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Storyline

Opening doors

Sierra Leone: strengthening women's autonomy by providing microloans

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Even though obtaining a loan was a complex and tedious process, Auntie Jeneba is now grateful for her new opportunities.

Men and women are going about their daily business in the hustle and bustle of Bo, the capital of Sierra Leone's Southern Province. The streets are bursting with vendors offering choosy buyers everything from cotton fabrics and household wares to fresh produce. Auntie Jeneba is tired when she returns from selling her soap, but she is smiling. Sitting on the new plastic mat that covers the cement floor of her house, she talks about how taking out a microloan changed her life. Grinning, slightly amused and perhaps even a little embarrassed, she explains, "when Kamanda (her loan adviser) would visit, I used to rush outside to close my door so that he would not be able to see into my house. I didn't have a mat on the floor or any furniture". That has changed since she took out the microloan. She expanded her business and proudly adds: "Now I have purchased a bed and a mat. When Kamanda comes to visit, I invite him inside. Yes, I even leave the door open so that everyone can see inside".

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The main people featured in the story are:

a) members of credit groups and individual borrowers from the local population like Jeneba, Ramattu and Kadiatu

b) loan advisers from various microfinance institutions like Reynold and Kamanda

c) members of the management from microfinance institutions such as Cecilia and Foday

In Sierra Leone, a previously war-torn country that ranks 158th out of 182 countries on the Human Development Index, Auntie Jeneba is one of many women who have received microloans. In an environment that is already poor as a whole, women like Auntie Jeneba are particularly at risk. Like many other women, she did not have the opportunity to attend school as a child.

A high rate of illiteracy among women further limits their access to the formal sector and thus increases their dependency on the informal sector, where state support is rare. As a soap maker, Auntie Jeneba does not receive any form of social security from the state. However, she hopes that she can make it possible for her daughter Hannah to find better work and have regular income if she sends her to university. By ensuring a better future for Hannah, Auntie Jeneba is also investing in her own security because she will not receive any support from the state when she is older. Then she will need to rely on her daughter to take care of her.

Limited educational opportunities also hamper women's political participation, which is desperately needed in an environment where legal stipulations, customary law and religious law hinder women's access to essential resources such as land and strip them of their ability to make their own decisions about matters such as marriage or divorce. Even if it is simpler for widows like Auntie Jeneba to make decisions for their households, she still has extremely limited access to resources because she lives alone. In view of this situation, MITAF, the Microfinance Investment and Technical Assistance Facility, is providing support.

According to Foday Samura, Branch Manager of LAPO-Bo, the institution that granted Auntie Jeneba's loan, microloans are a useful instrument that help women in Sierra Leone achieve more autonomy. This is because there is a large number of women like Auntie Jeneba who need funds to continue operating their businesses: "They need capital but cannot borrow from banks that require large amounts of collateral. Going through an MFI is a much simpler way compared to using banks". Auntie Jeneba agrees with this view and says that it was easy to receive a loan.

Most of the MFIs use similar methods to find customers. In urban areas, loan advisers normally visit markets and other community sites where they hold public presentations about the services they offer, and/or approach individuals.

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Many donors participate in the MITAF facility, including KfW, UNCDF and UNDP (the United Nations Capital Development Fund and United Nations Development Programme) as well as Cordaid in cooperation with the Bank of Sierra Leone and the Ministry of Finance and Economic Development. The facility began its work in 2004 with the aim of providing financial services for the "poorer but economically active population".

Over the course of close to six years, MITAF microfinance institutions (MFIs) supported nearly 130,000 customers, three quarters of whom were women, with a loan portfolio of USD 13 million. Over ten MFIs have benefited from MITAF support during the six-year-long project.

Reynold, a loan adviser with the Grassroots Gender Empowerment Movement (GGEM), was on one of these promotional trips when he met Ramattu Kargbo, who later became a customer. "I had driven to Kroo Town to go to the market and advertise our loan products. Ramattu was also there on that occasion and asked me several questions about the programme. She seemed interested and a while later she came back to GGEM with a group of women to apply for a loan", he remembers.

