

HAMAD BIN KHALIFA UNIVERSITY

COLLEGE OF ISLAMIC STUDIES

ECONOMIC EMPOWERMENT OF WOMEN THROUGH ISLAMIC
MICROFINANCE: A CASE STUDY OF WOMEN VEGETABLE PRODUCERS IN
THE GAMBIA

BY

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ABSTRACT

The present study has examined the possibilities of economically empowering Gambian Women Vegetable producers through Islamic Microfinance. The study utilize both primary and secondary data to accomplish the set objectives. The primary data was collected through face-to-face interviews from 245 women vegetable producers in four different women gardens all within the peri-urban areas of The Gambia. Another interview was conducted with supersonicz “The Microfinance” Gambia Limited. A microfinance institution that claims to be an Islamic microfinance to assess their level of involvement with women vegetable producers and the products they designed specifically for women.

The research finding revealed that irrigation and storage facilities, access to markets and farming inputs (seeds, fertilizers) are the main challenges that these women encounter in their farming activities. On the side of the microfinance institution training and maintaining Islamic finance experts and the regulatory environment has been their major challenge as outlined during the interview.

Based on the above findings, we recommend the use of parallel *Salam* contract to tackle the problems of irrigation, storage facilities and access to markets. *Murabahah/Musawamah* contracts is suggested for tackling the issues of farming inputs. We further recommend for Islamic financial institutions to educate the public about their business activities. In addition we suggest for the regulators to establish a central Shari’ah board, to ensure unification of *fatwah’s* in the emerging Islamic finance sector, ensure transparency by the financial institutions and encourage more investors.

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LIST OF ABBREVIATIONS

AFDB	African Development Bank
AIM	Amanah Ikhtiar Malaysia
ANR	Agriculture and Natural Resources
BMT	Baitul Maal Wat Tamwil
BOK	Bank of Khartoum
CBG	Central Bank of The Gambia
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CGAP	Consultative Group to Assist the Poor
CU	Credit Unions
FAO	Food and Agriculture Organization
FIA	Financial Institutions Act
FSP's	Financial Service Providers
GAWFA	Gambia Women's Finance Association
GCC	Gul Cooperation Countries
GDP	Gross Domestic Product
GMD	Gambian Dalasi
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IMFI's	Islamic Microfinance Institutions
MFI's	Microfinance Institutions
NACCUG	National Cooperative Credit Union of The Gambia

NAWFA	National Women Farmers Association
NBFI	Non-Bank Financial Institutions
RFCIP	Rural Finance and community Improvement Program
SAT's	Sinapi Aba Trust
SDG's	Sustainable Development Goals
SHG's	Self-Help Groups
SME's	Small and Medium Size Enterprises
UN	United Nations
UNCD	United Nations Capital Development Fund
VISACA's	Village Savings and Credit Associations
wefi	Women Entrepreneurship Finance Initiative
WMI	Women Microfinance Initiative

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DEDICATION

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CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF STUDY

Women are considered to be the poorest among the poor accounting for more than half of the world's poor population. They are marginalized in most productive sectors of the economy especially in developing countries mostly due to gender stereotypes. The need to enhance their capabilities economically, politically and in all other meaningful spheres has emerged to be a global concern in most international discussions. Policy makers both at global and national levels are now giving more attention to gender mainstreaming issues as well. Hence, signifying the need for the participation of women in our economic activities. Their involvement in economic activities is widely acceptable to be a necessary contributing factor to economic growth and development and hence raising the need to empower them in all possible ways, UN (2019).

Microfinance institutions have been playing a fundamental role in the financial sector by providing financial services to those excluded from the traditional financial sector. Their main concentration has been on women. Raising intellectual curiosity on their impact towards empowering women and to achieve universal financial inclusion.

1.1.1 Women Empowerment

The term empowerment was first introduced in the 1980s by a group of activist from the south to serve as a tool to challenge the northern feminists' views on international discussions regarding women, UN (2008). They clearly state that women empowerment requires challenging patriarchal power relations that result in women having less control over material assets and intellectual resources. Kabeer (2001) mentions that women empowerment requires system transformation, especially in institutions that support

patriarchal structures. Patriarchy is a problem in most developing countries in which Gambia is not an exception, National Development Plan of The Gambia (2018-2021). There are different ways in which women can be empowered, the main ones are; economic, political, legal, and education (which can also be classified under social empowerment). For the purpose of this paper the focus will be on the economic empowerment of women.

1.1.2 Overview of the Microfinance Industry

“Over 3 billion people live on less than USD 2.50 a day, about 600 million of them are small holder farmers, 180 million are micro-entrepreneurs, and 800 million youths. While it is estimated that 2.5 billion adults lack access to savings or credit, 1.3 billion of them are women. In addition 200 million micro, small and medium businesses have very limited or no access to credit at all” Alsagoff (2016).

With this alarming figures microfinance seems to be a key tool that can be used to assist lower income individuals. As of December 2017, the total number of microfinance clients was approximately 139 million and an estimated total loan disbursement of USD 114 billion, these figures were accompanied by a growth of 5.6 percent (9.6 percent, 2016) in total borrowers and 15.6 percent (21.8 percent 2016) of the total loan portfolio. However, the growth rates slowed down in 2017 compared to that of 2016. Asia, particularly South Asia continues to be the leading providers of microfinance services, accounting for 60 percent of the total global microfinance borrowers, growth rates of 10.6 percent and 18.1 percent of borrowers based and loan portfolio respectively. A growth of 6.5 percent in total loan portfolios was recorded in countries within Eastern Europe and Central Asia, but their total borrowers declined by 2.3 percent. There was no significant loan portfolio growth and borrowers based in Africa. A growth of 3.5 percent and 0.4 percent was recorded for the

loan portfolios and borrowers based respectively. The report further revealed that countries like Senegal, Mali and Benin all within West Africa registered single-digit growth rates in borrowers¹. Table.1 outlines the top providers of microfinance services by country.

Table 1.1.2. Top Countries in the Microfinance Industry by Number of Borrowers for the Financial Year 2017.

Rank	Country	Borrower Financial Year 2017 (Millions)	Borrower Growth Since 2016	Loan Portfolio Financial Year 2017 (Billion USD)	Growth In Loan Portfolio 2016
1	India	50.9	+5.8%	17.1	+26.3%
2	Bangladesh	25.6	+3.5%	7.8	+17.0%
3	Vietnam	7.4	+2.8%	7.9	18.9%
4	Mexico	6.8	-3.8%	4.4	+5.5%
5	Philippines	5.8	+16.3%	1.3	+17.5%
6	Pakistan	5.7	+25.9%	1.8	+39.6%
7	Peru	5.1	+9.5%	12.6	+17.0%
8	Brazil	3.5	+1.1%	2.6	+2.7%
9	Colombia	2.8	-0.7%	6.3	+5.6%
10	Cambodia	2.4	-4.7	8.1	+21.6%

[http://www.convergences.org/wp-](http://www.convergences.org/wp-content/uploads/2018/09/BMF_2018_EN_VFINALE.pdf)

[content/uploads/2018/09/BMF_2018_EN_VFINALE.pdf](http://www.convergences.org/wp-content/uploads/2018/09/BMF_2018_EN_VFINALE.pdf)

¹

[http://www.convergences.org/wp-](http://www.convergences.org/wp-content/uploads/2018/09/BMF_2018_EN_VFINALE.pdf)

[content/uploads/2018/09/BMF_2018_EN_VFINALE.pdf](http://www.convergences.org/wp-content/uploads/2018/09/BMF_2018_EN_VFINALE.pdf)

1.1.3 Country Background

The Gambia is one of the smallest countries in mainland Africa, situated along the western region. It is surrounded by Senegal on its three sides except 80km on its coastline on the Atlantic Ocean. The country is demarcated into two municipalities namely; Banjul Municipality, which is the capital city and Kanifing Municipality the largest town in the country, and five regions; West Coast, Lower River, North Bank, Central River and Upper River regions. The country has a total land size of 11,300km² (4388sq); the agricultural land occupies 6550 km²; arable land of 588,000 hectares of which 334,000 hectares are under cultivation. It has water bodies of a size equivalent to 1,300 km² with an 80km coastline and an exclusive fishing zone of 200 nautical miles with continental shelf The National Development Plan of The Gambia (2018-2021). Climate wise the country has two seasons, the rainy/wet season, which usually starts from mid-June to Mid-October and the dry season, also known as 'Hamattan' which prevails from mid-October to mid-June.

The population of The Gambia is estimated at 2million (with an average yearly growth rate of 3.1 percent), out which 50.50% are female and the rest are male, World Population Review (2019). The main religions practiced are Islam and Christianity, with Islam forming the majority accounting for 96 percent, Christianity 3.8 percent and 0.2 percent other traditional religions, The National Development Plan of The Gambia (2018-2021). The official language of The Gambia is English and it has a series of local languages, namely; Wollof, Jola, Fula, Mandinka etc.

1.2 PROBLEM STATEMENT

The evolution of the microfinance industry has been accompanied by a significant transformation in terms of access to financial services for low-income individuals. According to Ernst and Young (2014) more than 80 percent of the poorest clients of the microfinance industry are women however, access to formal financial service is still a major challenge for them. According to the 2017 Global Findex Report published by the World Bank group more than one billion women do not have access to the financial system. Moreover, the international finance corporation also reports that an “estimate of USD 300 billion financing gap exists for formal women-owned small businesses, and more than 70 percent of women-owned small and medium enterprises (SME’s) have inadequate or no access to financial services². According to Demirguc-Kunt et.al (2017), the gender gap in account ownership both at global and in developing countries has been stagnant at 7 percent and 9 percent respectively for the past six years (i.e. 2011-2017). The same report reveals that women represent 56 percent of the total unbanked population.

Poverty rates in The Gambia have been stagnant at 48 percent for the past decade, Budget Speech of The Gambia (2018), 70 percent of the population depends on agriculture for their survival majority of whom are women, The National Development Plan of The Gambia (2018-2021). The agricultural sector is the second main driver of the country’s economy, accounting for 20.4 percent of Gross Domestic Product (GDP) as of 2017 and employs 70 percent of the total labor force³. Women being the main players in the sector

²

[https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+event
s/news/bridging+the+gender+gap+in+access+to+finance](https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/bridging+the+gender+gap+in+access+to+finance)

³ <https://www.export.gov/article?id=Gambia-Agricultural-Sector>

accounting for 54.27 percent of the total sectors, labor supply face several constraints such as access to credit facilities, irrigation, storage and other productive resources which lead to lower productivity in their farming activities Doss (2011).

Most of the women farmers are engaged in food production, horticulture, poultry and small ruminants. However, the output of their products are mainly use for survival of the family or sale in local markets, Sanyang (2008). As a result, they earn less income from their farming activities and the ones sold at the market are usually exposed to competitions forcing them to sell their products at heartbreaking prices. This is because farmers depend highly on the rain as a result they all harvest their products at ones and approach the market at the same time. Having in mind the limited market available for their products and the lack of storage facilities, they usually sell their goods at prices less than what they would have worth since most of the products are perishable goods. According to Sanyang (2008), massive increase in vegetable production has been experienced in The Gambia for the past decades, however, “the income gained by women does not commiserate with yields gains”. On the other hand, they also face marketing constraints especially in the hotel industry and the export market due to the presence of large scale producers.

1.3 RESEARCH OBJECTIVES

The main objective of this study is to evaluate the potential use of Islamic financing modes to empower Gambian women. Other objectives include:

- To evaluate how Gambian women in the agricultural sector can be empowered through Islamic Microfinance.
- Propose an inclusive financing mode that can empower women in the horticultural sector

- To examine whether access to markets, storage facilities and other productive resources that can be provided through Islamic modes of financing can improve the welfare of these women.

1.4 RESEARCH QUESTIONS

- What are the main obstacles hindering the empowerment of Gambian women farmers/vegetable producers?
- Is Islamic microfinance a better alternative of solving the existing constraints of Gambian Women farmers/vegetable producers?

1.5 RESEARCH HYPOTHESIS

- Islamic microfinance is a better source of funding to improve the welfare of Gambian women vegetable producers.
- Islamic microfinance has the potential to solve the funding requirements and other related constraints women faced in the agricultural sector especially women vegetable producers.

1.6 METHODOLOGY

This section provides the details of the methodology use in this research. First we will discuss the sampling technique use and the sample size, then collection of the data and finally the approach used to analyze the data.

1.6.1 Sampling

The sampling technique use in this research is a multi-stage sampling method, which Sedgwick (2015) define as a sampling technique that entails two or more stages of random sampling based on hierarchical structure of natural clusters within the population. The

initial stage of the data collection was the selection of the regions to focus on. In which we identified two regions namely; Kanifing Municipality and West Coast Region. These two regions are chosen due to the presence of major women gardens that have been operating for decades.

Then we select the gardens to focus on in these two regions. At this stage we identified four women gardens out namely; Bakau, Banjulinding, Busumbala and Sifoe women gardens. These gardens were specifically chosen due to their size and their decades of operation in vegetable production which we believe gives them the necessary experience to answer our research questions. A total sample of 245 respondents was randomly drawn from all the gardens. All the farmers in the aforementioned gardens were given equal opportunities to participate in the research depending on their willingness.

1.6.2 Data Collection and Interpretation

The research utilizes both primary and secondary data towards achieving the goals of this paper. The primary data was collected through face-face interviews using structured questionnaires with closed-ended questions. Face-to-face interviews are time consuming and labor intensive, but are much more likely to provide reliable data. A total of 11 questions were drawn from different angles. The broad areas covered in the questionnaire were first the demographic information of the respondents, their methods of production distribution, access to finance and its impact on their social life, major farming constraints and finally their knowledge of Islamic finance and motivation to pursue.

These questions were used to interview all the participants in the above mentioned gardens. The duration of the data collection was from December 2018 to January 2019. We utilize

the Statistical Package for the Social Sciences (SPSS) version 20 and Microsoft Excel 2016 to analyze the data.

Another interview was conducted with Supersonicz “The Microfinance” Gambia Limited, in which Mr. Ebrima Sagnia (Head of Business growth and Development) spoke on behalf of the company. Since the above mentioned company identified itself as an Islamic microfinance institution, we thought it is wise to use them as a case study to assess the level of empowerment provided to women by Islamic microfinance institutions in The Gambia.

In addition, secondary data was also collected from books, journal articles, reports, working papers, published thesis, and news reports depending on their relevance to the subject matter.

1.7 LITERATURE REVIEW

1.7.1 Conceptual Analysis of the Term Empowerment/Women Empowerment

Despite the heated discussions on women empowerment globally, there is no unanimous definition for the term empowerment. A widely used definition given by Kabeer (2001) as cited in Malthora et.al (2002, p. 6) is empowerment involves “the expansion in people’s ability to make strategic life choices in a context where this ability was previously denied to them”. Chattopadhyay (2005) define empowerment as the expansion in freedom of choice and action in all spheres (political, economic and social) to shape one’s life. He is of the view that the process of empowerment should be multidimensional in a sense that it reflects in people’s economic, political, legal and social lives.

The feminist views on empowerment place more emphasis on transferring power to women which they believe will reduce gender differences and limit sex inequality. Rai (2016, p. 27) explains the term empowerment as “the process and its result whereby the powerless or less powerful members of the society gain access and control over material and knowledge resources, and challenge the ideologies of discrimination and subordination, which justify this uneven distribution”. He went further to describe women empowerment as “the process by which women gain greater control over material and intellectual resources, and challenge the ideology of patriarchy and the gender based discrimination in all institutions and structures of the society. Despite the differences in definition, emphasis is unanimously placed on individual’s choices, control and power by most of the authors.

1.7.2 Measuring Empowerment

As earlier mentioned empowerment is multidimensional and should be reflective in different economic spheres. In terms of measuring empowerment different indicators have been derived but the most commonly used ones are, economic, legal, political, and educational empowerment. However, it will be difficult to just assess empowerment using one of the above indicators since most of them overlap.

Economic Empowerment

Economic empowerment is about making markets work for women (at the policy level) and enabling women to compete in markets (at the agency level) World Bank Group (2006). The World Bank’s definition focuses on four key economic markets (i.e land, labor, product and financial markets) due to their potential in increasing women’s productivity and their level of earnings. The OECD policy guide on empowerment for poverty reduction and growth outlines that economic empowerment is that capacity individuals have to make

choices on the kind of productive activities to involve and invest in, make decisions on how and when to engage in markets and to have an impact on the terms and conditions in which they do so.

Top on the agenda of the Sustainable Development Goals (SDG's) is to “end poverty in all its forms everywhere”⁴. Economically empowering women is key towards achieving this fundamental goal. More than half of the world's total poor population are women, moreover the United Nations also revealed that “globally, there are 122 women within age 25-35 living in extreme poverty for every 100 men within the same age group”⁵. In a study conducted by Elsheikh and Elamin (2016), on economic empowerment of women and poverty in urban Sudan concludes that women without assets, private business, no level of education and high economic dependency are mostly poor.

1.7.3 Empowerment of Women in the Agricultural Sector

The Agricultural sector in most developing countries are key contributors towards economic growth, however, the sector usually underperforms due to lack of productive resources, poor farming techniques and over dependence of the rain, making the sector vulnerable to external shocks such as droughts. In addition, women being the main actors in the sector face additional challenges in terms of access to and ownership of productive resources due to gender stereotypes. This affects their productivity and earnings from their farming activities, which in turn affect the overall performance of the sector.

