



12-1-2006

# Debt and Development: Exploring the microfinance debate in Senegal

Mallory A. Owen  
mallory.owen@gmail.com

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## Recommended Citation

Owen, Mallory A., "Debt and Development: Exploring the microfinance debate in Senegal" 01 December 2006. *CUREJ: College Undergraduate Research Electronic Journal*, University of Pennsylvania, <http://repository.upenn.edu/curej/111>.

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# Debt and Development: Exploring the microfinance debate in Senegal

## **Abstract**

Founded on the assumption that poor people are “natural entrepreneurs” (Bornstein 2005), microfinance has signaled a paradigm shift in development ideology. Using my experiences with microfinance in a fishing village in Senegal, this study will address the claims driving the microfinance movement, debate its pros and cons and pose further questions about its validity and widespread implementation. Instead of lifting people out of poverty and empowering women, microfinance may have regressive long-term potential for borrowers. How loans get used is a central theme of this essay. How microfinance and the notion of the “entrepreneur” fits into the rural, Senegalese cultural context is also addressed. Microfinance programs should be implemented with complementary measures that challenge the systematic causes of inequality examined in this article.

## **Keywords**

microfinance, economic development, senegal, Social Sciences, Urban Studies, Elaine Simon, Simon, Elaine

**Mallory Owen**

**Urban Studies Senior Seminar Paper**

**Winter 2006**

## **DEBT AND DEVELOPMENT:**

### **Exploring the microfinance debate in Senegal**

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NOTE: The research for this paper was supported by the Center for Undergraduate Research at the University of Pennsylvania. I am grateful to Andy Lamas, Dr. Elaine Simon and Dr. Schneider for their constant support.

As a junior in college, I decided it was my time to “nobly” descend upon the “Third World” and shake hands with its rural characters. Young and presumptuous, I boarded a plane for Africa wholly unprepared for the great lessons to follow.

There is an old Senegalese saying that loosely translates: *the truth exists among people at the periphery*. Studying microfinance in Africa, I began to understand how life can acquire unique meaning at the margins. The solidarity I observed among the women in Senegal changed my assumptions about poverty. I began to second-guess the validity of development projects designed to turn local villagers into “mini-capitalists.”

The Senegalese culture bases self-worth not on the accumulation of riches but on the ability to give surplus resources – food, money and clothing - to friends, family and neighbors in need. It is a successful system that ensures no individual is ever reduced to homelessness or begging.

Every day in Senegal, I questioned: who really has the right? Who should be helping whom? Herein lies the great paradox of Western development aid: I traveled to Africa to make a difference only to witness the real difference in myself.

The luxury of hindsight has afforded me greater understanding about the precarious nature of development projects designed by cultures in the North for communities in the South. A Spanish architect who had spent the last year constructing an elementary school in the village advised us to “*Know where you’re working and the baggage you bring with you. Your standards do not determine what is acceptable here. Let the people tell you what they need and then help them to achieve it, never do it for them. Work within the culture, not outside...*”

Back in the United States, I still wonder: Were my efforts to integrate people at the margins and normalize them to Western standards of freedom and empowerment counterproductive, even coercive? In my meager attempt to help, was I simply mapping new patterns of inequality? These questions are with me today.

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## INTRODUCTION

Microfinance is a break-through anti-poverty strategy that refers to the broad range of financial services including loans, savings, insurance, and remittances offered to poor people, especially low-income women. The primary tool of the microfinance “industry” is the ‘microcredit’ loan (typically \$50-\$200 US dollars) provided to start businesses that generate additional family income.

From an obscure experiment in the mid 1970s to a worldwide movement, microfinance has captivated the entire development aid industry making “bottom-up” economic development and ‘pro-poor growth’ the central concern of global policymakers. The general concept – very small loans to very poor women - is enticing. The premise is simple: rather than giving handouts to poor households, microfinance is meant to maximize the entrepreneurial energies of the poor, encouraging micro-businesses that raise incomes and lift individuals and their families out of poverty at no cost to the donor. In total, 41.6 million of the world’s poorest families have already been reached by microfinance (Chiapas Project 2005)<sup>1</sup>. The question remains, however, does microfinance lead to sustainable, flourishing local economies, much less make any real difference in the lives of poor?

Despite billions of dollars being funneled into the industry, there is a lack of hard data to demonstrate that microfinance leads to poverty reduction. Loans to the poor have not yet to show a demonstrable effect on aggregate poverty levels (Bruck 2006). The case for microcredit rests largely on anecdotal evidence and survey data focused on institutional outcomes like loan repayment rates. The movement engages in little serious impact study and ethnographically informed research that tests the assumptions

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<sup>1</sup> The Chiapas Project is a Latin American microfinance initiative based out of Dallas, Texas.

surrounding microfinance and its actual short and long-term effects on borrowers and their communities. The few, more recent studies that do, in fact, engage in ethnographical research tend to highlight more negative than positive results – the “hidden costs” of microfinance (Duffy-Tumasch 2005; Guérin 2005; Perry 2002). Thus, microfinance is simply a development theory, not a fact.

Still, enthusiasts are unequivocal about the potential of microcredit in the battle against poverty. Celebrities, politicians and rich philanthropists alike have given “microfinance” verbal currency. In 2004, Kofi Annan stated that “Microcredit has been one of the success stories of the last decade.” The website of the “International Year of Microcredit” reads: “Currently, microentrepreneurs use loans as small as \$100 to grow thriving businesses...leading to strong and flourishing local economies.”

In reality, however, Bangladesh and Bolivia, home to the most successful microcredit programs in the world, remain two of the poorest countries in the world. In Bangladesh, microfinance’s flagship country, eighty percent of the people continue to live on less than \$2 a day (Cockburn 2006). Moreover, as economic journalist Gina Neff notes, “after eight years of borrowing, 55% of Grameen households still aren’t able to meet their basic nutritional needs – so many women are using their loans to buy food rather than invest in business” (Bello 2006). The unintended consequences of microfinance are further highlighted by the 2006 “Grameen suicides” - cases of female borrowers in Andhra Pradesh, India’s capital of microfinance, falling into debt cycles, borrowing from multiple sources and eventually committing suicide.

Against this backdrop, critics ask, what have microloans achieved? Their concerned charges include the following: Microfinance is simply “credit-baiting without infrastructure,” (Spivak 1999: 419) Small loans “don’t make any sort of a macro-

difference” (Cockburn 2006: 1). Debt is no way to liberate women. Microfinance maintains the status quo, encouraging complacency. Finally, among its most radical critics, microfinance is looked upon as another neoliberal project with regressive possibilities (Cockburn 2006, Ehlers 1998, Rankin 2001, Weber 2002).

In order to negotiate the current divide between propaganda and reality, this report is an ethnographically informed critique of microcredit’s use and its consequences to users. It addresses the claims and critiques of microfinance from a detailed case-study of micro-lending practices in a small fishing village in Senegal. After explaining the evolution of the microfinance movement, I will highlight the current literary debate taking place in the microfinance research. Next, I will provide some economic, historical and social background for understanding the Senegalese case. Finally, within this framework, I will address the qualitative data collected at my fieldsite last summer 2006 and try to address the following questions: How does the microfinance mission play-out at a grass-roots level? How are women using their loans? Is microfinance a useful intervention in poverty reduction?

Ultimately, this project should help shift the discussion toward an increasing critique of microfinance on both ideological and substantive grounds. Self-employment is not a solution to poverty, but can be an effective tool as part of a broader agenda for community development. Credit alone is necessary but not sufficient for female empowerment. Credit can make a difference, however, when complimented with business development and education services that equip borrowers to maximize their loans in a transformative manner.

## **Background: the History of Microfinance and its Growing Popularity**

Before microfinance washed over the developing world, credit to the poor was a laughable concept. Few banks would dare loan money to a person living below the poverty threshold. In effect, about half the world's population struggling to survive on less than \$2 a day was restricted from the formal financial sector. By eliminating the need for collateral and implementing a banking system rooted in mutual trust, the international microfinance movement has since reversed conventional banking procedures (Hassan 2001), made credit a universal human right, and loans to the poor a popular and profitable global venture.

