MICROFINANCE AND CULTURE:
A Case Study in Ghana

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Microfinance and Culture

**Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CEA</td>
<td>Canadian Executing Agency</td>
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<tr>
<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
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<tr>
<td>NGO</td>
<td>Non Government Organization</td>
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<td>ROSCA</td>
<td>Rotating Savings and Credit Association</td>
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Executive Summary

This case study is based on the premise that a study of local culture can provide a significant contribution to the operation and development results of an MFI. To do this, the study focussed on the operation of an MFI. This study did not focus on the microenterprise itself or the cultural influences impacting business methods. Nor did it compare those methods to ‘Northern’ business practices. These components have been reserved for future study. Instead the study focussed on the way families operate and the lessons that can be learned about how to better operate microfinance institutions.

Previous studies have demonstrated that MFIs, in order to be successful and sustainable, need to be bound to the local community in which they operate. These studies have shown that one of the greatest problems MFIs face is establishing local ownership and governance. In other words, MFIs must become bound to the community so that they are an integral part of it, instead of a foreign and external appendage. As a way to explore how an MFI can become integrated into a community, this study uses the case method to explore what local cultural systems could contribute to an MFI’s operating methods.

The case study focuses on family and kinship systems in Ghana as the context for this exploratory study. Using a review of anthropological literature as a starting point and baseline, cultural traits that could impact on an MFI’s operation were identified. The components of these traits were used to pose questions about how the local family and kinship systems might impact on an MFI operation. The purpose of these questions was to focus on cultural issues that were to be explored during the field work portion of the study.

Using group and individual interviews the previously identified questions from the literature review were explored in the Techiman District of Ghana. One of the important findings was that the literature review not only provided a baseline for the study, but it also served as a means for establishing rapport in the interviews. In terms of MFI operations the findings were that the Ghanaian culture is in a significant transition. Also discovered were cultural norms, values and practices which provide MFIs the opportunity to leverage social capital to reduce risk, develop new products, contribute to sustainability and measure impact.

The following recommendations come out of the fieldwork. These recommendations apply to MFIs working in Ghana with the Techiman District as their catchment area. Included are recommendations for action and for further study.

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1 Social capital can exist in societies in both formal and informal institutions. This paper focuses on social capital in informal institutions. Informal institutions are the habitual ways in which a society manages its affairs and can be constraints on a society such as obligations, expectations, norms, and self imposed rules of conduct. Relationships such as family and kinship connections, social norms and values are considered to fall within the framework of informal institutions.
1. That microfinance lending programs take full advantage of the social capital available in the practice of ‘knowing’ a person’s character and trustworthiness.

2. That MFIs in Ghana build their loan collection methodology around the social capital involved in the guarantor system.

3. That microfinance institutions become very aware of the dynamics of individualism that operate below the surface, even though the culture appears to be very group and family oriented.

4. That microfinance lending programs be consistent with the limits of the social capital in the society.

5. That MFIs develop a loan product for farmers that is marketed as interest inclusive.

6. That microfinance institutions develop an insurance product that will help to reduce the vulnerability of women dependent on trade capital profits for survival.

7. That the social capital of ‘knowing’ be used in staffing microfinance organizations as a way to reduce the threat of fraud within the organization.

The remaining recommendations are for further study of the local culture that may be able to add incrementally to the MFI’s ability to use available social capital.

8. Why did individuals in their group responses differ from how the individual responded in a personal interview?

9. Are urban and peri-urban extended family members more frequently asked to house their relatives’ children for educational purposes because of the increased emphasis on education?

10. Are repayment rates better when a gift is received from a female family member as a down payment on a loan? Is the character analysis of women better than men’s?

11. More analysis needs to be done on the differences between each individual tribal culture and how that impacts on MFIs.

12. Can the local methods of ‘knowing’ be used to assess organizations as well as individuals?

13. Examine the cultural influences impacting business methods like alliances and network of suppliers, so that ‘Northern’ organizations can compare these

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2. The judging of someone else’s character is referred to as ‘knowing’ them. This means that they possess the following characteristics. They are not like a chameleon, they do not deceive people, and they do what they say they will do. In addition they are always seen and not ‘roaming’. In other words they are stable. Finally, they get on well with others. The key to knowing someone is to be able to say that they consistently act in a trustworthy manner.
practices to their own version of market forces and make appropriate adaptations.

Lessons Learned
The major lesson learned from this review of literature pertains to social capital. It is clear from the review of literature that many donor organizations and microfinance practitioners use the term social capital without ever having a clear definition or defining the parameters of what they are including in the term. CIDA falls within this category but is by no means an exception among users of the term. It is important that CIDA examine the definition and concept of social capital and how it can utilize this to more effectively bring about developmental results.

A second significant lesson learned, has been that the local cultural dynamics can raise serious questions for a microfinance institution in terms of its operation within a given cultural context. The importance of social capital has been demonstrated by the insights gained through use of the methodology and expressed in the recommendations to MFIs. It is therefore recommended that CIDA insist that similar analyses be conducted on all pending microfinance projects at a pre-design stage, and when a project is being redesigned. Performance Review should also insist that an analysis of several completed projects be done to examine the lessons learned and determine whether a greater impact could have been achieved through a study of this nature during its design phase. This recommendation is made so that a stronger community base of ownership can be built into programs through culturally appropriate operating procedures and thereby increasing the development results.

The rapid change that cultures are going through is another significant lesson learned. At first glance one might think that reviewing the literature was a wasted effort since there has been so much cultural change. This is not the case. The literature review provided a baseline. Having a baseline was useful as a means to begin understanding and measuring cultural characteristics that have changed and to what degree. It provided a base for rapid rapport building during the interviews. It served as a starting point for directed discussion that could be built on, to understand current trends. Finally, it provided a partial explanation about why certain traditional practices have been carried forward and how they have influenced current behaviour.

A final lesson has been that a cultural analysis can provide valuable knowledge about local mechanisms that can be extremely useful to MFIs. The ‘inferred value’ contained in the information is valuable because it is provided in the context (who, what, when, where, why and how) of the local culture. This inferred value of knowledge applies both to ‘technical knowledge/know-how’ about how the culture manages things like savings and capital accumulation, methods of investing capital, and management of a productive activity, and to ‘knowledge about attributes’ like ‘knowing’, guarantors and trustworthiness. Knowledge of this sort demonstrates that cultures have built into them parameters around their social capital which MFIs can easily use and avoid significant mistakes by trying to apply their own cultural biases.
Sommaire à l’intention de la direction

La présente étude s’appuie sur l’argument voulant qu’une étude de la culture locale peut contribuer, de façon significative, aux résultats d’exploitation et de développement d’une IMF. Elle a donc été axée sur le fonctionnement d’une IMF. Elle ne porte pas sur la micro-entreprise en tant que telle ou sur les influences culturelles qui ont une incidence sur les méthodes commerciales; elle ne compare pas non plus ces méthodes aux pratiques commerciales «occidentales». Ces composantes feront l’objet d’études ultérieures. L’étude porte plutôt sur la façon dont les familles fonctionnent et sur les leçons qu’on peut en tirer pour mieux gérer les institutions de microfinance.

Des études antérieures ont démontré que pour être fructueuses et viables, les IMF doivent être ancrées dans les collectivités où elles sont situées. Ces études montrent également qu’un des plus sérieux problèmes auxquels font face les IMF a trait à l’établissement d’une propriété et d’une gouvernance locales. En d’autres termes, les IMF doivent être liées à la collectivité de façon à faire partie intégrante de cette dernière, au lieu d’en constituer un organe étranger et externe. Pour découvrir comment une IMF peut s’intégrer à une collectivité, les auteurs de l’étude utilisent la méthode par cas pour examiner ce que les systèmes culturels locaux pourraient contribuer aux modes de fonctionnement d’une IMF.

Les cas en question portent sur les systèmes basés sur la famille et la consanguinité au Ghana, qui servent de base à cette étude exploratoire. En utilisant un examen de la littérature anthropologique comme point de départ et comme base, on a cherché à identifier les caractéristiques culturelles qui pourraient avoir une incidence sur le fonctionnement d’une IMF. On a ensuite utilisé les composantes de ces caractéristiques pour soulever des questions sur la façon dont les systèmes locaux basés sur la famille et la consanguinité peuvent influencer le fonctionnement d’une IMF. Ces questions visaient à mettre l’accent sur les problèmes d’ordre culturel qui devaient être explorés pendant la portion des travaux sur le terrain de l’étude.

À l’aide d’entrevues individuelles et en groupe, les questions cernées précédemment lors de l’examen de la littérature ont été explorées dans le district de Techiman, au Ghana. Une des importantes constatations était que l’examen de la littérature a non seulement fourni un fondement pour l’étude, mais il a aussi permis d’établir des rapports durant les entrevues. En ce qui a trait aux activités des IMF, on a trouvé que la culture ghanéenne traversait une importante période de transition. On a également découvert les normes, les valeurs et les pratiques culturelles qui donnent aux IMF l’occasion de mettre à profit le capital social3 pour réduire le risque, élaborer de nouveaux produits, contribuer à la viabilité et mesurer les répercussions.

Les recommandations suivantes sont issues des travaux effectués sur le terrain. Elles s’appliquent aux IMF qui oeuvrent au Ghana, notamment celles dont la zone de

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3 Le capital social peut exister dans les sociétés à la fois dans les institutions formelles et informelles. Le présent document examine le capital social dans les institutions informelles. Ces dernières sont la façon habituelle dont une société gère ses affaires et peuvent représenter les contraintes imposées à une société telles que les obligations, les attentes, les normes et les règles de conduite autogènes. Les relations de famille et de consanguinité, les normes et les valeurs sociales sont considérées comme faisant partie du cadre des institutions informelles.
L’évaluation du caractère d’une personne est désignée comme les « connaissant ». Cela signifie que la personne possède les caractéristiques suivantes. Elle n’est pas un caméléon; elle ne trompe pas les autres et elle tient sa parole. En plus, on la voit toujours; elle ne « vagabonde » pas. En d’autres termes, elle est stable. Enfin, elle s’entend bien avec les autres. La clé pour bien connaître quelqu’un est d’être capable de dire que cette personne agit de manière fiable, et ce, de façon constante.

1. Que les programmes de prêts de microfinance mettent pleinement à profit le capital social offert par la « connaissance » du caractère et de la fiabilité d’une personne.

2. Que les IMF du Ghana élaborent leur méthodologie de recouvrement des dettes en fonction du capital social associé au système de caution.

3. Que les institutions de microfinance soient très sensibilisées à la dynamique d’individualisme sous-jacente, même si la culture semble être très axée sur le groupe et sur la famille.

4. Que les programmes de microcrédit soient congruents aux limites du capital social dans la société.

5. Que les IMF élaborent un prêt inclusif les intérêts pour les fermiers et qu’elles en fassent la promotion auprès de ces derniers.

6. Que les institutions de microfinance élaborent un produit d’assurance qui aidera à réduire la vulnérabilité des femmes qui dépendent du capital en nature pour leur survie.

7. Que le capital social de la « connaissance » soit mis à profit dans la dotation en personnel des organisations de microfinance, afin de réduire la menace de fraude à l’intérieur de l’organisation.

Les autres recommandations suggèrent des points qui pourraient faire l’objet d’études plus poussées sur la culture locale, et rehausser la capacité des IMF d’utiliser le capital social disponible.

8. Pourquoi les participants ont-ils répondu différemment lors des entrevues en groupe que lors des entrevues personnelles?

9. Demande-t-on plus souvent aux membres de la famille élargie des villes et des banlieues d’héberger ses enfants pendant leurs études en raison de l’importance accordée à l’éducation?

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4 L’évaluation du caractère d’une personne est désignée comme les « connaissant ». Cela signifie que la personne possède les caractéristiques suivantes. Elle n’est pas un caméléon; elle ne trompe pas les autres et elle tient sa parole. En plus, on la voit toujours; elle ne « vagabonde » pas. En d’autres termes, elle est stable. Enfin, elle s’entend bien avec les autres. La clé pour bien connaître quelqu’un est d’être capable de dire que cette personne agit de manière fiable, et ce, de façon constante.
10. Les taux de remboursement sont-ils meilleurs quand on reçoit un don d’une parente pour servir d’acompte sur un prêt? L’analyse de caractère des femmes est-elle meilleure que celle des hommes?

11. Il faudra effectuer une analyse plus poussée des différences entre chaque culture tribale et de leurs répercussions sur les IMF.

12. Les méthodes locales de «connaissance» peuvent-elles servir à évaluer les organisations et les individus?

13. Examinant les emprises culturelles qui influencent les méthodes commerciales comme les alliances et les réseaux de fournisseurs, de sorte que les organisations «occidentales» puissent comparer ces pratiques à leur propre version des forces du marché et faire les adaptations appropriées.

**Leçons apprises**

La principale leçon apprise de cet examen de la littérature concerne le capital social. L'examen de la littérature indique clairement que plusieurs organisations donatrices et des praticiens de la microfinance utilisent le terme «capital social» sans jamais avoir une définition claire ou déterminer les paramètres de ce qu’il englobe. L’ACDI appartient à cette catégorie et elle ne fait pas exception parmi les utilisateurs du terme et ce, en aucune façon. Il est important pour l’ACDI d’examiner la définition et le concept de capital social et de savoir comment elle peut les utiliser pour obtenir des résultats plus probants en matière de développement.

Une deuxième importante leçon apprise a été que la dynamique culturelle locale peut soulever de sérieuses questions pour une institution de microfinance en ce qui a trait à son activité au sein d’un contexte culturel donné. L’importance du capital social a été démontrée par la connaissance approfondie acquise en utilisant la méthodologie, tel qu’exprimé dans les recommandations aux IMF. On recommande donc que l’ACDI insiste pour que des analyses semblables soient effectuées pour tous les projets de microfinance en attente, et ce, aux étapes précédant la phase conceptuelle et à celles entourant une nouvelle conception. L’Examen du rendement devrait également insister pour qu’on effectue une analyse de plusieurs projets achevés afin d’examiner les leçons apprises et de déterminer si on aurait pu avoir un impact plus grand si une telle étude avait été effectuée pendant la phase de conception. Nous faisons cette recommandation dans le but de bâtir, dans la collectivité, une assise plus solide en fait de propriété, et qu’on peut intégrer aux programmes grâce à des procédures de fonctionnement appropriées et augmenter, par le fait même, les résultats obtenus au niveau du développement.

Les rapides changements que traversent les cultures sont une autre importante leçon apprise. De prime abord, on pourrait penser que l’examen de la littérature était un gaspillage d’énergie puisque tant de changements culturels se sont produits. Ce n’est pas le cas. L’examen de la littérature a fourni une base, qui s’est avérée utile pour commencer à comprendre et à mesurer les caractéristiques culturelles qui ont changé et dans quelle mesure elles ont changé. Il a aussi fourni une base permettant d’établir rapidement des rapports pendant les entrevues. Il a servi de point de départ à des discussions orientées qui pourraient, à leur tour, permettre de comprendre les tendances actuelles. Enfin, il a fourni une explication partielle des raisons pour
lesquelles certaines pratiques se sont perpétuées et comment elles ont influencé le comportement actuel.