4

https://sustainabledevelopment.un.org/content/documents/8326Factsheet_SummitPress_Kit_final.pdf

⁵ <https://www.un.org/sustainabledevelopment/poverty/>

According to FAO (2011a) on average 43% of the agricultural labor force in most developing countries is made up by women and more than 50% in most African and Asian countries, yet certain discriminatory acts exist in the sector in terms of access and ownership of productive resources. The United Nations' (2014) report further reveals that if these women farmers in developing countries had access to productive resources just like their male counterparts do their outputs could increase from 2.5 percent to 4 percent, which will transfer to a drop in global hunger from 17 percent to 12 percent. These discriminations are mostly due to the patriarchal nature of most African societies.

Effective and efficient participation in agricultural activities requires ownership and access to productive resources such as land, farming tools and equipment's, access to financial resources etc. their absence can hinder agricultural activities and productivity in general. This point is affirmed to by Saraboni et.al (2014) in their paper on Women Empowerment in Agriculture: What Role for Food Security in Bangladesh? Discussed that ability of women farmers to generate income is severely constrained by their limited use, ownership and control of productive physical and human capital. Agarwal (199 as cited in Doss and Deere (2006) argued that the ownership of productive resources such as land by women farmers leads to an improvement in their overall welfare, productivity in their activities.

Some empirical studies suggest that increasing the ability of women to have control over resources have a significant positive impact on development outcomes. Doss (2006) concludes that women's share of assets in Ghana, farmland in particular is positively related to household budgets on food expenditure. Other studies also affirm that the larger the proportion of household income owned by women the larger the expenditure on food and other household needs all else equal. This is because women tend to spend more on

the household than men. As argued by the noble peace prize winner, giving credit facilities to women have a greater multiplier effect than given it to men. Simply because the later tend to spend on marrying more wives or buying cigarettes, alcohol or other non-household related expenses.

1.7.4 Impacts of Microfinance on Women Empowerment

Several studies have been conducted to access the effect of microfinance on women empowerment, interestingly most of the papers concludes that microfinance is a powerful tool that can be utilize to empower women. Addae (2015) reviewed existing literatures on the effect of microfinance on women empowerment. The literatures were drawn from both theoretical and empirical evidences. His finding concludes that most of the literatures suggest that microfinance has positive impacts on women empowerment.

Yogendrarajah (2012) conducted a study on the impact of microcredit on women empowerment, the data was collected from 95 Respondents out of 105 households in seven districts in Jaffna (Sri lanka), she used the following variables to analyze the concept of micro credit: size of loan received and period of loan, whiles socio cultural empowerment and economic empowerment were used to analyze the empowerment aspect. Upon conclusion the findings revealed a positive relationship between microcredit and economic empowerment of women than social empowerment.

Awojobi (2014) in his paper on the impact of micro-credit on women empowerment in Nigeria, adopted a quantitative data collection method in which a sample of 40 respondents were collected from women clients of Microfinance Institutions (MFI's). His results concludes that women participating in microfinance institutions are socially and economically empowered. However, all the participants expressed their concern on the

high interest rate charged by the MFIs. The high interest rates could be a disempowerment factor, because recipients of these loans might end up paying all the profits earned as interest payment.

Swain (2017) investigated the impact of women participation in microfinance through Self-Help Groups (SHGs) and women empowerment. The sample was collected from women currently participating in SHGs and those not participating (the control group). The research findings concludes that on average women participating in SHGs were empowered over time unlike those not participating. This was evident by a significant increment in the empowerment rate of women participating in SHGs compared to those in the control group.

Rahman et.al (2017) in their paper on the effects of microfinance on women's empowerment: new evidence from Bangladesh concludes that most of the indicators used in the study to measure the level of empowerment of the respondents after participating in microfinance programs showed a significant improvement in their status. The results further reveal that women who participated in microfinance programs for at least two years were twice more likely to feel strong and secure than others. Moreover, women participating in microfinance for three years have 23 times more impact on their child's education than those who participated in microfinance just for one year. The sample was selected randomly from 364 households, from 20 villages in the following districts; Comilla, Chandpur, Narayangonj and Narshingdi).

Cheston (2002) argued that despite the fact that microfinance is not always empowering for all women, it has significant potential on women empowerment and most of the women participating do experience at least some degree of empowerment. Using Sinapi Aba Trust

(SAT's) Ghana, as a case study to assess the impact of the institutions program on women participating in their activities. Cheston (2002) concludes that women participating in the SAT's program recorded higher working capital, improved relationships with their suppliers and clients, and improved planning and pricing techniques and diversification and expanding their activities into more profitable product lines.

Kabeer (2005) concludes that microfinance institutions are important and effective means that can be utilized towards achieving change on a number of different fronts, economic, social and political. However, she suggest the assessment of the impact of particular microfinance institutions on women empowerment and not microfinance institutions in general. Because she believe different microfinance institutions have different targets and their operations might not necessarily lead to the empowerment of women.

However, there are others that conclude that microfinance is not an effective tool to be used for empowering women, because it exploits the poor. Ganle (2015) some women after having access to credit facilities are not better off in any way due to the minimal control they have over the use of the funds. And even in worst cases they are subjected to harassments due to their inability to repay back the loan in time Rahman (1999) and Mayoux (1997).

1.7.5 Islamic Microfinance and Women Empowerment

Similar to conventional MFI's most of the clients of Islamic Microfinance Institutions are women. However, the reason for giving more attention to them is quite different from that of the conventional ideology. Conventional microfinance institutions target women due to the view that women use their funds more efficiently to increase their income levels, increase the welfare of the family by contributing to the children's education, household

items and have high records of loan repayment. Unlike men that will most of the time spend the funds in unproductive means like buying cigarettes, marrying more wives etc. Such arguments can spark tension in the homes which results to family disputes.

According to Ahmed (2002) Islamic Microfinance Institutions (IMFI's) have a more eco-friendly approach to empowerment than their conventional counterparts. Instead of targeting women alone the target group is the family, which involves both the woman and her spouse. This is evident in the nature of the contract between the Islamic Microfinance Institution and the beneficiary, in which the couple sign the contract and are jointly liable for payment of the funds, Ahmed (2002). Interestingly, most of the non-financial services such as teachings on the Islamic ethical values offered by Islamic microfinance Institutions are received by women. This improves their knowledge in their religious beliefs which is further transferred to other members of the family especially the children.

RAHMAN (2007) in his work on Islamic Microfinance (IMF) a missing component of Islamic Banking argued that the main goals of microfinance schemes is to alleviate poverty and enable the poor to empower themselves, which is also in line with the Islamic economic principles of justice. Ahmed (2002) Islamic microfinance institutions have huge potentials to cater for the needs of the poor. This will ultimately help in empowering women because more than half of the world's poor population are women, OXFAM (2016).

AL-SHAMI (2016) looked into the effect of Amanah Ikhtiar Malaysia (AIM) microcredit on the empowerment of Malaysian Muslim women in the urban area. The survey questionnaires were administered on 500 old and new clients, in addition, 20 informal semi-structured interviews was conducted on clients who had received microcredit two years earlier. His studies concludes that access to AIM microcredit services has positively

impacted several aspects of the borrower's lives, either socially or economically, which has helped reduced gender inequality to some extent.

Izzani (2018) in her work on Empowering Women through Islamic Microfinance: Evidence of Baitul Maal Wat Tamwil (BMT) Beringharjo, concludes that women engaging with Islamic microfinance institution (Beringharjo) agree that they are able to increase their economic status due to their ability to generate income which they can use to settle their individual needs, family or save for the future.

Maierbrugge (2016) reports on the Gulf Time website that Abdulkadir head of Islamic Banking Kenya commercial bank said that Islamic financing modes such as '*Salam*' are ideal Islamic finance products for farmers in need of funds perhaps to purchase seeds, fertilizers and other farming tools. The state bank of Pakistan has also issued some guidelines on Islamic agricultural financing that would focus mainly on four Shari'ah compliant financing modes (*Murabahah*, *Musawamah*, *Salam* and *Istisna*), *Ijarah*, *Musharakah* and *Mudaraba* will also be used when necessary (ibid).

CHAPTER TWO: ISLAMIC MICROFINANCE AND WOMEN EMPOWERMENT

2.1 INTRODUCTION

The microfinance industry has registered significant growth over the past decades. The struggle to fighting financial exclusion is a global goal that all nations are working towards, and microfinance is identified as one of the main tools to achieve this goal. Despite the fact that some scholars believe that microfinance is not the best tool for fighting poverty, financial exclusion, discrimination against women especially in the financial sector, there is a rich literature on how microfinance has helped in the courses of fighting poverty and financial exclusion and women empowerment as outlined in the literature review.

The year 2005 was a remarkable year for the microfinance industry. The UN's general assembly declared it as the year of microcredit, in the same year the World Bank (WB) donated a sum of USD1.2billion to microfinance which was recorded as the largest donor of microcredit in the world. Additionally 438,272 individuals (out of which 200,000 were female) were receiving microfinance services from Financial Service Providers (FSPs) that were supported by United Nations Capital Development Fund, UNCDF (2006). The United Nations, World Bank and other multilateral development institutions continuous to recognize microfinance as a tool towards achieving the SDG's. As such the united nation through the UNCDF has been encouraging continuous awareness campaigns on microfinance and embarking on other means of strengthen the capacity of the MFI's, Gleta (2015). Moreover, the WB perceives microfinance as the engine towards realizing two of its primary objective (i.e. ending extreme poverty and boosting shared prosperity). The

wide acceptance that the industry gains made it to be a hot cake in all policy makers' discussions both at national and global level.

2.1.1 Definitions

The term microfinance can simply be defined as the means through which “financial services are provided to the poor and low-income people whose low economic standing excludes them from formal financial systems” Obaidullah (2008). Gleta (2015) define microfinance as “a small-scale financial service that includes lending to and saving from low-income clients who are generally regarded as poor”. Both definitions entails the terms providing financial services to the poor (least marginalized), simply because most microfinance institutions aim at targeting the poor who are usually deprived of access to traditional financial services. The provision of these financial services could be in the form of access to credit facilities at micro level, savings schemes, insurance, remittance etc. The above definitions of microfinance also holds for Islamic Microfinance except that all its operations should be in conformity with the Islamic principles (Shari’ah).

2.2 MICROFINANCE MODELS

The most popular microfinance model is the group lending based model which was initiated in the late 1970s by the famous 2006 Nobel peace prize winner Dr. Muhammad Yunus, who is also considered as the father of microfinance. Since its inception the model has been widely adopted globally by MFI's been it Islamic or Conventional. The other types of microfinance model are the Village Bank model, Credit Union (CU) and the Self-Help Groups (SHGs). Box 1 briefly discuss each of the models.

Box 2.2. Microfinance Models.

2.2.1 Grameen Bank Model: The Grameen model is based on group lending and it targets the poor mostly women. These groups usually consist of five members in which they guarantee each other's loan. If any member defaults it is the responsibility of the other members to get her pay for the loan otherwise they will all be deprived of future loans and/or other penalties may be applied.

2.2.2 Village Bank Model: "The village bank model involves an implementing agency that establishes individual village banks with about thirty to fifty members and provide capital for onward financing to individual members" Obaidullah (2008). A practical example of this model is the village Savings and Credit Associations (VISACA) in The Gambia. A similar model in the Islamic finance sector is the Jabal al-Hoss (Sanduq), in Syria.

2.2.3 Credit Union (CU): This model involves the coming together of group of individuals with mutual interest. It involves the mobilization of saving from its members and providing them with loans for productive and provident purposes. Credit unions are now common in the world especially in Asia and Africa.

2.2.4 Self-Help Groups (SHGs): Self-Help Groups are usually formed by members who have similar earnings, maybe 10-20 members. They mobilize savings from their members and lend it out. They also seek support externally from NGO's. This type of model is predominantly practice in India, South Asia and Southeast Asia.

Source: Obaidullah (2008), Islamic Microfinance Development: Challenges and Initiatives.

2.3 OVERVIEW OF THE ISLAMIC FINANCE SECTOR

The Islamic finance industry has registered enormous growth over the past decade with concentration in few countries mostly in the Middle East and South and Southeast Asia. As per the Islamic finance development indicator score, 2017, Malaysia, Bahrain and UAE continue to lead the race whiles, Iraq, Suriname, Nigeria and Ethiopia were crowned as the markets that had most improvements in their Islamic financial sector and ecofriendly. The

total worth of the industry is estimated at USD 2.05 trillion as of 2018 (growth of 8.3 percent) surpassing that of 2017 and 2016 which were USD 1.89 trillion and USD 1.88 trillion respectively. The growth in the industry was significantly contributed by all the three sectors (banking, capital markets and *takaful*), however the “key rebound in performance was experienced in the Islamic capital market accounting for 23 (20% *sukuk* plus 3% Islamic fund) percent of the total industries total assets compared to 19.8 percent in 2016. Overall the banking sector continues to account for the largest share of the industries assets (76 percent) followed by capital markets (23 percent) and *takaful* (1 percent).

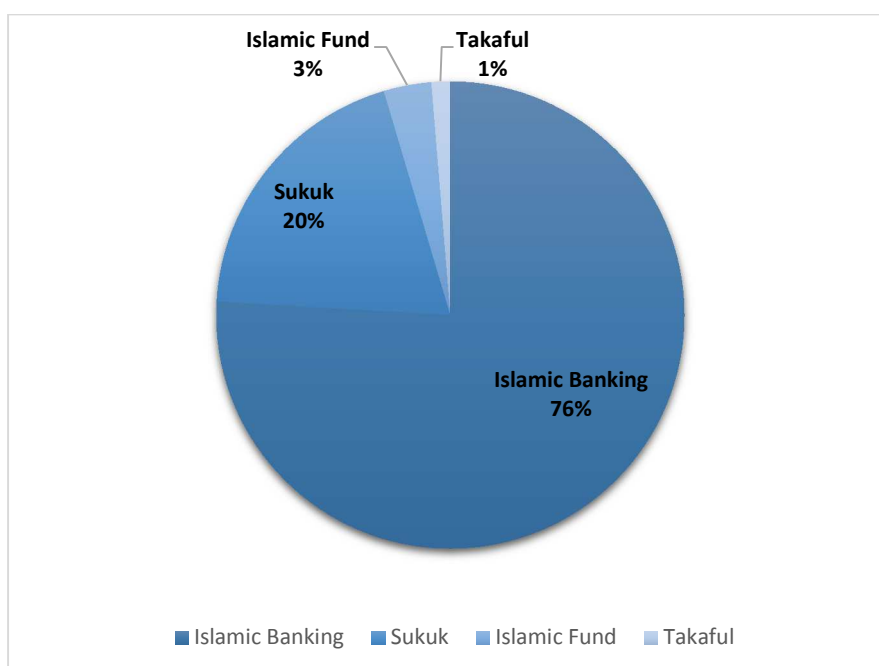


Chart 2.3.1. Sectoral Share of the Global Islamic Finance Service Industry.

Source: IFSB Stability Report 2018.

The Gulf Cooperation Countries (GCC) continue to lead in the market share of the Islamic finance sector accounting for 42% of the total industry. However, when compared to its share in the previous year it has dropped by .3 percent. A similar trend was also registered for the Mena countries excluding the GCC, a total share of 29.1 percent was recorded in 2017 compared to 29.9 percent in 2016. Asia despite accounting for the third largest

regional share, it has registered positive growth in the industry from 22.5 percent in 2016 to 24.4 percent in 2017. Africa (excluding the North) accounts for only 2 percent of the sector, while other regions such as America and Europe accounts for only 3 percent of the total industry.

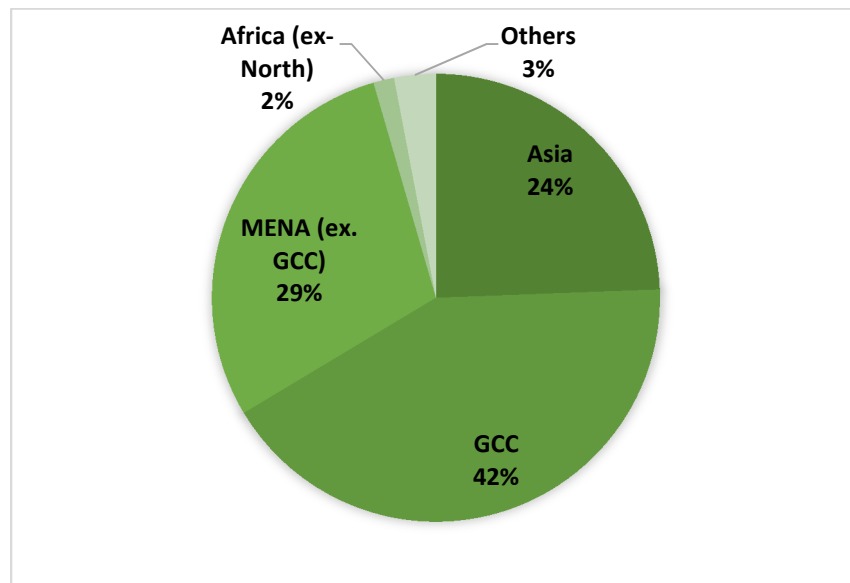


Chart 2.3.2 Regional Share of the Islamic Finance Industry

Source: IFSB Stability Report 2018.

