Research Journal of Social Sciences
2019. 12(1): 8-13
DOI: 10.22587/rjss.2019.12.1.2
ISSN: 1815-9125
EISSN: 2309-9631
Journal home page: http://www.aensiweb.com/RJSS/

RSEARCH ARTICLE

Microcredit Impact in Northern Africa Countries: A Case Study Analysis

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ABSTRACT

Background: This paper has the objective to study the impact of microcredit projects in North-Africa, from two points of view:
- The gender perspective, with focus of the impact of microfinance projects in women's empowerment
- The sectorial perspective, with focus on specific economic and productive sectors, among which the fishing.
Objective: the paper is devoted to evaluate, through some case studies, the economic and the social impact of microcredit analyzing how this tool can help improving the social status of women in third countries of the world, with the aim of identifying some patterns to a profitable exploitation of the potential offered by this microfinance instrument.
Results: Analysis of the impact of microcredit projects to empower women and people employed in the fishing sector.
Conclusion: Microcredit is confirmed to be still a useful tool to promote the empowerment of small communities and to favor the growth of small businesses. The analysis carried out in this paper on particular geographical contexts (North Africa) and sectorial (fishing sector), shows that microcredit, although with considerable limitations - including the objective difficulty to estimate its real impact in fighting against poverty in the medium and long term-, can still be considered as a useful tool, to respond to the critical issues that most affect people belonging to such areas.

Key words: Microcredit in North Africa, Microcredit and development, Microcredit and women, Microcredit and fishing sector, International projects on microcredit.

INTRODUCTION

1. Microcredit: the impact on finance and socio-economic development
1.1. The importance of microfinance

Since its origins, microcredit has been developed as a tool to help reducing poverty.

As known, this microfinance instrument was created by the experience of the Grameen Bank, a Bengali Institution founded by the Nobel Prize Mohammed Yunus. That was, indeed, the first Institution inaugurating the practice of granting small loans to people defined as "not bankable", term with which it is referred to economically vulnerable people, due to their poverty and their lack of economic guarantees.

Over the years, microcredit has made its way in the poorest countries like the developing countries, but also inside the most economically advanced countries. In the first case, microcredit-based initiatives have been used

To Cite This Article: Nicola Boccella and Irene Salerno., Microcredit Impact in Northern Africa Countries: A Case Study Analysis. Research Journal of Social Sciences, 12(1): 8-13, 2019. DOI: 10.22587/rjss.2019.12.1.2

to support the development of emerging countries; in this respect, positive effects have been underlined by important international organizations such as the United Nations and the World Bank, which emphasized their relevance [1].

Even if it has to be stressed that estimating the real impact of microcredit is not easy [2], scholars agree on the fact that a better distribution of wealth, also in favor of the economically more disadvantaged sections of the population through a more agile access to credit, can help the growth and the reduction of inequalities. More generally, microfinance tools can help to favor the human capital growth through the empowerment of micro-entrepreneurship and the improvement of credit access.

1.2. Employment market and development in Northern Africa countries

The current transitions taking place in North Africa (as well as in all the so-called MENA region) can be regarded as a great opportunity for the economic growth and, more generally, the development of such countries.

The Arab Spring had, among its causes, the need and request for more economic opportunities and justice. 2011 popular uprisings in Tunisia and Egypt were driven by underlying social disparities, allegations of corruption against the governments, and broad frustration with lack of employment opportunities [3].

In 2013, unemployment rates of Egypt and Tunisia increased about four percentage points from before the Arab Spring; domestic investment fell in Egypt to 16.7% of gross domestic product as just foreign direct investment did [3].

Still today,

"Unemployment is in the double digits throughout most of the region. The World Economic Forum estimates that MENA economies need to create 75 million new jobs by 2020 just to maintain the current level of employment. A key to accelerating job creation in the MENA region is fostering an entrepreneurial environment. Small to medium sized enterprises play a critical role as powerful engines for growth and innovation, and already represent about half of total employment in middle-income economies".

For what concerns, specifically, the northern Africa countries interested by the Arab Spring, it has to be stressed that

"Unemployment rate in Tunisia remained unchanged at 15.50 percent in the fourth quarter of 2018, from 15.50 percent in the third quarter of 2018. Unemployment Rate in Tunisia averaged 15.36 percent from 2005 until 2018, reaching an all time high of 18.90 percent in the fourth quarter of 2011 and a record low of 12.40 percent in the fourth quarter of 2007".

