

The Impact of Micro-Credit Scheme on the Socio-Economic Empowerment of Petty Trader Women In Jui Community Of Western Rural District Freetown, Sierra Leone

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Abstract

This research was carried out to look at the impact of micro-credit schemes on the socio-economic empowerment of petty trader women in Western Rural District of Freetown, Sierra Leone. The study adopted a descriptive design of a survey in this District. The study samples were divided into two categories. These categories were: The microcredit officials and the clients. The category of the sample is the clients of microcredit schemes, comprising women of various ages. The study used a target population of one hundred (100) women, with a sample of twenty –five (25) single mothers of microcredits scheme, twenty-five (25) Marriage women, twenty-five (25) working women and twenty-five (25) from the aged women were interviewed in all making a total sample size of one hundred (100).

Random sampling techniques were used to select these women at the various sections in the Jui community (Kobba Farm, Kossoh Town, Hastings and Police Barracks), Questionnaires were administered and interviews were conducted. The result analyzed shows that microcredit institutions have put more premium on giving out credits to people in Sierra Leone with the aim of improving the livelihood of the people.

However, this effort from the microfinance institutions has not been successful probably because there has not been enough coordination between the microfinance officials and the women traders, local money lenders, the Government and Non- Governmental Organizations or maybe researchers have not been able to ascertain the strategies used to minimize poverty for vulnerable women in rural communities.

The role of rogue creditors from different microcredit institutions continue extorting money from their clients because of the high illiteracy level existing among women traders, which makes the women poorer instead of alleviating poverty among them.

Also, women or clients of microcredits are lacking the culture of record keeping of their day to day financial transactions because of the high level of literacy among them. There is the problem of political influence in accessing credits from some microcredit institutions, this has of course the influx of other local credit schemes (Osusu scheme, The Box), which the local people had been operating even before the advent of microcredit institutions.

The wrong use of money obtained from microcredit is the chief course of poverty proliferation among women petty traders, they obtain the loan with the intention to start or expand their business but when the money is available, non- budgeted expenditures presents situational dilemmas that a soft hearted mother will ethically choose the spend the money otherwise. For example, Kadiatu (a single mother) narrated her ordeal, that her landlord increased house rent astronomically upon hearing she had received a microcredit or she vacated the premises. Kadiatu, not wanting to transfer with the children in the middle of the academic year, chose to pay the rent instead of expanding her business. Mamawa told me that she used her loan to secure documents for the land her late husband left as by then she had received threats from land grabbers who wanted to take advantage of her widow status.

INTRODUCTION

Microcredit is defined as the provision of money to the poorer people with the aim of making interest on the part of the giver and improving the livelihood of the receiver. Microcredit can also be defined as a loan giving out to less privileged people to enable them to upgrade their financial status and improve their standard of living. Microcredit is the provision of credits and other financial services for those who are deprived of a formal banking system. (Aysha, A. et-al 2020). The influx of microcredit schemes of different types in Sierra Leone has been pushed by the desire to help the poorest of the poor in most communities.

Microcredit is also defined as the business of expanding primary short-term and medium-term credit to low-income persons, typically without requiring collateral. Microcredit schemes are non-bank financial institution that have provided a new paradigm for thinking about social and economic development they offer small loans to either initiate or expand income generation activities in terms of unconventional approaches, organizational and lending procedures have resulted in high rate of repayment, saving mobilization and the ability to nurture a culture of commitment and self-reliance of poor people especially among women. Usually, micro-credit a

little amount of money given by a bank or other institutions as a loan to the clients for conducting some entrepreneurial activities to fulfill their basic needs. The main advantage of microcredit is that the amount of money can be often offered without any security to an individual or a group through lending. Thus, microcredit has proven an active and standard measure with a view to alleviating the poverty (Microfinance Gateway, 2008).

Microcredit offers a purposeful method to generate income and lessen poverty and increase food security and women empowerment by enhancing economic development. (Roodman, D., 2014). Microcredit offers a way to begin participating in achievable income generating activities that are essential to securing working capital or a credit to assist the poor when they need assistance. Microcredit is a collateral-free investment, which is offered mainly to poor female clients to help them achieve the requirements for their empowerment projects. Most poor women cannot access formal credit from traditional banks and other monetary organizations. The goal of microcredit schemes is to improve the lives of poor people by helping them select an inclusive financial organization to alleviate their poverty, microcredit also helps poor women to set forth a path of transformational empowerment to enhance sustainable development. Subsequently, microcredit has reconstructed the economic and social configurations at the grassroots level by giving financial support to small-income households. (Rahman, M.M., 2017)

Microcredit has been viewed as one of the best tools for poverty alleviation, which is why the government and non-governmental organizations are putting more resources into microcredit. Even when microcredit is viewed as a poverty alleviation tool, it has turned out to become one of the factors of poverty among women in Sierra Leone. Microcredit institutions are requesting for exorbitant interest from their clients, for instance, women who usually take loan from those microcredit institutions are asked to pay double of what they received in the form of interest which end up making them unable to pay back their loans that affect the family members of the women negatively.