2.4 THE ISLAMIC MICROFINANCE SECTOR

2.4.1 Introduction

Islamic microfinance is a convergence of two growing industries, that is the Islamic finance industry and the microfinance industry. As of 2016 there were more than 300 Islamic microfinance institutions operating in 32 jurisdictions, with a total customer base of more than 1.2 million and a portfolio of more than USD 740 million Alsagoff (2016).

Table 2.4.1 Outreach of Islamic Microfinance by Country

Country	# of Included Institutions	Average Percentage of Female	Total # of Clients	Total Outstanding Loan Portfolios (USD)	Average Loan Balance (USD)
Afghanistan	4	22	53,011	1034,729	162
Bahrain	1	n/a	323	96,565	299
Bangladesh	2	90	111,837	34,490,490	280
Indonesia	105	60	74,698	122,480,000	1640
Jordan	1	80	1,481	1,619,909	1,094
Lebanon	1	50	26,000	22,500,000	865
Mali	1	12	2,812	22,500,000	97
Pakistan	1	12	6,069	746,904	123
West Bank and Gaza	1	100	132	145,485	1,102
Saudi Arabia	1	86	7,000	586,667	84
Somalia	1	n/a	50	35,200	704
Sudan	3	65	9,561	1,891,819	704
Syria	1	45	2,298	1,838,047	800
Yemen	3	58	7,031	840,240	146
Total	126	59	302,303	197,891,882	541

<https://www.microfinancegateway.org/sites/default/files/mfg-en-paper-international-conference-on-islamic-microfinance-conference-report-aug-2011.pdf>

2.4.2 Need for Islamic Microfinance

Islamic Microfinance represents the convergence of two rapidly growing industries i.e the microfinance industry and the Islamic Finance Industry. According to Karim (2008) “72 percent of people living in Muslim-majority countries do not use formal financial services despite the fact that the services are available to some of them. Reason being that some of them are of the view that the products offered by the conventional microfinance institutions are not in line with their religious beliefs. Hence the need to establish well-structured

IMFI's that will offer products and services in line with the Shari'ah principles. Most of the conventional microfinance products are interest (*Riba*) based which is totally prohibited in Islam⁶, hence serving as the main barrier for most practicing Muslims to use their products. Notwithstanding, there are other Shari'ah compliant instruments that IMFI's can utilize to provide services in line with Islam. However, reports have shown that the Islamic microfinance sector is yet to tap its full potential in the microfinance industry. The Consultative Group to Assist the Poor (CGAP) in collaboration with 19 experts from Muslim countries conducted a global survey in more than 125 institutions on Islamic Microfinance. The survey concludes that Islamic microfinance has a total estimated global outreach of 380, 000 (0.5% of the total industry's outreach) customers, and accounts for only one-half of one percent of the total microfinance outreach, Karim (2008). Out of the total outreach 80% comes from Bangladesh, Indonesia and Afghanistan. This is a clear indication that the industry is yet to tap its full potential.

2.4.3 Shari'ah Compliant Financing Instruments

The Islamic Research and Training Institute in 2008 proposed series of Shari'ah compliant instruments that Islamic microfinance institutions can use in executing their business transactions. Such instruments includes those meant for mobilization of funds, financing and risk management. The table below briefly summarizes them.

⁶ Surah Al-Baqarah, 2:275, "Allah has permitted trade and forbidden *riba*"

Table 2.4.3. Shariah Compliant Instruments and their Potential Uses.

Instrument	Potential Uses
Instruments for Fund Mobilization	<ul style="list-style-type: none"> • Through Institutions of Compassion: <i>Zakah</i>, <i>Awqaf</i> (Endowments), <i>Sadaqah</i>, <i>hiba</i> (gifts) etc. • Deposits: Qard al-hasan, Wadiah and Mudarabah etc. • Equity Based: Musharakah, Mudarabah.
Instruments for Financing	<ul style="list-style-type: none"> • Equity/Profit-Loss Sharing: Mudarabah and Musharakah. • Lease-Based: Ijarah • Sale-Based: Murabahah, Musawamah, Salam, Istisna etc. • Benevolent Loans: Qard (loan) with service charge.
Instruments for Risk Management	<ul style="list-style-type: none"> • <i>Daman</i> (Collateral) • <i>Kafalah</i> (guarantee)

Source (Obaidullah, 2008), Islamic Microfinance Development: Challenges and Initiatives.

2.4.4 Islamic Microfinance and Financial Inclusion

The role Islamic finance in enhancing financial inclusion is widely revisited today by development institution such as the World Bank⁷. The Islamic religion inherently is not discriminatory and if probably applied in the financial sector has huge potentials of catering for the needs of everyone regardless of status (poor/rich), and religion. Financial inclusion

⁷ <https://openknowledge.worldbank.org/handle/10986/16875?locale-attribute=en>

in simple terms involves the act of making financial services such as financing, deposits, insurance and fund transfer services accessible to all at reasonable cost regardless of their status (rich/poor), race, gender, religion, ethnicity and so on. According to the World Bank (2019) financial inclusion is the means through which individuals and businesses have access to useful and affordable financial products and services that meet their needs- transactions, payments, savings, credit and insurance-delivered in a responsible and sustainable way.

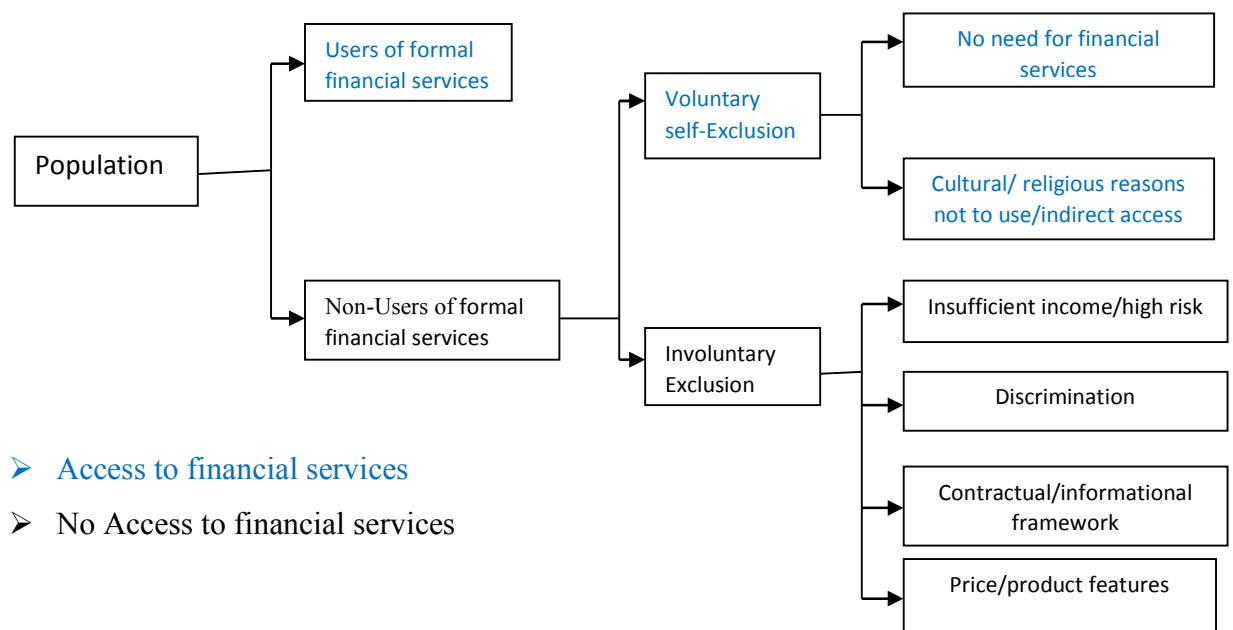


Figure 2.4.4: Factors of Financial Exclusion

Source: World Bank (2008) *Finance for All; Policies and Pitfalls in Expanding Access, A World Bank policy Report Research.*

The diagram above illustrates the demarcation of the population that are voluntarily and involuntarily excluded from the financial sector. According to the World Bank, people can be excluded from the financial sector either voluntarily or involuntarily and their main

focus is on those that are involuntarily excluded from the sector. Base on the existing concept of financial inclusion the population is divided into two: those who have access to the formal financial sector and are utilizing it and those who do not have access to the formal financial sector (non-users/the financially excluded category). The latter category is further divided into two: those who voluntarily exclude themselves from the sector due to religious, cultural or other indirect reasons and those who involuntarily exclude themselves from the sector due to insufficient income/high risk, discrimination, nature of contract/informational framework and price/features of the existing products and the focus of the policy makers is on the latter.

However, from an Islamic finance perspective those individuals who are not participating in the financial sector due to religious beliefs are also considered as involuntarily excluded from the financial sector and their needs should be catered for in order to have an inclusive financial sector. For instance if an individual is not participating in the financial sector due to the fact that the products offered are interest based. Knowing fully well that interest (*riba*) is prohibited in Islam and as such he chooses to refrain from the financial sector. That individual cannot be considered as voluntarily excluding himself from the financial sector. This is because he is simply adhering to the dictates of his religion which needs to be respected by policy makers. In fact religious beliefs can exclude both the rich and the poor from being players in the formal financial sector.

2.4.5 Challenges Facing Islamic Microfinance Institutions

Generally Islamic Financial Institutions have challenges that are unique to them, top on the list is Shari'ah compliance. Operating in a financial sector that is dominated by conventional financial products and services really poses a serious challenge to Islamic

Financial Institutions. Other challenges include the general administrative cost, market penetration and the mobilization of funds to subsidize cost.

Possible solutions to tackle the above challenges could be: firstly to set up a central Shari'ah board that will oversee the Shari'ah compliance of the products and services offered by Islamic financial institutions. If central banks are not willing to take up such initiatives the Islamic microfinance institutions can form a national organization that will set up a Shari'ah board for all the Islamic microfinance institutions. Additionally, the regulatory environment should be ecofriendly in order to allow for funds to be mobilized from the institutions of compassion (zakah, awqaf, qard al-hasan etc) to subsidize their cost.

2.5 WOMEN EMPOWERMENT

2.5.1 Definitions

Enhancing the capabilities of women is a global concern which has been a key agenda in international discussion regarding women, such as the Convention on the Elimination of all forms of Discrimination against Women (CEDAW), the Beijing platform for action, the Women Entrepreneurship Finance Initiative (wefi) by UN, the Sustainable Development Goals (SDG's), etc. International development institutions such as the World Bank identifies empowerment as one of the key "constituent elements of poverty reduction and a primary development assistance goal" Malthora et.al (2002, p.3). Despite the huge consideration for women empowerment there is no single definition that is generally adopted. The differences in the definition is perhaps due to the different development paradigms that the experts in the field align themselves to. However, they all emphasized

on its centrality towards improving human lives. Authors like Kabeer (2001), Malthora et.al (2002) and Alsop and Heinsohn (2005) all define empowerment in a similar context.

Kabeer (2001) define women empowerment as the expansion in people's ability to make strategic life choices in a context where this ability was previously denied to them. Malthora et.al (2002) defines women empowerment as the ability of women to make strategic life choice where that ability had been previously denied to them. Alsop (2005) define empowerment as enhancing an individual's or group's capacity to make choices and transform those choices into desired actions and outcomes.

On the other hand, the feminist views on empowerment place more emphasis on "power". Cattaneo (2010, p.647) outlines that the route to empowerment takes place in our society in situations where power is unevenly distributed and where structures exist to perpetuate the advantages of particular groups/individuals over others. She went further to define empowerment "as an iterative process in which a person who lacks power sets a personally meaningful goal oriented towards increasing power, takes action toward that goal, and observes and reflects on the impact of this action, drawing on his or her evolving self-efficacy, knowledge and competence related to the goal". Mc Whirter (1991) as cited in Cattaneo and Chapman (2010, p.648) made similar emphasis that empowerment is a process by which people, organizations or groups that are powerless becomes aware of; (1) "the power dynamics at work in their life context, (2) develop skills and capacity for gaining some reasonable control over their lives, (3) exercise this control without infringing upon the rights of others, and (4) support the empowerment of others in their community.

2.5.2 Dimensions of Women Empowerment

Women empowerment as earlier mentioned is a multi-dimensional process that should reflect different areas in people's life both at the household, community and at the national level. The four main dimensions namely: Economic, Political, Education and the Legal dimensions are discussed below.

2.5.2.1 Economic Empowerment

According to Rowlands (1995) economic empowerment is the ability that individuals have to efficiently and effectively utilize available opportunities without constraints of structure and state. Economic empowerment of women and in general could be applied from both individual, community and at national level. Individual and community economic empowerment would be in the form of women's control over income, access and control of valuable family resources such as land, access to credit/financing facilities, equal employment opportunities, access to markets etc, while at national level the economic empowerment of women will be gauged by the level of their representation in high paying jobs, number of CEO positions held by women, governments attention towards the economic interest of women in national development agendas and policies etc.

Programs that could facilitate economic empowerment of women could be in the form of providing credit schemes with low interest/markup rates for communities, training business personnel's, entrepreneurship, enhancing bargaining power of communities, financial competency trainings and other relevant community based programs. These empowerment programs will enhance people's involvement in the economy and decision making process. Rowlands (1995) belief that granting women these resources will make them to become active participants in their respective communities. However, he placed more emphasis on

empowerment at community level than individual level. This is mainly due to issues arising from the recipients of the funds in terms of credit delivery and the users of the funds. Goetz (1996) asserts that loans given to women were often managed and controlled by their male counterparts and women sometimes have to find other sources to repay back their loans. The latter raises concern on whether economic empowerment of women especially in areas of ownership to assets and personal financing should be done at individual, community level or perhaps at family level.

2.5.2.3 Political Empowerment

Politics is an important factor in our societies and all citizens should endeavor to participate in it either directly or indirectly without any form of discrimination in terms of gender, race, ethnicity and so forth. As such the political empowerment of women also takes different dimensions like the economic empowerment. It entails educating women about the political systems, their political rights; voting rights, freedom to associate with any candidate of their choice, their right to run for any political position such as national assembly members, mayoral candidates, councilors, etc. At national level political empowerment of women could be reflected by their representation in political positions such as flag bearers of their respective party affiliations, representation in government cabinet positions such as ministerial positions, ambassadors etc.

2.5.2.4 Educational Empowerment

According to World Bank (2008) educational empowerment is the means through which people can have access to quality education without being discriminated based on their gender, race, religion, ethnicity etc. Education is a fundamental development factor that should be made accessible to all without any form of discrimination. But due to gender

stereotypes girls are usually deprived of access to education. The recent global statistics on gender inequality in the education sector revealed that 61 million are out of primary education out of which 53 percent are female⁸. The above statistics shows that there is still a wide gender gap in access to education just at the primary level talk less of secondary and tertiary levels. Possible ways to narrow this gap could be through sensitization programs that will educate the people about the importance of education, making education more affordable to average people and providing the facilities to remote areas as well.

2.5.2.4 Legal Empowerment

This involves using legal means as a tool to empower the poor and underprivileged. This could be done by establishing philanthropic organizations like the Female Lawyers Association in The Gambia that provides free legal services to women. Moreover, awareness campaigns on their legal rights and how to exercise them, national laws supporting women's rights in all spheres of life are powerful tools to empower women legally.

2.5.3 CHALLENGES IN MEASURING WOMEN EMPOWERMENT.

2.5.3.1 Measuring Process

Women empowerment is not measured immediately rather it is a process and how to measure that process might raise some challenges on what indicators to use. Some of the challenges in measuring process outlined by Malthora et.al (2002) are the use of direct measures rather than proxy indicators, minimal availability of data to be used across time, subjectivity in assessing process and the shifts in relevance of indicators over time. Authors

⁸ <https://www.right-to-education.org/girlswomen>

such as Ackerly (1995) as cited in Malthora et.al (2002) argued that since empowerment is an ongoing process it can only be measured through proxies such as access to health, education, household decision making, employment etc. Kishor (2000) further reiterates this point by arguing that the end product of empowerment can be measured by direct indicators, but measurement of the process can only take place through proxies. However, the proxies to be used varies depending on the researcher's interest and possibility of getting data on those proxies.

2.5.3.2 Contextualization of Empowerment

Another difficulty in measuring empowerment is the issue of contextualization. An indicator that might serve as an empowerment factor in a particular region/country might not be an empowerment factor in another jurisdiction. For example providing farm land for Gambian women might be considered as empowering them because most of the women are engage in agricultural activities, on the other hand, providing the same facilities for Qatari women might not reflect empowerment simply because is not an area that they engage in. The variance in nature poses some challenge like comparing the level of empowerment of one country to the other. However, this does not necessarily imply that the widely acceptable indicators should be abandoned. They could be used in developing the main framework and the contextual/specific indicators could be mentioned in the research analysis.

