國立交通大學

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碩士論文

小額信貸在甘比亞父權農村對婦女之影響- 在甘比亞 Nianija 及 Kudan 地區之案例研究，著眼於 SDF 貸款的婦女受益人

EFFECT OF MICROFINANCE IN EMPOWERING RURAL WOMEN IN THE GAMBIA: Case Study on Microfinance in Nianija and Kudan District in The Gambia, focusing on women beneficiaries of the SDF loans.

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CHINESE ABSTRACT

小額信貸是一種相對較新的名詞，但作爲一個概念，它是公認的。它的起源可以追溯到 1976 年，穆罕默德·尤努斯設立了格萊珉銀行，作爲實驗，在吉大港大學校園 Jobra，孟加拉國的鄉村郊外。

自從第一次小額信貸峰會在華盛頓 1997 年 2 月，小額貸款已經開花結果，捕捉發展的世界和超越的注意。注意力是完全合理的，因爲小額信貸已經被證明是達到非常貧窮的最有效的工具之一。

小額信貸現在被視爲一個最重要和有效的機制來扶貧。這些也是通過它來傳播關於如何改善健康，教育，法律權利，環衛等生活水平，這是有關關切窮人的珍貴信息的有效機制。最重要的是，許多小額信貸項目有針對性的社會中最脆弱的群體之一 - 婦女，誰住在家庭，很少或幾乎沒有資產。通過提供自謀職業的機會，許多研究的結論是，這些方案已顯著改善了婦女的安全性，自主性，在家庭中的自信和狀態。

賦予婦女權力，也是基礎在家庭層面和更廣泛的社會轉化的生活。在這方面，小額信貸的交付是方法賦予婦女權力之一。

這項研究評估小額信貸在農村婦女在岡比亞的能力的影響的目的。它認識能力的多面性的，涉及個人，社會和經濟方面的過程。

因此，本研究的目的是展示如何小額信貸工作，通過小組聯保貸款的方法是減少貧困和它是如何影響女性的生活水準（收入，教育，使決策等），在兩個地區在岡比亞。

這項研究是在 Nianija 和區九段在岡比亞進行的，重點是社會發展基金貸款的婦女受益人。研究者用定量的方法來獲得一個可靠的數據。收集的信息均來自日本自衛隊的女性客戶的樣本進行問卷調查。

此外，三個焦點小組討論中進行，涉及 18 名婦女。

ENGLISH ABSTRACT

Microfinance is a relatively new term, but as a concept it is well established. Its origin can be traced back to 1976, when Muhammad Yunus set up the Grameen Bank, as experiment, on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh.

Since the first Microcredit Summit in Washington in February 1997, microcredit has blossomed and captured the attention of the development world and beyond. That attention is fully justified because microcredit has proven to be one of the most effective instruments in reaching the very poor.

Microfinance is now being considered as one of the most important and an effective mechanism for poverty alleviation. These are also effective mechanisms through which to disseminate precious information on ways to improve the health, education, legal rights, sanitation and other living standards, which are of relevant concerns for the poor. Above all, many micro-credit programs have targeted one of the most vulnerable groups in society – women, who live in households with little or almost no assets. By providing opportunities for self-employment, many studies have concluded that these programs have significantly improved women's security, autonomy, self-confidence and status within the household.

The empowerment of women is also the basis for transforming lives at the household level and in the wider society. In this regard, the delivery of microfinance is one of the approaches to the empowerment of women.

This study has the objective of assessing the impact of microfinance in the empowerment of rural women in The Gambia. It recognizes the multidimensional nature of empowerment as a process involving personal, social and economic dimensions.

The research was conducted in Nianija and Kudan District in The Gambia, focusing on women beneficiaries of the social development fund loans.

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To all the women who participated in this study, whom I salute for their courage, commitment and persistence. This study is dedicated to them.

A special thanks to my family. Words cannot express how grateful I am to my mother, father and my two most lovely brothers; Ousman and Kalifa for all of the sacrifices that you’ve made on my behalf. Your prayer for me was what sustained me thus far. I would also like to thank all of my friends who supported and incented me to strive towards my goal.

With so much good advice from so many good people, it is unlikely that they all agree on everything. The final responsibility is, of course, my own.

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ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund	ROSAC	Rotating Savings and Credit Associations
CBG	Central Bank of The Gambia	SACAs	Savings and Credit Associations
BPFA	Beijing Platform for Action	SOCR	Statistics Online Computational Resource
CGAP	Consultative Group to Assist the Poor	SDF	Social Development Fund
CRB	Credit Reference Bureau	SHGs	Self Help Groups
CRD	constitutional review commission	UNO	United Nations Organization
CSD	Central Statistics Department	UNDP	United Nations Development Program
CSIP	Community Skills Improvement Project	UNIFEM	United Nations Development Fund for Women
ECA	Economic Commission for Africa	USAID	United States Agency for International
GAMSAVIN	Gambia Savings Society	UNCDF	United Nations Capital Development Fund
GAWFA	Gambia Women Farmers Association	URD	Upper River Division
GCCI	Gambia Chamber of Commerce	VAT	Value Added Tax
GDP	Gross Domestic Product	VISACA	Village Savings and Credit Associations
HDI	Human Development Index	WFP	World Food Program
IFAD	International Fund for Agriculture and	WHDR	World Human Development Report
MDG	Millennium Development Goals	WHO	World Health Organization
MFIs	Microfinance Institutions	NSFP	National Strategic Framework Paper
MICROFIMS	Micro Finance Service & Market Developer	NYSS	National Youth Service Scheme
MSEs	Micro and small enterprises	OER	Operating Expense Ratio
NACCUG	National Credit Cooperative Union of	OSS	Operational sustainability
NASACA	National Savings and Credit Association	OECD	Organization for Economic Co-operation and
NBD	North Bank Division	ROE	Return on Equity
NBFIs	Non-Bank Financial Institutions	ROA	Returns on Asset
NGOs	Non Governmental Organizations	RDI	Rural Development Institute
NHDR	National Human Development Report	NMFPS	National Micro-Finance Policy and Strategy
		NHPSR	National Household Poverty Survey Report

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Women are central to household well-being and national economic development, however, their role are impeded because they generally hold a low status in many developing countries.

According to the World Bank's gender equality data and statistics, in most countries, women are less likely than men to participate in the labor market, that is, less likely to be employed or looking actively for a job. Women's participation rates tend to follow a U-shape with respect to income: participation rates are highest in low-income countries—where a majority of women are active because they are involved in unpaid subsistence agriculture, although they are less involved in paid activities outside the household.

This is evidence in The Gambia where the rural population is overly dependent on agriculture as the single source of income generation for which they are poorly equipped and lack sufficient coping mechanism. About 59% (National Household Poverty Survey Report - NHPSR) of the population is categorized as potential labor force but only 14% is actually employed, of which 79% is operating in the informal sector National Economic Census, (2005).

The highest percentage (71%) of economically active women was found to be in North Bank Division (NBD), where the poverty level is reported to be the highest (80%); the highest percentage (77%) of economically active men was found to be in Central River Division (CRD) where the reported poverty level is 74%. Moreover, 55% of the male youth are unemployed as compared to 45% of female youth. In the Gambia, 70% of persons involved in the agricultural sector are categorized as being extremely poor of which 71% are women. Furthermore, the rural agriculture population is reported to earn a mean annual income of only Gambian Dalasi (GMD) 2,742 as compared to those in the business and finance services who earn an annual mean income of GMD 14,990.

The major constraint for the rural poor is the dependence on single economic activity, lack of skills to diversify source of income to supplement household livelihoods, insufficient access to financial and technical resources to engage in other productive activities, and lack of market opportunities for diversified products and services. This indicates that the Gambian population especially women are unable to effectively reduce their poverty and as a result they are increasingly vulnerable to external shocks which push them further into poverty and household livelihoods insecurity.

Stated by Harper, (1996) women everywhere, particularly in poor countries are seriously disadvantaged due to various reasons. While women handle a large part of the world's work, they receive a very small part of the reward of the work, in terms of money which they can control and social position.

They constitute the bulk of those who need microfinance services. Giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution's activities, benefiting multiple generations.

In line with the human rights issue, the prevailing condition of women calls for taking measures to empower them. Access to financial services can help men and women build their assets and to make education and entrepreneurial investments. Global Findex data shows that regardless of education levels, women are less likely than men to have borrowed from a formal financial institution. These statistics are used to justify giving priority and increasing women's access to financial services on the grounds that women are relatively more disadvantaged than men.

Narayan (2008), in most poor countries, men's domination of women is strongest within the household. Access to credit and participation in income-generating activities is assumed to strengthen women's bargaining position within the household thereby allowing them to influence a greater number of strategic decisions.

United Nations Organization (UNO) announced the millennium development goals, aimed to eradicate poverty by 2015. In this regard, microfinance is the form of financial development that has its primary aim to alleviate the poverty.

Governments, donors and NGOs around the world responded enthusiastically with plans and promised to work together towards the realization of these goals.

In the recognition of microfinance, the UNO celebrated the year 2005 as a year of micro-credit, as a result this financing instrument is perceived worldwide as a very effective mean against hunger and poverty, mainly in developing countries.

Microfinance has a huge impact on the lives of millions of poor people particularly women. As a result scholars and NGOs are working to take microfinance within the reach of poor people, who are still not benefited by the conventional financial system.

Women empowerment differs from one country to another and between different income groups within each country. However, women's economic, social and political position is generally worse in poor countries as compared to the rich.

The goal of microfinance institutions as development organizations is to service the financial needs of un-served or underserved markets as a means of meeting development. It includes reducing poverty, empowering women or other disadvantaged population groups to create employment Ledgerwood, (2007).

Microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. The economic empowerment is expected to generate increased self-esteem, respect and other forms of empowerment for women beneficiaries. It is clearly visible that involvement in successful income generating activities should translate into greater control and empowerment Narayan (2008).

Considering the above and The Gambia being a developing country, this studies deals with the effect of microfinance in empowering rural women in The Gambia.

Social Development Fund (SDF) has been considered for this study to look into the role of microfinance on empowering rural women in The Gambia. SDF provides both financial and non-financial services.

SDF supported 560 community based micro-projects in demand driven social infrastructure it made direct loans to 51,837 individual clients (79% women) in 828 groups, as well as 65,918 clients (80% women) in 1,006 groups through NBFIs. In addition, SDF is currently managing the micro-credit component for the following ADF projects: (i) the Community Skills Improvement Project, (ii) The Per-urban Smallholder Improvement Project, (iii) and the Artisanal Fisheries Development Project.

1.2 RESEARCH QUESTION

In view of the problem, the background study leads to the following problem statement, which will be the overarching question for this study:

What is the effect of microfinance on empowering rural women?

Case Study on Microfinance in Nianija and Kudan District in The Gambia, focusing on women beneficiaries of the SDF loan.

1.3 **OBJECTIVES OF THE STUDY**

1.4 In light of the research question, the main objective of this study is to investigate how effective micro finance is in empowering rural Gambian women. These women in question are benefiting from SDF loan through group lending methodology and improving their business for social and economy empowerment.

Specific objective includes:

1. To understand the meaning, concepts, issues and dimensions of empowerment.
2. Assess the degree to which micro finance improve the living standard of the participating women (Income, saving, decisions making, access to health and education)
3. Identifying the role of microfinance in relation to women's self confidence
4. Assess the challenges faced by women clients in the microfinance institutions in the study area.
5. To suggest appropriate policy intervention for the effective performance of women participation in microfinance scheme.

1.4 SIGNIFICANCE OF THE STUDY

Given the above situation in the state of research in microfinance, this study is deemed important because it intends to put the understanding of how microfinance is effectively improving the lives of the financial disadvantage women in the rural part of The Gambia.

The findings of the study are believed to show the economic, financial and social benefits of microfinance delivery to women in addition to its impact in enhancing their awareness and knowledge.

Furthermore, the study also identifies the challenges women face with Social Development Fund. The findings of the study can be used by other researchers who might be interested to conduct further studies on the subject. In addition, the results of the study will serve as a source of information for the government; donors, NGOs and the general public that need to know the role of micro finance on women empowerment in The Gambia.

1.5 LIMITATION OF THE STUDY

The research work is limited to women clients of only one microfinance institute, namely SDF. Hence, generalization of some facts and findings of the study may be limited to the specific institution considered in the undertaking. A large sample size made up of different microfinance institutions from within and outside The Gambia could have allowed for generalizations of the findings. Nevertheless, this research missed such opportunity due to time constraints.

CHAPTER TWO

THE LITERATURE REVIEW

2.0 THEORETICAL BACKGROUND

Women hold an equal or even a more powerful position under the communal mode of production. However, women's role and their corresponding power in the household and the community eventually diminished with the evolution of private ownership. The family also changes to a patriarchal one where women are treated as the property of men as the latter control property and manage to generate surplus. The rise of capitalism also further intensified men's control over women making the latter economically dependents on the former Engles (1999).

According to Engles (1999), the development of socialism and the socialization of housework are required to attain the full liberation of women. In addition, feminists should join the struggle against capital if the objective of women's liberation is to be met Cliff (2008). Liberal feminists call for the involvement of women in the public sphere while maintaining the existing class structures. On the other hand, Engles (1999) argued for the elimination of private property as the key to women's liberation Friedan, (1963).

A number of Marxist feminist thinkers have conducted studies on the earlier kinship and economic models and the role of sexual and/or gender division of labor in support or against the social power of women Reed, (2005). Economic independence is called for by various theories to ensure the equality of women. Housework is denounced by the Second Wave Movement, including liberal feminists, because it is basically unpaid. It is insisted that such work devalues women and makes them dependent on men since it is not within the sphere of public economic production Friedan (1963). Feminists propose interventions to provide access to economic resources such as micro credit as a stepping point to promote the empowerment of women in the economic, social and political arena Solomon (1999).

2.1 **THE CONCEPT OF EMPOWERMENT**

Empowerment is a term that has been embraced by a diverse range of institutions, from the World Bank to Oxfam to many more radical NGOs, but few of these share common definitions. Some organizations leave the term undefined (for example, UNDP, Oxfam and Save the Children UK).

However some researchers defined empowerment as a process through which women are able to transform their self perceptions-equivalent to alchemy of visibly transforming gender roles.

