Participatory Alternative Forms of Development (Microfinance), Compared with Orthodox Top-down, Foreign Aid Strategies for Development in Neoliberal Gambia/Africa

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Abstract

This study explores the problems facing the African continent in general and Gambia in particular. Specifically, it examines The Gambia’s dependence on foreign aid, as a result of the Bretton Woods Institutions and the neoliberalization of Africa, and it juxtaposes the aforementioned with microfinance, as an alternative method for fighting poverty. Empirically, this work examines the potential effectiveness of Reliance Financial Services in Gambia—a microfinance institution who are engaged in this burgeoning enterprise and that of the VISACAS, a grassroots microfinance organization in The Gambia.
Dedicated to

My lovely son, Sulayman Njie, Jr. (S.J.) & My grade school teacher, Mr. Lamin Sise

In Loving memory of

My late father, Abdoulie O. Njie
Acknowledgements

I want to take this opportunity to thank the man above, my parents for their untiring support (wish you were here to witness this day, dad!), my family for their love and motivation, and my many teachers along the years who helped make this journey a success. I'm profoundly thankful to all of those who contributed towards my education, in one-way or another. I wish to express my sincere appreciation to my committee members, Dr. Daniel Breslau and Dr. Jason Weidner for taking time to offer their guidance not only with this study, but also throughout my academic career here at Virginia Tech. I also owe a great debt of gratitude to my advisor Dr. Joyce Rothschild for her constant support and commitment to my success. I am truly grateful to Dr. Rothschild, her insightful comments and untiring leadership throughout this process. It was her classes that led me to take an interest in exploring the effects of neoliberalism and the prospects for alternative avenues to democracy and development; in turn, her courses led me to the study of microfinance organizations as a more grassroots way to empower people and in the aggregate, to lead people out of poverty and the notion of a stronger economic base.
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List of Abbreviations

ADB — African Development Bank
AFD — African Development Fund
CBG — Central Bank of The Gambia
CFO — Chief Financial Officer
ESAF — Enhanced Structural Adjustment Facility
GATT — General Agreement on Tariffs and Trade
GDP — Gross Domestic Product
GMD — Gambian Dalasis
GOTG — Government of The Gambia
HIPC — Heavily Indebted Poor Countries
HIV — Human Immune Syndrome
IMF — International Monetary Fund
GOTG — Government of The Gambia
MENA — Mennonite Economic Development Associates
MFIs — Microfinance Institutions
MSE — Micro and Small Loans
NGOs — Non-Governmental Organizations
SAPs — Structural Adjustment Programs
SAF — Structural Adjustment Facility
UN — United Nations
UNDP — United Nations Development Program
USAID — United States Agency for International Development
VISACAS — Village Savings and Credit Association of The Gambia
WB — World Bank
WTO — World Trade Organization
CHAPTER I

INTRODUCTION

Since the end of colonialism, Africans have been searching for an economic/financial miracle; they have gone from imperial dictatorships to military dictatorships, from socialist/authoritarian governments to somewhat capitalist forms of government. Foreign debt and aid have become the new norms, while corrupt and unqualified leaders have demolished their economies making the continent the poorest on earth. A lot has changed since the dawn of the new century, many African countries have adopted the one size fits all International Monetary Fund/World Bank policies that were meant to catapult their economies into the new global market. But the failures of these IMF/WB policies in revamping these economies have opened a new market for ideas and new economic avenues. One such economic avenue is microfinance. Microfinance provides loans to the poorest of the poor, and has been hailed as a success by many economists and scholars around the world. On the contrary, other economists and scholars have considered microfinance a neoliberal propaganda. So, could microfinance bring a largely untapped African continent into the global economy or would it prove to be another avenue of exploitation by the neoliberal capitalists and development agencies?
1-1 Contextual Background and Research Problem Statement

This study explores the poverty problems facing the African continent in general and Gambia in particular, from its dependency on foreign aid, to the role played by the Bretton Woods Institutions in the neoliberalization of Africa. It also parallels the aforementioned with microfinance, and explores its potential in the fight against poverty. The study is going to explore microfinance in The Gambia, by examining the roles played by the only commercial microfinance outlet in The Gambia—Reliance Financial Services —and the grassroots microfinance institution, VISACAS, who are engaged in this burgeoning enterprise in the fight against poverty.

In Chapter II, I begin my analysis by examining the heated scholarly debate between Zambian born and Harvard trained economist, Dambisa Moyo, an ardent opponent of government-to-government aid and her former teacher, Jeffrey Sachs of Columbia University, a proponent of aid. In recent contemporary scholastic studies, few could argue that the different economic models that have been implemented in Africa have been successful. This consistent lack of success is what undergirds the criticisms from emerging African scholars like Dambisa Moyo. I examine the rationale behind her argument, and assess the merits of her argument vis-a-vis that of Sachs.

Chapter III explores the rise and eminence of neoliberalism—an ideology that has swept across the globe, from the shores of the Falkland Islands to the sandy beaches of the river Gambia. This chapter further delves into the formulation of the Washington Consensus and its implementation in the Global South. Also, the chapter ties the Washington Consensus to the Structural Adjustment Programs that the World Bank and the International Monetary Fund have been championing in poor countries, of which The Gambia is not immune to.

Chapter IV provides a brief overview of The Gambia, and discusses its history since independence— the poverty level in The Gambia, its causes, and look at new avenues like
microfinance, which could be a catalyst in moving people out of poverty. Moreover, it looks at the role of the government of The Gambia and its role in the regulation and promotion of microfinance, with emphasis on the grassroots microfinance outlets in rural Gambia called VISACAS.

Chapter V explores the rise of microfinance, from its humble beginnings in Bangladesh, under the patronage of Muhammad Yunus and the Grameen Bank to the present day. This chapter reviews the literature on microfinance—employing the arguments between the supporters of microfinance, who think that microfinance is an alternative development avenue that has the potential for moving people out of poverty. On the other hand, I also examine the arguments of the detractors of microfinance, who argue that it is just another neoliberal capitalist ploy to expand and exploit the poor population all over the Global South. Also, I explore the potential of microfinance as a poverty reduction mechanism, by asking if it is the silver-bullet to eradicating poverty?

Chapter VI defines my research objectives and my expected outcomes. My research sought to examine the role of the neoliberal institutions in The Gambia, and explore the role of Reliance Financial Services—a commercial microfinance outlet in The Gambia, and the grassroots microfinance cooperatives in The Gambia. In the wake of the failed trickle-down economic methods that the government has been doing for decades, this research seeks to explore the alternative, unorthodox types of development, of which microfinance has been a leading contender since its inception in The Gambia. With the decks stacked against them, the research addressed the following questions:

- In what ways does Reliance Capital involve the borrowers in the decision-making process?
- Do the loans change their lives, families, children, and community?
• What is the urban, rural dynamic of microfinance?

• Do the loans given to the recipients end up employing people?

• What kinds of support, aid, subsidies, do Reliance Capital get from the state and other non-governmental entities like the United Nations and the World Bank?

• What would you say is Reliance Financial Services and other grassroots cooperatives main challenges, and how might your institution and other entities address these challenges?

• What’s the role of women in this burgeoning enterprise?

These questions are important because this research want to see the upward mobility among Reliance Financial Services and VISACAS members. Also, the interest rates that they charge are very important because some commercial microfinance companies charge very high interest rates, thus perpetuating the cycle of poverty. The chapter also discusses the challenges facing both the grassroots microfinance and commercial microfinance initiatives in The Gambia. Furthermore, the chapter details my research methods. I adopted a mixed methods approach to address the research questions identified above. Here I outlined the approach and the strategies I used to guide my investigation. This chapter also presents detailed information on my approach to gathering primary source data through semi-structured interviews with the CFO of Reliance Financial Services.

Chapter VII showcases my findings from the interviews I conducted with the Chief Financial Officer of Reliance Financial Services, addressing each question separately and providing detailed explanation of their implications to this research. Also, I included my findings from written material analysis, by adding more insight into the interviewee responses. Finally, I present my findings by explaining their relations to neoliberalism, microfinance experimentation in urban Gambia, and a few success stories from both the interviews and literature analysis.
Chapter VIII provides an analysis of my findings, particularly with regard to the identified neoliberalism, the urbanization of microfinance, and cited a few success stories. I attempted to suggest the relationship of my research to the theoretical concepts elaborated by microfinance scholars, of whom, some argued that microfinance is a neoliberal ploy; others claim that it is an avenue for poverty alleviation.

Chapter IX summarizes my three main themes—neoliberalism, aid, and microfinance. My research contributes to the limited literature currently available on microfinance in The Gambia. I expect this research will contribute to the alternative development literature in The Gambia, as there have been few studies conducted on this topic on The Gambia. This chapter also revisited my main research question, which wants to find patterns of upward mobility, entrepreneurship, and self-sufficiency among the Reliance Financial Services and VISACA Members. I hope my findings will be employed by organizations that are involved in development to further their awareness on the topics of aid and alternative forms of development, such as microfinance. I also hope my findings will be relevant to researchers, scholars, development enthusiasts, and will shed more light to the continuing debate on microfinance—what works, what doesn’t, and what improvements we could make to better this craft. I hope this study will further bring awareness to the shortfalls, importance, successes, and the potential microfinance has in making a change in the lives of poor Gambians.
Chapter 2 The Global Governance of Aid

2-1 Aid Debate

At Bretton Woods, the major superpowers came to the rescue of war-ravaged Europe by providing it with aid that they believed would produce long-term economic growth and reduce poverty. Helping others motivated many of those involved in this process, but the real hidden motivation was the facts that if these poor countries were stable economically and politically then they (the donors) would benefit from the outcomes. This became a common theme among rich countries and with the success of the European experiment; they decided to replicate the same strategy for the new independent countries of Africa and Asia. Since the end of the Second World War, over a trillion dollars have been given to African countries, this translated to almost, every man, woman, and child on the planet (Moyo, 2009). In the past forty years, more than a dozen of Global South countries have experienced impressive economic growth. Mostly hailing from Asia, these countries have reported economic growth of about 10% per annum of Gross Domestic Product (GDP). These numbers outperform all of the leading industrialized economies of the West, and significantly reduce poverty. In her argument to why aid is not working for Africa, Dambisa Moyo attained that:

In some instances, poorer countries have leap-frogged the per capita income levels of leading developed economies, and this trend is set to continue: by some estimates, star emerging-market performers such as Brazil, Russia, India and China are projected to exceed the economic rates of nearly all industrialized economies by the year 2050. Yet, over the same period, as many as thirty other developing countries,
mainly aid-dependent in sub-Saharan Africa, have failed to generate consistent economic growth, and have even regressed. (Moyo, 2009)

Such studies show evidence to the fact that the more African countries are dependent on handouts the less developed they are and will be. Some scholars would point to Brazil Russia India and China (BRIC) countries, where they have received less aid compared to Africa and most of them were in the same predicament as Africa some forty years ago. The Chinese market for example, was not opened to the world until about forty years ago. Coincidentally, this was the same time when the major Western powers in conjunction with the International Monetary Fund and the World Bank started giving aid to African countries, after seeing how beneficial the Marshall Plan was to Europe. As a result, China has pulled out some 300 to 400 million people out of poverty. A 1998 World Bank Policy Research Report selected three developing countries that receive aid and found that “some countries received a lot of assistance, and incomes fell—some countries received little aid, and incomes rose” (WBPRR, 1998). A similar World Bank report found that “as much as 85 per cent of aid flows were used for purposes other than that for which they were initially intended, very often diverted to unproductive, if not grotesque ventures” (Moyo, 2009). This begs the question, what is the use of pumping money into an economy that is controlled by despots who are going to funnel the money into their personal bank accounts in Switzerland and will not use it for what it was initially intended for? Aid makes governments delegate their responsibilities, instead of working to help their countries and provide basic amenities to their citizens, they rely on foreign donors to do these tasks.

In the Blue Sweater, Jacqueline Novogratz gave us a great example on the shortfalls of handouts, even when they are to help people create businesses. When Novogratz first started working with a self-help group of poor women in Rwanda, they were receiving six hundred and
fifty dollars a month from a charity organization to keep 20 women earning 50 cents a day; this according to Novogratz “was a perfect illustration of why traditional charity too often fails. In this case, well-intentioned people gave poor women something “nice” to do, such as making cookies or crafts, and subsidized the project until there was no more money left, then moved on to a new idea” (Novogratz, 2009). The aforementioned is a perfect example of how handouts have failed the poor year in and year out. “Aid agencies need to find alternative approaches to helping highly distorted countries, since traditional methods have failed” (WBPRR, 1998). Henceforth, the study of microfinance and such a phenomenon could be the perfect alternative to top-down forms of development.

