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Kerite and Collateral: Women's micro-credit in western Mali

by Angela Horvath

Abstract

This ethnographic case study is taken from Kenieroba, western Mali, a region characterized by limited transportation, industry, and commercial agriculture. Open-ended interviews with women, performed in all 35 households, show that effective micro-credit programs require transparency, accountability, capacity building elements, a staff knowledgeable about local economic conditions, and agents who transform knowledge into sound investment advice. Women in rural Mali use kerite nuts, an edible tree fruit, as a bank account; when a woman needs cash, she 'withdraws' some nuts from the forest, processes them, and sells the shea butter on the local market. During famine, the shea butter, a high calorie sauce base, can be eaten. A woman's stock of kerite therefore doubly ensures food security and provides cash in a cash-poor environment. Loan repayments depleted kerite stock, making women more economically vulnerable and less food secure. Thus in an impoverished environment micro-credit turns out to be a double-edged sword: if programs are poorly run, they do more harm than good.

Introduction

Nya Diarra proudly showed us her gunnysacks stuffed with heart shaped nuts. She explained that this was kerite, a tree fruit. It could be processed into a popular and nutritious sauce base. She had managed to gather about ten sacks this season on her forays to the local forest. Each gunnysack would last a month, if the butter were only eaten. Of course, Nya had to sell some of it, from time to time. She was left with two sacks, about enough to last until the rainy season, when times would be hard and the villagers would have to tighten their belts.

In 1976 Muhammad Yunus began the revolutionary Grameen Bank in Bangladesh, which loaned small amounts of money, i.e. microcredit, to the rural poor, typically a group without land or other collateral. This allowed Bangladeshi individuals to band together and borrow money in groups. Women were targeted, being the least able to access cash or own land; they had little collateral that would give them access to traditional loans. Profit oriented activities, housing, and schooling were considered the three main justifications for loans; household consumption was not¹. In an attempt to limit exploitation, bank branches were owned and directed by the group of borrowers. Groups met weekly to make decisions and receive educational seminars by bank staff². The Grameen system corrected for the two common information asymmetries involved in banking: adverse selection (friends or neighbors chose each other based on years of prior interaction, and thus those who could not be trusted to repay were eliminated) and moral hazard (two of a five-member borrowing group received loans and the other three pressured the first two to repay so that they too could receive loans³). Loans were

¹ <http://www.grameen-info.org/bank/cds.html>

² See "The Sixteen Decisions" at <http://www.grameen-info.org/bank/the16.html>

³ <http://www.grameen-info.org/bank/GBGlance.htm>

successive; once a loan was repaid, the borrowers could take another. Villagers repaid in installments, beginning soon after the sum was loaned (Jain and Mansuri 2003), and interest rates were kept below informal exploitative rates. Grameen interest rates were higher than the average formal rates, because of elevated transaction costs and the high risk of default (Khandker 1998). Agents visited borrowers at home, which boosted repayment rates but increased transaction costs.

Neo-liberal economists may tout microcredit as the ‘poverty exit’-- programs are often seen as replacing other social security measures (Van de Ruit 2001)-- but they also criticize microcredit’s financial un-sustainability; high interest payments cannot cover operational costs (Easton 2005). The Grameen Bank is dependent on donor support (Hassan 2002, Morduch 1999, Morduch 2000). Other critics of Grameen claim that borrowers would be better off with formal job training than with loans that encourage them to stay in traditional low-income, low-earning informal economies⁴. Still others say that micro-credit lending does not lead ultra-poor from informal economies to commercial investment, but can only reach the mid-level and upper-poor (Shaw 2004, Hassan 2002). And finally, discourse critics claim that microcredit does not necessarily empower women⁵. In fact, one survey in Bangladesh found that 63% of loans were controlled to some extent by a male relative (Goetz and Sen 1996).

Borrowing based on social collateral Grameen-style has been implemented in rural areas throughout the world with varying success (Hassan 2002). In Sub-Saharan Africa, where credit traditionally takes the shape of informal rotating credit associations⁶, group lending involving peer pressure is not a new idea. Nevertheless, microcredit programs have seldom allowed borrowers to exit poverty (Schreiner and Nagarajan 2000). In Mozambique, micro-credit institutions failed to alleviate poverty because they were more interested in making their organizations financially sustainable than in serving the poor (Van de Ruit 2001). In Burkina Faso, borrower illiteracy led to distrust of agents when loan regulations changed. The distrust was sometimes warranted: embezzlement was common, as borrower groups could not keep their own books. Microcredit was able to help only those groups who could read or had honest field agents (MkNelly and Kevane 2002). Nevertheless, studies in both Mali and Ethiopia have shown that long-term micro-credit borrowers were less likely to experience food insecurity during drought than recently enrolled borrowers and non-borrowers, because their incomes were more diversified (Doocy et al 2005, Dunford 2001).