Empowerment generally involves change at three broad levels: within the household, within the community, and at a broader institutional or policy-making level.

Empowerment is usually associated with women not only because they have been historically disadvantaged in access to material resources like credit, property and money, but they have also been excluded from social resources like education or inside knowledge of some businesses Zafar, (2006).

The roots of thinking on empowerment lie in feminist theory and Popular Education Freire, (1970), which stressed the personal and inner dimensions of power. It is viewed that Empowerment is associated with the Gender and Development approach and challenging the way in which the inclusion of women in the development process can increase their work burden. Moreover, it is also observed from the existing literature that empowerment as a concept was first brought at the International Women's conference in 1985 at Nairobi. The conference concluded that empowerment is a redistribution of power and control of resources in favor of women through positive intervention.

The idea of ‘power’ is at the root of the term empowerment. Power can be understood as operating in a number of different ways.

According to Oakley, 2001, people’s empowerment can manifest itself in three broad areas:

- ✓ Power through greater confidence in one’s ability to successfully undertake some form of action.
- ✓ Power in terms of increasing and effecting relations that powerless people establish with other organizations.
- ✓ Power as a result of increasing access to economic resources, such as credit and inputs.

Implicit in the use of various indicators for measurement of empowerment is that they have independent influences even if they are adjusted for one another. The reason for this is that each indicators of women empowerment can be thought to relate to a specific aspect of social, economic and psychology variables.

In view of fact, the meaning of any empowerment indicator will always depend on its inter-relationships with other variables. It is also true that a single indicator is not usually sufficient to measure even a specific dimension of empowerment Kishor (2000); Estudillo (et al.2001).

Access to resources does not by itself translate into empowerment or equality unless women acquire the ability to use the resources to meet their goals. For resources to empower women they must be able to use them for the purposes of their choice. The effective use of resources requires agency, which is, the process of decision making, negotiation and manipulation Kabeer, (2005).

Women who have been excluded from decision making for most of their lives often lack this sense of agency that allows them to define goals and act effectively to achieve them.

The World Bank has also identified empowerment as one of the key constituent elements of poverty reduction, and as a primary development goal. The promotion of women's empowerment as a development goal is based on the dual argument that social justice is an important aspect of human welfare and is intrinsically worth pursuing. A similar dual rationale for supporting women's empowerment has been articulated in the policy statements put forth at several high level international conferences in the past decade e.g. (Beijing Platform for Action, 1995), (Beijing +5 Declaration, 2000), and (CEDAW,1979).

The empowerment of women is essential for achieving the goals of sustainable development centered on human beings. It also requires appropriate public polices to ensure that women enjoy all human rights and fundamental freedoms and participate fully and equally in all spheres of public life including decision making.

Public policies to promote women's economic potential and independence and their full and equal participation in development are also essential for women's empowerment. Measures are also needed to ensure women's equal access to education and to training and retraining.

The extension of microfinance to impoverished women in developing countries is increasingly being promoted and endorsed as an effective strategy for poverty reduction and empowerment by a large number of actors in the international development arena, such as the World Bank, UN organizations, bilateral donors and NGOs, as well as private sector investors.

2.2 REVIEW OF LITERATURE

Pattanaik, (2003) in her study reveals that Self Help Groups (SHGs) are continuously striving for a better future for tribal women as participants, decision-makers and beneficiaries in the domestic, economic, social and cultural spheres of life.

But due to certain constraints like gender inequality, exploitation, women tortures for which various Self Help Groups are not organized properly and effectively.

Malhotra (2004) in her book has examined how women entrepreneurs affect the global economy, why women start business, how women's business associations promote entrepreneurs, and to what extent women contribute to international trade.

It explores potential of micro-finance programs for empowering and employing women and also discusses the opportunities and challenges of using micro-finance to tackle the feminization of poverty.

According to her, the microfinance programs are aimed to increase women's income levels and control over income leading to greater levels of economic independence. They enable women's access to networks and markets, access to information and possibilities for development of other social and political role. They also enhance perceptions of women's contribution to household income and family welfare, increasing women's participation in household decisions about expenditure and other issues leading to greater expenditure on women's welfare.

Gudaganavar (2008) made an attempt to examine the empowerment of rural women through SHG. They highlighted the process of SHGs in India from 1992-93 to 2006-07. They also highlighted the region-wise progress of SHGs and employment of women through SHGs. They concluded that no development was possible without empowerment of women.

*Women Empowerment through Micro Enterprise Development,"*Vasanthakumar (2008) has made an attempt to examine the role of micro enterprises in empowering women in Kerala. The author took a sample of 328 micro entrepreneurs. The study revealed that these enterprises helped in empowering rural women economically, socially and individually. The study suggested giving priority to commercial viability of enterprises

"*Micro Credit through SHG for Rural Development",* Anita and Revenkar (2007), made an attempt to study rural development through micro credit, the growth of SHGs from 1992-93 to 2003-04, and agency wise SHGs linked on March 31, 2004. They concluded that the success of SHGs not only improve the economic status of women, but also brought lot of changes in their social status.

Cheston & Kuhn (2011) in their study concluded that micro-finance programs have been very successful in reaching women. This gives micro-finance institutions an extraordinary opportunity to act intentionally to empower poor women and to minimize the potentially negative impacts some women experiences.

Das Gupta (2012) in his article commented that a paradigm shift is required from "financial sector reform" to "micro-finance reform". While the priority sector needs to be made lean, mandatory micro credit must be monitored rigorously. Simultaneously space and scope have to be properly designed for providing competitive environment to micro-finance services. Extensive database needs to be created by the RBI for understanding micro-finance.

2.3 **WHAT IS MICRO FINANCE**

Microfinance is a type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services.

Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development.

Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation.

According to Otero (2005) Microfinance is the provision of financial services to low-income, poor, and very poor self-employed people. In her paper title Bringing Development back, into Microfinance, she explores three points at which microfinance intersects with development.

Reaching the Poor: microfinance's objective to alleviate poverty, conceptually, microfinance addresses one constraint faced by the poor: their shortage of material capital (i.e., the input necessary to generate income).

Building Institutions: Microfinance seeks to create private institutions that deliver financial services to the poor. These institutions become part of the infrastructure of the country; that is, they are distribution channels for deploying services that respond to the material capital needs of poor.

Deepening The Financial System's Reach: By joining the financial systems of their country, microfinance institutions deepen dramatically the reach of financial systems to populations previously excluded from banks and other financial institutions. One essential means of alleviating poverty becomes the creation of a broader and deeper financial system which does not restrict the allocation of capital to a tiny group of elites, but instead integrates the poor as a market segment and reallocates resources from other sectors.

For microfinance to continue its path toward becoming a successful development strategy, it must display these three dimensions: a relationship to the poor, a reliance on permanent institutions, and a connection with the financial system of a country.

Gert van Maanen (2004), in his publication describes what he refers to as the two different schools of thought in microfinance. One is primarily development-oriented and the other is more commercially-oriented.

He however describe microcredit, or microfinance, as banking the unbankables, bringing credit, savings and other essential financial services within the reach of tens - or rather hundreds - of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral.

In general, banks are for people with money, not for people without. Microcredit - or microfinance - has captured the attention of the development world because of its extraordinary relevance to enable the poor to improve their economic situation. He elaborates on a number of aspects that influence the success (or failure) of Microfinance Institutions (MFIs). In particular he deals with the question whether microfinance should be seen as a business that - like all businesses - should aim at profitability or as a development instrument that should aim primarily at increasing its outreach and effectiveness. In his view the latter approach should prevail.

Micro credit programmers aimed at empowering women have become popular among donors and NGOs.

Development polices with the approach of women’s empowerment through women organizing for greater self-reliance has also resulted in a change of policies for the enhancement of women’s economic role. Since microfinance organizations have financial focus, they are expected to impact the lives of the poor Kabeer (2005).

Micro credit is about much more than access to money. It is about women gaining control over the means to make a living. It is about women lifting themselves out of poverty and vulnerability.

It is about women achieving economic and political empowerment within their homes, their villages, their countries. (Beijing +5 Conference, 2000)

Kabeer (2005) states that in order to bring women's empowerment, microfinance needs to help poor women address their daily needs as well as their strategic gender interests. It is recognized that strategic gender interests go to the very heart of the structures of patriarchal power: the abolition of a coercive gender division of labor; of unequal control over resources; ending male violence, women's control over their own bodies, the establishment of political equality and the ending of sexual exploitation

2.3.1 **Targeting of women under microfinance**

Most micro finance organizations target poor women and usually those from socially excluded groups. The reason for the targeting of women under microfinance schemes is the relationship between gender and development. Various researches conducted by institutions such as UNDP (1995) and the World Bank (2001) indicate that gender inequalities inhibit growth and development. Hence, acknowledging the prevalent gender inequalities and the impact on development, microfinance provides women with access to working capital and training to mobilize women's productive capacity to alleviate poverty and pave the way for development.

Women are basically the poorest of the poor. According to UNDP (2003) Human Development Reports, women make up the majority of lower paid and unemployed portion of most economies. It is believed that the welfare of a family is enhanced, when women are helped to increase their incomes. This is due to the fact that women spend most of their incomes on their households. Hence, assisting women generates a multiplier effect enlarging the impact of the family needs and, therefore, another justification for giving priority to them. Another argument in favor of priorities to women is their efficiency and sustainability.

Women are believed to be better in their repayment records and cooperativeness Cheston and Kuhn, (2002). Women’s repayment rates also excel that of men and their lower arrears and loan rates have an important effect on their efficiency and sustainability of the institutions. Women’s equal access to financial resources is also a human rights issue (Beijing platform for action, 1995).

According to USAID (1995) financial institutions that offer deposit services are very attractive to women. If a gender -based organization is aiming to meet the preferences and needs of its clients, savings services must be an integral component of its program.

Saving programs targeting at women have the potential to enhance economic empowerment since women make financial security safety and provision priorities in their households UN Expert group on women and Finance, (1995).

As indicated previously, microfinance services initially target women. However, it is not sufficient only to cater to women clients to solve gender issues. A gender sensitive approach is inclusive rather than exclusive Jahan, (1995). Gender sensitivity is assured when taking into account the needs and constraints of both women and men during the design and delivery of finance. On the other hand, the "women only" targeting approach might further exacerbate gender inequalities.

2.4 PARADIGMS OF MICROFINANCE INSTITUTIONS TOWARDS WOMEN EMPOWERMENT

Support for targeting women in microfinance programs comes from organizations of widely differing perspectives. Mayoux (2005) identifies three contrasting paradigms with different underlying aims and understandings and different policy prescriptions and priorities in relation to microfinance and gender policy. The three paradigms, namely the feminist empowerment, poverty reduction and financial sustainability, also have different emphasis in the way they perceive the inter-linkages between microfinance and women's empowerment.

2.4.1 Feminist empowerment paradigm

With a focus on gender awareness and feminist organization, microfinance is promoted in light of a wider strategy for women's economic and socio-political empowerment. In this regard, microfinance must be part of a sectional strategy for change that identifies opportunities and constraints within industries which can raise the prospects for women, when addressed. In addition, microfinance should be based on participatory principles to build up incremental knowledge of industries and enable women to develop their strategies for change.

2.4.2 Poverty reduction paradigm

This paradigm is touched by many NGO integrated poverty-targeted community development programs. The main focus of such programs is the development of sustainable livelihoods, community development and social service provision like literacy, health care and infrastructure. The programs typically target the poorest of the poor.

The strategies target women because of higher levels of female poverty and women's responsibility for household well-being. The assumption is that increasing women's access to microfinance will enable them to make greater contribution to household income which is believed to translate into well being for women and result in changes gender inequality.

2.4.3 Financial sustainability Paradigm

This underlies the models of microfinance promoted since the mid-1905 by most donor agencies. Large programs which are profitable and self supporting and that, compete with other private banking institutions and capable of raising funds from international financial markets, is the ultimate aim of such endeavors. Financial sustainability is seen as addition to create institutions which reach significant number of the poor. The success of the programs is measured in terms of covering costs from incomes.

The need for targeting women is justified on grounds of high female repayment rates and the need to stimulate women's economic activity. It is believed that increasing women's access to microfinance services will in itself lead to individual economic empowerment though enabling women's decisions about savings and credit use to set up micro enterprise, increasing incomes under their control.

2.5 ECONOMIC IMPACT OF MICROFINANCE

Women's access to credit is generally believed to result in their economic empowerment. As a result, the provision of microfinance to women has been called for by various international and national organizations in light of their productive role for economic development and women's rights. However, many still question the empowering capacity of credit in relation to the economic social and political conditions of women. Mayoux, (2002)

The impact of microfinance on income has been observed to be variable. It appears that for the majority of borrowers income increases are small and even in some cases negative. This is due to the fact that most women invest in existing activities which are low profit and insecure. In addition, women's choices and ability to increase income is constrained by gender inequalities in access to other resources for investment in household responsibility and lack of mobility Mayoux, (2002). Hence, the presumption that access to credit automatically leads to women's empowerment is not often true. This is because women with access to credit are usually unable to gain and maintain control of it. In addition there are additional disadvantages that women face including inability to access information, productive resources and social networks that hider their access to and control of resources Mayoux, (2002).

As mentioned earlier, access to microfinance, by and large, has a positive economic impact. The impact becomes larger for those closer to the poverty line and it also increases with the duration of membership or intensity of loans as members begin to invest in assets rather than consumption Morduch and Haley (2001). Microfinance delivery in various points of the world has improved the economic position of households, enhancing the asset base and diversification in to higher return occupations among members.

However, there are also a number of issues within the women's empowerment framework that impede the poverty reduction capacity of microfinance Skarlatos, (2004). First the size of the loans is too small which does not enable the women to make long lasting income change for the household. Secondly, the increased access to credit in the same geographic area could contribute to market saturation of products provided by women.

This is because poor women usually engage in similar businesses. Thirdly, there is the possibility that the women's successful business might have a negative impact on the girl child who might be required to help her mother leaving the school.

Women have a stake in the overall economic achievement of the household. However, in societies where there are restrictions on women's public mobility the impacts of microfinance on women are marginal or even nonexistent. In addition, the economic impact of microfinance on women depends on whether they have full control over the loan secured and their voice in house hold decision making Goetz and Gupta, (1996).