Une dernière leçon apprise est que l’analyse culturelle peut fournir d’importantes données au sujet des mécanismes locaux, données qui peuvent s’avérer extrêmement utiles aux IMF. La « valeur inférée » contenue dans les renseignements est précieuse parce qu’elle est *fournie dans le contexte (qui, quoi, quand, où, pourquoi et comment)* de la culture locale. Cette valeur inférée de la connaissance s’applique à la fois aux « connaissances et au savoir techniques » sur la façon dont la culture gère des domaines comme les économies, l’accumulation de capital, les méthodes d’investissement du capital et la gestion d’une activité productive, et aux « connaissances ayant trait aux attributs » comme la « connaissance » et la fiabilité des cautions. Une telle connaissance démontre que les cultures possèdent des paramètres intrinsèques autour de leur capital social, paramètres que les IMF peuvent facilement utiliser et éviter ainsi de commettre de graves erreurs en essayant d’appliquer leurs propres préjugés culturels.
Microfinance and Culture

Background
It has long been recognized that development programs are not culturally neutral. Development strategies are embedded within their culture of origin and tend to leave out the cultural environment of the society in which the development is to be applied. Many times development strategists are simply passing on, sometimes despite themselves, ideas, modes of organization, values and forms of expression which are typically Northern, and which have little in common with the lifestyle of the local communities into which they are imported. This cultural 'bias' is rooted in the inability to imagine development models other than those within which the originator is accustomed to working and whose legitimacy is indisputable. Consequently projects are often designed which are irrelevant to the cultural situation and donors then become concerned about the lack of local ownership.

The reality of this 'bias' in development strategies is displayed in the way development projects are designed and implemented. The risk is that in the project design process the inherent logic and rationality of the other culture will be overlooked or treated as a residual and archaic element holding back the 'normal' march of progress. All too frequently, project design leads to frustration when the development agency is confronted with a socio-cultural context different from its own and the consequence of insensitivity to the context has been less than optimum project results and a negative or insignificant impact. As a means of addressing for some of these difficulties the term ‘social capital’ has become part of numerous development discussions.

The term ‘social capital’ has entered the development dictionary more quickly than a precise definition of the concept. It is therefore important to briefly discuss the relationship between social capital and culture. The term ‘social capital' was coined by J. S. Coleman in his article “Social Capital in the Creation of Human Capital" published in the Journal of American Sociology, Vol. 94, 1988. Social capital theory states that societies through their own institutions and forms of collaborative action can and do affect the quality of state and non state interventions. These institutions can be either formal (bridging social capital) or informal (bonding social capital). Formal institutions include such things as statutory law, customary law and regulations. It is generally held that social networks, and the associational life related to groups and organizations that create cross-sectoral linkages of organizations to solve state, market and civil society problems and the relationships that link civil society and the state in the form of political capital all constitute social capital. Alternatively, informal institutions are the habitual ways in which a society manages its affairs and can be constraints on a society such as obligations, expectations, norms, and self imposed rules of conduct. Relationships such as family and kinship connections, social norms and values are considered to fall within the framework of informal institutions because they are generally not codified. It is not agreed, however, whether these informal institutions are part of social capital or whether they are either the building blocks for institutions to collaborate and/or the effects of social capital’s existence and mobilization (Baas p. 1-7).

These informal institutions (bonding social capital) could possibly be better understood if they were described as ‘socio-cultural capital’. A recent study about the use of social capital in microfinance outlines a link between the two. The link between social capital
and microfinance is in the joint liability for repayment in group lending and the contingent renewal of loans in which all borrowers must repay in order for any of the group to get the next loan. One of the interesting conclusions is that within microfinance methodologies, using a self forming group process for solidarity lending, social capital can play an exclusionary role against a village's poorest members. This exclusion happens because the poorest do not have sufficiently developed social networks to get invited into a group nor the trust necessary to work together in a joint liability situation (van Bastelaer p. 12-17). Notwithstanding this debate, it is recognized that methods of developing both formal and informal social capital vary according to the culture in question. The purpose of this study is to explore the area of culture and development by making a preliminary examination of the socio-cultural factors which can foster more culturally sensitive development and optimum results. By taking this approach the study shows the importance of not talking vaguely about social capital but the importance of understanding how the cultural traits/components of informal social capital - obligations, expectations, norms, and self imposed rules of conduct, work so they can be leveraged into more effective development. For this reason the study will not address its findings in terms of social capital but consider the groups’ culture. It is believed that by understanding the workings of the cultural traits/components of social capital can be put into effective use. To demonstrate the necessity of this sequence, the area of concentration for this study is microfinance.

There are three characteristics about microfinance that are generally true. 1) Microfinance is generally based where the population density is sufficient to obtain the volume of clients necessary to operate efficiently. This tends to emphasize urban and peri-urban settings. 2) Microfinance organizations tend to use Northern best practices to achieve the operational and financial efficiencies necessary to reach sustainability. 3) The competition between microfinance institutions is pushing them to reach further afield into the less densely populated rural area, at least in the continent of Africa.

Unlike the urban environment, where there tends to be an assimilation of cultures as people devise new styles of living and working together, the rural areas are bound much more closely by the values and relationships of their "traditional" heritage. Although attempts are made to factor the cultural context into program and project design, it could be successfully argued that, at best a superficial understanding is achieved in most cases. In order for microfinance organizations to move successfully into the rural areas it is necessary for development and microfinance personnel to better understand, particularly in Africa, the local context in which they are working, so they can adapt their methods to the situation and hopefully use certain cultural practices to their advantage in new product development. These cultural considerations can be used to minimize negative impacts on the success and sustainability of microfinance operations and to maximize the potential benefits of microfinancial intermediation.

Objective
The objective of this project is to show, through a case study, the value that can be added to the microfinance development process when the local socio-cultural practice and context are taken into consideration. The value of this type of case study is ways and means to mitigate microfinance risk. Risk mitigation in the form of culturally attuned savings and loan product development, collateralization methods and collection methods.
In order to implement this objective, it was decided to provide some focus to the objective by asking a question. The question chosen for examination was: *Is the concept of an individual’s family, and community status or obligation, an opportunity or an obstacle to current microfinance lending practices and how?*

**Report**

This study consists of three components. Part I, the review of literature, is a report which contains a descriptive summary of local practices in Ghana which can impact on financial intermediation in microfinance projects, identification of cultural traits described in the local practices and the questions raised by these practices for microfinance organizations. The benefit of this output is that it serves as both an example of the cultural information available and as a baseline for the field study. In addition it demonstrates that the cultural components of social capital - obligations, expectations, norms are complex and multifaceted.

The results of the fieldwork are reported in Part II. The case study includes the response to a question about the local practices that had been developed in Part I. Included is a discussion about the results of the interviews as they relate to the individual questions.

Part III of the report contains recommendations about how the microfinance programming in Ghana could become more effective by taking into account the local cultural traditions validated during the interviews. The purpose of these recommendations is to provide some suggestions about what can be done immediately to improve results and reduce risk by using the cultural information to better leverage the social capital available to the projects. Additional recommendations are also made for further research that might assist other programs. The benefit provided by this report is the demonstration that a study of the culture can both help to eliminate cultural bias in project development and provide useful information about how to maximize the benefit of social capital for development results.

Upon completion of the report will be presented to the microfinance experts within CIDA and to Canadian Executing Agencies (CEAs) who are implementing microfinance projects for comments about the applicability of cultural considerations of the microfinance sector’s development.
1. Literature Review

1.1 Methodology
The methodology for Part I of the study involved conducting a cursory review of ethnographic literature on African societies, particularly Ghana, where a follow-up field mission will be made. Based on the literature review, questions about the implications of the local cultural practices will be raised regarding microfinance operations. Every attempt has been made to utilize literature that takes the dynamics of development and culture into consideration. This review focuses first, on material (at least, five items selected in consultation with Policy Branch) which provides information about some common characteristics of local cultures. Although there are numerous case studies about microfinance projects and organizations on the Internet, the information about the impact of local culture on microfinance projects or any other type of development project sponsored by international cooperation programs is rare and infrequently undertaken.

The study question was used to provide a focus to all the appropriate literature available about Ghana. The International Development Information Centre used both the internet and electronic databases to search for appropriate literature. The keywords used, were “Ghana, Family, Community and Rural.” In all, more than 10 major databases were searched. From the material identified a primary, long list bibliography was developed made up of 12 items. With the approval of the Policy Branch, The International Development Information Centre was asked to get as many of these items as possible. A secondary list of microfinance literature, specifically related to Ghana, was also developed. The purpose of this, much shorter list of material was to determine what, if any, cultural adaptations in microfinance practices could be identified. This bibliography also included material supplied by the Ghana desk at CIDA.

Using the available databases, literature pertinent to the question was gathered, analysed for patterns common to the ethnic groups, and cultural traits were identified. From this information subordinate questions about social capital were developed along with supporting questions. These questions were developed using, as a reference, an Institutional Matrix Evaluation Tool developed in 1998 to assess microfinance organizations in Tanzania. This Institutional Matrix Evaluation Tool can be found in Appendix A.

1.2 Cultural Traits
The question, *Is the concept of an individual’s family and community status or obligation an opportunity or an obstacle to current microfinance lending practices and how?* provides a foundation for the identification and extraction of specific cultural traits which can be used as a basis for achieving the objective of the study. Key elements of the study are to identify the factors that impact *status* or *obligations* and how they may impact on current microfinance lending practices. Within these two areas of status and obligation there is a particular focus on family and community, in other words, the social environment in which the microfinance client lives. The reason for this focus is that kinship and marriage systems in Africa provide a set of social arrangements and interrelationships that allow people to live cooperatively and in harmony, and to pursue orderly social life (Klomegah p. 76).

As indicated above the focus of this study is on the rural areas of Ghana. The assumption is that as MFIs expand into the rural areas, they will encounter a greater
degree of traditional cultural patterns. By understanding these patterns, better microfinance products can be adapted to the local situation and thus reduce the risk of default on loan repayments and allow for slow growth toward sustainability. In this context, the literature makes it clear that Ghana is not made up of a homogeneous culture. In fact, Ghana is made up of several ethnic and tribal groups, some of whom have a long and bitter history of conflict with other groups. These conflicts, during a certain period of time, contributed significantly to the slave trade. Because of this diversity, this review of the anthropological literature about Ghana has tended to report the traditional cultural characteristics which can be attributed to most of the major cultural groups in the country. The review encountered only six of the major cultural groups within the country - Ashante, Fanti, Gonja, Tallensi, Nzema and Ga. The Ashante, Nzema and Fanti are generally located in the south west portion of the country while the Ga are in the south east, the Gonja in the mid west and the Tallensi in the north east section of the country.

1.2.1 Marriage and Family
In all societies, including Ghana, the family as we know it is a basic social institution. As such the family forms the basic structure on which society’s norms, expectations and obligations are based. The family is also the beginning point for both status and obligation within a society. Thus the family is a critical part of the foundation on which social capital rests.

A family, for the purposes here, can be described as a group of persons linked by kinship connections in which the older members take care of the younger ones (Ardayfio-Schandorf p. 5). Marriage can be defined as the socially acknowledged and approved sexual union between two adult individuals but more importantly it is an alliance between two families or kin groups (Klomegah p. 73). Marriages are the institutional arrangements for ensuring the continuation of the family, lineage, and clan (Ardayfio-Schandorf p. 14).

In Ghana the ‘Northern’ or ‘Western’ concepts of marriage are too limited because polygynous marriage is still practised to a significant degree throughout the country. Traditionally polygyny (males having more than one wife) was practised by those who could afford and maintain more than one wife, or those, who because of their occupation (e.g., farming, trading and laundry) found polygyny advantageous (Klomegah p. 73). In a society of subsistence food production, a large number of children are needed to provide a labour force for each family, to ensure presence of children as the average rate of child mortality is very high, and to ensure the continuity of the family line through heirs. In Africa, children are valued for their labour, emotional support and old-age security for parents. In such a society where the desire for many children is the paramount concern of spouses, the practice of polygyny is socially acceptable and it is considered the surest means of achieving societal ideals and goals. This means that women are valued not only for their roles in the subsistence economy but also for the reproduction of children to reinforce the family labour force. This also suggests that polygyny is associated with social differentiation. It is a status symbol. It discriminates between “the haves” and “the have-nots” (Klomegah p. 76-7).

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1 “Asante” is what the Asante people call their country. “Ashanti” is the Anglicized version (Arhin p. 471).
In many ethnic groups where polygynous marriage is practised there is not even a single word for nuclear family (Ardayfio-Schandorf p. 13). The Ghanaian ethnic groups that are part of this literature review are matrilineal - tracing one's ancestry through the mother. In Ghana the traditional belief is that the mother passes on the blood she received from her maternal ancestors. The father passes on his spirit through his sperm, providing important spiritual protection (Clark p. 71). In this context a person's family is considered to include both grandparents on their mother and father's side. The aunts and uncles of both their father and mother and their brothers and sisters, including full and half brothers and sisters, are all close family members. This description of the family members is further differentiated from the 'Western' meanings for these words because relatives other than the biological father, mother, brother and sister can be attributed these names within the broader family context. For example, males starting with their biological father and all the males traced back through the father's mother and her brothers back to the lineage ancestor are all called “father” and by all these “fathers” he or she would be called “son” or “daughter” (Palumbo p. 235-7). As well the brother and sisters' relationship in matrilineal societies is often ranked as the strongest cross gender tie (Clark p. 72). Awareness of these different name definitions and relationships for microfinance group formation and lending is more important than the details of the exact biological relationship.

The economic unit is not the same as the consumption unit. The dominant mode of production may be described as the polygynous family: a husband, as master and organizer, wives, adolescent children, pawns and slaves if any, formed an independent production unit (Arhin p. 473). With regard to the consumption unit, in Ghanaian relationships limited financial assistance is received by the wives from the husband as there is competition between or among the co-wives for scarce resources. In such circumstances the bulk of the resources goes to either the senior wife and her children or the favourite wife and her children (Ardayfio-Schandorf p. 10 and Azu p. 64-5). In the consumption unit, traditionally the father had responsibility to feed all his children and the moral training, provision of a gun and marriage expenses for his male children (Clark p. 72, Arhin p. 472). The method of ensuring that his wife and children were fed was based on a financial arrangement. In exchange for cooking and domestic services the wife was given ‘chop money’ or food money (Clark p. 73). In the past ‘chop money’ provided enough for the family needs plus the wife was able to save small amounts (Clark p. 74). This was possible because the women would provide food from their own garden (Clark p. 73). As the economy worsened, wives were expected to contribute through their trading to the daily food money requirements. Until recently, due to inflation and structural adjustment a woman with a ‘good husband’ might be able to save modestly from her own earnings (Clark p. 74-5).