A historical perspective of developing areas reveals that there are antecedents for the developmental role of credit to the poor. "The precedence for microfinance lies in the many traditional and informal systems of credit that have existed in developing countries for centuries" (Hassan 2002:2). The origins of modern microfinance can be traced back to the Grameen Bank Project of 1976 (Grameen means "rural" or "village" in Bangla language). Launched by Dr. Muhammad Yunus, an economics professor at the University of Chittagong in Bangladesh, the project was meant to test the possibility of a credit delivery system that provided banking services to the rural poor. What began as a twenty-seven dollar loan experiment to a group of impoverished villagers quickly spread into adjacent districts in the country. In 1983, the success of the project saw its transformation into an independent bank by government legislation. Since then, Grameen has lent more than \$5.3 billion dollars to nearly seven million borrowers lacking adequate collateral with a loan recovery rate of 98 percent. Ninety six percent of Grameen's customers today



are groups of women who meet regularly to insure their individual loan repayments<sup>2</sup>.

Thus, while systems of credit are not new in developing economies, the Grameen Bank was the first to institutionalize and popularize the concept of institutional lending to the poor.

Since the 1980s and 1990s, the growing success of the Grameen Bank in Bangladesh coupled with the success of replica organizations like BancoSol in Bolivia and Bank Rakyat in Indonesia have demonstrated that the poor are not only credit-worthy and resourceful borrowers, there is a potential for profit in the industry. As a result, microfinance institutions (MFIs) are currently being implemented throughout Latin America, Asia Pacific, Africa and, more recently, in Eastern and Western Europe and the United States. Consequently, the idea of extending credit markets to the poor through group lending might represent a way to alleviate poverty not only in developing countries but developed countries, as well.

Undeniably, “in the world of development aid, few projects have engendered as much enthusiasm as microcredit.” (Hossain 2002). The United Nations General Assembly proclaimed the year 2005 “the International Year of Microcredit,” the UN Millennium Development Goals have made microfinance their top priority, and this year’s Nobel Peace Prize was awarded to Muhammad Yunus, the “godfather of microcredit.” Donors have since been quick to pledge billions of dollars to support the expansion of microcredit programs over the next decade.

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<sup>2</sup> Yunus decided early on that it was in the bank’s own self-interest to lend mostly to women for a number of reasons. Women, in his opinion, are “natural and better fighters” (Bornstein 2005; 142), better credit risks, and families tend to benefit more when women control the money.

## **Microfinance and the Shifting Terrain of Global Development Policy**

As an anti-poverty strategy, Yunus and his Grameen Bank offer an antidote to traditional development orthodoxy, namely massive donor-financed projects implemented by organizations like the World Bank and IMF. Yunus believed that the World Bank, the flagship of international development, was too theoretical, over-extended and too poorly designed to alleviate poverty (Bornstein 2005). Throughout the 1980s, the poor (especially women) suffered disproportionately from neoliberal World Bank and IMF policies encouraging “trickle-down” economics through liberalization, deregulation and privatization (Weber 2002). As countries across the globe moved to open their economies, free up prices and reduce the state’s role in managing and regulating economic activity, the policies of “structural adjustment” forced governments in the South to spend within their means, preventing them from interfering in the mechanisms of the free market. To achieve these results, recipients of foreign aid were forced to cut subsidies and aid to the poor, turn over capital control to investors and open their borders to foreign investors. “The developing world was developing in very damaging ways on the 1980s borrowed money” (Schumacher 1999: 126). Recognizing the link between macro economic adjustment programs, growing income disparities and social injustice, Yunus sought recourse from the damage caused by supranational debt-driven development initiatives.

In opposition to massive, untailed structural adjustment programs, Yunus favored development approaches entrenched in experimentation and direct experiences. Making the case for self-employment not wage employment; gradualism not giantism; villages not cities; and women not men (Bornstein 2005), Yunus sought to shift the world’s perception of the poor from dependent beneficiaries to competent entrepreneurs

(Bornstein 2005). Linking capitalism with poverty alleviation; he advocated entrepreneurial, locally oriented market solutions to pro-poor growth.

In effect, the microfinance concept has signaled a paradigm shift in development ideology. The rules and norms of the global unification movement against poverty have scaled down to meet individuals at a local level. As a result of the Grameen Bank initiative, anti-poverty programs have achieved newfound reach within the realm of actual social relations. In a sense, microfinance has given development projects a human face and, subsequently, the potential for salient local implications, good or bad.

### **The Future of Microfinance: Commercializing Credit to the Poor**

In the 1990s, microfinance underwent a transformation from a purely social anti-poverty program to a more commercial, profit-driven industry. This shift began with Acción International, a network of Latin American institutions, dedicated to streamlining microfinance in order gain access to capital markets tied to future funding and growth. The introduction of a more commercial model of microfinance has set-up a dichotomy in the movement between the “pure do-gooder” and the “profit-minded do-gooder.”

The “pure do-gooder” is represented by Yunus and the Grameen Bank as well as other microfinance institutions like Pro Mujer based in Bolivia. These organizations believe in locally designed, run and controlled institutions that emphasize social justice and integrated development projects (e.g. credit combined with training, health-care, family planning and self-esteem building). The “profit-minded do-gooder” is represented by rich individuals like Pierre Omidyar (inventor of Ebay), commercial banks like the Citigroup corporation, and Compartamos, the largest microfinance institution in Latin America. Their primary goals include efficiency, a return on their loans and achieving

scale. Pro Mujer is a non-profit organization; Compartamos is a for-profit, privately-owned bank. Pro Mujer is dedicated to providing poor women training, business, health and education services on top of their loans; Compartamos offers strictly financial services to men and women in both rural and urban areas of Latin America and The Caribbean. Like Compartamos, the Grameen Bank is also a for-profit bank. The major difference between the two, however, is that Grameen is owned by its poor borrowers and operated exclusively for its poor borrowers. In fact, Grameen borrowers, who are mostly women, represent 94 percent of its' total equity; the remaining 6 percent is owned by the government.

Where the original microfinance movement has always been about achieving a “double bottom-line” (female empowerment and poverty alleviation), the new trend in microfinance is more about spreading capitalism and making a profit in untapped areas. The focus has, thus, shifted from the gender aspect of development to a more indiscriminate provision of the instruments necessary to run businesses, build assets, stabilize consumption and protect individuals from risks. In sum, the commercialization of microfinance means cost-efficient loans to poor people *and* an important emerging market for investors and providers.

Yunus warns, however, that efforts to maximize microfinance's profitability potential as a commercial business risks neglecting the poorest of the poor. Once microfinance becomes mainstreamed into the retail banking sector, only the “less poor” will qualify for aid, further marginalizing the truly impoverished at the periphery. In summary, commercialization will cause MFIs to up-market, crowding out the very poor in favor of better off clients who can absorb larger loan amounts. Yunus also worries that the existence of foreign, commercial banks in impoverished areas could have a

disempowering effect on the Grameen model. Traditionally, local borrowers own the village bank and are responsible for running its day-to-day operations. Neglecting these poor borrowers the right to operate or purchase shares in the bank denies them important opportunities to develop marketable skill-sets and the sense of pride and empowerment that comes with owning a successful financial operation (Hassan 2002). Finally, from a moral standpoint, one could argue that there is little to gain off the poor.

In light of microfinance's rapid evolution over time and growing global popularity, it is necessary to pause and address the potential dangers and limitations facing the industry today and in the future. Critics argue that the "microfinance promise" has been overstated for a number of reasons including the unreasonably high interest rates charged on microcredit loans and the dearth of empirical work that accurately assesses its impact on either individual borrowers or communities at-large. More importantly, studies that do measure impact present a mixed picture of microfinance (Murdoch 1999). Thus, while practitioners, politicians, the World Bank and the United Nations all assert that microfinance is the magic-bullet poverty panacea, there is evidence against this claim. My study situates itself in the middle of this debate. Engaging in both the positive and negative rhetoric surrounding the microfinance movement, it is my hope to address larger questions of validity and its future implementation.

## **LITERATURE REVIEW**

In order to understand the benefits and limitations to microcredit lending, two contrasting viewpoints will be evaluated in the literature review. At the forefront of the first perspective, Muhammad Yunus and his advocates portray microfinance as a business solution to poverty and gender inequalities. Using market institutions to advance

a progressive agenda, microfinance fosters income-generating activities that ultimately break debt cycles and lift poor people out of poverty. Bridging seemingly incompatible ideas -- right-wing conservative capitalism with a left-wing social welfare program -- microfinance reinvents capitalism to battle poverty and empower women.

In contrast to this perspective, microfinance critics consider the “hidden costs” of microfinance participation and question whether the industry is simply another neoliberal free-market policy working to perpetuate global inequality. The most extreme critics in this camp claim microfinance is merely a mechanism to transfer wealth from the poorest to wealthiest segments of society (Gill 2000; Neff 1996).