2.6 SOCIAL IMPACT OF MICROFINANCE

In addition to economic impacts, social changes also result from the work of micro finance organizations Kabeer (2005). The delivery of microfinance is expected to result in social changes because women working in groups can achieve what might not be achievable individually. Micro finance organization strategies provide the poor the possibility of belonging to a group they choose despite the socially or economically imposed relationships Kaber, (2005).

This allows for meeting with others as similar experience and share knowledge. Such practices in effect are believed to empower them both individually and collectively. The provision of financial services is directly associated with two specific sets of social relations. The first relate to interactions with the staff of the organizations which have the potential to bring change through training and other activities. The second set of social relations is those between members of the groups organized by microfinance organizations. However, these groups do not embody the same principles of organization or the same kind of relationships between members Mayoux, (2002). Child education also improves with the provision of microfinance. In this regard, the delivery of microfinance to women results in greater return as compared to men Kaber, (2005).

Microfinance members are also expected to have enhanced decision making powers regarding reproductive rights than non-members. These include the decision on abortion, contraception use, and number of children and age at marriage for their daughter. In addition, the livelihood of female decision making has been increases when channeling loans through women's groups rather than to individual women Goetz and Gupta, (1996).

Claims that participation in microfinance activities has implications for women's empowerment within the household were investigated by a number of studies with varying results. Intra-household decision-making was one commonly investigated indicator of women's empowerment. While there is evidence that microfinance can have an impact on women's role in household decision-making, it has not occurred evenly in all contexts or in all areas of decision-making Cheston and Kuhn, (2002).

The other social impact of microfinance is on domestic violence. Domestic violence might reveal either a declining or an increasing trend with women's access to microfinance Goetz and Gupta, (1996).The reason for the decline could be the increase in awareness among family members that provides women a public forum where they discuss matters that were previously kept privately. On the other hand, according to the report compiled by Rahman, (1999) an increase in domestic violence has been observed for 70 percent of 120 women borrowers of Grameen Bank (microfinance institute found in Bangladesh) following their involvement in microfinance.

2.7 POLITICAL IMPACT OF MICROFINANCE

Microfinance is viewed as an effective tool for overcoming the political exclusion of women Cheston and Kuhn, (2002). The global average of women's representation in national parliaments remains low at 17 per cent as of 31 January 2007(UN, 2007).

Women in government, parliament, the judiciary and other institutions serve as role models and thus as pull factors for other women. There are a range of possible mechanisms to increase women’s participation in political life with varying degrees of success (Byrne et.al, 1996). The first is the reform of political parties through quotas and other forms of affirmative action. Another mechanism is training to develop women’s skills and gender sensitive working with women’s political organizations is the other mechanisms to enhance their participation. Measures that can be taken by microfinance institutions to increase the quality of women’s political participation include awareness raising, training programs for female candidates, the cultivation of links and networks between women in local government and quotas in NGOs and timing of meetings and provisions of child-care to fit with women’s domestic responsibilities.

Measures to increase the quantity of women representatives need to be accompanied by measures to improve the quality of their participation.

Even programs that are not explicitly addressing women’s rights and political participation have had some impact on political and legal empowerment Cheston and Kuhn, (2002). By contributing to women’s knowledge and self-confidence and by widening their social networks, many microfinance programs give women the tools and skills they need to participate more effectively and successfully in formal politics and to informally influence decisions and policies that affect their lives.

2.8 GENDER BASED MICROFINANCE DELIVERY

Women’s access to financial resources has been substantially increasing over the years. However; their ability to benefit from the access in is limited by the gender related disadvantages Skarlatos, (2004). In addition, despite their growing capacities, some microfinance institutions provide a decreasing percentage of loans to women. The loan size provided to women also appears to be smaller in comparison to men although both participate in the same program and belong to the same community. In addition to women's poverty levels, social discrimination against women results in smaller loan sizes in comparison to men.

Furthermore there are only a limited number of women in the leadership of microfinance institutions, which might be one reason for the biased loan access. However, regardless of the odds, microfinance programs still have the potential to transform power relations and empower the poor. Although microfinance does not address all the impediments to women's empowerment, it can contribute to their empowerment if properly implemented Kabeer, (2005).

The goal of empowerment can be achieved through microfinance programs that are broad based, gender focused and financially sustainable. A gender based policy involves more than just targeting women. Creating gender- based policy involves a process through which an institution re-examines all of the underling structures and assumptions about gender roles, rights and responsibilities that have historically discriminated against women as borrowers and employees.

It is also important for microfinance institutions to set guidelines pertaining to employee recruitment, promotion, roles and responsibilities.

In this regard, the formulation and enforcement of the guidelines is expected to bring about positive social changes. Furthermore, involving women both as staff and borrowers has the potential for increased levels of economic empowerment and financial stability that will benefit the individual omen, their families and communities Mayoux, (2002).

The following are some general considerations that should be made when designing programs with the aim of creating gender based strategy Vyas, (2002). First, a program must contribute to the self esteem, confidence and competency of women. This is because women often find it difficult to express their concerns about harmful political and economic policies much less discuss their consequences for gender empowerment.

Second, there must be a strong female contingency in the leadership and planning roles of microfinance program. Filling management positions with women would help to break the belief that women are not capable of handling jobs traditionally held by men. With proper education and increased self esteem, women will have the ability to break traditional cycles of subordination and inherent cultural procession. Lastly, a microfinance program with a focus on gender must have an idea, founded on solid research and reliable information of the financial senses that will be most beneficial to women clients.

Agencies also need to develop approaches that provide opportunities for women to decide for themselves about their needs and interests and how positive change can be achieved.

Promoting empowerment also requires some fundamental changes within agencies in reviewing their structures and procedures to increase their accountability to the women whose empowerment they aim to support. Generally, it is essential that empowerment strategies are designed to enable women to gain greater access to information, access and control over resources and the ability to make decisions themselves. Kabeer, (2005)

In order to enhance women's access to credit, the establishment of new and strengthening of existing micro credit mechanisms and micro-finance institutions needs to be undertaken to enhance the outreach of credit Cheston and Kuhn, (2002). In addition, other supportive measures should be undertaken to ensure adequate flow of funds. The promotion of women's political participation is an important approach to supporting their empowerment. This includes promoting women in government and national and local party politics as well as supporting women's involvement in NGOs and women's movements. Generally although women are found in large numbers in lower-level positions in public administration political parties, trade unions and business, their representation in chief executive and economic areas is generally very poor.

Microfinance has also been strategically used by some NGOs as an entry point for wider social and political mobilization of women around gender issues Mayoux, (2002).

However, in most programs there is little attempt to link micro-finance with wider social and political activity. In the absence of this, it is not possible to measure the contribution of microfinance. To the contrary, there is the possibility that micro-finance and income earning may take women away from other social and political activities.

2.9 **IMPORTANCE OF MICROFINANCE TO THE THIRD WORLD**

Microfinance has a very important role to play for development in the developing countries according to proponents of microfinance.

UNCDF (2004) states that studies have shown that microfinance plays three key roles in development around the globe especially in the third world.

- helps very poor households meet basic needs and protects against risks,
- is associated with improvements in household economic welfare,
- Helps to empower women by supporting women's economic participation and so promotes gender equity.

Otero (1999, p.10) illustrates the various ways in which "microfinance, at its core combats poverty".

She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty (1999). By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society..

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector.

Littlefield and Rosenberg (2004) state that the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach Otero(1999).

More recently, commentators such as Littlefield, Murduch and Hashemi (2003), Simanowitz and Brody (2004) and the IMF (2005) have commented on the critical role of microfinance in achieving the Millennium Development Goals.

Simanowitz and Brody (2004, p.1) state, “Microfinance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the most poor people.” Littlefield, Murduch and Hashemi (2003) state “microfinance is a critical contextual factor with strong impact on the achievements of the MDGs…microfinance is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale”.

Referring to various case studies, they show how microfinance has played a role in eradicating poverty, promoting education, improving health and empowering women in the developing worlds.

2.5 **PERFORMANCE MEASURE**

2.10.1 Core Performance Indicators for Microfinance

Experience has shown that funding agencies' microfinance interventions produce better results when design, reporting, and monitoring focus explicitly on key measures of performance. Unfortunately, many projects fail to include such measurement. These basic tools measure performance of microfinance institutions (MFIs) in five core areas:

1. The best measurement of outreach is straightforward: The number of clients or accounts that are active at a given point in time.

   This indicator is more useful than the cumulative number of loans made or of clients served during a period. Among other distortions, cumulative numbers make an MFI offering short-term loans look better than one providing longer-term loans.

   The recommended measure counts active clients rather than "members" in order to reflect actual service delivery: members may be inactive for long periods of time, especially in financial cooperatives.

   Expanding the number of clients being served is an ultimate goal of almost all microfinance interventions. But rapid expansion sometimes proves to be unsustainable, especially during an MFI's early years when it needs to design its products and build its systems. It has very seldom been useful for funders to pressure MFIs for rapid expansion.
2. Client poverty level; There are various techniques for measuring client poverty levels, some quite expensive and others simpler, but as yet there is no widespread agreement on any one of them. If the project does not use a more sophisticated indicator, it should at a minimum report the following rough proxy for the poverty level of loan or savings clients at a point in time:

$$\textit{Avg. Outstanding Balance} = \frac{\textit{Gross amount of loans or savings outstanding}}{\textit{Number of active clients or accounts}}$$

Average Outstanding Balance is roughly related to client poverty, because better-off clients tend to be uninterested in smaller loans. But the correlation between loan balances and poverty is very far from precise. Low loan sizes do not guarantee a poor clientele. Likewise, growth in average loan size does not necessarily mean that a MFI is suffering "mission drift."

As an MFI matures and growth slows, a lower percentage of its clients are first-time borrowers, and average loan sizes will rise even if there has been no shift in the market it is serving.

3. Collection performance: Repayment of an MFI's loans is a crucial indicator of performance. Poor collection of microloans is almost always traceable to management and systems weaknesses. The strongest repayment incentive for uncollateralized microloans is probably not peer pressure, but rather the client's desire to preserve her future access to a loan service she finds very useful to her and her family: thus, healthy repayment rates are a strong signal that the loans are of real value to the clients.

   Finally, high delinquency makes financial sustainability impossible. As a rough rule of thumb when dealing with uncollateralized loans, Portfolio or Loans at Risk (30 days or one payment period) above 10%, or Annual Loan-Loss Rates above 5%, must be reduced quickly or they will spin out of control.

4. Financial Sustainability (Profitability)

   In banks and other commercial institutions, the commonest measures of profitability are Return on Equity (ROE), which measures the returns produced for the owners, and Return on Assets (ROA), which reflects that organization's ability to use its assets productively.

Some believe that, absent exceptional circumstances, donors should only support financial intermediaries that are on a credible track to financial sustainability. On the other hand, some people believe that there should be room for permanently-subsidized financial services for certain client groups. Whatever one's position on this question, it makes sense to measure intermediaries' financial sustainability, either to tell whether they're meeting a goal of the project, or else to quantify clearly the level of subsidy that is being invested for a particular result.

The fact that an MFI's sustainability indicator improves over a period of years does not necessarily mean that the MFI will reach financial sustainability. Sustainability indicators for MFIs will improve almost automatically in the early years; but the majority of MFIs never become fully sustainable, and thus can never expand beyond the limits of scarce subsidized funding.

It takes some sophistication to judge whether an MFI's sustainability is improving fast enough. Most MFIs that have become profitable have done so within 10 years of start-up. However, now that microfinance knowledge and expertise are more widely available, MFIs should usually not take more than 5 years to reach sustainability, with the possible exception of MFIs working in rural areas with very low population density.

One important factor is the pace of growth: rapid growth will temporarily depress an MFI's profitability because such growth requires new investments in staff and facilities that take a period of time to become fully productive.

For MFIs that are growing fast, analysis of mature branches and loan officers can often reveal whether the institution is on a trajectory that leads to sustainability.

5. Efficiency: The most commonly used indicator of efficiency expresses non-financial expenses as a percentage of the gross loan portfolio:

$$\textit{Operating Expense Ratio} = \frac{\underline{\textit{Personnel and administrative expense}}}{\textit{Period - average gross loan portfolio}}$$

Measured in terms of costs as a percentage of amounts on loan, tiny loans are more expensive to make than large loans. Only a few extremely efficient MFIs have an Operating Expense Ratio (OER) below 10 percent; commercial banks making larger loans usually have OERs well below 5 percent. The average OER of MFIs reporting to *The Micro Banking Bulletin*[9] is about 30 percent, which probably reflects considerable inefficiency.

As mentioned earlier, the OER tilts the scales against MFIs making smaller loans: six $50 loans cost more to make than one $300 loan. Measured this way, an MFI can become more "efficient" by simply dropping its smaller borrowers, even without making any improvements in operating systems.

Cost per Client avoids this perverse result. When a microfinance market starts to mature and MFIs have to compete for clients, price competition on interest rates will usually push the MFIs to get more efficient. But many MFIs face little real competition. External monitoring of efficiency is especially important in those cases. Young or fast-growing MFIs will look less efficient by either of these measures, because those MFIs are paying for staff, infrastructure, and overhead that are not yet fully used.

2.11 **SUBSTANIBILITY**

As the concept of microfinance came into focus, the question of whether donor support is necessary in the long term and the issue of sustainability of such institutions came up as well. It could be argued that the long term sustainability of MFIs is not important as long as money was given to micro entrepreneurs and a start up help was given. This would imply that sustainability of the micro enterprises is more important than the long term existence of the financial institution that stood behind the start up.

As MFIs seek to reach as many poor people as possible in the long run to fulfill their goal to fight against the worldwide poverty, it became clear that this outreach is only possible on a sustainable and efficient basis. Some opponents of this argument state that sustainability is not possible by reaching the poorest people on the planet. They furthermore argue that there exists a tradeoff between outreach and sustainability.

One might assume that sustainable MFIs are typically for-profit commercial companies, but this is not true. Actually, almost two-thirds of the sustainable MFIs are NGOs, cooperatives, public banks, or other not-for-profit organizations Rosenberg (et al., 2009).