In many traditional Ghanaian instances, the wives do not all live in the same location and the husband migrates between his households leaving his wife as the household head while he is gone and dependent on her own income plus small and/or irregular remittances if any. In the more traditional case where the family is located in the same community, the wife stays with her mother and visits her husband on a regularly scheduled basis to provide food and other domestic services (Azu p. 20-34). Marriage in a matrilineal Ghanaian society is flexible and divorce is easily brought about by either partner, although most frequently by the wife (Goody p. 155). In traditional cases the girls continue to live with their mother all their life in the women's compound. The boys live with their mother until they are about seven and then move in with their father in the
Parents, because of their love for their children, are sometimes considered to be less strict than necessary in terms of administering appropriate discipline to their children. This is considered to be a ‘bias’ and the reason for this practice.

By putting a substantial focus on their children, women hope to build a foundation for eventual personal autonomy in their late middle age. When children start to earn income they are expected to pay for some of their mother’s expenses. This allows the mother to devote more time to lineage and community affairs (Clark p. 76-7). The recent economic instability has resulted in less personal autonomy for women because male children continue living at home and daughters are less able to earn income and become self sufficient. This burden has meant that women must continue to work at the same pace to a much older age (Clark p. 80, Arhin p. 64).

Most women support themselves and their children through some combination of farming, small-scale enterprise, trading and as public servants (Ardayfio-Schandorf p. 42). In some groups, trading is financed by the husband and is considered part of every woman’s normal occupation. Frequently, the wife makes much more money than her husband (Azu p. 64-5). Women traders are willing to take from their business for the family benefit and struggle to keep their business capital separate from their subsistence needs. They are careful not to pool their business assets with their husband to prevent future claims by him or his lineage kin. Women maintain this financial separation in order to protect their capacity to support their children in event of divorce or widowhood (Clark p. 75). When a wife is paying more of the cost of food and child maintenance by devoting more time to earning money, the husband is expected to scale back his demand for domestic services (Clark p. 76). Because of this separation of assets, even though the husband provides the start-up capital he does not have a claim on profits.

Notwithstanding these traditions, the nuclear family model is gradually emerging due to increased education and the adoption of ‘Western’ styles and methods (Azu p. 115). Although the traditional methods are undergoing change, the change is not a clear adoption of ‘Western’ methods but a synthesis of the old and new (Azu p. 116). The majority of wives having secondary or higher levels of education are married to monogamists. The lower the educational level of a woman, the more likely she is to be married to a polygynous male (Klomegah p. 81-2). Occupation before marriage is not a predictor of the type of marriage a woman is likely to enter into (Klomegah p. 82). Catholics and Protestants are more likely to be in monogamous marriages while Moslem women and those who hold traditional or other religious beliefs are over represented in polygynous marriages (Klomegah p. 83). More urban residents find it advantageous and convenient to settle for only one wife instead of many wives. This seems to be due to harsh urban living conditions, such as housing problems, unemployment, high living costs and expensive transportation: conditions that are not conducive to polygynous marriages and large households (Klomegah p. 84). However, as indicated above, there appears to be a synthesis of the old and new. The attitude of Ghanaian women to polygyny is mixed, and as a recognized and appreciated custom it can transverse certain social and economic structures (Klomegah p. 84).

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2 Parents, because of their love for their children, are sometimes considered to be less strict than necessary in terms of administering appropriate discipline to their children. This is considered to be a ‘bias’ and the reason for this practice.
Based on this analysis of the literature and the patterns common to the ethnic groups concerning marriage and the family, the following cultural trait can be identified as having an impact on microfinance. *Polygynous matrilineal marriage is still practised to a large extent in the rural and traditional parts of the community. These marriages have a significant impact on living arrangements and the definition of an economic unit.*

From a microfinance perspective, Ghanaian marriages raise a number of issues. Ghanaian marriages and matrilineal heritage could make it impossible to use rules about group formation which exclude members from the same family from being in the same group. Identification of a woman as a single parent and head of household as a loan criterion may need to be rethought. Issues around loan impact on the family as an economic unit also requires reconsideration. Based on these issues relating to marriage and the family a subordinate question has been developed. *If the economic unit focuses on women, how can microfinance institutions utilize this in their lending practices?*

### 1.2.2 Kinship and Business

Kinship ties are connections between individuals established through descent or marriage (Ardayfio-Schandorf p. 13). These ties are a means of tracing descent and historical relationships. In societies like Ghana, lineage also carries obligations to relatives in order to preserve the lineage’s integrity and vitality. Kinship or lineage plays an active role in the family as a social institution and in business operations. As indicated previously, the concept of a nuclear family has had little formal recognition in the African tradition (Ardayfio-Schandorf p. 13) and although marriage is a contractual tie which can be easily broken, failure to observe the duties of kinship may have serious consequences (Goody p. 102). The Ghanaian matrilineal kinship system plays an important role in the organization of the family, marriage, the household and in the society at large (Ardayfio-Schandorf p. 34). It has been the lineage consisting of direct descendants from a reputed male or female ancestor traced through the female line that is accorded recognition for succession to traditional office or inheritance of property (Ardayfio-Schandorf p. 13). This kinship system is a highly centralized traditional political system. The system is managed by males and built on elections at the village level to the division and state level. In this system the chief at the village level has a council made up of leaders from the other lineages. This system replicates itself at the higher levels. Although it appears democratic some lineages for various reasons, are considered dominant and to have more superiority than others.

Land is owned and politically controlled by a lineage group and traced through the women even it is controlled by the men (Clark p. 73), and traditional religion dictates that land cannot be sold, although special agreements for use can be made by consensus (Riehl p. 31-2). Married families farm together on land usually granted by the husband’s mother’s lineage. Because land has been readily available within the territorial boundaries of a lineage community, men of enterprise acquired for themselves new land by opening up new holdings. When the husband dies an extremely complex system of inheritance takes place that can be critical to the retention of not only income, but also political power and influence within the web lineage group relationships through marriage (Palumbo p. 239). With the introduction of cash crops and plantations the value of the land being inherited has increased significantly. This has had an impact on the importance of the relationship between land and marriage. Consequently, marriages have become a strategic means for a family to concentrate wealth, retain control over land and a means of production, manage lineage conflicts and to maintain the balance
of power between lineages. Over time, special marriage practices like cross-cousin marriages have begun to evolve as a means of forging alliances so that descent groups can continue to retain control over their traditional land (Palumbo p. 239-254).

Generally a political office within a mother’s lineage group is inherited by her male children. A father’s non land property, like cows and manufactured goods including responsibility for children, is inherited by his wife’s brothers or her children - this is a difficult distinction for those not familiar with polygynous marriages to grasp (Goody p. 229). Early anthropological studies in the region also identified the importance of sibling solidarity to the cohesion and endurance of descent group systems (children of a Ghanaian family the same age group and sex forming strong relationships and obligations of mutual support of that generation that persists throughout life). Of special importance here, as mentioned above, are the brother and sisters’ relationships (Clark p. 72). Modern studies have not followed up on changes to these systems (Ardelayfo-Schandorf p. 77 and Azu p. 69).

In the business context, kinship creates a number of competing interests. In Twi - one of the dominant local languages in Ghana - the word gyedi is used to denote trust. The word, in addition to the ‘Western’ meaning of trust - firm belief in honesty, can also mean confidence in, or knowledge of a person’s ability, belief and faith (Lyon p. 674). Recognition of these added characteristics of trust is important to the understanding of business dealings within and outside the family.

In societies like Ghana with a strong extended family and kinship system, there is a low status placed on individual entrepreneurial endeavours. This low status is evident because individuals seek to increase their status in the community by methods which effectively reduce the profitability of their business (Buckley p. 1090). One of the reasons for this low status is that extended family and a kinship network creates a system of entitlements and responsibilities. These entitlements and responsibilities include such things as the employment of family members because it fulfills reciprocal obligations in the family (Azu p. 42-4 and Buckley p. 1089). Employing family members as apprentices is done with little regard for productivity in a business sense and can drain resources. Hiring people who are close relatives, however, has several benefits. It can also be a source of cheap labour. Both reasons for hiring provide greater social cohesion, a greater degree of ‘trust’ and avoid formal contract law (Buckley p. 1089). Kinship among the Ashante is both flexible and negotiable while establishing the right to refuse a request and to ask for whatever a person will need most desperately in the future if the request is granted (Clark p. 80).

Another aspect of the low status placed on individual entrepreneurship is that although business success may provide a business person respect, prestige and power and thus provide an incentive to continue, it can also result in a lack of incentive because of the pressure to share income and wealth for family funerals, school fees etc. (Buckley p. 1090).

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3 In some traditional situations children are raised by foster parents, usually the father’s sister or the mother’s brother, primarily for educational purposes. This practice has now diminished but children are still sent to live with foster parents and work as domestics or apprentices earning income for the parents while learning a trade or skill from their foster parents or attending school when the parents live in remote areas. In pre-colonial times a sister’s child could be pawned to work as collateral on loans. The child’s work was considered interest. The sister would accept this turn of events in exchange for support in her old age (Azu p. 45-7, 93-7 and Goody p. 225).
This potential for spreading the risk among a large network of lineage kin has been a substantial asset in the past, but the basis of resilience is shrinking due to the economic crisis (Clark p. 80). One outcome of this is that people with small businesses save money by using money-keepers or saving with susu collectors to protect their savings from appeals of friends and family (Steel and Aryeetey p. 36). Yet another example of the lower status of individual entrepreneurship is the fact, that frequently, surplus capital is used to buy land or real estate instead of using it to increase the enterprise. In terms of land purchases, the belief is that family members can be employed and use the land to grow food (Buckley p. 1089). As mentioned previously, it is also important for women in business to be careful not to pool their business assets with a husband to prevent future claims on the assets by him or his lineage kin (Clark p. 75).

Still another drain on the business person, but particularly the successful business person, is the pressure to provide financial aid on favourable terms to other family members as start-up capital or expansion of smaller businesses. In a survey, the major source and obligation for financing new businesses rested on family and kinship networks and the basis for this financing was not based purely on economic criteria (Buckley p. 1091).

When capital is required from outside the family for a business, it is often done through a third party who is known to both the loan giver and loan receiver and in this case, the third party acts as a guarantor for both (Lyon p. 682-3), verifying that he or she ‘trusts’ each to fulfill their obligations.

When the kinship system and a third-party guarantor mechanism are not available for financing a debt, people are forced to go further afield to people outside their descent group where no guarantor is available. An example of this type of situation might be a farmer who sells his crop to a trader on credit or a trader who provides credit to a farmer for seed and fertilizer. When people in this type of situation want to collect debts or ensure repayment they need to know where a person lives so they can visit them at their home. This avoids embarrassment for both of them but at the same time gives the message that the person cannot run away and may, by implication, involve the individual’s family honour if there is a default. Most often when women owe money, it is the brother that the collector visits (Goody p. 225). If a collection visit is required, the individual will often bring along a church or village elder known to the debtor to assist in providing social pressure. Threats of blacklisting and magic are also used in some cases to collect debts (Lyon p. 682-3). These methods demonstrate the alternatives developed to overcome the lack of formal contract law in a traditional setting.

From a microfinance perspective, the economic unit spreads well beyond the ‘Western’ notion of a nuclear family. This enlarged economic unit provides an additional financial support network for the family but it also results in financial obligations which can have a significant impact on the profitability of a business for which an MFI provides financing. As well the traditional methods of lending and debt collection may provide important lessons for MFIs.

Based on this analysis of the literature and the patterns common to the ethnic groups pertaining to kinship and business the following cultural trait can be identified as having an impact of microfinance. The value of an individual entrepreneur’s business is ranked
as less important than obligations to the well-being extended family and kinship network. These obligations are not all one-way but reciprocal. Informal mechanisms of guarantee and social pressure have been developed to address situations that would be dealt with by formal contract law in ‘Western’ society.

The family structure appears to have more impact on business endeavours of women while kinship obligations influence the men’s business operations to a greater degree. In both cases these obligations take precedence over business success. An important factor for MFIs to consider within a Ghanaian family and kinship dominated culture is, how the microfinance institution is perceived. Is it an easy source of capital offered by outsiders that has a low priority for repayment, or is it a mechanism being synthesized with traditional methods to benefit both the family and the lineages of a community? Based on these issues relating to marriage and the family a subordinate question has been developed. Since the family/lineage obligations take precedence over the business, can microfinance institutions utilize these obligations in their lending practices?

It is clear from the literature available for review that ‘status’ issue has not surfaced. Because no information is available at this point, it is not possible to say whether ‘status’ is a factor that contributes either positively or negatively to the question under examination. Therefore, we must conclude that for the time being ‘status’ will not be pursued as a component of the question and will not be reinstated unless it appears as a factor in the field study.

1.3 Questions Related to Microfinance
The review of literature identified a number of patterns that are common to the ethnic groups in Ghana. From these patterns two cultural traits have been highlighted as the key components for further examination. As a means of examining these traits subordinate hypotheses were developed. In order to examine the cultural traits and examine the validity of the hypotheses, a number of questions that relate to the nature of social capital and microfinance have been developed.

1.3.1 Marriage and Family
1. Question: Co-wives living in the same community
   a. Should women who live in these situations be subject to special favourable or unfavourable lending criteria?

   b. What should the special criteria be, and why?

2. Question: Married women as de facto heads of households
   a. Would it be more prudent to do group lending to women of the same lineage who live together or wives of the same husband or to ignore the situation entirely?

   b. Can the traditional marriage status of women borrowers be ignored for the purposes of microfinance lending?

   c. As de facto heads of household, are MFIs at greater or lessor risk if women in traditional marriage relationships are granted loans either individually or as a group?
d. Are particular lending products more appropriate for women married and living in the traditional manner and if so, what are they, and why?

3. Question: Family as an economic unit
   a. Since polygynous families in which the wives live with their mother do not operate in the common perception of the family as an economic unit, are eligibility criteria for access to an MFI appropriate in the cultural context of Ghanaian marriages?

   b. How should MFIs with eligibility criteria structure those criteria in the Ghanaian marriage situation?

   c. Would it be a good idea to set up a product that, if it is not already available, enables women to keep business and subsistence finances separate?

4. Question: Borrowing by males
   a. What aspects of lending to males need to be reconsidered in light of Ghanaian marriage obligations and why?

   b. Is there a role for promoting the ‘Western’/’Northern’ concepts of spousal support and child maintenance within a Ghanaian context of microfinance lending and if so what is that role?

