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CREDIT & WOMEN'S ECONOMIC DEVELOPMENT

A DIALOGUE AMONG
ENTREPRENEURS, BANKERS AND DEVELOPMENT SPECIALISTS
ON ISSUES RELATED TO CREDIT FOR BUSINESS ENTERPRISE

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FOREWORD

In July 1980 the United Nations convened a conference for member governments in Copenhagen, Denmark, to mark the mid-point of the Decade for Women (1976-1985). The purpose of the World Conference of the United Nations Decade for Women and of the parallel conference for nongovernmental organizations, the Mid-Decade Forum, was twofold: to review progress made by each country on the World Plan of Action adopted in 1975, and to set priorities for the next five years.

High on the agenda of issues to be tackled under the World Plan of Action is that of employment and related economic roles for women. Strong encouragement is given for activities and programs to "provide women with adequate training in co-operatives and entrepreneurial skills, (and) access to credit and seed capital...." Similarly, subsequent resolutions linking the call for a New International Economic Order with the World Plan of Action have emphasized the urgency of new policies and programs to ensure that women gain an equal share of the benefits that the new order promises.

Despite international mandates and resolutions, however, women's range of economic roles is frequently considered too narrowly, focusing on woman-as-employee. Meanwhile, women entrepreneurs from highly dissimilar cultures and varying economic strata daily confront the challenge of securing capital and credit for enterprises that they themselves own and operate. What are their experiences? What lessons can be learned from them? How can this information be used to help others?

To explore these questions, the World Council of Credit Unions, in collaboration with The Chase Manhattan Bank, N.A., organized a program for the Mid-Decade Forum in Copenhagen entitled "Women Entrepreneurs: Access to Capital and Credit." Program panelists included women entrepreneurs and representatives of financial and other institutions involved in making loans for productive purposes.

The individual case studies and institutional perspectives represented experiences in a range of countries, both developing and industrialized. The enterprises were as diverse as pig-husbandry, fruit juice production and bus transport. Institutional representation included commercial and development banks, credit unions and cooperatives, and private voluntary organizations.

This report has been written primarily for policymakers and project designers concerned with income-generating projects that involve credit and women. While it does not attempt to present definitive answers to questions about use and access to credit, the report provides information and a number of observations that reinforce many untested assumptions about women's access to credit.

In addition, a wider audience, including those involved with new businesses, should benefit from the candid discussions by the ten panelists with firsthand experience in the granting and seeking of loans. Although the panelists are all women, not all of their observations relate exclusively to women.

To compile the report, Kathleen McCaffrey combed through hundreds of pages of transcripts from the World Council program, as well as USAID-sponsored interviews with panelists conducted in Copenhagen by Alice Lynn Booth. To compare and contrast the ideas and experiences of the Copenhagen panelists, McCaffrey searched the relevant literature and project documents, and interviewed numerous individuals with experience in women's income-generating projects community or rural development programs and credit institutions. She presented her findings in a draft that served as the working paper for this report.

The report is divided into three parts. Part I provides a brief discussion of income generation, entrepreneurship and credit access for women. Edited presentations and profiles of the Copenhagen panelists comprise Part II. In Part III observations of the panelists are divided into three categories: credit access, enterprise development and loan program design.

We gratefully acknowledge the support of the U.S. Agency for International Development (USAID) Office of Women in Development, the World Council of Credit Unions and the Overseas Education Fund in the publication and distribution of this report.

Washington, D.C.

Barbara Morrison Reno
World Council of Credit Unions

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The Overseas Education Fund (OEF) is grateful to have had the opportunity to work with the World Council of Credit Unions in the preparation and distribution of this report.

OEF promotes income generation and community self-reliance through technical assistance and training to women's organizations throughout the world. In working with low-income women in countries such as Costa Rica, Thailand, Sri Lanka, Honduras and Zambia, OEF has learned that the majority of women desperately need ways to earn more income. For this reason, OEF sees credit and business skills as tools for development. Access to credit and knowledge of how to use it can help women become more active participants in development for the benefit of their communities, their families and themselves.

The dialogue and exchange of information on credit access for women and its relationship to economic development must be continued. By making available the wealth of information from the WOCCU program at the Mid-Decade Forum in Copenhagen, the World Council of Credit Unions and the Overseas Education Fund hope to provide a service to all involved with women and their role in socioeconomic development.