### **The Grameen mission: microfinance as the antidote to neoliberalism**

Large wealth disparities and the attendant pauperization of 2.8 billion people living in poverty have been linked to a neoliberal orthodoxy that encourages overall economic growth through macroeconomic measures (Bornstein 2005). Since the 1980s, women around the world have been struggling to survive the impacts of neoliberal global structuring projects, namely processes of trade liberalization, privatization, and decreased government regulation and social welfare programs. Aligned with this new era in privatization, state governments have been massively reducing their budgets, cutting welfare, healthcare, housing, agricultural supports, food subsidies and education. As state programs fail to address local social and economic needs, women suffer disproportionately. They are not only responsible for maintaining home and community through unpaid labor, they also make-up the majority of the unskilled low-wage workforce (Edgecomb and Barton 1999).

Making credit a universal human right is considered a viable solution to the economic and gender inequalities resulting from neoliberal free-market economies and government withdrawal. In contrast to monetary regulation strategies, microfinance recognizes that poor people are not the problem but a solution to global poverty. In this sense, it represents a paradigm shift in the global approach to development foregoing macro economic measures in favor of “pro-poor growth” movements that emphasize “bottom-up” economic initiatives on grass-roots levels. Microfinance is, thus, an alternative to impossibly broad, undifferentiated institutional reforms that have proven insensitive to specific, local contexts and needs.

The premise is simple. Rather than giving handouts to poor households, microfinance programs bring capitalism to the villagers turning poor people into credit-worthy entrepreneurs. Often referred to as “socially conscious driven capitalism,” microfinance makes credit available to the poorest of the poor *and* generates a reasonable profit. Thus, microfinance profits from both a social and financial return on its capital. Its primary goals – female empowerment and poverty alleviation – are addressed below.

### **Lending to Women**

As an after-thought to poverty alleviation, Microfinance addresses gender discrimination by targeting women, providing them with loans to raise their incomes and build their assets. For purposes of this study, empowerment is defined as an “institutional environment that enables women to take control over their material assets, intellectual resources, and ideology” (Fernando 1997). Also, “a process aimed at changing systemic forces which marginalize women in a given context.” (Batliwala 1994). Microfinance empowers women by addressing their economic vulnerability through self-employment

and training. Research performed by Nobel laureate Amartya Sen indicates that female support through work and educational strategies (the premise behind most microfinance programs) leads to higher social standing and increased bargaining power within their households. This claim is bolstered by Jude Fernando who states that improvement in economic status has a positive effect on women's empowerment allowing them to interact within a group, initiate educational programs, and pursue other dimensions of social change (Fernando 1997). Laurie Garret, Pulitzer Prize-winning science journalist and Senior Fellow in Global Health Council on Foreign Relations further claims that microcredit is not only a tool for empowerment but a life-saving mechanism against spousal abuse and disease:

“Perhaps, the greatest peril to the health of most of the women of the world today is their lack of cash. Money buys food, medicine, transport to clinics, medical care and, when a husband is abusive or has a far-reaching sex life that threatens to bring HIV and other diseases into the home, offers an exit strategy. Micro-finance schemes that provide women with safe, home-based ways to earn cash can literally save the lives of millions of women and their children.”

Thus, microfinance – encouraging self-employment, increased income levels and new forms of solidarity – improves economic status and, thus, induces female empowerment.

On a more empirical level, a 2002 study of the Grameen Bank experience in Bangladesh states that there are clear benefits of extending credit to poor women (Hassan 2002; Morduch 1999). Participants in the Grameen Bank program are earning stable and regular cash incomes and are increasing their family income by approximately 72%. As a result, women's status in the family is increasing as well as their influence on family matters such as reducing household expenses and dowries. The study further states that female power continues to increase proportionate to the number of years she is a Grameen Bank member. “It is assumed that this continued interaction with the bank increases her expertise, self-confidence, and competence in decision-making. A



synergistic effect of this increased education, self-confidence, etc. is now a tendency for women to have fewer children. This translates into increased female empowerment as women are less burdened with childcare duties” (Hassan 2002).

Finally, it is argued that women not only need development, development needs women. (Fernando 1997). Statistical studies have shown that women make the best credit risks because they are more likely to reinvest their earnings in business and in their children and families; thus, women make investments that break the generational cycle of poverty. Consequently, women account for 79 percent of the 41.6 million microfinance borrowers that exist worldwide.

### **Microfinance: weighing-in on the downsides**

There has been much international discussion surrounding the benefits of microcredit lending. Some worry, however, that exaggerated claims will jeopardize microfinance’s status in the field when unrealistic expectations fail to be met (Bruck 2006). Perhaps the most authoritative impact study performed on microfinance to date was a 1998 study commissioned by the World Bank which found that 120,000 Grameen Bank borrowers were rising above the poverty line every year. Over a period of three years, non-food basic needs such as health care, children’s education and home improvement increased by 18 percent among borrowers.

However, in other studies performed on the Grameen Bank model, the results contradict frequent claims about its unrivaled success. For example, according to acclaimed microfinance expert Jonathon Morduch, when appropriate comparisons with control groups are made, access to Grameen microfinance programs does not yield meaningful increases in per capita consumption or education levels among school-age

sons and daughters. “If anything, the levels are slightly lower than for the control groups.” (Morduch 1999). These results demonstrate how misleading simple performance indicators can be.

More recently, critics have argued that rather than empower its female customers, microfinance “produces a host of latent consequences that are ultimately more damaging than productive to women.” These damaging effects are best outlined by Jude L. Fernando, assistant professor of International Development at Clark University and Ph.D recipient from the University of Pennsylvania. In his paper *Nongovernmental Organizations, Micro-Credit and Empowerment of Women*, Fernando suggests that female interests are being undermined by the microfinance model. The microfinance model (group lending based on joint liability) uses the social capital generated by group membership to ensure that loans get re-financed. If one woman fails to pay back her loan, she puts her entire loan group at jeopardy. As a result, “Women’s participation in micro-enterprise does not show any signs of creating the new forms of solidarity among women that the advocates of empowerment desire. Instead, women are placed under enormous pressure to maintain existing modes of social relationships, on which depends not only the high rates of loan repayments but also the survival of families.” In this sense, microfinance does not accomplish its goals of female empowerment through female solidarity; rather, it creates added stresses on preexisting social relationships.

Fernando makes another valid argument that micro-credit projects are, in fact, facilitated by the institutions considered to be obstacles to women’s empowerment. For example, if a woman cannot pay-back a loan, she resorts to corrupt money-lenders in her community to avoid criticism from her loan-group. Thus, while the microfinance does present an economically effective alternative to the traditional labor market, it has

considerable drawbacks: one, it creates unwanted social pressures for its' female participants and two, it supports the very institutions it intends to override. Are these things Fernando found in his research?

Fernando's critique is bolstered by Amelia Duffy-Tumasz, a student at the University of Pennsylvania who spent her past summer 2005 researching microfinance in Senegal. While in Africa, she observed that female participants were competing for resources and attention, friendships were being stressed over loan-repayments and jealous husbands were resorting to domestic abuse. She quotes one Senegalese woman who compared microfinance to the practice of polygamy: "good for women's work, bad for women." She also found that only women with some capital and a bank account were able to get loans – the poorest among them were not eligible. Thus, microfinance is less an equalizing force than a way to reinforce social hierarchy in the local setting. Duffy-Tumasz has determined that the microfinance model is, in fact, problematic for its female participants and potentially detrimental to the social fabric of the community (Duffy-Tumasz 2005).

Studies looking at employment options for women involved in microfinance show that rather than reducing poverty, many micro-businesses support low-paying (self-paid) jobs that further trap individuals in poverty and perpetuate existing power structures (Bates & Servon 2000). Finally, microfinance research specific to Senegal further show how informal financial arrangements are both a product and producer of gender inequalities and inequalities among women (Guérin 2006).

There is "surprisingly little empirical work that accurately assesses [microfinance's] impact on either individual borrowers or communities." According to Jude Fernando, microfinance studies fail to evaluate and understand the processes

through which final outcomes are achieved. While the quantitative successes of microfinance are well-documented (e.g. improved incomes generated from loan activity, improved standards of living, high loan repayments rates), little consideration is given to the process through which these successes were achieved and their impact on participants. Furthermore, very limited attention has been given to the role of the institutions (money-lenders, the state and NGOs) in the micro-credit process. Fernando's critique of microfinance studies is further bolstered by Rafael Gomez of the London School of Economics and Eric Santor with the Department of Economics at the University of Toronto who also report that there is an increasing need for studies in which "the functioning of the group lending process is analyzed; and, more generally, the determinants of micro-borrower success are examined." (Gomez and Santor 2001)

In light of these recent critiques, it is apparent that survey and anecdotal evidence about microfinance's immediate economic impact is potentially misleading. It is necessary to shift the research from a focus on impact and outcomes toward a focus on processes taking place at a grass-roots level. Thus, there needs to be more ethnographic research that is sensitive to the context in which women work and borrow and accurately reflects women's thoughts and experiences with microfinance. Only then can we truly understand the issues and constraints that impede women from taking full advantage of their loans and achieve the goals of microfinance. Consequently, my project will assess the processes that occur which just looking at outcomes might not understand and what other types of outcomes occur as a result.

