
Microcredit Angola vs. Ghana

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The Puzzle

The World Bank Group's stated mission is to "end extreme poverty" and "promote shared prosperity." (World Bank, n.d.). The World Bank's mission is accomplished through five separate institutions. One of these institutions is the International Financial Corporation (IFC). In 1997 the IFC began a program of microfinance in Africa. Microfinance is providing financial services access to poor families and microenterprises. Among the IFC's first target countries were Angola and Ghana (International Finance Corporation, n.d. p.3). Both countries are sub-Saharan, have similar population size, religious affiliations, government structures, and economic conditions (i.e. GDP, unemployment rates, poverty levels, taxes, and inflation rate) (The World Factbook: Angola and Ghana, 2018). See table below:

Country	Population	Religion	Government	Suffrage	GDP (Bil) PPP	GDP per capita PPP	Unemployment Rate	Below poverty line	Taxes	Inflation Rate
Angola	30,355,880 (July 2017 est.)	Roman Catholic 41.1%, Protestant 38.1%	Presidential republic	18 years of age; universal	\$ 193.6 2017 (est.)	\$ 6,800	6.6% (2016 est.)	36.6% (2008 est.)	29.3% (of GDP) (2017 est.)	29.8% (2017 est.)
Ghana	28,102,471 (July 2018 est.)	Christian 71.2% (Pentecostal / Charismatic 28.3%, Protestant 18.4%, Catholic 13.1%)	Presidential republic	18 years of age; universal	\$ 134 2017 (est.)	\$ 4,700	11.9% (2015 est.)	24.2% (2013 est.)	20.3% (of GDP) (2017 est.)	12.4% (2017 est.)

Source: (The World Factbook: Angola and Ghana, 2018)

PPP - Purchase Power Parity
est. - Estimate

Despite these similarities, as of 2017, Ghana had \$376 million in microloans outstanding (The MIX: Ghana, n.d.) while Angola only had \$10 million. (The MIX: Angola, n.d.).

Worldwide, “ although 700 million people have gained access to formal financial services ... 2 billion remain excluded. Financial inclusion ... has been an objective of the World Bank Group for a long time” (Beck, 2015). Why has Angola which is similarly situated to Ghana not been able to or been unwilling to access microcredit?

Research Question

The difference between Angola’s and Ghana’s ability or willingness to access microcredit presents a puzzle: Give the seemingly similar population and economic situations of the two countries, why did Ghana obtain nearly 40 times more microcredit loans than Angola? My research paper will attempt to answer the question: Why do some countries avail themselves of the opportunity that microcredit affords their less affluent populous and other countries do not?

Significance

The specific resemblances between Angola and Ghana in terms of social, political, and economic systems suggest that those factors are not explanatory variables in influencing whether microcredit is adopted and diffused within a country.

In the 1970s, economics professor Muhammad Yunus noticed that the poorest women in Jobra, Bangladesh needed money to buy bamboo to make goods to sell. He found they could get loans but only at interest rates so high that they could not make sufficient profit. Professor Yunus began making small loans with moderate interest rates

to these women, earned a return, and improve these women's lives forever. He later founded Grameen Bank to continue making these types of loans and in 2006 won the Nobel Peace Prize for his efforts. Professor Yunus' insight created the modern idea of microfinance (Marotta 2014). Jonathan Morduch a professor of Public Policy and Economics at NYU Wagner Graduate School of Public Service wrote, "The hope is that much poverty can be alleviated—and that economic and social structures can be transformed fundamentally—by providing financial services to low-income households." (Morduch 1999, p. 1). As previously stated, the World Bank's double mission is to end extreme poverty and promote shared prosperity. Whether this hope and this mission are ever realized or whether they can ever be realized through microfinance is clearly an important social question.

An examination of the differences and similarity between Angola and Ghana, which is motivating my research, may provide insight into how Angola might better execute on making microcredit available to its populous or demonstrate that, for Angola, microcredit is not an effective strategy to assist its people.

Additionally, in investigating this smaller research question new insights into the larger question as to whether microcredit will fulfill Dr. Morduch hope and the World Bank's mission may be gained.

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