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Credit for what? Informal credit as a coping strategy of market women in northern Ghana

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Credit for what? Informal credit as a coping strategy of market women in northern Ghana

DRAFT

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Abstract

This paper analyzes the use of informal credit as a coping strategy against risk by market women in the city of Tamale, Ghana. Using qualitative research techniques, the analysis reveals that intra-household structure and allocation decisions determine these market-based coping strategies. Market women invest a considerable amount of working hours in maintaining complex credit networks as a safeguard against extreme risks. As a policy implication, this research suggests to provide market women with access to formal, reliable and long-term microfinance institutions, both to improve their ability to cope with risks and to reduce the risks they face.

Keywords: micro-credit, informal markets, networks, coping strategies, intra-household allocation, women, Ghana

JEL Codes: O12, O17, D13

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1. Introduction

Microfinance has been a major topic in both economic literature and development policy during the last ten years. In Ghana, it is a key strategy to reduce poverty and is promoted by the international donor community, non-governmental organizations and the Government's poverty reduction strategy. However, it is often ignored that the implementation of microfinance programs in Ghana is uneven across space and economic sectors. As a consequence Ghana's poor northern districts, including the city of Tamale, as well as market traders, especially female traders, are disadvantaged in the implementation of microfinance. Hence, for many informal sector entrepreneurs, the only financial services accessible are informal finance.

This paper addresses the case of market women located in the Central Market of Tamale, northern Ghana, and analyzes the coping strategies market women employ to insure against risk. The mechanisms of market trade and inherent risk factors are examined, while the impact of political interventions in the market trade in the past is also considered. Furthermore, informal financial services are analyzed from the demand side of market women, pointing out advantages and disadvantages. As market women pursue their businesses with the goal of satisfying the consumption needs of their household members, the interaction between market business and household appears to be important. Hence, the intra-household decision-making processes and resource distribution are explicitly addressed. This paper builds on three branches of the literature – i.e. research on market women, on the informal financial sector, and on the household – and addresses current gaps.

Qualitative fieldwork was conducted in Ghana for a period of three months in 2003. The choice of qualitative field work techniques was motivated by the need to understand existing constraints and risk factors that interfere with market women's businesses, which can hardly be revealed by quantitative analysis. Qualitative data were gathered by combining the techniques of participant observation in the Tamale Central Market, narrative interviews, the recording of market women's biographies, focus group discussions and interviews with experts of the microfinance sector.

The paper has three main findings. First, market women employ informal credit relationships as their main coping strategy to insure against risk in the case of a loss of capital. However, this comes at a cost, both in terms of time and interest. Second, informal credit is highly complex with respect to the types of providers, the amount of credit and the type of

credit contract, ranging from commercial to reciprocal. Third, the design of intra-household allocation decisions appears to be a key determinant of market women's coping strategies.

The paper is outlined as follows: Section 2 summarizes recent literature this paper is built upon and points out some gaps. The following section presents the motivation of this paper, while section 4 presents some background information about the study site, the Tamale Central Market. The research questions are posed in section 5, while fieldwork methods are described in section 6. The three key results are presented in section 7. The last section concludes and indicates policy implications.

2. Review of Recent Literature and Gaps

This paper builds on three branches of literature of the fields of economics and social anthropology, thus cross-cutting the two disciplines. The first concerns market women in Ghana. Besides agriculture, non-farm self-employment is the second most important employment sector in Ghana, especially for women, and hosted 33.8 percent of the adult population in 1998 (McKay and Aryeetey, 2004: 19). However, only a limited number of studies have focused on market women in Ghana. These include empirical studies on market women in Accra (Robertson, 1976, 1983, 1995, Rocksloh-Papendieck, 1992, Westwood, 1984, Dinan, 1977, Campbell, 1985) and on Asante market women in Kumasi (Clark, 1989, 1991, 1994, Clark and Manuh, 1991). A common topic of these empirical studies is their focus on the effects of the economic crisis of the early 1980s on coping strategies of market women. While market women were accused by government officials of pilling goods and worsening the economic crisis, most of the cited studies point out that, on the contrary, market women were severely affected by the economic crisis. This was specifically found to hold true for market women at the lower end of the trade hierarchy. Further, several authors analyzed the impact of structural adjustment programs on market women (Clark, 1994, Clark and Manuh, 1991, Manuh, 1994), finding that despite a changed political and economic framework, market women were still disadvantaged.

The literature on market women in Ghana appears to have two gaps. First, all of the above-cited studies focused on cities located in southern and central Ghana. Given the fact that Ghana is characterized by a severe north-south division, where the north is more disadvantaged (see section 3), research on market women in northern Ghana is an important means of identifying causes of persistent poverty in this region. Second, there has not been any recent study. Field research indicated that stereotypes and negative perceptions of market

women persist today, often overestimating market women's income. Hence, there is a need to point out constraints, risk factors and poverty traps inherent to market trade today.