1.3.2 Kinship and Business
1. Question: Family Employment
   a. Should asset and liability assessment of a person for productive loan purposes include family and kinship obligations?

   b. Would knowing the number of members from the extended family and relatives employed serve as an indicator of business stability; i.e., the more family employed, the less stable the business?

   c. Since employed family are usually hired as apprentices, would the number of apprentices be a good, indirect method of determining the number of family members employed?

2. Question: Family/Kinship Aid
   a. Is it important for an MFI to know why the family (mother’s) and relatives have not lent the borrower the money they want to obtain from the MFI?

   b. If the borrower has not gone to their family (mother’s) first, what are the reasons? Is it important for MFIs to know why?

   c. If the Loans Officer is part of the borrower’s kinship network could the MFI be inadvertently placing them in a conflict of interest situation that is unfair?

3. Question: Savings
   a. ROSCAs are popular because they allow savings to be used as the saver wishes (Buckley p. 1085) and a susu savings serves as a means to avoid the appeals of family and friends. Is there a similar unregulated product that MFIs can offer?
4. Question: Guarantors
   a. Should a loan be dealt with on the understanding that it is a kinship obligation?
   b. In individual lending situations can the mother’s family and relative guarantors be used more effectively than others?
   c. What type of family or relative guarantor would work best?
   d. What kind of third party guarantors would work best - church and village elders?
   e. Should the Loans Officer know the guarantor?
   f. The rate of interest charged by a moneylender varies based on the loan type and relationship with the borrower (Buckley p. 1084). Is there something that MFIs can learn from this in terms of treatment of repeat borrowers and loan use?

5. Question: Methods of Collection
   a. Do MFIs make a practice of knowing the location of both the place of business and the home of the micro entrepreneur?
   b. Do Loans Officers collect bad debts on their own or go with respected individuals to put on social pressure?
   c. Would the threat of blacklisting be appropriate and work for MFIs?

6. Question: Impact
   a. Given the different economic unit is there a need for a different indicator of microfinance impact on household income?
   b. Given the different economic unit, what could serve as an appropriate measure of the impact of microfinance on household income?

1.4 Conclusions
The review of anthropological literature and the identification of significant cultural traits has also demonstrated that the economic crisis in Ghana has weakened the traditional patterns of family and kinship networks. It has also shown that the Ghanaian culture is resilient and that these patterns have not been broken completely. From this, it can be concluded that there is likely to be synergy to be gained for an MFI that builds on the social capital provided by the identified cultural traits. On the other hand, it can also be concluded that unless microfinance considers the cultural environment in which it operates there can be serious consequences in terms of risk management, new product development, sustainability and impact. The identified cultural traits have raised a number of questions for microfinance institutions regarding how they have adapted their operations to the Ghanaian culture. As indicated in the methodology, the Institutional Matrix Evaluation Tool was used to focus on the intersection between microfinance and culture. This drew attention to questions for microfinance institutions which arise from the cultural traits, the subordinate hypotheses and the sections in the Matrix pertaining to ‘Performance Record’ and ‘Power of Influence’. These sections address issues about how a microfinance organization is fitting into the community and building the local ownership of the institution. The questions address the flexibility of products, services...
and procedures and their ability to fit into the local cultural environment. In other words, the questions help address the extent to which a microfinance institution is utilizing the available social capital.

1.5 Lessons Learned
The major lesson learned from this review of literature pertains to social capital. It is clear from the review of literature that many donor organizations and microfinance practitioners use the term social capital without ever having a clear definition or defining the parameters of what they are including in the term. CIDA falls withing this category but is by no means an exception among users of the term. It is important that CIDA examine the definition and concept of social capital and how it can utilize this to more effectively bring about developmental results.

A second significant lesson learned has been that the local cultural dynamics can raise serious questions for a microfinance institution in terms of its operation within a given cultural context. It is therefore recommended that CIDA insist that similar analyses be conducted on all pending microfinance projects at a pre-design stage, and when a project is being redesigned. Performance Review should also insist that an analysis of several completed project be done to examine the lessons learned and determine whether a greater impact could have been achieved through a study of this nature during its design phase. This recommendation is made so a stronger community base of ownership be built into programs through culturally appropriate operating procedures and thereby increasing the development results.
2. Case Study

2.1 Introduction
Due to a restricted budget of this project both the review of literature and the fieldwork mission for the case study were brief. Although this length could affect the quality and therefore the completeness of the data, it is believed however that this case study is valuable to both CIDA and its CEA’s.

The purpose of the case study is to verify the information found in the review of literature and to answer the questions raised by the literature review that pertain to microfinance institutions and their operations.

The case study initially presents an overview of the cultural characteristics found during the fieldwork. The description of the cultural characteristics found were limited to those aspects of the culture examined in the review of literature that relate to family, kinship and the way Ghanaians conduct business. Where new information was obtained during the fieldwork, it was also added in order to provide a more complete picture.

Following this overview, the findings are presented as answers to the questions raised in the literature review in Appendix B. To answer these questions, the data obtained in the interviews, other general discussion and observations was used. From the answers to the questions, conclusions are drawn and lessons learned are reported.

2.2 Objective
The objective of the case study is to show the value that can be added to the microfinance development process when the local socio-cultural practices and context are taken into consideration. This would provide insight into how microfinance risk could be mitigated, through culturally attuned savings and loan product development, collateralization methods and collection methods.

2.3 Location
The case study fieldwork was conducted in the Brong-Ahafo Region of Ghana. The Brong-Ahafo Region until the 1960’s was known as Western Ashanti. It is the traditional territory of both the Brong and the Ahafo tribes. The Brong along with the Ashanti are an Akan speaking people. The Akan language is the source language for several tribes in western Ghana and further west into the neighbouring countries. The Ashanti have traditionally dominated among the Akan speakers. This domination has lead generally to a highly self confident behaviour being exhibited among the Ashanti and a resentment of the Ashanti by the other Akan speaking tribes. The majority of the case study interviews were conducted with Techiman as the base. Techiman is about 250 kilometres north of Accra and about 50 kilometres north of Kumasi. Techiman is the administrative headquarters for the Techiman District in the Brong-Ahafo Region. Interview locations ranged a short way out of Techiman to the east and west. Techiman is a major crossroads in Ghana and has the largest market in the country. People come from as far north as Benin and Burkina Faso to trade. The population of the permanent residents of the city is estimated at about 60,000 and on market trading days - Wednesday and Thursday, it can double. For this reason no accurate information was received on the size of the city. Because Techiman is a trading centre, it is also a melting pot of tribal cultures. With Techiman as a melting pot of tribes and cultures it was ideal for this type of study. Unlike most anthropological studies which try to do an in depth analysis of a
single culture, this study is an attempt to understand how culture influences the way business is conducted in the complexities of everyday life, not in isolation. In this case study, outside variables influencing culture and business were welcomed because the case study is serving more as a cultural survey than as an in depth study of a particular group or a particular trait in several groups.

2.4 Methodology
The fieldwork for this case study was conducted following the literature review and over a period of nine (9) days between November 27 and December 8, 1999 the interviews were conducted. Although a majority of the interviews were conducted in Techiman, one day was spent in Sunyani, the regional capital that lays about 60 kilometres to the west. During this day, people from the western part of the Brong-Ahafo Region were interviewed. As well, one afternoon was spent in the town of Nkoranza about 20 kilometres to the east of Techiman. The size of the area makes it an ideal catchment area for a microfinance program that is expanding into the rural areas.

Before arriving in Ghana the consultant prepared a list of questions for use during the interviews. Upon arrival, a schedule was developed that included group and personal interviews. The first group interview using the extended questionnaire designed for individuals was less than satisfying. A shorter, more focussed series of questions were developed for groups. This new questionnaire could still obtain critical information from groups for the study. In total six groups made up of 108 individuals were interviewed. The composition of these groups differed from all women (2 groups) to a mixture of both men and women (4 groups). In the mixed groups men represented less than half but more than one third of the individuals. The nature of the questions was such that they generated, in all the group interviews, a spirited discussion around the roles of men and women. In many ways it served as a gender training session for many of the men.

In total there were 15 individual interviews. These interviews included six men and nine women. Each interview took more than an hour. Six of these interviews were conducted in the local language and were translated. All of the translated interviews were with women. The tribes represented in the interviews were: Ashanti (2), Brong (6), and one each from the Fanti, Nafana, Ga, Kwahu, Fantra (a tribe from Cote d’Ivoire that at the end of the wars in the 1800’s settled in the west of the Brong-Ahafo Region), Haussa (grandparents immigrated from Northern Nigeria) and Moshe (grandparents immigrated from Burkina Faso). An interesting note about these interviews was that in many cases the interviewee had been quite vocal in the group interview. In addition the responses in the individual interviews by these individuals were different from what they had said in the group interview. It indicated the pressure on people to maintain the norm in the public eye even though on a personal level their situation might be very different. It was not possible to tell if the response in the group was how the individual would like things to be or if they were afraid to stand out and appear different. The tentative conclusion is that they did not want their difficulties known publicly so they vocalized the norm in the group setting. In the individual interviews the review of literature was of enormous assistance. Being able to demonstrate a basic knowledge about the culture helped to establish rapport with the respondents. Because of this, the respondents were very forthcoming about differences between the traditional practices and the current situation. It was also apparent that the respondents were not prepared to venture into aspects of their culture if a basic understanding was not available as a starting point. In addition, the literature review provided a basic knowledge of the culture and a baseline about what the traditional culture was like. This served as a means to identify and measure
what aspects of the culture had changed and by how much. This background made the literature invaluable to the case study and enabled and facilitated the rapid acquisition of the large volume of data collected during such a short field study.

During the course of the field mission three different microfinance programs were encountered in Techiman. The most prominent of these were the credit unions, as well as a credit with education program serving petty traders and a maize inventory program for farmers. In addition, based on an expressed interest of some of the leaders, attempts were made to investigate a health insurance program in Accra.

Upon returning to Accra, a meeting was held with an anthropology professor, Paul Hagan, from the University of Legon who specializes in local cultures. The purpose of this meeting was to verify that the cultural observations made in Techiman were accurate, to clarify aspects of the culture that were puzzling and to identify and fill in gaps, if any, in the cultural observations that had been made during the interview process. This meeting was most useful and critical because it also provided an opportunity to discuss, with a local expert, observations about the cultural changes that have taken place in the time between the anthropological studies used in the literature review and the field study.

2.5 Family and Kinship in Modern Ghana: A Brief Overview
A society’s culture is like an organism. A culture’s values, norms and behaviours adapt to circumstances in the environment as it changes in order to remain balanced. This, in anthropological jargon, is known as dynamic equilibrium. In response to pressure points, values and norms adjust in order for the culture to retain its balance. If the culture is not able to adapt because the change is too great, it disintegrates. It has been suggested, for example, that this is the situation with many native Canadian and Inuit communities. In other situations, the change is less dramatic and the culture is considered to be in transition. Examples of this are Eastern Europe and the former Soviet Union. Primarily the change is at the political level. These changes cause ramifications and implications for many aspects of the culture. In Ghana, a similar situation is taking place. There is a transition which represents a move away from traditional practices. These changes are necessary for Ghanaians to be able to finance their basic human needs. In all cases it is a question of the relative speed with which change is taking place, and the ability of the values, norms and determination of appropriate behaviour, to keep pace. In Ghana, the transition is taking place on a generational basis. People from 40 and 60 years of age represent the generation absorbing the majority of the change between the traditional and modern cultures.

The culture described in the review of literature is traditional in nature and changing rapidly. It is a way of life that is remembered but not practised. It also provides a way to understand and explain what and why certain practices operate the way they do today, but it is not the culture of today in modern Ghana. The interviews confirmed this change, however, the more remote a family and the stronger and more important a tradition was to the particular tribe, the less it has changed.

2.5.1 Change
Although the economic crisis in Ghana caused by structural adjustment and inflation is a major cause for many of the changes, the cultural changes seem to have begun much earlier. For example, there has been a major population increase. This increase in population has put extreme pressure on the way the traditional tribal cultures function.
The exact point of pressure is unclear. Changes in the provision of health services could have reduced infant mortality and contributed to some degree. The value of educating children has become increasingly important to families. In the generation of people that are over 50, education was more limited. One woman who was over 50 said that the only reason she had her school fees paid and was able to go to school was because her parents thought she was too beautiful to be a farmer. An important priority for almost all modern families is the education of their children. In many instances this is the reason, along with Christianity, that many husbands have only one wife. If they had more wives and therefore more children, they could not afford to pay for their education. The exception to this is the Muslim community that maintains its tradition of men having more than one wife and places this above the education of their children. As a result children of Muslim parents are unlikely to have as much education as other Ghanaians.

Another significant factor in the change to these marriage patterns, is the general economic condition. Along with the increase in population and education there has been a migration to the urban centres. This migration has meant that people need to earn a living by means other than farming. When on the farm, as indicated in the literature review, wives were a valuable means of generating a labour force. Thus marrying more than one wife was an investment in a labour force that could be used to increase farm production. With the migration to an urban environment this labour force was no longer needed. In fact, inflation has caused an economic crisis in which having more than one wife in the urban area can be a self-inflicted reason for poverty. The interviews demonstrated that most people’s parents had more than one wife. It also showed that the percentage of people over 40-45 who had more than one wife was higher than those younger. The percent of people who came from parents in polygynous families was almost 95% of those interviewed. Of those over 40-45 years old, the percentage of polygynous families was about two in five. Those below 40 were the exception if they had more than one wife. The explanation for monogamy was both financial and religious, with quarrelling wives, as an added reason for having one wife. Muslims were always identified as an exception. Christianity was cited as a reason for one wife. It is unclear if, in spite of the economics, husbands would have had more than one wife if the Christian churches did not enforce monogamy. These are only some of the significant changes that have taken place in Ghanaian tribal culture.

2.5.2 Family Structure
There is another series of cultural norms that are also in transition. Although far more complex, these cultural patterns are also influenced by the above factors, economic crisis, population increase, rural to urban migration and increased education. It is impossible, however, to de-link family and kinship because they are so intricately related.

In traditional Ghanaian culture the men were responsible for providing the money for the food (‘chop money’) and providing for the basic necessities of the children including school fees and clothing. If the woman trades, and it is rare if she does not unless she was on a farm, he also had to provide her with the working capital to start her business. For the most part, if a man provided these basic necessities he was considered to have provided for his family. Men, however, pay little attention to the household finances. Although they are aware that their wives assist and support them in this, they generally have no idea as to the extent of the support. It is this topic in the group interviews that generated the extensive discussions around gender roles. Most men feel that they are meeting their responsibilities in this area and do not bother finding out the real situation.
When the discussions would demonstrate that women were, in fact, providing a substantial and significant portion of these finances, the men retreated and claimed that even though what they were hearing might be the case, they felt it was their major responsibility. The women indicated they felt that child rearing was their major responsibility.