In Egypt, in the contrary, it is possible to stress a positive change, with a progressive reduction of the unemployment rates; in fact, unemployment rate decreased to 8.90% in the fourth quarter of 2018 from 10% in the third quarter of 2018. Unemployment Rate in Egypt averaged 10.87% from 1993 until 2018, reaching an all time high of 13.40% in the third quarter of 2013 and a record low of 8.10% in the second quarter of 1999 .

1.3. The importance of women's labor market inclusion

Women inclusion and access to labor market play a capital role; in fact, growing women-owned businesses can, according to many scholars, contribute to generate more employment, addressing the region's greatest development challenge:

"The growth and success of women-owned businesses is one of the most profound changes in the business world today. There is no doubt that women are an emerging market force. However, many businesswomen are not accessing commercial credit, an essential driver of business success. Lack of access to finance and financial services is repeatedly identified as the major constraint for women business owners.

According to a research [4], in the period from 1990 to 2017 the average value for Tunisia was 23.82% with a minimum of 22.5 percent in 1990 and a maximum of 25.25 percent in 2012.

In Egypt, the female unemployment rate was equal to 18.9% in 1991, while it reached 22.8 % in 2018 [4].

Actually, a strong microfinance system can have a positive impact to support the Northern Africa region, in a moment in which most of its countries are at a critical turning point of its history.

As stressed, the Arab Spring was caused by the need and aspiration to more economic opportunity and justice, in the face of poverty and unemployment. This is the reason why the development of strong economies enabling citizens to enhance their livelihoods is of vital importance for the future and the development of the region.

It has been highlighted that

"Improved access to finance could also facilitate expansion and directly address the growth management concerns. With this in mind, women business owners' access to finance is the key focus […]. A majority of women business owners meet their capital needs through private sources, such as personal savings, family and friends (52 percent). Most women business owners surveyed are “banked” – with 80 percent using personal checking accounts and 69 percent using business checking accounts. Just 18 percent report having a commercial bank loan and even fewer respondents (10 percent) have a business line of credit. Business earnings are also commonly used (36 percent). These conditions reflect that few women business owners rely on financial institutions or outside investors for business needs, but instead they act predominantly as private citizens. MENA women business owners have access to financial institutions, yet they are not accessing formal finance itself. This is a significant and profitable opportunity for lending institutions” .

In the next chapter we will focus on the impact on microcredit project according to a gender perspective.

2. Microcredit projects in North-Africa. A gender-oriented focus

Several microcredit projects have been developed in the last years in northern Africa; we want to focus, in the beginning, on a project named “Middle East and North Africa - Enhancing Microfinance amongst Women and Youth Project .

This project, developed during a period when policymakers across the Middle East and North Africa region, were dealing with the economic and social instability generated by the 2011 revolutions, aimed at using financial inclusion as a tool to contribute to broader economic development, employment, and poverty reduction goals among beneficiary households in Tunisia, Morocco, and Egypt [3]. The project had an 18-month implementation period and was expected to close in January 2015. The project was financed by the MENA MDTF (Multi-donor Trust Fund).

The first goal of the project was to enhance microfinance access and usage amongst women and youth in three northern Africa countries: Morocco, Tunisia, and Egypt. This was to be achieved through improving the financial capability of women and youth as well as developing tools that enable financial service providers to better serve women and youth segments sustainably.

As we can read in the evaluation report of the project,

“Microfinance access was intended to promote job creation, income generation, and economic inclusion among women and youth in Morocco, Tunisia, and Egypt. the project’s beneficiaries fell into three categories. The activities first and foremost benefited low-income women and youth in Egypt, Morocco, and Tunisia who did not have access to formal financial services. These beneficiaries included women and youth micro-entrepreneurs, those who made their living in the informal sector, and those living in areas (rural or urban) not well served by formal financial institutions. The project worked with beneficiaries who are potential future clients of financial institutions as well as those who have micro businesses” [4].

As for second, the project wanted to benefit financial service providers, with special regard South-South learning exchanges and training of key MFIs on topics including financial literacy, building the business case for serving women and youth, and operational efficiency. Finally, the project benefited a broad set of stakeholders involved in the microfinance community of practice in MENA, including regional associations (for example, Sanabel), central banks, community and civil society organizations, and research institutions [4].

As far as the methodology of the project is concerned, it aimed at building infrastructures necessary to advance microfinance access to the region as a whole, through developing a network of financial literacy trainers, developing financial literacy tool kits, and producing demand-side knowledge that is sought to improve the ability of financial service providers to serve women and youth. Dedicated efforts were made to make outputs (demand-side analysis and the financial literacy tool kit) available to clients and beneficiaries of investment lending project.