The second branch of literature concerns the informal finance sector in developing countries. Recent research on informal finance has pointed out its persistence in areas where formal finance is accessible, and where it is the sole source of finance. A variety of explanations are offered for this phenomenon. Some authors identified push-factors of formal finance, such as credit rationing (Bell et al., 1997, Mushinski, 1999), the institutional weaknesses of microfinance programs (Tsai, 2004) and tightly scheduled repayment schemes of microfinance programs (Jain and Mansuri, 2003). Another explanation might be pull-factors of informal finance. The latter include its advantageous characteristics, such as flexibility and convenience (Sanderatne, 2003), lower transaction costs (Kochar, 1997) and the supply of custom tailored financial products (Baydas et al., 1995). A further area of research has focused on the function of informal credit to provide insurance against risk of poverty (Udry, 1990, Bardhan and Udry, 1999: 94-109, Boucher and Guirkinger, 2005).

With respect to Ghana, a variety of programs are currently being implemented to offer microfinance services to poor households, while only recently has attention been paid to the diverse informal finance sector. Furthermore, the few studies that focus on informal finance in Ghana rather undertake a technical description of various providers in terms of interest rates charged or their institutional structure (e.g., Steel and Andah, 2003, Aryeetey and Udry, 1995). What lacks is an analysis of the demand perspective on informal finance that compares advantages, disadvantages, and function of diverse informal finance services. Such an analysis would also provide indications on poor households' need for financial products that may be indicative to the design of microfinance programs as well.

Third, there has been a long tradition of research on the household as an economic unit. An early contribution to this field of literature is Chayanov's peasant farm model (1966, orig. 1923). Chayanov's basic argument holds that households, quiet different from formal enterprises, adapt their agricultural production output to the consumption needs of household members. As a consequence, a household's production (or income) changes according to the ratio of dependent to non-dependent household members during a family's life cycle. Intra-household issues became a topic of research since Wilk's seminal work on Peru (1989, 1990, 1993), in which he rejects the implicit assumptions of altruism, generalized reciprocity and pooling of income commonly held in the household literature, such as Sahlins (1974) and Wallerstein (1984). Instead, Wilk assumes that "all motives are mixed; total self-interest is as rare as pure altruism" (1993: 208) and proposes to consider processes of decision-making as

well as resource flows between household members. For the case of Peru, Wilk shows that the allocation of decision-making power among household members is an important determinant of a household's economic success. Recent literature on intra-household allocation has focused on inter-generational transfers (Gosling and Karagiannaki, 2004, Suen et al., 2003) and investment decisions regarding children's education (Liu and Hsu, 2004, Bhalotra, 2004). The effects of gender as a variable in intra-household allocation have been incorporated in the analysis through a gender wage gap (Albanesi and Olivetti, 2005) and through time-allocation between spouses (Browning and Lechene, 2001).

While literature on the household and intra-household issues is extensive, little is known about the interplay between intra-household structure and households' coping strategies. Intra-household structure is understood in the following to include both the composition of household membership and the allocation of decision-making power.

3. Motivation: Why focusing on market women in northern Ghana?

Market women in Northern Ghana are a social group highly vulnerable to poverty. There are three reasons for that. First, poverty in Ghana, as in most developing countries, is gender related. At an aggregate national level, women face higher levels of deprivation compared to men (McKay and Aryeetey, 2004: 12). As reliable data for men and women concerning income are difficult to derive, education factors may serve as poverty indications across genders. Table 1 summarizes education indicators across genders in the Northern Region in 1997. Comparing literacy rates of adults and primary and secondary school enrollment, the table shows that men outnumber women in all three categories, while the gender gap is largest in adult literary rates.

Second, as mentioned above, market women have been victims of state repression in the past. In a general environment of rising consumer prices and shortages of goods since the 1960s, which further deteriorated in the late 1970s, government officials hold market women responsible for the crisis. According to Robertson, "the market women, because of their *visible* role, were forced to bear the brunt of public displeasure provoked by shortages in goods, *invisible* inflation, decline in terms of trade, corruption, and incompetence" (Robertson, 1983: 469). The military Government, under J.J. Rawlings, took the most radical steps against market women, including publicly punishing them for price control violations and the confiscation of their goods and private property. Further, a politicized mob was encouraged by soldiers to set markets on fire nationwide between 1979 and 1982. This

included the Tamale Central Market, which was burned down completely in February 1982, causing the disruption of the market trade for several years.

