poverty is making funds easily accessible to the less privileged in society that are normally considered less attractive to the formal banking system. Thus given that the less privileged are less likely to even save and hence provide collateral security, they are therefore highly challenged in their quest to patronise the services of banks.

Given the above, one of the most suggested means of helping the vulnerable or less privileged in society to get access to financial services is through the concept of microfinance. This has therefore led to the proliferation of many microfinance institutions in the world.

In Ghana, the story has not been different, given the rise in the number of microfinance institutions in the last decade with the expectation of helping the vulnerable in the Ghanaian society that are less attractive to the formal banking sector. However, the saddening aspect is that, most of these microfinance institutions ended up collapsing, putting most of their customers in dire challenges with some alleged to have committed suicide. In this regard, studies have been done concentrating on factors contributing to the collapse of financial institutions including microfinance and the unique characteristics of financial institutions that encourage people to choose them. For example, Boateng et al. (2016) have investigated the collapse of microfinance firms, Davidson

(2011), Abbam, Dadson and Say (2015), Junior, Osei and Petershie (2013), Hinson, Osarenkhoe and Okoe (2013), Ansah (2014) and Abbam, Say and Carsamer (2015) have investigated the factors that influence individuals choices of banks with lots of emphasis on bank characteristics. Also other studies have investigated the impact of microfinance on the welfare or activities of customers.

However, the direction of this study is different, in that it sought to investigate the categories of people who patronise microfinance services in Ghana which to the best of our knowledge is absent in the literature.

This would help in filling a major gap in the literature by revealing the exact people who have or are still patronising the services of microfinance institutions and hence inform us on how to design policies that are both microfinance institutions centered and also customers centered. This is very essential given that, some studies have shown the success stories of microfinance institutions in bettering the welfare of people in several places in the world.

II. METHODS

This study purposively sampled 400 adults in the Kumasi Metropolis who were 18 years and above in March 2017 and asked whether they have ever patronised or are still patronising the services of any microfinance institution. The information was gathered using questionnaires. Also given that the study was interested in the features of the individuals themselves, the questionnaire solicited information on the individual characteristics of the respondents. Further, all the categorical explanatory variables were treated as dummy variables using the factor variable approach in stata. In addition, given the dichotomous nature of the dependent variable (whether a person has ever patronised or is still patronising the services of any microfinance institution, which had two responses, yes or no), the study employed the binary logit regression estimation technique.

III. RESULTS AND DISCUSSION

This section tackled the presentation and discussion of the findings of the study.

Microfinance Services Utilisation	Frequency	Percentage
Yes	170	42.50
No	230	57.50

Source: Authors Computation from Field Survey, 2017.
Table 1: Descriptive Statistics of Demand for Microfinance Services

From Table 1, it can be seen that out of the 400 sampled respondents, 170 of them constituting 42.50% were utilising or are still utilising microfinance services while 230 of them constituting 57.50% had never utilised any microfinance service before. Thus majority of the respondents were found to have never used any microfinance service before.

Variable	Demand for Microfinance		Chi Square Test
	No	**Yes**	
Accounts with any other Financial Institution			108.8056***
Yes	78.66	21.34	
No	26.09	73.91	
Employment Status			118.6015***
Employed	73.56	26.44	
Unemployed	12.38	87.62	
Marital Status			9.3254***
Single/widowed/divorced/separated	45.69	54.31	
Married	62.32	37.68	
Age			135.5859***
18-30 years	14.43	85.57	
31-40 years	47.06	52.94	
41-50 years	78.08	21.92	
51-60 years	85.92	14.08	
61 years and above	87.72	12.28	
Religion			58.5303***
Christianity	71.60	28.40	
Islam	30.08	69.92	
Traditional/other	51.85	48.15	
Gender			218.4835***
Male	95.34	4.66	
Female	22.22	77.78	
Educational Level			146.4242***
Uneducated	9.41	90.59	
Primary	33.33	66.67	
Junior High School (JHS)	68.12	31.88	
Senior High School (SHS)	80.00	20.00	
Tertiary	86.08	13.92	

Source: Authors Computation from Field Survey, 2017. Notes: 1 ***P-value<.01, **P-value<.05, *P-value<.1.
Table 2: Univariate Analysis

On the univariate analysis, using the Pearson chi square test, the study found a statistically significant relationship between demand for microfinance services and all the categorical independent variables. Thus there were significant differences within all the categorical independent variables and the utilisation of microfinance services. Further, it can be seen that, out of the respondents who had accounts with other financial institutions, 78.66% and 21.34% had never utilised and utilised any microfinance service respectively. Thus majority of respondents with accounts in other financial institutions were found to have never utilised any microfinance service. Also 26.09% and 73.91% of respondents without accounts with other financial institutions were found have never utilised and ever utilised any microfinance service respectively. Thus majority of respondents with no account with other financial institutions were found to have utilised or are still utilising microfinance services. Concerning employment, it can be seen that 73.56%

of employed respondents were found to have never utilised any microfinance service while 26.44% were found to have utilised any microfinance service. Thus majority of employed respondents were found to have never utilised any microfinance service before. On the unemployed respondents, 12.38% and 87.62% were found to have never utilised and utilised any microfinance service or product respectively. The implication is that majority of the unemployed respondents were found to have utilised at least a microfinance product or service. Further distribution of the remaining categorical explanatory variables and the utilisation of microfinance services can be seen in Table 1 above.

