

# Microcredit, Social Capital, and Politics

The Case of a Small Rural Town—  
Gossas, Senegal

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Through an exploratory approach, we studied the evolution, sustainability, and management of ten microcredit institutions located in *Gossas*, a small town in Senegal, Sub-Saharan Africa. Prevailing ideas about social capital, in the form of social relationships within and between microcredit institutions and financing NGOs, donors, and governments, are examined using both rational choice and Marxist social capital theories to highlight the social struggles in social capital. This study goes beyond a microcredit impact analysis by including an exploratory institutional study to examine broader social and economic changes, including the new institutional changes brought about by neoliberal reforms, the emerging roles of women in rural and urban Senegal, and their increased political *savoir faire*. This study concludes with recommendations on how to better leverage microcredit and social capital to fill the vacuum left by restructuring of the welfare state through structural adjustment programs and neoliberal reforms.

**T**he impact of microfinance on women's decision-making and empowerment has been the subject of several studies in the last two decades. Many of these quantitative studies have focused on the impact of microfinance—with a majority proving that microcredit increased the standard of

living—raised awareness, aided decision making, and reduced poverty among rural beneficiaries.<sup>1</sup> Putnam (1993) forwards the argument that dense associational networks within civil society correlate positively with indicators of political democracy and economic growth. In fact, Putnam (1995) asserts that political malaise and economic stagnation can be traced to declining stocks of social capital in neighborhoods and communities. Thus, what we have been seeing dominating development discourse in the last decade or two is a shift from “basic needs” or welfare approaches to poverty alleviation to an alternative approach using social capital manifested in social networks and associational life as resources that could fuel development from the bottom up (Rankin, 2002). When people engage in networks and forms of associations such as microcredit organizations, they develop a framework of common values and beliefs that can become a “moral resource” (Putnam, 1993, p. 172). Thus, as Rankin (2002) argues, social capital has been adopted as the “magic bullet” with the power to correct state market failures (Edwards, n.d.). This view has led to a worldwide consensus where nongovernmental organizations (NGOs) rooted in civil society and mobilizing social capital are considered to be the most appropriate institutions to carry out development work (Rankin, 2001). However, NGOs are not a panacea and cannot solve the problems facing developing nations alone. The role of states, albeit weak or corrupt, cannot be ignored. The case study of Gossas will be analyzed using social capital theory, including the strength of ties between poor communities and resource-giving (donor) communities and between NGOs and political development in the third world.

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### **Neoliberal and Marxist Theories, Social Capital, and Development**

Social capital has been defined as “bonds of trust and mutual concern that arise through volunteering, socializing, and taking part in organizations such as church and civic groups, bowling leagues, PTAs, and professional association” (Koretz, 2001, p. 30). Social capital is expected to pay off in many ways by promoting the transmission of new ideas, improving children’s education, and enhancing the efficiency of labor and capital markets. The previous examples of social capital were given in the context of the USA. In the context of Senegal, a developing country, social capital is manifested in memberships in solidarity groups (which frequently help each other to pull water, process grain, and access cooking ingredients and cash), Women in Development projects, *tontines*,<sup>2</sup> and *diaras*.<sup>3</sup> In the study area, social capital has been translated to contacts with northern NGOs, government funding, and political affiliation. In the study area it was found that women’s groups received “rewards and spoils” as a result of the support accorded to the political regime. The important question we will try to answer is whether women who organize themselves within microcredit organizations are able to build their social capital and leverage themselves politically to receive “rewards and spoils” for the socioeconomic development of their community.

Recent sociological research has attempted to address the weaknesses in the deterministic relationship between social capital and development portrayed by Putnam. In 1998 Michael Woolcock, a World Bank economist, developed a typology of different types of social capital and their likely outcomes. Intracommunity ties (“bonding” social capital, or “integration”) are manifested at the macro level with social opportunity requiring high levels of both integration and linkage. The macropolitical framework can facilitate or impede the capacity of communities to mobilize social networks. Woolcock goes on to say that state institutions can have more or less institutional capacity (“organizational integrity”) and be more or less responsive to civil society (“synergy”). High levels of both are needed for states to achieve the cooperation, accountability, and flexibility character-

istic of successful developmental states such as Japan, South Korea, and Singapore (Rankin, 2001, p. 5).

Rankin, building on the work of Marxist anthropologist Pierre Bourdieu (1977), cautions that there is a struggle inherent in social capital. She asserts that social capital has an ideological function where the gestures of giving and kindness can function as a form of domination, a “symbolic violence” with the harmful effect of binding the oppressed to their oppressors through feelings of trust and obligation. This code of honor (credit, confidence, obligation, personal loyalty, hospitality, gratitude, piety) is the most economical mode of domination. Rankin therefore cautions that to the extent that development programs, such as the microcredit frenzy we are witnessing, nourish local forms of association underpinned by common moral frameworks, they risk exacerbating already existing lines of hierarchy, coercion, and exclusion (2002, p. 8).

The World Bank, bilateral agencies, and NGOs have largely adopted social capital within the liberal tradition as cultural properties, such as trust, norms, and networks that enhance efficiency by facilitating cooperation finance. Rankin argues that mainstream development agencies, who two decades ago used modernization approaches to development and would have attacked such small-scale forms of petty capitalism as anachronistic “vestiges of traditional society” that had no place in a modern society, now promote microfinance as a programmatic strategy that mobilizes social capital. This change of strategy and targeting of poor women, when previously credit inputs were extended to the male head of household in small farming communities, is happening for several reasons.

The recent “career” of social capital to borrow an expression from Margit Mayer (2001) coincides with the conclusion of the Cold War, dubbed sympathetically by another social theorist, Francis Fukuyama, as the “end of history” itself (Kanishka Goonewardena 2000). Or that these events also paved the way for other, somewhat lesser endings, including state-centered planning and the comprehensive welfare state. Unmoored from state institutions, development planners with the best of inten-

tions must now turn to civil society to do their good work—buttressed by policies and programs intended to devolve capacity to the local level. Much has been said about the opportunities this political economic conjuncture presents for grassroots mobilization, local self-reliance, participatory processes, and development informed by local knowledge (e.g. Mayer 1994). Without disputing the potential for such progressive outcomes, I wish to emphasize the extraordinary omission in most of the social capital literature of the implications of this conjuncture for the cherished local capacities, on the one hand, or for the emergence of *social capital as a politically expedient concept for those setting the terms of the new world order*, on the other. (2001, p. 10, emphasis added.)