To judge the success of a microcredit program one must define its goal. Microcredit programs should make communities less vulnerable, but this is very general. More specifically, should microcredit start small banks that sustainably lend to the mid- and upper-poor? Should it help the ultra-poor smooth their incomes and become less vulnerable? Or should it help all levels of the poor become investors and exit poverty? Depending on the financial services offered to the poor, microcredit lending can achieve all three. In practice however, it tends to help those who already have extra-loan

⁴ <http://www.leftbusinessobserver.com/Micro.html> Neff, Gina. October 1996. “Microcredit, microresults.” *Left Business Observer* #74.

⁵ <http://www.developmentgap.org/micro.html> “Micro-credit no Panacea for Poor Women” by Nan Dawkins Scully

⁶ Rotating credit associations are traditional African savings institutions. A group of villagers will deposit small amounts of money with a trustworthy member until they have enough to loan a lump sum for a short amount of time. The loan is repaid without interest and passes to the other members on a rotating basis.

investment capital, business experience, and social capital within their community. The ultra-poor easily slip through the cracks. If project design and management don't focus on transparency, screen borrowers, build borrower capacity, communicate sound investment advice, and adapt to local economic conditions, microcredit programs will at best only help those with a proclivity to succeed.

This ethnographic case study focuses on a women's microcredit project in rural Mali. Village women's spending and investment habits are examined with respect to the lending body's operational structure. The dynamics of food security and cash availability in rural Mali are also discussed.

Research Site

Mali is one of the world's ten poorest countries. Eighty percent of the population live in rural areas and work in agriculture, fishing, or pastoralism. Sixty four percent live below poverty level; in rural areas the figure rises to 70%⁷. This widespread poverty is partly due to the harsh environment; Mali is prone to variable rainfall, cyclical drought, and food shortages (Abdulai and CroleRees 2001). In the West and North of the country, poverty is exacerbated by inadequate infrastructure, limited industry, low population density, and restricted commercial agriculture.

Open-ended interviews were conducted in Kenieroba village, located six kilometers from Kita, the regional capital of western Mali. Thirty-six women were interviewed over three months, usually in the presence of their husbands or some other male relative⁸. A male translator was always present. The interviews lasted about fifteen minutes, and usually took place while the woman was cooking or performing other morning chores. Informal contact during the three-month period added depth to the women's stories.

Kenierobans are subsistence farmers; millet and peanuts are their staple food. Many villagers raise cotton as a cash crop. Some are wage laborers in Kita. Others migrate seasonally for work. Most Kenierobans belong to the Malinke ethnic group, with only three exceptions. All villagers speak a pidgin of Bambara and Malinke. Four villagers speak French. One village leader is literate in French, and the imam can read Arabic, but no one to our knowledge could read or write Bambara.

The traditional division of labor assigns economic tasks by gender. Women and men have separate but interconnected economies (Darity 1995). Women are responsible for providing meal sauces, shoes and clothing for themselves and their children, and, periodically, medicines for children. They also must replace household items, like kitchen utensils or agricultural tools and buy their own garden seeds. A woman is expected to contribute to the family's assets by farming peanuts, gardening and gathering wood or food items in the bush. Men are expected to supply unprocessed grains, build and maintain housing, pay for medicines and provide large household items, such as furniture. If they have livestock, they must provide for a shepherd; if they hire day

⁷ <http://www.cia.gov/cia/publications/factbook/geos/ml.html> Poverty line is "based on surveys of sub-groups, with the results weighted by the number of people in each group. Definitions of poverty vary considerably among nations."

⁸ The village leader was present during at least half of the interviews. His presence may have prevented the woman from giving information freely.

laborers in the field, they must pay salaries and lodging. Men also must repay any debt they incur on agricultural inputs. They must purchase farm materials such as grain seeds, tools, and, if possible, heavier implements, such as plows. Men often aspire to purchase donkey carts, motorcycles or radios. Women rarely enter the formal economy; men do.

Savings

Livestock in Africa has long been associated with wealth. It can “smooth income” during economic shocks, an “insurance-in-kind” (Anderson et al. 2002). The stock of animals can be exchanged for cash or grain when other resources fail (Fafchamps et al 1998). One case study from Niger found that “livestock liquidation was the principal means by which...farm households financed their cereal needs following the 1984 drought” (Swinton 1988). Men traditionally control livestock, and usually a male household head will decide when to sell or slaughter an animal.

Little attention has been given to women and their forms of saving in the gender-stratified West African context. Women can own livestock but as they have less access to cash and more to labor, they tend to use agricultural products as savings. In Kenieroba, women “bank” with kerite, a tree nut found in West African forests, which is collected and processed into shea butter. Women with their own land may also sell peanuts, which they plant and tend. Maintaining a reserve stock of kerite increases the ability to deal with lack of other resources, such as base grains, thus fostering food security.