2.6 ISLAMIC MICROFINANCE AS A TOOL FOR EMPOWERING WOMEN.

Family empowerment is what is more advocated for in Islamic finance as oppose to women empowerment⁹. Due to the Islamic code of ethics regarding co-gender interaction, it could be a valid point to focus more on family empowerment than women empowerment. However, this might require additional work from IMFI's such as thorough screening of spouses to assess their credit worthiness and understanding towards each other. If the rule is strictly confined to involving both parties in the contract it might exclude some portion of the population from accessing finance through Islamic microfinance institutions. For example if a widower/unmarried lady needs financing and these requirements are preconditions to accessing finance they might have to resort to other means which might not be in their best interest and the interest of the microfinance institution as well. We totally agree with the basis of family empowerment but if IMFI's should implement it there should be a room for flexibility to consider for the extreme cases that might not be suitable for family financing. In addition, considering the nature of the job that women do family financing might not be a better option. Taking for example women in the agricultural sector. Most of the time their farming activities are done as group or at community level. So if empowering them should be done at family level like earlier mentioned it might not be fitting in such situations.

For the purpose of this paper two of the projects funded by the Bank of Khartoum (BOK) Sudan in collaboration with the Islamic Development Bank (IDB) and International

⁹ (Obaidullah, 2008), "One of the potential benefits of microfinance in Muslim societies is the empowerment of Muslim women. While the ability of microfinance institutions to deliver financial services to rural women in gender-segregated societies is commendable, working with Muslim women is a sensitive issue that often raises accusations of meddling with social codes. Some Islamic microfinance seek to overcome this through a shift in focus from "women empowerment" to "family empowerment".

Finance Group, will be used as a reference point on how Islamic Microfinance could be a better alternative in empowering women economically than conventional microfinance institutions. Despite the fact that these projects did not focused mainly on women a similar replica could be done for women, in the agricultural sector or any productive sector that they are actively engage in.

2.6.1 The Moringa and Jatropha Project.

The Bank of Khartoum through its partnership with the Islamic Development Bank (IDB) and the International Business Financed Group funded the localization of the Moringa and Jatropha project in Sudan. The bank financed the project through the provision of electricity and irrigation facilities, farming equipment's and inputs (seeds, fertilizers, pesticides), service facilities and living allowance delivered in the form of horticultural inputs needed during planting, livestock feed and two cows. Payment of the total funding will be covered by delivering specific amounts of Moringa seeds, Alfalfa and Jatropha seeds (as agreed by the parties) after every harvest throughout the three years financed period. The bank made arrangements with Ishraqa Khadra and Co. to buy these products from them after been delivered by the farmers, the company (Isharaqa and Co.) also agrees to buy the excess products not delivered to the bank from the farmers. The Islamic financing modes used in this project are Salam and Murabahah. See table 2.6.1 for details of the project.

Table 2.6.1: Funding Details of the Moringa and Jatropha Project by Bank of Khartoum.

Title	Localization of Moringa and Jathropha
Project Objectives	<ul style="list-style-type: none"> ▪ To empower families and graduates in producing cash crops to improve their livelihood. ▪ To boost the production of cash crops Moringa and Jatropha for domestic consumption and export.
Approved Finance Amount/Limit	USD 3.50 million
Financing Tenor	3-year framework, 9-month grace period for Alfalfa, and 18 month grace period for Moringa and Jathropha. Salam delivery each 6 months for Alfalfa, and 12 months for Moringa and Jatropha.
Target Return on Investment for BOK	20%
Target Returns for Beneficiaries (During Implementation Period)	Monthly- SDG 2,100 per family (SDG 420 per beneficiary)
Target Returns for Beneficiaries (After Implementation period)	Monthly-SDG 2,625 per family+ownership of Moringa and Jatropha farm project assets.
Actual Return on Investment as per the reported date	18%
Targets Groups and Beneficiary	Rural poor villagers. 150 families (approximately 600 beneficiaries), grouped in 10 families per financing
Islamic Financing Modes	Salam (shiraa) with the farmers for Moringa and Jatropha, salam (bay) with buyers- Ishraqa Khadra Co., Murabahah with farmers for buying cows/livestock.
Non-Financing Intervention/Services	<ul style="list-style-type: none"> ▪ Feasibility study- Ishraqa Khadra Co. and Bank of Khartoum

	<ul style="list-style-type: none"> ▪ Technical expertise to ensure production quality- Ishraqa Khadra Co. ▪ Support facilities (electricity, water, equipment and implements) is included in salam price ▪ Agriculture inputs (seeds, fertilizers, pesticides etc.) is included in salam price ▪ Living expense (vegetable cultivation and livestock breeding) is included in Salam price. ▪ Marketing of products. Beneficiary pays in commodities to Bank of Khartoum, which will sell the products to Ishraqa Khadra Co.
Stakeholders and partners	Ishraqa Khadra Co.
Guarantees and Collaterals	<ul style="list-style-type: none"> ▪ No Collaterals ▪ Ishraqa Co. provides a technical expertise to ensure quality of the products ▪ Isharaqa Khadra Co. provides a unilateral promise to buy the products of the farmers ▪ Ishraqa KhadraCo. Provides guarantee of delivery of products by farmers
Identified Risks and Mitigation Measures	<p>Ishraqa Khadra Co. dishonors the promise to buy- the products chosen have been through a feasibility study and qualified as globally traded</p> <p>Farmers' negligence-the salam contract was used, not Mudarabah. In case of non-delivery, the guarantee from Ishraqa Khadra Co. can be exercised</p>

Source: Alsagoff and Surono, 2016, "Empowering the poor through Islamic Microfinance: Experience of the Bank of Khartoum in Value ChainProject Financing in Sudan.

2.6.2 Solidarity Group Financing-Farmers to Market (F2M)

The finance to market program was also funded by the microfinance unit of BOK through its main partners (Islamic Development Bank and International Business Finance Group) and other collaborators; Central Bank of Sudan, Ministry of Agriculture, Ministry of Social Welfare, Zakah Chamber, World Food Program, and Government of Sudan's Strategic Food Security Reserve. The bank provided financed in the form of farming inputs and equipment's and working capital worth SDG 500 to each farmer. The payment of the funds will be in the form of specific amounts of the harvest which the bank made arrangements with the World Food Program and the Strategic Food Security Reserve to be purchased from the bank after delivery by the farmers. Table 2.6.2 outlines the details of the project.

Table 2.6.2: Funding Details of the Farmers to Market Program by Bank of Khartoum.

Title	Localization of Moringa and Jathropha
Project Objectives	<ul style="list-style-type: none"> ▪ To support and empower small farmers and link them to markets ▪ To strengthen the food security of farmers and uplift the farmers from the vicious cycle of poverty ▪ To achieve self-sufficiency for farmers and surplus in production for markets
Approved Finance Amount/Limit	USD 8.22 million, each SDG 500 (30% for seeds purchase, 30% for land development, 30% for harvest)
Financing Tenor	Maximum 8 months
Target Return on Investment for BOK	20%
Target Returns for Beneficiaries (During Implementation Period)	Monthly- SDG 2,100 per family (SDG 420 per beneficiary)
Target Returns for Beneficiaries (After Implementation Period)	Monthly- SDG 2,625 per family
Actual Return on Investment to date	18%
Target Groups and Beneficiaries	73,000 smallholders under 878 farmers associations in 7 states (23,677 through direct contract, and 48,396 through mudarabah with other commercial banks)
Islamic Financing Modes	Salam (shiraa) with farmers, Salam (bay') with Governments of Sudan's Strategic Reserve, Mudarabah with commercial banks
Non-Financing Intervention/Services	<ul style="list-style-type: none"> ▪ Technical feasibility study and linking the farmers with other partners (Bank of Khartoum)

	<ul style="list-style-type: none"> ▪ Technical assistance for product quality (Min. of Agriculture extension service) ▪ Food for farmers during planting period (World Food Program) ▪ Grouping the farmers to associations (Farmers Union, Bank of Khartoum) ▪ Coordination and monitoring of partners activities (BOK) ▪ Building the capacity of farmers group in management and follow up (Ministry of Agriculture extension, BOK) ▪ Link farmers to local, regional and global markets (BOK)
Stakeholders and partners	Bank of Sudan, 3 commercial banks, World Food Program, Insurance/Takaful Companies, Federal Ministry of Agriculture, Farmers Union, Ministry of Social Welfare, Zakah Chamber, Strategic Inventory Department
Guarantees and Collaterals	<ul style="list-style-type: none"> ▪ Group reference ▪ Crop Insurance (Takaful Company) ▪ Guarantee (Zakah Chamber)
Identified Risks and Mitigation Measures	<ul style="list-style-type: none"> ▪ Bloated operational expense due to extensive numbers of beneficiaries-Salam is conducted with associations of 50-100 farmers. ▪ Delinquency-non-performance of farmers to conduct failure-Takaful ▪ Business failure-Zakah Chamber ▪ Unfavourable market price-the crops produced are staple and substantial crops (sesame/millet/corn/beans), for which price is determined by the Government of Sudan.

Source: Alsagoff and Surono, 2016, “Empowering the poor through Islamic Microfinance: Experience of the Bank of Khartoum in Value Chain Project Financing in Sudan.

CHAPTER THREE: THE GAMBIAN CONTEXT

3.1 INTRODUCTION

The republic of the Gambia is one of the countries in West Africa surrounded by Senegal except 60km on its western coastline along the Atlantic Ocean. It is the smallest country in mainland Africa with a total population of two million and a yearly growth of 3.1 percent. More than half of the population are women accounting for 50.5 percent, World Population Review (2018). It has two municipalities and five regions namely; Banjul Municipality which is the capital city and Kanifing Municipality, West Coast, Lower River, North Bank, Central River and Upper River regions respectively. The capital city has a total population of 35,000 relatively smaller compared to its peers and a population of 350,000 in its largest town Serrekunda.

Climate wise the country has two seasons, the rainy/wet season which usually prevails from mid-June to Mid-October and the dry season also known as ‘Hamattan’ which prevails from mid-October to mid-June. The main religions practiced are Islam and Christianity, with Islam forming the majority accounting for 96 percent, Christianity 3.8 percent and 0.2 percent other traditional religions, The National Development Plan of The Gambia (2018-2021). The official language of the country is English and it has series of local languages namely; Mandinka being the majority accounting for 42 percent followed by Fula 18 percent, Wolof 16 percent, Jola 10 percent, Serers, Serahule’s, Bainunkas and krio form the remaining 14 percent¹⁰.

The population of The Gambia is relatively a young one with the following age structure.

¹⁰ <http://worldpopulationreview.com/countries/gambia-population/>

Table 3.1: Age Structure of The Gambia

Age Category (Years)	Percentage	Male	Female
0-14	37.44%	385,646	382,328
15-24	20.47%	207,611	212,366
25-54	34.4%	345,788	359,976
55-64	4.2%	41,295	44,865
Above 65	3.48%	33,153	38,335

Source: index mundi (2018), www.indexmundi.com/the_gambia/age_structure.html

57.91 percent are below 25 years, 38.6 percent are within 25- 64 years and only 3.48 percent fall within the bracket of 65 and above. Having predominantly a young population poses a serious challenge to the government and policy makers in terms of access to education, employment opportunities and food security, World Population Review (2018). The government is striving hard to ensure that every child has access to quality education and this has been achieved at the primary level, despite the fact that the quality still needs to be improved. Enrollment ratio in primary, junior and senior schools increased by 112.7 percent, 68.1 percent and 47.8 percent respectively, Drammeh (2017). Health and employment opportunities are still major hurdles that the government continues to battle with. Access to primary health care to its citizens has been improved over the past years with the establishment of several clinics especially in rural Gambia. The infant mortality rate dropped from 50 deaths per 1000 live births in 2003 to 34 per 1000 live births in 2013. Moreover, mortality rates of children under 5 years of age also dropped from 89 per 1000 live births in 2003, to 54 per 1000 live births in 2013. Lack of employment opportunities coupled with the selectiveness of the youths on the kinds of jobs they want to do has really increased the total number of migrants to Europe especially illegal migrants in search of

greener pastures. This poses a serious threat to the labor supply of the country if cautious steps are not taken.

In addition, The Gambia is classified as one of the poorest countries in the world, in 2017 it was ranked 174 out of 189 countries UNDP (2018). Poverty continues to be a serious challenge for the government. The rate has been relatively flat over the past years from 48.1 percent in 2010 to 48.6 percent in 2015 and it still revolves around 48 percent. Though the increase is statistically insignificant the actual number of poor people increased significantly by 18.2 percent (i.e. from 0.79 million in 2010 to 0.94 million in 2015) Colley (2015). The continuous rates been reported raises concerns to revise the current policies geared towards alleviating towards a more impactful direction.

3.2 OVERVIEW OF THE GAMBIA'S ECONOMY

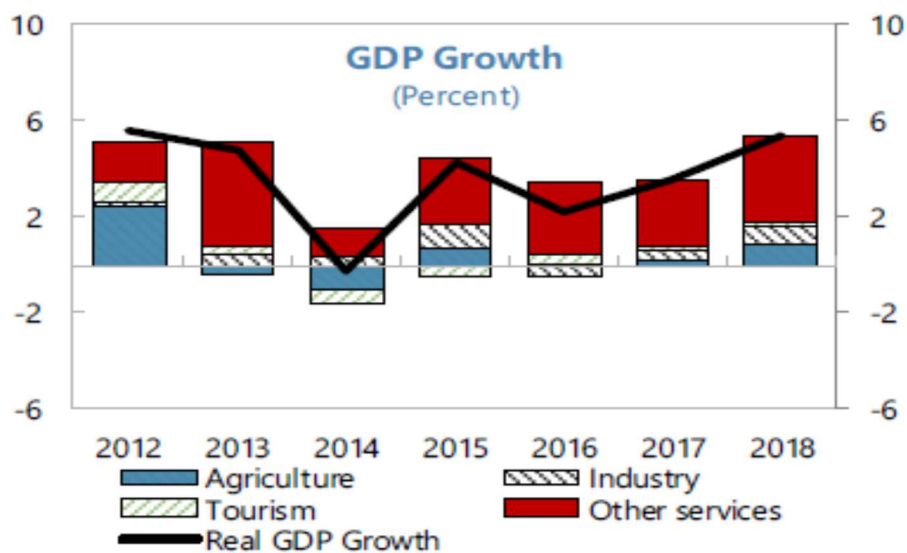


Chart. 3.2.1 GDP Growth Rates and Sectoral Contributions to GDP

GDP growth rates dropped in 2016 to 2.2 percent compared to a rate of 4.4 percent in 2015, Budget Speech of The Gambia (2016). This massive drop in growth rates was as a result of the poor harvest in the agricultural sector which is characterized by short rainy season, poor turn-out of tourist due to the political impasse after the December 2016 presidential elections which also affected the demand for agricultural products in the tourism sector, scarcity of foreign exchange and a three-month border blockade by Senegalese transporters. However, measures are put in place to ensure higher economic growth rates AFDB (2018). In 2017, the growth rate increased to 3.5 percent primarily triggered by the agriculture and service sector and it is expected to further increase in 2018 to 5.4 percent. In terms of sector contribution to GDP, the service sector including tourism continues to lead the accounting for 61 percent as of 2018, followed by the agriculture and industrial sector accounting for 23 percent and 16 percent respectively.

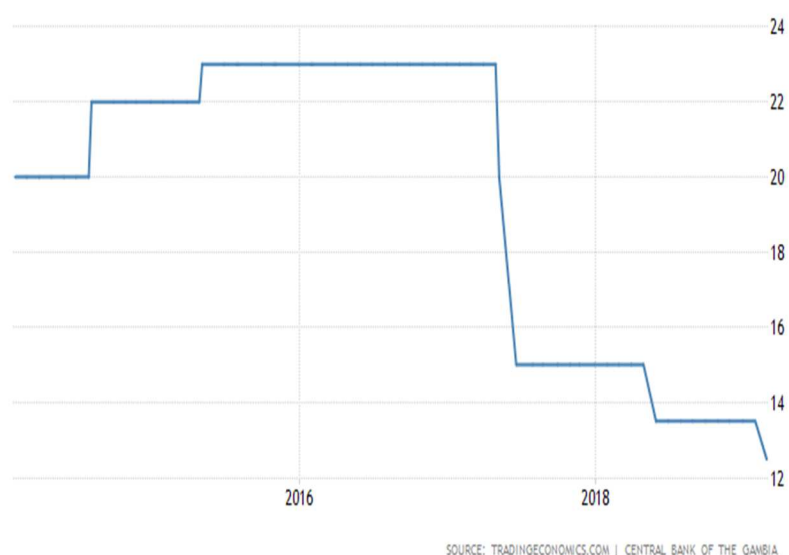


Chart. 3.2.2 Central Bank of The Gambia (CBG) Policy Interest Rates.

The CBG through its monetary policy committee reduced the policy interest rate in mid-2017 from 23 percent to 15 percent, this resulted to a drop in commercial lending rates from 28 percent to 18 percent. The rate was further reduced to 12 percent, which is currently the prevailing rate. Despite the drop in interest rates the existing rates are still high and continuous to be a serious burden in acquiring finance.

3.2.3 Inflation Rates

Inflation rates as of January 2018 was at 6.4 percent which is higher than the CBG target rate of 5 percent, but it has dropped compared to a rate of 8.1 percent towards the end of 2017¹¹. This decline is characterize by a stabilization in the Gambian Dalasi (GMD) against the US dollar and a gradual drop in food prices AFDB (2018).