Many of the market women in business suffered a complete loss of their property in goods and of their capital in cash, which many traders used to store in their stalls overnight. The material loss, in addition to emotional stress and fear for life, caused many of the older traders to withdraw from the field altogether. Thus, it was often the daughters of former market women that took over the market in the late 1980s, starting with little or no capital at all. Local politicians involved themselves in the redistribution of lots in the Tamale Central Market, favoring their beneficiaries. As a result, market traders formed a heterogeneous group as compared to the situation before the burning of the market. In sum, the repression of market women has two implications for the situation today: First, there is evidence that the repression of market women has caused a path dependence, as many of them had to start over from scratch, losing the opportunity to profit from economies of scale in the purchase of goods. Second, local authorities and bank employees expressed their rather negative perceptions regarding market women during interviews, which is reflected in their reluctance to assist market women.

The third reason for northern market women's vulnerability to poverty is Ghana's strong and pertinent north-south divide, a common feature of West African countries bordering the Atlantic Ocean. Market women of the city of Tamale, the capital of the Northern Region, live in one of the less developed regions of the country. Ghana’s north, consisting of the Northern, Upper East and Upper West Regions, is disadvantaged as compared to the rest of the country in terms of an unfavorable climate, sparse population density, and a low degree of industrial production. Stewart and Lange (2006) consider Ghana’s north-south divide as a "persistent horizontal inequality," arguing that a strong between group inequality exists across regions. According to them, Ghana’s north is characterized by a higher portion of poor households that remain poor over time. Table 2 summarizes indicators of inequalities across regions in the 1990s. The table shows that the incidence of poverty increased in the Northern Region between 1992 and 1997, while the national average decreased over the same time period; the regional gap hence widened. Furthermore, access to health services and primary school enrollment are significantly lower in the Northern Region as compared to the national average in 1997. Similar results are presented by McKay and Aryeetey (2004), who provide evidence that Ghana has reduced poverty in absolute terms over the last 20 years, while north-south inequalities have increased slightly. These socio-economic inequalities are paralleled by cultural divides, as Ghana’s

south is predominantly Christian while the population in the north is predominantly Muslim. Further, Ghana's northern and southern regions have been subject to different influences both in the pre-colonial and the colonial period.

4. Case study background: The Tamale Central Market

Tamale is home to almost 300,000 inhabitants, 80 percent of which belong to the ethnic group of Dagomba (Tamale Municipal Assembly 2003: 2). About 85 percent of Tamale's inhabitants are Muslim (ibid. 5). The city's economy is characterized by its function as a hub in the national road network. As such, Tamale serves as a central point for the aggregation, storage and transportation of the agricultural output of Ghana's northern districts into the densely populated south.

Today, agriculture is only practiced in the outskirts of Tamale, making it necessary for men and women to earn income through either wage labor or self-employment. Still, wage labor is a limited option for many residents of Tamale, because it generally requires formal education and offers only few job opportunities. For example, Tamale hosts only two large-sized and three medium-sized registered enterprises (Tamale Municipal Assembly 2003: 4). Thus, self-employment is the main occupation of both men and women with less formal education. For women, market trade is an important and often the only accessible employment sector. As a consequence, about 95 percent of the market traders in the Tamale Central Market are female.

Tamale has three types of permanent markets: First, there is one large market designed to accommodate large truckloads of agricultural produce. Second, the Central Market is the oldest market in Tamale. Lying in the center of the town, this market supplies the city's population with consumption goods including foods, clothing, household items, medicine and services such as hairdressing, telecommunications and local healers. Finally, there are so-called neighborhood markets in all quarters of Tamale. These provide a small range of fresh and canned foods, beverages and everyday supplies.

A striking observation is the segmentation of the Tamale Central Market traders into three main categories: (1) Hawkers – teenage girls or young women trading goods in very small quantities, either by walking around or by supplying the goods from the floor. (2) Market women – established traders, mostly women, selling their goods from a fixed stall inside the market. (3) Wholesalers – specialized traders, both men and women, organizing the transportation of goods to Tamale, and maintaining business ties with market women, but

rarely with consumers. This segmentation goes along with broad categories of capital endowment in which hawkers have very small capital endowments, usually less than 20 Euro. Market women have a capital endowment of about equivalent of 100 to 500 Euros, whereas wholesalers operate with a capital of 2,000 Euro or more. Interestingly, the segmentation into these categories appeared to be strict, causing trades to cluster around the three main categories. Thus, an underlying mechanism seems to function as a poverty trap, causing difficulties for traders who wish to cross the lines between these categories.

5. Research Questions

Market women are vulnerable to poverty as their average income from trade is low. Statistics reveal that 27 percent of all traders nationwide, including wholesale and retail trade, lived below the poverty line in 1997 (McKay and Aryeetey, 2004: 20). Also, market women face risk factors in market trade that pose a consistent threat to their capital, and hence their ability to generate income. The first research question therefore is: How do market women cope with risk factors inherent in market trade?

Similar to many other informal sector entrepreneurs, most market women do not have access to the formal financial sector. As a consequence, a diverse informal finance sector has developed in Ghana. The second research question asks: What informal finance services are accessible to market women, and what functions do these services have?