The social capital framework therefore enables the architects of neoliberal economic policy to cast the reconfiguration of state-society relations in progressive terms, such as local capacity building, local self-reliance, net social benefits from reduced transaction costs, and increased return to human capital. “As such, social capital can be expected to fill the vacuum left by restructuring of the welfare state in countries around the world” (Rankin, 2002, p. 10). These two prevailing theories of social capital will be discussed further in the context of our study area. Kabeer (1994) makes the argument that the “feminization of development” we have been witnessing manifested as microfinance projects is justified on the basis of efficiency and empowerment arguments drawing on the principles of social capital theory. The social costs of neoliberal reforms and structural adjustment, as discussed in our case study of Gossas, is disproportionately borne by women whose unpaid domestic labor absorbs much of the shock suffered by poor households as a result of cuts in health care, agricultural inputs, and educational subsidies. Women’s labor therefore underwrites the transition in macroeconomic policy from the Keynesian welfare state to the neoliberal “workfare” state (Rankin, 2001; Jessop, 1994).

Rural women in agrarian economies similar to our case study in Gossas typically lack the collateral, literacy, numeracy, and freedom

of mobility necessary to access conventional credit from banks and other lending agencies. Women tend to spend disproportionately more of their incomes on the welfare of the household and exhibit higher repayment and lower default rates (Rankin, 2002; Jessop, 1994). The argument being made is that extending credit to women for microenterprise development will lead to beneficial outcomes for all household members, poor communities, and lenders themselves (Morduch, 2000), through social capital garnered due to membership in borrower groups, which helps to correct for imperfect information, borrowers' lack of access to formal credit, employment histories, and substitutes for collateral by ensuring against default through social sanction and peer enforcement (Rankin, 2002, p. 12). Therefore, by participating in a network of borrower groups, poor women are empowered through new forms of bridging and linking social capital.

Microfinance advocates drawing on liberal theories of social capital in their approach to poverty alleviation, according to Rankin (2002) are able to evoke feminist and union traditions by coining expressions such as "solidarity groups" to describe women's borrower groups. By making such expressions, the implication is that women's associations through microfinance generate not just social and economic capital but also collective consciousness and resistance to oppression. In practice, however, microfinance models propounded by multilaterals and bilaterals focus more on lenders' concerns about financial sustainability and profits rather than on getting involved in the more difficult task of building radical collective action. In other words, solidarity groups allow lenders to slash administrative costs, motivating repayment by using peer pressure to introduce financial discipline. Staff and founders of microcredit institutions are more concerned about outreach and repayment rates and are not engaged in building collective consciousness (Rankin, 2001, 2002; Ackerly, 1997; Goertz, 1997).

The assertions above will be tested in the case of Gossas. The intent is to investigate whether some level of consciousness or *savoir faire* is evoked as women become part of microcredit groups.

This point will be discussed further later when we look at microcredit in Gossas.

### **The Strengths of Ties**

Apart from managing the social struggles inherent in social capital, another major challenge for NGOs is that they must perform two different functions in order to be effective: (1) generate financial resources with which to (2) give microcredits to their membership. These two functions require them to bridge two very different constituencies: other NGOs, especially those located in the north, government-owned nonprofits operating in the domain of microfinance, or donors and the relatively resource-poor world of marginalized farmers, urban squatters, and women who can use these loans and other resources to improve their own lives. Ashman, Brown, and Zwick (1998) argue that this challenge of bridging these divergent organizational environments of resource mobilization and grant making can be managed by building and maintaining relationships with people and organizations in both the environments through which Civil Society Resource Organizations (CSROs) gain the resources, information, and social legitimacy necessary for accomplishing their missions. The same kind of challenge is faced by microcredit organizations.

NGOs in the small rural town of Gossas are deeply involved in building social capital across diverse environments (donor/governmental grant-making institutions and rural women). In social network theory, *strong ties* in social networks are used to explain relationships among people with similar social identities, who are relatively equal, and who share common bonds, such as profession, ethnicity, family, status, and even recreational interest. Emotional bonds of friendship, intimacy, and reciprocity often characterize such relationships, and they tend to endure over time (Ashman et al., 1998; Granovetter, 1973). Most microcredit NGOs in Sub-Saharan Africa, however, have to manage relationships that are characterized as *weak ties*, which are less frequent, more instrumental, and less intimate; they are most common among those who are unequal and heterogeneous in their social identities (Ashman et al., 1998;

Putnam, 1993; Blau, 1994; Ibarra, 1993). According to Ashman et al. (1998), people with different values, interests, degrees of power, and ways of interacting often find it difficult to identify common bonds that build trust. Their relationships are more likely than strong-tie relationships to be threatened by conflicts or domination, unless the parties can learn ways of overcoming their differences through mechanisms such as friendship (Uphoff, 1992), intermediaries who perform bridging roles (Brown, 1993), or participatory decision making (Brown & Ashman, 1996). However, weak ties that connect otherwise socially isolated groups have been noted for their capacity to bring new information and resources that would otherwise not be accessible (Granovetter, 1973).

If microcredit institutions are too homogeneous and overassociated with either the resource-generating or grant-making environment, they can fail to bridge the two environments effectively and risk becoming irrelevant to their own missions. Overalignment with the perspectives of poor and marginalized constituencies can lead to alienation from the priorities of financial resource donors and managers, which in turn leads to the declining availability of funds for microcredit. But overcompliance with the demands of donors and financial managers for certain kinds of projects, strict financial accountability, and quantifiable results of social development projects can lead to grant-making relationships that are perceived by recipients to be controlling rather than supportive of their own developmental priorities and processes.

### **The Politicization of Microcredit Organizations**

The relationships between NGOs and governments in Africa are difficult to characterize. NGOs can either choose to isolate themselves completely from the state, engage the state through advocacy (confrontational or nonconfrontational), or cooperate with the state through parallel or collaborative field projects (Fisher, 1998).

According to Fisher (2003), in a world increasingly beset by famines, wars, genocide, AIDS, environmental deterioration, and continuing population momentum in poor countries, the failed state has become the Achilles heel of the emerging international

community. For every failed state there are many more “weakly institutionalized” governments. To be both accountable and strong, government at the national level must intersect, at least indirectly, with the efforts ordinary people make in their communities. Weak states, pushed by international forces advocating structural adjustment and privatization, are now partnering with NGOs, who are now acquiring growing capacity, in order to avoid social unrest.