Sustainability in general means the ability of a program to continuously carry out activities and services in pursuit of its statutory objectives. For an ideal MFI this would mean the ability to continue operating as a development financial institution for the rural poor. Since MFIs are more and more viewing their financial services as profitable businesses, it is of importance to constantly look for possible cost reductions or reallocations in order to operate profitable and economically viable. For a better understanding of the profitability and sustainability, ratio analyses are often used. In the following part different forms of sustainability and ratio analyses are examined and the principle of “double bottom line” of MFIs is discussed.

2.11.1 **Operational sustainability**

Operational sustainability accompanies the concept of operational self-sufficiency (OSS) which measures operating revenue as a percentage of operating and financial expenses, including loan loss provision expense and the like. If this ratio is greater than 100 percent, the MFI is covering all of its costs through own operations and is not relying on contributions or subsidies from donors to survive Churchill and Frankiewicz, (2006, 367). OSS in general includes all the cash costs of running a MFI, depreciation and the loan loss reserve. Sometimes donors will exclude the cash costs of funds from their analysis because "those MFIs that begin to access the commercial financial markets and pay the cost of capital would look relatively worse than other institutions with the same costs and outreach, but who have remained reliant on donor capital to fund their portfolio" (UNCDF, 2002, 20). This applies due to the fact that some donor fund dependent institutions do not have the same financing cost as commercial MFIs. OSS is calculated as:

$$\frac{\textit{Financial Revenue (Total)}}{\textit{(Financial Expense + Loan Loss Provision Expense + Operating Expense)}}$$

(Microfinance Bulletin 2008a, 13)

The United Nations Capital Development Fund (UNCDF) in 2009 defines OSS simply as:

$$\frac{\textit{Operating income}}{\textit{Total operating expenses}}$$

(UNCDF, 2009)

Operational sustainability actually refers to the future maintainability of the MFI's OSS. For MFIs it is one of the major goals to achieve OSS in order to maintain viable and further grow in their operations.

2.11.2 **Financial sustainability**

In general financial sustainability describes the ability to cover all costs on adjusted basis and indicates the institution's ability to operate without ongoing subsidy (i.e. including soft loans and grants) or losses. Here UNCDF distinguishes financial self-sufficiency (FSS) from OSS only by the fact of an adjusted basis. The FSS indicator measures the extent to which a MFI covers adjusted operating expenses with operational income. This ratio is calculated by using:

$$\frac{\textit{Adjusted operating income}}{\textit{Adjusted operating expense}} \qquad \text{(UNCDF, 2009)}$$

Ledgerwood additionally states that the FSS indicator should show whether enough revenue has been earned to cover direct costs, (including financing costs, provision for loan losses and operating expenses) and indirect costs (including adjusted cost of capital) Ledgerwood, (1999, 217). Due to the fact that donor support is not unlimited in reality, financial viability of microfinance services is crucial for expanding outreach to large numbers of the world's poor. Moreover the retention of profits of microfinance operations is important to capitalize growth (CGAP, 1998).

This also indicates that financial services are priced so that their costs are covered and they do not disappear when donors or governments are no longer willing or capable to subsidize them Christen, (et al. 2004, 12). It is obvious that MFIs need to cover both their operational as well as their financial costs in order to maintain their position in the market in the long run. Especially by covering the financial costs they get access to the capital markets and to commercial capital which then allow MFIs to increase and grow their loan portfolio and clientele outreach. MFIs can as a rule serve their poor customers best by operating sustainably, rather than by generating losses that require constant infusions of undependable subsidies Rosenberg (et al. 2009).

2.11.3 **Double bottom line principle**

Financial performance or so to speak the '*economic bottom line'* as described above, like operational self-sufficiency, financial self-sufficiency and the overall viability of a MFI, are most often seen as the indicator of success in the microfinance market. Yet for more and more MFIs there is another goal to be reached, namely a second '*social bottom line'* measured at the positive impact of a business model for the poor. Both financial and social (and developmental) goals together are building the so called "*double bottom line*" for MFIs (Microfinance Bulletin, 2008b, 12).

The social or developmental objective stems from the very roots of microfinance as a tool of development aid and was already well practiced by the traditional not for profit MFIs. The double bottom line principle is "what currently sets most transformed MFIs apart" from those traditional financial institutions Ledgerwood (et al. 2006, 166). Obviously it is more difficult to measure social performance and the impact on poor than financial performance which is represented by hard facts and naked figures only. Plus there are no existing indicators yet that would fulfill this task in an acceptable manner and so social performance is measured in a variety of ways. Attempts for expressing the social bottom line are for example qualitative reporting on performance, quantified statistics, management devices, monetized results and indices Tulchin, (2003).

It is said that a strong financial performance paves the way for the social mission to be successful as well Microfinance Bulletin, (2008b). Such tendencies can also be observed in commercial banks in the same way. Many of these disclose their charity activities in a prominent position of their annual reports nowadays. The reverse conclusion is therefore that the social objectives cannot be achieved if the MFI does not reach its financial objectives or at least operate efficiently.

With the trend of MFIs towards commercialization and the thereof stemming criticism of profits from the business with poor, the question what MFIs actually do for the poor in terms of social improvement become louder? Transformed MFIs are nowadays trying to work on their double bottom line and communicate their social mission again publicly. Lately there was also an emergence of a new, non juridical form of “Social Enterprises” with its success measured by social *and* financial terms Microfinance Bulletin, (2008a). The concept of double bottom line even goes one step further. The international development community has largely moved beyond the double bottom line concept to embrace “triple bottom line” objectives Microfinance Bulletin, (2008a). Here the “environmental” impact and evaluation of all projects and activities to this extend is considered as a third objective in business practices.

CHAPTER THERE

GAMBIA AND MIFs

3.1 ECONOMY OF THE GAMBIA

The Gambia is a small, least developed economy, with a very narrow economic base. The external sector is heavily dependent on re-exports, tourism, and remittances from overseas. Import and export procedures are relatively simple and efficient compared with many other developing countries. Agriculture is the mainstay of the economy. Studies show that about 50 percent of full time farmers are women (Population Data Bank (2005).

In the Gambia, most societies practice traditional Land Tenure System and as a result women do not have full control over the use and ownership of land. Men are mostly involved in cash crop production such as Groundnut, Coos and Millet. Women produce 80 percent of vegetables and 99 percent of the staple food, Rice. Both men and women are involved in fish processing and livestock rearing. Women's access to credit has improved but still below that of men. In some situations, particularly in the rural areas, a woman may access credit, but do not control its use indicating the existence of socio –cultural barriers.

In the past six years, real GDP growth averaged nearly 6%, driven mainly by tourism-related services, communications, and construction. Affected by the global economic crisis, real GDP decelerated to 4.6% growth in 2009 as tourist arrivals and remittances declined. These falls were partly offset by increased agricultural production.

The Gambia's fiscal balance has become less dependent on external taxes during the period; trade-related taxes fell from 40% of Government revenue in 2003 to 24% in 2009, as other indirect taxes, such as sales tax, assumed greater importance. Inflation peaked at 7% in February 2009, but declined to 2.6% in December, rising to around 4% in April 2010 as the Central Bank eased its previously tight monetary stance. The exchange rate is a managed float against the U.S. dollar.

Between 2003 and 2009, The Gambia's competitive advantage was eroded by ECOWAS tariff harmonization, increased relative efficiency of other regional ports, and real effective exchange rate appreciation. These factors impacted both formal and informal trade, with merchandise trade falling from over 70% of GDP in 2003 to under 50% in 2009.

With a growing trade imbalance, stemming from higher oil prices and the collapse of groundnut exports, and declines in tourist arrivals and remittances, the current account deficit rose from 5% of GDP in 2003 to over 17% in 2009. The capital and financial account remains in surplus, helped by an HIPC debt write-off in 2007. At end 2009, The Gambia's foreign exchange reserves covered more than six months of imports.

According to the 2012 African Human Development Report, the Gambia's Human Development Index (HDI) is still as low as 0.42, below the African average of 0.46. The governance situation has recently strained relations with the international community.

Economic growth was hurt in 2011 by a harvest crop failure, but agricultural production started to recover in 2012 and real GDP growth accelerated in 2011. The outlook is optimistic for 2013 and 2014 as real GDP growth is projected to reach 4.3% and 5.1% in 2013 and 2014, respectively, on account of strong expansion in agriculture and tourism. These projections are on the high side; performance will depend on the efficacy of the drought emergency plan, as well as on the impact of government reforms implemented to sustain the agriculture sector.

Prudent monetary policy has helped the Gambia to contain inflation and reduce pressures on interest and exchange rates. Inflation remains at a single digit level, below the central Bank target of 5%. It slipped from 4.8% in 2011 to 4.2% in 2012, but is projected to climb to 5% in

2013 and 5.1% in 2014 in response to the introduction of the value added tax (VAT) in January 2013.

The 2011 crop failure contributed to a drop in government revenues leading to a deterioration of the budget deficit from 4.6% of GDP in 2011 to 6.0% in 2012. The budget deficit is expected to improve to 5.2% of GDP in 2013 and 4.0% in 2014 thanks to the VAT and other fiscal adjustments expected in 2013 and 2014.

230 African Economic Outlook © AfDB, OECD, UNDP, ECA 2013 expected to follow the same downward trajectory in 2013 and 2014, as exports began recovering in 2012. The debt burden and the risk of debt distress are very high in the Gambia because of the large accumulated public deficit from excessive government borrowing. The public debt stock increased from 71.1% of GDP in 2011 to 78.9% in 2012. It is projected to reduce to 68.2% in 2013 and 64.3% in 2014 in response to tighter fiscal policy.

The Gambia has experienced some structural transformation, albeit modest. This has led to a shift of labor from the agriculture sector to lower productivity sectors such as services, instead of to manufacturing where higher productivity could be achieved easily. The government is trying to remote economic development through: increasing investment in other sectors such as agro-industry; enhancing domestic participation in mineral exploitation, thus reducing unemployment; improving education and aligning it to resource-related skills needs; and improving infrastructure, especially when associated with trade and export activities.

As a small, open economy, however, the country remains highly vulnerable to external shocks given its relatively undiversified economic base. It faces three main challenges

- Restoring growth and macroeconomic stability. This will require diversification of the economy and an improved private sector investment climate.

- Improving service delivery, through effective civil service reform including improved management capacity for strategic planning, performance measurement, and institutional coordination, collaboration and dialogue.
- Improving transparency and accountability in public financial management and public procurement. In particular, improving the demand side of public financial management by disseminating information to the public and creating a culture of accountability and citizen participation.

3.1.1 **FINANCIAL SECTOR**

The Gambia's financial system, which features fully-liberalized capital account transactions, appears to have been relatively insulated from the global financial crisis. The system remains small but sound, comprising of 14 commercial banks, including 1 Islamic bank, 11 insurance companies (8 offering non-life products and 3 offering both life and non-life products), around 46 foreign-exchange bureaus, a post-office savings scheme, 57 savings-and-credit associations, and 5 microfinance institutions. The sector continues to be largely dominated by the commercial banks, the majority of which are foreign-owned. Dollarization is relatively high, with the ratio of foreign currency denominated deposits amounting to about 15.5 percent of total bank deposits by the end-September 2009. The Gambian banking sector has experienced rapid growth over the past few years, driven by important foreign direct investment inflows and intensified competition, with the number of banks doubling between 2007 and early 2010.

This growth has helped deepen financial intermediation, and credit provisioning to the private and public sectors has grown by around 4.5 percent a year over the period to reach 17 percent of GDP.

But this rapid expansion has also strained the Central Bank's supervisory capacities and intensifying competition in the banking sector has contributed to increased risk taking. Increased competition, combined with weaker earnings in certain key sectors (such as tourism and construction) has eroded profitability and increased credit quality and capital adequacy pressures. The average rate of return of assets has steadily declined over the past decade, decreasing from around 9.6 percent for 2000-2003 to less than 2 percent in 2008-2009. Bank earnings for the sector as a whole turned negative in 2009 under pressures from rising provisioning of loan losses and an increase in non-performing loans. That said, the banking sector remains generally adequately capitalized, with a capital adequacy ratio of 19 percent and a sector wide risk-weighted capital adequacy ratio of 33.9 percent by mid 2009. Net foreign assets held by deposit money banks also experienced a significant increase in 2009, rising by 43.6 percent. Interest rate spreads remain high, with the average one-year lending rate at around 22.5 percent in 2009 compared to an average one-year deposit rate of 10.8 percent. The Central Bank of Gambia has been actively pursuing a series of financial and banking sector reforms to preserve solvency and increase stability. These measures include the establishment of the Credit Reference Bureau (CRB) in July 2009, a tripling of capital requirements over the 2010-2012 periods, the revision of supervisory processes with an emphasis on on-site, and the introduction of a new payments-system.

The microfinance sector has experienced significant growth in the past few years. By 2008, Village Savings and Credit Associations (VISACAs) and microfinance institutions (MFIs) reached about 82 percent of households, up from 42 percent in 2003, and total registered deposits increased by an average of 46 percent a year between 2001 and 2008. However, outstanding loans remain limited, representing less than 6.7 percent of the volume of outstanding loans from commercial banks. The sector remains largely unregulated, although the Central Bank has recently established prudential guidelines that aim at reducing barriers to the entry of new non-bank institutions into the sector. The fixed income market is relatively small and largely limited to government securities, which include various treasury bills and government bonds. The longest maturity instruments currently issued by the government have a maximum maturity of three years. While access to Treasury bonds is open to all investors, access to Treasury bills is open only to primary dealers (with the exception of subscriptions over GMS 5 million). Activity in the secondary market is limited and trading largely takes place over-the-counter. As of April 2011 The Gambia received no long-term sovereign credit rating from any of the major credit rating agencies. The Gambia has a relatively sizable diasporas of around 0.5 million and remittances play a significant role in the country's economy. The volume of remittances represented about 8 percent of GDP in 2008, although this appears to have declined to an estimated 6 percent of GDP in 2009.

3.1.2 **POLITICAL SYSTEM**

The Gambia is a multi-party democratic republic within the Commonwealth; independent since 1965; and an Executive Presidency established in 1970. The 1970 constitution was revoked following the July 1994 military coup.

The Constitution of the Second Republic of The Gambia, which was approved in a national referendum on 8 August 1996, came into effect on 16 January 1997. Under its terms, the Head of State is the President of the Republic, who is directly elected by universal adult suffrage and holds executive authority. Legislative authority is vested in the National Assembly, which serves a five-year term and comprises 53 members - 48 of which are directly elected and 5 appointed members. The President appoints government members, who are responsible both to the Head of State and to the National Assembly.