Washington, D.C.

Elise F. Smith, Executive Director
Overseas Education Fund

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We wish to extend our sincere gratitude to those people who made this report and the Copenhagen program possible. The contributions of numerous individuals and organizations at each stage of planning and implementation enabled us to provide a forum to stimulate discussion on a subject of increasing interest

We are indebted to those who sponsored and helped develop the program content of "Women Entrepreneurs: Access to Capital and Credit"—Co-coordinator **Elinor Upton Biggs,** formerly with Chase Manhattan Bank and now president of her own business; **Elizabeth Palmer** and **Marianne Huggard,** who directed the Mid-Decade Forum; **Arvonne Fraser,** formerly Coordinator of the Office of Women in Development, USAID, and now affiliated with the Hubert H. Humphrey Institute; the Africa Co-operative Savings and Credit Association (ACOSCA); the Asian Confederation of Credit Unions (ACCU); and the Latin American Confederation of Credit Unions (COLAC). Special recognition goes also to **Alice Lynn Booth,** Caribbean/Central American Action; **Jane DeVall,** World Council of Credit Unions; **Jane Kozlowski,** World Bank; **Marilyn Richards,** New TransCentury Foundation; **Virginia Saurwein,** United Nations; **Vicki Semler** and **Joanne Sandler,** International Women's Tribune Centre; **Kathy Sreedhar,** A.T. International; **Lone Thomsen,** formerly with CARE/Europe.

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PART ONE

Women Entrepreneurs: Access to Capital and Credit

"Economic development requires financial resources. Indeed, it requires far more than have yet been made available. But the resource it requires most is creative innovation."

Robert S. McNamara,
in his presidential address to the Board of Governors of the World Bank, September 29, 1969.

Economic development requires the utilization of a wide range of resources that include the four factors of production: land, labor, capital and technology. Many development economists add that resources must be *reallocated* among richer and poorer regions; that all available resources need to be used in *entrepreneurial* ways; and that one prime resource — human capital — is frequently *underutilized*.

Making fuller use of human resources — especially of women — has been singled out as a goal by many leaders in the developing world. The African heads of state, for example, have urged as part of the Lagos Plan of Action that greater effort be made by African governments to increase the role of women in the economic development of the region. Mary Tadesse, of the U.N. Economic Commission for Africa, takes it one step further:

> The challenge before us . . . is no longer the justification of the important economic role women are playing in subsistence agriculture, animal husbandry, trade and marketing, handicrafts, small scale industries, and self-help schemes . . . but our challenge is to make these activities performed by women more productive . . . .
>
> (Mary Tadesse, "Women in African Development," March 1981.)

As attention focuses on economic roles of women in rural and urban areas around the world, one observes an increasing emphasis on income-generating projects for women. The importance of credit in such projects is widely acknowledged, as is the notion that credit or loan programs should be an integral part of project design.

The success of women's income-generating projects depends upon a number of factors beyond credit. These include the level of government support and commitment, the amount of infrastructure already in place, and the social and cultural conditions affecting women's participation in various kinds of economic activity. Some observers caution that such projects will be successful in the long run only if women themselves direct their projects so as to generate and reinvest income, to provide for the timely transfer of funds to ensure optimal cash flow, and to place control of capital formation in their own hands. Others add that projects should be carefully designed to foster in participants increasing self-reliance rather than dependency on capital or loan funds provided by the project.

Another key element for project success is entrepreneurship. British social scientists Peter Marris and Anthony Somerset, in a Ford Foundation-financed study of Kenyan entrepreneurs, state that development is "as much a problem of co-ordinating resources as acquiring them . . . ." They regard entrepreneurs as individuals with "a practical creativeness, who combine resources and opportunities in new ways . . . turn invention into profit . . (and) improvise a new arrangement of economic relationships." (Marris and Somerset, *African Businessmen*, 1971.)

Especially where women have a tradition of producing and trading or selling in the marketplace, one observes large numbers of women entrepreneurs finding innovative solutions to economic needs. These women generate informal credit systems and cooperative income-generating activities that serve as useful examples for development projects. In fact, women's traditional rotating credit associations, such as *esusu* or *tontine*, are being used as models for the design of effective credit delivery mechanisms in income-generating projects.