Ramattu earns her living by cooking and selling lunch meals. She wakes up early every day and purchases fufu, a local food staple made from manioc, and cooks side sauces to go with it. She uses the revenue for her household, which includes herself, her children and grandchildren, and her husband. She is a warm, cheerful and sincere woman who is proud of what she does. Reynold notes that "she made a very confident and honest impression on me. When she applied for the loan, I asked other people about her. Everyone said that she is an honest woman who works hard". It was easy for him to offer her a loan and, after he had given her all the necessary information, the next step was to create a credit group.

It is expensive for poor customers to take out loans

That was no easy task for Ramattu as it was difficult to find group members that could be trusted – Auntie Jeneba had a similar problem. As soon as a group is created, there is a selection procedure during which loan advisers officially and anonymously visit potential customers' homes and businesses. During these visits, the loan adviser talks to neighbours about what kind of person the customer is, what their business activities are and how successful they are. If the result is

Sale of lunches.
The loan has enabled Ramattu to expand its business.

satisfactory, the necessary application forms and other formalities are prepared.

Ramattu feels that the whole application process is time consuming as she initially needed to raise money to pay the 15% cash security and smaller expenses for things like passport photographs. Tasks like this, which need to be done ahead of time, make it difficult for poor women to access credit in the first place and presents them with major challenges as they try to raise the necessary funds. Some borrow money, others need to find other ways and means. Auntie Jeneba, for example, was forced to sell a special tray - which she had purchased for SLL 100,000 - for less than it was worth in order to pay the application fee and collateral. Even though it is much more affordable than from other money lenders – often called “loan sharks” – taking out a loan is still expensive for poor customers.

But Auntie Jeneba is still happy that she chose the loan and is grateful for the new opportunities that the loan made possible. Since her husband died, none of the businesses she had started had really flourished, and she wanted to change that. She decided to risk a microloan and began to look for the MFI with the best service. Her loan adviser Kamanda met her in a public place where they sat down and talked about the loans that his MFI offers. Applying for a loan from LAPO seemed simple, and she immediately liked Kamanda, so she decided to work with him to take out a loan.

In his charming way, Kamanda remembers Auntie Jeneba, who he came to know as a determined and sensible woman: “I am very careful when selecting customers, but Auntie Jeneba seemed very creditworthy to me”. Now after the repayment of the second loan, they have a close business relationship and call each other regularly just to chat.

The relationship between loan advisers and customers is extremely important

In fact, Auntie Jeneba considers their relationship so close that she says “Kamanda is like my son”. It seems as though the boundary between keeping a professional distance and maintaining a close relationship with the customer is blurred. In an environment where family cohesion plays a critical role in people’s daily lives, it may be a good strategy to promote mutual trust and loyalty to the MFI. But it is important to maintain at least some distance because, despite it all, at its core, it remains a business relationship between banker and borrower, even if it is not a traditional one.

The type of relationship between the customer and MFI is largely dependent on the character of the loan adviser. An engaging personality and the willingness to “invest” personally in one’s customers can go a long way towards customer loyalty and promoting their autonomy through committed support towards economic progress to ensure that they maximise the benefits from the loan. Kamanda believes that LAPO customers are satisfied with their services because the employees “are available for the customers and make things easier for them”. He also believes in the benefits of microloans and says that “there would be twice as much poverty if it weren’t for the microloans“.

In fact, access to financing is something for which Auntie Jeneba is exceptionally grateful. She stresses this again and again, as well as the fact that “LAPO will surely be successful”. However, customers should also understand that, just as they depend on the MFI, the MFI in turn depends on its customers. As Ramattu’s credit group says, “it is a case of give and take. GGEM helps us by providing a loan, but they also earn money from us when we repay the loan”. The customer must be aware of this because it is the only way for them to understand that they are also in the position to make certain demands about how the product is configured, aspects like lower interest, different repayment periods, other or additional financial services.