The International Monetary Fund (IMF) recommends that The Gambia should put in place certain structural measures that would support private credit growth and financial inclusion. Such measures includes enhancing property and creditors' rights, promoting credit information systems, collateral registries and strengthen the operating activities of the credit reference bureau. They further suggest that the establishment of Small and Medium-Sized Enterprises (SME's) financing Scheme, access to banking facilities especially in rural Gambia (through microfinance and rural banking) and addressing gender inequality issues could be possible ways of increasing financial inclusion.

¹¹ <https://tradingeconomics.com/gambia/inflation-cpi>

3.3 THE AGRICULTURAL SECTOR

3.3.1 Overview of the Agriculture Sector

The agricultural sector is the most important sector of the Gambia's economy accounting for 33 percent of the country's GDP and employing 70 percent of the labor force out of which 32 percent are actively involved in primary agricultural production¹². Been the largest employer in the country studies have shown that in the immediate future it will still continue to be the largest employers. The Gambia has total land size of 11,300km² (4,388sq), out of this the agricultural land size is 6,550 km²; arable land of 588,000 hectares of which 334,000 hectares are under cultivation. It has water bodies of size approximately equivalent to 1,300 km² with an 80km coastline and an exclusive fishing zone of 200 nautical miles with continental shelf (The National Development Plan of The Gambia 2018-2021). The sector is characterize by subsistence agricultural farming activities mainly crops such as millet, sorghum, rice, horticulture, cotton, sesame etc. With little or no diversification in the sector, agricultural activities are highly dependent on rain fed with only 5 percent of the cultivated land been equipped with irrigation facilities, exposing the sector to shocks like droughts as experienced in 2011. According to the Food and Agriculture Organization (FAO) the current food self-sufficiency ratio of the Gambia stood at 50%. The crop sector is currently the most vibrant agricultural sub-sector contributing 33 percent to the country's GDP, employing 70% of the total agricultural labor force and provides 75 percent of the total household income¹³.

¹² <https://www.export.gov/article?id=Gambia-Agricultural-Sector>

¹³ <http://www.fao.org/gambia/fao-in-gambia/gambia-at-a-glance/en/>

Despite the large portion of the population depending on the sector and the sectors contribution towards GDP its capacity is still under-utilized. Lack of advanced farming techniques, adverse climatic conditions, lack of proper manufacturing companies to add value to the products and inadequate government support continuous to be major factors affecting the productivity of the sector. The Gambia is proven to be master minds in developing sound agricultural policies however, implementing them has been a daunting challenge. This we believe should be a thing of the past, practical actions needs to be taken in other to increase the level of food security, if not a full food self-sufficient nation and reduce the expense on imports especially food items which the country spends a lot in. If the policy makers initiate projects and policies that will increase the sectors productivity all else equal it could reduce the amount of food imported and if there is any excess it could be exported, this will eventually support the country's balance of payment positively. Moreover, low education, poor access to health facilities and high population growth are features associated with players in the agricultural sector, hence improving the sector will be a major step towards achieving goal one of the sustainable development goals.

3.3.2 Women and the Agricultural Sector

Gambian women are the major players in the agricultural sector and significantly contribute towards household food sufficiency. Most of the women farmers are engaged in horticultural production, food processing and small ruminants. Horticulture forms the dominant one accounting for 88% of all the women farmers' activities, ANR Policy Report (2015). The same report reveals that most of the women in the horticultural sector focus on vegetable production and they provide 85 percent of the total output of the sector. However, the participants face several challenges which when acted upon can lead to a more

productive and vibrant sector. The sector has the potential of contributing towards reducing the high unemployment rate in the country, poverty rates and food insecurity.

3.3.3 MAJOR CHALLENGES FACED BY WOMEN IN THE SECTOR

3.3.3.1 Lack of Productive Resources

The lack of productive resources such as irrigation facilities, farming space (land), capital, poor farming techniques, storage and processing facilities, marketing facilities etc are the main hindrance affecting the productivity of these women farmers. Most of the irrigation facilities utilize are traditional wells which are very deep and gets dry during the dry season. Sadly, most of the vegetables they grown during the dry season which gives them a serious challenge in watering their gardens. The few gardens that are lucky to have boreholes also battle with cost of electricity to keep the boreholes running, maintenance facilities in events of break down and so forth.

3.3.3.2 Lack of Marketing Avenues

Lack of marketing opportunities for the women farmers keeps them in the dark to answer important economic questions such as what to produce? Who to produce for? When to produce? And how/where to distribute the products? This serve as a barrier in tapping the full potential of the sector, and might perhaps be one of the causes of the low prices these women receive in their outputs. If the marketing avenues are provided for them perhaps they will know what their end users want and when it is needed in other to plan accordingly. However, the growing tourism sector characterize by the establishments of more hotels and restaurants serves as a hope for the market of vegetable products. Moreover, the steady

demand of fruits by UK from The Gambia is also another opportunity that needs to be maintained¹⁴.

3.3.3.3 Low Prices

As earlier mentioned most of the outputs of these women are used to feed the family and if there is any excess they sell them in the local markets at very heart breaking and disappointing prices. The fact that their activities highly depend on subsistence farming reduces the income they could have generated from it. In addition, the little they sell in the local markets are sold below their desired prices. Because their outputs are most of the time perishable and they grow almost the same products, and at the same time. They all harvest their outputs at once and approach the market at the same time, providing excess supply of what is needed by the consumers. The lack of storage facilities and access to international markets left these women with no options other than to sell their products at low prices. These and other challenges affect the income generated from their farming activities.

Projects such as the National Women Farmers Association (NAWFA) which was implemented for a period of five years (2007-2011) helped women in areas of irrigation facilities, trainings mainly in horticultural production and marketing, business expansion mainly from subsistence to commercial. The main objective of the project was to promote market oriented horticulture for economic and social empowerment of women. However, it only focused on west coast and north bank regions. Towards the phasing out of the

¹⁴ <http://nawfa.gm/horticulture.html>

project, almost 7,200 women from 180 villages in the two regions benefited from the project¹⁵.

3.4 THE FINANCIAL SECTOR OF THE GAMBIA

3.4.1 Central Bank of The Gambia

The central Bank of The Gambia (CBG) like most central banks in the world have the overall control over monetary policy and the coordinating, licensing and supervision of the overall financial sector of the country (both Banks and Non-Bank financial Institutions (NBFI). It has been in existence since 1971 and it operates as an independent institution. As a member of the IMF their responsibilities also includes executing economic and financial policies agreed between The Gambian authorities and the IMF, CBG (2017). Currently the bank supervises twelve commercial banks out of which one is an Islamic bank, eleven insurance companies including one Takaful (Islamic Insurance) company, ten brokerage firms, seventy-four insurance agents and a total of 92 microfinance institutions as of December 2017, CBG (2019).

3.4.2 The Banking Sector

The banking sector comprises of eleven conventional banks and one Islamic bank making it a total of twelve banks. As per the CBG annual report 2017 the sector is dominated by four main banks accounting for 66 percent of the industry's total asset.

¹⁵<http://nawfa.gm/horticulture.html>

Table 3.4.2. Key Financial Highlights of the Banking Sector as at 2017

Item	2017 (Gambian Dalasi “GMD”)
Asset Growth	16%
Capital Adequacy Ratio (CAR)	34.28% (38.2%, 2016)
Non-Performing Loans (NPL)	8.33% (9.3%, 2016)
Liquidity Ratio	92.47%
Total Profit	D560.8 Million

Source: CBG Annual Report 2017.

The insurance industry is made up of 11 insurance companies, 10 brokerage firms and 74 insurance agents. The industry is regulated through the Insurance Act 2003, the Insurance Regulations 2005 and the Insurance Amendment act 2003.

3.4.3 THE MICROFINANCE SECTOR

3.4.3.1 Overview of the Microfinance Sector as at December 2017.

The microfinance sector In the Gambia continues to play a pivotal role in the financial sector especially in terms of promoting financial inclusion. They continue to provide services in both urban and rural Gambia that encourages the unbanked population to participate in the financial sector. However, the sector is still young and steadily growing with a total number of 92 institutions.

Table 3.4.3.1. Overview of The Gambia's Microfinance Sector.

Microfinance Sector	No. of Institution, 2017.	Total Assets GMD(000). USD1 = GMD49.5	% share of the Microfinance Sector	% Share of the overall Financial Sector
Finance Companies	3	1,063,751 (2016; 852,614).	48.23 (2016, 51.77)	2.61 (2.46)
Credit Unions	64	1,131,540 (2016; 781,118)	51.31 (47.43)	2.78 (2.25)
VISACA's	25	10,128 (2016; 13,128)	0.46 (2016; 0.80)	0.02 (2016; 0.04)
Total	92	2,205,419	100	5.42

Source: IMF country report 2017.

3.4.3.2 Categories of Microfinance Institutions in The Gambia

In line with the microfinance policies and framework developed by CBG. The microfinance sector is categorized into three main categories namely: Finance Companies, Credit Unions and Village Savings and Credit Associations (VISACAs).

(A) Finance Companies

The finance companies category comprises commercial microfinance institutions that provide the necessary financial services to their customers especially the unbanked population. These types of microfinance institutions are bigger than the other two and they have their outlets in almost all the regions in the country. The subsector is still growing and continues to register positive growths. As of December 2017, the sector's total assets stood at D1.1 billion compared to D852.6 million in the previous year. Moreover, total deposits

and loans issued to customers also increase from 103,823 in 2016 and 144.3million to 133,606 in 2017 and D207.3 million representing an increment of 28.6 percent.43.7 percent respectively.

All institutions operating under this category are required to maintain a minimum capital of GMD50 million, a risk weighted capital adequacy ratio (CAR) of 20percent and a liquidity ratio of 30 percent. Favorably the industry reports a CAR of 99.2 and a liquidity ratio of 112.6 percent December 2017, CBG (2017).

(2) Credit Unions

Mizis (2001), describes “credit unions as a cooperative financial organization owned and operated by and for its members, according to democratic principles, for the purpose of encouraging savings, using pooled funds to make loans to members and providing related financial services to enable members to improve their economic and social condition”. As of December 2017 there were 64 registered credit unions in The Gambia with a total membership of 81,107. For proper supervision and to enhance efficiency of the sector all credit unions in The Gambia are supervised by the National Co-operative Credit Union of The Gambia (NACCUG) which is licensed and supervised by CBG.

In the same period, the sector registered positive growths in all its key indicators. Total assets stood at D1.1 billion compared to D781.1 million in 2016 representing a growth of 44.8 percent. Both the industry’s savings and loans disbursed to members increased from D785.9 million in 2016 and D658.7 million to D896.9 million and D735.9 million in 2017, representing a growth of 14.1percent and 16.7 percent respectively. The report further

reveals that, the sector is currently the most vibrant form of microfinance institution in The Gambia, CBG (2017).

(3) Village Savings and Credit Associations

The Village Savings and Credit Associations (VISACAS) used to be the main types of microfinance institutions providing financial services in the non-urban areas of The Gambia. For the past decade they have registered numerous success in the financial sector. As of June 2001 there was 65 VISACAs with 14 been fully registered and the remaining 46 were given provisional certificates to operate before meeting the full requirements as per the stipulated time frame. In the same period the VISACAs mobilized D4.2million saving from their members and disbursed D2.8million credit to their members with a total repayment rate of 95%. However, with the phasing out of the International Fund for Agricultural Development (IFAD) project in 2013 which used to provide technical and financial assistance to these institution through the Rural Finance and Community Initiatives Project (RFCIP), the VISACAs continues to lose their strength and share in the industry. As of December 2017 there were only fourteen active VISACAs out of the 65 registered ones CBG (2017), with a total asset of D10,128 million, total market share in the microfinance sector of 0.46 and overall share in the financial sector of 0.20.

“Capacity constraints, low level of capital, weak internal controls and management lapses, and the low level of financial awareness are some of the major challenges facing the industry as highlighted in CBG’s annual report (2017, p. 59). Few recommendations were made as per the last on-site examination in other to revitalize the sector. One of the recommendations was to commercialize the VISACAs by transforming the ownership and management structures of the agencies.

3.5 REGULATORY ENVIRONMENT

3.5.1 Overall Regulatory Framework

The regulatory environment governing the microfinance institutions in The Gambia are guided by the Financial Institutions Act (FIA), the CBG act 1992 and the prudential rules and guidelines volume 1-6 by the CBG. In April 2002 the board of directors of CBG approved a microfinance unit to be set up that will have its full departmental autonomy to foster the supervision and development of the sector to the envisage stage. All microfinance institutions are required by law to have a minimum paid up capital of D500,000 or an amount prescribed by CBG after consultation with the Minister of Finance and Economic Affairs before any license will be issued. The minimum paid-up capital shall be of kinds and computed in such manners and amounts that may be authorized by the bank. These may include paid-up shares, part of general reserve, undivided profits (retained earnings) and other incomes.

3.5.2 Legal and Regulatory Framework of Islamic Financial Institutions in The Gambia

The Islamic finance sector in The Gambia was paved by the establishment of an Islamic bank that was fully incorporated as a private sector company in November 1994, obtained its license from CBG in September 1996 and started full operations in January 1997, AGIB Annual Report (2016). The 1992 financial institutions act (now referred to as the 2009 banking act) was amended in 1994 in order to make provision for the regulation of Islamic banking in The Gambia. In the same vein the 2003 insurance act was also amended in 2006 to cater for the operations of Takaful companies. Arab Gambia Islamic Bank (AGIB) since its inception has been the only Islamic Bank (AGIB) in The Gambia up to date, likewise

Takaful Gambia Limited. This shows how small the Islamic finance sector is, however CBG is working on providing a more fitting regulatory framework for the sector, this we assume will encourage more investors into the sector.

In November 2017, a more comprehensive and detailed guideline was drafted for the regulation and supervision of Islamic Financial Institutions. But the document is still under review and not yet fully effected. The draft guidelines provides provision for Islamic Banking, Islamic Microfinance and Takaful operations. The guidelines provided for in the draft are the minimum provisions that license Islamic Financial Institutions by CBG should follow, these provisions does not restrict them from following higher regulatory and prudential standards in line with international best practices so long as they are not in conflict with the supreme laws of The Gambia. Requirements such as the minimum paid up capital is the same with that of their conventional counterparts, however some of the unique features in this guideline are as follows.

Box 2. Islamic Financial Institutions Regulatory Framework (The Gambia)

***Shari'ah* Division (For Islamic Banks and Microfinance Institutions)**

All licensed Islamic financial institutions are required to set-up a *Shari'ah* division at their institution's designated head office.

The head of the *Shari'ah* division must be a master's degree holder in Islamic Jurisprudence from a recognized institution of higher learning with sufficient experience at a senior management position of the bank equivalent to Assistant General Manager or its equivalent.

The *Shari'ah* Division shall be responsible for preparation of a sound business plan for the bank including but not limited to; operationalization of the IBB, development of policy and procedures, internal *Shari'ah* control systems, product development, marketing, branch supervision, *Shari'ah* Audit, *Shari'ah* Review, *Shari'ah* Research, business development, debt restructuring procedures and overall compliance with *Shari'ah* governance guidelines issued by the CBG or which may be issued from time to time.

SHARI'AH ADVISORY COMMITTEE

All licensed Islamic Financial Institutions shall appoint *Shari'ah* Committee to ensure that its operations, processes and procedures are in compliance with *Shari'ah* rules and principles. The *Shari'ah* Committee shall consist of a minimum of five members and are individuals with proven knowledge of Islamic commercial law, high integrity and honesty.

The appointment of individuals into the *Shari'ah* Committee shall require the prior written approval of the CBG in accordance with Guideline 12 Fit and Proper person Test and in line with appendix 2 Fit and Proper Criteria for the *Shari'ah* Board.

ACCOUNTING STANDARD/FINANCIAL REPORTING

Licensed Islamic Financial Institutions shall maintain full set of financial records and prepare their financial statement in accordance with the Banking Act

2009/Non-Bank Financial Institutions Act (NBFI) 2016/Insurance Act 2009, Guidelines for Financial Reporting 2014 issued by the CBG and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB).

Licensed Islamic Financial Institutions may choose to prepare their financials according to the set of standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

For Islamic Finance contracts or transactions not covered by CBG Financial Reporting Guide and IFRS, Islamic Financial Institutions may refer to the CBG and seek approval to use most appropriate standards issued by AAOIFI.

Source: CBG 2017, draft guidelines and supervision of Islamic Financial Institutions in The Gambia

3.6 MICROFINANCE AND WOMEN EMPOWERMENT IN THE GAMBIA

3.6.1 Overview

The Gambia Women's Finance Association (GAWFA) established in 1987 is one of the largest and longest serving microfinance institutions that targets only women groups. Its current active customer base stood at 49,140 out of which 96% are women. GAWFA does not only restrict itself to offering financial services to women. They also offer non-financial services such as, micro, and small enterprise development programs, gender advocacy programs pertaining to HIV/AIDS preventive measures, the role of women in politics etc Women's World Banking (2019).

Other microfinance institutions also targets women and women groups to provide financial services to them. The Women Micro-Finance Initiative (WMI) introduced by supersonics offers financial services in the form of credit provision to women groups in the rural and peri-urban areas. The structure of the WMI is similar to the Grameen bank model and hence

encourages women to save and provides some training to these groups. A similar product is also offered by reliance financial services known as the reliance women finance deposit for development.