After 200 years of British Colonial rule, The Gambia became independent on 18th February 1965 and 5 years later in April 1970-adopted a republican constitution. The Gambia, a multi-party republic within the Commonwealth, is administered by an Executive President. Under the current constitution general elections through secret ballots are held every five years to elect candidates who constitute the country's House of Parliament.

For administrative purposes the country is divided into The Capital and Seat of Government together with the adjoining Kombo St. Mary and the provinces are in turn divided into five Divisions (now known as regions), each headed by a Commissioner who is the administrative head. These divisions are further sub-divided into 35 districts locally administered by Seyfos (chiefs). Each district covers a number of villages and settlements with the Alkalo as the village head.

The Judiciary- The Gambia judicial system is similar to the system found in most countries with Common Law Jurisdiction. There is only one system of courts which form a hierarchy. The subordinate courts consist of (a) Khadis (Muslim) Courts, (b) District tribunals, and (c) Magistrates courts. These courts have limited jurisdiction to hear both civil and criminal matters before them.

At the higher level, there are the Supreme Court and The Gambia Court of Appeal.

Legislature- The parliament of Gambia is called the National Assembly and is a unicameral parliament. Constituting 53 members- 48 of which are directly elected for a term of 5 years.

The Constitution- The Gambia's earlier Constitution came into force on 24th April 1970, when the country became a republic. Its major provisions are summarized below: See also the current constitution.

Executive power- Is vested in the President of State and Commander-in-Chief of the armed forces. Following a constitutional amendment in March 1982, the President is elected by direct universal suffrage, and serves five-year term. The President appoints the vice-president, who is leader of government business in the House of Representatives, and other Cabinet Ministers from members of the House.

Legislative power- Is vested in the unicameral National Assembly, with 53 members: 48 elected by universal adult suffrage and 5 appointed by the president. Suffrage: 18 years of age; universal. Since the Military take-over on July 22nd 1994, the APRC Government has made a few amendments to the constitution of The Gambia's but the Judiciary has remained the same. The new government has also established a constitutional review commission (CRC) which is charged with the responsibility of reviewing the present constitution in order to make it more responsive to the needs and aspirations of the people of The Gambia. The British and United States governments as well as the United Nations Development Programme (UNDP) provided technical and financial assistance to The Gambia for the APRC Transition program for economic and social development and the steady return to democratic civilian rule in July 1996.

3.1.3 **SOCIAL SYSTEM**

Today, Gambian society is still influenced, though to a lesser extent, by the hierarchical caste structure of its past. The peoples of the Mandinka, Serer, Wolof and Tukulor are organized according to a system of *caste*. The caste system is closely aligned with the division of labor and the order is clearly associated with past political power. There is no clear consensus on the basic caste divisions in Senegambia society or even on the use of the word caste to describe Gambian social structure. The word was introduced European colonialists and some would describe the caste system as systems of dominance and exclusion by which professional alliances seeking power and influence through endogamy and solidarity.

Most sedentary Western Sudanic peoples of Senegambia, including most Gambian societies, share a similar caste structure. This analysis of traditional Gambian society describes mainly the Wolof and Mandingo social structures, although similar structures apply to Serer, Tukulor, Lebu, and to a lesser extent, the Fulani. Of all the ethnic groups the Wolof has by far the most noticeable caste distinctions and hierarchy. Among the smaller groups who do not share this social structure are the Jola in Foni and the Bassari. Each of these societies contains three major social strata: landowning nobles (Wolof: géer, Mande: hóró), artisans and courtiers (Wolof: ñeeño, Mande: ñàmàkálá), and slaves (Wolof: jaam, Mande: jôn). The standard designation of the first group as 'nobles' may seem a bit misleading, since this group includes even the most economically deprived peasants.

Many traditional castes in Wolof society have disappeared altogether and many more have appeared in recent times, and the lines between them have been blurred. Woodcutters (laube or seeñ) and cloth weavers (ràbb*) no longer exist as castes.

The Géer or freeborn were from the royal lines and great warrior families made up the top echelon of society. Noble families engaged in warfare to protect and expand their states. People who were captured in local raids in neighboring villages may have been from a royal family, slaves or peasants. Some of the captives were sold as slaves to the colonial traders waiting along the coast and some were taken into the royal household. From this group developed the Ceddo group or warriors who after several generations became the professional army of the king (Damel) and owed swore allegiance to him only. "Commoners" included peasants, Marabous (sëriñ) and traders.

The most numerous group were the Badola or peasantry who were among the most numerous and industrious workers of the freeborn and were akin to the serfs of medieval times. They worked as were farmers, fishermen and cattle herders who produced food for the state. Traders brought in needed items for the noble families and usually operated on a barter system. The "marabous" were the devout Muslims who were believed to bring food, fortune and power through their prayers and amulets (gris-gris). As literate scholars, they were also useful as scribes. They were outside of the traditional social hierarchy.

These people are called ñeeño who were also freeborn. Hereditary caste divisions arose out of the need of villagers and nomads for specialists or of noble families for minstrels (griots) to preserve and recite sacred legends and the history of the family.

3.1.4 **Employment, Micro And Small Enterprise (Mse)**

In the Gambia, while about 59% (NHPSR) of the population was categorized as active labour force, only 14% is actually employed, of which 79% is operating in the informal sector (National Economic Census, 2005). While there is significant variation in mean annual incomes between the sectors, the lowest is reported in agriculture sector and the highest being in transport, 40% of income derived from non-farm enterprises is reported to be used for direct household consumption. Those groups in the Gambia whose livelihood security is at risk may be classified as those who have no steady income either through formal or informal employment, depend solely on agriculture for livelihoods, and those whose incomes are below poverty lines. Women, as breadwinners, have very low incomes due to their low levels of literacy, poor skills and heavy involvement in maintenance of the family as result of the high fertility levels.

Non-farm economic activities in The Gambia include handicraft and cottage industry operations such as tie and dye, soap-making, sewing/tailoring and embroidery. The main handicraft economic activities comprise pottery, weaving and basketry. The informal sector is a key source of income for the rural and urban poor. Those in the informal sector are engaged in: retail trade, carpentry and joinery, metal work/ fabrication, building industry, housing production, motor vehicle repairs and car wash, electronics repairs and electrical works, refrigeration and air conditioning repairs, fishing and fish smoking, food vending, transport (taxis and hand drawn carts), tour guides, dancing troupes and per-urban agriculture.

The Gambian economy thrives on micro and small enterprises (MSEs) which employ the largest share (60%) of the 15 to 64 years age bracket active labor force of which 70% are self-employed, contributing an estimated 20% to GDP. A *Micro enterprise* is defined as an informal economic activity with typically weak compliance to labor legislation and may use informal accounting and operational procedures. Micro enterprises typically require an average investment of less than GMD 75,000. *Small enterprises* are defined as slightly more formal, may employ up to five workers and may have an average investment of below GMD 150,000. *Medium enterprises* are bigger than small enterprises and employ more than five workers with an average investment of more than GMD 150,000.

3.2 POVERTY AND VULNERABILITY IN THE GAMBIA

The Gambia is characterized by a dual economy: a large rural, mostly agricultural-based traditional sector, which encompasses about three-fifths of the country's population, and a relatively modern formal but smaller per-urban sector. Overall, the economic performance in 2004 was positive as tight fiscal and monetary policies prevailed. The overall fiscal deficit as a percent of GDP (including grants) was 4.5% in 2004 (reduced from 4.7% in 2003); by the end of 2005, the average annual inflation further declined to 4% in 2005, while the treasury bill rate significantly came down to 12% from 27% a year earlier.

In the Gambia, food poverty1 (also referred to as extreme poverty) has increased markedly from 15% in 1992 to 51% in 1998 (latest Integrated Household Survey), whilst overall poverty more than doubled to 61% in 2003. Poverty prevalence also varies across the Divisions, with the Central River Division reporting 71% of the population being poor in 2010. The increasing poverty in the rural areas is the direct result of over-dependence on agriculture as the only income generating activity, lack of diversification from agriculture based activities, decreasing agriculture production, insufficient post-harvest storage, processing, marketing and technical skills development opportunities. This, coupled with insufficient access to microfinance services, lack of appropriate technology, and inadequate access to entrepreneurial knowledge and opportunities, has led to increasing poverty and destitution in the Gambia, especially in the rural areas.

Women’s vulnerability to poverty is much higher, due to the fact that they continue to have lower social status in the Gambian society. Women have no right to own productive assets including land, in particular in rural communities, and they are forced out of family properties in times of death of their spouses or divorce. Over 78% of women who are economically active are engaged in agriculture, as opposed to 57% of men. Women are mainly engaged in the production of food crops mostly for consumption, such as rice.

3.2.1 Gender Issues

The Gambian rural household livelihood is highly dependent on women's labor, while men are charged with the commercial activities. In this sense, women's economic empowerment and capacity to improve household livelihood security is challenged by their lack of access to education, training, productive assets including land, technology and credit. Rural women in the Gambia are engaged in agricultural production, unpaid domestic work, petty trading, agro processing, and crafts production and in some cases home based businesses such as preparing meals and snacks or producing handicrafts. Constraints faced by women in the establishment of economic operations relate to the structural environment such as distortions in some policies that favor formal and large scale enterprises in terms of credit, export markets, human capital, support services, market information.

Moreover, factors related to the state of poverty and underdevelopment has led to weak capacities of women at the enterprise levels resulting in low levels of productivity, insufficient access to factors of production, obsolete production techniques, unorganized work processes, low levels of skills and education and inadequate access to a viable market. Lack of managerial and entrepreneurial skills, lack of access to appropriate technologies as well as lack of professional and technical related knowledge, and inadequate access to credit are considered to be the biggest constraints to the development of women entrepreneurs.

One of the biggest challenges to economic empowerment of business women in the Gambia is the undeveloped capacity to create "value" in the products/ produce they manage. The most urgent need identified by rural women already producing a good/ service at the informal level is the need to transit to higher levels of business operations entering high-value production sectors, especially related to exports, with appropriate skills for packaging, labeling, marketing and sales and after sales service. The potential role of information, communication and technology and the electronic commerce for economic growth and sustainable development is widely recognized.

3.3 MFIs AND THEIR ROLE IN THE GAMBIA

The Gambia experienced a long history of Government sponsored institutional credits that have proved to be poorly managed. Credit programmes were characterized by gross administrative lapses, high overhead costs etc. The Government also prioritised various Agricultural and rural development programmes aimed at increasing agricultural output and productivity and at the same time reduce poverty and increasing rural employment. By the late 1980s to early 1990s, most of these programmes which included the "Jahally Pacharr Small Holder Project, the Agricultural Development Bank and the Rural Development Project just to name a few, had failed to address the main objectives of poverty alleviation due to the supply-led approach.

The failure of this approach brought about policy reform initiatives with emphasis on alternative options capable of providing financial services to a greater number of the rural population and a wider sartorial segment in a manner that is sustainable, accessible, viable and affordable.

Consequently, the new policy direction emerged emphasizing the need for diversifying the intermediation base to the extent of covering grassroots community-owned institutions. It also emphasized resource mobilization and a shift from credit targeting to a ***Demand-Driven*** approach. It was also recognized that the Central Bank has a key role in this development effort.

This led to the creation of the Agricultural Credit Unit (ACU) in 1989 within the Economic Research Department of the Bank with the following roles:

- Formulating, reviewing and reforming rural financial policies
- Providing operational guidelines which will improve efficiency and enhance a better co-ordination of the operations of Rural Financial Institutions (RFIs)
- Establishing research data, reporting and information sharing system for the benefit of RFIs, Government of The Gambia etc.
- Providing prudential regulation guidelines for the maintenance of acceptable operational standards
- Exercising monitoring and supervisory functions to enforce desired standards of non-bank MFIs.
- Ensuring effective management practices including efficient internal controls backed by appropriate audit functions

Having achieved most of the above, the Bank assumed its role of registering/licensing, supervising and regulating non-bank financial institutions operating in The GAMBIA in 1995 as empowered under Section 41 of the Central Bank Act 1992.

This mandate was buttressed by the 1997 Constitution under Section 161(4)(b) which provides that **"**The Central Bank of The Gambia shall direct and regulate the financial, insurance, banking and currency system in the interest of economic development of The Gambia"

The success of the ACU, which later became Rural Finance Unit (RFU) resulted in the increase in the number of MFIs in rural communities in collaboration with NGOs as their facilitators. Attaching due importance to the sub-sector, the Board of Directors of CBG in April 2001 merged the two RFUs under Economic Research and Banking Supervision Departments into a fully-fledged Department called, Micro Finance Department.

The revised FIA 1992 has addressed this requirement as the first step towards the institutionalisation of the informal financial sectors. The legislation has permitted operations of village-level micro financial intermediaries. While the supporting regulations ensure that the financial intermediaries are conducted with prudence. In this regard, the regulatory framework contains prudential rules and guidelines on the functional, operational, monitoring and supervision components of the various intermediation processes. The prescriptions are clear, simple, flexible but effective and geared appropriately towards the type of institution. Important areas addressed cover the scope of business, registration or licensing requirements, record keeping, financial information required, capital adequacy, reserve ratios, internal and external controls. The measures introduced enhanced the emergence and development of the micro financial institutions.

The CBG continues to provide an effective leadership and plays its role as the financial and technical adviser as well as coordinator of rural financial institutional by providing policy and operational guidelines for orderly growth and sustainability of micro institutions. The macro policy regulations applicable to all categories of intermediaries are functioning well.

There are about five categories of rural micro financial units classified according to their capital base and the financial services they offer. SACAs (VISACAs) are the lowest categories of rural micro-financial units while Finance Companies and Fiduciary Financial Institutions being the most sophisticated. SACAs are savings and credit organisations, which are promoted, owned, managed and controlled by rural or grass-roots communities or cooperatives. They have proved to be the best opportunity to expand formal financial services into rural areas. In The Gambia, these have been expanding with various degrees of success to form a comprehensive rural finance system. The government of The Gambia, through the Central Bank recognises these rural micro financial institutions as effective tools with which to alleviate poverty and encourage growth in the rural areas. The system, however, has an in-built graduation process that allows

SACAs to become rural finance bureaus or finance companies after acquiring the requisite capacity. At the moment, there are over 65 (sixty-five) SACAs operating countrywide. These are being supported by four Promoters (AFET, FORUT, FFHC and MICROFIMS) most of which are reputable NGOs.