More in details, the project sought to enhance microfinance services amongst women and youth in MENA through: 1) completing a demand-side analysis that captures key constraints to accessing and using formal and informal financial services in Egypt, Tunisia, and Morocco; 2) developing and implementing financial literacy modules targeted at youth and women; 3) improving institutional performance of financial service providers through South-South learning exchanges and training of key MFIs. In particular this last module wanted to enhance the capacity of MFIs to effectively serve women and youth through targeted learning exchanges between MFIs in Egypt, Morocco, and Tunisia, and leading MFIs in MENA.

Learning exchanges just focused on operational and strategic investments with the aim to better serve women and youth with tailored financial services.

As results of the project, it was stressed that due to the nature of the program and the small budget available, it was not possible to rigorously quantify the associated increase in household welfare or contribution to poverty reduction as a result of the increases in financial inclusion related to financial literacy training. Nevertheless, it has to be underlined that at the end of the project, the levels of financial inclusion of the more that 1 thousand people (1.192) who benefited from the project, improved: they received financial literacy training (from 26% to 32% as a result of the project). Furthermore, financial literacy outcomes improved with a 27% increase in the number of beneficiaries reporting having a financial objective and employing tools such as budgeting, savings, and financial negotiation to achieve these objectives. 21% of beneficiaries reported an increase in volume and frequency of savings.

Another case study we want to focus on is that of the project named “Promotion of the Microfinance Sector in the MENA region” , carried out from 2011 to 2018. The project was promoted by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Union, and involved the Egypt, Jordan as well as the Palestinian Territories

Lead Executing Agencies were: for Egypt, the Egyptian Financial Supervisory Authority, Central Bank of Egypt, SANABEL; for Jordan, the Ministry of Planning and International Cooperation, the Central Bank of Jordan, the Development and Employment Fund; in the Palestinian Territories, the Palestine Monetary Authority.

The background reason for the project laid on the evidence that financial inclusion can have a positive impact on the development and economic growth. In fact, as many researches and studies show, a better access to financial services can be effective in promoting social stability, economic growth as well as employment, and, again, microfinance can be regarded as an essential mean of expanding the levels of financial access.

It has been stressed that

“The microfinance sector in the MENA region has experienced high growth in recent years. However, introducing specific microfinance laws and regulations as well as an efficient support structure would enable the sector to live up to its full potential. A strong legal and regulatory framework would create an environment in which microfinance institutions (MFIs) can reach out to the unbanked population, while safeguarding their interests. Moreover, specialised support services, such as training, sharing of information and representation, would contribute to the MFIs’ institutional and human capacity development, thereby also helping them scale up and expand their outreach” .

With this theoretical framework at its basis, the project acted on two main levels, with the main objective to improve access conditions to financial services to poor people in the MENA region, by providing technical advice for policy-making and regulation, as well as for MFI service structures in the region. Furthermore, through the project the national authorities in Egypt, Jordan and the Palestinian Territories have been supported in strengthening the legal framework and the supervisory capacities of the microfinance sector.

In the end, a third level of action focused on assisting policy decision-makers in developing and implementing national strategies on financial inclusion.

With specific focus on the North African country involved – Egypt – it is possible to note that here,

“A microfinance Law was issued as a presidential decree in 2014, allowing commercial companies to engage directly in microfinance, alongside the current players (banks and NGO MFIs). The law regulating microfinance activities undertaken by companies and non-governmental organisations places them under the supervision of the Egyptian Financial Supervisory Authority, while banks will continue to be regulated by the Central Bank of Egypt. The Microfinance market in Egypt comprises of 725 licensed NGO Microfinance Institutions and three commercial companies. Market share of NGO MFIs accounts for 80% in terms of number of active clients. MFIs mainly offer microcredit and, to some extent, micro-insurance products (credit life insurance, insurance-based savings)”.

As a result, in Egypt and in the other countries/territories concerned, the programme provided legal and practical guidance that have actively encouraged the regional exchange of information and experiences in the fields of financial inclusion and microfinance, thus providing policymakers with a better understanding of the sector, its issues and possible solutions. The programme supported, more in details, cross-sector initiatives through technical advisory at policy and regulatory level to the Central Bank of Egypt (CBE) and the Egyptian Financial Supervisory Authority (EFSA), and assisted institutions and policymakers in the financial inclusion policy process. It can have direct positive impact, in the middle run, on the women population, as it has been underlined that in Egypt, microfinance is provided to 1.9 million clients, out of which 66% are women.

3. Microcredit to strengthen specific economic sectors: projects on fishing

We want to draw attention on specific case studies devoted to strengthening, through microfinance initiatives, some communities of fisherman.

We choose this focus because fishing communities have some specific characteristics, from the socio-economic point of view, that make the application of microcredit interesting and appropriate.