## **METHODOLOGY**

Often, the tale told by expert outsiders does not engage with the authentic history of the processes taking place at a local level. Research in microfinance is no exception to this rule. With the exclusion of several recent reports (Brett 2006; Perry 2002; Guérin 2006; Tumas 2005), few ethnographical accounts on microfinance engage with the processes rather than institutional outcomes driving the industry. In order to begin comprehending women's direct experience with microfinance, my study used an ethnographic research design. Research was conducted while living and working in a small fishing village in Senegal from June 2006 to August 2006. My worksite, Joal-Fadiouth was a small fishing village located 40 kilometers south of Dakar in Senegal.

Traditionally, the success of microfinance has been determined based on donor-driven, institutional measurements that look at loan repayment rates as a proxy for social value and social costs. Using loan repayment rates, however, says little about microfinance's ability to improve a women's economic situation because it does not examine the way in which women are both using and paying back their loans. The majority of women I interviewed expressed concern with the difficulty they and the other members of their respective tontines have making regular loan repayments. This concern is shared by various bank managers who confessed that their high loan repayment rates are due to extensive restructuring programs or confiscation of property to make-up for the debt. Both women and financial managers in the village attribute this difficulty to a lack of resources necessary for borrowers to use their loans productively and generate income.

In the advanced economies, financial success is calculated by subtracting the difference in one's net worth before and after financial aid - not one's ability to repay a loan. Initially, I wanted to measure the net-worth of the women before and after their

involvement in microfinance. However, the women exhibited discretion in revealing too much about their economic status. Moreover, their income fluctuated from day to day based on the availability of fish to transform, daily market activities and expenditures related to both professional and personal needs. Thus, obtaining concrete figures from the women on income proved difficult and inconclusive and this explains the lack of economic statistics in my report. As a result, my research focuses on illustrating the range of economic and financial activity and the diversity of profiles unique to the village.

I studied nine informal economic interest groups in total. This meant regular attendance at their weekly meetings taking video footage, observing social interactions and money transactions, interviewing elected officials (typically the president, secretary and treasurer) and individual group members. I also interviewed the managers at three of the local village banks, Crédit Mutual, Pamecas and MECDJP.

To ensure validity in my report, at least three individuals had to independently without prompting make the same point. The objectivity of information provided in interviews was cross-checked by observing the daily life of those individuals questioned. For example, I spent a week working with the women at *Khelcom*, a fish processing cooperative that employs the majority of female wage-earners.

To compliment this data, I shadowed Filomen Ndiaye, President of Dynamique Femme, an umbrella organization in-charge of overseeing all women's groups within the community. As evidenced by her prominent social position in the community and her ability to speak French, Madame Ndiaye was less poor and better educated than the women at *Khelcom*. Her connections proved advantageous in my attempt to gather large amounts of diverse narratives. Understanding these different situations helped to a)

illustrate the range of economic and financial activity taking place in Joal-Fadiouth and  
b) draw a complete picture of a diversity of individual profiles.

The qualitative phase of the fieldwork also involved reconstructing the life histories of seven women from diverse age-groups, neighborhoods, socio-economic and professional backgrounds. This narrative investigation was particularly appropriate for understanding the microfinance phenomenon beyond its immediate economic effects. It is my hope that this study will extend future research into previously under-evaluated ethnographic directions; and microfinance practitioners will ultimately shift their concern from best practices for financial stability to best practices for individual economic and social empowerment.

#### **BACKGROUND:** Neoliberalism and Microfinance in Senegal

Located on the Western coast of Africa, the Republic of Senegal secured its independence from France in 1960. The early years of Senegal's post-colonial transition were relatively secure as the State played a major role in the country's economic and social development. Starting in the late 1970s, however, droughts coupled with collapsing export prices prompted the government to turn to the International Monetary Fund (IMF) and the World Bank for aid. These organizations imposed institutional transformations in Senegal linked to neoliberal reform measures, namely "Stabilisation Programs" and "Structural Adjustment Programs" (SAPs). The debt relief associated with these programs were contingent upon structural policy changes in Senegal including "cuts in public spending, tight monetary and fiscal policies, export-led growth, trade and investment liberalization, deregulation of internal prices, dismantling of the public sector, privatization of State-owned enterprises and of essential services, rolling back the State

and eroding its ability to formulate autonomous national policies” (Powell 2003). In other words, loans to Senegal acted as a lever through which the IMF and World Bank could execute free-market reforms. Thus, as the age of privatization swept over the world, development policies in Senegal shifted from State-lead to market-based policies of economic and social welfare provision.

The period of “structural adjustment” in Senegal has been characterized by low or stagnant economic growth and a deterioration of social indicators like health and education. Free-market reforms in Senegal have not contributed toward improving its economic and social situation. For example, trade liberalization policies coupled with a dismantling of the public sector collapsed both the industrial and agricultural sector, destroying the livelihoods of small-scale farmers unable to compete with subsidized imports from developed countries. The percentage of the Senegalese population that is undernourished has increased over the past ten years from 23 percent in 1990/92 to 25 percent in 1998/00. Poverty is so widespread that nearly 80 percent of the population lives on less than a \$2 a day. In 2001, more than twenty years after the World Bank and IMF imposed their economic policies, Senegal was admitted to the category of Least Developed Countries (LDC) (Powell 2003). Thus, rather than rescue Senegal from its economic downturn, the shift from State-lead to market-based policies for development has aggravated Senegal’s debt burden, undermined earlier achievements at poverty eradication and hindered opportunities for economic and social justice. Regrettably, in June 2000, Senegal entered into the Heavily Indebted Poor Countries (HIPC) Initiative to receive more IMF and World Bank debt relief subjecting the country to more structural policy conditions.



Behind the shift in development policy, Senegal underwent significant structural changes in the nature of its governance. Parallel to the era of privatization, the national government excused itself of previous responsibilities to citizen welfare, cutting funds for health and education services and dissolving agricultural cooperatives. The social safety net was, thus, reduced to a bare minimum in support of a development system that emphasized personal responsibility. Due to a dearth of State-driven welfare reforms, civic responsibility for local needs was assumed by decentralized nongovernmental development projects, many of whom began providing economic support through microfinance resources. Thus, it is within this neoliberal framework of pervasive free-market policies and development programs that microfinance emerged as a “poverty panacea.”

While microfinance is marketed in the developed world as an antidote to neoliberalism, it is viewed by the Senegalese as part and parcel of the market-oriented initiatives transforming economic relations in the country (Perry 2006). The push to convert the poor from beneficiaries to mini-entrepreneurs, holding individuals accountable for their own development, is a component of neoliberal-based policies and programs for development. The basic assumptions of microfinance are hardly foreign to neoliberal orthodoxy. Take, for example, the rhetoric driving both movements. David Harvey, a historian of neoliberal orthodoxy, writes that “Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills” (Harvey 2005). Muhammad Yunus, progenitor of the microfinance movement, writes that the poor are “natural born entrepreneurs because their livelihoods depend on it.” Thus, the goal of microfinance is to maximize this entrepreneurial spirit so the poor can improve their

income levels and lift themselves and their families out of poverty. Perhaps the failure of microcredit analysts to associate the microfinance movement with local institutional transformation results from the critique that structural adjustments are responsible for the increasing feminization of poverty. Undeniably, neoliberal development programs concur with uneven geographical development, class and gender inequalities. Learning from our past mistakes, we must pay careful attention to the tension between the theory of microfinance and the actual pragmatics of microfinance.

## **SETTING**

Understanding the specific social, cultural and economic context of my setting is essential toward framing the subject of microfinance as a tool to alleviate poverty and empower women. Background information should show that poverty and gender inequality are two persistent problems in the area and that women suffer second-class status on economic, political and social levels. It should also show that the microfinance scheme is not a newly imposed Western ideal; rather, it has a long history in Sub-Saharan Africa. Informal finance structures are, in fact, strongly embedded in the socio-cultural, context of my setting. Thus, the extent to which modern microfinance programs can draw on these informal financial arrangements to challenge poverty and inequality is an important element of my research. Based on the information provided in the setting, my data analysis will attempt to answer the complex but urgent question of what real progress is microfinance making in the lives of the poor and women in particular.