2.5.3 Financial Management in the Family

Another interesting aspect of Ghanaian culture that is in transition is the handling of money. This aspect of the culture cannot entirely be dealt with as a family issue because a significant portion of it relates to the inheritance aspects of kinship. The husbands and wives in Ghana do not, as a matter of practice, have joint financial accounts in banks. In the group interviews the question about husbands and wives mixing money was met in some cases with laughter and in other cases with derision. The family organization aspects of this practice relate to the ease of divorce between a husband and his wife(s). In traditional society if the woman lived with her mother the consequences of divorce were not as bad as they are now when she lives with him. In the past if a woman lived with her husband, and today in the monogamous marriages, if a woman or a man divorces, the woman and the children are forced to leave. The exception to this is if the house is in the name of the woman or her children - an objective of all women interviewed. The woman is in an extremely vulnerable position because of the ease of divorcing. This vulnerable position makes it necessary for a woman to first and foremost look out for herself and her children. In Ghanaian culture the husband is supposed to provide his wife with capital so she can trade in the market. It is the profit from this capital earned while trading that the wife supplements her husband’s income and his provision for the family. This capital is one of the women’s most cherished possessions because it is with this capital that she can maintain her independence and survive if divorced. Frequently, in a family where the husband and wife get along well, they ‘work in projects together’. Working on projects together means that the husband and wife decide that they need a particular item. Once the item is decided upon, the couple negotiates how much each will contribute from their earnings. There were also instances where the wife or husband would complain that the other was trying to avoid spending their money on the children by sending them to the other parent. In some cases where there was a solid marriage but more so among the younger people (less than 40) a spouse would know about how much the other had in their savings account.

As a consequence of not having a joint account, joint loans are also not a practice. The reason provided is that the life insurance on a joint loan is only effective if both signatories were to die. This was not verified but it would stand to reason that the insurance companies would not develop such a product based on current practices.

2.5.4 Inheritance

Another reason that men and women do not maintain a joint account has to do with the inheritance systems. An additional factor noted by a number of people who were interviewed was that traditionally, in the polygynous marriage, although the wives looked like they were trusting of the husband, in fact, they were not. They were appearing to trust when they were really submitting to their husband’s will in order to position themselves and their children ahead of the other wives for any inheritance that would come from the husband. Although the traditional systems have been overridden by Provisional National Defence Council Bill 1111, aspects of the traditional system remain within it. As well, the traditional system is often enforced and challenges in the court are often too costly and lengthy for women to fight. In many cases the poor cannot afford to
take this route. It is not unheard of even today for a monogamous husband, who unbeknown to the wife had children by other women, to die and have those children come and lay claim to, and get his property. In some of the matrilineal tribes that have a stronger retention of their traditions, a man may build up his business or a farm and when he dies a nephew will inherit money and property. There are many sad cases described where the money had been squandered and the property or business made inoperable due to lack of commitment and skill while the wife(s) received little or nothing. For these same reasons women will not place their money in a joint account with their husband. In order to circumvent these problems, women work hard to buy a plot of land and build a house which they put in their name or the names of their children. In many cases when a husband builds a house, he will put it in the name of his wife and/or children for the same reason. There were two exceptions in the interviews where the husband and wife had a joint account. In the first instance, the husband had created a joint account but his wife did not put any money into it so he closed it. In the second the joint account was specifically designed to be an inheritance for the children. This method of family financial management is not different if the ancestral lineage is traced maternally or paternally. There is a story, whether it is truth or fiction is unknown, that the reason President Rawlings supported Bill 1111 was because he has a Scottish father and a Ghanaian mother whose lineage traces paternally. His father abandoned Rawlings and his mother when he returned to home to his wife in Scotland. Under the traditional system he will inherit nothing and unless he receives a state burial could be buried in a common plot because no one on his father’s side is available to provide other arrangements. In the tribes like the Ashanti, even wills can be difficult. In the past a man had to seek the approval of his mother’s family to provide for his wife, sons and daughters. Today he only has to inform them under the new law but that does not discount the pressure that the family, and particularly the mother’s family in maternal kinship systems, has on the children. In the urban and peri-urban environment the situation is more acute than in the rural areas. The rural areas maintain the old ways and control the family has over the situation is much stronger. As well, in the rural areas the family is more readily available to take care of its lineage. As a consequence of the vulnerability of women in Ghanaian society, there is little trust in many aspects of the Ghanaian marriage. However, when asked the respondents for the most part indicted that they trusted their spouse, just not on money related issues.

Although the urban areas are becoming more cosmopolitan, there is limited intermarriage between the tribes. Where it does occur, intermarriage generally takes place in the urban areas. In a sense it is like North America, where the immigrants married within their own cultural group. When intermarriage does occur, it can be the source of numerous problems. These problems arise as a result of the different traditions among the tribes. The most prominent problem for intertribal marriages centres around inheritance, especially if one tribe is matrilineal and the other patrilineal inheritance. The extent of the problems for the remaining spouse and children regarding the disposition of the estate upon the death can be enormous.

Although arranged marriages between families are a thing of the past, one individual interviewed was a 58 year old widower and even though he was considering not marrying again he had felt pressure from both his church and his mother. The church wanted its elders married. His mother was concerned about his sexual needs and arranged a marriage for him with a woman who was substantially younger and the daughter of her friend. After about a year of marriage he indicated that he did not have much in the way of a relationship with this woman. His new wife also brought a child to
the marriage that would inherit a portion of property along with the children from his first wife.

2.5.5 Children in the Extended Family
The above descriptions of the financial arrangements and inheritance systems could leave the impression that Ghanaian families are not very trusting, cold and uncaring except for where it relates to their children. This is not true. They care in different ways, particularly about their birth family. This is partly due to inheritance but it is also where they get support if they are in trouble. This, however, carries a reciprocal obligation to provide the support when it is needed. In some ways this cultural trait runs deeper and is in less of a state of transition than others. It was noted that birth family obligations are considered an asset for people. In other words, the obligations were assumed to be acceptable and without question.

In the past it was common for children to be given to another member of the family, a brother or sister. In fact, one woman interviewed had been given to an aunt at the age of about 18 months. The reason was that her aunt had been married for six years and did not have any children. Several others were interviewed who had brothers or sisters given to relatives. The explanation was, and it appeared to be an explanation their parents had given them and they accepted, that the practice contributed to extended family unity and to help with work - always in that order. Although accepted, the experience seemed to be painful to some of the respondents. These practices do not appear to be continuing. What is common, is the caring of village relatives' children so they can continue school beyond what is available in their home community. One individual had six nephews and nieces live with him over the years while they went to school. One nephew had apprenticed with him and, once trained, the uncle set him up in his own shop with it completely stocked. The respondent indicated that it was the nephew's choice if he helped the uncle financially when he was too old to continue working but when pressed admitted that the obligation was certainly there and strong. Although a drain on their finances, the caring for relatives' children was often explained as if it was a humanitarian act in the face of the Ghanaian circumstances instead of family obligation. It should be noted that to some degree the humanitarian explanation is accurate in that, in some cases, the children living with them were not relatives but only people from their village. Refusal may, however, have had consequences for the family, particularly if the family was represented on the traditional council. The practice of boarding relatives' children so they can go to school also has implications for microfinance in that it is an expense the family bears even though there may be some offsetting compensation in the form of food sent from the village.

2.5.6 Aged Parents
A second aspect of the family obligations for children is the care for parents. In Ghana there is no adequate old age pension system. The pensions that salaried workers receive are not indexed to inflation, resulting in it being woefully inadequate for that reason. This necessitates the children assisting their parents when they are too old to work any longer. One of the things that both husband’s and wives do, is to keep aside in their own accounts, money to give to their parents. Depending on the situation of the parents, these contributions can be weekly, monthly, or irregularly as gifts. The amount will, to a large extent, depend on need and capacity to contribute. It was quite clear, however, that the individual's nuclear family must be in real difficulty before this money is contributed to the family expenses instead of the parents. One must also conclude that one of the reasons a parent places such emphasis on their children's education is
because they hope the child will do well and thus be able to provide for them in their old age. It appeared that one of the biggest reasons that the inheritance practices are in transition has to do with the economic crisis that frustrates the ability for adults to provide for their old age through their children or other relatives.

2.5.7 Brothers and Sisters
A third aspect of family obligation is the financial support of extended family relatives, but particularly brothers and sisters. The review of literature indicated that there were strong obligations to assist family members financially when requested, particularly between brother and sister. During the interviews it became apparent that although the obligation is there, permitting relatives to ask for money, the discretion as to whether to give and how, rests with the person who is asked for money. Although the data was not quantifiable, the indication seemed to be that men were more lenient when it came to giving to relatives. This perception stemmed from the women’s dispassionate judgement of character. The women interviewed approached requests for financial assistance made by relatives from the perspective of family obligations, but far more strongly from the protection of their trading capital. Trading capital as has been seen above, is the only protection a woman has in a society where she is markedly vulnerable. To decide to contribute to a family member requires an astute judgement of the individual as to whether the assistance will truly create a reciprocal obligation, including the paying back of a loan or some potentially required assistance in the future. Typically, family members who request financing from another family member view the financing as a gift. Because of the tendency of family members to treat financial assistance as a gift, there is a great deal of distrust concerning financial dealings with them. Typically, gifts begin as low as $10 but average in the range from about $75 to $150 depending on the capacity to give and the person asking, but this level is seldom exceeded. This, of course, does not apply to all tribes. In some tribes the obligation to give is much stronger. When given a forced choice the individuals in certain tribes would forgo a loan payment to assist a family member.

2.5.8 ‘Knowing’
The judging of someone else’s character is referred to as ‘knowing’ them. Although it has broader applications and is applicable to political situations as well, knowing someone is the basis on which most debt related and gift giving financial transactions take place. During some of the interviews, time was taken to explore the aspects of a person that constitutes knowing they are of good character. The following is a compilation of the characteristics that qualify one as able to say you ‘know’ them. They are not like a chameleon, they do not deceive people, and they do what they say they will do. In addition they are always seen and not ‘roaming’. In other words they are stable. Finally, they get on well with others. As can be seen, decisions on these matters cannot be made quickly and by implication errors in judgement are remembered for a long time. The key to knowing someone is to be able to say that they consistently act in a trustworthy manner.

2.5.9 Sibling Group
In the review of literature there was a passing reference to the sibling group. This is the group of people that are generally of the same age, who form a strong bond that lasts throughout life. Men and women each have their own sibling group but they do not cross gender boundaries. During the interviews the sibling group was explored with some of the male respondents. It was learned that a sibling group generally ranges from two years above to two years below any given individual. The people in the two years above
must be treated with respect while it is permissible to insult those below. The primary function of this group is social, however, in certain tribes and rural localities this group serves other functions as well. In situations where the sibling group is strong, those older members of the group will act as a guarantor on a loan for a younger member.

2.5.10 Guarantors
A final aspect of the culture in Ghana relates to assurance that a loan will be repaid. When contemplating giving a loan, a Ghanaian will determine if they ‘know’ the person requesting the loan. In addition they will want to know what is planned for the loan capital and other items related to due diligence. In many cases the loan provider will want a note signed in front of a witness indicating that they are getting the loan. The note often also includes the terms of repayment and any interest if it is charged. As well, the loan provider will also want to have as party to the loan, a guarantor. This person can also be the witness but that is not their main purpose. The purpose of a guarantor is, in the final analysis, to verify that the person is trustworthy and to pressure the person to repay the loan if the borrower defaults. In the collection process the guarantor assists the loan provider in collecting the loan if a short-term default has occurred. Their job is to put pressure on the individual to pay. In order to be an acceptable guarantor he or she must be ‘known’ to the loan provider. This is a critical factor in group formation for the purposes of lending as well as for individual lending. Without a guarantor it is almost impossible to get a loan. The most common guarantor is the spouse, followed by parents if they are alive and if not, the first born, and brothers or sisters. If family members are not available, people often use their boss as a guarantor, in the case of government workers, church or village elders or friends from the sibling group. If none of these people are available then people either use people that ‘know’ them from the residential community or their work community.

This synopsis of Ghanaian cultural practices that relate to microfinance is, of course, a generalization. There are a great many differences between the tribes, position within the tribes, the lineage and inheritance systems of the tribes and religions. The differences are even greater when one considers the specific circumstances of individuals and how they operate within their environment. Notwithstanding the broad-brush approach of this cultural survey, there are numerous things to be learned from such a cultural survey that have a bearing on microfinance operations and how they can be more sustainable by being culturally attuned. The detailed responses to the questions raised in the literature review can be found in Appendix B, Specific Findings.

2.6 Conclusions
2.6.1 Marriage and Family
The significant cultural trait that appeared in the review of literature was: Polygynous matrilineal marriage is still practised to a large extent in the rural and traditional parts of the community. These marriages have a significant impact on living arrangements and the definition of an economic unit. The review of literature indicated that polygynous marriage was the traditional practice and indeed, the case study found that it is still extensively practised in the Muslim community. It also still remains operational among the older generation. The traditional marriage style has also had an impact on the current practice of maintaining separate bank accounts. To this extent the literature served as a baseline and provided the opportunity to discuss changes to these practices through the interviews. Due to the nature of the literature review, patrilineage was not explored. As well the family bonds were shown to have weakened in most tribes and extended family obligations are more frequently side stepped. As well, the impact of the
Inheritance systems on the structure and operation of the family economic unit has had a significant residual impact in the way family economics is handled, as demonstrated through negotiation without disclosing savings for major purchases and the ongoing school supply needs of children.

Out of the literature review pertaining to marriage and the family a subordinate question was developed for further testing during the case study. This question was: *If the economic unit focuses around the woman, how can microfinance institutions utilize this in their lending practices?* This question was developed around the polygynous marriage. The question anticipated polygynous marriages with a high degree of dispersed residential practices. It has been shown that this traditional style of marriage is changing. The more prominent monogamous marriage of today, however, has many residual characteristics of polygynous marriage style. One feature that has not carried forward is the dispersed residences that frequently existed in polygynous marriages. On this basis it can be argued that the response to the question is positive and that it would still be wise for MFIs to use women focussed economic unit lending practices but not for the reasons indicated by the literature review. The practices that an MFI can build on, are the need for women to develop a level of financial security in the face of divorce and inheritance practices.

### 2.6.2 Kinship and Business

A second significant cultural trait that appeared in the review of literature was: *The value of an individual entrepreneur’s business is ranked as less important than obligations to the well-being extended family and kinship network. These obligations are not all one-way but reciprocal. Informal mechanisms of guarantee and social pressure have been developed to address situations that would be dealt with by formal contract law in ‘Western’ society. There is no doubt that the guarantor mechanism is alive, well and operating with efficiency in the Ghanaian culture. The nature of extended family and kinship obligations appears to be giving way to equally strong nuclear family obligations. This transformation of obligation is particularly true concerning the emphasis on housing and education for children and their reciprocal obligation to support their parents in their old age. These transformed obligations are not so much viewed as a threat to the viability of one’s business, but more as a recurring family expense like a utility bill.*

Out of the literature review pertaining to kinship and business a subordinate question was formed for further testing during the case study. This question was that: *Since the family/lineage obligations take precedence over the business, can microfinance institutions utilize these obligations in their lending practices?* In the traditional practices this question was in the positive as is evidenced by the one tribe where a family request for money supersedes a loan payment. Current practices have changed. The methods used to judge character and the guarantor are much more likely candidates for cultural characteristics that MFIs can use in their lending practices. On this basis it can be argued that only in special circumstances can this question be answered positively.