In a society close to subsistence level, food assets are nearly as important as cash, so it is necessary that the ‘bank’ account provide both. The women’s nuts represent two forms of wealth: food and access to cash. The ‘bank account’ is eaten when outside economic forces make animals or nuts difficult to liquidate. While this represents a sophisticated adaptation to a variable climate, it is not insurance against all risk. Should a woman be forced to sell a large quantity of nuts for cash, she may not survive a future drought. Not only is her food security threatened, but her savings account is exhausted. She will be less able to cope with emergencies that demand cash.

Cash-Limited Environments

A village woman states, “In a time of need you must search for money but if it’s already in your hand you can resolve your problem” (interview with Binu Suko, April 2005). The total amount of cash available to villagers depends on contact with formal markets, usually located in population centers (Awudu and CroleRees 2001). Cities are a source of cash, with their industrial and service sectors. Kita boasts the Malian Company for Textile Development (CMDT), several governmental and NGO offices, two small factories, a bank, and an active market dealing in grain, seed, household goods, and fertilizer. This activity pumps cash into Kita but village economies are semi-closed systems. Cash flow from city to village stagnates. Small amounts of cash circulate among villagers, but new injections are limited. Cash flows out of the village are much more fluid. Villagers buy most goods and services on the Kita market, where the money is reabsorbed into the urban economy. The result is that villagers stay cash-poor. The cash-scarcity problem is three-fold. First, cash must be obtained, ideally on a regular basis. Second, it must be kept. And third, subsistence villagers can’t afford to play markets to

their advantage, so buy and sell things at less than ideal prices. Their use of cash is inefficient.

1) Obtaining Cash

Subsistence farmers obviously don't receive salaries. Credit is scarce as well, because farmers and their families have very little collateral⁹. Formal credit is offered only to male farmers who raise cotton and is distributed in the form of agricultural inputs, not cash. Informal credit can be obtained from a private lender, but these sums are usually usurious and taken only in emergencies. Cash crops bring in lump sums only once a year. Seasonal wage labor may be available if the village is close to an industrial plant; in Kita, salaries are paid once a month over a period of six months. These formal sources of cash raise men's incomes, but because lump sums are distributed only certain times of the year, cash supply is not smooth. Additionally, women cannot enter the formal economy; their economic participation is restricted by gender norms. Like men, they can sell firewood, agricultural products, or crafts in the city to obtain cash¹⁰. They can also join rotating credit and savings associations with their neighbors. A group of women can hire themselves out for concentrated agricultural work a few days each planting season¹¹. Alternatively, both genders can benefit from charity. Cash is distributed when richer town dwellers give monetary gifts to their village relatives. Also, begging is socially appropriate for some sections of the population such as women with twins, the lame, the blind, and Koranic school children¹².

2) Keeping Cash

Once cash is on hand, villagers find that it easily disappears. People cite "poverty" as to why they can never keep money in the hand (interviews, March 2005). Marium might need antibiotics for a cut that festered, taxes are due soon, Habi's new baby needs a vaccination, and the millet is running out-- all situations that demand cash. Subsistence farmers lack liquid assets, so when cash is available, it quickly flies to overdue family needs. Much of the cash that enters the village, exits promptly.

Saving lump sums of cash is very difficult for the poor (Matin et al 2002). Villagers have no socially acceptable way to save, barring rotating credit associations. If a friend, relative, spouse or child needs cash and Binu has it, she must give it without expectation of return. The social consequences of refusing to give when requested can be harsh. Many women choose to enter rotating savings associations or keep their assets in raw form. It is much easier to refuse requests from poorer family members with, "I am sorry. I have no cash," than with "I have cash but am saving it for times when my problems will come." However, a villager wouldn't dare to ask his aunt to make and sell shea butter so that he could borrow the profit. Women find it easier to keep shea butter in its unprocessed form: kerite nuts.

⁹ Though most families own land, it is not considered collateral. Officially, the Malian government owns non-private land but in practice, villages own their surrounding land. The chief is the ultimate authority over village lands. Only with his permission is land distributed.

¹⁰ Most of these products are raw materials used to feed or house urban populations and have no value added.

¹¹ Each woman would keep a share of the profit.

¹² This is not an exhaustive list.

3) *Market Dynamics*

Many villagers lack the capacity to maximize profit. A few don't understand market dynamics or are not numerate; they lack human resources necessary to play the market. However, most villagers understand local economies and act 'rationally' according to local conditions, i.e. they balance their economic, social and familial obligations. These villagers lack financial capability and are subject to the whims of the market. They need to eat every day, whether a kilo of millet costs 100 or 250 CFA (approximately 50 US cents). Subsistence farmers, because of food insecurity, must concentrate on smoothing their consumption, not maximizing gains. None of my interviewees waited to sell their kerite during the rainy season, when stocks dwindle, demand remains high, and prices rise. Binu Suko sells kerite when she needs to buy soap, not when the price of shea butter rises. I asked Fana Suko if there was a time when shea butter was more profitable and if women waited to sell until that time. She replied, "Yes, there is a good time to sell, but people don't have money. They sell shea because they can't wait for money. They have need" (interview, April 2005).