Market women in the city of Tamale live in different types of household settings that vary according to the marital status of women. As mentioned above, several studies have pointed out the effects of different intra-household structures on a household's economic success. Building on this literature, the third research question holds: What is the impact of different intra-household structures on the coping strategies of market women?

6. Fieldwork Methods

Empirical fieldwork was conducted from August to October 2003 in Tamale and Accra. During field research, different qualitative techniques were combined. According to Malinowski's (1922) guideline for anthropological fieldwork, participant observation was carried out in the Tamale Central Market, thus gathering information on the functioning of market trade. Further, following an approach proposed by Girtler (2001), extensive narrative interviews with ten female and three male traders of the Tamale Central Market were

conducted. About half of the interviews were held in English, while a research assistant interpreted the remaining interviews from Dagbani, Twi and Hausa into English. The average length of interviews was between 30 and 90 minutes; about half of them recorded and transcribed. Further, the life history of three market women was recorded. Given the fact that these three women had a good command of English, the field data may entail a bias towards more educated market women. Another technique consisted of focus group discussions with four associations of market traders in Tamale, including the "Sugulo Mali Nyori Association," "Biakoye Youth Association," Smock Weavers' Association" and "Denani Youth Association." Lastly, key experts of the microfinance sector as well as executives of financial institutions in both Tamale and Accra were interviewed.

The strength of the qualitative methods applied during fieldwork consist of their ability to reveal profound structures and mechanisms of market trade and further to account for cultural variables that are difficult to measure otherwise, such as the determinants of social standing. Quantitative methods of data gathering were not employed, as market women did not feel confident to reveal their business data in questionnaires. This is due to strict enforcement of price controls by state authorities in the past. Hence, the research results are not representative in a narrow statistical sense but given the extensive fieldwork, the qualitative results are likely to be indicators of general trends. Further quantitative work remains to be done on this issue in collecting household- and firm-level data. Data requirements for such an analysis are very high due to the need to combine intra-household data with firm-level data from market women's enterprise.

7. Results

In the following, each of the three research questions is addressed in turn.

7.1 Informal lending as a coping strategy

The nature of their activities implies that market women are facing risk that entails the danger of a loss of capital. Market women are affected by risk both at an individual and an aggregate level, while risk can have low and high impact on their businesses. Risk that occurs at an individual level can be prevented, in contrast to risk affecting all market women. A loss of capital or of labor is the worst-case scenario for market women, having a high impact on their businesses. A loss of capital can occur as a result of shocks in trade, such as theft or

confiscation of goods, or high expenses in the household, such as costs for medication and school fees. Illness of a market woman or her household members may cause a shortage of labor. Risks that are low in impact include the failure to collect payments for goods that market women sell on credit to their costumers, the failure to recover money lent to kinsmen, and the breakdown of the relationship to a wholesaler who provides a market woman with goods on credit. Examples for aggregate risk are the shutting down of the Tamale Central Market by local authorities due to sanitary issues, the imposition of taxes on traders, and a loss of money due to failed applications for group credit programs.

In short, a common experience of market women during their professional history is the decline of their trading business at some point in time. Because the goal of their economic enterprise is to fulfill the needs of their households in both short-term and long-term respects, market women may not allow their enterprise to go bankrupt at times when the total revenue is negative. Instead, they have to develop coping strategies that minimize risk and facilitate the reconstruction of their enterprise after a total loss.

The first finding is that market women use informal lending as their main coping strategy. Like other informal sector entrepreneurs, they have limited or no access to the formal financial sector, including commercial banks and formal microfinance programs. There are two reasons for this: First, as mentioned above, various Governments used market women as scapegoats for the economic deterioration. Even though direct interference of the state in markets decreased since the 1990s, it was observed during field research that there is still official reluctance to assist market women. Second, compared to other Ghanaian cities, Tamale is less developed in terms of infrastructure and supply of services, including financial services. Hence, market women have only access to the informal financial sector. Informal credit relationships mainly serve as insurance against emergencies, whereas those are rarely used to enlarge investments in trading business, as the volume of informal credit is relatively low compared to the average capital of most market women. Instead, informal credit helps to smooth income, given the fact that market women spend the bigger part of their income from trade on satisfying the consumption needs of their households.

The engaging in and maintaining of a variety of informal credit relationships bears considerable cost both in terms of time and interest. Market women invest about one third of their working hours consolidating personal ties to the providers of informal credit. Further, they aim at continuously borrowing and repaying, thereby following two objectives. On the one hand, in following the time scheme of repayment, market women communicate information on the reliability of their business skills and their cash flows to the informal credit

provider. On the other hand, they continuously build up a moral obligation of the informal credit provider of granting them credit in tight situations.