3.6.2 Microfinance Institutions and Women Empowerment in The Gambia: Case Study of Supersonicz “The Micro-Finance” Gambia Limited

Supersonicz “The Microfinance” is a member of the Supersonicz group established in 2009 as an authorized money transfer business service in United Kingdom. The successful operations of the parent company led to the establishment of Supersonicz Gambia limited in 2013 as a foreign exchange bureau licensed by the central bank of The Gambia. Following a successful operations from 2013-2015, in April, 2015 the forex bureau was licensed as a non-bank financial institution by the same authorities to be providing microfinance services, deposit mobilization and granting credit to the general public especially the financially excluded population. In addition, the bank also offers remittance services through the Supersonicz Money Transfer Platform. Since then the bank has been operating successfully with branches in all the regions except lower river region (LRR), which they are currently working on to open a branch there.

The bank has an authorized share of 30,000,000 with a par value of GMD1.00 per share, out of which the issued share is 29,700,000, Supersonicz (2017). In an interview with Mr Ebrima Sagnia (Head of business development and growth; supersonicz “the microfinance”) he mentioned that more than 80% of the company’s shares belong to Gambians, however there is no document available to the public indicating who the shareholders of the company are and the percentage of their ownership.

The bank’s mission, vision and core values are as follows

MISSION

“To facilitate financial inclusion and stimulate sustainable economic development of our communities, using **Sharia-compliant micro-finance instruments** that leverage on technology and the skills of our people in creating everlasting customer experience”.

VISION

“We cherish economically and socially progressive societies where people live in dignity with respect, high sense of responsibility and continuously building positive relationships”.

CORE VALUES

- Be always respectful to our customers and colleagues alike.
- Have a high sense of responsibility in whatever we do.
- Continuously build positive relationship with all stakeholders.

Going by the company’s mission one could draw a conclusion that the company is an Islamic microfinance institution, which was confirmed to us by the head of business growth and development Mr Ebrima Sagnia during our interview. However, he made it clear that in a country like the Gambia where the financial sector is dominated by conventional banks and microfinance institutions it is hard to operate as a pure Islamic finance institution. He further mention that considering the needs of their clients such as the need for cash financing poses another challenge on them just like most Islamic financial institutions face. He made mention of the regulatory environment being another impediment for the industry. The central bank of The Gambia does not have separate laws for Islamic microfinance

institutions as per the day this interview was conducted¹⁶ as such they all have to abide by the same law as conventional microfinance do. This might affect the utilization of certain Islamic financing instruments. However, when the first Islamic bank was established the central bank of The Gambia amended the financial institutions act to cater for the operations of that Islamic bank and the same was done when the first Takaful (Islamic Insurance) company was established. But through email conversation with one of the senior officials at the microfinance department at CBG we were meant to understand that “supersonicz” is not licensed as an Islamic microfinance institution, which might be a reason why the CBG did not make special consideration for Islamic microfinance institutions since their inception. It will be wise if the microfinance institution make their modus operandi clearly known to the regulators and the public at large.

Table 3.4.2. Financial Highlights of Supersonicz from December 2015-2017

Item	2017	2016	2015
Earnings per Share (EPS) (bututs)	103b	84b	11.30
Return on Assets (ROA)	-	40%	5%
Return on Equity	-	65%	47%
Cost to Income Ratio	73%	79%	76%
Non-Performing Loans (NPL)	861	502	Nil

Source: The Supersonicz Annual Reports 2015-2017.

Business activities have been slowed in 2016 due to the political process and the Impasse towards the end which resulted to a huge capital flight in the financial sector (Supersonicz

¹⁶ 15th January, 2019, 9:30am at the Supersonicz headoffice, Jimpex.

Company Limited, 2016). Moreover, the border closure between Gambia and Senegal in the same year also halted trade transactions between the two countries which also affected the performance of the financial sector. In 2016 the bank introduced mobile banking services in the form of a van which provide financial services to clients in central river region and upper river region during “*lumos*”¹⁷. The bank also expanded by opening four new branches in 2016; in Latrikunda market, Farafenni, Brikama Ba and Basse, compared to only two branches in 2017. The slowdown in economic activities during 2016 coupled with the major investments undertaken reflected in an increment in their cost to income ratio from 76 percent in 2015 to 79 percent in 2016, Supersonicz Annual Report (2016).

3.6.3 CHALLENGES THE BANK FACES

The bank outlines that recruiting, training, motivating and maintaining highly skilled staff force in Islamic finance, Compliance and Audit has been a major challenge for the bank. Moreover, the limited market for their products and the high competition in the sector is another major challenge for the institution. Sagnia also mentioned that the absence of venture capitals that could have help in the funding activities of microfinance institutions like in other countries makes their cost of operations relatively higher compared to other countries where these types of institutions are present.

¹⁷ Lumo is a form of a roving market. It is actively practiced in rural Gambia.
<https://allafrica.com/stories/200703121094.html>

3.6.4 Table 9. Products Offered by Supersonicz.

Product Name	Product Type	Product Features	Benefits	Target Group
Normal Savings Account	Saving/Deposit	<ul style="list-style-type: none"> • Regular Savings • Unlimited number of withdrawals if funds are available • Minimum opening balance of D150 	<p>Account can serve as security for borrowing</p> <p>Free financial advise</p>	General Public
Business Development Savings Account	Savings/Deposit	<ul style="list-style-type: none"> • Encourages savings and capital formation among small-scale business in the informal sector. 	<ul style="list-style-type: none"> • Capital formation and opportunity to expand business. • Can be pledge as security for borrowing 	<ul style="list-style-type: none"> • Micro tradesmen • Market Women • Shop keepers • Women groups
Life Event Savings	Savings/Deposit	<ul style="list-style-type: none"> • Term deposit ranging from six months. 	<ul style="list-style-type: none"> • Earns attractive profit. • Free internet banking and 	<p>Members of the general public especially professional and civil servants preparing for</p>

		<ul style="list-style-type: none"> • Restriction on withdrawal 	financial advice service <ul style="list-style-type: none"> • Can be used as a collateral for loan/overdraft 	marriage, naming ceremonies, acquisition of assets like house, furniture, car, equipment etc.
Hajj Savings	Savings/Deposit	<ul style="list-style-type: none"> • Minimum monthly regular deposit of D2,000 for 3years or D5,000 for two years. 	<ul style="list-style-type: none"> • Helps individuals prepare for hajj within 2 to 5 years. • Attractive Profits • Free quarterly statement of account 	Individuals who intend to perform hajj/to fund the hajj package parents/relatives.
Child Education	Savings/Deposit	<ul style="list-style-type: none"> • In the event of death or total disability, super-sonicz will pay gift in addition to the sum in the account. 	Provides access to finance for educational purpose in moments of need.	Customers with school going children

3.6.5 Supersonics Women Microfinance Initiative (WMI)

The supersonics Women Microfinance Initiative (WMI) is a community-based program that was introduced in 2017. It aims at providing loans, encouraging savings among group members, and providing business trainings to rural and urban women. This the bank believes is an effective tool to empower women through entrepreneurship. In 2017, D88.6million loans were disbursed to 370 members across the country and the target is to disburse GMD117, 600,000 to 23,520 within 18 months, Supersonicz Annual Report (2017). This initiative will serve as a tool to encourage the marginalized economically active women population to actively participate in the economic activities. The initiative focus more on women in agriculture, agro business and petty trading.

The WMI initiative is considered to be one of the enabling factors that will complement government efforts towards achieving SDGs 1 to end poverty in all its forms everywhere; through the loans provided to this women groups, it could serve as means of expanding their businesses which will further increase their income generating capacities. Moreover the project is designed in a way that it encourages women to save a minimum of D100 every month, these savings can serve as contingency to support their kids' education and other emergency's that might arise.

WMI Priority Interventions

- a) To deepen the WMI by disbursing D126 million to 15,800 women in 2018. The main focus is to provide working capital for SMEs, micro business enterprises and women associations (*kafoos*¹⁸).

¹⁸ Women Groups.

- b) To launch asset financing like equipment leasing such as tractors, building of infrastructure like protective fence and installation and commissioning of solar water pump for horticulture gardens, supply of fertilizers and agricultural inputs.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter provides the analysis and interpretation of the research findings. The main areas that we focused on are the demographic information of the respondents, their purpose of farming, their accessibility to financial/credit facilities and the changes in their social status after receiving the funds, the major constraints they encounter in their farming activities and finally their level of awareness towards Islamic Finance and their motivation to go in for Islamic modes of financing.

4.2 BACKGROUND OF RESPONDENTS

Since the study focus on the economic empowerment of women through Islamic Microfinance, with reference to women vegetable producers, all 245 respondents are women engaging in vegetable production within the Kanifing Municipality and West Coast Region.

Table 4.2. Demographic Information of the Respondents.

		Frequency	Percentage
Age	Below 20 Years	4	1.6
	21-30 Years	46	18.6
	31-40 Years	58	23.7
	41-50 Years	83	33.9
	Above50 Years	54	22.0
Religion	Islam	238	97.1
	Christianity	7	2.9
Marital Status	Single	12	4.9
	Married	190	77.6
	Divorced	4	1.6
	Widow	39	15.9
Educational Background	Primary	75	30.6
	Secondary	23	9.4
	Tertiary	2	0.8
	No Formal Education	145	59.2

Source: Authors own estimates.

Age categories 31-40 and 41-50 representing 23.7 percent and 33.9 percent respectively form the highest proportion of women participating in vegetable production. This is assumed to be the result of their status and responsibilities towards their family. Since most

of them are married at this age and might have children. Their financial responsibilities towards their family motivates them to engage in income generating activities.

On the other hand, age groups below 20 hardly participate in income generating activities or labor intensive jobs due to their lack of financial responsibility and status (most of them are students). Age categories 21-30 and above 50 still form a significant percentage of the respondents with 18.6 percent and 22 percent respectively. This we believe is the same reason for age groups 31-40 and 41-50.

More than half of the respondents are married. Perhaps this is one of the reasons why they engage in income generating activities to cater for their personal and family needs. One of the socio-cultural barriers towards empowering Gambian women is the early age at which they get married. Early marriage is associated with other social cost such as dropping out of school, which might eventually influence their access to white-collar jobs.

However, the criminalization of child marriage by the government of The Gambia in 2016 with a punishment of 20 years imprisonment of the parents, spouses and the involved religious leaders is one of the measures that could lead to a reduction in child marriage. This is in line with target 5.3 of the Sustainable Development Goals (SDG's) that aims at eliminating all forms of harmful practices, such as early marriage and female genital mutilation.

97.1% of the respondents are Muslims, 2.9% are Christians and none came from the other religious beliefs. Since the data collection focused on urban Gambia where most of the Christians have access to formal education regardless of age, this serves as an empowerment factor for them to engage in more formal activities like administrative jobs rather than labor intensive ones.

More than half of the respondents did not have any formal education. However, a good number of them about 30.6% have at least primary education. Unfortunately not even 1 percent of the respondents have a secondary degree. According to UNDP (2014) as cited in Drammeh (2017) only 17.5 percent of women aged twenty-five years and above have some sort of secondary degree, while the ratio stood at 31.5 percent for men. The paper further reveals that, the illiteracy rates between adult men and women stood at 36.1 percent and 52.8 percent, respectively, while that of youths between ages 15-24 is 26 percent for male and 33 percent for female. This is mainly influenced by the patriarchal nature of the Gambia, especially in the rural areas. It is evident that in most patriarchal systems parents are always with the view that spending on the girl child to pursue her education is a waste because they will be supported by their husbands in the future. Hence prioritizing male child education over that of the female.

4.3 PRODUCT DISTRIBUTION

This section looks into the means through which our respondents distribute their outputs. The purpose is to see whether all the products are sold locally or they have access to international markets through exports. The survey results show that all the respondents sell their outputs in the local markets. In addition, we evaluate whether the farming activities of these women are meant for commercial, subsistence or for both purposes. This would help in providing more meaningful recommendations for further research. Because if their activities are meant for commercial purpose, then financial institutions will be more willing to fund them since they will generate some income at the end of their harvest to pay back their loans. However, if it is for non-commercial purpose, perhaps we will look into other

solutions that could assist them in scaling up their production, commercializing it and therefore earning an income from it.

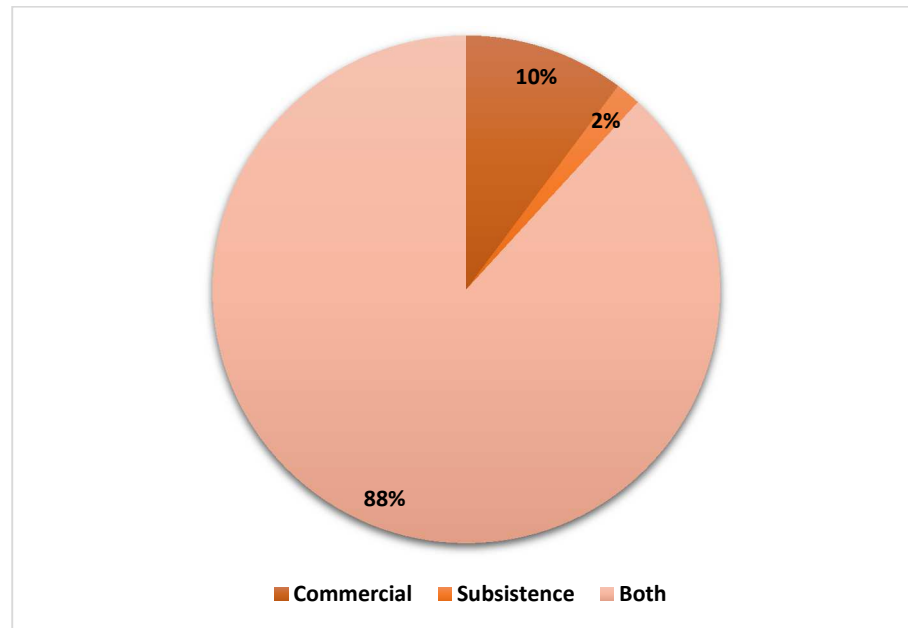
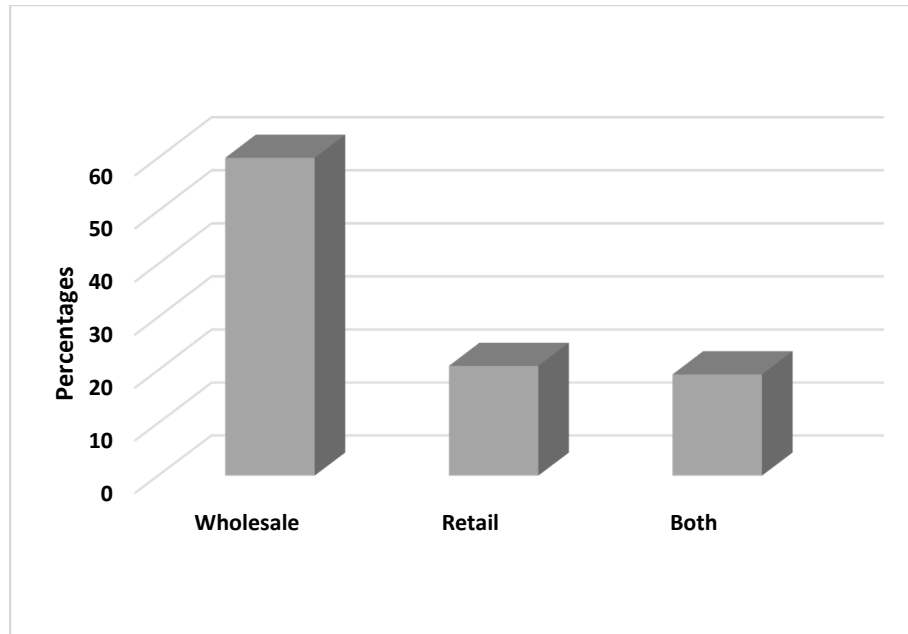


Chart 4.3.1 is the pie chart of the purpose of farming of the women in this survey.
Source: Author's own estimates.

Chart 4.3.1 indicates that 88 percent of the women activities are used for both commercial purposes and feeding the family, 10 percent were strictly for commercial purpose and 2 percent for only subsistence purpose. The results reveal that these women are active participants in the economic activities. Moreover, they are key contributors to household food security, considering the percentage of those using their outputs to feed the family. This is in line with a study done by Shamsu-Deen (2014) on the contribution of women to household food security in the Kassena-Nankana East District in the upper east region of Ghana which showed that 97% of female respondents are into crop farming which they use to feed their families.



***Chart 4.3.2 illustrates the distribution systems of the respondent's outputs.
Source: Author's own estimates.***

From chart 4.3.2, it is evident that most of the farmers sell their products on wholesale basis accounting for 60 percent. This can be associated with the lack of proper storage facilities to keep their outputs and sell them on retail basis which most of them said is more profitable. Other respondents revealed that due to their busy schedule in the farm, coupled with other family obligations they are not able to sell their products on retail basis, which motivates them to go in for wholesale. Those selling their outputs on retail basis accounts for 20.8 percent. Most of the women disclosed that due to the unfair prices they receive from their buyers, they prefer to sell the outputs themselves than selling them to wholesale basis. However, most of them have elderly, kids that sell the goods on their behalf in the local markets. Finally, the remaining percentage sells their outputs on both wholesale and retail basis. However, we believe that if these women had access to the international markets, they might prefer to sell their outputs in bulk. Since they might receive higher prices for their outputs compared to that of the local markets.