Fisher (2003) also asserts that in Senegal, during the early 1980s, the government began using grassroots support organizations (GRSOs) to increase its access to rural areas and reduce the power of the *marabouts*, or Islamic brotherhoods. Ironically, because this threatened NGO autonomy, a GRSO network was developed and led a long and complicated legal fight to forestall government intervention, thereby creating an NGO-*marabout* alliance.

In the context of the theories of social capital, the strength of ties, and the politicization of NGOs (including microcredit institutions), this article compares 10 microcredit organizations in a small rural town in Senegal to see how they managed their relationships with northern NGOs and governments; to consider the challenge of building social capital across the different environments of northern NGOs, donors, and governments; and to examine their constituency of poor rural women. The article also explores the role played by the founders or heads of these organizations, investigating how the social capital they managed to accumulate has influenced the effectiveness and resources of their microcredit institutions and whether this has translated into socioeconomic development for the community.

### Methodology

The objective of this research is to examine microcredit activity in the community and the impact of that activity on the building of social capital. Research included socioeconomic surveys and semi-structured interviews on social capital and microcredit institutions in Gossas. The authors decided to focus on the more established *groupements* in order to better understand how they operate and their impact on social capital.

Ethnographic research was conducted over a period of three years, with one of the authors living in the community as a Peace Corps volunteer in the town of Gossas, Senegal, for two years. The other authors have traveled to Senegal and the Gambia to conduct research on this topic three times in the last two years, their time there totaling three months. Research included socioeconomic surveys and semistructured interviews on social capital and microcredit institutions in Gossas.

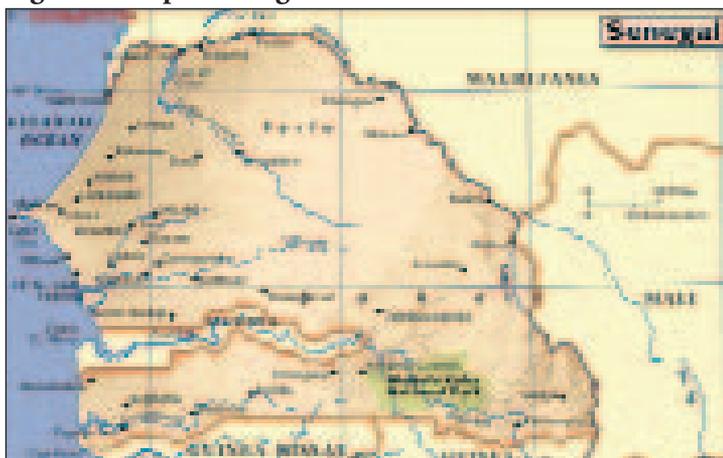
An ethnographic study was chosen as the most appropriate methodology, as the results of microcredit programs can be better understood using in-depth analysis of the social processes and economic histories of the communities impacted.

### **Economic Activities in the Peanut Basin of Senegal**

#### *The Study Area*

Senegal, the country where this research was conducted, is located in West Africa. The capital of Senegal, Dakar, is the westernmost point in Africa. The country, which is slightly smaller than South Dakota,

**Figure 1. Map of Senegal**



Source: <http://www.mapquest.com>

surrounds the Gambia on three sides; it is bordered on the north by Mauritania, on the east by Mali, and on the south by Guinea and Guinea-Bissau. Senegal is mainly a low-lying country, with a semi-desert area in the north and northeast and forests in the southwest. With a population of about 10.85 million, a literacy rate of 40%, and a GDP per capita of US\$446, Senegal was ranked 156th in 2002 by the United Nations Development Program's (UNDP) Human Development Report. Senegal has been subjected to IMF and World Bank Structural Adjustment Policies (SAPs) and in 1994 had a devaluation of its currency (Franc CFA). In 2005, 54% of the population lives below the poverty line. Senegal also has a high unemployment rate, with almost half of its population unemployed. This unemployment is most acute among the youths (CIA World Factbook, 2003).<sup>4</sup>

### *Economic Activities*

Senegal's primary rural economic activity is agriculture. Approximately 70% of the country's workforce is involved in agriculture, and in 2000 agriculture accounted for 18% of the GDP. The two main agricultural activities in Senegal are peanut (groundnut) production and fishing. Peanut production takes place on 40% of cultivated land and employs over 1 million people, although it now accounts for a smaller portion of foreign exchange earnings when compared to fishing and mining (US\$79.4 million in 2000). Most farms are smallholdings where family supplies all of the labor. Over 70% of agricultural production in Senegal comes from small and medium-sized enterprises.<sup>5</sup>

Fishing employs over 200,000 people full-time; in addition, it provides considerable temporary employment in the informal sector through small-scale traditional fishing. In 2000, fishing earned US\$239 million. In addition to providing income, fish is also the dominant animal protein in the Senegalese diet.

Ethnographic research was conducted in Gossas, one of the three departmental capitals in the region of Fatick. Foundiougne and Fatick are the other departmental capitals. The primary ethnic groups are Wolof, Sereer, and Pulaar. The population is approximately

10,000. Gossas is on the national road between Kaolack and Diourbel. Because of its location (between two regional capitals—albeit not its own), Gossas is often marginalized with regards to resources available in the region, and there is very little NGO activity in Gossas. In order to get to the regional capital of Fatick, it is necessary to take a car 39 km to Kaolack and then take another car to Fatick. The essential economic activities in Gossas are agriculture and animal husbandry. Located in the “peanut basin,” the area produces principally peanuts, millet, sorghum, and corn.

During the colonial era, peanut production was high and Gossas was a thriving town. There are several old French colonial buildings in the town, many of which are now deteriorated and crumbling. Due to both the increased salinity of the water supply and the depletion of minerals in the soil, peanut production and overall economic health of the town have declined over the years.

### *Gender Relations and Financial Resources of Sene-Gambian Women*

Gender relations in Senegalese families are generally very patriarchal. Senegalese women may appear to have a lot of power because of their animated nature and dynamism. Women do have some power, but just within their spheres of influence—namely, the raising of children; and even with regard to this, their authority can be questioned by the *borom kerr* (male head of household). Typically, women who contribute financially to the family enjoy greater freedom and influence. And the first wife is more influential than the others. However, ultimately the male makes the final decisions concerning the affairs of the family.