Market women have individual ties to the providers of informal credit but also aim at accessing credit through groups, locally called associations. The existence of associations in all aspects of social life is an existential feature of Ghanaian culture; they are especially prominent in market trade. However, the character of traders' associations has changed fundamentally within the past ten years. In the past, associations mainly served to gather the traders of certain goods and branches, to organize the transportation of goods into the Tamale Central Market, to set price arrangements and to represent traders' interests vis-à-vis local authorities. Today, many associations set their highest priority as accessing group credits from the formal financial sector. There were even indicators of an abrupt rise in the formation of new associations in Tamale with the sole goal of qualifying for group credits. This shifting of associations' agendas coincided with the introduction of semi-formal microfinance schemes by a growing number of non-governmental organizations in Tamale since the mid 1990s, all of which followed the methodology of group lending. Thus, market women spend a considerable amount of working hours in attending weekly or fortnightly meetings of associations. Most market women hold membership in multiple associations, which also implies the payment of monthly fees meant to serve as a loan security in formal microfinance programs. However, in contrast to their engagement, only a minor number of associations in Tamale have been successful in accessing credit from microfinance schemes. The persistent engagement of market women to access formal microfinance programs mirrors two aspects: First, formal microfinance offers the opportunity for borrowing larger credits which market women may use to invest in their actual business, thus enhancing their working capital. In contrast, informal lending is rather small in volume and merely serves as insurance after businesses collapse. Second, market women actively and persistently form associations and apply for group credits because attempts of individual market women to access credit from commercial banks are futile.

Furthermore, market women take over leadership positions in functions both related to the market, and in other social activities. These include the committee for conflict mediation in tax issues, and religious organizations or neighborhood associations, respectively. This engagement gives proof of their respectable social status and trustworthiness and thereby underlines their creditworthiness. At the same time they gather information on trade related issues, including political actions of the Tamale Municipal Assembly, activities and programs of non-governmental organizations in Tamale, the condition of national roads and

transportation capacities, price increases in cities of the south due to inflation or the ongoing conflict on the traditional political leadership of the Dagomba that caused a state of emergency, which in turn restricted traveling and the transportation of goods. Thus, the time that market women spend on association meetings and other social activities serves various purposes and therefore lowers the transaction costs of informal credit.

Other coping strategies of market women to handle risk, although less important than informal credit networks, include the diversification of goods offered in the market in order to realize predictable everyday cash-flows and the investment in the education of their children as a long-term security for their old-age.

7.2 Complexity of informal finance

The second finding is that market women have ties to a variety of informal credit providers, not limited to the financial sector. This section assesses the organization and characteristics of these various providers and identifies the underlying motivation of market women.

Specialized informal finance providers, locally called Susu Collectors, supply poor households with short-term and flexible financial products. Susu Collectors have a long tradition in Ghana, while their financial services are still popular among informal sector entrepreneurs and peasants today. This is indicated by the high number of Susu Collectors operating in Ghana (in total 4.032 in 2003), serving each between 100 and 250 customers in rural and urban areas, respectively (see table 3). Commonly, market women have to save with a Susu Collector for several months in order to give proof of their trustworthiness, as well as their daily cash flows, before they are allowed to borrow. According to the methodology, the Susu Collector visits his customer's business location everyday for a period of 31 days and collects a fixed amount of money, ranging between 0.50 and 1 Euro, depending on the customer's cash flows. The daily contributions of a costumer are recorded in a savings passport. After 31 days, the aggregated amount is paid out to the customer as a lump sum, while the Susu Collector keeps one day's contribution as a fee for his services. The Susu Collector earns an additional income from either reinvesting his costumers' contributions in short-term projects or from depositing the contributions at a commercial bank, thus receiving positive interest out of the savings account. In contrast, market women who take advantage of the Susu Collector's savings services do not receive a compensation for inflation, nor do they get any positive interest. However, the same methodology and the same fees incurred when a Susu Collector grants a credit to a customer. An amount of money, often drawn out of other

customers' daily contributions, is given to a market woman at the beginning of a Susu cycle and repaid through daily Susu contributions afterwards.

Market women generally appreciate the confidentiality of the Susu savings, which may be secure against the claims of other household members. Also important is the discipline to save that is forced onto them by the Susu Collector. However, the main reason for market women to engage in a relationship with a Susu Collector seems to be the prospect of accessing credit in the case of emergency. The volume of both Susu savings and credit is rather low compared to the average capital of market women at times of usual business. Still, the volume of credit provided by a Susu Collector is sufficient for market women to restart their business after a collapse and further helps to satisfy the consumption needs of their household members until income from trade is restored.

Saving with Susu Collectors can be a risk, as Susu Collectors are not subject to regulation. During the field research, two Susu Collectors operating in Tamale went bankrupt. In both cases, Susu Collectors collapsed because they were unable to retrieve credits that they had given out to some customers out of the daily savings contributions of others. As a consequence, more than 300 market women lost both their savings and the opportunity to borrow.