The focus of supervisory effort is on the health and stability of the financial system and for the protection of the consumer. Therefore, effective-supervision is paramount to the financial stability of a country's economy.

The Bank has prepared six volumes 1-6, each addressing a category of NBFIs and volume 1 is the macro policy direction of micro finance market. There are five categories of MFIs, each regulated by different Volumes drawn up by the Central Bank of The Gambia. The SACAs are the lowest in the category requiring only D3000 minimum capital requirement whilst Fiduciary Financial Institutions are the most sophisticated with D1 million minimum capital requirements. The system has an in-built graduation process that allows SACAs to grow to MISACIs or confederate to form a Rural Finance Bureau or Savings and Credit Company after acquiring the requisite capacity.

The Microfinance industry in the Gambia is mainly driven by the promotion and development of micro and small enterprises as well as entrepreneurs both in the formal and informal sectors. Current statistics from some NBFIs in (especially those with rural outreach) report an informal sector clientele of up to 65% and which is further growing with the increased demand for value added products both within the country and in the region. Therefore, the development of the microfinance industry is directly linked to poverty reduction through the growth of micro and small enterprises in the country.

3.3.1 The Microfinance Service Providers in the Gambia

- Wholesale Microfinance Intermediaries: The biggest wholesale microfinance intermediary in the country is SDF which hosts the microfinance schemes from three ADB projects and one from the Taiwan Government. The other major intermediary is the IFAD supported RFCIP which put in place a network of VISACAs and provided them with funds for on-lending as well as capacity building to run their operations successfully. Although the RFCIP project has currently been completed, the fund is continuing to rotate under the guardianship of DOSA.
- Retailer Non Bank Financial institutions: Currently there are about twenty microfinance retailers who make loans and provide savings mobilization to various clienteles (see Annex III for details). The three largest NBFIs are: The Gambia Women Farmers Association (GAWFA) which is the oldest one and targets only women farmers. The other large NBFI is The National Association of cooperative Unions of the Gambia (NACCUG) which is an apex organization of professional credit cooperatives. Other NBFIs, which are legally recognized and also provide non financial services in addition to credit and savings products, are listed in Annex III. The informal microfinance providers: it consists of money lenders and rotating savings and credit associations (ROSACAS). The money lenders may charge interest rates between 100 and 120 percent per annum. ROSACAS are informal organizations where members periodically save a certain amount of money and the total amount is then loaned to members in turn.
- Projects in Support of Rural/Micro Finance: African Development Bank (AfDB) and International Fund for Agriculture (IFAD) are the main donors supporting the microfinance sector in The Gambia. While the International Fund for Agriculture supported RFCIP

focuses on the provision and strengthening of financial services, AfDB has supported the Community Skills Improvement Project (CSIP), the Per-Urban Smallholder Improvement Project (PSIP) and the Artisanal Fisheries Development Project (AFDP), using microfinance as a tool to achieve their overall development objectives. The microfinance component of the IFAD funded RFCIP concentrated in Lower River Division (LRD) and CRD. The project is reported to have promoted 80 Village Savings and Credit Associations (VISACAs) under the project, reaching an estimated at 100,000 'clients', including 45% women.

- Commercial Banks: Recently two commercial banks have entered the microfinance industry, Arab Gambian Islamic Bank (AGIB), with its wholesale concessionary credit to the National Youth Service Scheme (NYSS); and Standard Chartered Bank (Gambia) Limited with a line of credit to Gambia Women Farmers (GAWFA). The schemes they offer are limited to the urban areas and focus on formal sector entrepreneurs and businesses, and are unsuitable for the emerging entrepreneurs of micro-enterprises. This is mainly due to the fact that these commercial banks are not motivated to increase their outreach in the absence of a clear and transparent micro finance policy environment, in addition to the lack of coordination and monitoring mechanisms which makes the rural based entrepreneur riskier than those in the urban setting.

3.3.2 **Microfinance Market and Products**

In The Gambia, the main existing financial services/ products offered are: (i) savings mobilization (voluntary or compulsory, passbooks and term deposits); and (ii) credit delivery (short/ medium/ long-term loans; cash/ in-kind credit; production/consumption credit; and working capital/investment credit). The products offered cover only a small portion of the demand and need further improvements in order to address the recognized need for bigger amounts relevant to diverse economic activities. Table 3.1 below shows the actual size of the Gambian microfinance market according to the market share of the different operators between 2000 and 2004:

Table 1: MICROFINANCE MARKET IN THE GAMBIA

INSTITUTIONAL	TOTAL CREDIT	CREDIT	TOTAL NET	SAVINGS
WHOLESALERS	**69,250,000**	**11.33**	NA	NA
SDF	48,000,000	69.3	NA	NA
RFCIP	21,000,000	30.3	NA	NA
AGIB	250,000	0.4	NA	NA
NBFIs	**68,569,540**	**11.22**	**63,985,983**	**5.34**
GAWFA	33,766,169	49.2	9,700,000	15.2
NACCUG	34,803,371	50.8	45,666,983	71.4
GAMSAVINGs	NA	NA	8,619,000	13.4
NGO/ NBFIs-TSPs	**24,696,400**	**4.04**	**514,000**	**0.04**
AFET	4,180,000	16.9	NA	
GAMSEM	625,000	2.5	NA	NA
WISDOM	300,000	1.2	192,000	37.4
GARDA	1,500,000	6.1	200,000	38.9
NASACA	389,400	1.6	NA	NA
NYSS	300,000	1.2	NA	NA
PAS	50,000	0.2	NA	NA
TARUD	250,000	1.0	100,000	19.5
AGE	252,000	1.0	22,000	4.2
IBAS	10,000,000	40.5	NA	NA
FACs and ACP	6,850,000	27.8	NA	NA
VISACAs	52,320,596	8.56	174,454,810	14.55
Credit Unions *	34,803,370	5.69	45,666,983	-
Kafo CBOs	338,600	0.06	**NS**	NS
Total Microfinance excluding	**215,175,136**	**35.20**	238,954,793	19.93
Commercial Banks	396,187,650	64.80	960,148,000	80.07
TOTAL (DALASI)	**611,362,786**	**100**	**1,199,102,793**	**100.0**
USD Equivalent	**21,081,475.38**		**41,348,372.17**	

Source: National Microfinance Strategic Framework.

3.3.3 **Outreach and sustainability.**

In June 2005, it was estimated that the outreach in microfinance was around 232,000 clients (about 17% of the total population) with over GMD 215 million credits disbursed and GMD 238 million savings mobilized. The microfinance clientele served is mainly rural poor, 70% of who are women. The repayment rates are between 80% - 90%. The microfinance industry in The Gambia is still at an infancy stage compared to its neighboring countries who report that almost 57% of its population have access to an average loan amount of GMD 12,500 compared to GMD 1,500 in Gambia.6 NBFIs in the Gambia are concentrated in the Western part of the country mainly in the GBA and NBD administrative divisions. Very few microfinance operators are available in the URD and the CRD mainly due to infrastructure constraints and unaffordable costs of expansion.

Currently, very few NBFIs in the country are self-sufficient both financially and operationally. GAWFA, NACCUG and the VISACAs are the only NBFIs and credit unions which have continued to expand their operations, sustainably while charging interest rates close to the CBG discount rates. This indicates that GAWFA, NACCUG and its credit unions, as well as the VISACAs, are presently the most efficient NBFIs, meeting the demand of large sections of the rural population for microfinance products. These three institutions have benefited from the support of an international partner (Women World Banking, IFAD, and WOCCU) which have provided the necessary expertise and back stopping to launch and develop the institution which indicates that their efficiency is mainly due to well identified outreach programs based on client needs while working together with the clients with close technical assistance and guidance. Moreover, sustainability is greatly ensured due to the high level of ownership and participation in decision making by the clients themselves where these institutions are covering an unmet demand for credit in the most remote parts of the country thereby directly supporting poverty reduction.

3.3.4 **Interest Rate Determination**

The CBG's policy on interest rates is to leave their determination to the market forces of demand and supply. Nonetheless, the CBG's discount rate is used as a benchmark for microfinance interest rates. Developments in the CBG discount rate in recent years have had an impact on the lending rates for microfinance activities in the country. In the late 1990s, the CBG discount rate was 12% per annum and this increased to 14-15% per annum between 2001 and 2003. Factors such as the worsening fiscal deficit, exchange rate instability of the Dalasi and the increasing inflation rate from 4-5% to 18% (between 2000 and 2003), all contributed to the increase of the discount rate to a high of 31% per annum in 2004. The discount rate during the first six months of 2005 varied between 12% and 18%.

3.3.5 **Support services to the microfinance institutions**

NBFIs cannot develop and expand their services without a supporting industry, which provides expertise and services essential to their development. This level can include regional and international institutions comprising technical service providers and trainers, information technology firms, credit bureau, professional networks, rating agencies, specialized auditors, etc. Apex agencies are also common for supporting refinancing and/or technical assistance to the retail NBFIs. This segment of the microfinance sector is very limited in Gambia. Some seven qualified microfinance facilitators/ promoters exist in the country whose expertise in microfinance is limited and excludes more technical services as computerization, organizational development, marketing and strategic planning, rating services. The main network institution in the country is Gambia Microfinance Network (GAMFINET) whose capacity needs to be further strengthened to enable it carry out its other mandates effectively.

CHAPTER FOUR

SOCIAL DEVELOPMENT FUND OPERATIONS AND MANAGEMENT PROBLEM

4.1 HISTORY AND VISION

With a vision of "to become a major player within 3 to 5 years in the provision of business-like services to the range of intermediaries that supports the economically active poor in The Gambia, with a reputation for fairness and transparency.", The social development fund, promoting financial inclusion and creating economic opportunities, started as an almost entirely donor funded, small scale in 1998 under the ADB funded Poverty Reduction Project (PRP) as the project implementation unit as well as the Gambia Social Fund under the Ministry of Finance and Economic Affairs.

Using a participatory demand-driven intervention strategy, the SDF was highly successful in supporting community-based micro-projects, on-lending of credit to NBFIs, capacity building to NBFIs and coordinating entrepreneurial training for selected intermediaries. Having recognized the successful outreach and satisfactory performance of the SDF, the Government of the Gambia approved the transformation of the SDF into a Financial Institution (Trust Company), which enables it to operate as a note-for-profit Fiduciary Financial Trustee Company registered under the Companies Act (Cap 95.01) and the Financial Institutions Act (1992) as an Apex funding institution for the development of microfinance operations in the Gambia.

As a Trust Company the SDF mobilizes resources and manages funds in 'TRUST' for and behalf of the Government of The Gambia (GOTG) and donors for wholesaling to a multitude of prudentially and soundly managed retail financial intermediaries as shown on the diagram below. with its "Mission statement To become a sustainable, growing and financially viable apex institution to deliver financial and non-financial services to intermediaries that support the provision of financial services to the economically active poor for small and micro enterprise segments of Gambian society". It is the largest MFI in The Gambia with the twin objectives of poverty alleviation and empowerment of the poor.

Through experiential learning, SDF today provides and protects livelihoods of around

200 thousand people in The Gambia. Diagnosing poverty in human terms and recognizing its multidimensional nature, SDF approaches poverty alleviation with a holistic approach. SDF's outreach covers all in the five Divisions with special focus on the rural population in the country. From the time of its modest inception SDF recognized women as the primary caregivers who would ensure the education of their children and the subsequent intergenerational sustainability of their families and households. Its comprehensive approach combines microfinance under SDF Economic Development program with Health, Education and other Social Development programs, linking all the programs strategically to counter poverty through livelihood generation and protection.

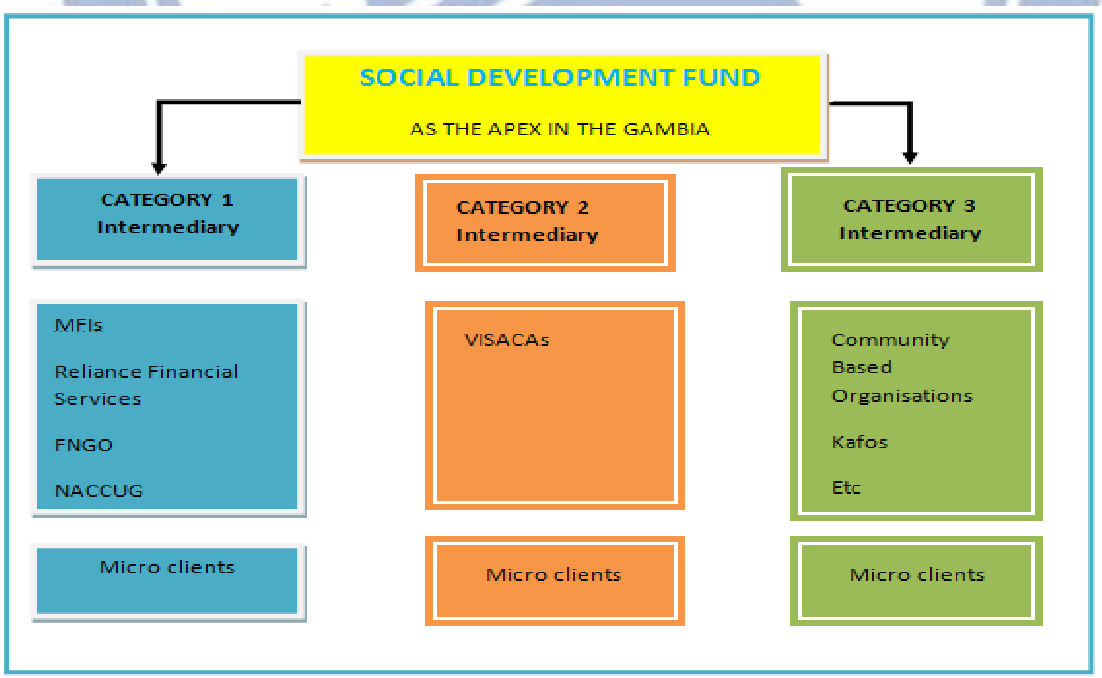

Figure1

4.2 **CORE AND SUPPORT PROGRAMS**

SDF implements a comprehensive development approach, with a number of programs for economic and social development of the people especially the rural women. SDF core programs include three main components: A) Entrepreneurship and Markets Development B) Micro-Finance Scheme and C) Project Management.