On the contrary, the champions of aid would argue that it has worked and has been helpful in the fight against poverty. Some would say that the aid that Africa receives is not enough compared to other emerging regions and countries that have moved out of the poverty zone. One such supporter would be Jeffrey Sachs, a Nobel Laureate and a leading economist. In his book, *Common Wealth*, he argues that aid is actually a major component in eradicating poverty. Sachs noted that while in some cases the leading factor to Africa’s poverty is poor governance, nonetheless, he recognizes that the major problem is the lack of finance. Sachs contends that the escape from extreme poverty requires four basic types of investment, starting with temporary aid which will boost productivity and raise savings and investment and thus help propel a sustainable growth for many poor countries, and such could be attained by outside funds (aid), and henceforth rapidly changing the livelihood of the ordinary African (Sachs, 229). For Sachs, aid has done a great deal of good, and that the following demonstrate the effectiveness of aid efforts:
Support for peasant farmers to help them grow more food, childhood vaccines, malaria control with bed nets and medicines, de-worming, mid-day school meals, training and salaries for community health workers, all-weather roads, electricity supplies, safe drinking water, treadle pumps for small-scale irrigation, directly observed therapy for tuberculosis, antiretroviral medicines for AIDS sufferers, clean low-cost cook stoves to prevent respiratory disease of young children. (Sachs, 2009)

However, Sachs lamented that the sending of food from the United States to Africa should be cut back. Local cultivation of food should be encouraged more, which will help the local farmers gain money and help the economy, overall. In this ongoing debate between Jeffrey Sachs and the critics of aid, like Dambisa Moyo, Sachs argues that the critics of aid usually lump all kind of aid into one—both the good and the bad, and challenges them to identify what is working and what is not. He argues that the detractors of aid should also focus on the positives, like the many countries that have graduated from the aid dependence over time, specifically because aid programs help to spur economic growth in these countries. An example he gave was India, who in the 1960s received an increase in food aid from the United States, which paved the way for its growth takeoff afterwards. Sachs further pointed to countries that have graduated or are on the verge of graduating from aid assistance; countries like Korea, Malaysia, Taiwan, Israel, Egypt, Tanzania, Ghana, etcetera (Sachs, 2009). Moreover, he argues that more aid should be given to Africa to ensure that it graduates from aid. Sachs cites that Africa roughly needs to triple its per capita income to graduate from aid. Such can be attained by seven percent per capita growth per annum, and in sixteen years, with determined efforts from aid agencies; Africa could graduate from aid by the year 2025 (Sachs, 246).
Critics of aid, like Moyo, would concur with such characterization to some extent; Moyo agrees that the major problem of the poor is financial, but would totally oppose the notion of aid as the basis to eradicate poverty. Moyo agrees that aid programs to India, the Marshall Plan in Europe, and temporary aid measures played important roles in the economic reconstruction of those countries. Nevertheless, she maintains that the main and often ignored difference between the Marshall Plan and such aid interventions, and those that are enigmatic in Africa at this moment is that the Marshall Plan was short, direct, and focused, whereas the ones plaguing Africa today are indefinite commitments with no end in sight. She further attained that the problem with such indefinite kinds of aid is that African governments have no incentive to look for other, succinct, better, ways of financing their development (Moyo, 2009). Moyo further discussed the effects of aid on Africa’s economy. For example, she wants to see an Africa that is working towards a sustainable solution:

Where Africans can make their own anti-malaria bed-nets (thereby creating jobs for Africans and a real chance for continents economic prospects) rather than encouraging all and sundry to dump malaria nets across the continent (which incidentally, put Africans out of business). Pointing that over 60 percent of Africans that are under the age of 24 need jobs not sympathy. (Moyo, 2009)

Critics like Moyo charged Sachs of double standards when it comes to Africa. She contends that Sachs’ development approach for countries like Russia, Poland, and Bolivia, are totally different from the aid-dependency approach, whereas aid-dependency, with no job creation, was reserved for Africa.

Ironically, both Sachs and Moyo agree that extending credit to poor people in the form of microfinance is one of the solutions in dealing with this crisis.
Chapter III The Neoliberalization of Africa by the Bretton Woods Institutions

3-1 Neoliberalism Defined

Although no single definition has been widely adopted, the Marxist geographer, David Harvey defined neoliberalism to be a “theory of political economic practices proposing that human well-being can best be advanced by the maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, unencumbered markets, and free trade” (Harvey, 2007, 22). In anthropological studies, “neoliberalism is typically depicted as a phenomenon related to the growth of capital, the transnational flow of goods and ideas, and globalization that impacts all levels of society” (Kalb, 2000, p. 32).

At the end of the Cold War, most of Eastern Europe, Russia, and parts of Latin America, and Africa joined the neoliberal capitalist bandwagon—most of them opened their borders and liberalized their markets, ushering in a new wave of globalization and global governance. Most of the structuring of these economies were and are still carried out by the International Monetary Fund and the World Bank, who are by far two of the “most powerful of the public institutions of global governance” (Murphy, 2000, p.791). Over the past five decades, the World Bank and the International Monetary Fund (IMF) have steadily gained power and influence, becoming a key outlet in the spread of the neoliberal agenda, and their policies have come under serious scrutiny by many scholars, including Naomi Klein, David Harvey and David Held, to name a few. Kevin Danaher in his book, 50 Years Is Enough: The Case against the World Bank and the International Monetary Fund: attained that the IMF/WB policies:
Are designed to facilitate the repayment of debt: that is, the steady transfer of wealth out of the Third World countries to the bankers of the industrial countries. This transfer of wealth has had devastating consequences for the poor majority. Money that could have been invested in health, education and housing has instead been transferred to wealthy bankers. Accordingly, the Third World countries under IMF/WB tutelage have seen infant mortality rates increase, schools and housing deteriorate, unemployment skyrocket and the general health of people decline. (Danaher, 1994, p. 2)

This conundrum, as Dr. Susan George would put it, is not just a clash of North and South, but also a clash between the Southern technocrats in collaboration with the Northern elites, against the poor and middle classes of both the North and South (George, 1992, p. 173).

Anna Tsing, in her book *Friction: An Ethnography of Global Connections*, summed up globalization in the following words; “the concept of ‘globalization at its simplest, encourages dreams of a world in which everything has become part of one single imperial system’” (Tsing, 2005, preface). Today, it seems like the entire world is run by capitalists and each country has adopted its own form of neoliberalism, from neoliberal United States to neoliberal-communist China, to neoliberal Gambia. Today, “we are all neoliberals!”(Harvey, 2007) Paradoxically, this phenomenon of globalization in truth is not global at all; it is a globe that consists of the Western countries and a few Asian countries and ignores the rest of the world. The African continent is no exception. In his book, *Global Shadows: Africa in the Neoliberal World Era*, James Ferguson challenged scholars, who championed globalizations as this all-encompassing flow, he argued that “Capital does not flow from New York to Angola’s oil fields, or from London to Ghana’s gold mines; it hops, neatly skipping over most of what lies in between” (Ferguson, 2006, p. 38). He called this globe-hopping rather than globe covering.
Capital investment in Africa is invested in certain places on the continent, such as the mining fields of Angola and the oil reserves in the Niger Delta.

Globalization has great ramifications on the African continent, and many African scholars believe that Africa is being alienated from this global market, and in the process widening the poverty gap between Africa and the rest of the global economy. Some scholars vehemently disagree with this assessment; they pointed to the fact that the World Bank, the International Monetary Fund (IMF), USAID, UNDP, and other agencies that are involved in international development, economics, and finance are now expanding into microfinance, thus helping in the eradications of poverty. However, the reality on the ground is that painful enforcement of Structural Adjustment Programs (SAPs) is still being implemented in several African and Third World countries. The International Monetary Fund prescribed these policies and the World Bank to African countries, coupled with deregulations and privatizations. These policies led to slower growth rates and economic stagnation and the blame was placed upon the African and other countries that implemented the structural adjustment programs. The effects of these one-size fits all IMF/WB policies that are being imposed on these African countries are leading to high food costs, higher unemployment rates, and widespread poverty.

3-2 Washington Consensus

Neoliberalism has been a major topic in contemporary International Relations, and the past thirty years have witnessed the formulation of the Washington Consensus and the implementation of the details outlined in such. John Williamson, a fervent laissez-faire economist and a former employee of the World Bank, set out the Washington Consensus in a dossier. In this dossier, he mapped out free market policies and goals which the Washington, D.C. officials could use. These officials included
members of the World Bank, International Monetary Fund, State and Treasury departments, the American Enterprise Institute, and other conservative think tanks. Williamson came up with 10 policies/goals:

1. Fiscal Deficits/Discipline, with avoidance of large fiscal deficits relative to GDP
2. Reorienting/Redirecting Public Expenditure Priorities, subsidies ("especially indiscriminate subsidies") toward broad-based provision of key pro-growth, pro-poor services like primary education, primary health care and infrastructure investment
3. Tax Reform, broadening the tax base and adopting moderate marginal tax rates
4. Interest Rates, that are market determined and positive (but moderate) in real terms
5. Competitive Exchange Rates, liberalization of imports, with particular emphasis on elimination of quantitative restrictions (licensing, etc.); any trade protection to be provided by low and relatively uniform tariffs
6. Trade Liberalization
7. Securing Property Rights
8. Foreign Direct Investment
9. Deregulation, abolition of regulations that impede market entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds
10. Privatization

The goals outlined in the aforementioned were/are being implemented all over the world; this was the case in post-apartheid South Africa, where during the transition period, “the de Klerk government had a twofold strategy. First, drawing on the ascendancy of the Washington Consensus that there was now only one way to run an economy, it portrayed key sectors of economic decision-making—such as trade agreements, innovations in constitutional law and structural adjustment
programs” (2008, p.252). The implementations process, however, was handed to the likes of the IMF, the World Bank, the General Agreement on Tariffs and Trade (GATT), and the National Part. Everyone was involved in this process except the liberation fighters from the African National Congress (ANC). “It was a strategy of balkanization, not of the country’s geography (as de Klerk had originally attempted) but of its economy” (2008, p.252). As the South African rights activist put it, “the transition was business saying, we’ll keep everything and you (the ANC) will rule in name…You can have political power, you can have the façade of governing, but the real governance will take place somewhere else” (2008, p. 257). This in effect has been the story of the globalization of neoliberalism—Western experts coming into poor and sometimes, unstable countries and basically setting up their economic systems in the name of free markets and economic growth, which according to critics, guarantees the control of global governance of economics and finance for the Western countries and their institutions.

3-3 Structural Adjustment Programs (SAPS)

No one has enforced and dogmatized the goals set out in the Washington Consensus more than the IMF and the World Bank; above all places, Africa has been the experimental ground for such harsh and draconian policies. “In the mid-1980s, the IMF recognized that some of its low-income member countries needed highly concessional financial support on a longer-term basis than it was able to provide through its existing financing mechanisms. It therefore set up the Structural Adjustment Facility (SAF) in 1986, and the Enhanced Structural Adjustment Facility (ESAF) one year later” (IMF, 1997). The IMF and the World Bank employed the goals setout in the Washington Consensus as precondition to receive loans, and lately to be considered for Heavily Indebted Poor Countries (HIPC) debt forgiveness program. To qualify for HIPC, a country is to implement a
supervised structural adjustment program for three years (previously six years) prior to receiving any
debt or debt forgiveness. These sets of policies would be implemented in the form of a program
called Structural Adjustment Programs (SAPs). The SAPs called for an end to subsidies on products
and services of primary necessity: bread, milk, rice, sugar, fuel and electricity, drastic reduction in
social expenditure, devaluation of local currency, the development of exports, the complete opening
up of markets through the elimination of custom barriers, the liberalization of the economy, and
especially the abolition of capital movement control and exchange control, protection of capital
revenues, and massive privatization of public companies and subsequent retreat of the state from
competitive sectors of production.

Atypically, most of these policies are not being implemented in the developed countries,
where governments have safeguarded many vital government sectors. For example, the George W.
Bush administration taxed imported steel from Europe and Asia to protect the steel and iron
companies in the United States. This is something that is the IMF has forbidden for SAP recipients.
As Nobel Laureate, Joseph Stiglitz adduced:

Most advanced industrial countries, including the United States and Japan, had built their
economies by wisely and selectively protecting some of their industries until they were strong
enough to compete with foreign companies. While blanket protectionism has often not worked
for countries that have tried it, neither has rapid trade liberalization. Forcing a developing
country to open itself up to imported products that would compete with certain of its
industries, industries that were dangerously vulnerable to competition from much stronger
counterpart industries in other countries, can have disastrous consequences, socially and
economically. Jobs have systematically destroyed- poor farmers in developing countries
simply couldn't compete with the highly subsidized goods from Europe and America - before
the countries' industrial and agricultural sectors were able to grow strong and create new jobs. Even worse, the IMF's insistence on developing countries maintaining tight monetary policies has led to interest rates that made job creation impossible, even in the best of circumstances. (Stiglitz, 2002, p. 16)

And when these policies are deemed a success, only a few people reap the benefits—the wealthy few. In many African and Third World countries, the farmers are forced out of the market because of the flow of subsidized products, and they simply cannot compete with such. Many would give up farming and move to the slums in search of better pastures to compete for very scarce and low paid jobs.

3-4 **Structural Adjustment Programs (SAPs) Gambian/African Context**

Structural Adjustment Programs (SAPs) are met with a lot of resistance across Africa. Leonor Briones of the Freedom from Debt Coalition in the Philippines summed this up very eloquently when she stated that, structural adjustment policies require the repression of democratic rights. This is because these policies require an astronomical fiscal, monetary, and economic procedure that raises the displeasure of the general public—such reactions have to be repressed (Danaher, 1994, p. 4). Critics of SAPs and neoliberalism argue that neoliberal policies foster a climate of undemocratic governance and autocratic regimes that would do whatever the IMF and the World Bank tell them to do as long as the money is flowing into their coffers. On the contrary, advocates of neoliberalism would argue that neoliberalism is inherently compatible with democracy, and that protecting freedom in the markets protects freedom politically as well. The Republican Party of Ronald Regan, and Margaret Thatcher’s Conservative Party in Great Britain romanticized such sentiments. This was an argument that George W. Bush, and neo-conservatives like Dick Cheney and
Donald Rumsfeld used to justify the pre-emptive war in Iraq because democracy was seen as the inevitable outcome of free markets.

Furthermore, the neoliberal methods of SAPs have left many Gambians and other Africans unemployed and lingering too long in poverty. As promised by the IMF/WB, structural adjustment hasn’t really tackled the problems facing the African continent, such as health care, education, poverty, employment and underdevelopment. In their 1998-2000 *Enhanced Structural Adjustment Policy Framework* paper for The Gambia, the IMF requires The Gambia, to liberalize trade regime to promote private sector development and export diversification, and maintain a trade system without quantitative restrictions, reduce and strictly control customs duty exemptions. Initiate a comprehensive civil service reform aimed at creating a leaner, more-focused, and reasonably remunerated administration. Also the IMF wants The Gambia to establish a regulatory framework for the telecommunications sector, aimed at deregulation and enhanced sector participation (IMF, 1997).