A further category of informal providers of credit are wholesalers, who grant credits in goods to market women. Even though no interest is charged explicitly, the goods have to be repaid at prices per unit that are about 15 percent above the purchase market price, a considerable fee. While credits in goods from wholesalers are the most important type of informal credit after a total loss, this credit relationship reinforces the polarization between market women and wholesalers. This is further emphasized by the fact that most wholesalers are located at Kumasi, Ghana's second largest city. Wholesalers of Kumasi generally are of different ethnic origin, speak a different language and are mostly Christian.

Market women also maintain mutual obligations that include credit to other market women. It is common for market women to gather in Susu Groups, referred to as Rotating Savings and Credit Associations in the literature (Geertz, 1962 provides an early analysis). Ranging between five to more than 200 members, Susu Groups meet along a fixed schedule, such as every five days, weekly or fortnightly. At the meetings, every member contributes a fixed amount of money into a common pool, which is handed over as a lump sum to one member at a time. This process continues until one credit cycle is completed, i.e. each member of the Susu Group received the lump sum one time. Each Susu Group has its own customs for the succession of the distribution of money. These include the seniority principle,

a lottery or personal needs of members. The lump sum functions as a credit that members repay through their contributions until the end of the credit cycle. Yet for the individual who receives the lump sum last, it is similar to her aggregated savings.

Lastly, market women have credit ties with relatives both inside and outside the household. Again, the volume of these credits is rather small for the ongoing trading business. These credits, both monetary and in kind, become important mostly in emergencies when they help satisfy the needs of household members. While generally neither interest nor fees are charged, ties to relatives are based on generalized and balanced reciprocity, depending on the degree of kinship. Good reputation again serves as credit collateral in all types of reciprocal credit relationships.

In short, market women maintain a surprisingly complex network of informal finance providers who differ considerably in terms of types of providers, fees, and volume of credit. Informal finance may include savings or credit or both, it may be monetary or in kind, and it may involve operators of different geographical localities and of different social standing. Furthermore, credit contracts range from reciprocity to commercial finance. Market women aim at combining multiple savings and credit contracts in order to reinsure their access to informal credit in the case of emergency. This is due to the fact that informal credit providers themselves may be subject to risk – some face the same risk than market women, while others are influenced by rather different risk factors.

The finding that different segments of the informal credit market are used to serve different purposes is in line with other recent research. As such, Aryeetey and Udry (1995) find in their study on Ghana that "the variation in the types of informal financial units derives from the fact that such units are purpose-oriented" (p. 23). Barslund and Tarp (2006: 6-8) show that in the setting of rural Vietnam, formal credits are merely used for enhancing production as well as asset accumulation, while informal credits are more likely used in the case of household shocks or unforeseen events, such as health expenditures. Moreover, this result is in accordance with the findings of Udry (1990) and Boucher and Guirkinger (2005), who argue that informal finance functions as an insurance against risk. However, this paper contrasts with Kocher's study (1997) that pointed out low transaction costs as a feature of informal finance. Rather, this paper reveals that informal credit entails considerable transaction costs in terms of working hours and interest, while the latter differs between credit providers. However, market women are able to incur these transaction costs as their subsistence mode of production implies that their shadow wage is very low.

7.3 Intra-Household Allocation and Coping Strategies

The following section examines the impact of different intra-household settings on market women's vulnerability to risk inherent to trade. In Tamale, four types of household settings that relate to an individual's marital status occur:

1. Households consisting of a monogamous couple, their children, and possibly other relatives,
2. households consisting of a polygamous couple, including one husband and two or more wives, their children, and possibly other relatives,
3. female-headed households consisting of a polygamously married wife, who lives with her children and possibly other relatives in a separate household from her husband, and
4. female-headed households consisting of a divorced, separated or widowed woman, her children, and possibly other relatives.

In general, children may be either a biological child or a foster child (a common practice in West Africa). Thus, the household is a flexible concept in the local context: While it comprises individuals who do not belong to the nuclear family of a married couple and their biological children, not all spouses of a polygamous marriage may live jointly in one household.

It is generally not very common in northern Ghana for spouses to pool their income. Rather, they pursue separate economic activities and keep their incomes separate in order to pay for the household expenses traditionally assigned to their status (see Clark, 1994, Robertson, 1976). It has also been pointed out that husbands and wives also participate in separate insurance networks (Udry and Conley, 2004).

In the Dagomba society, to which the majority of Tamale's population belongs to, it is traditionally the responsibility of the husband to provide shelter and stable food, such as maize, yams and cassava, for his household. Wives, on the other hand, are obliged to grow vegetables and spices as supplements for the dishes and raise small livestock.