In Gossas, wives must ask for permission to travel. If a wife does not have her own income, she is not at liberty to make decisions about the schooling and health care of the children. Family law in Senegal is also very patriarchal. Husbands are automatically given tax breaks for their dependent children, even if the wife works and even if the husband and wife are divorced and she provides financially for the children. The children are believed to always belong to their fathers. However, as Perry (2002) notes, neoliberal reforms have

diminished men's power in domestic spheres. In rural areas, male household heads were the official members of cooperatives and therefore lost a major source of patronage when cooperatives were abolished in the 1980s under the auspices of structural adjustment programs administered by the World Bank and IMF. Men's inability to provide their wives with peanut seed or to pay for much needed household essentials forces them to concede to women's wants and demands.

Although most of the inhabitants in the study area (Gossas) are Muslims, Wolof farmers do not practice *purdah* (the seclusion of women), and Wolof women have traditionally enjoyed some freedom to pursue such income-generating activities as cash-crop farming and livestock rearing. Wolof women do not generally pool their finances with their husbands'. This is evident not only in rural Senegal but even in the USA, where great numbers have emigrated to in the last three decades. The authors note that even in western settings, many Senegalese women do not own joint accounts with their husbands. Babou supported this point (2002) when he studied Senegalese *Murid*<sup>6</sup> Muslims in New York. Babou found that women refused to participate in household expenses, citing Wolof and Islamic traditions that exclusively assigned the financing of household responsibilities to men.

Peddling among rural Wolof women is a common practice, and weekly rural markets open up new avenues to spawn small businesses. Perry (2002) contends that, as opposed to largely held assumptions about West African women, who are commonly depicted as "market mummies" and avid traders, Wolof women joined their more market-savvy counterparts from Nigeria, Benin, and Sierra Leone, in recent years. Even though this observation is true, the authors are of the opinion that women in the Sene-Gambia region have increased their numbers in trading not only locally but internationally. Women from the Sene-Gambia region are now traveling to the Middle East and North Africa (Dubai, Tunis, Morocco, Turkey, etc.) and to the Far East (Shanghai, India, China, etc.), and they are radically changing their communities.

The authors wish to emphasize that economic migrants from Sub-Saharan Africa (estimated at 35% of the highly trained and

skilled workforce) to developed countries are also responsible for meeting the void left by failed states and neoliberal reforms pushed forward through the “Washington consensus.” Communities would have collapsed and died of hunger without the joint efforts of women at the home front and economic migrants (both men and women) in developed countries sending remittances to meet school, housing, food, and health expenditures. Remittances to Senegal through formal channels were estimated by the World Bank at CFA 127 billion in 2001. This amount should be trebled in order to capture the informal remittances, making a total of CFA 381 billion (US\$0.762 billion). The authors’ observation is substantiated by Jettinger (2005), who states that

remittances are not only sent out of a moral obligation towards the family in Senegal, but are essential in guaranteeing a family’s livelihood. These regular remittances developed as a result of the increasing social and economic problems in Senegal (such as drought, structural adjustment programs, and devaluation of the Franc CFA), and the changing immigration policies in the countries of residence. (p. 14)

In urban Sene-Gambia, women are building social capital by joining associations or microcredit organizations and jointly sponsoring one or two members to go overseas and buy goods (clothing, expensive lace and sequin materials, insulated food containers, gold jewelry, scarves, incense, perfumes, stainless steel and porcelain cookware and bowls, etc.) on behalf of each individual group member. Goods are put in freight containers and distributed to the individual members of the group. These people in turn distribute to their own intermediaries to sell for cash and on credit. The middle women and men are then responsible for collecting monthly payments. The intermediaries put a margin on top of their “patron’s” asking price to serve as their commission for the distribution of goods and the collection of debts. In rural areas we see less elaborate activities and goods, but women still trade in incense, palm oil, fish, locally sewn clothes, etc. In the Gambia, which is only three hours away from Gossas by car, most goods are substantially cheaper than in Senegal,

due to lower import taxes. Women in Gossas are taking advantage of this difference in price by regularly sending women to the Gambia to buy fabric, clothes, shoes, sugar, flour, chicken, etc., to be distributed to other *groupement* members and sold in the community.

### **Microcredit Alliances in Gossas, Rural Senegal**

The first formal *groupement* (association or group) in Gossas was created 20 years ago. In 2005, there are more than 50 *groupements* in Gossas, a town of 10,000 people. The average membership is 30 women. Microcredit has become particularly important to women in the agrarian-based rural economy of Senegal due to major institutional changes. Senegal, like many developing countries, entered into structural adjustment programs in the early 1980s with the Bretton Woods Institutions, bringing about neoliberal reforms such as the abolition of state-led agricultural cooperatives throughout rural Senegal. This means that farmers can no longer get the plows, seed drills, fertilizer, or high quality seed they used to receive on credit (Perry, 2002).

In recent years, NGOs from developing countries have been providing financing to microcredit institutions in developing countries. In Gossas, Alliance de Credit et D'Épargne pour la Production (ACEP [Credit and Savings Alliance for Production]), an American NGO, has identified 15 *groupements* to receive financing. The 15 most dynamic member organizations of the Consortium (Gossas's most powerful federation of women's groups) were chosen. Loans to the *groupements* vary widely but range from CFA 250,000 to CFA 950,000 (US\$500 to US\$1,900). (Most *groupements* hold *tontines* in addition to their lending activities.)

Notably, many *groupements* were formed between 2000 and the present, with several being formed in the year that Mr. Abdoulaye Wade, the current president of Senegal, was elected. Furthermore, it is no coincidence that the *Parti Démocratique Sénégalais* (PDS) headquarters (Wade's party) is also where the Consortium holds meetings.

Through federations, associations, and alliances, participants synchronize their efforts and resources. NGOs are now forming more alliances by reducing their insularity, largely because of the

realization that they cannot do (or be) everything, and they now accept a holistic view calling for complementary action with others. Yet other more strategically oriented alliances occur to achieve micro-macro complementarities (Fowler, 1997). At the grassroots level, women's economic groups are creating alliances that allow them to reach greater economies of scale, heighten their political clout, and realize greater opportunities and profits.

In Gossas, microcredit institutions formed alliances to reduce redundancy, to maximize their impact, and to have a stronger political voice. There are three federations or alliances of associations (*groupement federation*) in Gossas. Gossas has approximately 50 *groupements*, which fall under 3 different umbrella organizations. With 49 member *groupements*, the Consortium of Gossas is the most dynamic of these umbrella organizations. The Consortium was started in 2001 and became a recognized organization in 2002. Presidents of Consortium-member *groupements* meet monthly to repay loans and to discuss opportunities, policies, and politics.