It is very difficult for villagers to invest their cash. In communities close to the subsistence level, cash is predominantly used to obtain basic necessities, not to make more cash. Kenierobans consume most items acquired with cash. Women buy shoes, clothing, and utensils, which cannot be reinvested and which periodically wear out. Soap quickly washes away. Its use may prevent illnesses that could cost money in medical bills and lost labor, but few households can afford medicines and many villagers continue to work when they are sick. Aluminum roofs may mean less time spent on house repairs, but unless the extra time is reinvested in another moneymaking activity, the roof may not see an economic return. Commercial seeds bring larger or better harvests, but the assets are mainly in the form of food products, which families consume, not sell. Villagers rarely amass enough wealth¹³ to buy investment goods that require lump sums of cash, such as plows, animals for traction, cameras, or automobiles¹⁴.

Soto Bajo and Women's Micro-credit

The Soto Bajo micro-credit program entered the Kita area in 2003-2004. The staff was entirely Malian, predominantly women. They all spoke the local dialect. USAID's Population Health Finances Program funded the program. Soto Bajo had a history of working with women in Kenieroba and surrounding villages. They had previously sent agents to the village to discuss family planning and child nutrition. The loans however, were meant to create small business opportunities for individual women. Soto Bajo encouraged the women to buy spices in Kita and sell them in the village at a slight profit.

Credit was given over periods of three months or six months at 10% or 20% interest rates respectively, constituting an interest rate of 40% per annum. Loans were given during one year; there were three rounds of loans at about 300,000 CFA per round. The first round was during the cold season, immediately after the harvest when food is plentiful. Seventy-seven women entered the program. Though USAID initially gave only 300,000 CFA, so many women wanted to join the program that they added another 75,000 CFA to the original principle. After three months, the women repaid their loans

¹³ Credit being the exception

¹⁴ Those with cameras often take pictures for hire, charging 500 CFA per photograph. Automobiles may be used to transport goods or people from place to place for money.

and the second round began. Soto Bajo distributed 300,000 CFA from the repaid loans¹⁵. They kept the interest for operational costs, roughly 30,000 CFA. Three months later, the third round began at 20% interest over 6 months. This round took place during the rainy season, when food assets are lowest, hence the longer repayment period. Soto Bajo collected 60,000 CFA interest after this round. Total interest over the year would be about 120,000 CFA. The original principal- 375,000 CFA- would have been returned as well.

A monthly fee was demanded, as “guarantee”. The fee was 100 CFA per woman, regardless of the amount borrowed. The women were promised that the fee would be returned upon loan repayment. While a woman might refuse a loan during one or more rounds, she was still required to pay the 100 CFA fee per month. The number of participants in the last three rounds dropped into the 50’s in contrast to the original 77 borrowers, but Soto Bajo theoretically would have collected and returned 92,400 CFA in guarantee fees over the program’s duration. An informant in the village claimed that instead of returning the 300 CFA guarantee fee during the first round, Soto Bajo kept the fees even when a woman repaid in full. He claims that Soto Bajo took 150,000 CFA and exclaimed, “That’s half of what they loaned!” Assuming 77 women gave 300 CFA each, the sum would have only come to 23,100 CFA and it is unclear how the informant calculated the higher number. However, the women were discouraged and around twenty dropped out of the program after the first round.

Soto Bajo claims that they couldn’t get the villagers to pay the monthly fee so stopped visiting the village. The women were then expected to pay the fee at Soto Bajo’s office in Kita, but many complained. A village leader took it upon himself to collect monthly fees after the first round. He saved the money and the women decided to spend the pooled funds on aluminum roofing for the kerite grinder and its motor.

Upon examining village files, it seems that the village leader continued to loan money after the official project had closed, for at least another two rounds¹⁶. At least 55 individuals participated in all rounds but several men were included. USAID had clearly earmarked the loans for women and it is unknown at what level the loans were diverted.

Continuing the loan program actually represents a success in micro-credit terms; the program could sustain itself for some time after donor funding ended. However, it is unclear if the village leader ran the 4th and 5th rounds or if Soto Bajo continued to give the loans. At the date of interview (June 2005), Soto Bajo was loaning money to individual women upon request from their Kita office.