Changing lives

For most customers, microloans change various dimensions of their lives, not just the material aspects. Customers like Ramattu for example have experienced changes not only to their income, but also to their personal surroundings. Since she was granted the loan, Ramattu has become more independent in certain ways. She no longer needs to ask her husband for money and can decide herself whether she needs to purchase things for the household. Ramattu notices that her husband now has less authority to tell her what she should do, and explains: “Now if I want to buy pretty clothes and he does not want me to, I simply buy them for myself”. That is possible because she has her own money.

But her husband Abu Fode-Bangura still wants her to ask him how she should spend her money. Before she applied for her first loan, she asked for his permission, which he granted. When asked about it, Ramattu adds that she would not have applied for the loan without her husband’s permission because “to avoid conflict in the home it is important to obey your husband”. According to Abu, Ramattu should still ask him for good advice because “by rights we should discuss everything with each other. But African women simply go out and buy things”. Yet he also goes out and spends his money without asking for her opinion first.

But even if Ramattu doesn’t ask his opinion about everything anymore, Abu now trusts her more: “I see that she does her job well and spends her money sensibly”. Now they have a more relaxed relationship because Ramattu does not have to ask her husband if she is allowed to purchase things for their home, or to give her money, which often led to tensions. Now that she has her own money, home life is more peaceful and their relationship has improved.

“Being a woman in Sierra Leone means bearing the whole burden yourself”

However, it is important to view the impacts of increasing material prosperity in context. From Ramattu’s perspective, “being a woman in Sierra Leone means bearing the whole burden yourself and being responsible for the children. Husbands mainly tell us what to do, but don't do anything, which is why women are forced to take care of everything". She actually spends more time on her business and works more. Ramattu thinks that she does too many household tasks, but also feels that she cannot do anything to change it. In this regard, receiving the loan did not help reduce her social burdens, because now she is expected to contribute even more to the household.

On the other hand, she also sees the benefits of her responsibilities. Thanks to the financial opportunities generated from her business earnings, she can now provide for her family. The contributions she is able to make in this context have increased since she received the loan and expanded her business, which makes her proud.

The situation is different for a single woman like Auntie Jeneba. After she became a widow and divorced her second husband, she was worse off than before. She had less money but more responsibility and made all of the decisions for herself and her five children. When she wanted to start a business, she had very little operating capital, so most of her efforts failed. Everything she tried "went wrong", she remembers, sadly.

After many disappointments she decided to take her life in a new direction. She decided to take out a loan she could use to purchase flour, sugar and oil, and began baking cakes she sold at the market. She was able to make a substantial profit, which she spent on household running costs, furniture, school fees and her oldest daughter's studies. Even though she now spends more time on her business, like Ramattu, in her case it helped to improve her situation for herself and her family without significantly increasing her burden.

Both Ramattu and Auntie Jeneba now have more material security than they had before. In Auntie Jeneba's case, it also had a remarkable impact on how others perceived her. Before she received the loan, she often shut herself in her room or did not return home for days to avoid people to whom she owed money. "People hardly spoke to me and I had little time to connect with any groups", she remembers. Now that she has money and a daughter attending university, she is more highly regarded.

Ramattu Kargbo (MFI customer) about contributing to the household budget: "It used to be difficult for me because I saw my family suffering but was unable to help. But that has changed.

Ramattu and her credit group also report changes in their social standing. They are satisfied with the services from their MFI because the loan positively affected their lives. "Now we do not have to ask anyone for anything anymore. We no longer have to ask our relatives to lend us money. Now we have our own money", she explains.

Knowledge and competence are areas in which the women's lives were changed the least by the microloan. Training from the MFI is normally done through general consulting or in conjunction with the setting up of basic expense and profit and loss accounts. But both Ramattu and Auntie Jeneba did not feel they learned much after these training sessions. The issue is whether people already have important basic knowledge or not. As Ramattu explains, "there are many women who do not understand the training sessions because they believe they know everything". But it could also be the case that the training sessions are not suitably tailored to the customers' needs.