When the Consortium was started, each member of each *groupement* was required to pay CFA 650 (US\$1.30), of which CFA 150 (US\$0.30) went to administrative fees (copying identity cards and notarizing documents). The consortium initially started with 20 *groupements* and approximately 500 members (often women are involved in more than one *groupement*). At its inception, the organization had CFA 270,000 (US\$540) in operating funds. In November 2004, the Consortium had CFA 2 million (US\$4,000) in its bank account. Their account was strengthened by CFA 207,000 (US\$414) from the government, which *groupements* in Gossas were given following the visit of Prime Minister Macky Sall's wife to Gossas in 2003.

### ***Gossas Groupement Structure and Governance***

Generally every *groupement* has a president, vice president, treasurer, and secretary. Money is collected only during meetings of the entire group. Generally, money is collected in a pot, and each transaction is verbally accounted for and then recorded in a book by the secretary. For example, one will take the money of a member and loudly

say for all to hear, “Fatou Ndiaye 1,000 CFA,” after which the transaction will be recorded in a book. After money is collected, it is then disbursed to members who will get loans during that meeting. Money saved by the *groupement* may be deposited in the community savings bank. Many groups have accounts at the savings bank. The treasurer and the president usually have access to these funds.

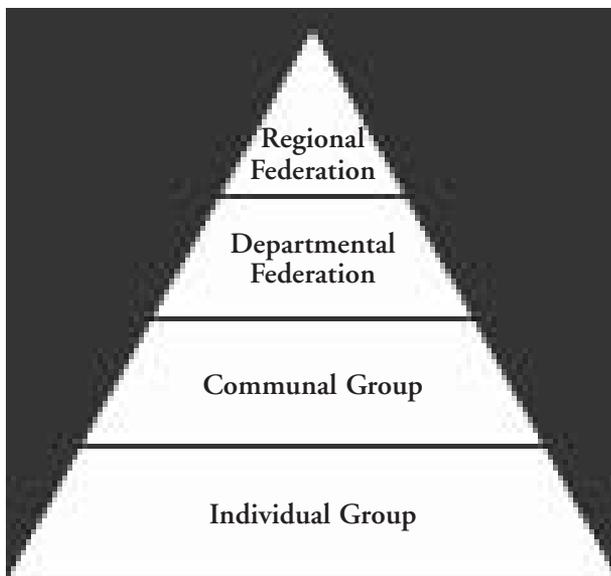
As indicated by the interviews, all groups have a protocol for the enforcement of rules regarding repayment. Fines, social pressure, and the threat of being kicked out of the group are all means employed to ensure that women repay their loans. One *groupement* indicated that they would not hesitate to take nonpaying members to the police.

### *Lending Structure of the Consortium*

Every month, each *groupement* president is given CFA 40,000 (US\$80.00) to lend out to members of their *groupement*. The interest rate is 10% over a two-month period. In the first month, *groupement* presidents must come to the Consortium meeting with the interest payment of CFA 4,000 (US\$4), and the second month they must pay back the complete CFA 40,000 (US\$80). With the continuing growth of the organization, it is difficult to continue giving 40,000 per member out of Consortium funds. Therefore, new member *groupements* are limited to monthly loans of CFA 20,000 (US\$40). The Consortium also has a *tontine* each month for whoever wants to participate. Each participant contributes CFA 2,500 (US\$5) into the pot, and two people are selected to win the money. If members do not pay their loans back on time, there is a CFA 1,000 (US\$2) late fee. The *groupement* structure in Gossas is shown in Figure 2.

As a result of the political acumen of the *groupements*, in November 1994, in a townwide meeting at the mayor's office of Gossas, the government of Senegal committed to providing CFA 40,000,000 (US\$80,000) for loans to women's *groupements* in the department of Gossas. These loans can be individual loans or group loans. The disbursement of loans began in early 2005. The largest individual loan is CFA 250,000 (US\$500) and the largest group loan is CFA 2,500,000 (US\$5,000). The loans are being given at 5% interest, payable over a 12-month period, with a 3-month grace

**Figure 2. Structure of Associations in Gossas**



period before beginning payment. Women are required to fill out applications detailing their plans for the money and a strategy for repayment. Based on this information, the best projects are being chosen to receive loans. Table 1 shows the most active microcredit institutions in Gossas. Membership varies from 30 to 300 members; longevity also varies, from 1 year to 18 years. Two of the groups are receiving ACEP microcredit loans. The loan amounts, interest rates, and penalties vary from one group to another.

### **Anatomy of Social Capital Amongst Gossas Groupements**

This section seeks to identify patterns in the formation and overall standing of microcredit organizations in Gossas, as well as their access to resources. Even though we cannot draw firm conclusions about the patterns identified in this research, such an exercise is very insightful to researchers and practitioners by pinpointing the “necessary” factors propelling microcredit organizations to have greater impact. This section assesses the development of social capital by the founders and

**Table 1. The Most Active Microcredit Institutions in Gossas**

**Bokk Ndeye ak Baye‡**

*(Sharing same mother and father—portraying closeness of group)*

- Year of Commencement: 1984
- Number of members: 300
- Initial start-up financing: Started with member funds. Each person contributed CFA 100 (US\$0.20).
- Loan terms: Max.: CFA 50,000 (US\$100) is both the maximum loan and the average loan.
- Interest rate & penalties: The interest rate is 10%, and the duration of the loan is four to five months. There is a late fee of CFA 100 per day.
- Microenterprises that members are engaged in: Members have businesses doing tie dying and tailoring and selling vegetables, fabric, household goods, etc.

**Diakhao\***

- Year of Commencement: 1987
- Number of members: 30
- Initial start-up financing: *Tontine* to defray the costs of the baptism and CFA 5,000 (US\$10) for themselves.
- Loan terms: Dues: CFA 50/wk; Max.: CFA 3,000 (US\$6); Min.: CFA 2,000 (US\$4); Ave.: CFA 2,500 (US\$5)
- Interest rate & penalties: 10%, payable over two months. First month: interest due, second month: principal due
- Microenterprises that members are engaged in: Members sell vegetables, churaye (incense), cloth, shoes, and household items.

**Takku Liggeey Diakhao**

*(Stand steadfast and build Diakhao)*

- Year of Commencement: 1996
- Number of members: 65
- Initial start-up financing: Started with member funds of CFA 1,000 (US\$2) each.
- Loan terms: Max.: CFA 5,000 (US\$10) Min.: CFA 2,500 (US\$5)
- Interest rate & penalties: The interest rate is 5%, and the loans are paid back the next month.
- Microenterprises that members are engaged in: Most members sell food items in the market. They sell vegetables, dried fish, millet, etc.