The primary question for the study outlined in the review of literature was the following. *Is the concept of an individual’s family and community status or obligation an opportunity or an obstacle to current microfinance lending practices and how?* The question encompasses four areas affecting an individual – family, community, status and obligation. One of the findings in the review of literature was that ‘status’ had not surfaced as a factor that would contribute positively or negatively to the study. By
examining the information gathered during the fieldwork portion of the study, the following information can be found.

Regarding family status as it relates to microfinance, one must consider whether the individual is male or female. From the perspective of vulnerability, women are very vulnerable because of their lack of power. They are disenfranchised on two fronts, in divorce and inheritance. These two aspects of family structure influence spousal trust and financial management leading to separate accounts and secretly held savings. From an economic perspective, women, as traders, are in a much better position than their salaried husbands because they can adapt quickly to inflationary problems. From these two perspectives one could conclude that women are ideal candidates for microfinance but experience has shown that because of the subsurface individualism men should also have accessibility to a microfinance program.

When family obligations are considered, a number of factors negatively impacting on microfinance have been noted. There is a great deal of pressure to educate one’s children. In addition, the obligations to the extended family include – care of children while they attend school, providing support for aged parents and funerals. All of these family obligations impinge on the capacity of an individual’s to repay a loan.

Community status has a positive impact on microlending practices. The concept of how one is ‘known’ provides them with a status in the community. People that are positively ‘known’ are also likely to be elected leaders and guarantors outside the family. Examples of church and village elders were identified.

Community obligations would appear to have a minimal impact on microfinance lending practices. The only area where there seems to be an impact is if a church or village elder, as a guarantor, was asked to repay a loan. It is clear however, that the role of a guarantor is to apply pressure on the defaulter not to incur a liability.

With these findings it can be concluded that the field data portrays a Ghanaian culture that is substantially different from that in the literature review. The culture is experiencing a significant transformation. The status of women in the family provides an economic opportunity for microfinance. The extended family obligations create an obstacle of liabilities influencing the capacity to repay negatively. The community status of someone who is known to be trustworthy and of good character is supportive of microfinance procedures and a person’s community obligations are essentially neutral in their impact on microfinance.

The review of literature concluded, that by answering the questions raised concerning the cultural traits, an MFI could be assisted in a number of ways. The primary answer gained would be how to leverage cultural traits into social capital that benefits the MFI and the development results. The benefits to the MFI would be to assist it in the following areas.

Risk Management
- Are current products and services likely to be culturally acceptable?
- What are the weaknesses of current products in this cultural setting?
- Are current repayment methodologies workable in this cultural context?
New Product Development
- What innovative ways can the MFI use to leverage cultural traditions in product development?

Sustainability
- What factors from the cultural context can be used to contribute to sustainability by addressing cost-effective delivery methods?

Impact
- How can aspects of the culture be used by the MFI to reduce poverty more quickly by causing less disruption to the local culture?

Only an MFI operating in Ghana can determine if all or some of these questions can be answered positively for their program. It is believed, however, that by using the information provided in this case study an MFI would be able to answer these questions positively. Even with the minimal contact that was available with current MFI programs operating in the area where the interviews took place, it was possible to see things that could be improved with a better understanding of the local culture and the available social capital.

From this it can be concluded that the case study has shown that MFIs can take an important step toward improved operations using the social capital parameters already available in a society. This social capital is accessible through a cultural analysis and can serve as the basis for many of the improvements.

2.7 Lessons Learned
A significant lesson has been learned concerning the rapid change that cultures are going through. At first glance one might think that reviewing the literature was a wasted effort since there has been so much cultural change. This is not the case. The literature review provided a baseline. Having a baseline was useful as a means to begin understanding cultural characteristics that have changed and to what degree they have changed. It provided a base for rapid rapport building during the interviews. It served as a starting point for directed discussion that could be built on to understand current practices. Finally, it provided a partial explanation about why certain traditional practices have been carried forward and how they have influenced current behaviour.

A second lesson has been that a cultural analysis can provide valuable knowledge about local mechanisms that can be extremely useful to MFIs. The inferred value contained in the information is valuable because it is provided in the context (who, what, when, where, why and how) of the local culture. This inferred value of knowledge applies both to technical knowledge/know-how about how the culture manages savings, capital accumulation, methods of investing capital, and management of a productive activity, and to knowledge about attributes like ‘knowing’, guarantors and trustworthiness. Knowledge of this sort demonstrates that cultures have built into them parameters around their social capital which MFIs can easily use without making significant mistakes by trying to apply their own cultural biases.
3. Recommendations

3.1 Recommendations for MFIs in Ghana

The case study has identified a number of recommendations. This section consolidates those recommendations and provides a limited comment on each of them. If the study had been done for a specific MFI designing or redesigning a program and its approach, these recommendations could be much more specific about exact procedures. Because that is not the case, the recommendations are much more general.

1. That microfinance lending programs take full advantage of the social capital available in the practice of ‘knowing’ a person’s character and trustworthiness.

The guarantor system in Ghana provides MFIs with a ready-made procedure by which they can operate at minimal risk with both group and individual loan programs. As indicated in the case study, a high value is placed on being ‘known’ as a trustworthy person of good character. The social capital within this value should not be overlooked.

2. That MFIs in Ghana build their loan collection methodology around the social capital involved in the guarantor system.

Using indigenous methods reduces the risk for MFIs to misread the nuances in the culture. It also is easy for clients to understand the consequences of not repaying a loan.

3. That microfinance institutions become very aware of the dynamics of individualism that operate below the surface, even though the culture appears to be very group and family oriented.

In the case study the competition between co-wives as they submit to their husbands to better position themselves in the inheritance was used as an example of the subsurface self-interest in a society where mutual support is valued. In family and business dealings this is one of the culturally acceptable methods of placing one’s self-interest above the family or tribe. It is also one of the greatest sources of mistrust and conflict. If one is seen or perceived to put one’s self-interest ahead of others it is also a definite mark against being positively ‘known’. To avoid such a label deception is often used. It is believed that there is much more to this but it would take a special analysis to examine it in depth. An MFI would be well advised to study this component of Ghanaian society carefully.

4. That microfinance lending programs be consistent with the limits of the social capital in the society.

As reported in the case study women traders are very clear about the maximum size and length of a loan required for them to operate within the fluctuations of their trade in the market. When people have a significant need, any assistance is better than nothing. When MFIs provide inadequate caps on loan size and short time frames on loans which increases risk to the borrower’s already limited capital this frustrates the initiative of hardworking people. To implement such practices for the self-serving purpose of extending a program’s reach, as was reported in one interview, is a very questionable motive. If MFIs want to utilize the social capital available to them, they need to actively listen to avoid selective hearing.
5. That MFIs develop a loan product for farmers that is marketed as interest inclusive.

The case of the woman contracting yam production with interest inclusive loans to poor farmers with little education is the basis for this recommendation. It is easy for the client to understand and a basis upon which to build trust.

6. That microfinance institutions develop an insurance product that will help to reduce the vulnerability of women dependent on trade capital profits for survival.

The case study demonstrated that women need an insurance product or products to assist them in emergencies so their trading capital is not jeopardized. This is a relatively new area within microfinance but one well worth pursuing if an MFI is genuinely concerned about the reduction of poverty and vulnerability.

7. That the social capital of ‘knowing’ be used in staffing microfinance organizations as a way to reduce the threat of fraud within the organization.

MFIs are periodically faced with staff fraud. In Ghana, unlike many countries, the social capital of being ‘known’ in a positive light is highly valued. Through this mechanism MFIs can use the social capital of ‘knowing’ to counter fraud and the subsurface self-interest of individualism. Ghanaians use this when they form groups for microlending purposes. There is no reason that MFIs cannot also use it in their staffing practices.

There are a number items which also require more study before recommendations can be developed. These areas of study may be able to add incrementally to an MFIs ability to use the social capital available.

1. Why did individuals in their group responses differ from how the individual responded in a personal interview?

2. Are urban and peri-urban extended family members more frequently asked to house their relatives’ children for educational purposes because of the increased emphasis on education?

3. Are repayment rates better when a gift is received from a female family member as a down payment on a loan than when it is received from a man? Is the character analysis of women better than men’s?

4. More analysis needs to be done on the differences between each individual tribal culture and how that impacts on MFIs.

5. Can the local methods of ‘knowing’ be used to assess organizations as well as individuals?

6. Examine the cultural influences impacting business methods, like alliances and network of suppliers so that ‘Northern’ organizations can compare these practices to their own version of market forces and make appropriate adaptations.
Appendix A

Institutional Matrix Evaluation Tool

In 1998 CIDA’s Tanzania Desk (with the help of a consultant) designed an analytical “tool” that could serve as both a data gathering tool and a microfinance performance evaluation grid to extrapolate objectively, verifiable information from microfinance studies as a basis for consolidating available intelligence on all organizations that were to be studied. The tool was capable of analysing the three levels of the microfinance sector – financial intermediaries, business services, and government. This Institutional Matrix Evaluation Tool was designed to facilitate both an accurate application of performance standards for rating purposes and a subsequent evaluation of the findings. The tool consists of 37 items in five different categories - ranging from an organisation’s track record to its financial performance, from its existing and potential capacity to its influence - and when put together reveal strengths and weaknesses and where development impact, at least cost, can most usefully meet programming needs and opportunities. This Institutional Matrix Tool has been used within the context of this study to assist in identifying areas of operation which can be effected by the local culture.

INSTITUTIONAL MATRIX EVALUATION TOOL

<table>
<thead>
<tr>
<th>Criteria/Organisation</th>
<th>Micro-lending Institution</th>
<th>Training Organisations. Consulting Services, Business Services</th>
<th>Government Agencies - Regional and National</th>
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<tbody>
<tr>
<td><strong>PERFORMANCE RECORD</strong></td>
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<tr>
<td>A. Track record</td>
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<td>B. Ability to achieve goals and objectives</td>
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<td>C. Financial track record</td>
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<td>D. Overall impact of organisation, on meeting clients needs.</td>
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<td>E. Ability to exploit market niche opportunity</td>
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<td>F. Sustained impact on community</td>
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<td>G. Future prospect of organisation (in advance or in decline)</td>
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<td><strong>FINANCIAL HEALTH OF ORGANISATION</strong></td>
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<td>A. Cash-flow position (positive or negative)</td>
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<td>B. Self sustaining operation/degree of outside financial assistance</td>
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<td>C. Ability to generate own revenues</td>
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<tr>
<td><strong>OPERATIONAL CAPACITIES/CAPABILITIES</strong></td>
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<tr>
<td>A. Quality of management policies</td>
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<td>B. Strength of policies and procedures</td>
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<td>C. Strengths of accounting methodologies and practices</td>
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<td>D. Quality of employees</td>
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<td>E. Strength of current management</td>
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<td>F. Does the organisation have a clear mission statement?</td>
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<td>G. Does the organisation have a clear set of goals and objectives?</td>
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<td>H. Organisational breakdown-structure with clarity of roles and responsibilities</td>
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<td>I. Does the organisation have a sound business plan that is achievable?</td>
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<td>J. Is the organisation success full in achieving its stated goals and objectives?</td>
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<td>K. System of accountability</td>
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<td>Criteria/Organisation</td>
<td>Micro-lending Institution</td>
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<td>L. Quality of data capture &amp; reporting</td>
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<td>M. Performance feedback &amp; evaluation</td>
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<td>N. Follow-up of recommendations and corrective actions</td>
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<tr>
<td><strong>POWER OF INFLUENCE</strong></td>
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<tr>
<td>A. Size of organisation</td>
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<td>B. Years of operation</td>
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<td>C. How their clients see them</td>
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<td>D. How are they viewed by the government?</td>
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<td>E. How are they viewed by donors?</td>
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<td>F. Reputation/respect from competitors’ perspective</td>
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<td>G. Leadership of organisation (external)</td>
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<td>H. Impact of organisation on the ME/MC development (i.e. past performance)</td>
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<tr>
<td><strong>CAPACITY FOR NEW UNDERTAKINGS</strong></td>
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<tr>
<td>A. Is it managing to cope with its current programming demands?</td>
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<td>B. Does it have the capacity to expand?</td>
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<td>C. Prospect of being able to deliver a sustainable operation by the end of the project or leave a positive legacy that will contribute to the on-going development or micro-enterprises?</td>
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<td>D. Is the organisation willing and interested in receiving outside assistance?</td>
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<td>E. Does the organisation have the ability to work with Canadian partners and CIDA?</td>
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Appendix B

Specific Findings From Field Work
The review of literature identified two major cultural traits and two subordinate hypotheses. Out of these areas were a number of topical areas identified and questions for microfinance institutions were asked. The findings of the case study are framed within the context of these cultural traits, subordinate hypotheses, issue areas and questions. In order to frame the findings of the case study in this way, the questions associated with each of the topical areas are addressed first. Based on the responses to these questions it is then possible to summarize the findings about each cultural trait and express an opinion about the subordinate hypotheses and the primary question as they apply to the Techiman District of Ghana.

Marriage and Family
1. Question: Co-wives living in the same community

Polygyny appears to be dying out in most parts of Ghana. In the Techiman area it still exists extensively among the older generation and among Muslims. Economically it is no longer viable and although it was a status symbol, the cost of education for up to ten children per wife is not feasible. Instead, it appears that the level of education children achieve has replaced the number of children as a status symbol. Much of this could be due to the significant shift away from agriculture to a more urban environment. This shift means that a family does not require the labour force previously required of the wives to produce. In the urban environment education is a means of achieving a good salaried position or to successfully manage one’s own business. In the same way that children of a farm family could assist in providing for the parents in their old age, highly educated children are more able to provide for parents in an urban environment.

In the Muslim community, education, particularly of women, is seen as a threat to tradition and culture. Many of the girl children, if they are allowed to go to school at all, only attend religious training classes. In one of the group interviews a Muslim woman volunteered to be interviewed early on in the discussion because her case was different from the rest of the group but she did not want to disturb the consensus being reached on certain questions. this pointed out the difference between the Muslim community and the rest of society.

a. Should women who live in these situations be subject to special favourable or unfavourable lending criteria?