Dependent Variable	Demand for Microfinance Services		
Independent Variable	Coefficient	Standard Error	P-value
Account with any other Financial Institution			
Yes	-1.963696	.4904792	0.000
No (Reference Group)			
Household Size	.1106517	.1125221	0.325
Employment Status			
Employed (Reference Group)			
Unemployed	1.604585	.5685443	0.005
Marital Status			
Single/widowed/divorced/separated (Reference Group)			
Married	-.1592767	.5286647	0.763
Age			
18-30 years (Reference Group)			
31-40 years	-.0090087	.6488462	0.989
41-50 years	-.7043727	.7229196	0.330
51-60 years	-1.58311	.6590858	0.016
61 years and above	-1.045873	.9259838	0.259
Religion			
Christianity	1.858562	1.032352	0.072
Islam	.6405716	.9640087	0.506
Traditional/other (Reference Group)			
Gender			
Male (Reference Group)			
Female	4.063126	.6347037	0.000
Educational Level			
Uneducated (Reference Group)			
Primary	-1.559534	.8757862	0.075
Junior High School (JHS)	-2.488875	.8359257	0.003
Senior High School (SHS)	-2.904709	.7690909	0.000
Tertiary	-3.072836	.8517847	0.000
Constant	-.8053667	1.327437	0.544

Source: Authors Computation from Field Survey, 2017. Number of obs = 400, Prob > chi2 = 0.0000. Notes: ***P-value<.01, **P-value<.05 and *P-value<.1.

Table 3: Logit Regression results on Personal Features of Respondents and the Utilisation of Microfinance Services

Given that the univariate analysis did not control for other personal features of individuals that may influence the utilisation of microfinance services, the study went a step further to adopt a multivariate analysis using the logit regression model as presented in Table 3.

From table 3, it can be observed that, respondents with accounts in other financial institutions were found to be less likely to have utilised any microfinance service relative to those with no accounts with other financial institutions. Thus having an account with other financial institutions decreases the likelihood of utilising microfinance services. In addition, unemployed respondents were found to be more likely to utilise microfinance services relative to the employed respondents.

Concerning age, the study revealed respondents with ages between 51-60 years to be less likely to utilise any microfinance service relative to those with ages between 18-30 years. This could be attributed to the fact that the older generation might have witnessed how some financial institutions with mouth-watering packages ended up collapsing in some years back in Ghana which resulted in huge disappointments for several people and hence would be less willing to patronise microfinance services which are also known for promising mouth-watering packages.

On religion, Christians were found to be more likely to patronise microfinance services relative to those with traditional or other religious faith. Moreover, female respondents were found to be more likely to utilise microfinance services relative to male respondents.

Also respondents with primary, junior high school, senior high school and tertiary levels of education were all found to be less likely to utilise microfinance services in the Kumasi Metropolis of Ghana.

IV. CONCLUSION

The study can conclude that personal features are significant determinants of demand for microfinance services in the Kumasi Metropolis of Ghana. Thus policies toward ensuring the sustainability of microfinance institutions or finding alternatives as well as helping those affected by the collapse of microfinance firms should also give attention to the socio-economic backgrounds of people such as gender, employment status, religion, education, age and account ownership in other financial institutions which have been found to influence the demand for microfinance services.

REFERENCES

[1] Abbam, A., Dadson, I., & Say, J. (2015). An Empirical Analysis of Customer Choice of Banks in Ghana. European Journal of Business and Management, 7(12).

[2] Abbam, A., Say, J., & Carsamer, E. (2015). An Analysis of Choice of Commercial Banks among University students in Ghana. *International Journal of Economics, Commerce and Management,3*(2).

[3] Ansah, M.O. (2014). An Empirical Study on the Determinants of Banks Selection in Ghana: Application of Principal Factor Analysis on Senior High School Teachers in the Kumasi metropolis. *International Journal of Academic Research in Business and Social Sciences, 4(7).*

[4] Boateng, F.G., Nortey, S., Barnie, J. A., Dwumah, P., Acheampong, M., & Ackom-Sampene, E. (2016). Collapsing Microfinance Institutions in Ghana: An Account of How Four Expanded and Imploded in the Ashanti Region. *International Journal of African Development, 3(2).*

[5] Davidson, A-A (2011). The factors that influence the choice of banks by customers – A case study of Makola community. Masters Thesis, Institute of Distance Learning, Kwame Nkrumah University of Science and Technology, Ghana.

[6] Hinson, R.E.., Osarenkhoe, A., & Okoe, A.F. (2013). Determinants of Bank Selection: A Study of Undergraduate Students in the University of Ghana. *Journal of Service Science and Management*, 6, 197-205.

[7] Junior, D.A, Osei, B.A., & Petershie, B. (2013).Factors Affecting Customers Choice of Retail Banking in Ghana. *International Journal of Research In Social Sciences, 3(1).*