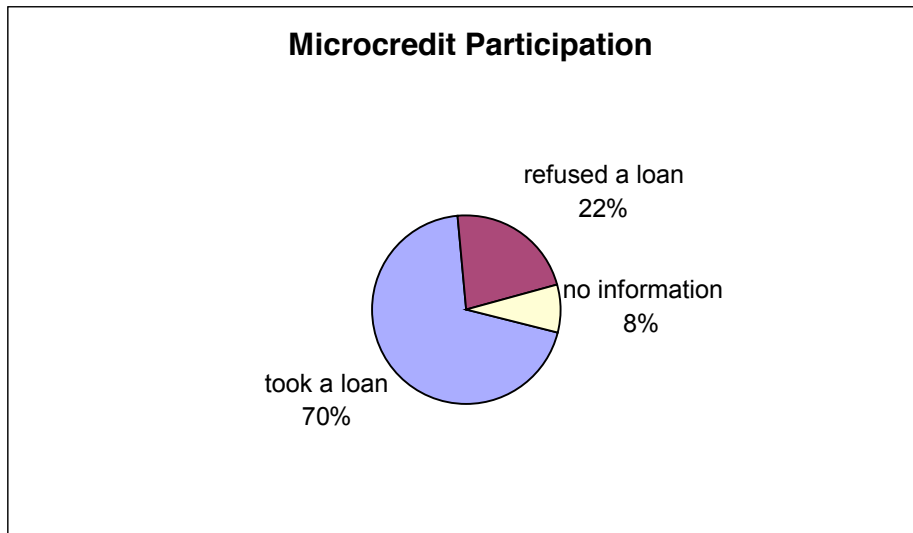
Quantitative Results

Eight out of thirty-six interviewees took no loans. Seven feared being in debt and refused. One lived temporarily in another village but would have taken a loan had she been present. Four women provided no information about loans but they were either very old and had trouble understanding the questions or very young and too embarrassed to talk with us. I assume that the three older interviewees are no longer functioning as breadwinners and did not take loans. If they did, perhaps the money went to them only in name, to be used by their sons or daughters. The fourth non-responder dyes gums for a

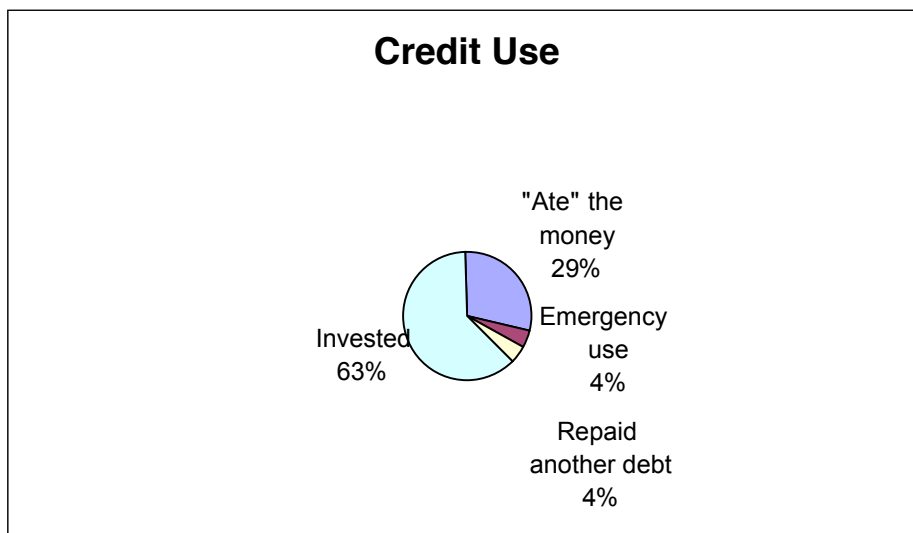
¹⁵ I do not know why the 75,000 CFA was not redistributed.

¹⁶ The village leader refused to show me the sixth list. I assume it contained a sixth round, but cannot be sure.

living but is a recent immigrant to the village. She may not have been socially integrated enough to be included in the loan process.

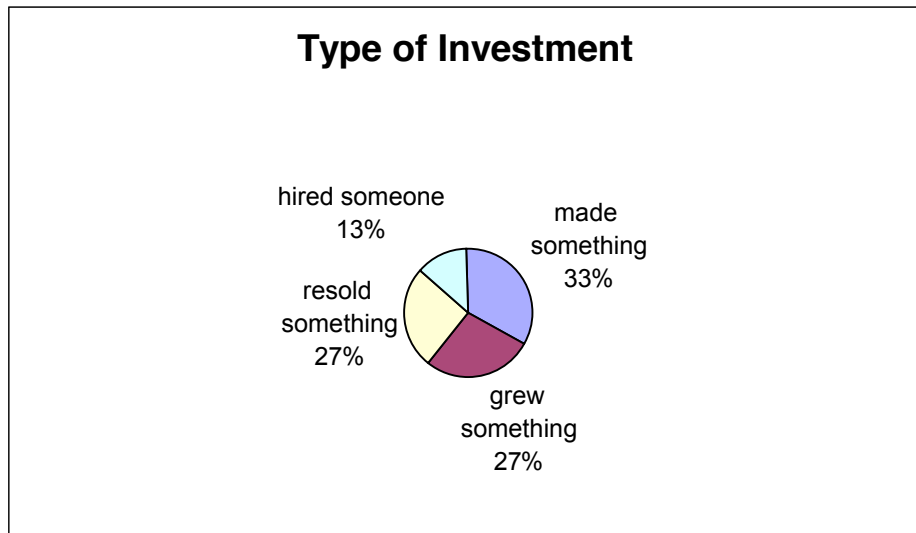


Twenty-four of the thirty-six did take loans. Nine used the money to pay for things that produced no monetary profit. Four improved their family's lot by buying medicine for a sick child, paying a former debt or providing food. We do not know how the other five respondents used their money but they laughed and covered their faces when asked. I assume they spent the money on items they considered non-essential or embarrassing to talk about in front of men. Alternatively, perhaps, they did not use the capital themselves, as their husband or male relatives appropriated the sum.