Public sector layoffs, and privatization and a leaner public sector workforce call for the selling of government properties and budget cuttings, which normally have only one outcome—layoffs sending more people into poverty. But for African countries, including The Gambia, to qualify for any consideration under Heavily Indebted Poor Countries (HIPC), they would have to abide by the structural adjustment rules which requires massive government cuts, hence more unemployment and poverty. Africa, south of the Sahara has seen a huge decrease of income, in the 1980s; the average income has fallen by about 20%, meaning that the average African was poorer that they were in the years after independence, in the 1970s and 1960s. The number of people living under the poverty line doubled, reaching a staggering 313 million, between 1981 and 2001 (Harrison, 2010, p. 39). During this period, sovereign debt spiked. In terms of health, Africa has one of the highest infant mortality rates of any continent, and neoliberal policies that require governments to cut health expenditure have
failed to effectively deal with the HIV/AIDS epidemic, which is wiping out whole generations in some African villages. Nonetheless, it wouldn’t be fair to squarely blame the SAPs for Africa’s shortfalls because there were, and still are, lots of internal problems like corruption, military coup d’états, and diseases that were prevalent in Africa well before the emergence of neoliberalism.

In summation, it is largely evident from chapters II and III that there is a lot of literature on aid and the neoliberalization of Africa, by both advocates and detractors, as illustrated in this research findings. This research seeks to find alternatives, and one such alternative to the aforementioned is microfinance. This study shall discuss the role of the grassroots (VISACAS) and the only commercial microfinance company in The Gambia (Reliance Financial Services) in their fight against poverty.
Chapter IV  

The Gambia

4-1 Brief History of The Gambia

The Gambia is a West African country that straddles The Gambia River 450 km eastwards from the Atlantic Ocean. Surrounded by Senegal to the North, East, and South, the total land area of 11,285 sq. kilometers consists mainly of riverine flats, swamps and tidal creeks, although over 54% is good quality arable land. The population of 1.7 million is administratively distributed into five divisions, comprising 35 districts. It’s the smallest country on mainland Africa and has been relatively peaceful since independence. The country gained its independence from Great Britain on February 18, 1985. After independence, The Gambia was rule for almost 30 years by Sir Dawda Kairaba Jawara, a Glasgow veterinary school trained surgeon. His reign was relatively peaceful, and in 1972, under his leadership, The Gambia became a republic. However, in 1981, a teacher by the name of Kukoi Samba Sanyang led a far-left militia in overthrowing the government of Jawara while Jawara was in Great Britain attending the royal marriage of Prince Charles and Princess Diana. This uprising was quelled with the help of the Senegalese military, and right after the botched coup d’état, The Gambia and Senegal entered a confederation called the Senegambia Confederation. This led the two countries to work together closely and exchanged intelligence. The Senegalese military helped The Gambia form a gendarmerie brigade, and the borders between the two countries were opened, thus allowing the easy flow of goods and services. This, however, came to an end in 1989, but the two countries remained close until the end of Jawara’s presidency.

Another coup d’état was masterminded by military a 29-year-old army captain named Yahya Jammeh on July 22, 1994, interrupting the country's long-standing democratic process. It took two
years before the rule of decree was done away with, replaced by constitutional rule once again. In September 2006, Jammeh was re-elected for a third presidential term, and the country held legislative elections in January 2007. In 2012, President Jammeh won another landslide election for an additional 5-year term. In September 2012, the president ordered the military to execute nine death row inmates by firing squad, half of which were political prisoners. This sparked outrage among the international community, straining ties between The Gambia, the European Union, and other African countries.

Figure 1: Map of The Gambia

Source: CIA World Fact Book

### 4-2 Poverty in The Gambia

As many other African countries, The Gambia has struggled with infant mortality, food shortages, unemployment, corruption, and poverty. Poverty in The Gambia manifests itself in the form of multiple deprivations where 53% of the population is food poor while 61% is considered as absolute
poor of which 74% is in the mostly agricultural rural areas. The rural population is mostly agrarian, and is very dependent on agriculture as the only source of income and lacks the necessary agricultural equipment (ADB, 2006). According to a report from the National Economic Census about 59% of the population is categorized as potential labor force, only 14% is actually employed, of which 79% is operating in the informal sector (2005). In the UNDP’s Year 2000 Human Development Index, The Gambia is ranked 161 (out of 174), making it one of the poorest countries in the world. Based on a first study by the International Labor Organization in 1989, 40% of the population lived below an estimated food poverty line (FPL) and 60% below an overall poverty line (OPL). According to an IMF poverty report, poverty is on the rise in The Gambia. Between 1992 and 1998 extreme poverty has increased by slightly below 300%, from 18% to 51% whilst the population of non-poor declined from 67% to 31% (IMF, 2000).

There have been prognoses, as well as solutions to the poverty crisis in The Gambia. Some of the country’s recent poverty problem can be attributed to, first, the 1994 coup d’état, which brought into power the presidency of Yahya Jammeh. The 1994 coup triggered a wide-ranging freeze of aid-flows to The Gambia, which severely compromised many poverty-focused programs. For a country that is highly depended on European tourists, this instability adversely affected the tourism industry. Another factor that continues to prolong poverty in The Gambia has been the influx of refugees from the Casamance region of Southern Senegal, Sierra Leone, Guinea Bissau, Liberia, Ivory Coast, and recently, Guinea Conakry. The immigration of mostly unskilled workers vying for the same few jobs has really hit The Gambian economy, and has affected the country’s delivery of social services, which is very dilapidated, needing much reconstruction (IMF, 2000, p. 6). Additionally, since independence, the country has witnessed an exponential population boom, from 325,000 in 1965 to 687,817 twenty years later, in 1983. The population continued to rise from 1983-1993, growing by 4.2%, one of the highest in West
Africa. The population density rose from 64 persons per square kilometer in 1983 to 97 persons per square kilometer in 1993 (IMF, 2000, p. 7).

The Gambia continues to have very poor health infrastructures, some people drive miles to have access to medical care, due to the lack of clinics and hospitals in their villages. Infant mortality in The Gambia has risen in recent years. The life expectancy is not very impressive; even in sub-Saharan Africa standards, The Gambia doesn’t fare very well. For instance, “life expectancy is 53 years, infant mortality rate was 80/1000 in 1995, and under five mortality rate was 76/1000 and the maternal mortality rate 1050/100,000 in 1993” (IMF, 2000, p. 7). Other factors that are contributing to the rise of poverty in The Gambia are malnutrition and an increase in endemic diseases. These include malaria, diarrhea, acute respiratory infections, leprosy, tuberculosis, and sexually transmitted infections. Even though the number of HIV reported cases have been relatively low compared to the other countries in the sub-region, The Gambia has still seen a rise in the number of infections. The literacy rate in The Gambia is very low, the adult population 15 and above estimated at 42.5%; 30% among women and 55% among men. (Point Newspaper, 2009) Although the literacy rate has fallen in the pass decade due to affordable schools for rural Gambians, The Gambia is ranked 171 out of 194 countries, with a 42.5% literacy rate.

Nonetheless, many efforts have been taken by both the GOTG and international agencies to quell the rise of poverty. Microfinance has been one of the leading, if not the leading, poverty alleviation mechanism that is being employed.

Below is a table indicating the basic data and key economic indicators

**Table 1.1 Basic Data and Key Economic Indicators**

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1 U.S. Central Intelligence Agency. [https://www.cia.gov/library/publications/the worldfactbook/](https://www.cia.gov/library/publications/the worldfactbook/)
<table>
<thead>
<tr>
<th>Population</th>
<th>1,782,893</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product</td>
<td>US$779 million</td>
</tr>
<tr>
<td>GDP Per Capita Income</td>
<td>US$1,300</td>
</tr>
<tr>
<td>GDP Growth</td>
<td>5.5%</td>
</tr>
<tr>
<td>Inflation</td>
<td>6.0%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>N/A</td>
</tr>
<tr>
<td>Exchange Rate</td>
<td>30.00 Dalasis = US$1</td>
</tr>
</tbody>
</table>

4-3  **Microfinance in Gambia**

The Gambian economy is heavily dominated by small businesses, from local grocers in the Albert Market in the capital, Banjul, to the local “kobo” fish sellers in the Serekunda Market. These endeavors require capital. Some borrow from family members and friends to operate their businesses. Micro and small enterprises dominate the Gambian economy and the 2006 African Development Bank found that micro and small enterprises employ the largest share of people between the ages of 15-64, of which 70% are self employed. This contributes to 20% of the country’s economy (2006, ADB, p. 12). From personal experience, you can see that most of the trading that goes on in The Gambia is in the form of micro-commerce, small businesses springing geos/ga.html#Geo

<sup>2</sup> Fish
on every street corner. Most of the time they operate just to feed their families, from hand-to-mouth essentially, lacking management and investment skills.

In The Gambia, microfinance is primarily propelled by the promotion and development of micro and small enterprises as well as entrepreneurs both in formal and informal sectors. Recent figures report that the informal sector clientele is on the rise, reporting 65% and growing with the increase demand for value added products, both within the confines of the country and the West African sub region (2006, ADB, p. 11). Currently, there are several microfinance outlets in The Gambia. “Microfinance started in The Gambia in the early 1970s with the creation of the Indigenous Business Advisory Services (IBAS), a government agency established mainly to bring support to the indigenous micro-enterprises” (Alston, Moukhtara, p. 10). This came as a result of liberalization of The Gambian banking sector, in accordance with the World Trade Organization (WTO). Despite their efforts in modernization and “conformity with the WTO Agreement on financial services, the banking sector still remains uncompetitive and thus offers a narrow range of financial products and services to meet comprehensively, the development needs of the economy” (Alston, Moukhtara, p. 10). This prompted the establishment of Informal Business Advisory Services (IBAS) and the push for microenterprises to the masses. However, after 30 plus years of government run microfinance, and given the corrupt system, The Gambia is finally going the way of the Grameen Bank by promoting private run microenterprises, henceforth, our case study—the Reliance Financial Services. According to the Wharton Report, four distinguished types of intermediary microfinances serve and offer credit facilities and mobilization in The Gambia: Wholesalers (VISACAS, the village savings and credit associations); - Retailer non-bank financial institutions; - Projects in support of rural microfinance; - Commercial banks (Wharton, 11).
Table 1.1 demonstrates the climate and microfinance market in The Gambia:

<table>
<thead>
<tr>
<th>Institutional Type</th>
<th>TOTAL Credit (GMD)</th>
<th>Credit (%)</th>
<th>Total Net Savings (GMD)</th>
<th>Savings (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHOLESALERS</td>
<td>69,250,000</td>
<td>11.33</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>SDF</td>
<td>48,000,000</td>
<td>69.3</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>RFCIP</td>
<td>21,000,000</td>
<td>30.3</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>AGIB</td>
<td>250,000</td>
<td>0.4</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>NBFIs</td>
<td>68,569,540</td>
<td>11.22</td>
<td>63,985,983</td>
<td>5.34</td>
</tr>
<tr>
<td>GAWFA</td>
<td>33,766,169</td>
<td>49.2</td>
<td>9,700,000</td>
<td>15.2</td>
</tr>
<tr>
<td>NACCUG</td>
<td>34,803,371</td>
<td>50.8</td>
<td>45,666,983</td>
<td>71.4</td>
</tr>
<tr>
<td>GAMSAVINGS</td>
<td>N/A</td>
<td>N/A</td>
<td>8,619,000</td>
<td>13.4</td>
</tr>
<tr>
<td>VISACAS</td>
<td>52,320,596</td>
<td>8.56</td>
<td>174,454,810</td>
<td>14.55</td>
</tr>
<tr>
<td>Credit Unions *</td>
<td>34,803,370</td>
<td>5.69</td>
<td>45,666,983</td>
<td>-</td>
</tr>
</tbody>
</table>

3 Source: National Microfinance Strategic Framework.
| Total Microfinance excluding commercial banks | 215,175,136 | 35.20 | 238,954,793 | 19.93 |

The table above shows that microfinance is on the uptick in The Gambia, however, there is more demand for microfinance than there is supply. A 2002 study found that the “credit demand for rural microfinance services in 2002 was estimated to be GMD 234.25 million (UA 5.21 million), corresponding to GMD 302 million (UA 6.711 million) in 2005 (adjusted for inflation)” (AFDB, 2006, p. 11). Compared to its neighbors, few people in The Gambia have access to microloans; as a 2005 report states, out of the 1.7 million Gambians, only about 17% of the total population with over GMD 215 million credit disbursed and GMD 238 million savings mobilized. The microfinance clientele served is mainly rural poor, 70% of who are women in the rural regions of the country. The repayment stands around 90% (AFDB, 2006, p. 12). Microloans have not reached the vast populations of the Central and Upper River divisions, due to poor infrastructure and logistical problems.

Furthermore, a recent report by the Entrepreneurship Promotion and Microfinance Development Project (EPMDP), under the Social Development Fund (SDF) of the Government of The Gambia, painted a grim picture of microfinance in the country. The study found that the “Gambian entrepreneurs and rural producers face limited markets and logistical challenges in this very small country,” the report says, “having multiple actors at many levels of the microfinance sector creates a rather crowded, supply-led context for a very small market” (Microfinance Africa, This supply-led approach is what drove the Central Bank of The Gambia, under the auspices of the GOTG, to implement a demand-led approach. As a result, the new policy direction came into being
stressing the need for the new policy direction, which emerged emphasizing the need for expanding the intermediation base to cover the grassroots, cooperative-esque, community-owned microfinance institutions, like the ones operated by Grameen (CBG, 2008).