**Bokk Jomm**

*(Together in pride)*

- Year of Commencement: 2001
- Number of members: 30
- Initial start-up financing: Started with the funds of group members. They put in CFA 500 each to get things started and each donate CFA 100 every month.
- Loan terms: Max.‡: CFA 100,000 (US\$200) Min.: CFA 50,000 (US\$100)
- Interest rate & penalties: 25%, payable over five months. Members are given a three to four month grace period. After the grace period is over, they must make a payment equal to 20% of the loan and 25% of the total interest payment. For example, on a loan of CFA 50,000, member will pay 12,500 per month for a total of 62,500 repaid over the life of the loan.
- Microenterprises that members are engaged in: Members own boutiques, sell vegetables in the market, and generally engage in all types of petty commerce, i.e., buying fabric, jewelry, perfume, etc. to resell. Members also farm and sell their produce—mostly millet.

### **Dangou Lebou**

- Year of Commencement: 2001
- Number of members: 60
- Initial start-up financing: Started with member funds. Each member gave an initial contribution of CFA 100 (US\$0.20).
- Loan terms: Max.: CFA 10,000 (US\$20) Min.: CFA 5,000 (US\$10.00) 80% repayment rate.
- Interest rate & penalties: The interest rate is 5%, and the duration of the loan is two months.
- Microenterprises that members are engaged in: Members have businesses doing tie dying and tailoring and selling vegetables, fabric, household goods, etc.

### **Doleel Jaboot**

- Year of Commencement: 2001
- Number of members: 33
- Initial start-up financing: Started with member funds. Each member gave an initial contribution of CFA 500 (US\$1.00).
- Loan terms: Max.: CFA 15,000 (US\$30.00) Min.: CFA 2,500 (US\$5.00)
- Interest rate & penalties: The interest rate is 5%, and the duration of the loan is 1 month for every CFA 5,000 borrowed. For example, if a member borrows CFA 10,000, the duration of the loan is two months. 100% repayment rate. Fine of CFA 150 (US\$0.30) per day for late payment.
- Microenterprises that members are engaged in: Members have businesses doing tie dying and tailoring and selling vegetables, fabric, household goods, etc.

### **Kai Fii\*\***

*(Come here)*

- Year of Commencement: 2001
- Number of members: 45
- Initial start-up financing: *Groupement* was started with member funds. Each member contributed CFA 500. Every three months, every member must contribute CFA 500. In November they received funds from ACEP.
- Loan terms: With the funds contributed by *groupement* members: Max.: CFA 15,000 (US\$30) Min.: CFA 10,000 (US\$10). With the funds the *groupement* received from ACEP: Max.: CFA 50,000 (US\$100), Min.: CFA 25,000 (US\$50)
- Interest rate & penalties: The duration of these loans is one month at 5% interest. 13%, payable over 12 months. Two-month grace period.
- Microenterprises that members are engaged in: Members own boutiques, sell vegetables in the market, and generally engage in all types of petty commerce, i.e., buying fabric, jewelry, perfume, etc. to resell.

### **Takku Liggeey Dangou**

*(Stand steadfast and work for Dangou\*)*

- Year of Commencement: 2001
- Number of members: 48
- Initial start-up financing: Started with member funds.
- Loan terms: Max.: CFA 40,000 is both the maximum and average loan.
- Interest rate & penalties: 10%, and the duration of the loan is three months.
- Microenterprises that members are engaged in: Members have businesses doing tie-dying, raising chickens, selling vegetables, and all types of petty commerce, i.e., buying fabric, jewelry, perfume, etc. to resell. The *groupement* also owns a millet machine.

### **Bunkard**

- Year of Commencement: 2002
- Number of members: 32
- Initial start-up financing: Started with member funds. Each member contributed CFA 650 to start.
- Loan terms: Max.: CFA 25,000 (US\$50), which is also the average loan.
- Interest rate & penalties: 5%, and the duration is 2 months.
- Microenterprises that members are engaged in: Most members are involved in some form of petty commerce, i.e., buying items for resale in Gossas.

### **Funkal Sa Cherie**

*(Revere your husband)*

- Year of Commencement: 2003
- Number of members: 70
- Initial start-up financing: Started with member funds.
- Loan terms: Max.: CFA 15,000 (US\$30) Min.: CFA 10,000 (US\$20). When the *groupement* started, the maximum loan was CFA 2,000. When they had enough money for each member to be able to borrow 2,000, they moved the maximum loan to 5,000. They will continue this upward progression indefinitely. Currently, every member has a loan out of at least CFA 10,000, and two members have a loan of CFA 15,000.
- Interest rate & penalties: 10%, and the duration of the loan is one month. There is a penalty of CFA 500 per day for late payment.
- Microenterprises that members are engaged in: Members have businesses tie-dying fabric, working in hair salons, and all types of petty commerce, i.e., buying fabric, jewelry, perfume, etc. to resell.

### **Sopp Sokna Mame Diarra Bousso**

- Year of Commencement: November 2004
- Number of members: 33
- Initial start-up financing: ACEP
- Loan terms: Max.: CFA 100,000 (US\$200); Min.: CFA 50,000 (US\$100)
- Interest rate & penalties: 13%, payable over 12 months. 2 month grace period.
- Microenterprises that members are engaged in: Members own boutiques, sell vegetables in the market, and generally engage in all types of petty commerce, i.e., buying fabric, jewelry, perfume, etc. to resell.

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\* Name of a town

\*\* The founder is a dynamic change agent in Gossas. She was largely responsible for ACEP choosing to finance Gossas *groupements* and is the point person for the project. She keeps track of all ACEP loans made in Gossas. She is also the secretary general for the Consortium of *groupements* in the town and the federation of *groupements* at the departmental level.

† A member receiving an initial loan of CFA 50,000 (US\$100) must borrow and successfully repay a loan of CFA 50,000 (US\$100) five times in order to be eligible for the next tier loan of CFA 65,000 (US\$130). Then the member must borrow and repay a loan of 65,000 successfully five times in order to be eligible for a loan of CFA 100,000 (US\$200).

‡ Bokk Ndeye ak Baye was the first *groupement* started in the commune of Gossas.

leaders of Gossas *groupements* and evaluates its impact on women's political clout and their ability to garner financial and material resources from the government of Senegal and the NGO community. The founders of the microcredit organizations in this study are the individuals and groups who played the most critical roles in the formation of the new organizations. They include the national, regional, and local social leaders and groups who invested their ideas, time, and resources in founding the organizations.