4.4 FINANCIANG

This section examines (i) what portion of the borrowers have access to finance from external sources, (ii) the amount of finance they receive from their source, (iii) the purpose of their loan and finally (iv) whether there have been any changes in their economic situation after receiving the loan.

4.4.1 Access to Finance

This section explores the fraction of our respondents that has access to be financed from external sources such as microfinance institutions, banks, community organizations and others.

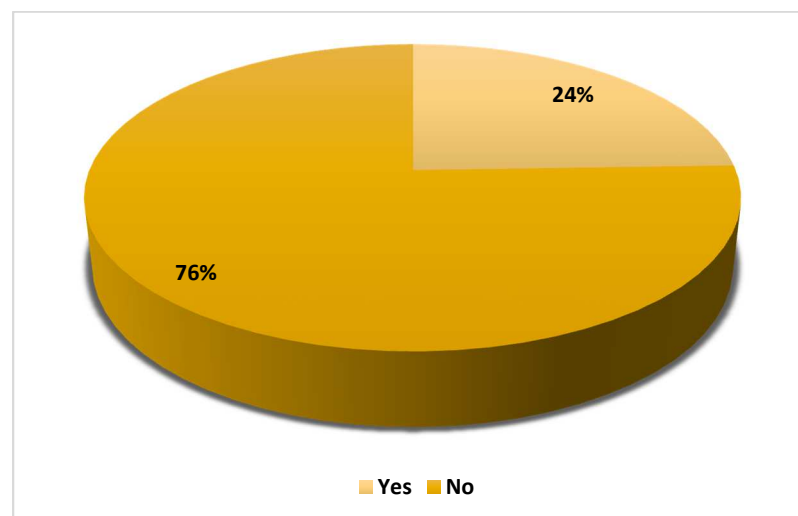


Chart 4.4.1. Represents the population of the respondents that have access to finance and those who do not.

Source: Author's own estimates

Our research finding reveal that only 24 percent of the respondents have access to finance from external sources such as banks, microfinance institutions, and community organizations. This result was highly influenced by the financing of the maintenance of Banjulinding women garden water tank by supersonicz. In which the financing was done through a group lending mechanism similar to that of the Grameen bank's model described

in chapter 2. Technically, all the members have access to finance due to the nature of the financing mode employed by the bank.

Based on the feedbacks received by the respondents in terms of taking bank loans. Most of them comment that their income is not sufficient to take care of themselves and family members talk less of opening bank account to be saving, which serves as a gateway to getting a loan from any financial institution. Though some of the women have bank accounts, the fear of taking loans is also another impediment to approach the financial institutions. This we want to associate with the high interest rates charged by microfinance institutions and the perceived high cost by commercial banks that is associated with financing small entrepreneurs. It is worth mentioning that 77 percent of the respondents have full control over the loans they acquired, and the rest was controlled by either the members of the garden like in the case of Banjulinding and very few said it was managed and controlled by their spouse or kids.

4.2.2 SOURCE OF FUNDING

This section examines the sources of funds for the women that were fortunate to be financed from external sources.

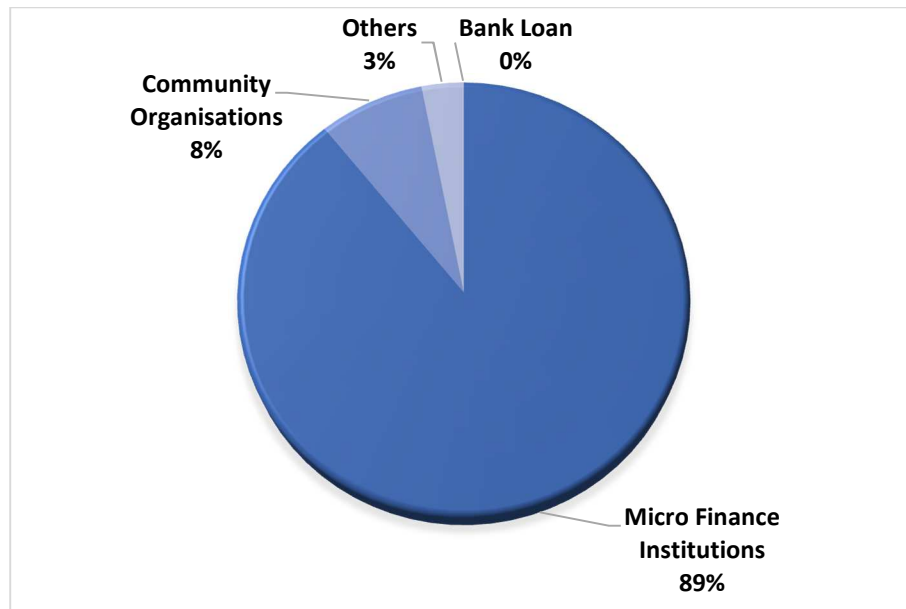
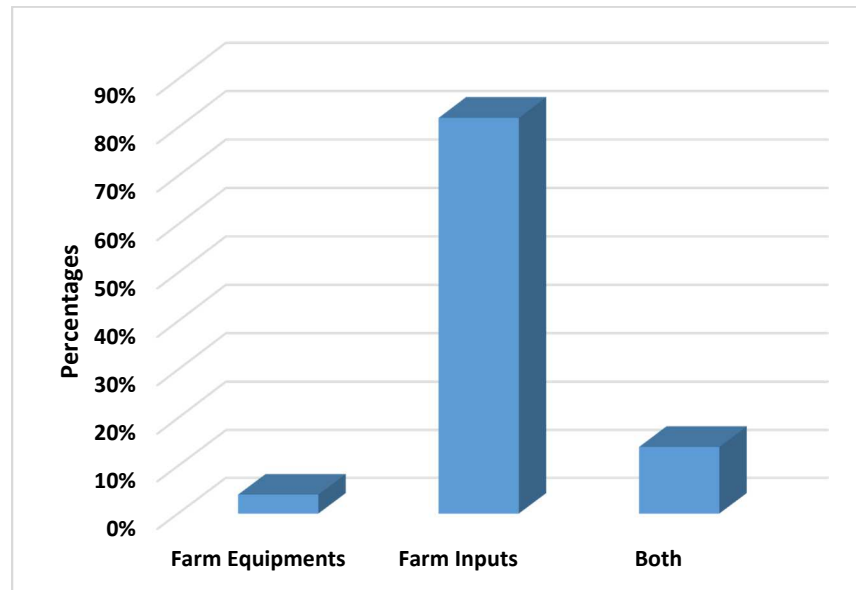


Chart 4.4.2 represents the funds receive from the different sources of funding.

Source: Author's own estimates

This question is applicable to respondents who have access to finance from external sources. The results revealed that microfinance institutions in the Gambia are playing a key role in terms of offering financial services to women farmers. 75.1 percent of the respondents have access to financing from microfinance institutions mainly from Reliance Financial Services, Supersonicz and credit unions. However, most of the respondents complained about the high interest rates that they are charged, which serves as a disincentive to borrowing. Only 8 percent of them get their financing from community organizations, 3 percent from other sources like family members and none of them is financed by commercial banks.

4.4.3 DISTRIBUTION OF FUNDS



*Chart 4.4.3 represents the expenditure of funds on different activities.
Source: Author's own estimates*

Among the respondents who have access to finance from external sources, 75.51 percent said they use the funds to buy farming inputs such as fertilizers and seeds, 22.04 percent use it to buy both farming equipment and inputs and only 2.4 percent said the funds were used for buying farm equipment only. These results were not surprising since these farming equipment's such as wheelbarrows, hoe, axe etc. are durable goods that they can use for a long period of time. Moreover, all the respondents participate in communal gardens in which some of these equipment's are jointly owned and shared by all the members.

4.4.4 CHANGE IN SOCIAL STATUS AFTER RECEIVING FINANCE.

In an attempt to assess the changes in the respondent's social status after receiving finance, four questions were asked to see whether they felt any changes in their social status. These questions mainly focused on the changes in their household decision making.

Table 4.4.4 Change in Social Status

Key Household Decision Making	Direction of Change	Frequency	Percentage
Children Education	Increase	46	76.66
	Decrease	2	3.33
	Unchanged	12	20
Offspring Marriage	Increase	42	70
	Decrease	Nil	Nil
	Unchanged	18	30
Purchasing Household Items	Increase	42	70
	Decrease	1	1.66
	Unchanged	17	28.33
Family Dispute	Increase	26	43.33
	Decrease	5	8.33
	Unchanged	29	48.33

Source: Author's own estimates.

A significant portion of the respondents reported an increase in their opinion regarding the education of their children, only 3.33 percent recorded a negative change whiles 20 percent remained unchanged. In terms of decision making regarding their offspring's marriages which is usually influenced by the men's opinion, 70 percent of the women recorded positive change in their opinion towards their children's marriages, whiles 30 percent recorded no changes, and none of the respondents experienced a negative change. A significant percentage of the respondents felt that their opinion regarding household expenditure has been given more weight, only 1.6 percent recorded a negative change

whiles 28.33 percent recorded no change. Finally, 43.3 percent of the respondents feel that their opinion in solving family disputes have been given more weight as compared to before, but a greater percentage reports that there has been no change in their opinions regarding family disputes, while 8.3 percent remained unchanged. The later result was not surprising since in most typical African communities, solving family disputes are predominantly done by the male members of the family.

4.4.5 FARMING CONSTRAINTS

The below section looks into the main farming constraints affecting the productivity of women vegetable growers. The broad categories administered in the questionnaire are irrigation and storage facilities, access to markets, access to finance, farming space. Other constraints are categorized under “others”.

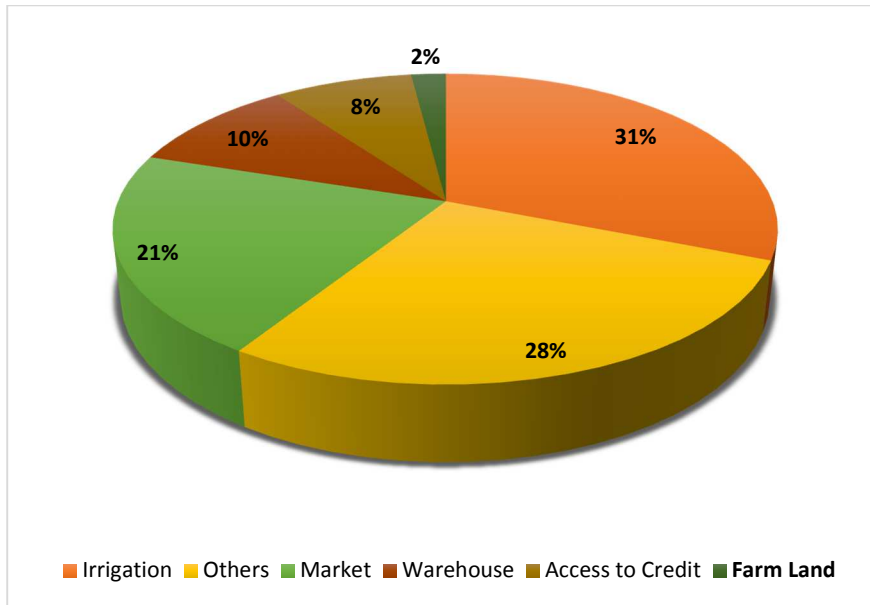


Chart 4.4.5 represents the major constraints the respondents faced in their farming activities.

Source: Author's own estimates.

The research findings revealed that the main hindrance affecting the farming activities of these women is access to irrigation water accounting for 31 percent. In all the gardens visited almost all the respondents complained about water being a major problem that affects their farming activities. Despite the fact that some of these gardens like Bakau women garden and Banjulinding have water tanks, the cost of running and maintaining was also a problem. Taking the case of Banjulinding women garden, the farmers had to alternate the watering of their gardens every other day due to the limited supply of water by the tanks and the cost of buying electricity in order to pump the water into the tank. In Busumbala women garden, some of the women there revealed to us that due of lack of water they are forced to cultivate certain types of crops such as lettuce which does not require much watering. However, this was not profitable to them since it will eventually lead to an excess supply of their harvest forcing them to sell their goods at very low prices.

Other constraints that these women face are access to markets and storage facilities accounting for 21 percent and 10 percent respectively. All the respondents revealed that they sell their products in the local markets. Considering the population of women engaging in vegetable production, producing almost the same crops and approaching the same buyers, this exposes them to high levels of competition, price and market risk. The presence of warehouses could have minimized the problem of excess supply of these goods in the market and help the farmers have fair prices of their outputs. Access to farmland was not a main problem reported by women farmers (only 2 percent), since all the respondents were doing their activities in community gardens. The only issue was the limited space that each woman was allocated, especially in Bakau and Busumbala. However, in Banjulinding respondents highlighted that they have excess space that they are not utilizing due to the lack of irrigation facilities and the lack of proper fences which allows the animals to get in and destroy their products. Access to credit facility itself was not widely reported as an issue. We believe that this is mainly due to the fear they have about taking loans.

Other constraints that 28 percent of the respondents complained about were the issue of fertilizers, pest and diseases, lack of proper fences to protect their gardens and the supply of vegetables from neighboring countries such as Senegal. According to the respondents, the cost of buying fertilizer is expensive, which affects their cost, especially that they need important quantities to mitigate the soil depletion of their gardens. Moreover, they have to spray their gardens to protect the crops from pest and diseases, which triggers additional cost. Another heartbreaking problem was the lack of fencing in their gardens which allows animals to get into the gardens and destroy their crops within seconds. This results in social problems among the farmers and the owners of those animals. The lack of fencing also

leads to security reasons such as theft. These are problems that need immediate attention to help the farmers scale up their business and enhance their economic situation.

4.6 AWARENESS OF ISLAMIC FINANCE

Since the research focus on women empowerment through Islamic microfinance, we also assessed the knowledge of the respondents regarding Islamic finance and their motivation to pursue Islamic modes of financing. Chart 4.6 outlines the percentages of those who have an idea or have heard about Islamic finance before as opposed to those who do not. Chart 4.7 examines what will motivate the respondents to pursue Islamic modes of financing.

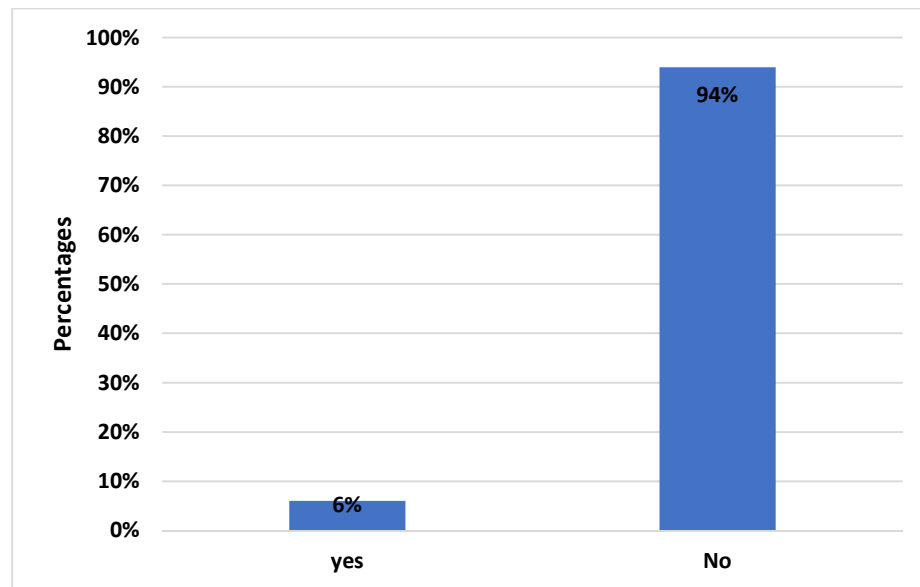


Chart 4.6 represents the awareness of women about Islamic finance.

Source: Author's own estimates

The graph above illustrates that most of these women have limited knowledge of the existence of Islamic finance. The limited number (i.e. 6 percent of the respondents), who have already heard about it confirmed that it was through radio adverts where they will hear the name of Arab Gambia Islamic Bank been mentioned. However, they did not have

a clear understanding of their activities and business model. This was ironical to us because in one of the gardens visited almost all the women there received finance from supersonicz a microfinance institution that identifies itself as an Islamic microfinance institution. This implies that, the institutions business model is not known to its clients. Hence, this raises the need to educate the population on Islamic banking and finance.