Turning a loan into success

Ramattu's and Auntie Jeneba's success with the loans begs the question of what prerequisites are necessary to achieve more autonomy as the result of a loan? Several factors like the husbands' cooperation and maintaining a good relationship between customers and loan advisers, or suitable credit procedures, have already been discussed. Other factors are related to the customers themselves.

For example, it is probable that existing experience and having a talent for business influence the degree to which the loan leads to success. With her first loan, Auntie Jeneba established a highly successful business selling cakes. But when the ingredients became more expensive and people were not prepared to pay higher prices for cake, Auntie Jeneba did not hesitate to adjust to the market, and stopped making cakes. When she took out her second loan, she initially used the funds to pay outstanding university fees for her daughter, which swallowed up two thirds of the loan. She invested the rest in producing bar soap, something that she learned at the training centre after the war. As soon as she repays the second loan, she plans to take out a third loan and invest it in a profitable business, depending on seasonal demand. Auntie Jeneba's ability to see gaps in the market, and plan and set priorities makes her into a successful businesswoman and makes it possible for her to use all the benefits of a microloan. Even her loan adviser Kamanda says: "I think that someday Auntie Jeneba will be able to qualify for the largest loan that LAPO offers".

The extent to which a woman can lead a more autonomous life often depends on her personality. Both Ramattu and Auntie Jeneba were described as confident women by the people who knew them, even before they became MFI customers. Kadiatu Kamara, a member of Ramattu's credit group says: "Ramattu was always a very confident woman, and as long as I have known her, everyone has respected her. The women in our network here and in our credit group hold her in high regard. Every time we discuss something in the credit group, the other members follow most of her suggestions”. Factors like these can prove extremely important when it comes to other actors who have significant influence on a loan’s success.

Moreover, both Ramattu and Auntie Jeneba established and lead their respective credit groups. Auntie Jeneba decided to take out a loan because she saw it as a way to improve her life. She made this decision independently, which may be a sign that she was ready for change at a certain point in her life. Kadiatu and the rest of the group describe Ramattu as a good leader who is very structured and “reminds group members about repayment even before the loan adviser gets round to it”. She is always on the go and determined to maintain a good credit profile, even if she is under more pressure because of this responsibility, especially since GGEM requires her to bring the money to the branch herself at her own expense.

“I am now recognised by the people and if I participate in a meeting, I carry myself proudly and confidently”

Both women say that they were able to voice their concerns to superiors even before they took out their loans. For Auntie Jeneba this became even easier after taking out the loan because, as she says: “people now recognise me and, when I participate in meetings, I carry myself proudly and confidently”. The personal potential that each customer has determines whether they are able to make the best out of their financial opportunities and influence the impacts of the microloans in this way.

Other critical factors for loan success are the group concept and group dynamic. Foday, branch manager at LAPO, believes that a group concept is useful for microloans because it can encourage women to “help each other to inspire women with less-developed abilities to evolve and grow”. This is advantageous both for LAPO and the women. In a similar way, Kamanda’s group concept provides the benefit of giving the customers a feeling of responsibility: “If there is any wrongdoing, the group will take action against it and implement its own measures”. Furthermore, the women are able to compare themselves to others in the group, which can motivate them to become more successful. Nevertheless, both Foday and Kamanda view the groups as more of a method to ensure repayment of the loans, and they focus less on group solidarity for non-financial reasons. This is also reflected in the fact that nearly all groups were established for the purpose of taking out loans and did not exist beforehand.

Group dynamics influence loan success

This is also largely true for the members of Ramattu’s credit group. Even though they also discuss other issues like family matters, their monthly meetings provide an opportunity for them to give each other advice about loans and business issues. If one of the group members is having difficulty with repayment, the other members discuss the matter and usually agree to help the person. They have never defaulted on payment so far, and continue to qualify for increasingly large loans.