Another negative impact of microcredit is that microcredit officials are presenting scarcity of finance to its clients which forces the clients to pay bribes to the microcredit officials before getting access to the loan. Illiteracy on the part of the women is another negative factor affecting the clients. Because the women cannot read and write, they normally agreed to pay back the loan on weekly basis, rogues of microcredit officials record wrong payment of loans in their books,

they end up paying more than what they are supposed to pay, all of these issues make it difficult for women to finish paying back loan.

Furthermore, when single mothers fail to pay back their loans, they run away from their communities for fear of being jailed for several months or even years. In their absence, their children are left to be cared for by the community people, this has led to drop out of school.

There is no mother and child relationship as women are running helter-skelter to get money somewhere else to pay the loans back. The Jui community women have this popular adage in creole “ dig ole cober ole” translated in English as, “Cover a hole by digging up another hole” which means, women who are unable to pay back their loans should take loans from another microcredit institution to pay back their loans to the previous one. From all indications, microcredit has become more of a burden instead of being a problem solver.

Political influence in getting loans from some microcredit institutions is also serving as a hindrance for women not to access loans. For example, if A is issuing out a loan and they happen to be the ruling party, all opposition party members will find it difficult to access the loan but members of the ruling party will become priority in getting the loan.

Much premium has been placed on locally organized microcredit which they called “The box or Osusu. In forming the box, Women come together to form a group of twenty (20) to thirty (30) members and agree on certain amount that can be contributed for a period of time, mostly 10-12 months, during this period members are allowed to loan money from the box and pay an interest monthly until she pays back capital she took. The total amount contributed will be shared among members at the end of the year. In forming the Osusu, a group of women agreed to contribute a certain amount of money and give it to one person until all the members received it.

RESEARCH QUESTIONS

I. To identify the yardstick used to give out micro credit loans to women in the community.

II. To identify the level of education of the microcredit officials who mostly give out loans to women.

III. Explain the age bracket of women that are eligible to take microcredit loans.

IV. Identify the effects of microcredit on women.

V. Identify the challenges faced by women in taking microcredit loans.

METHODOLOGY

The study was carried out in the Jui community of western rural Freetown, Sierra Leone. The sections in the Jui community that were selected were: Kobba Farm, Kossoh, Hastings and Police Barracks.

A total of one hundred (100) women comprising twenty-three (23) single mothers, twenty-three (23) marriage women, twenty-three (23) working mothers and twenty-three (23) aged women and eight (8) microcredit officers were targeted from different sections in the Jui community. These women provided the necessary information on the impacts of microcredit schemes on petty trader women in the jui community.

The data collection tools used were questionnaire and face to face discussion. The questionnaire developed contained items on different aspects of the objective of the investigation outlined in the study of the effect of microcredit scheme and the different respondents received questionnaires on the study. A face to face discussion was done in a focus group discussion at the different sections selected for the study. This was done to get first-hand information on the impact of microcredit schemes on the socio-economic empowerment of petty trader women in the Jui community. The results were presented in tables and analyzed with footnote explanations.

RESULTS AND DISCUSSION

TABLE 1: TYPE OF JOB OPPORTUNITIES PROVIDED BY ENGAGEMENT IN MICROCREDIT

Types of job opportunity	Self-employed as wholesaler	Self-employed as retailer	Making of gara cloths for sale	Top-up/airtime sellers	Food item sellers
Single mothers	2	2	1	2	19
Marriage women	5	8	2	1	10
Working mothers	1	2	3	2	10
The aged women	2	5	2	1	20
Total	10	17	8	6	59

Source: Author’s Field Research, Jui community 2021

Table 1 above shows type of job opportunities provided by engagement in microcredit for women interviewed in the Jui community, 10% are self-employed as wholesalers, 17% are self-employed as retailers, 8% are making gara cloths for sale, 6% are top-up/ air time sellers and 59% are food market sellers.