The fact that women frequently exhibit entrepreneurial talent may be partially explained by the observation that "entrepreneurship characteristically arises from an interaction between social exclusion and access to resources which others ignore or cannot grasp." (Marris and Somerset, 1971.)

Perhaps it was such interaction that led two groups of Sri Lankan women to demonstrate their entrepreneurial talent. They applied for and received a United Nations Voluntary Fund grant of US$31,000 to start a revolving loan fund to finance their small businesses. Instead of immediately using the funds for that purpose, with U.N. approval they used the $31,000 as collateral to take a loan three times that amount from the People's Bank of Sri Lanka.

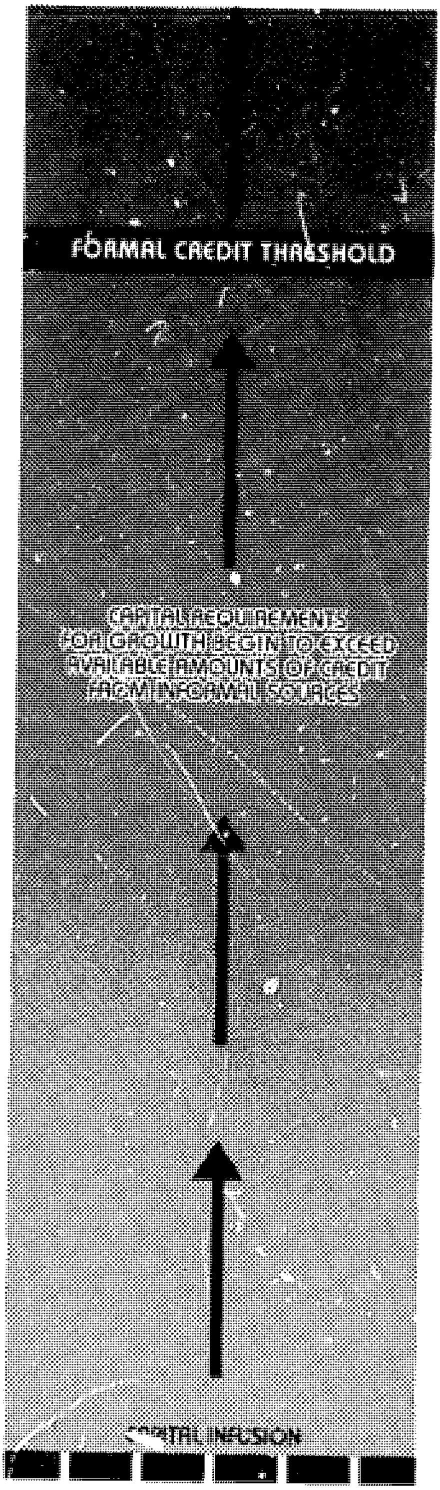
Entrepreneurial talent alone, of course, is not sufficient for successful income generation, as the presentations of the Copenhagen panelists affirm. (See Part II.) Sound business skills, good management and additional investments for growth are also required. As an enterprise develops, different amounts of credit are required from different sources. In developing regions and industrialized countries alike, seed capital for a new enterprise is rarely easy to obtain from formal sources such as commercial and development banks, thrift institutions, government loan programs and commercially-related businesses. Entrepreneurs starting new businesses seldom possess the collateral, credit history or sophistication necessary to obtain loans or lines of credit from such sources. They turn instead to informal sources such as family and friends, traditional mutual aid groups, or moneylenders and "loan sharks" (known for charging high interest rates), usually the most familiar, immediately accessible sources of small sums of capital.

In the continuing cycle of obtaining credit, increasing production to generate more revenue and repaying loans, there is a point at which informal sources may become inadequate — regardless of the size of the business, such as cottage industry or small business, or its location. Project experience indicates that there are points at which the development of an enterprise is enhanced by, and later

“It is but natural, and in fact it is an advantage, that (entrepreneurship) does not draw any sharp line between what is and what is not 'enterprise'. . . . It should be observed at once that the 'new thing' need not be spectacular or of historic importance . .”