On the other hand, they are a closely connected group of neighbours who see each other daily and knew each other well before they established the group, which means that they sometimes also discuss private matters. For example, Kadiatu remembers her many years of friendship with Ramattu: “I have known Ramattu for 18 years. We have been close friends since we first met. She treats me like her own daughter. When I was expecting my first child, she was the one who helped me during my pregnancy and then gave me tips about how to bring up my daughter. Ramattu has always been very supportive”. It is easy to understand that these types of relationships maintain and reinforce the positive group dynamic.

The members of Ramattu’s group emphasise that they are all equal within the group. If they need to make a decision, for example about how high their next loan should be, they discuss this with each other and make the decision together. It seems as though a closely networked group is better equipped to provide the necessary support if problems arise and is also more prepared to solve its own problems. This helps them to use financial opportunities better, and increases the impact with regard to their autonomy.

In contrast, Kadiatu Mansaray, from a different credit group in Bo, has hardly anything to do with the members in her group. “We only discuss microloans in my credit group. We do not meet often, except when repayments are due”, she tells us. Even though she seems to be fully recognised within her community, and the others like her, the microloan did not lead to a turning point in her life.

Supporting the process of becoming autonomous

What do Ramattu’s and Auntie Jeneba’s experiences teach us about promoting the process of becoming autonomous?

If we look at the success each of them had, one could say that an important prerequisite for “autonomy loans” is having the necessary commercial skills to make the best out of the loan. Auntie Jeneba showed flexibility when adjusting to market needs and Ramattu expanded her existing business successfully by offering further meals. Furthermore, the close relationship between the loan adviser and the customer played a role in ensuring that any problem with the loan was recognised and addressed early, and customers received regular advice. These factors made it possible for customers to increase their income, which made positive changes in other areas of life more probable.

Especially with women like Ramattu, who already had a good reputation in her community, a financially successful loan can further reinforce their social status. The amount of respect that already existed towards Ramattu made it possible for her to become the leader of her credit group, and the loan's success strengthened this position further. Furthermore, the larger financial contributions she was able to make at home helped Ramattu gain more authority when making domestic decisions. However, according to Foday, there can still be problems at home if the loan leads to commercial success. For example, it can lead to husbands neglecting their domestic tasks when they see that their wives are earning money. As Ramattu reiterates, “my husband really should take the responsibility, but because he is not doing his jobs, I take care of them. But that also means that I am the one making the decisions”. This type of reversal in the traditional domestic decision-making process is still rare in Sierra Leone. But as Ramattu demonstrates, it is possible if the loan is given to the right woman at the right time.

Furthermore, it is often the case that relationships within the home only remain harmonious if the gender roles within the family structure remain largely intact. The few female customers who have more authority to make decisions on spending are still unable to make non-financial decisions, such as who their children marry, or about visiting parents for example. As Kadiatu explains: “I am able to make decisions about expenditures for food and investments in my business. [...] My husband decides who our children marry”. That means that the loan has an impact but does not change the core of gender-specific social structures. But one must admit that the increasing decision-making authority related to expenses is a step in the right direction and, over time, can spark change in other areas.

It is also important to emphasise that Ramattu and Auntie Jeneba represent two successful MFI customers. Even before receiving the loans they were confident, hard-working women who had the necessary strength of character, ability to handle finances and commercial expertise to make the best out of their loans. This does not apply to all customers. According to Foday, some customers have problems with aspects like repaying the loan because they did not manage the money well, or did not use it correctly, using it to purchase clothing instead of investing it, for example.

Not all women have the necessary business capabilities needed to successfully use a loan, and the training that they normally receive in the MFI workshops does not cover these types of skills.

So closer cooperation with special business advisers may significantly improve the positive effects, which would in turn enhance the impact of microloans with regard to increasing autonomy. Women who are not able to use their loans successfully and thus have problems with repayment are under a lot of pressure in the repayment phase, which leads to them depending on their savings, borrowing funds from other sources, or just avoiding repayment completely and moving away.