Table 1 present the job opportunities provided for respondents interviewed, 94% of the respondents were involved in in selling of goods that has to do with less literacy, 6% of the women interviewed were engaged in top-up/ air time sellers which shows that, only 6% of the respondents were literates and 94% of the respondents were illiterates.

TABLE 2: LOAN START-UP CAPITALS

Amount of loan	Kobba Farm	Kossoh Town	Hastings	Police Barracks	%
Le 500,00 – 1,000,000	20	25	21	24	90%
Above Le 1,000,000 – Le 5,000,000	5		3	1	9%
Le 5,000,000-Le 10,000,000			1		1%
Total	25	25	25	25	100%

Source: Author’s Field research, Jui community, 2021

Table 2 presents the amount of loan given to the respondents in the four different sections in the Jui community, 90% of the respondents are given loan between Le 500,000 and Le 1,000,000 and 1% received loan between Le 5,000,000 and 10,000,000. This shows that 90% of women do not have access to high loan start-up capital.

There are factors that limit Women from accessing larger loans (between Le 5,000,000 and Le 10,000,000) because they do not have the prerequisites to present to the microcredit institution. One of the requirements is the administrative documents; women are asked to present documents or collateral such as Land documents, a guarantor and many more should be presented before loans are issued out to women, if women do not have all these documents, you may get access to little or no loan.

TABLE 3: SHOWS THE PERCENTAGE OF INTEREST PAID

Percentage of interest on loan paid	Kobba Farm	Kossoh Town	Hastings	Police Barracks	%
5%					00%
More than 5%	25	25	25	25	100%
Less than 5%					00%
Total	25	25	25	25	100%

Source: Author’s Field research, Jui community, 2021

Table 3 shows the respondents' distribution on the basis of percentage of interest paid to microcredit institutions. Table 3 clearly shows the unique or uniformed responses of the respondent. 100% of women respondents in the Jui community responded that they have a more than 5% interest rate to the microcredit institution.

IMPACTS

Microcredit does a number of things to its clients in the Jui community.

microcredit has helped average women earners to a greater extent, this is because the average women earners can provide collateral to secure a loan which has helped them to develop economically

Loan portfolio has created more access to loan for more women, thus empowering them to be self-reliant, take responsibility for their children’s education and cater for their household livelihood.

Microcredit provides jobs or employment for its clients in the Jui Community, from the findings provision of job facilities for borrowers/ clients. All of the clients involved in microfinance activities in the Jui Community are either self-employed as retails or self-employees as wholesalers.

Majority of clients are women who are basically or not educated, as a result do not have access to wage jobs but still have the responsibility of taking care of their homes. The provision of jobs through microfinance makes these women self-reliant. The government pointed out in the government of Sierra Leone microcredit policy (2003) that 70% of the work forces found in the informal sector in the nation of which

60% are women. Microcredit is helping such women to be economically growing and contributing to national development in their own little ways. Moreover microcredit activities are not only providing jobs for microcredit clients but also providing jobs for employees of the microcredit institutions.

Credit worthiness is a hallmark of microcredit. When loans are repaid, if the microcredit institution manages the interest well, this will create portfolio or loan facility for other poor people who have no access to financial service. According to the interview with Microcredit officials it can be concluded that women of Jui Community who are in their 30s to 50s are more credit worthy than women below these age bracket and men of the same age bracket or below. Women have often been viewed in society as good managers of finance, despite some of the husbands of these women expecting the women to cover most of the home expenses. They still manage them well and repay the loan. Credit worthiness is a big challenge both to clients and loan givers. Credit worthiness has ensured these women continued access to loan as defaulters are not too many among women borrowers or are even rarely seen.

Microcredit programs/ activities of these clients are economically viable in the sense that through the micro finance activity majority of the clients have become economically active thus contributing the educational attainment of their school going children . This has helped many borrowers to pay school needs not covered by the free quality education program of the Government which do not cover uniforms, transport, core books and lunch in the area of study, this would have otherwise been problematic. In addition, the majority of the clients in the Jui Community have used their proceeds to pay for house rent.