As stressed in a FAO-commissioned study that formed part of The State of World Fisheries and Aquaculture 2000 [5], there are some important and common cultural characteristics of fishing communities that can have an impact on microfinance services for this peculiar sector.

It is necessary to stress, as for first, the role played by some cultural characteristics, like the social and economic organization and the fishing techniques and technologies used by fishing communities, that are culturally determined by traditional reasons, different to be changed.

Again, other important factors are the fact that: the fishing communities are more vulnerable as they undertake small-scale levels of production and have limited political power; they are dispersed along coastlines and, because they depend mainly on marine ecosystems that are close to home, they are particularly vulnerable to resource depletions; they are characterized by systematic division of labor according to both the gender and age variables, with corresponding role expectations regarding men, women, children, adults and the elderly; in most communities, the primary producers are men, while women are expected to play a dual role: as mainstays of their household and children, and as mainstays of fish processing, marketing and distribution systems[6].

Finally, it has to be stressed that

"Access to credit and insurance is problematic in most small-scale fishing communities and constrains fishing effort and production. Contemporary small-scale fishing communities are increasingly stressed by external problems, including expanding globalization, marine pollution and, in some regions, the growth of a coastal tourism industry".

According to the FAO research, in the period comprised between 1970 and 1990 the number of fishers and aquaculturists is more than doubled, with a fast growth than the world's population. Also the total number of fishers including the ones involved in marine and inland fisheries and aquaculture, increased from 12.5 million in 1970 to 29 million in 1990. During the 1990s, however, increases were much smaller than in previous decades and the total number of fishers and aquaculturists is estimated to have reached about 30 million in 1997.

We want, now, to rise attention on a cooperation project promoted and funded by the Italian Ministry of Foreign Affairs- Directorate General for Cooperation Development carried out through a voluntary contribution to CIHEAM-Bari which is the implementing agency.

Named "NEMO" (Cross-border rural coastal communities development in Libya and neighboring countries - Egypt and Tunisia), the project, funded with a sum of 2.600.000,00 Euros, is a cooperation action originally stemmed from the will of the Italian government to grant funds for cross-border activities after the Arab spring events, with the aim to developing autonomous and synergic social and economic activities in favor of the rural and coastal communities of some neighboring countries: Egypt, Libia, Tunisia .

NEMO tackled several challenges, among which the loss of human resources, the failure to enhance and manage natural resources (water, soil, and sea), integrated rural, coastal development, the poor promotion and enhancement of biodiversity and local wildlife, and the need to promote the local traditions and foods .

The project reached several results; in Egypt it has been enhanced the local Rural Coastal Community Performance through administrative and technical support enhanced; pilot activities have been developed, in order to enhance typical agricultural products such as olive and olive oil; furthermore, incomes have been generated through training and demonstration activities delivered to local fishermen and farmer communities. The activities have been accompanied by actions to raise awareness about the coastal cultural and territorial heritage.

In Tunisia, a polyvalent coastal community center was established in Zarzis; local professional fishermen organizations have been set up and made operational. Incomes have been generated through diverse training and demonstration activities.

In the Médenine Governorate, furthermore, the NEMO Project has financially supported small projects in the fishing sector . More in details, 300 individual projects were funded through microcredit; the main beneficiaries of such projects were over 1.000 fishermen, who have benefited from the results of the collective projects financed.

NEMO has also provided financial training, the monitoring of the granted loans and assistance in solving the problems encountered by the fishermen.

Furthermore, in the frame of the initiative it has been created a "digital port", named WEBPORT, designed and managed by CIHEAM.

The web portal was meant to be a virtual space were to meet and exchange good practices and experiences, listening to the communities' needs and to encourage the rise of new development cooperation projects.

Conclusions

Microcredit is confirmed to be still a useful tool to promote the empowerment of small communities and to favor the growth of small businesses.

Traditionally, this tool has been used in favor of particularly fragile social categories, such as women, not-bankable young people entering the labor market, and more generally, the poorest human communities.

The analysis carried out in this paper on particular geographical contexts (North Africa) and sectorial (fishing sector), shows that microcredit, although with considerable limitations - including the objective difficulty to estimate its real impact in fighting against poverty in the medium and long term-, can still be considered as a useful tool, to respond to the critical issues that most affect people belonging to such areas. Precisely because of its current vitality, in fact, it was used in the aftermath of the events linked to the Arab

Spring in some North African countries - in socio-economic scenarios characterized by high unemployment rates, particularly of women- , as well as in economic-productive sectors like that of fishing, today particularly affected by criticalities due to environmental deterioration and the loss of resources, but also susceptible to new developments, especially in relation to sustainable ecotourism.

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