

Microloans, Macro Impact

MICROLENDING is increasingly important in many African countries. Small loans to jump-start entrepreneurship can help topple barriers that prevent communities from developing. One programme in Kenya, called Zawadisha, provides an example of how it can work.

text Eugene Yiga

JEN GURECKI was an American graduate student researching bottom-up approaches to social change and community development in Nairobi and Eldoret, Kenya, in 2006. There she met a group of bright and eager women who were clear about the role they could play in uplifting their families and becoming drivers of change. She gave them cameras and asked them to document their lives.

After two weeks, common themes emerged from their photographs and narratives. “The overarching message was that the women believed their greatest obstacle in life was a lack of access to capital,” says Gurecki. “This was before the microcredit boom; lending traditionally had been facilitated through financial institutions and male heads of the house. Because these women had no credit history or collateral, they were not able to access credit, and that’s what they wanted to see change.”

Gurecki spent a month in Kenya to conduct the research and then returned to the US to take a position at University of California, Berkeley as a Programme Director. Although she couldn’t return to Kenya for a few years due to work commitments and the country’s post-election violence, she wanted to try to find a meaningful way to give back to the women who had facilitated her research. >

Numbers

The self-employed poor comprise 50 to 70 percent of the labour force in developing countries.

More than 500 million of them run microbusinesses. Fewer than 10 million of these, or a mere 2.5 percent, can obtain loans from banks or financial institutions.





With this in mind, she cashed in the savings bonds worth approximately US\$3,000 that she had received from her grandmother as a child and used it to fund the pilot of a microloan programme she named Zawadisha, which means 'to give a gift' in Swahili. She initiated the programme with cash loans to the same 10 women she'd met on her trip.

"I didn't want to turn my back on them," she says. "I felt that I owed it to them."

UPLIFTING EACH OTHER

The first group to receive loans from Zawadisha named themselves Tuinuane, meaning 'uplifting each other'. They used the money to buy maize and mung beans to sell, or to stock up their small kiosks, or to buy shampoo, weaves and other supplies for their salons. While she remained in the US, Gurecki chose a local Eldoret chairwoman, Winnie Anyango, to facilitate payments and keep records.

"I didn't tell anyone what I was doing, and a year later I went back to Kenya to check in on the progress of the loans," adds Gurecki. "The loans had been repaid and the women were doing well. They were excited to receive another loan."

At that time, Gurecki's friends and family began to ask questions. When she told them what she had started, they wanted to get involved and the cheque books opened up. Gurecki knew that this project would be something bigger. She registered Zawadisha as a nonprofit in the US (in 2013) and has since served as Board President of an organisation that just continues to grow. To date, Zawadisha has provided loans to nearly 1,500 women. The programme has also given microbusiness-development training and help with financial literacy to 2,500 women. There are dozens of microlending services now operating across Africa. Other examples include

"It's time to move away from selling pity and more towards an authentic partnership"

– Jen Gurecki –
Zawadisha programme founder

Micro kickstart

Anne Ndungu is a mother of three, chairlady of her church, treasurer of her village's women's group and – thanks to a loan from Grameen Foundation partner Musoni – a successful entrepreneur. "With the loan I got from Musoni, I was able to buy a dairy cow, start poultry keeping and build a cow shed. My dream is to move to a big farm, add three more cows, and start buying and selling at least four bulls every two months. I will add more goats and poultry. I believe Musoni will help me get there."

grameenfoundation.org

the Grameen Foundation – a global nonprofit that supports smallholder farmers and women's savings groups in Sub-Saharan Africa by giving them access to finances, markets and to agricultural and health services – and Kiva, an international nonprofit based in San Francisco with offices in Nairobi, that provides crowdfunded loans to small-scale entrepreneurs such as farmers, artisans, shopkeepers, builders and owners of restaurants who have limited access to banks or other financial institutions.

Microfinance loans, which provide a variety of financial services to financially excluded people and small businesses, have a solid track record as a critical tool in the fight against poverty in Africa. The use of these loans has now entered the financial mainstream, according to the International Finance Corporation, the largest global development institution.

"Financial services for poor people are a powerful (tool) for reducing poverty, enabling them to build assets, increase incomes, and reduce their vulnerability to economic stress," says International Finance Corporation spokesman Frederick Jones. "Formal financial services such as savings, loans, and money transfers enable poor families to invest in enterprises, better nutrition, improved living conditions and the health and education of their children."

TABLE BANKING

In its current model, Zawadisha is focused on lending useful supplies to African women. Field officers meet with established women's groups who participate in something known as 'table banking', which literally means that all the women put their money on a table and one person takes the money as a loan for her business for a set amount of time, and repays it when it comes due (in six to twelve months).

Each woman chooses a product that she wants to receive – for example, solar lamps or water tanks – and a team of peer educators provide her with management training and help with financial literacy. "For example, they might learn how to set up a mobile phone charging station, charge a small fee, and keep track of their revenue," says Gurecki. "We find that this level of commitment and care is what encourages women to repay their loans and continue to borrow from us."

Saumu, a woman in the programme, received solar lamps and solar panels for her home through her table bank. "By using these energy-efficient tools, we are able to get more things done after the sun has set," she says. "Our children will help out with chores after they return home from school. Having solar lamps gives them the chance to finish their schoolwork." Another major impact is the health benefit of being kerosene-free. "The smoke would fill up our homes and cause health problems for our families," adds Saumu.

Ultimately, Gurecki is helping to prove that this form of microlending provides a system that allows people to help themselves succeed. It's not charity, she says, it's a form of change. "It's time to move away from selling pity and move towards an authentic partnership with the people that we care so much about."

1.3
Billion people live in absolute poverty
(living on less than US\$1 a day)

70%
Of people living in absolute
poverty are women

US\$ 300 million
Is in a fund set up by the
World Bank to support microcredit

30%-40%
The rate at which the volume of
microlending grows each year.

95%-100%
The repayment rates of global microloans

50%-70%
Of the labour force in developing
countries is self-employed

