

Impact of Microcredit on the poor in Sierra-Leone



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ABSTRACT

This research focuses on examining the meaningful impact that microcredit has had on the poor people in Sierra Leone. Microcredit relates to the provision of money in the form of little trading loans; to impoverished clients and this usually happen in destitute communities, and it is done with the sole purpose of ensuring economic growth through the development of entrepreneurial activities.

As a result this is meant to reduce poverty by generating employment and also empowering women.

INTRODUCTION

Over the last two decades, the rising West African country of Sierra Leone has experienced political unrest, financial havoc, and a cruel civic war during most of the 1990s and dating back to the 1930s, gemstones have played a significant role in the overall economy and this have been a powerful feature of the rural economies and communities where they are stored.

Over the last twenty years, there has been much debate about the publicly talked about 'blood diamonds' which has been said to have played a major role in sustaining the conflict.

The protracted conflict wrecked much of the country and this led to enormous anguish to the people, with a supposed 50,000 deaths and the ousting of over half of the inhabitants. As a result of that, everyday trading activities were badly unsettled, majority of the country's infrastructure were dismantled and seriously wrecked, and financial hardship became extensive and thoroughly embedded

Key Questions

RESEARCH QUESTION

Is Micro-credit a solution or part of the solution to Poverty?

Does Non-Governmental Organizations have a vital role to play in the reduction of poverty around war-torn countries?

HYPOTHESIS

Microcredit is a means to poverty eradication, and not an end in itself. Efforts for operational sustainability must target not only the less poor capable of repaying loans, but include the otherwise marginalized poor.

finance Salone: This was instituted in 2005 and is potentially the principal microfinance institution in Sierra Leone.

In 2010, Union Trust Bank purchased a major shareholding in it. Even with its partnership with Union Trust Bank, it is not permitted to acknowledge deposits in its own name and thus only have loan products.

Salone Microfinance Trust (SMT) is a microfinance institution situated in Sierra Leone that began her activities following the conclusion of the battle in Sierra Leone around 2002. It was established by the global NGO Child Fund.



MICROCREDIT: A TARGET FOR WOMEN

In Jobra (a small region of Sierra Leone), it was realised that it is always difficult for borrowers to organize themselves into groups, so to make things quite easy, an intending borrower would have to convince a second person to join the group, and the two would come together to convince and enlist more members.

The moment a group of five has been formed, the bank would give out a loan to two members of the group, and if they can pay back in six weeks, two more members of the same group could request for loans.

Each group member had to present themselves to the bank to experience at least seven days of serious training on the bank's codes, customs, guidelines and protocols and also to be tested on their understanding of the codes and conducts.

Since its launch, Grameen Bank has formulated its reimbursement methods to the following formula:

- Loans simply stays for one year
- Payments are paid weekly
- Paying back commences one week after the loan has been granted
- An yearly interest rate of 20 percent is charged
- Repayment amounts to two percent of the loan amount per week for 50 weeks
- Interest payments amount to 2 taka every week for every 1,000 taka of the loan amount.



MODELS OF MICROFINANCE IN SIERRA LEONE

Microfinance is surely one of the main ways for continual access to funds and thus includes microcredit, small savings and small insurance.

Saving: Even though their earnings can be erratic and inconsistent, the penniless need more revenue that what they have presently." The demand for important large funds arises from growth events such as childbirth, schooling, wedding ceremony and death from crisis which includes sickness and from chances to devote in resources or economic activities.

Size of Desire for Loans: The urge for microcredit is significant and it is soaring across the country. In spite of the reality that only 10% of families currently possess bank credits outstanding, 58% are fascinated in acquiring loans in the next year. Sierra Leone remains a mainly a local country, with 63% of the inhabitants living in unpalatable buildings, majority of the country's economic activity are located in the capital city of Freetown.

NGO-MFIs: There are roughly about nine effective microfinance institutions (MFIs) in Sierra Leone. Different from community financial institutions and commercial financial institutions, MFIs are not permitted to acknowledge deposits.

RESULTS

In the year 2000, using a grant of US\$50,000 by the UK Department for International Development (DFID), the Sierra Leonean Market Women Association establishes microcredit strategies to increase the standards of living of their members. The project was set out by the then Minister for Department for International Development, Claire Short, in Freetown in one of Freetown's main markets. From 2000 to 2003, the plan of action was ran very successfully as seen by the large access of market women to the loan support (90 percent of the loan funds was of great assistance to the women), the huge success proportion of projects (about 70 percent of microcredit beneficiaries gained from the support) and high rate of credit recovery (nearly 80 percent of the credits were received except for scenarios of unexpected crisis.

As a positive result of the Freetown evidence, microcredit was taken to market women in six more regions in Bonthe, Bo, Kono, Makeni, Kabala and Kambia regions



CONCLUSIONS

The republic of Sierra Leone similar to her surrounding countries is endowed with a wealth of unadulterated riches; unfortunately, the country stands as one of the impecunious in Africa.

Inadequate formal education lingers on as part of the obvious issues infecting Sierra Leone, as evidenced in the education rate at 35.1% and the female education rate is at a lowly 24.4%. Sierra Leone is a member of the top 10 poorest countries around the globe with 81.5% of her populace living in total hunger and poverty. Juma, a growing business woman says that the credits she received have transformed her life. She can now make available a bright future for her children and she is part of BRAC's microfinance unit in the Kenema district.

In 2012, BRAC got across to over 19,926 people, trained 27 BRAC employees, 209 community farming promoters, 174 model agriculturist and 3,321 general agriculturists and farming equipment's were distributed to 2,577 agriculturists, seeds and fertilisers to 2,664 agriculturists so microcredit as evidenced in Sierra Leone is part of the solution to poverty and this case proves that Non-governmental organizations have a vital role to play in the reduction of poverty around war-torn countries.

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