As mentioned before, the implementation of IMF and World Bank stabilization policies since the end of the 1970s followed by the first structural adjustment programs in the mid-1980s, did not contribute toward improving the Senegal's living standards or

substantially reducing poverty. In the 2006 UN Human Development Report,<sup>3</sup> Senegal is consistently ranked among the thirty least developed countries in terms of poverty, gender equality and equalities in achievement between the sexes. In 2005, it was reported that 65% of the population lived below the poverty threshold and more than 58% of the impoverished rural population consisted of women. In short, while poverty affects the majority of people in Senegal, it disenfranchises rural women in particular.

Gender inequalities manifest themselves in work, education and political spheres. In regards to work, there is an uneven distribution of income among Senegalese men and women: 61% of women participate in economic activity but receive only 55% of the income of men. Moreover, in the private sector, they are paid by piece-work while men are paid by the hour resulting in extensive inequalities (AFROL Gender Profiles). The estimated female earned income each year is \$1,175.00 US dollars. Finally, because males are considered the legal heads of households, women pay higher taxes than men for equal wages and employers pay child allowances to men and not women (AFROL Gender Profiles).

The situation of Senegalese women regarding education and training is also disturbing. Most women in Senegal have little to no educational opportunities with an illiteracy rate of over 70 percent compared with 48.9 percent for men (UN Poverty Report, CWIQ 2001). In politics, as well, despite the fact that women make-up 52% of the total population and 35.7% of total revenues, they are poorly represented in political spheres at the local, state and national levels. In 1994, there was neither a female mayor nor female chief of any village in Senegal. In 2006, women held 19.2% of the seats in

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<sup>3</sup> The 2006 human development index refers to statistics from 2004 and combines measures of life expectancy, school enrollment, literacy and purchasing power parity (PPP) or income to allow a broader view of a country's development than income alone.

Parliament. While this is up from 13% in 1990, women are still poorly represented in national politics. Thus, although the Constitution of Senegal states that “men and women shall be equal in law,” discrimination against women is pervasive in economic, social and political spheres, particularly in rural areas.

### **Joal-Fadiouth, Senegal**

The coastal village of Joal-Fadiouth, the primary site of my research, represents a microcosm for the larger issues of poverty and gender inequalities facing Senegalese women nation-wide. Located forty kilometers South of Dakar with a current population of 35, 085, Joal is one example of a largely male-biased rural setting. Many researchers attribute women’s second-class status to Islamic customs like polygamy and rules of inheritance that enforce traditional gender roles and restrict female access to resources (AFROL Gender Profiles). Joal-Fadiouth, however, has a sizable Christian contingency and prides itself on having the only mixed-use Muslim/Christian graveyard in Senegal. Irrespective of religious preferences, patriarchal values and subsequent socialization processes continue to shape both familial and work arrangements in the region. Despite the significant and dynamic role that women play in the community, they face societal discrimination and remain excluded from important decision-making spheres and economic sectors. While living and working in Joal, I gained an interesting micro-perspective on the social and financial components of women’s personal and professional lives in Senegal.

## **Social, Cultural and Economic Arrangements for the Women of Joal**

### *“The Men are Still Sleeping”*

Neighborhood beautification projects in Joal are a good reflection of the community's social arrangements. The village has 48.1 km of streets and boulevards. Only 10.25 km (about 21%) are paved and the rest of the streets, 37.85 km (about 79%) are sandy and *covered* in trash. There is no formal trash collection structure in Joal, thus, sanitation and garbage disposal pose serious health-threats to its citizens. Trash accumulates outside homes, along streets, alleyways, and pollutes the beachfront. About once every month, neighborhoods will spontaneously organize a trash clean-up day, compiling refuse to burn or bury in large holes under the sand. Early one Saturday morning, we were invited to attend one of these sanitation projects. At the work site, women and young children were working together raking large piles of trash. I asked one of our guides, Where were all the men? The response was matter-of-fact: “The men? The men are still sleeping.”

In addition to sanitation projects, women assume full responsibility for community health-care programs, youth education and adult literacy training. For example, during the rainy season when malaria poses a high-risk to villagers, women travel door-to-door training families on the importance of disease prevention and treatment. Also, in most neighborhoods, older women assume responsibility for educating younger women about pregnancy. Started in 1995, SCOFI, a group of female teachers in Joal, represents the only organization in the village dedicated to improving educational opportunities for children. Since its inception, members of SCOFI often pool their personal savings to buy needy students proper school uniforms and regular lunches. They also campaign against the “brain-drain” affecting Joal as both promising students

and underprivileged girls tend to quit school at a young age to find work in Dakar and, typically, never return due to better job opportunities or unwanted pregnancies.

In effect, the women of Joal are the most diligent community organizers and activists. Regardless of this fact, however, they remain sequestered from any real power, resources or assets. No woman in Joal is permitted to vote in elections or hold a position in the mayor's office. They are restricted from owning property or land and frequently subject to handing over their monetary savings to other family members - typically fathers or brothers - without repayment. These social inequalities translate into the work environment, as well.

### *Sweat Hard and Make [No] Money*

Loosely translated, "Sweat Hard and Make Money" was the motto of a woman's group in Joal organized around economic interests. Working hard, however, does not guarantee adequate returns for one's labor. Obstacles to women's empowerment persist most notably in the formal job sector. For example, in the fishing industry, the single largest employer in Joal, women represent about 78% of the fish processing and micro fish trading activity. These women work at a male-run cooperative called *Khelcom*. At *Khelcom*, fish get carted-in from the sea by donkey to be transformed into marketable products by the *femmes transformatrices* (female fish artisans). These women at *Khelcom* typically work with ovens and other means of production owned by men. They labor from sunup to sundown in unsanitary conditions, bent over smoky ovens with babies strapped to their backs or squatting in degradable fish parts, scaling, salting and sorting their product. One bucket of scaled fish earns 100 CFA, the equivalent of twenty US cents. On a good day, when there are fish in the sea to be processed, these women can

make about ten cents an hour. Their wages are typically doled out by a male *bana-bana* or middleman who sells the fish for a profit. Overall, the *femmes transformatrices* at *Khelcom* do not have equal access to control over the means of production, processing and transportation. As a result, they suffer wage-slave status in a gender-biased work environment. The next best option, self-employment, is equally challenging due to low literacy rates and limited access to property, land and credit rights (Guérin 2006).

*“Right now, there are those families that remain without eating...”*

Despite their insufficient incomes and lack of savings, women are expected to assume responsibility for the household. Increasing cash requirements to meet their family’s daily survival needs is a heavy burden. Women are further obliged to support relatives, make regular donations comparable to a community tax and give large donations at life-time ceremonies such as births, baptisms, marriages and funerals. Embedded in a web of family and community ties, women are constantly preoccupied with money (Sen, 1985). For the women of Joal, the pressure to meet household and social obligations coupled with limited status, power and access to resources creates a demand for female credit services. It remains uncertain, however, whether the microfinance services currently offered can sufficiently adapt to this demand, mitigate inequalities by bridging the gender gap *and* improve the overall economic health of the community.

## **Financial Services in Joal: the traditional tontine system and the modern microfinance movement**

The recent establishment of Western-type savings institutions is not totally foreign to the socio-cultural and economic context of Joal-Fadiouth. Modern microfinance schemes fit into community patterns that include a highly valued and widespread form of informal finance practiced through *tontines* or ROSCAS (Rotating Savings and Credit Groups). *Tontines* have strong historical and cultural roots in Senegal and represent the most practiced form of group lending among women. The tontine typically consists of 30 to 100 strictly female members who contribute a fixed amount of cash to a common fund at regular intervals. The entire fund is then allotted to one or two members, in turn. Based on the *tontine*, recipients are selected according to need, a fixed order, or a lottery system (Guérin 2006). Operating within a framework of kinship to enforce repayment, these self-organized, informal financial groups have aided women traditionally excluded from conventional sources of credit and the collateral necessary to secure a loan.