4-4 The Role of the Central Bank of The Gambia in the Regulation and Promotion of Microfinance

The Central Bank of The Gambia’s regulates the microfinance institutions in the country, and their approach is to leave the determination of the rates on market forces of demand and supply. However, microfinance institutions use the CBG’s discount rates as the yardstick for interest rates (Observer, 2008, p. 1). The CBG determines the interest rates of the MFIs in The Gambia and also provides leadership and plays its role as the financial and technical adviser. It also serves as the coordinator of rural financial institutions by providing policy and operational guidelines for orderly growth and sustainability of micro institutions in The Gambia. In the regulation and promotion of microfinance in The Gambia, the CBG categorizes microfinance institutions according to their capital base and financial services they offer. The first of the regulatory outlets are the VISACAS, which are grassroots, cooperative, community-owned microenterprises. The VISACAS⁴ are termed the lowest micro-financial units. They are savings and credit organizations. They have proved to be the best opportunity to expand formal financial services into rural areas. In The Gambia, the VISACAS have been expanding with various degrees of success to form a comprehensive rural finance system. The CBG, under the tutelage of the GOTG, recognizes these rural microfinancial institutions as effective tools with which to alleviate poverty and encourage growth in the rural areas.

⁴ Grassroots Microfinance
The system further has an in-built graduation process that allows VISACAS to become rural finance bureaus or finance companies after acquiring the requisite capacity (CBG, 2008, p. 3).

4-5 Grassroots Microfinance in The Gambia (VISACAS)

The VISACAS, as mentioned above, are the lowest categories of microfinance in The Gambia. They usually operate in the rural areas of the country. The VISACAS are the official microfinance organization that represents the network of smaller financial institutions throughout The Gambia. French (CIDR) International Centre founded the grassroots body in 1988 for Development & Research, with the help of a German development bank (Kreditanstalt Fuer Wiederanfbau - KfW). Atta Ceesay did a field research on the VISACAS in The Gambia as part of her thesis, and her findings gave us an insight into the operations, successes, challenges, failures, and other relevant information on the impacts of the VISACAS in the lives of its members. Her study of the VISACAS is very significant to the study of microfinance in The Gambia, given the limited amount of data on microfinance in the country. Even though The Gambia is relatively a very small country, the VISACAS do not operate nationwide, but according to Atta Ceesay’s findings:

Their impacts on the lives of beneficiaries are numerous. It increases agricultural production which is the occupation of most rural dwellers. For poor individuals, the VISACAS have enabled a number of students to complete their schooling by paying their tuition through loans obtained by their parents. Some of the VISACAS also fund the health bills of a number of their members. These are the contributions of VISACA in building human capital. They also contributed significantly to asset building of the beneficiaries through the purchase of farm implements, cattle, small ruminants etc. At a
national level, VISACA makes poverty alleviation easy for the government. (Atta Ceesay, 106)

This study of the VISACAS shows a very positive side of the impacts they have on the lives of their members. However, there are some problems with the VISACAS that the Mennonite Economic Development Associates (MEDA) found in their 2011 report. In this study, they found that the there is a lot of uncoordinated policy and donor support, duplication of efforts, and the same projects under VISACAS umbrella are vying for the same funding and training opportunities (The Point, 2011). The problems stated above are some of the problems facing development-oriented microfinance in most Third World countries. This problem is not unique with only the VISACAS, but the whole system, and this paper will discuss these and other challenges in full, in our findings.
Chapter V  
Microfinance and Literature Review

5-1  Microfinance Defined

Since the early 1980’s, the term microfinance has been described as a small loan to very poor people for self-employment activities that provide income, and allows them to satisfy their basic needs. According to Barr: “Microfinance is a form of financial development that is primarily focused on alleviating poverty through providing financial services to poor” (Barr, 2004). Most African economies are marked by the dependency on handouts from foreign governments and private organizations for the provision of basic needs. Microfinance is proving to be the game changer since it is actually trying to bring these people out of poverty and turn them into independent members of the global market by providing them with credit/loans to establish businesses and move them out of poverty. Opportunity International defined microfinance to be “the provision of financial services such as loans, savings, insurance, and training to people living in poverty. It is one of the great success stories in the developing world in the last 30 years and is widely recognized as a just sustainable solution in alleviating global poverty” (Opportunity International, 2010)

Microfinance is seen by many to be the new catalyst to move poor Africans out of poverty. Mohammad Yunus, the founder of the Grameen bank in Bangladesh—started a group credit program, which targeted poor rural Bangladeshi people, and many countries around the globe have adopted this model since then. In Africa though, they have adopted different models varying from country to country. In The Gambia, they have different microfinance institutions, many of which have
adopted the Grameen model, to some extent. The government microfinance group was overseeing most of the micro-lending in The Gambia until recently.

5-2 The Grameen Model

In the 1970s, after his country gained independence from Pakistan, Muhammad Yunus decided to leave his post as a Professor at the University of Tennessee and went back home to help in the reconstruction and development of his country. With more than 70% of Bangladeshis living under the poverty line and knowing well that the banks would not offer them any loans because of their lack of collateral and low income. He started something called microcredit, which basically gives loans to the ‘unbankable’ and thus fostering the spirit of entrepreneurship among the poor rural population. With microfinance, the previously “unbankable and excluded poor are now part of a functioning financial dynamic. With this comes a culture of borrowing and repayment crucial for financial development in a well-oiled successful economy” (P.130, Moyo). What made this model attractive and stand out is its promise to reach the poor and provide financial sustainability, it also has a growing number of success stories and unlike the International Monetary Fund/ World Bank (IMF/WB), and it has the potential to build on traditional systems. Moreover, Yunus has greatly contributed to making people “realize that when the poor are given greater financial capabilities they are most determined fighters in the struggle against poverty…that they will progress much faster once decision-makers realize that poor people are their partners and not spectators or enemies” (Godinot, 2012, p. 72).

5-3 Is microfinance the silver-bullet to eradicating poverty?

No, but studies have shown that it has the potential to make a dent in the lives of the poor. In Bangladesh, studies have shown that the proportion of the population living in moderate poverty was
79 percent for comparable non-members in project villages, 74 percent for the comparable non-members in control villages, but 64 percent for GB members On the other hand, those living in extreme poverty were estimated at 46 percent for members of the GB, compared with about 62 percent for non-members in project and control villages (140, Islam). This study clearly shows that the Grameen Bank has been able to move some of their members out of poverty. In the past 30 years, Bangladesh has achieved remarkable success in attaining a near-sufficiency in the production of rice, which lessens the occurrence of famine. Even though Bangladesh remained a poor country, it has, however, been able to maintain food security reasonably well, even in times of natural disasters; compare this to The Gambia, where credit is seldom extended to the poor and thus affecting economic growth and entrepreneurial development. It is evident that the microcredit operations spearheaded by the Grameen Bank have definitely helped its members to move above the poverty line and they enjoy a much higher income compared to poor rural Bangladeshis who are non-members. Microcredit programs have a very low default rate compared to other banking programs.

Table 1.3 Microfinance Programs of Grameen bank, at a Glance

| Numbers of Members | 5,579,399 |
| Percent of Women Members | 96% |

5 Grameen Bank, at a glance (Source: Grameen Bank annual report 2005)
<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Canters</td>
<td>99,502</td>
</tr>
<tr>
<td>Number of Villages covered</td>
<td>59,912</td>
</tr>
<tr>
<td>Number of Branches</td>
<td>1,735</td>
</tr>
<tr>
<td>Number of Areas</td>
<td>166</td>
</tr>
<tr>
<td>Number of Zones</td>
<td>21</td>
</tr>
<tr>
<td>Cumulative amount Disbursed since Inception</td>
<td>256,497.40 (Million Taka)</td>
</tr>
<tr>
<td>Cumulative Disbursed during 2005</td>
<td>39,183.49 (Million Taka)</td>
</tr>
<tr>
<td>Amount of Loan outstanding</td>
<td>27,970.31 (Million Taka)</td>
</tr>
<tr>
<td>Members</td>
<td>20,138.37 (Million Taka)</td>
</tr>
</tbody>
</table>
Since the Grameen Bank model is a self-help group, they back each other as collateral, if one defaults on its obligations then everyone in the group would pay for it; this makes it hard for any member to default. Microfinance is definitely a force to be reckoned with in the fight against poverty. It might not be the only solution, but it is worth trying, and this study shall explore its potentials in the fight against poverty by exploring it’s impacts in The Gambia—both the commercial and grassroots aspects of it. Below is a figure that tries to explain its correlation to poverty alleviation.

**Figure 2: simple casual chain from microfinance to poverty alleviation**

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6 Source: Modified from (Stewart, et al, 2010)
5-4   Is Microfinance a Neoliberal Idea?

Looking at the Grameen Bank, the VISACAS, and Reliance Financial Services models, one could argue that microfinance institutions are thriving on both neoliberal and non-neoliberal ideals. Summed up succinctly by Quoting Held’s praise of Friedrich Von Hayek—one of the leading brains behind modern day neoliberalism. Held contended that “the market system has distinct advantages, as Hayek among others has emphasized, over all known alternative economic systems as an effective mechanism to coordinate the knowledgeable decisions of producers and consumers over extended territories” (Held.61). Microfinance supporters would say that, at its core it is an alternative economic system, one that is not built on the ideas of neoliberalism, but became a neoliberal tool as time goes on. An argument that Ha-Joon Chang and Milford Bateman rebutted contending that microfinance is a “radically new way of dealing with poverty and under-development, while very
much accepting neoliberalism’s determined focus on the unquestioned application of market forces and private individual entrepreneurship” (Bateman, Chang).

However, one could argue that, it’s practically impossible to work outside of the neoliberal system. Like David Harvey would put it “we are all neoliberals now!” (Harvey, 2007) Albeit, microfinance if practiced properly, gives voices to the marginalized; it also gives financial access to populations who otherwise would not have the access to the liberalized economic systems of the Global South economies.

Critics of microfinance would further point to the fact that microcredit is too slow in moving people out of poverty and despite some economic improvements, poverty is still prevalent among the rural people of Bangladesh. Bangladesh still remains a poor country and its economy is still traditionally rural and agrarian. Others studying this phenomenon think that the spread of Microfinance in Africa might be neoliberalism’s endgame, a proponent of neoliberal capitalism, Gregor Campbell of Glasgow University, claim that:

Breaking families out of poverty traps means that, with a newfound purchasing power, they are more likely to enter the marketplace, adding competition and consumerism to an even stronger global economy. It is this striving towards such an endgame that leads me to maintain the promise of microfinance as an economic and social catalyst for local liberation and global interdependence. Credit has been and remains responsible for fuelling the entrepreneurial innovation and ubiquitous adoption of technological advancements in developed countries. Extending credit sources via microfinancing to foster local economies in the developing world will help ensure neoliberalism’s ultimate goal of shared prosperity. (Campbell, 2010)
This type of rhetoric doesn’t sit well with critics of microfinance who argue that debt is not the solution to Africa’s poverty problem and that this is another ploy by the neoliberal capitalists to exploit the poor people. Alexander Cockburn argued “extending credit to marginalized nations or communities is futile and even counterproductive because ‘no one was ever liberated by being placed in debt’” (Cockburn, 2006). Besides, the interest rates charged by some MFIs has some critics arguing that microfinance prolongs the process of poor people’s efforts to get out of the poverty trap. Neoliberal critics would look at the aforementioned and ask, how anyone could uplift people out of poverty by putting them in perpetual debt? In some instances, borrowers “are paying between 36 per cent on loans for productive expenditures while an upper class person can finance the purchase of a Mercedes at 6 to 8 per cent from the banking system” (Cockburn, 2006, p.2). As Xavier Godinot puts it, Yunus’ “own determination to reach the poorest is undeniable, his many disciples do not share the same level of commitment, some even charging exorbitant interest rates. As micro-credit becomes more widespread, it is no longer always adapted to people living in extreme poverty.” (P, 172)

Scholars like Thomas Dicther and Malcolm Thomas, argue that there should be many components in the fight against poverty and microfinance alone does not solve this age long problem. They are alarmed by the hype surrounding microfinance, the impression that it is the only cure for poverty, this they say “is a potentially dangerous line of argument as it distracts attention from the fact that poverty reduction requires action on many fronts: social safety nets for the poorest and most vulnerable, an effective education system, low cost and reliable health services, governments that can provide social inclusion (and thus maintain law and order) and sound macroeconomic policies, and many other issues” (Dichter, Thomas, 2007). This sentiment has been echoed by many other experts who are involved in the studies of microfinance and poverty. Other skeptics will contend that the reluctance of MFIs to give long-term loans like housing loans and by concentrating on short term
loans means that the loans can be recycled which generates more profits for the microfinance institutions instead of helping the poor. Nanci Lee, of the International Institute at St. Francis University, counters those who are dismissing the importance of microfinance as a real poverty reduction strategy because of its neoliberal traits. Lee counters by saying that, “I ask people who [equate microfinance with neoliberalism] if they have an ability to safely save and get access to money and if they've ever known poverty,” (Sichel, 2012) Lee says, microfinance “just provide[s] more options” to the world’s poor. They want what we all want. Options”(Sichel, 2012).

In summation, as any other international development tool, there exists the good and the bad, and microfinance is not immune to such, but if practiced meticulously, it does foster a sense of community, belonging, dignity, and promises a better way of life for the poor and marginalized, as we have seen with the Grameen members, as we will see with Reliance Financial, members of the VISACAS in The Gambia.
Section 2  Research Methods

CHAPTER VI  RESEARCH OBJECTIVES AND METHODS

This chapter explains the methods I employed to create the study, collect data and analyze the data once gathered. I detail the two strategies I used for data collection: document analysis and semi-structured interviews. I also addressed the limitations of my analysis in this chapter.