Today, not only the sources of income, but also the types of expenses, have altered compared to the traditional Dagomba ideal of agricultural homesteads. Further, it is striking that spouses in most cases do not join for pursuing one trading business, even if both spouses operate trading businesses within the same market. About half of Tamale's population now lives in houses made out of cement or sandcrete (Tamale Municipal Assembly 2003: 7), implying considerable costs of construction. Further, electricity, water, and gas cartridges

have to be paid for. Lastly, there are expenses for children's education, including tuition fees, school materials and uniforms.

As a consequence, husbands and wives often get into conflict over their contribution to the household budget. All married market women that were interviewed during field research stated unanimously that their husbands provided for housing and for stable cereals, while market women regarded it to be in their own responsibility to buy vegetables, meat, and clothing for themselves and their children. In contrast, there are several practices to pay for electricity, water, and gas. Wives who live in separate households in polygamous marriages generally were the most disadvantaged. Further, spouses struggle over general household implements, especially kitchen utensils and children's education expenses. The latter caused the most severe conflicts in polygamous marriages, where wives competed for the benefits of their own children.

Lastly, there are different common practices regarding the husband's contribution to the evening meal. In monogamous marriages, it is the wife who prepares the evening meal for all household members, while wives in polygamous marriages often cook the evening meal separately for themselves and their children. In the latter case, the husband takes his meal from one wife at a time. While most husbands were reported to contribute a small amount of money daily to help the women pay for the ingredients (locally called "chop money"), market women were in general not satisfied with the amount they received. This was especially true for market women living in polygamous marriages, who only receive a contribution from their husband the particular day he eats with that wife. However, husbands generally hold more bargaining power in conflicts concerning the distribution of responsibilities within the household for several reasons. Due to their higher social standing, ascribed to them by both religion and cultural norms, it is easier for men to have a divorce than women. In addition, it is easier for men to remarry younger women. Further, men tend to be more mobile geographically, often leaving their children with their mothers or other relatives. Migration to the south has been appealing for men from Tamale since the colonial era, due to better employment opportunities in plantations, mining, and the informal sector of the capital Accra (cf. Hart, 1973: 88). The marital history of market women interviewed during field research indicated that marriages were rather unstable over time, despite Islamic customs.

Spouses not only struggle over intra-household responsibilities, but they also compete over the labor of their children. As mentioned above, market women invest about one third of their working hours in the maintenance of relationships and social networks as a strategy of securing their enterprise against a total loss. Market women thus have to rely on assistants to

carry on with the business during their absence. Preferably, this would be done by their own children, who at the same time acquire the skills of trading. While the market hours are between 9 am and 6 pm daily, with the most turnover between 11 am and 2 pm, market women are free to determine their presence in the market. However, it is especially important for those offering relatively expensive goods with rather infrequent cash flows to regular costumers to keep their stalls open for long hours. Children also act in place of market women during the Muslim prayers. During this time market women leave their stalls to either pray at the mosque within the market or even leave to visit a mosque in town.

Great importance is attached to the proper preparation of evening meals, which is an important feature of a respectable social status for Dagomba women. The traditional local dishes consist of Fufu – cooked, mashed and pounded yams and cassava – or Banku – dumplings made out of fermented maize. Both Fufu and Banku are served with a sauce of vegetables, meat or fish. The manual mashing of yams requires great physical strength, while it is also extremely time-consuming. However, both the preparation and the eating of meals, often with guests, take place in the courtyard. Therefore, the way a woman handles her cooking duties communicates information concerning her traditional values and respectability to guests, neighbors and passers-by. Market women have diverse strategies to both maximize their working hours in the market while at the same time fulfilling their social duties. Most often, a market woman sends one daughter home to start preparing the meal by 3 pm, while she herself continues with business until 5 pm and merely does the finish of the dish, such as adding the final flavors. In contrast, lunch and even breakfast are not prepared at home, but bought in the market. Hence, a line of industry developed within the Tamale Central Market that specialized in catering snacks and beverages for market women.

In short, children play a prominent role as assistants to their mothers in both household duties and market trade. However, it appeared that school enrollment was much higher among children of market women as compared to school enrollment rates for Tamale of 85.3 and 52.6 percent at primary and junior secondary schools respectively (Tamale Municipal Assembly 2003: 4). Market women consider an investment in the education of their children as a long-term security against sickness in their old age. This strategy is even more plausible given the fact that neither pension schemes nor secure long-term savings services are available to market women. Market women have no alternative but to rely on inter-generation contracts, building on a long-term generalized reciprocity. Hence, it is popular for market women without children, or for those with only a few children, to adopt foster children from kinsmen. While market women not only assume responsibility to nourish and dress foster

children, it is also common to bear the expense of the children's education. In turn, foster children help out in the market enterprise and have a moral obligation to care for their foster mothers at old age.