Joseph. A. Schumpeter
in "The Creative Response in Economic History,"
Journal of Economic History,
Vol. III, No. 2,(1947).

GROWTH OF ENTERPRISE: Typical Progression from Informal to Formal Credit Needs



▩ FORMAL CREDIT SOURCES
▨ INFORMAL CREDIT SOURCES

cannot proceed substantially without, access to formal sources of credit — a "formal credit threshold." (See diagram.)

As illustrated by presentations in Part II, a business enterprise — whether the Mraru women's transport business or the Lineagraph Corporation — passes through a stage in its development where access to formal sources of credit, appropriate to the size and maturity of the enterprise, would greatly facilitate its further development. Such timely access provides the enterprise with assets necessary to obtain additional sources of credit required in subsequent stages of growth. If, however, the enterprise does not gain access to formal sources during this stage, it reaches a formal credit threshold beyond which the business will be unable to continue its growth. (Fraser and Tucker, 1980.)

Development specialists point out that if credit is difficult to obtain for most entrepreneurs, it is even more difficult for entrepreneurs who are women. Various social and cultural constraints preclude women's full access to many modern sources of credit, such as banks, cooperatives and credit unions. Furthermore, erroneous assumptions that women do not save, do not repay loans and therefore are poor credit risks serve as formidable impediments to women's access. Studies by Bouman, DeLancey, and Schumacher, Sebstad and Buvinic, among others, help dispel these myths.

Innovative programs need to be carefully designed and implemented to counter another constraint, which is lack of knowledge about credit by women themselves. In addition to the requisite information about where and how to obtain credit, women must be aware of their need. They must be able to translate that need into action and to use credit productively. (Schumacher, Sebstad and Buvinic, 1980.)

In the following pages, women entrepreneurs discuss credit-related issues and problems connected with obtaining credit for enterprise development. They are followed by six Copenhagen panelists who review various approaches of financial institutions that serve as sources of credit for new and ongoing businesses.

Source:
Robert Von der Ohe
Chief Economist
Credit Union National Association

PART TWO

Presentations of the Copenhagen Panelists:
Case Studies of Women Entrepreneurs
Institutional Presentations

THE MRARU WOMEN
Kenya

The Mraru Women's Group is a community self-help organization in the Taita Hills of Kenya. The group collects member contributions, and applies the funds toward community advancement projects. As well as maintaining and operating a public transport system, they run a local dry goods store and hold regular meetings to discuss business and exchange information. Since 1970 the group has grown from 47 members to over 200. (*Jill Kneerim, "Village Women Organize: The Mraru Bus Service," SEEDS, New York, 1980.*)

(Editor's note: The presentation of the Mraru Women's Group was given by ***Diana Opondo,*** *whose biography appears later in the institutional presentations section, with her discussion of Kenyan institutions.)*

OPONDO: I would like to talk about a group of women who started their own business out of a real need. While they are not a co-operative, they are working on that basis.

By 1970, the Mraru women, whose village is located in the Taita Hills of Kenya, had heard about the efforts of other Kenyan women since Independence in collecting and using money to better their lives. They decided to do the same. In fact, they would do what no other group of women in Kenya had done — buy and operate a bus. At first their goal was simply to provide themselves with reliable transport. Later, others benefitted also.

Because their village often suffered from a lack of rainfall, the women found they couldn't produce enough food each year to feed their families. When this happened, they had to depend on trade even more than usual to purchase food. The Mraru women's problem was that the trading center, where they sold the goats they bred and the maize and cassava root they grew, was sometimes impossible to reach. Their village was midway between two centers, and their only means of transport would arrive full, pass them by, and go on to the trading center without them. Besides food, there was the problem of water. In dry seasons, they even had to get their water from these trading centers — or make the treacherous trip into the hills for it.

To buy the bus, the women began to save from the proceeds of baskets and other things they produced. They would come together once a month to collect money, or, if they didn't have money, they would bring produce and sell it, if only for 50 cents. Now, their collections were quite small because, as I have mentioned, they come from an area that is not really agriculturally productive — although they depend on agriculture, as do many women in rural Kenya.

At first, there were 50 women in this group, and then the number rose to about 200. After almost three years, they collected about 27,000 Kenyan shillings (just under US $4,000). Then, in one of the big centers, they saw a bus that was for sale. When they told their story to the manager, he was so impressed he said he could arrange credit for them on the basis of the money they had saved.