6-1 Purpose of Study

This study explores the poverty conundrum facing the African continent in general and The Gambia in particular. The study discusses the continent’s dependency on foreign aid, causes of poverty, and the role played by the Bretton Woods Institutions in the neoliberalization of Africa through the enforcement of the Structural Adjustment Programs (SAPs). The study then examines microfinance and the potential it has in the fight against poverty. Put differently, this analysis seeks to examine the role played by Reliance Financial Services in The Gambia—a microfinance institution and the grassroots microfinance outlets in The Gambia (VISACAS), and see how their poverty alleviation method reaches the very poor. The study assesses the effects of these two main forms of development, one, which involves top down forms of development, and the other, which involves grassroots and poor populations in The Gambia/Africa.
I gathered data interviews, online sources, historical analyses, notable scholars in economics, aid, microfinance, development, politics, printed materials, and the computation of available data on foreign aid in The Gambia/Africa and that of microfinance. I asked questions about Reliance Financial Services practices, goals, how the microfinance institution operates, the people affected by the institution, and what interest rates they charge, to see how their form of development helps and reaches out to the poor in The Gambia. I also gathered information on the grassroots microfinance outlets in The Gambia, the VISACAS. The purpose of this study is to address the following questions: how does Reliance Financial Services operate? Is there any upward mobility among the borrowers? How many people are impacted by Reliance Financial Services? Does it have a multiplier effect? Does it change their lives—families, children, and community?

6-2 Research Expectations

Due to the recent debate surrounding aid, development, and poverty, I expect this research will contribute to the alternative development literature in The Gambia, as there have been few studies conducted on this topic on The Gambia. I hope my findings will be employed by organizations that are involved in development to further their awareness on the topics of aid, development, and alternative forms of development, such as microfinance. I also hope my findings will be relevant to researchers, scholars, development enthusiasts, and will shed more light to the continuing debate on microfinance—what works, what doesn’t, and what improvements we could make to better this craft.
6-3 Research Methods

I used a mixed methods approach for this study. Document analysis and semi-structured interviews provided qualitative data for this interpretive study. I undertook telephone interviews with a sample from the Chief Financial Officer of Reliance Financial Services in December 2012 and March 2013 to gain knowledge of how Reliance Financial Services operates and how their work is shaping the spread of microfinance in The Gambia, with particular attention given to interest rates, goals/objectives, its multiplier effects, and upward mobility. The interviews were conducted in accordance with IRB requirements, recorded and transcribed and translated from Wolof to English. Translations were then coded and analyzed for salient themes.

I contacted the Vice President and Chief Financial Officer of Reliance Financial Services. From there on, I asked him if he was willing to participate in the interviews. I explained to him the purpose and process of the analysis and set up a time for a formal interview. I telephoned the him on four different occasions at the scheduled times on his personal phone to ensure that he wasn’t charged anything. The interviews were semi-structured in character and ranged from approximately thirty minutes to two hours. Follow-up questions were employed for clarification or to expound on certain topics, points, and subjects. All the interviews were recorded using digital audio recording software to ensure proper comprehension and accuracy. This process was significantly important to the research process, given that the interviews were conducted in two different languages—English and Wolof.

Information Requirements

Literature on the history of The Gambia, neoliberalism, aid, the International Monetary Fund, World Bank, Reliance Financial Services, VISACAS, and microfinance.

Information collection and research approach
1. Existing sources:


2. Primary sources:

a. INTERVIEWS: Reliance Financial Services Chief Financial Officer, with particular attention given to poverty alleviation, development, interest rates, goals/objectives, and upward mobility.

b. ONLINE RESOURCES: Reliance Financial Services and VISACAS

c. CONTACTS at Reliance Financial: Reliance Financial Services board rules and procedures, budgets, financial statements, long-term strategic plans and any other relevant documents regarding the disbursement and operation of their microfinance institution.

6-4 Analysis of Data Gathered

As a first step in creating this study, I conducted document analyses concerning microfinance, neoliberalism, The IMF, World Bank, development, poverty, and The Gambia. I conducted semi-structured interviews with Reliance Financial Services’ Chief Financial Officer focusing on the day-to-day running of the microfinance institution, with particular attention paid to interest rates, upward mobility, success stories, and challenges.
6-5 Limitations of Study

This study had certain limitations, in that, there is only one commercial microfinance company in The Gambia, and that hinders the chances of comparing their performances to other commercial microfinance institutions. Also, the lack of enough data on The Gambian economy, poverty, and microfinance might limit chances of having a better and proper overview of such. There might be an inclination of the CFO not to give honest answers to the questions posed to him, due to many reasons, some known, some unknown. A possible motive would be that he is one of the founders of the institution and wouldn’t want to give an answer that would depict their company in a negative light. The viewpoint for analysis commissioned by this study also limits the study, as the study reviewed the role of commercial and cooperative microfinance, mostly from the perspective of the CFO of Reliance Financial Services. In this study, I did not interview the microfinance recipients, the regulators from the Central Bank of The Gambia, nor did I interview anyone from the main development agencies, like the World Bank and the IMF.
Section III  Findings, Discussion, and Implications

CHAPTER VII  FINDINGS

7-1  Case Study: Reliance Financial Services, Gambia Limited

In this study, I interviewed Reliance Financial Services Chief Financial Officer—Mr. Seedy Njie, to study the organizations localized approach to development and extending credit to the poor. I questioned him on matters regarding the day-to-day running of the institution, its impact on borrowers, the role of the VISACAS, his outlook on microfinance in The Gambia, among other things. Most of the microfinance institutions in The Gambia are centered in the rural areas, and most of Reliance Financial Services operations are located in the Kombo, St. Mary’s area of the country, which is the major urban hub of The Gambia. This study asks how this mostly rural phenomenon is faring in an urban metropolis.

Reliance Financial Services was founded in 2006; since then, they have been the only commercial microlender in The Gambia. Three Gambians, set out to give Gambians, including micro-entrepreneurs, access to credit without stringent collateral requirements, founded the institution. According to their website, about 91% of their operations is geared towards microfinance. Knowing that a good number of Gambians could not meet the collateral requirements that the formal banks require for loans, Reliance Financial Services relegates collateral to a secondary status and not a pre-condition for advancing loans. Unlike the Grameen Bank and the VISACAS, Reliance Financial Services, more or less operates as a commercial bank than a grassroots microfinance outlet. Reliance
Financial Services does not fit the Grameen definition of microfinance, which is the practice of delivering small, collateral-free loans to usually unsalaried borrowers or members of cooperatives who otherwise cannot get access to credit (Hossain, 2002, p. 79). They require collateral and provide services to mostly individual urban dwellers. As of April 2013, Reliance Financial Services is the only entity involved in commercial microfinance in The Gambia (Seedy Njie). They have over 30 outlets in the country in the forms of branches and kiosks, and have over 30 outlet agencies from the Kanifing Municipality all the way to the Upper River Region.

This chapter presents my findings from data collection, using the methods outlined in Chapter VI. I begin by describing Reliance Financial Services Chief Financial Officers’ responses to each question, including data and examples from the findings in the research, when relevant.

The following questions addressed various aspects of the day-to-day running of the microfinance company in The Gambia and then parallel the answers given to me by the interviewee to the VISACAS—the grassroots model of microfinance, to see their effects on the fight against poverty.

I analyzed the Chief Financial Officer’s responses, then used that to look at the progress of microfinance in The Gambia, how it is run, their challenges, their goals, their involvement in the fight against poverty, how their form of microfinance—a rural phenomenon, is practiced mostly in the urban areas of The Gambia by Reliance Financial Services. The results of my analysis appear below.

7-2 Reliance Financial Services Chief Financial Officer Responses

Question 1: What do you view as your role as a member of the Reliance Financial Services?

The Chief Financial Officer interviewed, responded:
• Co-founder of Reliance Financial Services
• Responsible for the day-to-day financial operations of the institution
• Secretary to the board
• Member of the executive team
• Responsible for the strategy for organization
• Point person for the main officer between the regulators (Central Bank of The Gambia) and the company.
• Responsible for the financial management of the company, to make sure that the company is in compliance with its corporate and with the registrar of the companies.

**Question 2: Why was Reliance Financial Services founded?**

When Muhammad Yunus left his post at the University of Tennessee to help his mostly unbanked and underbanked compatriots, he did so because the big banks refused to lend to the poor of the poor without solid collateral. This prompted him to devise the Grameen Bank, which has since been replicated in many other countries, some, like The Gambia, coopted parts of the Grameen model, but almost all of the ones in The Gambia, be it the VISACAS or Reliance Financial Services, operate in different ways. That being said, there is a common denominator among all the manifestos of the microfinance institutions and that is to provide credit to the poor, thereby moving them out of poverty. And the Reliance Financial Services’ CFO explained succinctly below, why they were founded, who they serve, and why microfinance:
From the onset, we wanted to serve the majority poor Gambian population. There was a very big vacuum in the financial sector. At that time, there were many commercial banks. As you know, The Gambia is a poor country, and most commercial banks serve those in the top end of the market—corporations and high-networked individuals, knowing that the majority of Gambians are unbanked or underbanked. In other words, they have no bank accounts or any access to banks, and by our estimates, 95% of the bankable population are either, unbanked or underbanked. We decided to set up this company to reduce that gap and serve the vast majority of Gambians. Why microfinance? Because The Gambia is poor. 60-65% of the population are living under the poverty line and can’t meet the basic requirements, and we believed that through microfinance, we would be able to help them with their financial capabilities and thus start enterprises. As a poverty alleviation institution, our main objective is to provide access all over the country, make access to financial services very easy and affordable. As you know, commercial banks in The Gambia require high sums of money to open a bank account. Reliance Financial Services, on the other hand, has very low requirements to opening an account. For example, when we first started in 2006, some banks were asking for a $200 minimum requirement to open an account, and keep the money there to hold the account. Well, that poses a problem. You have people making less than a dollar a day— just to have an account was calling for a lot. So, when we came to being, we asked clients for a $5 minimum to open an account with us, which was about 100 GMD\(^7\) at that time, and as we speak we have reduced that quota to 25 GMD, which is about a dollar, today. (Seedy Njie)

\(^7\) Gambian Dalasis
Question 3: The urban rural dynamic of microfinance—gleaning through your website, I find that the majority of the operations were centered in the urban areas of the country. Give me an insight into this mostly rural economic model being implemented in the urban areas. And, what’s the percentage breakdown of your rural and urban borrowers?

I decided to address this answer more in my discussion column named “Urban Experiment”, where I gave a detailed explanation of how this mostly rural phenomenon is thriving in an urban metropolis and what impact it could have on the urban dwellers of The Gambia.

Well, for us it is by design. We know that we wanted to start urban, then go rural, but again, you know there’s a big urban migration—actually, about 40%, 1/3 of The Gambian population live in the urban areas. What we mean by “urban” in The Gambia, covers about only 10% of the geographic area, only the Kombo. St. Mary’s Division— the western portion of the country. So, working in the urban areas, you can have access to more people, compared to rural areas. So that was the reasoning for us to start urban, but again, there is a different from methodology and approach compared to what Yunus did in Bangladesh, Yunus did what we called group lending, and that’s the micro, micro lending. Our micro lending, the smallest amount is 5000 Dalasis, these are really, really poor. Again, our lending base is individuals, not group based, the VISACAS, however, are group based. These are more applicable for rural settings for collateral reasons; these people don’t have anything for collateral, they use their membership as co-guarantors, they serve as social collateral. (Seedy Njie)

8 Urban Gambia
Well, when we started, we were only operating in the urban areas, and then we rolled it out to the rural areas…about 70% of our borrowers are located in the urban areas, about 30% in the rural areas. Also, we have about 60 thousands customers, and the majority are in the urban areas…

Follow-up question—how do those accounts work?

Okay, in the business of banking, you don’t just walk in and ask for loans, so you establish relationship first, and that’s by opening an account. Our strategy is from a conventional operations banking lending methodology—we require our clients to open an account and maintain it for three months, before we consider giving them a loan; the reason we do that is because the majority of our customers are generally illiterate, and they do not keep a book of records, and don’t know how their enterprises are doing. But through the way they operate their accounts, we encourage them to be saving the proceeds of their businesses on a regular basis. From the way their accounts are operated, we can determine their entitlement of what they ask for. Sometimes, what they request and what they need could be very far apart, so we should be able to tell the difference by looking at how they maintain their accounts. (Seedy Njie)

The CFO’s response here touches both on their strategy and operations. Unlike the VISACAS and the Grameen models, Reliance Financial Services is a commercial microfinance entity, and
as such they operate and employ methods that mirror that of the conventional banks, as noted above by the CFO. However, the response didn’t expound on how the people they deemed illiterate, and not able to make rational accounting decisions, would welcome this kind of advice from a group of elites (Gambian Standards). Also, it seems presumptuous, given that the majority of their clients are already running businesses, though small and mostly making less than 5 dollars a day, but as business owners, one would think that they know how to manage their funds and how to manage their businesses, albeit, small. However, this could also be looked at in a different light because a lot of small businesses owners in The Gambia are illiterate and helping them manage their funs from Reliance Financial Services and microfinance experts could actually help them in their endeavors to succeed as businesspeople.

**Follow-up question—so you all basically advise them on how to manage their accounts and on the financial side of things?**

Yeah, we provide them advice. Some understand business very well, but some of them don’t have a lot of borrowing experience, and don’t understand borrowing very well, so we tell them that we can help them with credit facilities. We also help them understand the product, the repayment requirements, and so forth. But, as we speak, our loan deposit ratio is about 30 percent, from a value point of view. For example, every dollar we collect as a deposit, we lend about 30 cents, we actually have a target for every dollar collected, we lend about 80 cents, and we are well below the target, for obvious reasons. Like you asked before, how many of our customer are living in the urban areas and how many are in the rural areas—you know that most of The Gambian population are rural dwellers,
and they are engaged in agriculture, but then, as we speak, we do not have an agricultural lending product. We don’t have anything designed for farmers at the moment, but we are just entering the second phase of our business cycle and we are currently working on agricultural products that we can take rural. By the time we go rural, you will see the amount of loans we give will go significantly. Right now, we don’t have the right products for the farmers.