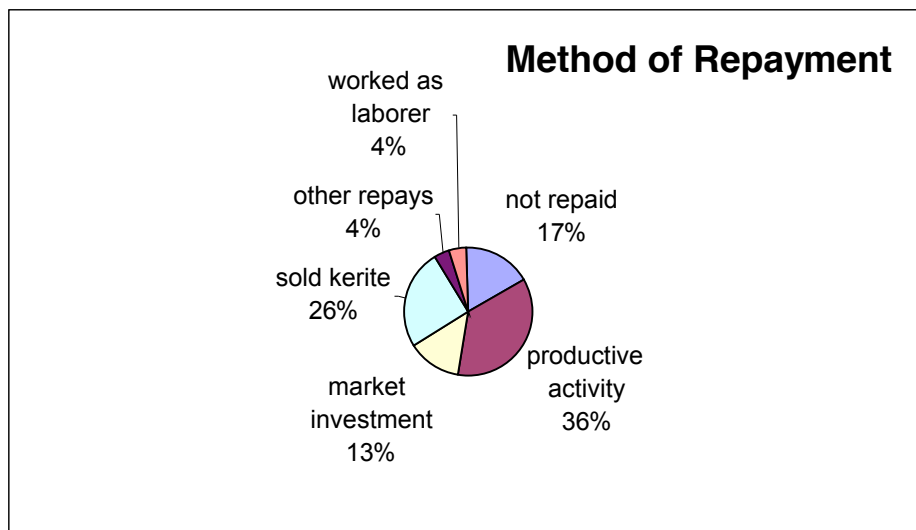
Of the 15 women who did reinvest the money, seven bought things to resell: Three bought materials in Kita to embroider cloth and then sold their value added product in nearby villages; three bought spices and vegetables in Kita to resell to villagers; one

bought millet in Kita and resold it in the village at a profit. Four women bought agricultural seeds. Two paid kerite-grinding fees. Two hired laborers as farm hands or to plow their agricultural fields.



Only seven of the 36 women had regular independent sources of non-agricultural income: one as a domestic aide, one making and selling clay pots, and two selling cakes or other sweets. One woman received charity because she had twins. Another worked periodically for an NGO, and a seventh dyed gums for money.

Of the 24 women who took micro-credit, only four had not repaid at the time of the interviews. Eleven repaid their debts using money they had earned from their investments. Six repaid their debts by selling kerite butter. None of the six had invested their original money in making kerite butter. One woman's mother repaid the debt for her. Another repaid her debt with domestic wage labor she performed in Kita. And a final loanee did not answer our question.



Most interviewees said they earned a little money with their loan. Four respondents said they didn't like the program because the term was too short or the sum too small. Seven would take loans again if the program were offered, although some requested easier conditions.

Successes

Soto Bajo's credit program was able to help some women in both investment and consumption capacities. Generally, women with high social status, business experience, or who already enjoyed a richer quality of life succeeded. Some of the success stories come from women who normally do business on the side, independent of the micro-credit loans. Others come from women who have considerable social capital in the village. Some less fortunate women were able to use the money to purchase goods they needed for emergency consumption, such as food or medicines. Though this does not represent a successful investment in economic terms, it does represent a successful survival mechanism. Credit helped the household endure.

Take Howa Coulibaly, the thirty-something wife of a mason. Howa buys sweet nuts in Kita, bags them, and sells them near the school in Kenieroba for 25 centimes a bag. She took women's credit, used it to buy millet in Kita, and resold it in the village, earning a profit. She would do it again, and laments that the program is over.

Incidentally, Howa's mother, Yayi Suko, in an independent interview, told us that she refused the loans. As president of the women's cooperative, running a kerite grinder and several gardens, an amount like 5000 CFA wasn't enough for her to do real business.

Sali Suko is in her thirties as well and married the son of the village fruit producer. The Coulibaly family she married into founded the village 100 years ago. She took credit and bought peanut seeds. To repay the debt, she sold some of the harvest. She claimed she would take another loan and buy peanut seeds again. She also gardens with a group of women friends. They raise okra, greens, and onions to sell.

Maram Coulibaly is the older sister of the village leader and received women's credit. With it she bought peanut seeds. She reimbursed the debt with shea butter sales. Before the credit program, she bought seeds after she "looked for" a solution. She would take credit again and do the same with it.

Binu Suko received woman's credit and hired a laborer to work in her fields. Her husband is dead, so she must provide the family with millet, corn and peanuts, even though her son plants millet and cotton on the side. Her harvest's proceeds were enough to repay the credit.