The authors observed that women, especially microcredit founders and leaders, have built their social capital by allying with the regime. They are thus using their political connections to get access to northern NGOs, government financing, and grants. It is therefore evident that these rural women have become more sophisticated in their dealings with government and are "banking" on the political clout of their organization. This leverage is brought about by these women arguing that "I carry X number of women who will listen to my directives [voting and supporting the regime]."

Ties with government are assessed from the interviews performed with microcredit organization presidents, founders, and members. Gossas has a Social Development office, a regional office of the Ministry of Family and Social Development. The director of the Social Development Office is the point person for receiving government financing; all proposals will go to the Minister of the Family and Social Development from the director's desk. It is this regional office that supplies technical support to women's economic groups in Gossas. Regarding the awarding and distribution of the CFA 40,000,000 (US\$8,000) government fund earmarked for *groupements* in the department of Gossas, staff of this office were trained to provide support applicants and provide the winners of the funding with training in accounting, record keeping, and the rules and regulations of the financing. In 2004, the request for proposals for the new government financing was presented to the public at the mayor's office. This has been an arduous task for Social Development office staff. While microcredit organizations have become very aggressive in their search for more funding and have successfully wielded their social capital to obtain greater funding opportunities, they often lack the vision and

skills to work with greater sums of money. The following remark made by a government official underscores this dilemma:

I am frustrated. When the women come to me for help, they not only want me to help them type the proposals, they essentially want me to write the proposals. They come with no clue of what type of project they want to do and how they will manage the money. All they know is that they want more money. (Interview Notes)

In the last year, vast changes have occurred on the political-economic landscape for Gossas *groupements*. Before 2004, when ACEP began to finance *groupements*, and 2003, when Prime Minister Macky Sall's wife introduced a fund, *groupements* in Gossas were primarily self-financed. Women who have been accustomed to receiving loans no larger than CFA 100,000 (US\$200) are now able to access loans that are over 10 times larger. Hence, these women are experiencing growing pains as their dreams of greater financment become a reality.

These realities notwithstanding, it is important to assess the factors that have precipitated these new infusions of capital. How were these women able to garner social capital and wield it to their advantage in a town often overlooked in the distribution of resources, also located in one of the poorest regions of Senegal?

### **Women's *Groupements* in Sene-Gambia and the Political Process**

Women's *groupements* form one of the most powerful voting blocs in Senegal. Highly organized, these groups meet frequently and regularly, devise political strategy, and wield great power and influence over politicians and government actors. In the town of Gossas alone, which only has a population of ten thousand, there are close to 1,000 women who belong to a *groupement*. Women have been called on time and time again to don their blue and gold *boubous*,<sup>7</sup> the colors of the *Partie Democratique du Senegal* (PDS), to go to rallies in support of the PDS. For very significant rallies, women are often bussed in from near and far. In 2004, women in the region of Fatick made their

voices heard in vociferous support for the mayor of Fatick's ascension to prime minister of Senegal. Following Senegal's independence celebration on April 4, 2004, amidst accusations of improper use of funds designated for revitalization projects in the region of Thies, Prime Minister Idrissa Seck was booted from the number two post. During the controversy, President Abdoulaye Wade dissolved his cabinet and changed several members. When the smoke cleared, it was Macky Sall, the mayor of Fatick, who was standing in the country's number two political spot as prime minister of Senegal. The women of Fatick and particularly the women of Gossas did not hesitate to use their influence to realize economic benefits for *groupements*.

The leader of the Consortium, the most powerful *groupement* federation in Gossas, is a charismatic woman well known and liked in the community by both young and old. When the vice president of the Consortium was asked about the role of politics in the activities of *groupements*, she stated that "*Groupements* are more and more a political thing. It is difficult to talk about development anymore because everything is politicized." When asked why the Consortium is so strong, the vice president responded, "It's the president, X; when she walks down the street you hear children and old people chanting her name. She worked very hard to have the prime minister's wife come here to Gossas." The president of the Consortium is also very active within the departmental and regional *groupement* federations and was instrumental in persuading the wife of the newly appointed prime minister, Macky Sall, to come to Gossas and commit funds to Gossas *groupements*. At that meeting she committed CFA 207,000 (US\$414) to the town of Gossas, and more was given to *groupements* in the rural villages of the department of Gossas. The president's success in persuading Sall's wife to come to Gossas before going to the other departments in the region further legitimized her status and role as a powerful change agent capable of wielding the social capital garnered by Gossas *groupements* to produce results.

Therefore, when assessing the relationship between microcredit organizations or women's *groupements* and government, the important question to ask is what social capital theory (Marxist or rational choice) best captures the social capital exhibited by the people in our

study site of Gossas. The authors are of the opinion that microcredit organizations are using their political affiliations to get more support from government and northern NGOs. As shown in Table 2, the strength of ties and the politicization of the 10 microcredit organizations chosen is just developing. Out of the 10 organization studies, 3 have strong ties with northern NGOs (ACEP) and 1 has very strong ties to the government. However, most of the microcredit organizations are tied to government since they are dipping or planning to dip into microcredit funds administered by the Ministry of Family and Social Development.

### Impact of Microcredit in Gossas

In order to determine the impact of microcredit on the community, we performed a process flow analysis of where the money goes—i.e., what is done with the loan money. Women in Gossas are primarily engaged in economic activities such as selling foodstuff in the market (fruit, vegetables, fish, etc.); selling clothes, shoes, and other consumer items; hairdressing; and tailoring. When women receive loans, they use the money to purchase inputs for their businesses and pay business-associated fees. For example, the women who sell vegetables in the

**Table 2. Microcredit Organizations and Scope of Ties**

Microcredit organization	Inception Year	Ties with northern NGO
Bokk Ndeye ak Baye	1984	No
Diakhao	1987	Yes
Takku Liggeey Diakhao	1996	No
Bokk Jomm	2001	No
Dangou Lebou	2001	No
Doleel Jabot	2001	No
Kai Fii	2001	Yes*
Takku Liggeey Dangou	2001	No
Bunkard	2002	No
Funkal Sa Cherie	2003	No
Sopp Sokna Mame Diarra Bousso	November 2004	Yes

\* Kai Fii is also has strong ties to the government—it was founded by a political leader.

market use their money to pay those that deliver vegetables, which come from Cassamance and Guinea, and also to pay rent for their stalls in the market. They use the money they earn to pay debts, make business related purchases, and take care of familial obligations (school fees, clothes, baptisms, marriages, etc.). While in Senegal the finances of women are generally kept separate from those of their husbands, women are often the ones who pay their children's school fees. In polygamous families, a husband may have four wives and more than a dozen children. The expense of educating children is too great for fathers to pay alone, and often the only way children are educated is through the earnings of women. Women also spend a substantial amount of money on the required gifts for baptisms and marriages. Finally, Sene-Gambian women take particular pride in their appearance and often spend substantial amounts of disposable income on clothing. There are very little personal savings amongst the women.