There was no evidence to indicate that women who are part of a polygynous marriage should be treated differently. It is clearly a life choice when the marriage is not arranged but none of the consequences of that choice should significantly affect the ability of a person in a polygynous marriage to participate in any microfinance operation.

b. What should the special criteria be, and why?

As indicated above, there is no reason to provide these women with any favourable or unfavourable treatment. The polygynous marriage style in modern Ghana often may mean a life of poverty for the family unless their husband is wealthy. It does mean, however, that a poverty focussed program may have more women in polygynous marriages than the national average for that marriage style.
2. Question: Married women as de facto heads of households
Although they may not feel the whole weight of raising the children financially, women feel the responsibility for raising the children and ensuring that they get the highest education possible. This education is believed to ensure the ability of children to get good jobs and therefore the children will be able to look after them in their old age. Because of the inheritance systems, both traditional and modern, women take this initiative for their own future well-being.

Because men do not pay attention to household finances beyond what they contribute, women fill in the gap from their trading profits by supplementing food costs, school fees and clothing needs. If the husband is a salaried worker, this supplementary support is particularly evident because his salary does not keep pace with inflation. On the other hand, the woman’s trading activity can easily adjust to inflation and she is able to keep her margin of profit relatively constant during inflation if sales do not fall off.

In both the polygynous and monogamous situations the wife retains a high degree of autonomy when the husband is not around. In many polygynous marriages the wives rotate depending on pregnancy, farm and business needs. Independence should not, however, be equated with equality or power sharing.

a. Would it be more prudent to do group lending to women of the same lineage who live together or wives of the same husband or to ignore the situation entirely?
It is not advisable to have women from the same lineage forming a group because family members continually ask the other to pay because they do not have the money now. This is similar to husbands and wives when unexpected household and children’s needs arise and they do not want to divulge or use their savings.

In the case of co-wives there is a degree of distrust about cheating on the amount they are contributing to supplement the husband’s portion of the family expense. As well there are quarrels about children related issues. If the wives are in different locations, it would be difficult for them to work as a group.

In a society where mutual support is valued, it is here that individual self-interests surface to the extreme. In family and business dealings, deception is one of the culturally acceptable methods of placing one’s self-interest above the family or tribe. It is also one of the greatest sources of mistrust and conflict. If one is seen or perceived to put ones self-interest ahead of others it is also a definite mark against being positively ‘known’. People go to great lengths to avoid such a label. For these reasons the situation should be ignored entirely. Examples of deception are treating a loan from a family member as a gift, deferring to a family member and claiming not to have the money now.

b. Can the traditional marriage status of women borrowers be ignored for the purposes of microfinance lending?
As has been shown, what was the traditional marriage status has now, excluding Muslims, become more of an exception. Although detailed information was not available Muslims, when they marry, give their wife a larger amount of capital to start with but also contribute less to expenses on an ongoing basis. It would be difficult, however, to ignore entirely polygynous marriage practices. In traditional marriages the husband’s contribution is split, although often not equally, between the wives. This leaves the wives with the need to make a greater contribution. If the husband was very wealthy this would
not be the case. In the same way that the husband’s contribution to expenses is split in a polygynous marriage, so also is the amount of time available to spend in child rearing. This places a greater burden of responsibility on the woman for child rearing. It would therefore, be inappropriate to ignore the marriage status of women borrowers just as one would not ignore the additional hardship born by divorced or widowed mothers.

c. As de facto heads of household, are MFIs at greater or lessor risk if women in traditional marriage relationships are granted loans either individually or as a group? Single heads of households, whether de facto or not, are always more vulnerable because their economic and social network is more limited and possibly weaker than a two member nuclear family. The limitation and weakness of these networks are mitigated somewhat in polygynous situations but as the number of wives increases it begins to reduce. In a group lending situation the risk for an MFI might be less, but depending on whether the group rallies around the defaulter or pressures her, group loans can be a greater or lessor risk to the real or de fact female head of the household. In the case of the individual loan to a de facto head of household, the collateral and the guarantor would likely be at greater risk while the social network of the woman would be free of risk. In the later case, the MFI may be at greater risk if the combination of collateral and guarantor’s capacity is insufficient. There is also the added cost of time and lost opportunity cost on the interest while collecting on an individual lending default.

d. Are particular lending products more appropriate for women married and living in the traditional manner and if so, what are they, and why? De facto and real heads of households are primarily vulnerable in two areas. If these areas are addressed by a loan product then the product would be appropriate. The profit from a woman’s capital is her source of livelihood. If a woman’s capital is threatened, she becomes more vulnerable. For example, one woman interviewed had the following story. Her father had arranged her first marriage. She entered this first marriage very young and was the only wife. Although her father agreed to their marriage, the boy’s uncle initiated the divorce by digging her cooking pot out of the ground. Since she could not cook for her husband, it symbolized that she was divorced. She has no idea why her father did not stop the divorce. She does not know what happened to her first husband. Her parents and the husband’s mother agreed to her second marriage. When she was first married to her second husband, she had some capital but the husband did not provide very much support. She had to use her capital to eat and over a period of time she lost most of her capital in meeting her daily basic needs. As a result she had proof that she could not rely on her husband nor trust him to provide for her. For this reason she would not mix her money with her husband. Because of the lost capital she cannot save, she has none to spare. It was plane to see that these two events still caused this woman a great deal of pain. This example demonstrates two things about a woman who has lost a portion of her capital. First, she needs a loan product that meets her market and personal needs. The loan product must meet these needs in terms of length and repayment schedule (including the grace period) so that it can provide the cash flow necessary to smooth out peaks and valleys in sales. The amount of the loan also must be sufficiently large so that the growth in capital is reasonable and acceptable for someone in that business. Second, the women need an insurance product and/or savings mechanism to which they have access in order to meet future emergencies.

3. Question: Family as an economic unit
In the corporate world an alliance which formed a joint venture using the principles on which a Ghanaian marriage is based would be doomed to failure from the start. Imagine
a joint business venture with the following parameters. The husband, a senior partner, has significantly more power in the relationship; the expense money he provides is not negotiable because it is his choice alone. In the case of a salaried worker his contribution to expense money is subject to devaluation through inflation without recourse. All major expenses, once identified, are negotiated as to the share each is to contribute. Each has a significant set of outside expenses for personal needs, aged parents and family funerals and at the same time neither knows what the other has in reserve as savings. In addition, either party may bring into the venture a recurring added expense in the form of a relative’s child while they go to school. The man in his position of power can divorce and quit the venture without penalty and keep the physical plant (house) and put the inventory (children) on the street. The woman as junior partner could lose all her assets due to inheritance laws if the man, as senior partner dies. No corporate executive would participate in such a venture by choice unless they were senior partners in the venture. Even as senior partner, with the low level of trust built into the venture, the expenditure of effort to protect ones investment and interests would make it highly questionable. Only a junior partner with no other alternative for obtaining capital and providing for future survival would consider such terms and conditions. Such is the situation a woman in Ghana finds herself. women need marriage to obtain capital and they need children to look after them in their old age. The consistent report of respondents was that their birth mother had 9 - 10 children. They reported that they had between 4 - 6 children. Although the family may be shrinking as it moves from a rural to an urban environment, there is still the need to fulfil the obligation to support their parents. This comprises the Ghanaian family economic unit whether monogamous or polygynous.

a. Since polygynous families in which the wives live with their mother do not operate in the common perception of the family as an economic unit, are eligibility criteria for access to an MFI appropriate in the cultural context of Ghanaian marriages?

Experience and data gained from the interviews indicate that marriage style should not affect eligibility criteria. Instead, the MFI might consider using other criteria for eligibility.

b. How should MFIs with eligibility criteria structure those criteria in the Ghanaian marriage situation?

One eligibility criterion might be based on tribal lines. In a forced choice question in the individual interviews, one tribe, on a fairly consistent basis indicated that they would fulfil a family request for money over making a loan payment that was due if they only had enough money for one option.

As a second criteria, an MFI should consider establishing a graduated scale of collateral for loans. In the interviews, both group and personal, petty traders indicated that the group pressure was sufficient incentive to repay their loans. People who had loans over about $130 and working in solidarity groups wanted their members to also have some outside guarantor known to members of the group who would also share the risk with both the group and the individual. Once loans got above $400 - $500 people wanted individual loans for which they were prepared to provide some collateral and a guarantor.

It is here; when one examines the culture and considers eligibility, group structure, collateral and so on that social capital comes into play. It was interesting to note how in both the group and individual interviews the respondents were able to define easily and consistently the extent and limits of their social capital. Identification of social capital
parameters may likely be one of the most important benefits MFIs can gain from a study of the local culture and the opportunities it provides.

c. Would it be a good idea to set up a product that, if it is not already available, enables women to keep business and subsistence finances separate?

As described above, it is quite clear that Ghanaian women will go to great lengths to protect their working capital and limit their contribution to family expenses so that they can protect that capital. This cultural characteristic should provide the creative MFI with the incentive to design a product that can take advantage of this cultural opportunity. It is only through further analysis of the culture that such opportunities can be identified.

4. Question: Borrowing by males

Two interesting aspects about the borrowing habits of men surfaced in the interviews. First, lower income salaried workers seem to avoid borrowing. This is a reasonable economic choice since their salaries are continually negatively impacted by inflation. If they do take loans their boss is usually required to act as a guarantor (particularly if the loan is from a bank). Banks use this method so that the boss can redirect the wages in the case of default by the employee. This does not, however, prevent employees from taking advances on their salary if there is an emergency.

Second, farmers regularly take out loans with their future crops serving as collateral. In one case private traders andmiddlemen as well as an NGO operate a program in which maize is pledged and serves as the collateral for a loan. The maize is then sold after the prices have risen from their harvest time low to their peak during the lean times. The result is that even after interest and expense costs, farmers make more than they would if they sold their entire crop during the minor season harvest low. The NGO indicated that there were so many people getting involved in the business that the market’s peaks and valley’s were levelling to such a degree that the margin was shrinking and it was almost to the point where it was not profitable anymore. Other means of adding value were being sought. Another example of farm loans involves the yam market. Here women acquire their own loan or self finance a loan to farmers based on the anticipated yield of yams from specific plots of land. One woman was financing 10 farmers. These farmers liked the loan because the loan was inclusive of interest, so it was easy for farmers to understand and calculate how much they owed. The rationale used for this type of financing was that the woman felt cheated by the bank when it used a variable interest rate on her loans and she needed the trust of the farmers so she designed an interest inclusive loan.

a. What aspects of lending to males need to be reconsidered in light of Ghanaian marriage obligations and why?

It is unlikely, based on the changes taking place in the Ghanaian marriage style, that lending methods need to be reconsidered for marriage obligation reasons. Potential market opportunities are the methods of adding value to farmers’ crops and the indigenous method of interest inclusive loans to farmers.

b. Is there a role for promoting the ‘Western’/’Northern’ concepts of spousal support and child maintenance within a Ghanaian context of microfinance lending and if so what is that role?

As described above, men expressed a feeling of responsibility for spousal support and child maintenance but how in practice the women, usually without the full knowledge of the men, are assisting to fill the gap. The vulnerability of women to divorce, widowhood,
and support during old age and inheritance issues has also been mentioned. It is unlikely that lending products for men will change the situation. A more likely basis for potential impact is lending and financial products which reduce the vulnerability of women in each of these situations. In light of the lack of trust in families and the subsurface methods of exercising one’s self-interest, a program marketed exclusively to men would not be recommended.

**Kinship and Business**

1. **Question: Family Employment**

Employment of family members, from the information obtained in the interviews, appears to be reducing. In the past, when the extended family bonds were much stronger it was more prevalent. The older the people interviewed the more likely they were to report either having employed family members in the past or having worked for a family member. In some cases the children of relatives helped in the trade after school. Indirectly related to family employment, as described above, is the past practice of giving children to a relative to help with the work and maintain unity in the extended family. The practice of apprenticeship with a family member is also reducing. One of the main reasons may be that many of the urban jobs and trades require more formal education and do not require apprenticeship training. Although not generally considered as apprenticeship, farm children still assist their parents and relatives on the farm and when they inherit land they continue to grow the types of crops that they learned to grow as children.

a. **Should asset and liability assessment of a person for productive loan purposes include family and kinship obligations?**

This question must be answered in the positive but not for the reasons it was asked. Originally the question was asked because of issues around the responsibility to hire and train family members as apprentices. What the interviews showed was that these practices have generally been replaced by education. The interviews did surface another aspect of family and kinship obligations that were not anticipated when the question was formed and which is a major drain on expenses. Without studying the culture it would never occur to a ‘Northern’ or ‘Western’ person to list these expenses as a liability in a loan assessment. It is also unlikely that a Ghanaian would think to add them, since they assume that everyone has these expenses and that they are the normal and everyday cost of being part of a family. The first of these obligations is care for aged parents. In group interviews it was indicated that depending on their own capacity, many people were contributing to their parents on a weekly or monthly basis and if they had limited capacity, on an irregular basis as a gift. Second, is the inclusion of relatives’ dependent children living with a family while they go to school. In one case a respondent indicated that she also was caring for a child of a friend while the child learned sewing with someone else. The parent of the child was able only to contribute about half the food for the child. Third, are funeral expenses. Funeral expenses were infrequently mentioned in interviews because the focus was primarily on business practices. Although funeral practices vary from tribe to tribe they were generally reported as expensive affairs for both family members and for those who come to pay their respects. Those who come to pay respects are expected to contribute a donation that is used to offset the funeral expenses incurred by the family. Although it was reported that well organized funerals could break even and in some cases make money this was certainly not the norm.

b. **Would knowing the number of members from the extended family and relatives employed serve as an indicator of business stability; i.e., the more family employed,**
the less stable the business?
In the instance where apprenticeship was reported during an interview, the opposite of the question’s assumption was true. Instead of the business lacking stability the respondent appeared to be quite well off and would by most standards be considered a well off middle income person. One of the reasons for this might be that people who operate their own businesses are able to maintain their margin of profit even during inflationary times, unlike salaried workers.

The above case refers to a male fulfilling a family obligation. Among the market women there was a different type of situation reported. In this case a woman had helped her sister and her sister’s daughter get started in the yam selling business. Although time did not permit a full examination of this case, it appeared that the sister had been divorced and for some reason did not have any or enough capital to start a trade. It was not possible to determine if she had previously had another trade while married or whether she had exclusively farmed. Since the father was not available to assist the daughter with capital to start up a trade, the sister came to the rescue. In both of these cases the size of the extended family would not serve as an indicator of business stability. In the first case stability was the reason for apprenticeship not extended family size. In the second case it was the vulnerability of a divorced woman with a limited social network that led the sister to help.

c. Since employed family are usually hired as apprentices, would the number of apprentices be a good, indirect method of determining the number of family members employed?
Because the incidents of apprenticeship practices were infrequent among those interviewed, it is not possible to respond to this question with hard evidence.