Social pressure, solidarity and potential for improvement

The pressure generated by repayment can also have social impacts. Many women report that they are embarrassed if the loan adviser comes to remind them about repaying the loan. Furthermore, peer pressure in credit groups can hinder autonomy processes in areas beyond the economic issues if there is not a spirit of mutual support. There is often resentment related to having to pay for other group members, which leads to discontent with an MFI. This is the reason given by most customers as to why they would rather have an individual loan if they were able to.

Detrimental effects on autonomy at the domestic level can arise if husbands are dissatisfied – especially if they act as guarantors for their wives. As Reynolds explains, “taking out a loan can lead to tensions within a family. It can lead to conflicts between spouses, especially if there is a problem with the repayment”.

In addition, Foday comments that “some women are simply not mature enough for autonomy”. This statement is based on the fact that there are certain prerequisites regarding personality, ability and social environment that determine the degree of success.

It is a question of when a woman is ready for this type of change and what kind of situation would make a loan most suitable for precipitating changes in a woman’s life that would be conducive to autonomy. We cannot assume that all women are like Auntie Jeneba, who recognised on her own when the time was right to take out a loan. In view of the increasing competition among MFIs, those who can recognise the right time to issue credit have an advantage.

Another area with potential is the group concept. At present, using credit groups to organise the women is viewed as more of a way to ensure loan repayment than as a path to promoting autonomy. The reinforcing social effects of group solidarity are mainly viewed as a useful side effect of forming groups. As Cecilia Decker, Executive Director of GGEM says: “The mutual support women give each other is what makes a group concept helpful. Beyond that, they exchange ideas and also discuss many other important issues in addition to business matters”. In reality, most credit groups only discuss business matters, and it cannot be assumed that financial support for one member in default is motivated by solidarity alone. Perhaps strengthening group solidarity is a key factor to support a non-material autonomy process.

There is still considerable potential for improvement

Ultimately, we need to understand that microloans are not a panacea for achieving autonomy. According to Cecilia, “if microloans are viewed as an important instrument for promoting women’s autonomy in Sierra Leone, they need to be used in conjunction with other instruments”. The art lies in knowing where the microloan should be ranked overall and what its place is, particularly in the special context of Sierra Leone.

If we summarise it from the customer perspective, one could say that a microloan can be associated with greater material security, which often leads to a higher degree of independence and respect. However, these types of positive development can be associated with effects that weaken the potential for autonomy, such as a higher financial burden, domestic tensions and, in the case of loans that are financially less successful, high pressure regarding repayment. To maximise the potential for autonomy, donors need to support the lending institutions in recognising appropriate customers at the right time, offering financial products fitting the customers' situations, and helping customers to develop the necessary skills and expertise to use their loans successfully. Within this process, it is also important to ensure that the group dynamic elements include support and solidarity instead of building up excessive repayment pressure.

Even if many of the prerequisites for a successful microloan are met, and many of them are associated with the customer's current situation, donors can play a supporting role in these central issues. In view of the very difficult climate in a post-war country with a limited degree of trust, and a microfinance sector that essentially did not exist until very recently, this is even more difficult for donors and also explains the relatively strong initial focus on the financial aspects of the microfinance sector. However, donors have recognised these problems and will tackle them in a second MITAF programme phase.

Overall, both women are happy about their loans because they helped them to build up material prosperity and security, and positively affected their relationships both inside and outside of their households. Auntie Jeneba can now invest in her daughter's studies in the hope that her daughter will be able to provide for her in future, and advises the members of her group not to go to another MFI because she associates the loans from LAPO with so many benefits.

Ramattu is also planning on investing in her children's education. She would like to expand her business and build a house too. Even though her plans have not changed since taking out the loan, she now thinks that her chances of realising her plans have improved. She also believes that every woman in Sierra Leone should be able to work, run their own business and have access to education because "if the women make headway, their households also get ahead".

Photographs of people who do not repay their loans are hung up on display. The MFIs use social pressure to get their money back.

Note

This document was originally published in another format in 2016.

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Photos

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