When the founders and some members of microcredit organizations were questioned on whether their lives have been significantly changed by microcredit, the answers were not very convincing. Most women accept that microcredit has impacted their lives, but not considerably. Figure 3 includes some of the statements given by the women interviewed in November 2004.

As shown by these statements, microcredit institutions have brought positive changes to this poor rural town of 10,000 inhabitants. However, the expectations portrayed in neoliberal development discourse that microcredit and social capital will help lift communities out of poverty are a bit too optimistic. The abject poverty, lack of social amenities, and deprivation suffered by rural communities as a result of structural adjustment programs and failed states that we are currently seeing all over the Sub-Saharan African landscape will take more than microcredit to correct.

## Conclusions

The general expectation of the impact of microcredit is largely due to the interpretation of social norms and networks that underlies the Grameen model of microfinance that is now widely promoted by

mainstream development agencies. Drawing on liberal theories of social capital, these interpretations expect that opportunities for association afforded women through “solidarity groups” will foster the social networks and common moral frameworks necessary for cooperation and collective action (Rankin, 2002).

However, the authors are of the opinion that since its inception, there has been much debate as to the merits of microcredit as a tool of empowerment and poverty alleviation. High interest rates, low rates of personal savings, and inaccessibility of higher levels of credit and formal lending institutions are all factors that have been highlighted in this debate. The women of Gossas, Senegal, face all of these obstacles. There was a common thread of empowerment vis-à-vis husbands and communities, which was highlighted during interviews.

### Figure 3. Statements from November 2004 Interviews

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“We only just started. But [and she waves her hands towards her pots, where she is preparing the night’s meal of millet couscous and dried fish] we are just trying to add a little to our pots, dress a little better, and contribute more to our households.”

“I’ve seen especially how *groupements* have helped single women, women with no husbands. Many of these women didn’t have enough even to eat for the day. It’s tough. Gossas is a poor town. Now they have money to buy food and the things they need.”

“Yes and no. We now have a source of money when we need a loan. But the loans are too small and we need more money. I would like to really expand my boutique, but to do that I need a lot more money.”

“When we started this *groupement*, we had nothing—not one single CFA. Now we have 350,000 CFA in our account, and it only keeps growing. Each member is up to having a loan of at least 10,000 CFA. We are making great progress.”

“I initially started this *groupement* to bring greater unity and cohesion in our neighborhood. Through the activities of our *groupement*, we have learned unity in economics. Everyone is struggling to make it here. We are now struggling and working together.”

“I definitely see the changes. If you can help your husband, this lifts your voice in the household. He listens to you more.”

“It took a while for the women to understand how the *groupement* works and to believe that they’d see real benefits. But now, things are running smoothly and everyone sees the benefits.”

“Yes. Before, there was no one to borrow money from. Often, you just need a little money to get you through until the end of the month, a little money to buy your merchandise and fill up your table. Before, when we fell short of money, there was no one to turn to.”

Women who contribute to the family financially enjoy greater freedom and influence. When asked if her standing within the family has changed as a result of her earning income, one *groupement* president stated, "I definitely see the changes. If you can help your husband, this lifts your voice in the household. He listens to you more." Within the author's host family, in the town of Gossas, this was quite apparent. Of the three wives, the wife who is a *groupement* president and has had her own stand in the vegetable market enjoys the greatest freedom and mobility. While, like the other wives, she must ask permission to travel before going anywhere, she is given permission to travel more frequently. This wife is very involved politically and often travels to rallies and meetings. The other wives, who are completely financially dependant on the husband of the family, are not granted permission as often, and it is evident that their voices do not carry as much weight in the household. Furthermore, they are not at liberty to make certain decisions regarding the schooling and welfare of their children. The income-earning wife pays school fees for her children and in some cases purchases their medicine when they are sick.

Whether the increased flow of microcredit to Gossas will have significant socioeconomic impact is unclear. From the interviews conducted, when asked to describe lessons learned, while some gave concrete examples, most interviewees stated that their *groupement* has operated essentially in the same manner since the beginning. Members were also asked what they needed in order to advance or improve their organization, and all answered, more financement. None answered that they needed more training in any area. When members were asked what would they do if they had more money, only two people gave very detailed responses: to build a vegetable and fruit processing business and to open stores; but the majority answered that they would continue to buy more products to resell in Gossas.

It is evident from this case study that women are using microcredit organizations to organize and have more voice in politics. Indeed, women in this small town of Gossas have played a role in getting the mayor of their region elected as prime minister in Senegal (Macky Sall) and in return have received some spoils from visits of the prime minister's wife, the establishment of a northern NGO

offering microcredit loans, and microcredit loans from the Ministry of Family and Social Development. The crucial question to investigate in the very near future (2–3 years) is whether these benefits have gelled together to propel the socioeconomic development of the community or whether microcredit and social capital merely act as “symbolic violence” binding the oppressed to their oppressors—the state, multilaterals, bilaterals, and northern NGOs.

### Notes

1. See Gladwin (1991), Buckley (1997), Abdulai and Delgado (1999), Mordoch (2000), and Martin and Holme (2003).

2. A joint financial arrangement in which members contribute monthly or weekly a set amount, and the entire amount collected is awarded to one participant at a time. Each participant gets a chance to be awarded the entire amount collected per week or month.

3. Weekly or monthly meetings that fulfill religious as well as secular purposes. *Diaras* are used for educational purposes (recitation of the Quran and sermons) but also for socialization purposes.

4. See <http://strategis.ic.gc.ca/epic/internet/inimr-ri.nsf/en/gr110237e.html>

5. These estimates are from 2001.

6. An Islamic sect or brotherhood in Senegal founded by Amadu Bamba Mbakke around the 1890s. Scholars of the Muridiyya interpret the brotherhood as a response of the Wolof to the structural changes brought about by colonization and the introduction of a market economy (Babou, 2002, p. 152).

7. *Boubous* are long flowing garments consisting of a wrap skirt and shirt with a head scarf traditionally worn by Sene-Gambian women.

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