2. Question: Family/Kinship Aid
As indicated above, traditional practices involved giving children to relatives to assist in work, apprenticeships and caring for relatives’ children while they attended school beyond what was available in their home village. Today, people still house children of relatives so they can attend school. A special study would need to be conducted to determine if this practice has increased with the recent emphasis on education. Another practice that has continued is that of asking for assistance from relatives. Because men are in the power positions in the extended and nuclear family and inheritance systems they seem to be more ready to assist in order to maintain their position. Women, on the other hand, seem to assist less. Not because they care less, but women must protect their trading capital. Thus, they are far more dispassionate analysts of character. When women assist someone, it establishes a reciprocal obligation that is expected to provide future returns. For this reason they assist only those relatives that they ‘know’. This is also true of men but not to the extent that it is with women. As indicated earlier, it is unusual for relatives to give each other loans because it often, even when presented as a loan, is treated by the recipient as a gift. For this reason the practice is generally to give gifts when asked ranging from $10 to $150.Usually the range is in the $75 to $150, depending on capacity. The point was made repeatedly in the interviews that a relative must really ‘know’ another in order for them to lend another family member a sum of money.

a. Is it important for an MFI to know why the family (mother’s) and relatives have not lent the borrower the money they want to obtain from the MFI?
Traditionally Ghanaian culture viewed women’s money as spiritually weak while men’s
money was viewed as spiritually strong. This was one of the reasons that women sought capital and gifts from fathers, husbands and uncles. Time did not permit examination of this practice but it might be important for MFIs to find out if this belief is still prevalent and if so, who provided the gifts and loans. It may have a psychological impact on the perception the recipient has about the future success of their business, a 'power of suggestion' type of implication. One cannot forget that voodoo is part of the traditional religious practices and voodoo includes extensive use of suggestion.

In a situation where an MFI is giving individual loans it would be important to know if the money received was a gift or a loan from a relative. If the capital came from more than one relative, it would likely have been a series of gifts. If the money was truly a loan, one could assume from the practices of gift giving that the individual was indeed a good risk. If they had received a gift or series of gifts, it is also likely that the person is of good character. Based on the differences between men and women in gift giving of this sort, it may be wise of an MFI to study whether gifts received from men and women had a marginal bearing on the person’s character. It is very probable that women, with more to lose because of their vulnerable situation, do a much harsher analysis of the individual. Therefore, if the gift was from a woman, the individual may be a better risk. Because tribal inheritance patterns vary in Ghana, one should not limit the source of the capital to the person’s mother’s family unless the person comes from a matrilineal tribe.

b. If the borrower has not gone to their family (mother’s) first, what are the reasons? Is it important for MFIs to know why?

It would be very important to know why a borrower has not at least received gifts from relatives. In some cases with migration and salaried spouses posted to other areas it is not convenient, but posted nuclear families generally remain in contact with their birth families. Another instance where people may distance themselves from their families is if there are religious differences. In all instances where these situations occurred, people were very forthcoming about their reasons. One person reported that he received 1 - 2 requests for assistance per month from family members. He said that in all cases he did not provide them with a gift immediately. Instead, he gave them a set of conditions. He indicated, when asked, that the conditions were more difficult for the person to meet if he did not know them to be trustworthy. If they were trustworthy, the conditions would be quite easy for them to meet. Time did not permit an examination whether others used this same method but it seemed a creative way to screen out relatives who were not serious without giving an outright refusal and creating family problems. At the same time it also gave him an opportunity to coach serious, trustworthy relatives to achieve success.

c. If the Loans Officer is part of the borrower’s kinship network could the MFI be inadvertently placing them in a conflict of interest situation that is unfair?

The responses to the interview questions on this subject were interesting, indeed. In all cases the respondents indicated that a relative could not help them get a loan because they were not dealing with their own money. The interesting part of the responses was that people who came from tribes that have the strongest family connections said that having a relative as a Loans Officer would be an added incentive and pressure to pay the loan back in a timely manner. The rationale provided was that they did not want to disgrace the whole family. Knowing to which tribes these attitudes apply would likely be of strategic importance to an MFI.

3. Question: Savings
Although the presence of susu collectors was evident, respondents were generally not favourably inclined toward them as a method of savings. People generally had trouble trusting susu collectors. Susus were also not a popular way to save or capitalize a business. The rotation in the susu was considered to be too strict to serve as a means of capitalizing a business as a means of savings for one-time expenditures. Banks and credit unions were considered a far more preferable means of savings. First, they were deemed to be more secure. Second, and probably even more important, was the privacy issue. With men and women maintaining their own accounts and the majority guarding very closely the amount they have in savings even from the spouse, this method of savings was preferred.

ROSCAs are popular because they allow savings to be used as the saver wishes (Buckley p. 1085) and susu savings serves as a means to avoid the appeals of family and friends. Is there a similar unregulated product that MFIs can offer?

The evidence provided by the interviews would not support Buckley’s premise that susus are a means of avoiding financial appeals. The NGO involved in the maize trading is beginning a savings program that will eventually lead to the transformation of agriculture co-operatives into an affiliation with credit unions. The NGO working with the petty traders is using a bank as its primary implementing agency and thus provides a savings component to their operations. Other creative alternate opportunities could be designed and implemented.

4. Question: Guarantors
In the question about MFI eligibility criteria above, the respondents used their experience with social capital and its parameters. This information was used to outline their methods of using guarantors. The respondents also outlined how they would structure the loan process if they were giving the loan on a personal basis and if an outsider like an MFI were providing loans. In both cases the emphasis was on assuring repayment. It must be noted that people want guarantors, not because they are expected to repay a default, but for the pressure they can place on a person to repay. An MFI must recognize this difference and utilize the social capital available to its fullest. It was unanimous that if the lender should ‘know’ the borrower. If that was not possible, as in the case of an MFI, then either a group-lending program where the members of the group ‘knew’ each other and/or an individual’s guarantor is ‘known’ to the group should be used. Loans should be done on the basis of a note signed as a public commitment in front of a witness, not necessarily the guarantor. The note should contain the terms of repayment and the interest rate. As indicated above larger loans should require collateral. The choice in a guarantor was interesting because of the high level of distrust within families. It was an issue where no clear answer was found. Most people would ask their spouse to be a guarantor. The explanation given by men was that women should not take out a loan without the spouse knowing about it. As a satisfactory source of social pressure for repayment it is difficult to see because of the way marriages are structured. If the debt was for a consumer product or if the loan was to a farmer with the crop as collateral the spouse as a guarantor is understandable. If the loan was for business purposes, the rationale is not so readily apparent. The next guarantor on most lists was a parent, then church elders and friends. In the case of salaried workers, the person’s boss will likely be the guarantor because that is who the banks require and they can easily have wages reassigned to pay off the loan. When questioned, friends were usually someone older and from a person’s sibling group because they could apply more pressure on the person in case of defalcation.
The guarantor system would also appear to have other uses. For example, if an MFI is looking to hire an individual, it might be beneficial for the MFI to ask that the person provide a community leader as a guarantor in a role of a bonding agent. This would be much like the reference checks that occur in the developed world with an added feature of the 'knowing' which is not always true in the case of reference checks. It would not be wise to accept any member of the extended family in this role because the family connection may lead to fraud. By utilizing an individual's social capital, an MFI can create an opportunity to build a strong and reliable staff and to strengthen its base of community support by having the support of community leaders as guarantors for locally engaged staff.

a. **Should a loan be dealt with on the understanding that it is a kinship obligation?**

   No, because people seldom lend to relatives. Instead loans are seen as business dealings outside the family even though gifts and guarantors are often inside the family. Although the extended family's power seems to be weakening, it can still exert a great deal of pressure to repay. This was particularly evident in the tribe where Loans Officers being a family member was in itself pressure to repay the loan to avoid family disgrace.

b. **In individual lending situations can the mother’s family and relative guarantors be used more effectively than others?**

   If the spouse is deemed to be insufficient as a guarantor and the family is matrilineal, having the mother’s family and relatives as guarantors should be the standard practice. With a patrilineal tribe it should be the father’s family and relatives that act as guarantors when the spouse is considered an inappropriate guarantor. However, church and village elders and sibling group friends as well as other friends, such as those in the community where the person lives, or works should not be ruled out as guarantors.

c. **What type of family or relative guarantor would work best?**

   Although spouses should be aware of the other taking out a loan, judgement is reserved as to whether they make the best guarantors. If parents are available, they, along with brothers, uncles and sisters might be better. Parents need children to repay loans so that they can receive support in their old age and in some cases adult children were listed, thus placing old age support in jeopardy. Brothers have a strong obligation to look out for their sisters and younger brothers. Older brothers continue to be one of the major sources of support for vulnerable women. Uncles, because of the male’s position of power, and through inheritance systems, can also exert extensive pressure to repay.

d. **What kind of third party guarantors would work best as guarantors - church and village elders?**

   In many ways this question addresses the positions of power in a community. Depending on the religion and location of the individual, both serve as excellent third party guarantors. Village elders serve as both political and religious leaders. If the borrower were located in an urban centre then the village elder would have little influence unless the family held a 'stool' (a seat on the traditional council). If the borrower is a Christian, the church elders are excellent guarantors. If the person lives in the village and adheres to the traditional religion then the village elder has a great deal of power to exert as a guarantor.

Sibling group members can be third part guarantors that have a great deal of power to exert pressure to repay in certain situations. More generally however, an MFI must determine who the opinion leaders are in the community where people live, and rely on
them because people generally want to be seen in a good light. The same is true of the work environment. For salaried workers, it is not just the ability of the boss to reassign wages; it also has to do with prospects for promotion. In the market and trades, Ghana has a great many associations. The leaders in these associations have a great deal of influence and frequently association members listed their leaders as people they would ask to be their guarantor. To be positively ‘known’ by and considered trustworthy by an association leader is highly valued. An MFI should be cautioned to only deal with associations that are ‘known’ to have solid leadership.

e. Should the Loans Officer know the guarantor?
In both types of the group lending described above and recommended by the respondents, it would not be necessary for the Loans Officer to know the guarantor. This is because the group members will know a person’s guarantor. In the case of individual lending, ‘knowing’ the guarantor is absolutely critical. A guarantor is required because the lender is not entirely certain about the borrower’s trustworthiness. If the guarantor is not known to be trustworthy, they are useless and fraud will run rampant. In the case of lending to associations it is also important for the Loans Officer to know the strength and leadership capacity of the association executive. Organizations where leaders are known to be corrupt and show favouritism are not a good risk.

f. The rate of interest charged by a moneylender varies based on the loan type and relationship with the borrower (Buckley p. 1084). Is there something that MFIs can learn from this in terms of treatment of repeat borrowers and loan use?
There are indeed, things that MFIs can learn from moneylenders’ practices. Many charge a higher interest rate as a guarantee against default and in some cases they refund it by placing it in the person’s savings account if the group loan is repaid. In the interviews, however, moneylenders operating in the market did not follow the practice as outlined by Buckley. Moneylenders in the Techiman market charge 5% interest per week without regard for a relationship with the borrower.

5. Question: Methods of Collection
The collection process used by Ghanaians takes full advantage of the guarantor and their role in putting pressure on the individual to repay. When respondents were asked how they would go about collecting on a loan that they had given to someone, the following was the process was outlined. Generally they would go to the person and find out why they have not paid. If they considered the reason legitimate, they would give the person a second chance. Many people would go to see the person a second time if they still did not repay. After this they would ask a person who knew the borrower, but not the guarantor, to go talk to the person and try to persuade them to pay. If none of this worked, they would ask the guarantor to apply the pressure. If repayment were still not forthcoming, the lender would take the person to court. As this process shows, the guarantor’s role is to apply pressure, not as a cosigner who accepts liability for the unpaid loan. People that had businesses and gave people credit would always know where the person lived and only give credit to people that they trusted because the guarantor is not part of that process.

a. Do MFIs make a practice of knowing the location of both the place of business and the home of the micro entrepreneur?
The interviews demonstrated that in group lending, knowing where to find the leaders was important for an MFI but it was not necessary to know where all the group members
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lived. In the case of farmers as an example of individual lending, it was important to
know the location of the person.

b. Do Loans Officers collect bad debts on their own or go with respected individuals to
put on social pressure?
The guarantor system has been described above. Indications were that Loans Officers
from banks were much less patient and would involve the guarantor more quickly than
people involved in personal lending. In the case of salaried workers it appeared that
bank personnel were fairly quick to speak to a person’s boss about loan defaults and to
get the loan payment through redirected wages.

c. Would the threat of blacklisting be appropriate and work for MFIs?
Here the informal system of ‘knowing’ does the work for the MFI. A person who is
‘known’ not to be trustworthy is in effect blacklisted and has no social capital. Although
problems in following through with commitments were understandable in the case of
emergencies or special family problems, there are no legitimate excuses for not being
trustworthy. As a result, especially during emergencies or family problems, people who
value being considered trustworthy will work harder to keep their performance up.
Numerous examples were given in both interviews and general conversation to support
this conclusion. In many ways remaining trustworthy in the face of adversity is a badge
of honour. Once losing the reputation for being trustworthy even during an emergency, it
is almost impossible to regain. It was also quite apparent that people had long
memories. Many adults appeared to pay the price for having been wild as a youth.

6. Question: Impact
Impact of microfinance on the beneficiaries is difficult to measure. During interviews
respondents were asked what they would spend their money on if they were more
successful. The responses were almost evenly matched between building a house and
continuing their children’s education. Women were particularly adamant that building a
house was very important. The purpose of the house was to ensure that their children
would not be displaced as a result of transfer of property arising out of a traditional
inheritance. A majority of the house construction, largely because men do not borrow,
seemed to be financed by women. Generally, when a woman built a house she would
either put the house in her name or her children’s name. If the husband financed the
construction of a house, he would usually put it in the name of his children. There were
no incidents of joint ownership with the spouse because of the inheritance. House loans
were always taken out in only one spouse’s name.

People place a high value on the education of their children. The various aspects of their
reasoning have been detailed above. Continuing the education of their children must be
one measure of a microfinance program.

After these two priorities, people would generally support the education of bothers’ or
sisters’ children and then contribute to charity work.

a. Given the different economic unit is there a need for a different indicator of
microfinance impact on household income?
Housing and education have been traditional indicators of impact for many social and
private sector development programs. The question assumed that the marriage style
could have some influence on how impact should be measured. The difference in the
Ghanaian situation is the method in which housing is handled inside the economic unit.
The trust issue undoubtedly has an influence on how the house is built and financed. The low level of trust stems from traditional marriage practices but now the methods can be attributed to both inheritance practices and old age support.

b. *Given the different economic unit, what could serve as an appropriate measure of the impact of microfinance on household income?*

As stated above, the two most accessible indicators are housing owned by the woman or her children and the education of the children as far as possible. People were very forthcoming and proud of both accomplishments if they had been achieved.
Primary Bibliography


Supplementary Bibliography