In the early 1990s, the ability of women in Joal to receive credit was enhanced by the proliferation of new WID-oriented (women in development) projects in the area. These projects were hosted by a variety of international and national nongovernmental organizations (NGOs) who provided select development groups with the necessary capital and training to start microcredit programs modeled after the Bangladesh Grameen Bank. The premise behind these microfinance groups was for women to start investing their loans in income-generating activities. While the NGOs have long departed, microfinance maintains a strong presence in the village. Even the traditional *tontine* structure has been incorporated into the new form of banking structures present in the



village. Currently, each *tontine* has its own bank account at the local Crédit Mutuel or PAMECAS.<sup>4</sup> Thus, borrowing is no longer handled from within the group but, rather, by the group (Grieco 2). The question, then, becomes: How, if at all, has the modern microfinance mission of economic development and female empowerment fared in the village? Or, to what extent has microfinance been re-interpreted to fit existing practices and, thus, lost its transformative potential?

## **DATA**

From the setting portion of this study, it is apparent that some of the biggest challenges facing Joalian women today are a lack of power and access to resources, insufficient incomes and constant familial and community demands for cash. The premise behind microfinance is poverty alleviation and women's empowerment through income-generating activities. To understand whether or not microfinance achieves its development goals, the data section will look at how group lending addresses women's social and economic disenfranchisement in Joal. Ultimately, my data section will hone in on the cultural and structural forces that constrain women from becoming profitable entrepreneurs and use one example of a successful *tontine* to show how future microfinance projects might influence these factors to better enfranchise their female borrowers.

*“The tontine is good for the soul, to round out our existence, especially when there's no fish in the sea...”*

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<sup>4</sup> The Crédit Mutuel and PAMECAS are nationally-operated banks established in Joal-Fadiouth in 2005 and 2002, respectively. Unlike the Crédit Mutuel which primarily finances fishermen in the village, PAMECAS primarily targets women and offers its clients more social services like health insurance. While both are microfinance institutions, the primary focus of my research is on the *tontine* as the much preferred form of finance among women in the village.

As a solidarity group, the tontine offers a crucial social and financial network in an unpredictable setting where day-to-day life can be precarious and fragile. Women in Joal tend to prefer *tontines* to saving individually or investing in village banks. According to the women involved in *tontines*, joint activity embraces a wide variety of important financial and social benefits. First, tontines provide the protection of a safekeeping facility that is more accessible and friendly than an institutional bank. Second, they offer independence. Women feel empowered by being able to handle their own funds. Third, tontines offer a legitimate excuse from cultural obligation to external demands for money, especially from needy family members or friends. Fourth, by pooling funds and extending individual loans to make bulk purchases, *tontines* help mitigate the immediate effects of poverty. For example, loans can finance emergency medical or family needs, important ceremonial events (baptisms, weddings, funerals etc.) as well as household appliances, clothing and cooking materials. In this sense, by helping women to invest in their homes and children, tontines bridge two conflicting roles: that of provider and that of mother. Fifth, *tontines* support community development works. Lastly and most importantly, *tontines* foster profound female solidarity. Women often cite the enjoyment that comes with socializing at weekly meetings as a much-needed release from the daily pressures of poverty and patriarchal arrangements: “[the *tontine*] is good for socializing between women and solidarity...it reaffirms our neighborhood ties and helps us talk about our social problems.” Thus, as a way to finance immediate material needs and encourage female solidarity, *tontines* have significant financial and social value for the women of Joal today – a population otherwise marginalized by their gender, lack of education and resources. What remains to be understood, however, is how micro-credit through the *tontine* structure facilitates the personal harnessing of capital and, thus,

encourages long-term economic development for the women of Joal. Is the premise behind microfinance – improved incomes through entrepreneurial pursuits - actually taking place in Joal?

### **Microfinance and Cultural Constraints in Joal**

*“Certainly, us women, we love to waste our money.”*

Currently, *tontines* do not offer sustainable economic benefits to women because members are not encouraged to spend their loans on income and asset-building activities. The premise behind microfinance is that women should invest their loans in income-generating activities that have the long-term potential to lift themselves and their families out of poverty (Perry 2006). Contrary to this mission, when asked how loan money gets spent, the majority of women in Joal emphasized the importance of using their credit to meet temporal demands. For example, many women said their money went toward their home, children and husbands. In other words, using loans to maximize their entrepreneurial energies is not a priority among women involved in *tontines*.

In addition to household needs, excessive amounts of money get spent on life events (births, baptisms, marriages and funerals) and cultural inventions. At any life event, guests are socially obligated to provide a monetary gift to their host depending on one’s resources. Double compensation is later expected when the guest becomes a host at a similar event. The uneconomical nature of these traditions is noted by the women. Marie Noelle N’Doug, President of *Association National pour Promotion Femenin* (ANPF) alludes to these events when she states, “Certainly, us women, we love to waste our money.” Her opinion is corroborated by five other sources who also acknowledged that women tend to *gaspiller* or waste their money on social events and ceremonies like

weddings, funerals and baptisms. “Women will save money for an entire year and then throw it all away on one ceremonial event,” notes Lamine Sarr, director of one of the local banks in Joal. “They can earn money but they can’t manage it. They don’t have the culture of saving.” Citing the importance placed on *Teranga Senegalese*, a cultural value that stresses hospitality and lavish gift-giving, Sarr states: “Development is not our culture.”

Another example of tontine money getting spent on consumption rather than income-generating activities is an important cultural invention shared among women called *Ndeyedické* or “mother-invented.” In this tradition, women will select a female best friend to spontaneously shower in excessive amounts of money and gifts. This type of social behavior is “good for the soul but bad for the economy,” says Mr. Saer Loum, minister of education in Joal. “People can’t operate like that in a poor economy. There must always be culture, of course, it is what enhances work and life, but [*Ndeyedické*] is not in the spirit of the economy.”

The fact that *tontines* do not encourage long-term economic solutions for women is further exhibited in the decreasing net-worth of these groups and the disputes that arise as members fail to pay back their loans. Take for example, *tontine Mbèlégniéme*, a microfinance group organized in 2004 with funds from a World Bank sponsored, anti-poverty organization. *Mbèlégniéme* began as a microcredit and literacy group with 2,000,000 CFA (about \$4,000 US dollars) at its’ disposable. Since then, however, the group has devolved into a strictly economic organization (there is no educative component) with less than half the money they started with, 644,000 CFA (about \$1,288 US dollars). The *tontine* president, Aida Diba, says the forfeited funds went toward clothing materials and plastic chairs necessary to host cultural events. While the chairs

represent an asset (they can be rented-out to other groups holding ceremonies and celebrations), they do not make-up for the tontine's net loss of 1,356,000 CFA (about \$ 2,712 US dollars) over a two year-span.

The net loss may be explained by the group's consumptive spending behavior. Every month, members of *tontine Mbèlégniéme* receive loans ranging from 20,000 – 25,000 CFA (about \$40 - \$50 US dollars); the recipient's loan amount depends on her credit history. The following month, these loans are re-collected with interest and re-distributed. In one such meeting, the tontine collected 1,190,000 CFA (about \$2,380 US dollars) in loan repayments. After re-distributing this money, the group had 152, 000 CFA (about \$304 US dollars) remaining. The women debated whether to re-invest this money in their Crédit Mutuel account or spend it on cooking and clothing materials for the group. The vote was unanimous to forego reinvestment for material items. Like *tontine Mbèlégniéme*, eight of the nine microfinance groups observed in Joal were driven by consumptive spending habits. In a rotating credit system, the value of the dollar is supposed to increase with each microfinance loan. This is not the case, however, when *tontines* fail encourage a savings-lead approach to economic advancement.

*“Women usually don't spend money on work and, as a result, they can't pay back their loans.”*

The women of Joal admit that “truants” – *tontine* members who default on their loans – is a problem that has destroyed other tontines in the past. Understandably, disputes arise when a member goes for months without paying back her loan. Oftentimes, these women are forced to resort to other family members or their husbands for money to

pay back their *tontine* loan. While some husbands are willing to help, women report that difficulties can arise between husband and wife. Oftentimes, men will simply deny their wives telling them: “*No, it is between you and the tontine.*” In this sense, microfinance practices in Joal reinforce Jude L. Fernando’s critic that group lending can be an unwanted, added stressor on the social fabric of the community. It is important to note, however, that most women did not highlight “truancy” within tontines to be a significant impairment or difficulty in the community. Also, cases of spousal abuse due to *tontine* participation are rare. The pressure women feel to pay back their loans is less an indication of microfinance’s negative impact on social relations than it is an indication of microfinance’s inability to yield expected results, namely economic improvement. As one *tontine* member put it, “Women usually don’t spend money on work and, as a result, they can’t pay back their loans.” In a different *tontine*, members arrived at the same conclusion: “If a woman borrows money and does not work and does not pay it back, there are difficulties.” Thus, when women fail to use their credit for work, the loan constitutes another burden for the poor borrower.