**Question 4: In what ways does Reliance Financial involve the borrowers in the decision-making process?**

Unlike the Grameen Bank model and that of the VISACAS in The Gambia, as a commercial microfinance entity, Reliance Financial Services does not involve their borrowers in the decision making of the organization. As Seedy Njie alluded to in the interview:

We are not a cooperative, not a mutual fund, we are a company, and shareholders own the company. However, that being said, the company is guided by its mission, and goals, and the mission is to serve the average Gambian, and what we do is, we develop credit products, that we think will suit the needs of the average Gambian. As a regulated entity, these products are vetted and approved by the Central Bank before they are offered to the customers, and then it is up to the customers, and to us, to sell those products to the customers. We advise them on how the product works, and then it is up to them to contract the loan. To subscribe to the product, again, there’s a lot of risk in lending, we want to make sure that we lend in a responsible manner, when we lend we will be able to
collect the money, and to use that to give loans to other customers. We have to be convinced that the loans are collectible. (Seedy Njie)

**Question 5: Is there any form of collateral to your loans?**

One microfinance’s claim to fame has been its insistence of not collecting collateral, as a matter of fact; it’s the edifice and distinction of microfinance from the other commercial banks. However, with the involvement of commercial banks, which have to meet their boards and shareholders benchmarks, it would be very difficult to not take collateral. Nonetheless, it’s difficult to collect certain kind of collateral from poor people, unlike the mortgage banks and other commercial banks in the highly developed countries and even in urban Gambia, where the commercial banks require tangible collateral to take out a loan. Reliance Financial Services devised a very interesting collateral formula. The CFO explained how they work. When the question of collateral was put to him, he answered:

Yes, we do, but we do not say, you need a mortgage or landed property to get a loan. We can lend to you. For example, if a farmer comes and says they want to buy a power-tiller, we can lend to the farmer and take what we call a bill of sales on the power-tiller. Meaning, once we give out the loan, we hold the title until the loan is paid before we give the title to the farmer. However, we also take personal guarantees. For example, if you come and borrow, we will ask you to bring a guarantor, a friend, or family member, who is of good standing. But we also take something we call psychological collateral—these are of no value or material value to the company, but it has significant value to the
customer. For example, you contract for a loan but we need to take some personal items as collateral. So, let’s say, we take your matrimonial bed, furniture, and the furniture you gave to your wife as collateral, so, psychologically, you won’t want to lose those items. How Gambian society works, people would not want to lose those because they are of great value to them, this is what we call psychological collateral.” (Seedy Njie)

Reliance Financial Services collateral scheme is quite unorthodox and different, in relations to the grassroots type of microfinance, like the Grameen Bank and the VISACAS. The most interesting part of the collateral is the psychological collateral, which kind of mirrors the Grameen bank psychological model, where neighbors guarantee each other as collateral, as trust and pride are at the heart of these communities. In The Gambia, people give beds, furniture, and other items as dowry\(^9\), and such are deemed as sacrosanct as a ring is in the West, people don’t lose or give it away. These speak of one’s dignity, pride, and standing in the community.

**Question 6: How many percent of interest does Reliance Financial charge on microloans?**

Recently, there has been a lot of data and criticism of commercial microfinance activities in Africa and the high amount of interest they charge their customers. With that being a contentious issue, and given the fact that high interest rates would leave the poor customers in what Alexander Cockburn called “perpetual poverty”, the research asks how much interest they charge on each loan and if such interest rates would hinder the customers chances of moving above the

\(^9\) Bride Prize
poverty line. Below is an illustration of the interest rates that are charged by Reliance Financial Services and the amount of time that the loans should be paid by:

- The length of the interest rates ranges from 3-6 months
- They charge flat bases on interest rates, and the loans range from 25-30% flat, on average the flat rate of calculating loans.
- The average rate is 6 months, so for example, if the borrower borrowed for 6 months, then it means that they are going to be charged 15%, which is almost half of the 30%, they would charge for a year loan. If one borrows on a flat basis, like for one month, one would pay about 2.5%.

The interest rates really bothered me when the CFO responded that they charge between 25-30% flat, but after explaining the different kinds of loans and the durations of the loans, the rates seemed reasonable, compared to other high interest loans that are being charged by other commercial microfinance outlets across Africa and the Third World.

**Follow-up question—What is the biggest chunk of people who apply for loans, are they one year borrowers, 6 months, or? And, What’s the default and repayment rate?**

The lowest is usually 3 months, one quarter, and then the maximum is usually 12 months, we do have instances where we have 18 months or more, but those are not microloans, they are usually salary-based loans. And, as for the default rate, it was pretty poor when we first started, it was about 70%, but now it’s about 85% who pay back their loans on time. Our target is 95%.” (Seedy Njie)
Microfinance seems to have a very high repayment rate compared to other kinds of loans. In the study of the Grameen Bank, the study finds a repayment rate of 98% (Grameen Foundation) of, and even in the case of commercial microfinance outlets, studies show that they have a very high repayment rate, which doesn’t make it a surprise that Reliance Financial Services has a high repayment rate, as well. However, the CFO thinks that they can and will go higher by the time they reach the rural areas, and since Reliance is a new company, less than 10 years old, it is very possible that they will reach their goal of 95% in the near future. This, in effect, would help maintain the possibility of customer borrowing thus helping to maintain the company afloat.

Question 7: How many people are affected, impacted by these loans?

I decided to include the response of this question in my discussions segment.

Follow-up Question—So is your rural pilot project to going to be operated like the VISACAS?

No, it’s going to be under the umbrella of how we operate—we are starting a pilot project where we will be partnering with an NGO called Concern Universal, because agricultural lending is very specialized. You have to manage the value chain, you can’t just lend the money and fold your arms—you know. You have to support the farmer, even before they plant the seeds, and keep on supporting them until they profit from their produce.

Concern Universal has been working with the farmers, we’re partnering with them in this new venture. Hopefully, if successful, we will have other partners to work with us in rolling it out to the other parts of the country. (Seedy Njie)
This response shows how hard it is to operate in rural Gambia. Even the commercial microfinance companies need the help of NGOs to spread their operations to the provinces. Furthermore, we can tie this to the overall aid debate, which needs distinction, because, such kinds of assistance from NGOs are highly needed in the rural areas of The Gambia. However, such should be built that it’s not a perpetual cycle of aid, rather, a focus graduation from aid, to self-sufficiency.

**Question 8: What’s your overall look of microfinance in The Gambia?**

Generally, our conviction is that it is a very good poverty alleviation tool. Like all those needed to be applied to realize the value in them, the surface of microfinance barely started in the market; we have along way to go, and a lot of improvement is needed. Initially, it was an NGO based system, sustainably providing microfinance services to the people. You have to have a commercial outlook on microfinance, and that dimension is just beginning to take shape. Once this model is rolled out to the rest of the country, one would start to see a lot of progress. The Gambia is lagging way behind—compared to Latin American and East African countries—when it comes to microfinance. But is it effective? Yes, it is, but it has to be scaled up—the players in the market are not many, so a little success like our organization will entice other commercial entities to venture into it and people will begin to show interest in microfinance, but the market is very weak, as we speak. (Seedy Njie)
The GOTG, IMF, WB, Reliance Financial Services, and the VISACAS are all of the conviction that microfinance is a very potent tool in moving the poor out of poverty. Nevertheless, there still exist many obstacles in reaching the majority of Gambians, who are mostly self-employed, small business owners and farmers. Companies like Reliance Financial Services are trying to spread their sphere of influence to the rural areas, which are mostly dominated by the NGOs. As the CFO’s response suggests, if microfinance reaches the Gambian hinterland and operated efficiently, this could open the door for more credit access to the poor, and could encourage other commercial entities to delve into microfinance.

Question 9: Does Gambia have anything modeled after the Grameen Model and what percent of your borrowers are women?

Not based on Grameen model, are there group-lending products? Yes, there are, GAWFA, but they no longer meet the regulatory requirement, they are not allowed to do lending, they are not allowed to do any financial intermediaries. (Seedy Njie)

Um, we mostly operate in the urban areas and mostly men—60% men, 40% women, but it’s going to shift by the time we go rural, it is going to be 80%-20%. When we go rural, we are going to do group lending, and group lending is a female methodology, but as you know, it’s the women who form the “Kafoos”\textsuperscript{10}, the osusus\textsuperscript{11}, so by the time you do group lending, you automatically lend more to women than men. (Seedy Njie)

\textsuperscript{10} Local Women Groups
\textsuperscript{11} Form of micro-financial capital accumulation
This question sought to understand the urban, rural dynamics of microfinance. Most of microfinance, be it the Grameen or the VISACAS, is concentrated in the rural settings, dealing with mostly agrarian communities. Reliance Financial Services, on the other hand, brings microfinance to the urban hubs of The Gambia, and as such, they seldom operate like that of the Grameen cooperative style. However, the CFO stated that they are going to do group lending, once they go rural. This could be a very important development in the way they operate and the future of microfinance in The Gambia, given that most of the rural population haven’t encountered a commercial microfinance company before Reliance Financial Services. Furthermore, this means that they would have to deal with women, who up to this moment have been the ones involved most in microfinance.

Follow-up Question— What kind of businesses are the majority of your borrowers involved in?

It ranges, you have the women in the market—selling your “bissap\textsuperscript{12}, “kanja\textsuperscript{13}, and you have the commodity distributors, to your “boutique-narr\textsuperscript{14}. (Seedy Njie)

This is very instrumental to our findings because the majority of Gambians are small and micro business people. Who Reliance Financial Services’ borrowers are says a lot of who they do business with, and what income bracket these people fall into. Most of the people who are engaged in the selling of “kanja” and “bissap”, are people making about two dollars a day, and

\textsuperscript{12} Greens
\textsuperscript{13} Okra
\textsuperscript{14} Arab Store
with the help of some credit, they could start selling their products on a stool, and with some success—a canteen, and on.

*Follow-up Questions—Do you have any success stories of people who started from street vendor to big time shop-owner?*

Yes, we have a lot of those.

*Follow-up Question—Do you have any statistics on that, or is the information in your annual report?*

What we do is, as part of our induction for training our staff—we will invite some of our success stories to come and talk to our staff, and we can’t take those testimonials and put them in an annual report. (Seedy Njie)

Going through the Reliance Financial website, I found some testimonials from some of their borrowers. Below is one of the testimonials from a local tailor:

Reliance Financial Services is an excellent bank rendering exceptional services to its clientele. As the saying goes, seeing is believing, I serve as a reference point for any entrepreneur who wants to see and know the wonders of this great institution. I urge all entrepreneurs including tailors, carpenters, taxi drivers etc. to rush now and open accounts with Reliance in order to fulfill their dream careers. Jerrejefi15 Reliance, Ya Barri Jereng16. (Mr. Modou Gaye (Tailor - Banjul) (Reliance Financial Services, 2013)

This customer seems quite excited and upbeat about Reliance Financial Services and the services that they offered to him. This could be seen in his succinct praise of Reliance Financial Services

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15 Thank You
16 You are worthy and beneficial
in the local Wolof dialect, “Jerrejef” meaning, thank you, and “Ya Barri Jereng” meaning you are worthy and beneficial.

7-3 \textit{Main Challenges to Grassroots Microfinance in The Gambia (VISACAS)}

Microfinance is facing many challenges in The Gambia and among these are the grassroots, cooperative, bottom-up kinds of microfinance, which set out to coordinate, empower, give pride and dignity to the poor. In The Gambia, these grassroots microfinance organizations are called VISACAS. As mentioned in the Central Banks section, after the failure of the government run microfinance institutions, the government decided that it was going to involve NGOs in the process and they would provide technical support and other kind of support to the VISACAS. Nevertheless, the VISACAS are facing astronomical challenges to succeed democratically, given the politicization of rural Gambia; political heads that more or less represent the ruling party run even the villages. The VISACAS were actually started to be democratic and give a voice and dignity to the poor, but that is how they operate.

The VISACAS were actually started to be democratic and give a voice and dignity to the poor, but, they are managed and directed by the village development committee, and these village development committees are generally political entities. Those sitting on these VISACAS boards are very political—these VISACAS are highly politicized. The village development committee identifies people who will run the VISACAS on a day-to-day basis, and they are supposed to have a board setup and direct the VISACAS from a
policy point of view. My point is, at time you get people like the “Yai-Kompins\(^{17}\)” who are members of these boards, they can’t even write their names, so you can imagine, those are the challenges they do face. (Seedy Njie)

Another challenge the VISACAS are facing is that people who contribute to the savings are the people who need the credit, and their savings are usually insufficient to go around the group. For them to make an impact, it would take along time. First, they do not have the capacity to mobilize sufficient funds to go around; second, they don’t have the capacity to run the VISACAS as funds. Though the CBG is doing something to help them, cognizant of the challenges they are facing, they have setup something called the VISACA body, where all the VISACAS will be associated and will be provided with the technical support and technical assistance that they’ll need to operate effectively. As the CFO of Reliance Financial Services alluded to in the interviews regarding the challenges facing microfinance in The Gambia, things are being put in place by the CBG. But he also noted:

> It’s not clear how long it’d take to get them to be highly organized, and start serving the poor. The idea is good, because they are grassroots based organizations, to support those in the grassroots, but the illiteracy level in The Gambia is very high, especially in the provinces, and the level of business understanding in The Gambia is very low, as well.
> (Seedy Njie)

\(^{17}\) Local women group leaders
7-4 Main Challenges to Commercial Microfinance in The Gambia (Reliance Financial Services)

As the section demonstrated in Chapter II regarding the state of poverty in The Gambia, there’s a plethora of challenges facing The Gambia and its fight against poverty, and as a commercial entity in The Gambia, Reliance Financial Services is not immune to these challenges. The Gambia is ranked among the bottom of countries when it comes to literacy, thus affecting the growing demand for qualified personnel to run and manage institutions that require skilled and educated people. And when this question was put to the CFO, his response didn’t come as a surprise, but he asserted that the primary challenge they face as a commercial institution is the lack of qualified, talented people who could run and manage their company, stating that, they have a problem of getting the people they need to effectively deliver their products and services across the country. There is a limited amount of resources available, everybody is in competition, and be it the microfinance entities, the commercial banks, and other corporations—so talent is something that’s definitely scarce in The Gambia. (Seedy Njie)