Beside these core programs there are several support programs, institutions and divisions, initiated in order to support core programs of SDF. These programs support the activities of SDF, to mention few, through research and studies (RED), Public affairs and public relations, training in various fields, accounting and finance (supporting in monetary things), monitoring the activities of SDF in general.

4.3 **ORGANIZATIONAL STRUCTURE**

The growth in population trend figures show that almost 40% of the Gambian population is in the age group Zero to 15 years and 44% in the age group 15 to 40 years. This indicates a growing burden on the youth and adult population to provide for household survival needs. The Gambian rural women are the major providers of household food and livelihood needs, with men's participation being limited to seasonal activities. In this sense, the women's work includes long hours in the field during the agriculture season, and involvement in petty trading activities during off-season.

To support and empower the need especially the women, SDF today is a combined effort of many thousands of people – starting from the interns, volunteers, donors, staff, executives, governing body and those working at fields. SDF is the combination of hard work and determination of its people along with the support and encouragement of many others.

4.4 **SDF IN SHORT**

Besides its expanding network and working areas in its birth country of The Gambia, as has been the tradition SDF will continue to be active in the delivery of Social Services. Social service delivery will continue to be a key part of SDF operations, even though; the manner and thrust will change towards a more business orientation. The attention here will be to encourage the transformation of CBOs into more formal economic entities than their current socio-political status. All these Women groups working in the Gardens, etc. should be capacitated and transformed into useful producer cooperatives.

a) SDF will continue to finance Social Services projects identified, as priority needs but linked to production and entrepreneurship. E.g. support construction of Seed stores with subsequent support to establish seed & cereal banks through credit.

b) SDF will support skills training and group entrepreneurship. Encourage youth and Women to engage in Income Generating Activities and with growth to develop these into enterprises. In this respect SDF would support the institutionalization of skills training and would seek technical assistance to strengthen these institutions. The rehabilitation of Agricultural Training Centers and the Appropriate Technology Unit of RDI are particularly of interest. Corporative support and partnership with GTTI, Hotel Training School, NYSS and the network of private skills Centers across the country will be solicited.

4.5 **CORE VALUES, CORE PRINCIPLES**

<u>Core Values</u>

As an organization committed to social and economic development in The Gambia, the SDF has identified its organizational values as:

- Honesty and Integrity: the SDF generates security for its customers through honest and integral actions.
- Commitment: the SDF is committed to providing access to financial services to the economically active poor and all victims of financial exclusion through contracted intermediaries, to achieving financial sustainability, and to use Best Practice Microfinance.
- Leadership: The SDF values people at all levels, who lead by example, take pride in what they do and inspire others.
- Collaboration: The SDF values team work and working together to achieve common goals as the foundation of success. Also, the SDF seeks to be an active member of the Microfinance network in The Gambia, regional and internationally.
- Excellence: The highest quality in vision, mission, strategy, services, demand driven products, highly motivated and committed staff, collaboration and cooperation, management systems and client response all characterize the SDF's work.

<u>Core Principles</u>

- Exemplary Customer Service: The SDF is committed to deliver products and services to its contracted intermediaries in an appropriate, professional and business-like manner. The SDF staff is committed to provide an intermediary customer a positive experience.
- Innovation: The SDF strives for types of guarantees, services, products, delivery mechanisms and systems that are creative and reflect the best thinking of the international community on financial services to the poor and a set of policies that guide and reinforce its activities.

- Transparency: The SDF is committed to comply with the set of international financial reporting standards (IFRS) and to post updated figures and financial statements on its website.
- Continuous improvements: The SDF is committed to the continuous improvement of its staff as the base for global progress and improvement of its products and services
- Efficiency: The SDF is committed to utilize its available financial and human resources to maximize results. By doing more with less, the SDF will create “savings” to use to provide additional services and/or lower the cost of existing services.

4.1HOW SDF WORK

4.1.1 **THE GRAMEEN MODEL**

In most developing countries, policies for rural financial development have been based on three erroneous beliefs concerning their target groups: 1. rural micro-entrepreneurs are unable to recognize themselves, 2. they are too poor to save; and 3. they need cheap credit for their income-generating activities or small enterprises.

Three financial policies have resulted from these conjectures. Firstly, the credit-oriented development banks and special programs were set up which ignored savings mobilization. Secondly, credit was subsidized, and lastly generous credit guarantee schemes were set up to cover the anticipated losses. The consequences of these policies contributed neither to the self-sustained growth of rural finance, nor did they sufficiently benefit the rural poor.

For commercial reasons financial services historically have been targeted to the rich section of the society, which have a greater capability to repay loans and preserve their savings. However, the poor community generally remained either un-served or were offered improper financial services. Poor farmers and landless laborers had acute difficulty in accessing financial services from conventional financial institutions. Banks and other formal financial institutions are currently estimated to provide services to only 25% of potential clients worldwide. Statistics indicate that apparently only 2% of micro entrepreneurs are being provided service by banks (Women's World Banking, 1994).

To overcome these obstacles, a prominent economist and professor from Bangladesh, **Muhammad Yunus in 1976,** came up with a new concept and model, which is called, "The Grameen Model". This is now being considered as one of the most successful models in the microfinance industry.

Social development fund finds the economically active poor, who are excluded from formal financial services, and helps them by providing financial services. SDF emphasizes on the mobilization of savings. Social development fund is a kind of institution that provides small loans to the poor, especially women in The Gambia, using innovative ways of getting around their borrowing constraints. SDF has been enormously successful in generating sustainable livelihoods, reducing poverty and driving development in The Gambia since its inception.

4.1.1.1 **Functioning Of the Grameen Model**

Grameen model is one of the most modern and tailored version of microfinance. It emerged as a main business sector when it became evident that low-income people also can pay back their loans on time and can save money, provided they are able to access the customized financial services. Therefore, it would be interesting to know that how this model works.

A SDF place a field manager in the five districts within The Gambia with a community development staff, covering particular villages within a district. The staff's task is to visit the villages to familiarize themselves to the locality and identify the targeted people who are eligible for their project, and describe their objectives, functions and mode of operations to the people. In the first stage, they form the groups of not less than ten borrowers among the selected people. Group members should come from the same economic background and social status, and must not constitute more than 30% of individual family members.

They conduct group observation to see if the members are following the rules of the bank. The institution emphasizes on saving also, which is used as a tool to prepare the borrowers to manage their credits.

4.1.2 **Methodology**

Social development fund offer and provide credit on a solidarity-group lending basis without collateral.

4.1.2.1 **Solidarity group**

Group based lending is one of the most novel approaches SDF uses in lending money to a large number of clients who cannot offer collateral. The size of the group can vary, but most not be less than ten people. The group self-selects its members before acquiring a loan. Loans are granted to selected member(s) of the group first and then to the rest of the members.

Group members are jointly accountable for the repayment of each other's loans and usually meet weekly to collect repayments. To ensure repayment, peer pressure and joint liability works very well. The entire group will be disqualified and will not be eligible for further loans, even if one member of the group becomes a defaulter.

The creditworthiness of the borrower is therefore determined by the members rather than by the SDF. SDF mainly targets women, on the basis that women repay their loans better than men and due to the oppression they need more favor. Because loans expanded to women benefit all the household members with improved level of food intake, health, and education. Average loans range from US$50 to US$500 for a period of 3-12 months. The loan amount varies from on one hand, the group formation guides to lower transaction costs for the institution, but on the other hand there are social costs related with this process. These social costs are negative restraint to group borrowing and joint liability approaches, and include coercive peer pressure, loss of faith and the likelihood that the poorest and most vulnerable will remain excluded or further stigmatized.

4.1.2.1 **Individual Lending**

The individual model is the most expensive and labor-intensive model for the MFI. Here clients have to be monitored and far more and deeper field research is necessary in order to choose the right clientele, especially because these people have no tangible collateral or credit history and in most cases are illiterate. Sources of information for the field officer are the family, friends and leaders of the community Hazeltine and Bull, (2003, 105). It is not unusual that the borrowers need to have a bailsman out of the family or community in order to receive a loan Felder-Kuzu, (2005, 30). With this model, the loan is given directly to the borrower and it is his/her sole duty to pay back the full amount plus interest rates without financial support from a group in case he/she defaults. Technical assistance as well as payment schedules and business management training is generally provided by the MFI Hazeltine and Bull, (2003, 105).

However due to the economic circumstances of most borrowers, SDF is currently not using the individual model.

Credit Unions

Credit unions are the organizations that are formed on the basis of financial relation of savings and loans between its members. They accumulate savings from its members and provide short-term credit to the needed members. The demand for loans in general exceeds the supply of savings. In most rural areas credit unions are still the solitary source of deposit and credit services, besides the informal financial market. Because credit unions have social as well as commercial objectives, they may have a key role to

5.2.1 PERFORMANCE OF SDF

SDF, like any other financial intermediary, faces risks in lending because of asymmetric information and imperfect enforcement. The risk of lending is much higher in a rural setting where it is difficult and more costly to gather information about borrowers and enforce a contract. The problem is more acute for the poor who are perceived as more credit-risk than the rich. Still, SDF works mostly with the rural poor, especially women. Because the poor are its exclusive clientele, the enormous challenge of providing financial services to people who lack material collateral and are thus considered to be high credit risks by traditional finance institutions. It also faces the difficult task of alleviating poverty with credit provision. More importantly, SDF do operates in the rural areas where production is risky because of environmental factors, seasonality is pronounced, and infrastructure is underdeveloped.

Thus, unlike other banks, SDF is less able to minimize the risk of loan default by diversifying its loan portfolio across sectors.

SDF use group-based lending with mandatory savings to improve the financial and social discipline of its members. Group-based lending improves the loan recovery rate and also provides a cheaper vehicle for social intermediation when social intermediation is an integral part of financial intermediation. At the same time, savings mobilization improves the financial discipline and accountability of the poor, while helping borrowers and lenders absorb the unforeseen shocks caused by agro climatic factors.

By lending to the poor, and especially to women, SDF has shown that the poor are creditworthy, as their loan repayment rate has been consistently higher than 95 percent. But in recent years, revenue from interest payments is barely enough to sustain its activities without further reliance on donor funds which were nevertheless essential for its institutional development and to sustain its operation as an independent financial institution.

It has increased loan volume per branch by increasing either membership per branch, lending per member, or both. But expansion of lending or membership is demand-driven. For borrowers, simply returning the money to the bank is not the primary hurdle. When loans are given in small amounts on an installments basis and repayments are scheduled on a weekly basis, loan repayment may not be that difficult. The impact of borrowing and membership is evaluated in terms of changes in income, consumption, employment, health, nutrition, and net work.

This study clearly shows that SDF helps to alleviate poverty and increase resources, both physical and human. It also empowers women economically. Therefore, poverty alleviation and human resource development is possible with targeted credit.

But the poor do not have an unlimited capacity to absorb a larger amount of loans. The poor's demand for credit is influenced by the profitability of investment and economic growth, on one hand, and the entrepreneurial development of the borrowers on the other.

4.3 CHALLENGES FACE BY SDF

Among challenges facing social development fund in Gambia are: High cost of service delivery with poor infrastructure, regulatory policy issues and the need to develop institutional leadership. Because infrastructure and communication technology remain largely underdeveloped in The Gambia, it is significantly more expensive for SDF to operate compared to the commercial banks in The Gambia.

Another challenge in The Gambia is policy making and government regulations. In The Gambia, the supervisory capacity of the central bank, this holds the ultimate responsibility of financial sector needs an adjustment. The countries which are able to close the microfinance demand gap most successfully will be those that improve their policy frameworks and adapt their legal and regulatory systems in line with rapidly changing industries.

A low population density area where the number of women to form a viable group is inadequate also poses as challenge. The situation is exacerbated by the unequal distribution of the family resources, which makes it difficult for women to raise the necessary savings and participate in a group. Some women access credit, but only to pass it onto others who are not directly accountable, leaving them with the loan repayment burden.

The one year repayment period is one of the reasons for the default in repayments. Examples of such failure make other women reluctant to borrow. Because of the society's perception of a woman's place in the home, some women are not aware of the existence of sources of finance.

- ✓ Poor Management Skills

According to Hudon (2006), results indicate that management performance and skills are clearly associated with financial performance. Each of the four dimensions which includes leadership skills, technical skills ,organizational and communication abilities provide better results for MFIs performance. Tucker (2001), Armendariz and Morduch (2005) upholds Hudson (2006) and further argue that management is a major variable in promoting growth of MFIs.

- ✓ Poor Corporate Governance

Labie (2001) ascertain that the emergence of structural problems has emphasized the importance of MFIs management and governance. Indeed the MFIs community has experienced major failures, for which inadequacy of government and management is to blame. Good corporate governance can improve firm performance and help assure long-term survival (Thomsen, 2008). The issue of corporate governance has therefore been of increasing interest for microfinance as it is today considered to be one of the weakest areas in the industry (CSFI, 2008). In conformity, Rock et al. (1998), Otero and Chu (2002) suggest importing best practices in governance from developed countries, such as board independence and shareholder ownership while Van Greuning et al. (1999) and Hardy et al. (2002) argue for better MFI regulation.

- ✓ Importance of Effective Management Information Systems (MIS) to MFIs

MFIs usually operate in remote and rural areas and therefore, employees are predominantly not well educated. Further, MFIs have low budgets, making it difficult to build and operate Management Information Systems (MIS) that can have a positive impact. The major challenges such firms face are that MFIs are significantly different from commercial banks, existence of infrastructure issues in implementing MIS in MFIs, lack of Information and Technology (IT) support in MIS , lack of organized training in IT for the MFI employees and lack of standardization in procedures in the MIS (Ahmad ,2008).

4.4 HOW TO IMPROVE SDF

SDF have the capacity to access funds from commercial banks and it need to perfect the service delivery methods and product design to respond to the demands of their market in a rapid and efficient way, ensuring an increased volume of operations and repeat borrowing.

Donor support should encourage additional financing and early diversification of funding sources. As banks might soon be able to provide short-term finance, donors could complement such funding during this period where there is no liquidity in the banking system with medium and long-term lines of credit.