Mariam Traore recently had twins. Her post-natal hospital stay was expensive and the babies are often sick. Mariam was able to use her micro-credit loan when one of the twins was so sick that he had to be taken to the hospital. The medicine saved his life. Later, Mariam repaid her debt with shea butter sales.

In the first example, Howa has been practicing business independently for many years. Her mother, a strong businesswoman, exposed her to the basic tenets of trade at a young age. Howa's husband makes cash from his work as a mason, providing his family with access to investment capital. Howa has the capacity, as well as the financial ability,

to start up small business projects. Barring unforeseen factors like drought or sickness, she would succeed given the opportunity to invest, because she has both considerable social capital and wealth.

Sali Suko belongs to a prominent and well-trusted family and would probably have been first in line for the larger loans. Her in-laws also have agricultural experience and would have taught her the secrets of a good harvest, had she not known them already. Her participation in a gardening group also gives her the social capital and the business know-how required to be a successful borrower.

Maram Coulibaly is also the member of a prestigious family in the village. Her younger brother is the village leader responsible for managing the loans. I have included her in the success stories, even though she repaid her debt using her kerite “account”. Maram used the timing of the micro-credit loan to her advantage. She used the cash loan at the beginning of the rainy season, when she could not sell shea butter to buy seeds because her stock of kerite nuts had run out. Six months later, when her kerite assets were restocked, Maram made and sold shea butter, then repaid with the profit. The micro-credit gave her an opportunity during the rainy season, when cash solutions are limited.

Binu Suko, an older woman with limited social capital and many responsibilities, used the micro-credit loan to her advantage. As primary breadwinner in her family, she had the business know-how and proper motivation to increase resource efficiency. She used the money to hire a laborer, who could work longer hours in the field and was stronger than she. Binu could therefore save her energy for other household activities more suited to a woman her age. This decision may have prevented medical bills as well as increased her harvest.

Finally, Marium Traore, an immigrant from the Ivory Coast and first wife of the villager leader, was able to use her loan during an emergency situation. Marium, despite being an immigrant, is well integrated and liked in the community. She speaks French and is often visiting her relatives within the village. It is unclear whether she could have found the money elsewhere, but the immediate access to cash saved the life of her child.

Failures

While business-oriented women were able to earn a profit, some women lost assets participating in the micro-credit program. Those too vulnerable to risk debt, those who were not informed enough to refute bad investment advice, and those without a strong social support network weren't able to use the microcredit to boost their standard of living. Rather, the opposite occurred. Repayments drained kerite “bank accounts”, making some women less food secure and less able to handle potential problems demanding cash. There are institutional reasons for the failures and there are some women who mismanaged their money.

Seera Diawara represents one of the worst scenarios. She is a griot (storyteller) who sings at ceremonial events, a service that is not formally paid. Donations, usually non-cash gifts of clothing or food, are expected. Seera laughed while admitting that she 'ate' her credit. The program has been over for a year, and she has not yet repaid her debt.

Jango Magosuba refused to participate in the credit program. She claims that the risk of remaining in debt was too high. Jango lives in the Cisse household, which came to the village some 30 years ago. The Cisse's are not among the founding families. She gardens with two kinswomen, but they eat most of what they grow. Nya Diarra told a similar story. She refused credit as she felt that she could not repay the loan within three months. With a longer repayment term, she would have raised small livestock to sell.

Fanta Berti is the mother of three prominent sons in Kenieroba. The family has little prestige but the sons have made a name for themselves working in the factory, growing cotton, or as photographers. They represent the 'new money' in the village-- the younger men who gain power through economic activity rather than age or caste status. There is no boutique in Kenieroba, so buying basic goods like salt, Maggi cubes or powdered milk must be done in Kita. Fanta used her money to buy spices and vegetables for the daily sauces women make. She sold them in Kenieroba. A few other women did the same. Fanta's son, unwilling to let his mother answer the questions herself, claimed that she only made a small profit, but was able to repay her loan.

Hari Suko, the wife of a Coulibaly, is not originally from Kenieroba. She married into the family but rarely spends time in her husband's compound. Her room is located in his cousin's compound. Hari took credit to pay for sauce ingredients. She did not sell them but used them to cook for her family. She later repaid her loan by processing kerite nuts and selling the shea butter in Kita, thus depleting her kerite stock.

In the first example, the loaning institution is faced with women who have neither interest in investing nor intention of repayment. Seera's family has access to considerable wealth as griots. Most likely, she could repay the loan. She merely didn't.

Jango Magosuba and Nya Diarra are women whom the project could not help. They could not risk falling into debt, which they believed would happen. Jango had little business experience, so perhaps deferred for that reason. Nya did have business experience but still refused, realizing that making a substantial profit took more time than the loan allowed.