And since the majority of the poor in Gambia live in the rural areas, it would be of paramount importance for the only commercial microfinance in the country—Reliance Financial Services to go upcountry and involve the mostly agrarian and female dominated sector. As part of their mission, they stated that they want to touch the lives of every single Gambian, and going rural would make sure that they engage the mostly uneducated demographic. However, they are facing challenges, as the CFO alluded to—to the question posed to him regarding the challenges Reliance Financial Services are facing at the moment. He stated that they “lack the personnel to go rural,
and help in the agricultural sector. To expand into the rural areas, we will need partnerships, with multilateral organizations, and if we don’t have such it is going to be very difficult, and require very significant investment costs.” (Seedy Njie)

The infrastructure in rural Gambia is very dilapidated; some of the roads are not even accessible by cars, some villagers have to walk miles to reach a hospital or go to school, thus isolating a big chunk of the population. The CFO’s further illustration of their challenges is answered below:

The infrastructure is very poor, so by the time you invest, it’d take forever to get your returns back. We will need multilateral support to operate in the provinces. But, that’s a big challenge, that’s why the commercial banks don’t venture into the rural environment. Another problem is capital. We are a regulated entity, we have a minimum capital requirement, and the little capital we have can only take us so far. If you go beyond, the regulators are behind your back. Basically, these are the three main challenges for the organization. (Seedy Njie)

**Summary of Findings**

My major contribution to the study of microfinance is that it found that there were microfinance entities that preceded neoliberalism in the African hinterland. One such microfinance entity is the Osusus, which is a form of microfinance found in Africa. Osusus are small microfinancial groups, where participants receive substantial amounts of money to meet planned heavy expenditure commitments. In this scheme, every participant agrees to make an agreed
contribution into a pool set at intervals. The amount collected is in turn disbursed to a member of the group and this process continues until the participants of the group receive amounts equal to the contributions they made. The cycle of savings and payments is repeated until at such time the Osusu group decided to discontinue the scheme (Thinkbesalone, 2007). This scheme was already in existence in Africa and the VISACAS built upon these principles, thus rebutting the argument that all microfinance is neoliberal. This form of microfinance is more of communitarianism than neoliberalism.

Another important finding is that government-to-government has been futile in moving people out of poverty, as well documented in Moyo and Sachs argument. Also, not all aid is bad because the aid the VISACAS get from the NGOs are essential to their very existence. However, there should be a graduation period for the rural microfinance entities like the VISACAS, to make it a viable poverty alleviation mechanism. Furthermore, microfinance alone cannot solve the poverty conundrum facing the African continent in general or The Gambia in particular, hence the employment of remittances and other poverty alleviation mechanisms in the fight against poverty.

Our study found that both Reliance Financial Services and the VISACAS do have a lot of success stories—poor people getting credit, opening businesses, and thus moving their families and themselves out of poverty. Another topic of discussion has been the effects of microfinance on the macroeconomic health of the economies of the Global South. Our study suggests that the effects of microfinance should be measured with a micro-economic barometer, instead of a macro-economic barometer because microfinance improves the lives of their members in one way or another and it does have local effects.

As illustrated in our success stories of microfinance and our interviews with the Chief Financial Officer of Reliance Financial Services, both Reliance Financial Services and the
VISACAS as a microfinance entity, give a sense of security, dignity, stability, and upward mobility to those living from hand-to-mouth. Microfinance facilitates the reduction of poverty, by extending credit to the poor, and from our findings, this research concludes that microfinance is not the orthodox charitable development method.
CHAPTER VIII  

DISCUSSION

My findings explore further questions three and four: are your members involved in the decision-making process and what interest rates do Reliance Financial Services charge on loans? These two questions are very pertinent to this study because this research strove to offer micro-enterprises and microfinance as alternatives to the top-down forms of development. Involving poor people in the informal market thus moves them out of the poverty trap. Also, this chapter will discuss how micro-enterprises work in the neoliberal market, be it the commercial or grassroots micro-enterprises.

My aim in this chapter is to amalgamate the data presented in Chapter VII and to apply those findings to the topics of neoliberalism, aid, and microfinance, and also to discuss briefly other dimensions of poverty alleviation, like remittances, that were relevant to my findings. One important thing this research found out is regarding microfinances involvement in the market and how they operate within and outside the neoliberal market, its urban implementation method, and a few success stories.

8-1 We Are All Neoliberals Now!

In present times, it would be very hard to operate outside the market, which is heavily neoliberal, irrespective of geography. Neoliberalism seems to permeate almost all of the economies in the world today, with few exceptions. This study finds that some of the criticisms directed at the neoliberalization of microfinance are somehow very generic and painted with a broad brush. If there should be criticism of microfinance, it should be directed to the businesses,
organizations that coopted the microfinance term and reshape it to meet their bottom-lines and interests.

This study, taught us a lesson that neoliberalism exists everywhere, it permeates every system; however, microfinance does and could work outside of the neoliberal ideals, given that there were forms of microfinance in the informal sectors of the Gambian economy, which were not built upon neoliberal principles. Microfinance has the potential to build upon existing domestic economic practices, like the Osusus in The Gambia. Microfinance, at its core is an alternative economic system, one that is not built on the ideas of neoliberalism, but became a neoliberal tool as time goes on. This means that markets do not necessarily mean capitalism, because there were markets and Osusus in The Gambia before the emergence of capitalism (neoliberalism), and microfinance in the rural settings in The Gambia, like the VISACAS, are not necessarily neoliberal. Microfinance in The Gambia is mostly a communalistic, cooperative, grassroots system whose main aim is to empower, give voices, provide opportunities, and move the poor out of poverty. The rural microfinance outposts in The Gambia operate like the local Osusus that already existed in The Gambia, well before the emergence of neoliberalism. The point is not that there is no macro-effect, but that even a small or immeasurable one is positive.

Furthermore, the emergence of Reliance Financial Services as a commercial microfinance entity promises something that is lacking in The Gambia—credit to the poor. According to Seedy Njie “95% of the bankable Gambian population is either, underbanked or unbanked.” With the decks stacked against the local street vendor, the “boutique narr,” and all those daily “banabanas” who lack the credit to operate efficiently, and otherwise would be living from hand-to-

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18 Arab Shop
19 Street Vendors
mouth, Reliance Financial Services offers an extending hand—credit to operate as businesses who would eventually go on to employ others.

The study of Reliance Financial Services, nonetheless, showed a potentially important part of this burgeoning enterprise, that without Reliance Financial Services, a lot of urban dwellers in The Gambia would not have access to credit from financial institutions, given the stringent collateral demands. Moreover, given that many urban Gambians are micro-traders, the emergence of Reliance Financial Services could be a game-changer, in that they will provide the credit needed for the mass of small business-people in the Kombo St. Mary’s division.

Lastly, it seems like a lot of critics of microfinance measure microfinance with a macroeconomic barometer. Microfinance has a microeconomic impact on the people who receive the services. For example, the microeconomic activities of the “Kafoos” in the outskirts of the North Bank division of The Gambia does affect the lives of the local people, but it’s seldom felt in the Kombo St. Mary’s division because of its micro effects—it is very localized. To base the success of microfinance on the macroeconomic performance of a country would be like evaluating how the stocks of General Motors fare using the Gross Domestic Product of the United States. To put it differently, this study shows that microfinance reaches the very poor, directly, compared to the government-to-government aid, which usually benefits those on top, and hardly trickles down. In addition, the top-down economic model of poverty reduction seem to have been designed for a formal, macro-economy, while microfinance has more impact on the micro-economy, and the poor people who are involved in it.

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20 Local women groups
8-2  *Urban Experiment*

This cooperative, grassroots phenomenon seems to work in very small villages, like the ones operated by the Grameen bank, where neighbors literally back each other as collateral. “As Dichter (2007) has stressed, it was becoming quite clear that most microcredit is actually used not so much for income-generating projects, but mainly to facilitate consumption spending. While consumption smoothing is a useful survival technique, this transformation represents a quite dramatic break with the original Grameen Bank innovation.” Microfinance, if operated properly, like that of the Grameen and the VISACAS, has the potential to bring communities together, to help in upward mobility, to improve their livelihoods, to grant them access to healthcare, and to improve the welfare of their families. As Reliance Financial Services have shown, this phenomenon works in urban areas, as well. Microfinance cannot just stay as a rural poverty alleviation method, if it is to have an impact on all the poor people, because most of the urban dwellers in the Global South, including The Gambia, are poor people who don’t have access to credit. Therefore, it has to reach the urban corridors of The Gambia, too, where about 40% of the population resides, and most of whom do not have access to credit or finance. For microfinance to work in an urban setting like the Kombo St. Mary’s division of The Gambia, the cooperative technique, which has been fueling the spread of microfinance around the world, would not work well, given the demographic and spatial make-up of urban Gambia. Since microfinance started in The Gambia, it has been mostly focused on the agrarian communities of rural Gambia. This has left many poor urban dwellers out of microfinance, and the emergence of Reliance Financial Services offers an avenue, where local street vendors and tailors, and the like, would have access to microloans, thus bettering their livelihoods. For example, the tailor from Banjul, who because of Reliance Financial Services, was able to become an entrepreneur in his own rights.
8-3 Success Stories

When the question of a success story was put to Reliance Financial Services CFO, he directed me to their website, and I was also able to find a 2011 Al-Jazeera documentary on Reliance Financial Services. I found some testimonials of success stories, ranging from tailors, to local shop-owners. The Al-Jazeera documentary was both critical and celebratory of Reliance Financial Services. In the documentary, they interviewed a small shop-owner, who has been a repeated microloan borrower from Reliance Financial Services. He started with a little canteen, and then opened a small grocery shop. At the end of the documentary, he was talking about expanding to another town and was discussing how to stop taking credit from Reliance Financial Services since his business was strong enough to operate without loans. This in effect is what microfinance was set out to do and can do—to uplift people and give them a sense of dignity and capital to move out of the poverty trap. This canteen owner is a success story of Reliance Financial, and as the Chief Financial Officer mentioned in the interviews, many other clients have reported the same success across the spectrum, some of which I was able to access through the Reliance Financial Services website.

In the process of this research, I found the most thorough and scarce research on the state of Gambian microfinance, especially grassroots microfinance in Atta Ceesay’s dissertation paper, titled: “Is Microfinance the Answer?” (Ceesay, 2011) In this paper, she asked questions pertaining to the role of microfinance in the lives of the VISACA members, their health, their children, their children’s education, and the difference VISACA made in their lives. The response her research garnered is some of what my research tries to find out—the impacts of microfinance in the lives of the poor Gambians, and how such could move them out of poverty, by giving them better access to
credit, among other things. Two recipients responded:

“It has really impacted me in the sense that could you imagine taking a loan of D400 which I was able to buy merchandise with. With this I was able to make a small profit, pay my loans within 3-4 months and feed the family better”. (70-year-old recipient, Sifoe\textsuperscript{21}) (Atta Ceesay, 2011)

“Without this place, my children would have been out of school without an education”. (42-year-old recipient, Berending\textsuperscript{22}) (Atta Ceesay, 2011)

“People used to travel all the ways to the capital in pursuit of credit - which they might not get. But the VISACA has been able to help in the areas of school fees, farming and petty trading”. (MC – Chairman, Burong) (Atta Ceesay, 2011)

“VISACA has improved the life of the community. People/Kafoos are able to obtain loans from the VISACA for agricultural education, livestock, to aid in their business, which helps to make their business sustainable. The poor at times in need of money e.g. D200 were required by business people to pay back two bag of groundnut after harvest (D1, 000) thus a huge loss to them. The VISACA has eliminated all that”. (Cashier, Mamud Fana) (Atta Ceesay, 2011)

The above response is what in essence microfinance could do—improving the lives of the poor in their involvement of microfinance in The Gambia. These people lives have changed for the better, because of microfinance, and with a very developed Gambian economy, microfinance could potentially have a greater effect on the economy as a whole, if only these rural micro-lenders could expand their operations to the urban centers of The Gambia.

\textsuperscript{21} A Village in Western Division

\textsuperscript{22} A Village in Lower River Division
8-4 Remittances

Another important finding of this research is the heavy concentration of NGOs in The Gambia. Even the GOTG employs microfinance as the main poverty alleviation method. The Gambia, like many other Third World countries, put a lot of time and effort into microfinance, as the main poverty alleviation tool. This is having a huge effect on the way the GOTG and other development agencies look at poverty.