To conclude, the design of the intra-household structure exerts a substantial influence on market women's ability to cope with risk. Women heading their own households may decide autonomously on deploying their children's labor as well as monetary inputs, thus combining production and consumption decisions similar to peasant households (see Chayanov, 1966). These techniques allow women who head their households to make optimal use of business opportunities. This holds true even though those market women have to bear all expenses of the household out of their income from trade. Further, as those women exercise decision power over the distribution of the household budget, they may invest more in their children's education. However, there are strict requirements for women who head and nourish their own households. These include a minimum capital of about 500 Euro, the command over their children's labor to assist in trade and household duties, experience in trade, and social capital to maintain extensive informal credit networks. Assuming that these conditions are present, field research indicates that market women living in female-headed households have better abilities to cope with risk, thus being less vulnerable to poverty. While about 22.3 percent of urban households in the Northern Region were female-headed in 1997 (Government Statistical Service 2001), clearly not all female-headed households fulfilled these conditions. However, this finding is rather contrary to the poverty literature that often finds female-headed households to belong to the most deprived categories of households.

In contrast, market women who share a household with their husband may not freely deploy either their children's labor or monetary inputs to best respond to business opportunities. Consequently, as they are more likely to encounter constraints in pursuing their trading enterprise, those market women have fewer capabilities and resources to invest in coping strategies. As a result, they are more vulnerable to poverty. As these women only exercise less decision-making authority than their husband, these women have the incentive to minimize their contribution to the household budget. Saving with Susu Collectors is a popular strategy of market women to hide their daily cash flow from household members. As a result of this household structure, the standard of living between spouses of a polygamous marriage may differ to a certain degree according to each spouse's success in business.

8. Conclusions

This paper explored the functions and characteristics of informal credit as a coping strategy in the economy of market women in the Central Market of Tamale, Ghana. Using qualitative research techniques, the paper revealed that market women use informal credit as their main coping strategy against risk. A second finding is that informal finance accessible to market women is complex in terms of types of providers, interest, and volume of credit. Given that the volume of informal credit is relatively low compared to the average working capital of market women, informal credit is less useful in the ongoing business. As a third finding, the intra-household budget system was identified to be a determinant for market women's ability to cope with risk, which in turn has an impact on their vulnerability to poverty.

Three policy implications can be derived from this research: First, there is a demand for micro insurance schemes which may provide market women with a less expensive coping strategy in terms of transaction costs. Second, providing market women with access to formal, reliable, long-term financial services may assist them to permanently raise their working capital. This may enable them to better cope with risk and to overcome the poverty trap, while at the same time the living standard of their household may rise. Third, the research findings suggest that the maintenance of informal credit networks may be used as an alternative to titled credit security in formal microfinance programs as it indicates market women's social capital and success in trade.

Appendix

Table 1: Education Indicators by Gender in the Northern Region

		Literacy Rate (in %)	Primary School Enrollment (in %)	Secondary School Enrollment (in %)
Gender	Male	24.8	43.4	35.7
	Female	9.3	36	21.3

(Source: Government Statistical Service 2001)

Table 2: Socio-Economic Inequalities across Ghana's Regions in the 1990s

	Incidence of Poverty (in %)		Access to Health Services (in %)	Primary School Enrollment (in %)
	1992	1999	1997	1997
Western	60	27	28	75
Central	44	48	36	72
Greater Accra	26	5	78	70
Volta	57	38	42	70
Eastern	48	44	33	78
Ashanti	41	28	43	72
Brong Ahafo	65	36	32	72
Northern	63	69	18	40
Upper West	88	84	8	45
Upper East	67	88	20	36
National	52	40	37	67

(Source: Stewart and Langer, 2006: 18)
Poverty line = 900.000 ¢ per adult in constant prices

Table 3: Characteristics of Susu Collectors in Ghana

		Number of Susu Collectors	Average Number of Costumers per Susu Collector	Total Number of Costumers of all Susu Collectors	Average daily Contribution per Costumer*	Total Sum of Savings Mobilized Daily by Susu Collectors*
Region	Urban	1,848	250	462,000	1.50 €	694,388 €
	Peri-urban	1,564	200	312,000	1.00 €	312,625 €
	Rural	620	100	62,000	0.50 €	1,052 €
Total		4,032	–	836,000	–	1,008,066 €

(Source: Ghana Co-Operative Susu Collector's Association 2003: 4)
*own calculations, based on the official exchange rate of the Ghanaian Cedi as of August 2003 (9,980 GHC/Euro)

Table 4: Percent Distribution of Urban Households in the Northern Region by Characteristics of the Head of Household

		Percentage of Households
Marital Status	**Single**	15.5
	Monogamous	43.8
	Polygamous	16.3
	Widowed/Divorced/Separated	24.5
	Total	100.1

(Source: Government Statistical Service 2001: 73)

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