Fanta Berti was under the influence of program directives. Soto Bajo agents suggested that the women buy spices and other boutique goods and resell them in the village. Soon several women were selling the same products and the market was flooded. This redistributed cash within the village but no outside cash was injected. During an earlier interview, the village leader complained that most of the women who sold spices lost money, as they could not sell their goods. I doubt that Fanta made a profit. Her son rushed to answer for her, perhaps afraid that his newfound status as 'new wealth' would be threatened if his mother lost money in a business enterprise. There is also the possibility that the loan money went to her sons.

Finally, Hari Suko, a woman with little social capital or support from her husband, used her money to eat. Later, with shea butter sales, she repaid the principal plus interest. Hari lost money on the micro-credit loan due to interest payments; she also depleted her kerite stock.

Project Management

Soto Bajo's micro-credit program increased Kenieroban's access to cash. However, corruption, a poor understanding of cash flows, and the lack of a capacity building

component marred the project's success. If project leaders rob participants, few will risk participating in loan programs again. If cash is siphoned off to the city without adding assets to the household, then micro-credit has done little but charge women high interest rates for immediate access to cash. If participants lack basic skills and the loan is not accompanied by capacity building components, then women will fail to earn a profit and become discouraged.

- 1) Assuming the village leader's claims are true, the institution was corrupt and stole guarantee fees. Soto Bajo also allowed loan money to go to men. If this was intentional, then they misused funds. If not, this is a case of poor management, and disconnection from target population.
- 2) No control mechanism limited loan availability to competent participants. Individuals instead of groups were loaned money. No other mechanism was used to screen borrowers against moral hazard or adverse selection.
- 3) The project lacked a capacity building element. No classes were given to promote numeracy among women or impart business basics. Those with prior experience, usually the mid-poor, succeeded while their less knowledgeable counterparts failed.
- 4) Poor business advice resulted in too many women selling the same product. At 40% interest per annum, expected revenue from investment activity should have been at least 110% to break even on the three month loan or 120% to break even on the 6 month loan. With markets flooded, such large profits are unlikely.
- 5) Soto Bajo leaders also failed to incorporate cash flow problems into the loan set-up. They encouraged women to sell products within the village to other cash-poor women. Had Soto Bajo encouraged women to sell products outside the village, especially in Kita, or to sell products to men, Kenieroban women would have earned more money and more wealth would have been injected into Kenieroba.

Summary and Conclusions

Lending to the poor is a risky business; they have little collateral and are likely to become sick, experience income shocks, and default on their loans. Micro-credit banks such as the Grameen Bank in Bangladesh have attempted to serve this at-risk sector of society. Using group lending to enforce loan repayment and a grassroots approach to lending supported by high interest rates, they were able to provide credit for landless borrowers interested in exiting poverty.

Grameen's philosophy was used as a template for countries around the world. Agencies adapted micro-finance programs to local conditions. In Africa, population density is lower, and extended family structures ensure labor supply for subsistence agriculture (MkNelly and Kevane 2002). Unlike Asian farmers, most Malians have access to land; it "belongs" to the village and cannot be sold or bought except by the government. Land is not considered collateral, as it cannot be appropriated for individual debt.

In this case study, a USAID funded Malian NGO adapted a micro-credit program to African conditions with mixed results. Some valuable components were left out: Soto Bajo loaned to individuals, not groups, so there was little incentive to repay; loan money was often used for immediate consumption, not investment; no educational element was present; participants were not screened; Soto Bajo stopped visiting the village midway through the program-- villagers were left without agency support; and

village economies were too cash-poor to garner large profits. Only a few women in Kenieroba village were able to earn a profit. A few more were able to meet immediate emergency needs with the loan money, staving off death or hunger. Otherwise, resources were drained from Kenieroba. Women depleted their kerite "bank account" to repay the debt, constituting a net loss of assets. Those women not in emergency need of cash could have forgone the loan, and sold some kerite instead. Interest and lost guarantee fees also contributed to impoverishment.

Experts tout the need for a variety of programs and financial products to serve the poor, a diverse group with heterogeneous needs (Matin et al 2002, Morduch 2000, Shaw 2004). This particular program enabled a local NGO to flourish, a notable success in cash- and investment-poor western Mali. Soto Bajo, two years after their donor funding expired, was still operating as a microfinance institution, serving rural women who otherwise had no formal access to credit. They became a small bank lending to the mid- and upper poor. As for program participants, some upper to mid-poor village women profited on investments, and poorer women smoothed or diversified their incomes for the duration of the program. Unfortunately, no one exited poverty as a result of the microcredit loans, but at the subsistence level, this is not expected. The program was of too short duration and didn't offer other financial services such as savings accounts or insurance, often more useful to the ultra-poor (Matin et al 2002, Shaw 2004). However, the Soto Bajo-USAID project could have improved the lot of more women. Had it concentrated on selecting capable women, educating less capable ones who had good intent, avoiding the depletion of women's resource base, plus taken into account cash flow patterns, it would have met development expectations for the entire village, instead of increasing poverty, food insecurity and asset loss for a large share of the women.

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