Microfinance’s impact on the economies of many countries is still being debated. Bangladesh has boasts to be the edifice of modern-day microfinance, but it’s still one of the poorest countries in the world. This begs the question: is microfinance a great poverty alleviation mechanism? No doubt, this study and others have shown that, but it will take more than microfinance to bring the economies of The Gambia and other lagging economies to the new, tech-savvy, global economy, which has propelled the likes of South Korea, Japan, China, and now, Russia to economic power-house statuses. In the interview with the CFO of Reliance Financial Services, he touched on this briefly; he stated that the GOTG and other multilateral agencies should turn their attention to education, infrastructure building, and healthcare coverage for the poor. He also discussed the role of remittances on the Gambian economy, stating that the:

Remittances are an avenue that Reliance Financial Services is seriously involved in as a poverty alleviation mechanism. We came to realize that remittances have been the single most important factor in poverty alleviation in The Gambia. We are making a lot of impact in the lives of people through remittances. 16 to 20% of GDP is from remittances, and in The Gambia, almost every household has someone abroad, and most of those people send

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23 Government of The Gambia
something back home. This is what is sustaining the average Gambian more than anything, remittances is what is sustaining a lot of Gambians. (Seedy Njie)

Remittances, among many things, are what many development experts have been bringing up lately, as a poverty alleviation tool. In The Gambia, many people have relatives who are overseas, sending money to their families, sustaining many households. In her magnum opus: *Dead Aid*, Dambisa Moyo argues that for Africa to eradicate poverty, there ought to be a five year plan, where poor countries are incentivized to have access to finance and international markets, flanked by microfinance, trade, foreign direct investment (FDI), and remittances (Moyo, 2008). Commercial microfinance outlets like Reliance Financial Services are already invested on remittances as a major avenue in the fight against poverty, and this speaks volumes on how economies like that of The Gambia need more than one poverty alleviation mechanism to tackle the poverty problem. In the interview, Seedy Njie said that some of their clients do not need loans because of remittances that relatives wire through Reliance Financial Services. These remittances sustain some of their clients’ ability to run their small, micro businesses, so Reliance Financial Services only offer advise on how these clients could potentially operate as small business owners (Seedy Njie)
Chapter IX Conclusion

Other Relevant Discussion Themes

9-1 Aid and Microfinance

Even though the commercial micro-lenders like Reliance Financial Services do not take loans or any kinds of assistance from donor agencies, NGOs are very prevalent in rural Gambia, and as the this study noted, the VISACAS do get a lot of help from aid and development agencies. When asked if they get any kinds of aid from development agencies, Reliance Financial Services’ CFO responded:

We don’t have it at all. We don’t have any funding from multilateral organizations. We’ve had operating grants, and these were grants that were contracted by some of our investors, and these funds come from multilateral organization. But usually when you have private equity investors, they also come along with some grants to help with the capacity building, and so forth. However, we don’t take any kind of funds from donors, our funds come from the savings that the people save with us. (Seedy Njie)

The same cannot be said of the VISACAS in The Gambia. This study finds a very strong connection between the VISACAS and donor NGOs, who basically help in the running of these grassroots, microfinance cooperatives. This aid problem, as illustrated in the first chapter, goes to the heart of the debate between Dambisa Moyo, an opponent of aid, and Jeffrey Sachs, a proponent of such, on the topic of aid in Africa. Microfinance in The Gambia is heavily dependent on NGOs and other development donor agencies. A proponent of aid in the ilk of Jeffrey Sachs would argue that given that only NGOs are the ones operating microfinance in
rural Gambia, without the NGOs microfinance in the country would cease to exist. Dambisa Moyo, on the other hand, would point to the fact that a good chunk of these microfinance cooperatives that depend on the aid given to them by the NGOs really hampers their chances of making any meaningful progress towards self-sustainability, because aid fosters a culture of dependency.

This study finds that many of the cooperatives are working, but they are not very democratic, given the political climate in which they operate. This affects their effectiveness in both; fostering a sense of community and reaching their goals of self-sufficiency—moving their members out of the poverty conundrum they are in. This goes straight to the heart of the aid debate, again. It sheds light to the problem of the government’s fecklessness, and poor governance, and poses a very interesting question – should the government provide more assistance, or should grassroots microfinance be left to the NGOs to run? The aid debate is not as easy as some would suggest, if you look at Sachs’ argument, it would be quite impossible for these grassroots microfinance outlets in The Gambia (VISACAS) to operate without the technical assistance from the NGOs, to operate effectively. Most of rural Gambia lacks good roads, and only the NGOs have the resources to reach these peripheral communities, which otherwise, wouldn’t be reached by the government, in terms of both microfinance outreach, and other developmental needs. In a nutshell, both Sachs and Moyo have a point. For Moyo, perpetual aid hurts Africa more than it helps, and here should be a five-year exit strategy, that the donors should come up with. Consequently, Sachs would agree with that concept, which he espoused in his four-step strategy. For the VISACAS to remain a relevant entity, they ought to come up with strategies where they would be independent enough to not depend on the NGOs for technical and logistical support. This could happen, once they become an apolitical cooperative, rather than a political cooperative. Nonetheless, the political
clout these “Yai-Kompins” possess could be very helpful, if they could mobilize themselves to speak for their own initiatives and the problems facing women in these rural pockets of The Gambia.

9-2  **Results of Neoliberalism, So Far**

Results of neoliberalism, so far, have been mixed, to say the least. There has been few touted success stories, of which The Gambia is no exception. The Gambian economy has gotten worse since the introduction of the structural adjustment programs in the late 1980s: poverty has spiked, the financial sector—even though, it has gotten many perks from the government, hasn’t expanded credit to the majority of Gambians. Even though The Gambia hasn’t been the neoliberals good example, or success story, there have been some well touted success stories by neoliberals champions, who usually point to the following as success stories: Chile, the Korean crisis, Poland, Turkey’s Renaissance from banking crisis to economic revival, Tanzania, Brazil, Uruguay’s recovery from Contagion, and Ghana’s Economic Recovery Program (ERP) as success stories and models for other nations to follow. Critics like the Marxist geographer David Harvey would contest such claims; they would maintain that only Poland, which flouted the IMF advice, showed any marked improvement.

In Latin America, neoliberalism produced either stagnation (in the ‘lost decade’ of the 1980s) or spurts of growth followed by economic collapse (as in Argentina). And in Africa it has done nothing to generate positive changes (Harvey, 2007, p.154). The neoliberals and the World Bank usually tout Ghana as a success story, but after almost a decade of their Economic Recovery Program (ERP), and mass infusion of foreign aid, the country’s foreign debt has risen from $1.4 billion to almost $4.2 billion. Since the late 1980s, Ghana has paid more to the IMF than it has
received and environmental degradation is fast-paced and it is mostly because of the neoliberal ERP policies. Free-trade programs coupled with budget cuttings are casting doubts on the long-term recovery of the Ghanaian economy, and this imaginary success story is hardly a model for the rest of the continent. Ghana’s external indebtedness rose rapidly in the early 1990s instead of falling. Politically, democratization gave voice to the opponents of the whole SAP, ERP program. At the end of the last century, Ghana’s eminence as a success story for the SAP, ERP unraveled (North and South Divide, 120).

One of the neoliberals most talked about success stories has been its first experimental ground in Chile. Over the decades neoliberalism has stabilized the macroeconomy, restored growth, and renewed investment in Chile. On the other hand, neoliberalism did not produce high growth rates; it did not solve social problems, and did not solve the problems of unemployment and underemployment.

Today, the whole Latin American sub-continent is more democratic than it has ever been; life expectancy, school enrolments, birth rates, infant mortality and access to doctors are better today than any other time in their history. Additionally, the levels of poverty and inequality are lower, and Latin American countries are experiencing a boom in exports. Opponents of neoliberalism, however, would argue that these developments are not a result of neoliberal policies, but the policies of the state-led developments by socialist leaders, who have increased government spending in all major sectors. Essentially, the success of neoliberalism around the globe is highly challenged by David Held, in his magnum opus, *Cosmopolitanism: Ideals and Realities*, arguing that there are solid grounds for doubting that the:

- standard liberal economic approach delivers on promised goods and that global market integration is indispensable condition for development. The implementation of such
policies by the World Bank, the IMF and leading economic powers has often led to counter-productive results at the national and global levels. The countries that have benefitted the most from globalization are those that have not played by the rules of the standard liberal market approach, including China, India and Vietnam. (Held. 2010, p. 6)

As this study finds out, equating the results of neoliberalism could be very hard, nonetheless, from studies such as that of Held, Harvey, Klein, Harrison, and others, one could argue that, since its inception in Chile, it has done little to help the marginalized and the poor to elevate themselves and become viable economic contenders. In The Gambia, the economy has fared worse since the SAPs were first introduced in the late 1980s, thus the need to look for other avenues in revamping the Gambian economy, of which microfinance is already the leading poverty reduction method.

9-3 **Reliance Financial Services and the VISACAS**

The VISACAS operate differently from the commercial microfinance institutions, like Reliance Financial Services. First, the VISACAS functions differently from the Reliance Financial Services functions. The VISACAS are mostly run by NGOs, and mostly centered in the rural areas. They work just like Osusus: they make savings and from those savings, they collect savings from a close group, meaning all the people they collect savings from does not require credit. The VISACAS are the quintessential grassroots microfinance cooperative, whose main goal is to help the rural poor move out of poverty, by advocating for a cooperative, communalistic mentality to reach the goal of self-sufficiency.
On the other hand, Reliance Financial Services is a commercial microfinance company, which is owned and operated by professionals, with the aim of helping the poor, whilst also trying to accrue profits, to maintain the health of their institution. However, the common denominator is that both the VISACAS and Reliance Financial Services want to see a better Gambia, with fewer poor people, albeit, different approaches. This sheds light on a very important topic.

For microfinance to succeed in its goal of poverty alleviation, it cannot be only cooperative-esque in its approach, but also with a commercial outlook, which could potentially be applied to the urban areas of The Gambia. In this urban environment, cooperatives seldom work, given the dynamics of the urban communities, where poor people could actually run businesses without necessarily depending on a cooperative model of microfinance. This brings up the topic of how aid is administered, and it shows that there is a difference between government–to-government aid and humanitarian, developmental aid, which directly impacts the lives of the poor, for whom the aid is intended. One thing is certain from this study of microfinance, both Reliance Financial Services and the VISACAS, the commercial and cooperatives microfinance initiatives are needed in extending credit to the majority of poor Gambians, and both can play huge roles in the fight against poverty in The Gambia, and both also have the potential to improve the lives of the poor, as our interviews and our study of microfinance found.

9-4 Main Research Question Revisited

As noted above, this research wanted to address the questions in an effort to better grasp the way microfinance affects the lives of the unbanked and the underbanked. I begin my
conclusions by returning to the original intent of my study, to find out if microfinance is a catalyst in moving people out of poverty, or if it is another neoliberal ploy to exploit the poor.

I addressed question seven, “how many people are affected, impacted by these loans that Reliance Financial Services give out? The CFO responded that they don’t keep data on that as of now. This was expected given the relative lack of technological sophistication, and other expenses that might accrue in keeping record of such, and given that they have only been operating for seven years. However, he stated that their mission statement is “Changing Lives,”(Seedy Njie) meaning changing the lives of Gambians and if they don’t change the lives of the people they serve, the community, and The Gambia, then they would consider themselves a failure. He gave an example; “if you have somebody who is selling at the market, and if they are laying their own clothes on the ground to sell their products, and you get that person to get a store, then that means that you have changed that person’s life. Also, for example, if somebody has a store but has only one assistant, and then starts employing two or more people, then you are changing people’s lives”(Seedy Njie).

Given that 90% of their borrowers are repeated borrowers, this demonstrates that they are having a positive impact in the lives of the people they serve, henceforth, their communities, as well. Atta Ceesay did a study of the VISACAS and the impact that microfinance has on the lives of the rural micro-lenders in The Gambia, and he found that the loans these people get from their cooperatives have had enormous effects in their lives, their children’s school, their welfare—healthcare, entrepreneurship, and upward mobility.

With the failure of the neoliberal methods of the Structural Adjustment Programs (SAPs), and with these methods of top-down economic system, the pendulum hasn’t really swung towards the way of the poor. Plus the failures of the SAPs and ERP in The Gambia, it is safe to reach a
conclusion that the neoliberal methods of deregulation and leaner government hasn’t yield a great result, and that microfinance and other forms of development, like remittances, are a potent force in poverty reduction, since they actually deal with the poor directly, unlike the top-down forms of development.

Furthermore, this study reached a conclusion that microfinance, like the VISACAS, are inherently not a neoliberal idea. Although they have neoliberal traits, that doesn’t mean that any idea or phenomenon that has neoliberal traits is neoliberal. This study tends to disagree with Bateman and Chang’s argument that microfinance is based on neoliberal ideals of entrepreneurship and capital (Bateman, chang); this argument is rather generic because there were entrepreneurs and businesspersons in the African hinterland well before the emergence of neoliberalism. Some microfinance methods, like the VISACAS, are built upon these local Osusu ideas, which also happen to have neoliberal traits.
Appendix

MEMORANDUM

DATE: April 22, 2013

TO: Joyce Rothschild, Sulayman Njie

FROM: Virginia Tech Institutional Review Board (FWA00000572, expires May 31, 2014)

PROTOCOL TITLE: Participatory alternative and poverty alleviation forms of development compared with orthodox top-down, foreign aid strategies for development in neoliberal Gambia/Africa.

IRB NUMBER: 13-291

Effective April 22, 2013, the Virginia Tech Institution Review Board (IRB) Chair, David M Moore, approved the New Application request for the above-mentioned research protocol.

This approval provides permission to begin the human subject activities outlined in the IRB-approved protocol and supporting documents.

Plans to deviate from the approved protocol and/or supporting documents must be submitted to the IRB as an amendment request and approved by the IRB prior to the implementation of any changes, regardless of how minor, except where necessary to eliminate apparent immediate hazards to the subjects. Report within 5 business days to the IRB any injuries or other unanticipated or adverse events involving risks or harms to human research subjects or others.

All investigators (listed above) are required to comply with the researcher requirements outlined at:

http://www.irb.vt.edu/pages/responsibilities.htm

(Please review responsibilities before the commencement of your research.)

PROTOCOL INFORMATION:

Approved As: Expedited, under 45 CFR 46.110 category(ies) 6,7

Protocol Approval Date: April 22, 2013

Protocol Expiration Date: April 21, 2014

Continuing Review Due Date*: April 7, 2014

*Date a Continuing Review application is due to the IRB office if human subject activities covered under this protocol, including data analysis, are to continue beyond the Protocol Expiration Date.

FEDERALLY FUNDED RESEARCH REQUIREMENTS:

Per federal regulations, 45 CFR 46.103(f), the IRB is required to compare all federally funded grant proposals/works statements to the IRB protocol(s) which cover the human research activities included in the proposal / work statement before funds are released. Note that this requirement does not apply to Exempt and Interim IRB protocols, or grants for which VT is not the primary awardee.

The table on the following page indicates whether grant proposals are related to this IRB protocol, and which of the listed proposals, if any, have been compared to this IRB protocol, if required.

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References