The economic viability of microcredit in the Jui Community, is also seen where majority of the clients are said to have used their micro credit loans profit/proceeds to supplement home food supply. Most of the clients have used their proceeds to take care of more than one thing that is the aforementioned, it is seen where some clients have used their micro lone profit to pay for school fees, pay for house rent and as well supplements home food supply all together. Since microcredit organizations target more women than men, the women folk of the Jui Community are economically

useful as an average of 45% have contributed to educating their children or ward and as such are said to be contributing to national development and nation building in Sierra Leone in their own little ways since no contribution is too small to education and nation building but very intrigue to development

Microcredit has boosted trade and investment among microcredit clients. Majority of the clients to a greater extent, has helped reduce poverty amongst women through microfinance. All microcredit clients are either self-employed as retailers or self-employed wholesalers. More women are given preference than men in gaining access to micro-credit

THE NEGATIVE IMPACT OF MICROCREDIT ON WOMEN

There are numerous negative impacts of microcredit on women in underdeveloped countries such as Sierra Leone; women do not have control over their loans they receive from microcredit institutions. They hand-over these loans to their husbands to show loyalty and if the husbands refuse to pay the interest and the capital the women are arrested and jailed by the microcredit institutions because they signed for the loans.

Additionally, single women are finding it difficult to pay back the loans because of the family responsibilities that are resting upon their heads alone. They have both financial and social responsibilities, financially, they take care of the monetary affairs of the family and they are the caregivers in the homes which are serving as an impediment in doing their business and effective payment of their loans.

Microcredit officials are presenting false information to women borrowers that monies are limited which forces the women to give bribes to the officers so that they can be given loans. Women do not have access to high loans such as Le 5,000,000 – 10,000,000 they only have access to smaller loans such as Le 500,000- 1,000,000, so if they give Le 100,000 back to the microcredit officers as a form of bribe that is where the problem of paying back the loan starts.

About 90% of women beneficiaries of microcredits are illiterates, they are unable to take their daily financial records correctly, the microcredits officials used this as an opportunity to steal the petty trader women by recording the wrong amount paid by the women. For example, if a

woman pays Le 400,000, the record Le 200,000, so at the end of the day, they will end up paying double for what they took as loan.

The interest rate levied by microcredit institutions is so high which has led to many women running away from their communities leaving their children behind to be raised by neighbors. This has led to the influx of the formation of local microcredit by the community women themselves. They normally named it as Osusu scheme, The Box. Here they agree together on what should be contributed by each member and how much interest should be paid for any amount loaned. This local microcredit is somehow flexible for the women because it is their own money they collectively contribute, deciding on the interest to pay for each money loaned. Although in cases they do what they call “Dig a hole to cover another hole”, this simple means, to take a loan from one microcredit institution to pay another microcredit institution, this is causing women to become poorer than making their livelihood better, poverty is like a vicious-circle in the life of petty trader women.

CONCLUSION

Microcredit institutions are expected to ease the financial borders on women but it seems to bring more trouble on them. All petty trader women of all the categories under review (Single Mothers, Marriage Women, Working Women and the Aged) are impacted negatively by microcredit in one or the other. Women are faced with different challenges from engaging in loaning from microcredit institutions, problems ranging from Illiteracy, bullying from Husbands, Financial and Social problems. Microfinance is not the best tool for poverty alleviation but helps earners.

RECOMMENDATIONS

Base on the conclusion the following recommendations were made:

- Government should put strategies in place to monitor microcredit institutions to avoid bribery.
- Women should go through training about how to start small businesses and how to manage their caregiving role and the business.
- Microcredits officers should be monitored thoroughly, to avoid the stealing of the beneficiaries’ monies during recording in their books.

- Government defines policies and implements some or gives authority to some institutions or bodies to implement such policies. To this end the Government of Sierra Leone should monitor the functions of microfinance institutions in relation to their interest rate charge on micro loans. The Government of Sierra Leone (2003) approved an interest rate at 15%. It is found out that some micro-credit institutions request interest from 13% -- 25%. Government should pass into law through parliament an interest rate of 10% for low income earners program and charge 15 % on the small enterprise programs. The loan portfolio of microfinance institutions is too small and outreach is limited and Meany relies on microloans and cannot access it.
- In view of this, the government should establish a ministry that should be there to deal with micro loans where the poorest of the poor could access loan without collaterals set aside. An emergency fund to cover the cost of clients' micro loans that cannot be paid to government, micro finance agencies and microfinance NGOs, due to natural phenomena such as death and other natural disasters that may destabilize the clients' investment.
- Government should also use a two-pronged approach to economic empowerment, especially for the poor women in addition to micro finance. A macro-economy approach on one hand and the creation of the middle level manpower on the other hand will alleviate poverty among the poorest of the poor. A macro- economy where groups of women form a cooperative will enhance huge profit for such women. Government should also establish many technical vocational institutes where women should be encouraged to be trained in middle level manpower. If such women are trained in areas such as auto electricity, Moto mechanics, House plan and design, they will not rely on microfinance and will grow in a faster way than in microfinance. Or engage in petty trade activities

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