SDF should also try to access international/ foreign funds which could be cheaper than domestic funding and also to coordinate personal funds into proper use to avoid shortage of funds. Capital markets may also work in increasing self sufficiency.

In order to create a good management staff SDF need to strategically deal with challenges of business e.g. defining job roles, hiring and training, monitoring employee performance, inculcating an appropriate culture to motivate staff.

Thus, to a significant extent, the keys to effective management are universal to business. SDF should also use a recruitment policy or pure academic qualifications in recruiting management personnel.

SDF must have information systems that produce clear, accurate, timely and relevant information for management decision making and that focus on well-developed loan tracking and financial reporting systems, reporting on costs and income both on a profit-centre basis and for SDF as a whole. SDF need to set aside budgetary allocations to acquire an effective MIS for instance those types of MIS used by international MFIs like ACCION or microfinance banks.

An effective MIS should reduce transaction costs, speeding up the flow of information, analyzing the loan portfolio and provide financial reporting. In addition, there is a need to put in place strong corporate governance in because it does affects financial performance.

Under the general objective of increasing rural productivity and household incomes, domestic resource mobilization and rural credit were identified as indispensable prerequisites to economic growth and development.

More efficient mobilization of the sub-region's vast untapped potentials of material resources, manpower and savings will be the key factors in fostering its economic and social development.

In this scenario, MFIs can play a crucial role in mobilizing resources to address poverty issues in our societies. In our drive to ensure sustainable food security and poverty alleviation measures, promoting a beneficiary-driven and locally based financial institutions to provide banking facilities while at the same time linking these village-based institutions with the country's banking system as a viable way forward for micro finance in The Gambia.

CHAPTER FIVE

PREVIOUS STUDY, CONCLUSIONS AND SCOPE FOR FURTHER RSEARCH

5.1 Previous Study/Empirical Evidence

Since the beginning of its activities in early 70's, initiated by one person to help a couple of bamboo weavers, MFIs have covered a long distance of success by reaching millions of households and needy people not only in their country of origin, but also around the developing and underdeveloped world with thousands of branches serving worldwide.

This exponential and spectacular growth by the microfinance industry is just not because of any market force but it has the dedication, service and hard work of many people and organizations. Through their commitment and will for the noble cause to help the needy people, they brought the forces together and gave the momentum to this cause, so that everyone can live a life worth living as a human being and get the opportunity to have something in life which they have not even thought of. Today the success of the activities of MFIs needs no reference or introduction, as the lives of millions of unprivileged people around the world explains and speaks for itself. Therefore, for the sake of this study results, some previous studies have been referred to, as empirical piece of evidence.

Zeller and Meyer have concluded their study that savings and credit facilities help individuals or households build up or acquire funds for all kinds of investments. When using the data from 87 villages in Bangladesh in 1991-92, Pitt and Khandker (1996, 1998) estimated the margin of credit on a number of welfare indicators. Their study showed that household income increases by 18 taka for every 100 taka lent to woman. They also found net positive impacts of credit programs on both human and their physical assets. They have found mixed results when measuring the impact of credit programs on education. The education of boys increased irrespective of whether the borrower was male or female; but the education of girls have increased only when women borrow from the Grameen Bank.

Mosely and Hulme (2004) estimated the impact of 13 microfinance intermediaries in seven developing countries and the study was one of earlier done across the international boundaries. Their study revealed that for each of the intermediaries, the impact of lending on the recipient household's income increases with the debtor's income and asset position improved.

Several studies have been undertaken to measure the effect of participation in credit programs on food security and nutrition specifically. Zeller and Sharma (2008) reported that, in many countries, the poor spend as much as 91 percent of their income on food.

Furthermore, most loans, especially in the informal sector, are used for financing consumption-related expenditure. By targeting the women in the gender biased society, MFIs directly and indirectly had more impact and bit higher implications. The first implication is that by providing credit to women gives them additional power in household decision-making. Without this empowerment, women would not have got the saying in the matter regarding the expenditure of the capital.

The second implication is that women's preferences are not the same as men's. So it is very natural that women's share of benefit would always be lower. Impact of Gender-biased has been studied by numerous other people. Hashemi, Schuler, and Riley (2006), reported in their work that the Grameen Bank and BRAC in Bangladesh had a positive effect on numerous other aspects of life of women besides their economic and social empowerment. Osmani (2007) also observed improvement in the bargaining power of women in the family because of their access to credit. Gender effects may depend on the prevailing socioeconomic and cultural environment.

5.2 DISCUSSION AND CONCLUSIONS

DISCUSSION

Funding for micro-finance programs is set to increase further in the years to come, also with the intention to promote gender policies. The access to micro-finance services (credit, savings, insurance and pensions) is still highly unequal between men and women.

Considerable advances were made in the 1990s in the design of NGO-managed programs and poverty-targeted banks to increase women's access to small loans and savings facilities. Literature prepared for the Microcredit Summit Campaign presents an extremely attractive vision of increasing numbers of expanding micro-finance programs which not only give many women access to micro-finance services, but also initiate a 'virtuous upward spiral' of empowerment1. This optimism about the implicit empowerment potential of credit and savings pervades most donor statements on microfinance.

Donors and NGOs tend to expand their micro-finance activities generally rather than support more explicitly empowerment-focused interventions for women. At the same time, microfinance is being promoted as a key poverty alleviation strategy to enable poor women and men to cope with the adverse economic and social impacts of structural adjustment policies and globalization (Mayoux 2001 forthcoming).

Some researchers have questioned how far microfinance benefits women Goetz and Sen Gupta, (1996). Some argue that micro-finance programs divert the attention of women from other more effective strategies for empowerment Ebdon, (1995), and the attention and the resources of donors from alternative and possibly more effective means of alleviating poverty Rogaly, (1996).

As much as donors like to see an immediate impact on empowerment and poverty, they are at the same time concerned about the financial self-sufficiency of the intermediary. Funding for microfinance is increasingly dependent on progress towards financial self-sustainability within a given time-frame. The cost-cutting measures in micro-finance programs may have potentially negative implications for poverty-reach and contribution to women's empowerment Mayoux 1998, 2000; Rahman (1999). Even those donor agencies are becoming aware that this may limit the potential of micro-finance for empowerment or poverty alleviation Buckley (1996), DFID (1998), Rosenberg (1998).

This awareness has not however so far led to significant change in practice. There are four basic views on the link between micro-finance and women's empowerment:

- ✓ there are those who stress the positive evidence and are essentially optimistic about the possibility of sustainable micro-finance programs world-wide empowering women;
- ✓ another school of thought recognizes the limitations to empowerment, but explains those with poor program design;
- ✓ others recognize the limitations of micro-finance for promoting empowerment, but see it as a key ingredient as important in themselves within a strategy to alleviate poverty; empowerment in this view needs to be addressed by other means;
- ✓ Then there are those who see micro-finance programs as a waste of resources. This paper aims to clarify these issues within the context of the debate about gender mainstreaming.

Women’s empowerment needs to be an integral part of policies. Empowerment cannot be assumed to be an automatic outcome of micro-finance programs, whether designed for financial sustainability or poverty targeting. More research and innovation on conditions of micro-finance delivery is needed.

CONCLUSION

Microfinance initiatives have proved to be an important tool in development process. Through innovative approach they have managed to give opportunity of access to finance to those who were previously denied such access and who have often been excluded from development programs, these are mainly women.

Recognizing positive effects women have on household welfare as well as financial sustainability of MFIs, they became the major recipients of microfinance services. While both positive effects mentioned call for continued provision of loans to women, they nevertheless have to be considered in more detail if they are to be used as arguments for targeting women to achieve poverty alleviation.

Spending the loan on household consumption serves well in the short term but does not leave room for investment in business that might be beneficial in the long term. Aiming for financial sustainability might push women into greater indebtedness and decrease additional services MFIs might otherwise offer, such as business training and gender awareness rising, which could form the basis for a more efficient use of loans.

Examination of the link between microfinance initiatives, empowerment and income generation showed that such links should not be taken for granted, since the context in which these initiatives take place has to be taken into account.

While there have been positive impacts of microfinance, there have also been examples where microfinance initiatives did not reach their aim, at least not to the envisioned extent. For this to happen, microfinance has to be accompanied with other measures, which would tackle the existing gender relations, cultural inhibitions and also market limitations; the latter both in terms of structural limitations as well as limitations faced by women only. Only a change in the broader social and economic context will allow microfinance to reach its full potential. However, awareness of the complexity of broader environment is the precondition to the understanding that microfinance initiatives targeted to women alone cannot be considered the silver bullet for poverty reduction.

5.3 SCOPE FOR FURTHURE RESEARCH

The current study was based on small sample size taken from only two districts in The Gambia. Therefore, the results cannot be generalized to other district of The Gambia especially in the analytical terms. Further research done on a bigger scale with large sample size could shed light on how microfinance activities affect the average living standard of rural women in The Gambia, analytically.

The current study did not consider the political impact of microfinance program and the global average of women's representation in national parliament's remains low at 17 per cent as of 31 January (2007) UN, (2007). Women in government, parliament, the judiciary and other institutions serve as role models and thus as pull factors for other women. Therefore can microfinance enhance the political participation of women and ensuring the respect for their legal rights?

Another area that has not been investigated is the difficulties that the women face to repay the loan. Do they get debt from other sources just to meet up MFI loan payment date to avoid group pressure?

These areas deserve to be studied by future researchers in the field. There is also another field. Actually, to what extent the MFIs are capable to deliver their service to the poor people. Further research could be conducted in this area and for finding the reasons for the gap between demand and supply in terms of microfinance services.

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APPENDIX

Appendix1

Field Questionnaire for the interview

STRUCTURED QUESTIONNAIRE

In other to gather necessary data for empirical evidences for my research study, these questionnaires has been developed to the best of my ability with the full assistances of SDF staffs to assist me in my findings on the subject area (microfinance and women empower in The Gambia).

There are good reasons to target women by MFIs, because gender discrimination is one of the major causes of poverty, slower economic growth, weaker governance and lower standards of living and women are poorer and more disadvantaged than men. However, women contribute decisively to the well being of their family comparatively more than men. Therefore this is survey is basically concentrated on women who are benefiting from SDF loans.

I also classified the respondents in terms of their educational experience because education can affect the way in which they manage and live their daily lives and manages the household and business.
I tried to find out how many family members each respondent have because a large family size usually has higher expenses than a smaller family. In microfinance field most of the business have sole proprietors. Family members contribute to this small-scale business as additional workers.

PART 1: DEMOGRAPHIC INFORMATION OF THE RESPONDENTS

1. Age

<25	
25-40	
>40	

2. Marital Status

Married	
Not Married	

3. Level of Education

Illiterate	
Read and write	
Primary Level	
Secondary level	

4. SDF Membership Duration

<1years	
1-2	
3-4	
>5	

5. No. of family members

<2	
4&5	
>5	

6. Business experience before joining SDF

Yes	
No	

PART 2: MICRO FINANCE

1. What was your source of startup capital?

Personal savings	
Relatives/friends	
Loan from SDF	
Other Sources	

2. What is the amount of loan taken from SDF per time?

<5000	
5000 to 10000	
>10000	

3. Why do you like the loan provision by the SDF?

Low interest rate than other informal sources of credit	
Steady source of working capital	
Group solidarity and/or group dynamics	
Easier guarantees than other loan alternatives	

4. What are the limitations of the SDF?

High interest rate	
Too small loan size	
Repayment policy	
Problematic groups dynamic	
High interest rate, small loan size, repayment policy	

5. What was your level of income BEFORE joining the SDF?

<1000 dalasi(about 30)	
1000 - 2000 dalasi	
2001 - 3000	
3001 - 4000	
4001 - 5000	
> 5000	

6. What is your level of income AFTER joining the SDF?

<1000 dalasi(about 30)	
1000 - 2000 dalasi	
2001 - 3000	
3001 - 4000	
4001 - 5000	
> 5000	

7. For what purpose(s) do you use the loan secured from the SDF?

Purchase of food items	
Business/trade	
Others	

PART3: GENDER AND SOCIAL EMPOWERMENT

1. Who makes decisions pertaining to the use of loan secured through SDF?

Myself alone	
My husband and myself	
My husband	

2. How does your husband view your contribution to the household after the SDF participation?

Appreciation	
Keeps quite(as normal)	
Less important (no appreciation)	

3. Did you enjoy asset ownership rights before joining SDF?

High	
Medium	
Poor	

4. Do you enjoy asset ownership rights after joining SDF?

High	
Medium	
Poor	

5. How often do you attend training and awareness sessions after joining the SDF?

Always	
Sometimes	
Never at all	

6. How do you assess your confidence level before joining the SDF?

Very important	
Less important	
I do not know	

7. How do you assess your confidence level after joining the SDF?

Very important	
Less important	
I do not know	

8. Do people help you in your social mobility (SDF, government offices, bill paying)

Independently	
Family member assist	

The numbers of following table indicates the degree of satisfaction or agreement level (on a scale of 1-5*) of the household or a person after he or she has received loan from a microfinance institution. Please circle the number, which accurately reflects your opinion.

The rate of interest of micro credit is reasonable	Strongly disagree 1	2	3	Strongly agree 4	5
The procedure of obtaining loans from MFIs is easier than conventional banking	Strongly disagree 1	2	3	Strongly agree 4	5
The income has increased	Strongly disagree 1	2	3	Strongly agree 4	5
The savings has increased	Strongly disagree 1	2	3	Strongly agree 4	5
Better access to education	Strongly disagree 1	2	3	Strongly agree 4	5
Better access to healthcare	Strongly disagree 1	2	3	Strongly agree 4	5
Better Financial situation of the family	Strongly disagree 1	2	3	Strongly agree 4	5
Role in decision making process has increased	Strongly disagree 1	2	3	Strongly agree 4	5
Operational assistance received from MFIs was helpful to run the business	Strongly disagree 1	2	3	Strongly agree 4	5
Employment opportunities have increased	Strongly disagree 1	2	3	Strongly agree 4	5
Improvement in the living standard of the family	Strongly disagree 1	2	3	Strongly agree 4	5

'1' represents the lowest level of satisfaction or high disagreement, whereas '5' represents the highest level of satisfaction or high agreement