In order to ease this burden, women in Joal have established a second loan structure to support the first. This back-up loan system, called *amitié*, is based on profound friendships within a *tontine*. If one woman cannot pay back her loan, instead of facing social embarrassment by admitting default, a designated friend will discreetly loan her the money for that week with the unspoken stipulation that it gets paid back at a later date without interest. The fact that women are paying back their microfinance credit with loaned money creates a viscous debt cycle.

## **An Analysis of Cultural Constraints**

As evidenced by individual and group spending habits, there is a large gap between the microfinance mission of sustainable economic development and the cultural values that dictate women's spending habits in Joal-Fadiouth. Money is valued differently in Senegal than most capitalist countries. Saving in cash and investing in the future is very rare. Generally-speaking, the Senegalese prefer to garner social prestige by being generous in the present. Food, money and clothing materials are constantly being given away to those in need. The level of support expected varies depending on one's resources and compensation is later enforced when reciprocal support is needed. Thus, the rhythm of daily life is dictated by an unlimited exchange of gifts and return favors (Guérin 2006). While this constant redistribution helps to maintain a community network and stabilize the uncertainty of day-to-day survival, it intensifies the long-term uncertainty of survival. Since most women prefer to leverage their microfinance loans on consumptive items to meet their temporal needs, tontines teach debt as opposed to long-term economic stability, much less improvement. In this sense, tontines reinforce what villagers call the *l'insécurité permanente* or permanent insecurity plaguing the village.

To address the cultural constraints hindering microfinance productivity in Joal, institutions must encourage planned and goal-directed savings. The necessity for a fundamental change in the villager's attitude toward saving was a recurrent theme in discussions of the development prospects of Joal. Both educated locals and the American Peace Corps volunteers in the village agreed that pumping more money into the village was not the answer. Before loans can work, there must be a shift in mentality so that women know their rights, understand how to save money and manage their accounts and can, thereby, ensure their own economic development. According to a historical study on

*tontine* habits: “Neither large-scale international capital transfers nor improvements in the terms of trade can, in themselves, bring about domestic capital accumulation in the absence of effective efforts to raise the level of domestic saving” (Geertz 1962). Thus, unless basic savings habits can be altered in Joal, the prospects for sustained economic growth through microfinance are unlikely.

### **Microfinance and Economic Constraints in Joal**

*“There’s a lot of commerce in Joal but not a lot of people buying...”*

Contrary to general observations, not every woman in the village chooses to spend their microfinance loans on consumption. There are exceptions to this rule, namely women who do comply with the microfinance mission of economic advancement through entrepreneurial activities. Unfortunately, those who spend their credit on work still struggle to improve their income-levels. This is due, in large part, to existing structural conditions challenging the female entrepreneur’s productive potential. Take, for example, Oumy Diop, a 24 year-old married woman who recently opened her own boutique business in the local market-place. Diop is an ideal example of what the microfinance industry calls a “micro-entrepreneur.” In March 2006, she gave 10,000 CFA (about \$ 20 US dollars) to open-up an account at the Crédit Mutuel. The bank gave her a loan of 100,000 CFA (about \$ 200 US dollars) which she used to travel to Dakar and buy merchandise to start her boutique. Diop sells men and women’s fashion, cosmetics, shampoo and deodorant. Each month, she is obliged to pay back the Crédit Mutuel 22,500 CFA (about \$45 US dollars). Diop started her business because “One must work a little. To be without anything to do is not good.” She is also a member of a *tontine Groupement Sope Dakhate Gueye* in Joal. She uses her loan money from the *tontine* to



buy materials for her boutique. Diop says that there are “two sides to a *tontine*: the good side is that a woman can use their money for work, the bad side is when money is not paid back and arguments come-up in the group meetings.”

Diop’s husband supported her decision to start a boutique and loaned her the money to open an account at the bank to leverage her business. She feels on equal-footing with her husband because they share equal ownership for their money. Diop, however, expresses difficulty running her small business and making repayments on her loan because “there is a lot of commerce in Joal and not a lot of people buying.” Diop’s net profit is quickly consumed by transaction costs, leaving her at best “breaking even” or having to draw from her husband’s income to make loan payments to the bank. Thus, although Diop meets the criteria for an entrepreneur<sup>5</sup>, her business does not exist profitably and has little potential for horizontal or vertical growth.

Even if a woman takes full advantage of her loan to become an entrepreneur, her ability to engage in productive, income generating work is limited by a number of larger, economic constraints. Diop’s difficulty maintaining - much less expanding - her business is confirmed by other women involved in *petite commerce* or small vending operations in Joal. Many women say they use their microfinance loans to establish and finance small street-corner businesses selling mangoes, peanuts, fish, little candies or bisop juice. However, these same women have failed to undergo significant improvements in their income-levels.

This poverty trap in Joal is best evidenced by the example of one woman involved in non-traditional vending activities selling beaded necklaces and bracelets. Upon first

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<sup>5</sup> Oumy Diop fits the Schumpeterian principles of entrepreneurship (1936) in that she has create new economic combinations by introducing new products and new production functions, opening new markets, re-organizing the industry

meeting her at work, the woman was joined by her mother who spoke French (an indication of some high school level education) and her seventeen year-old daughter who did not speak French and worked full-time as a maid to support the family (the daughter's lack of French and her occupation are both indications of very little to no education). Despite the woman's involvement in entrepreneurial activities selling jewellery, her daughter had to regrettably quit school to obtain what is considered by village standards a lowly job as a maid in order to help with the family's daily survival needs. As a result, among three generations of women, the youngest exhibited the least amount of human capital and little to no promise for economic prosperity - a distressing example of a downward economic spiral between generations despite the introduction of microfinance resources.

### **An Analysis of Economic Constraints**

Using loans to maximize one's entrepreneurial energies rarely constitutes long-term economic success. The disappointing performance of women's small businesses is due in large part to the nature of the businesses women choose and their narrowly defined neighbourhood clientele. Most women running small enterprises in Joal-Fadiouth sell the exact same items within close proximity to each other. For example, along the 10.25 km of paved road in Joal-Fadiouth, I counted twenty-six female vendors selling the same three items (mangoes, peanuts and *biskrem* cookies) excluding one woman selling beaded bracelets and necklaces. Research shows that even small businesses like Diop's that are marginal and precarious proprietorships that prove neither lucrative nor competitive and that women tend to choose these businesses because they do not require extensive capital or business background. At the same time, they tend to be dead-end, contingent, and

unstable businesses failing to produce the financial transformations that microfinance is anticipating (Ehlers and Main 1998; Brett 2006). Thus, due to the fact that the range of business options are limited to vending operations, fields for which the market is already saturated and for which remuneration is low and unpredictable, rather than reducing poverty, micro-businesses support low-paying (self-paid) jobs that perpetuate the poverty trap (Bates & Servon 1996).

### **Microfinance and Gender Inequalities in Joal**

In addition to the cultural and structural, economic constraints undermining the microfinance promise of female empowerment, microfinance in Joal fails to address the issue of gender inequality in the formal job sector and may even have regressive possibilities for these women. At *Khelcom* - the fishing cooperative where men own the means of production, processing and transportation and control women's wages - the *femmes transformatrices* are among the poorest population in Joal. They are also members of twelve different *tontine* groups. During my seven weeks in Joal, there were a number of days when not a single fish was brought to *Khelcom* to transform. One drought in particular lasted three days. This means that the women are forced to go three days without wages. While loans from the *tontine* help to mitigate the precariousness of the economic situation at *Khelcom*, they also operate to keep women working at the cooperative where no social mobility is possible. This is because the loans women receive from the *tontines* are primarily used to purchase the materials necessary to maintain their jobs at *Khelcom* (soap to wash their hands at the end of the day, salt for the fish, basins to store the processed fish etc.) Thus, for these women, microfinance is not elevating their social and economic status by encouraging self-employment. Rather, it is

maintaining the status quo: minimal wage-employment in a gender-biased, oppressive and unpredictable work environment. In other words, microfinance is not improving gender inequalities at *Khelcom* but preserving them.