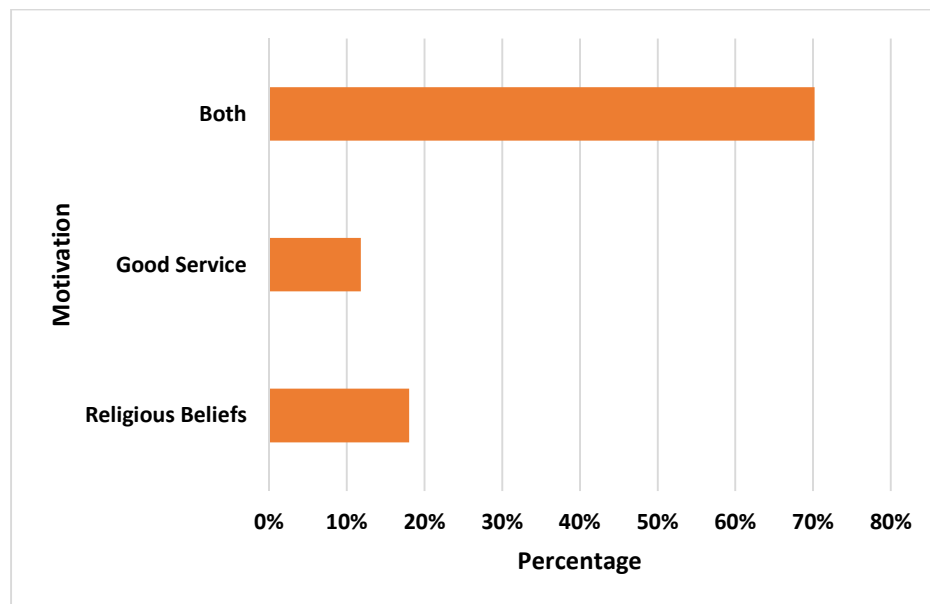


Chart 4.7 represents the motivational factors of the respondents to pursue Islamic modes of finance.

Source: Author's own estimates

The above graph examines the respondent's motivation to opt for Islamic modes of financing. The motivation is classified into three categories; religious beliefs, good service or both. 98 percent of the respondents were Muslims, however, their preference to opt for Islamic modes of finance was not just dictated by their religious beliefs, but they also would consider the quality of service that they will receive. Only 18 percent were fully motivated by only religious, 11.8 percent prioritize the quality of the service and 70.2 percent recognized both the service and their religion as a factor to opt for Islamic products. This

shows that the halal products that Islamic financial institutions offer to their clientele might be a determining factor for their customer base. However, the quality of the goods and services offered might have a greater impact on their customer base. This poses a challenge to Islamic financial institutions to balance between halal products and the quality of their service.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

Women participation in economic activities has been widely recognized as an important factor towards economic growth and development. They have a greater role to play in terms of poverty alleviation, increase employment opportunities and other social activities. As such, it has risen greater attention in investigating how women can be empowered to utilize their full potential in developing their nations. The main objective of microfinance institutions has been to provide financial services to those who do not have access to the traditional financial sector and greater attention is given to women Shirazi et.al (2014). Due to the great potentials that microfinance has in empowering women, a lot of research has been conducted to assess its impact on women empowerment from different angles both empirical and theoretical. The overall impression is that microfinance is a powerful tool that has been empowering women and it still has the potential to achieve this objective. This paper explored the possibilities of empowering women through Islamic microfinance with special focus on women vegetable producers in the Gambia.

Islamic microfinance has a huge potential for empowering women and help in the cause of poverty alleviation. In fact, it can be an efficient tool to use if we want to achieve SDG1. The global survey conducted by CGAP on Islamic microfinance concludes that “unlocking the potential of Islamic Microfinance could be the key to providing financial access to millions of poor Muslims who currently reject microfinance products that do not comply

with the Islamic law”¹⁹. Though both Islamic and conventional microfinance institutions are not charitable organizations, their aim is to make profit just like other financial institutions. Islamic microfinance institutions, however, have better tools to tackle the needs of the poor than the conventional ones and achieve social justice. The institutions of compassion (*Zakah*, *Awqaf*, *Sadaqah*) are all resources that can be utilized to subsidize the cost of Islamic microfinance institutions and enable them to reach out to the those living in abject poverty. This could be a more effective and efficient way of distributing the *Zakah*/other charitable funds. For example, if the *zakah* funds are given in cash to the beneficiaries, they might be used without the creation of any income generating activity that caters for their needs in the long term. However, if they are channeled through microfinance institutions and given in the form of *qard al hassan* together with financial education on how to efficiently and effectively utilize the funds, it could have a better impact. The financial education aspect could be in the form of entrepreneurial trainings on how to start a new business or expand on existing ones. Such activities will serve as a source of income for them, which might be their exit route from poverty. In addition, they could one day become *zakah* payers (*Muzakki*)/donors instead of recipients (*Mustahiq*) as experienced in the case of Akhuwat²⁰.

The research findings revealed that lack of access to productive resources such as irrigation and storage facilities, access to markets, farming inputs are the major hurdles affecting the productivity of these women. Irrigation facilities stands out to be the most complained

¹⁹ <https://sadaqa.in/2019/01/18/turning-to-islamic-finance-for-meeting-development-goals-iii/>

²⁰ 2016, <https://iiibf.com/from-zakat-beneficiary-mustahiq-to-zakat-giver-muzakki-2-the-akhuwat-experiment/>

challenge they are encountering in all the four gardens visited. Based on our findings, we can recommend several Islamic finance products that can be used to finance women vegetable producers that will tackle their constraints as per the research findings.

5.2 RECOMMENDATIONS

5.2.1 Financial Innovation and Product Development.

As outlined earlier the main constraints encountered by the respondents are irrigation and warehouse facilities, access to markets and farming inputs such as fertilizers and seeds. This could be tackled through offering innovative financial instruments and products by Islamic microfinance institutions. One type of product might not solve all the constraints, but a combination of few Islamic products can tackle all the problems these women encounter in their farming activities. In an attempt to suggest possible Islamic finance products that could remedy these challenges, we propose the use of parallel Salam contracts by IMFI's in this case to help tackle the problems of irrigation and warehouse facilities and access to markets. We propose Supersonicz as the finance provider, Gambia Horticultural Enterprises (GHE)²¹ as the private company that will buy the goods from supersonicz and the women community gardens as the suppliers of the goods/the receivers of funds. We suggest that Supersonicz finances the infrastructural needs of establishing irrigation systems and their maintenance, like the construction of boreholes and the installation of solar panels. The reimbursement will be done after every harvest with specific amounts of vegetables depending on the contractual agreement. Supersonicz will agree with GHE to buy the goods from them after delivery by the farmers. The later contract will help the bank

²¹ GHE "is a multi-purpose agri-business company engaged in the whole horticultural value chain".
<http://www.gamhort.gm/>

to hedge against price and liquidity risk. In order to ensure that the products are of good quality and can be sold in international markets supersonicz can establish an agreement with GHE to provide technical assistance to the farmers.

Finally, to protect the farmers from being exposed to stronger bargaining power by the bank, we recommend that the financing should be done at the association level and not through the normal group lending like in the Grameen bank's model. This will give the executive members of the association the opportunity to negotiate a better deal between the bank and their members. Figure 5.1.2 outlines the proposed financing model.

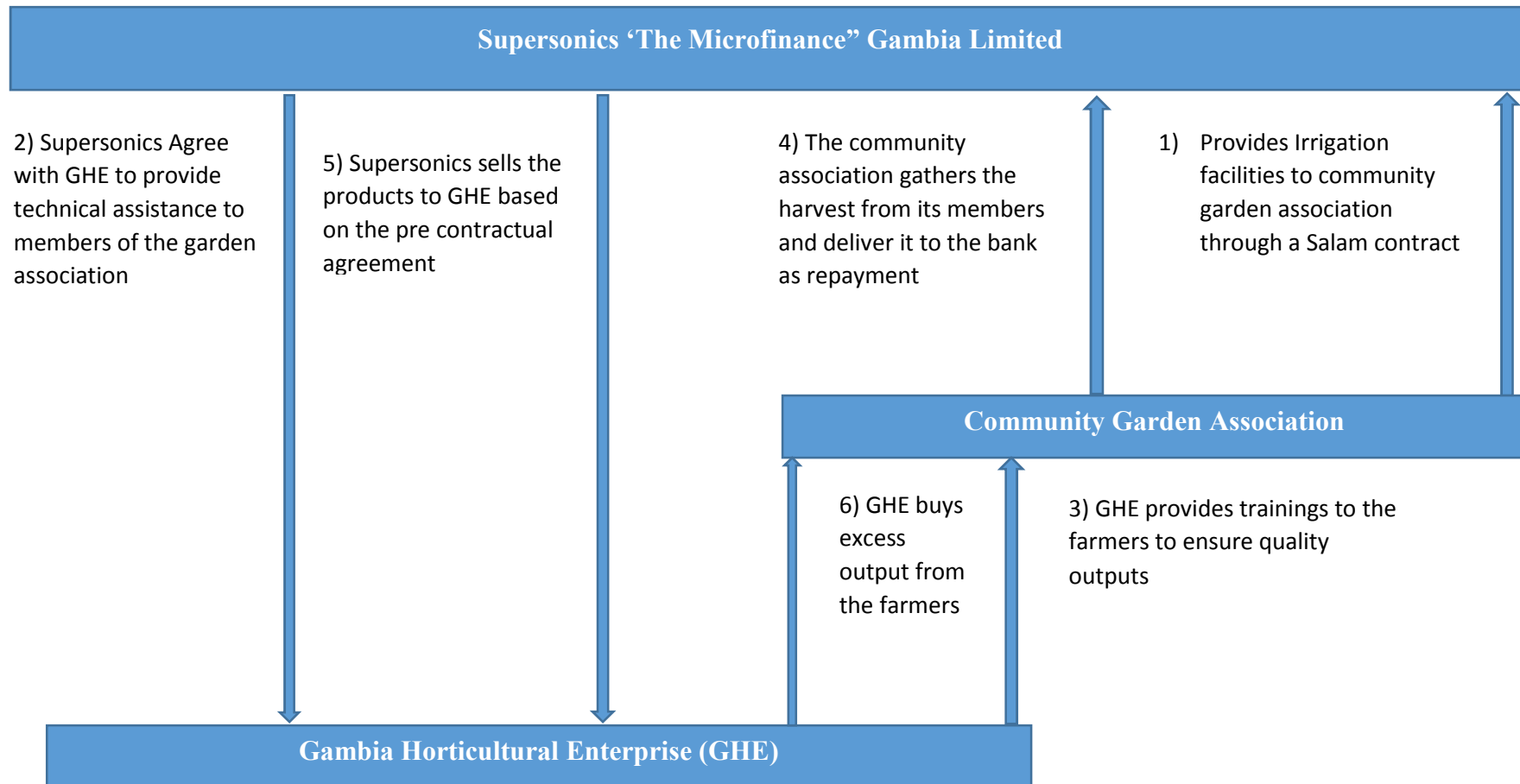


Figure 5.1 2: Proposed Financing Model.

Source: Author's own illustration

In addition to the above, we recommend the use of *Murabahah/Musawamah* mode of financing to provide farmers with farming inputs such as seeds, fertilizers, and pesticides. This contract could also be implemented through the main parties suggested above (i.e. supersonicz, GHE and the garden association). We suggest to offer the financing at the level of the association. This is because each farmer might need a small portion of the inputs and it would not be ideal for the bank to buy it in bits and distribute it to the farmers individually. Moreover, since GHE sells these farming inputs and are experts in pest control, we suggest for the purchasing to be done through them.

5.2.2 Islamic Financial Literacy

The survey results revealed that only 13% of the respondents are aware of the existence of an Islamic financial institution. This they explain was through radio adverts, in which the name of the institution (Arab Gambia Islamic Bank) suggests that it is an Islamic bank. When we asked a follow up question of what they can tell us about their activities, none of the respondents had a clear understanding of their business model. This we thought raises the need for Islamic financial institutions to engage in awareness programs that will educate the people about their *modus operandi*. This could be done through community outreach programs, particularly for those not working in the formal sector. Other means could be through TV shows to talk about their products and services and their Shari'ah compliance. Billboards around the streets, social media such as YouTube, Facebook and Instagram are all platforms that these institutions can utilize to sell their business model.

On the other hand, institutions like supersonicz whose *modus operandi* (i.e. being an Islamic financial Institution) is not clearly stated should endeavor to make the status of the company well known. They should be bold enough to identify themselves as an Islamic or

non-Islamic financial institutions and tailor their products based on this. This suggestion arises due to a response from one of the staff of CBG working in the microfinance department who revealed to us through an email conversation that supersonicz is not licensed to operate as an Islamic microfinance institution, while on the mission of supersonicz it states that they endeavor to provide financing through Shari'ah compliant instruments. In addition, we also confirm with our correspondent at supersonicz (Mr. Ebrima Sagnia) whether his institution is an Islamic microfinance institution and he responded in the affirmative.

5.2.3 Regulatory Framework/Environment

We further recommend on the regulatory side to consider establishing a central Shari'ah board that will oversee the activities of all Islamic financial institutions. The main reason for suggesting this is to ensure the harmonization of fatwas and the use of standard products. Differences in fatwas can shake the Islamic finance sector, which might lead to the lack of trust in the products and services offered by Islamic finance institutions. Especially for emerging markets like the Gambia. Having an independent body that will oversee the Islamic finance sector could motivate investors/individuals to consider Islamic finance products.

In addition, The CBG requires all Islamic financial institutions to hire their own Shari'ah boards. This we know is costly and might not be feasible for emerging Islamic microfinance institutions in the Gambia. The presence of Shari'ah boards can enhance the institution's transparency and the confidence of the customers in its products. It could also serve as a way of mitigating the institution's exposure to reputational risk. If the CBG is not willing to establish a central Shari'ah board, we suggest for the Islamic microfinance

institutions to gather themselves and hire a Shari'ah board that would oversee the Shari'ah compliance of their products.

5.2.4 Expand the Islamic Finance Sector: With reference to the latter two recommendations (i.e. Islamic financial literacy and the regulatory environment). We believe that it could lead to an expansion in the Islamic finance sector. This is because if the people are aware of the products and are willing to opt for them coupled with the favorable regulatory framework. It will attract more investors into the market, leading to competition among them. This will boost the quality of the products they offer since they will all be aiming at increasing their market share and attracting more customers. This will also provide the customers with more options to choose from.

Overall, we recommend for more research to be done in the field of Islamic finance in the Gambia. Such as:

- Factors that will enable the Development of Islamic Microfinance Institutions in The Gambia.
- Exploring the possibilities of using Charity Organizations as partners in Developing the Islamic Microfinance Sector in The Gambia.
- Risk Management Framework for Islamic Microfinance Institutions in The Gambia.

5.3 LIMITATIONS OF THE STUDY

All the four women gardens visited are within the peri-urban areas of the Gambia posing a regional delimitation of the studies. Hence we suggest for future research to include both the rural and urban areas.

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APPENDIX

Questionnaire

1. Region:

Tick as appropriate

- Kanifing Municipality
- West Coast Region

2. Gender:

- Male
- Female

3. Religion

- Islam
- Christian
- Others

4. Age: Please Could You Tell Me Your Age?

- Below 20 years
- Between 20-30 years
- Between 31-40 years
- Between 41-50 years
- Above 50 Years

5. Marital Status: Please Could You Tell Me Your Marital Status?

- Single
- Married
- Divorced
- Widow

6. Educational Background: Please Could You Tell Me Your Educational Background?

- Primary Education
- Secondary Education
- Tertiary Education
- No Formal Education

.....
.....
.....

7. Occupation: Please Could You Tell Me Your Occupation?

- Vegetable Production
- Others (please Specify)

.....
.....

.....
.....

8. Product Distribution:

Is your farming activity for?

- Commercial Purpose
- Subsistence Purpose
- Both

8B If it is for commercial purpose which market (s) do you sell your products?

- Local
- International
- Both

8C Do you sell your products on?

- Wholesale Basis
- Retail Basis
- Both

9A. Financing:

9.1 Do you have access to finance from external sources?

- Yes
- No

9B If yes please specify your source.

- Bank Loan
- Micro Finance Institutions
- Community Organizations
- Others Please Specify

.....
.....
.....

9C Do you have full control over the funds you acquire from external sources?

- Yes
- No

9D If No who controls/manages the funds on your behalf?

- Husband
- Children
- Others (Please Specify)

.....
.....
.....

9E Do need to provide any of the following when seeking for finance?

- Collateral
- Guarantee
- Both

9F What is the amount of financing you usually receive:

- Below D10, 000
- D10, 000-20,000
- D21, 000-30,000
- Above 30,000

9G What do you use the funds for?

- Buying Farm Equipment's (eg Tractor)
 - Inputs (eg fertilizers, seeds etc)
 - Others (Please Specify)
-
-
-

9H Social Status after getting financed?

Has the importance of your opinion regarding decision on education of children

- Increase
- Decrease
- Unchanged

9I Has the importance of your opinion regarding children marriages

- Increase
- Decrease
- Unchanged

9J Has the importance of your opinion in purchasing of household items

- Increase
- Decrease
- Unchanged

9K Has the importance of your opinion in solving family disputes

- Increase
- Decrease
- Unchanged

QUESTION 10 Major constraints:

9.8 What are the major constraints you encounter in your farming activities?

- Access to finance
 - Farming Space
 - Access to markets
 - Warehouse
 - Irrigation
 - Others (please Specify)
-
-
-

QUESTION 11 Islamic Finance knowledge:

11A Have you ever heard of Islamic finance?

- Yes

- No

11B If yes, what can you tell me about Islamic finance?

.....

.....

11C What do you think will motivate you to go for Islamic financing modes?

- Religious beliefs
- Good Service
- Others Please Specify

.....

.....

11D Have you ever heard of AGIB/Supersonics?

- Yes
- No

11E Do you have any transaction (s) with either of the above?

- Savings Account
- Current Account
- Others (Please Specify)