### **An Analysis of Gender Inequalities**

“Wage employment is not a happy road to the reduction of poverty. The removal or reduction of poverty must be a continuous process of creation of assets, so that the asset base of a poor person becomes stronger at each economic cycle, enabling him or her to earn more and more” (Bornstein 2005: 23). The fact that the women at *Khelcom* are using their loans to maintain their wage-slave status would appal Yunus and the entire Grameen bank family. Not wage-employment but dignity through acts of self-reliance and self-employment are key aspects of the microfinance mission; otherwise, the empowerment impact of microfinance for women is very marginal. Loan misuse and failure to address gender inequalities have important consequences on economic and social indicators including the magnitude of women’s economic contribution, their mobility in the public domain, their ownership of productive assets, their involvement in important decision-making spheres and freedom from family domination.

The women at *Khelcom* are representative of gender-based obstacles in Joal that need to be systematically worked through before microfinance can become not simply a tool to mitigate poverty but a transformative intervention in the lives of women. Merely targeting women with loans is not enough. The nature of gender relations in spheres relevant to microfinance operations must be strategically identified and addressed by project coordinators. Recognizing gender-based obstacles in a specific cultural context

means solidarity groups can start to really challenge and change these dominant inequalities. Only then can female empowerment truly be arranged.

### **Potential for the Future: Marie Noelle N'Doug and the model tontine**

There is one example of a successful *tontine* that should act as a model for all future solidarity groups in Joal. The group's achievements are largely attributed to their president Marie Noelle N'Doug who embodies the new, rational economic woman that Yunus hopes to manufacture in all impoverished circles across the globe...

On the wall outside the home of Marie Noelle N'Doug was a chalkboard with yesterday's math lesson still visible. Inside her home was sparse but impeccably clean. Her children, lined-up in order of height, eagerly shook my hand before dispersing to play with other kids in the neighbourhood. Arriving just in time for breakfast, Madam N'Doug was quick to offer me coffee and bread. N'Doug's professional life and community involvement are extensive beyond compare. She was one of the few women at *Khelcom* who own their own oven, she is treasurer at the local elementary school, head of health awareness and disease prevention in her neighbourhood and the president of the Joal-Fadiouth chapter of a national tontine called *L'Association National pour Promotion Femenin* (ANPF).

N'Doug started ANPF in 2001 as literacy program for twenty women. The group was fostered under Caritas Internationalis<sup>6</sup> auspices and N'Doug received financial training from Mammadou Sarr, a local representative in the mayor's office and vice president of development in Joal-Fadiouth. Caritas later abandoned ANPF but they

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<sup>6</sup> Caritas Internationalis is a confederation of 162 Catholic relief, development and social services organizations working on behalf the poor in over 200 countries world-wide.

received further funding (395,000 CFA about \$790.00 US dollars) from other microfinance donor organizations including Panamfrica, the ambassador of Spain, 30Afrique and Face à Face. Initially, the group used their start-up capital to open their own clothes-dyeing business. They used 75,000 CFA about \$ 150 US dollars to pay for the materials and financial classes necessary to run their business. Out of the remaining fund, 320,000 CFA (about \$640 US dollars), 14,000 CFA (about \$28.00) was loaned-out to each of the members (there were twenty-five members at that time) at a 5% interest rate. This money was used to support individual business ventures that included the manufacturing of soap, bleach, palm oil and beauty creams as well as processed food products like fish and cereals. N'Doug said the women in her group, however, complained about *la lenteur toujours* or slow progression of their businesses. Especially when tourism was low, they could not turn a profit. In turn, N'Doug encouraged her members to supplement their incomes with other businesses ventures manufacturing and preserving jam, ginger and syrup for bisop juice, a village favorite.

Currently, ANPF consists of fifty members and there are five different central components to the association. First, the tontine has a business component. The women run a mini-gardening business. During the dry season, when vegetable products in Jaol-Fadiouth (green beans, carrots, onions etc.) are plentiful, they transform (cut, peel, bottle) and preserve these food products to sell during the rainy season when there is a lack of supply and, subsequent, high demand for vegetables. The *tontine* also runs a *baatiking* business. *Baatiking* is a popular dyeing process unique to West Africa used to decorate clothing and other cloth materials. They women also make soap and bleach to sell. Second, ANPF has an educative component teaching literacy in Serer, a native dialect of Senegal. Third, the tontine has an economic component as each member participates in

monthly and weekly microcredit activities. Every month, N'Doug provides each member with loans ranging from 10,000 to 15,000 CFA (\$20 to \$30 US dollars) depending on the individual's credit history. Each loan is divvied out at a 5% interest rate. If an individual exhibits regular payment patterns, N'Doug will augment her loan by 1,000 CFA (\$2.00). If one woman defaults on her loan repayment, her credit will not increase until after three months of regular payment instalments in full with interest. Every Thursday, each member brings 250 CFA to pool and divvy out to one member chosen at random from a hat. If they choose a woman whose loans are outstanding, she is required to use that money toward paying-off her loan.

N'Doug's accounting is sound and she keeps her operations transparent (she was quick to explain how she manages the group's funds and to show me all her books). As a result, ANPF boasts a legitimate 96% return rate on loans. Moreover, since its inception, ANPF's group funds have significantly increased. For example, in one period from March 9, 2005 to August 9, 2005, the group nearly doubled their funds from 320,000 CFA to 530,600 CFA.

I asked Madame N'Doug what ANPF aspired to in the future. While every other tontine I visited responded with different variations of the same answer "more money" (one group even went so far as to say: "a dvd player") ANPF had a different response:

*"Constantly, my members are asking for classes – accounting is really important to the women, and marketing also."*

N'Doug also emphasized her member's desire to each open a personal account at the bank. Each member has the ability to manage their money properly and wants the

opportunity to own and control their own fund. “This group is a dynamic group,” she says, “who knows how to manage its funds. In the future, we hope to do our best to continue with our own money.” In the future, the group also plans to build its own multi-use factory where they can dye clothes and make their soaps. “The women like to be together,” N’Doug told me, “together and working.”

The primary success of ANPF has been its ability to scale-up its microfinance activity, focus on more diversified business ventures and foster a commercial ethic among members. In other *tontine* examples, women use their loans to leverage consumption or operate small-scale, low-yielding activities resulting in diminishing returns. In contrast, ANPF is less traditionalistic in its pursuit of more rationally oriented and diversified business ventures. As a result, new patterns of behaviour are taking-place within the *tontine*. Due in large part to N’Doug’s ability to properly monitor and educate her members, the women of ANPF have developed a practical interest in applying economic calculations and business solutions toward their personal advancement. Thus, ANPF has managed to organize traditional relationships in a transformative manner, reconstructing and shaping mentalities toward an increasingly fluid, commercial society. In effect, ANPF present a good middle-rung in Joal’s transition from a static economy to a more fluid, dynamic one.

## **CONCLUSION**

Microfinance is founded on the faulty assumptions that self-worth is based on economic terms and that the poor are natural entrepreneurs because their business activities are a matter of survival. In Senegal, the rhythm of daily life is dictated by an unlimited exchange of gifts and return favors. One garners social prestige not by personal



wealth but by one's ability to give. Thus, the Western capitalist value of asset-building through savings seems incompatible with the Senegalese debt-driven culture. Moreover, while access to credit for entrepreneurial pursuits is necessary, it is not sufficient for female empowerment. Developing countries like Senegal lack a strong cultural legacy of liberal individualism upon which the possibilities of Schumpeterian entrepreneurialism depend. The poorest entrepreneurs require the knowledge, information and markets necessary to secure and improve the profitability of their income-generating activities. The women I observed were using their loans on a) consumptive items (creating a vicious debt cycle) b) little commercial activities that have no real market potential for serious growth or c) materials necessary to work for their male bosses in the fishing industry - men who control the means of production and pay the women meager wages, thereby, enforcing gender hierarchies. Thus, although microfinance allows women to fulfill their immediate communal and familial duties, its' long-term economic viability as a development project seems less promising.

Consequently, in the case of Joal-Fadiouth, free market fundamentalism driving contemporary development regimes has had micro results on poverty and gender inequality because it clashes with the culture and traditions of the area. There is, however, important evidence that microfinance can demonstrate a difference when women use their loans to support more complex, communal businesses rather than individual vending businesses or wage-employment. Thus, for microfinance to succeed in developing areas two things must occur: one, there must be a propensity on the part of the individual borrower toward goal-direct savings and, two, female entrepreneurs must be encouraged to tap into a broader range of high-productivity activities. To foster a more commercial ethic among villagers, solidarity groups like the *tontine* offer a mechanism

through which traditional relationships can get organized, reconstructed and fashioned in an economically transformative manner. This is, however, a questionable endeavor that requires further consideration. How far are we willing to push, shape and mold to maintain Western standards of quality in the developing world?

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