Unfortunately, to withdraw their money from the post office savings account, they had to give notice of two weeks, and by then the bus had been sold to someone else.

Disappointed, the women began afresh. By the time they found another bus, they had already opened an account in a commercial bank and could write a check immediately. But this bus was more expensive than the first, so they continued to save. Still lacking about 10,000 shillings, they received a loan from the district commissioner for about half of that, and with help from a woman community development officer, they took a loan from a commercial bank. The bus was theirs!

Now, its operation went well at first. With only one employee — a driver — they had enough profit after two years to clear their loans and save money, which they distributed to the group members as bonuses. They also built a shop in the trading center — the plot was donated — as a symbol of their hard work and hopefully to increase their profit.

But the bus worked so hard, it eventually had to be replaced. And by then the cost was triple what it had been. So again, they faced the problem of raising money and getting credit.

Besides their collective savings, they used the old bus as a deposit on a new one. Also, one of their own members loaned the group about 16,000 shillings. Now they had their second bus, but this time their entire monthly collections had to be used to pay off the loans they had taken.

Still, the Mraru women are happy. They are going on with their business, the bus is transporting them and their produce to market, helping them to carry water and stock their shop.

Their greatest problem is managing their business so as to liquidate their loans and turn toward profit in order to improve their lives at home.

But first, they must confront other obstacles. Just now, the crop yield is low because of drought, and they cannot sell enough to meet their monthly needs which, of course, increase with time. Also, though they've raised the bus fares, they're hit by the rising cost of petrol. To really move into a situation of income generation and profit, they must manage their money better, earn enough to use at home, and set up some other income-generating businesses. These are their goals.

I hope some international organization will come to their aid, because the African Development Bank is mainly interested in large investments — larger than they are. In Kenya, women need a financial institution that thinks of small groups like theirs. We still don't have revolving funds, or anything like that, although the Women's Bureau has given them a lot of help.

Then, too, they need technical assistance, someone to advise them in business management. That is the main thing.

Yet, despite the trouble these women have faced getting credit and public support, they are not about to give up. Their story has traveled around the world, and they refuse to let other Kenyan women down. The Mraru women are unique in Kenya, and they have already had quite a bit of success.

I only hope women in other developing countries will catch their spirit of going on — even in the face of obstacles.

"Yet, despite the trouble these women have faced getting credit and public support, they are not about to give up."

Diana Opondo

THERESA CHUNG-MIN KIM
Korea

After serving ten years on the Board of Directors, **Theresa Kim** is now Rural Development Vice Chair of the National Credit Union Federation of Korea (NACUFOK). She is also president of the Hallim Pig Producers Cooperative, Cheju Island, Korea. Trained with a bachelor of science in chemistry, Ms. Kim has 16 years of rural community development experience, and 13 years at the local credit union level. Ms. Kim is the recipient of several awards for her work in women's education and community development.

KIM: In November 1979, I organized a pig producers' cooperative in my hometown of Hallim on Cheju Island, which is located in the southern part of Korea. I was later elected president of the co-op.

The members of our co-op are pig farmers who were already members of credit unions. For some time, I had been encouraging them to form a co-op. Finally, they decided to do so because they have a lot of common problems — not only financing, but marketing and a shortage of facilities. The cooperative idea is to bring members together in a democratically-governed organization to select leaders and participate in decision-making and self-help approach.

In our co-op, there are 15 members, relatively small-scale farmers producing pigs. One member is actually a family. Each member has his own pig houses and raises sows and boars to bring his piglet production up to about 40 kilograms of live weight. The co-op has built fattening houses with share capital pooled from the members so the members' pigs are collected and put in the houses to bring them up to 80 kilograms of weight. This helps the members reduce their private facility investment and operating cost. And fattening the pigs protects the farmers when the pigs are sold.

Feed processing is another co-op activity, which means the farmers can get better prices for better quality feed. Training programs on technical development for pig producing and collecting of marketing information are other activities provided by the co-op.

Now I, too, benefit from these activities, since I began my own pig farm at the same time I started the co-op. I have about 250 pigs and one employee at this time.

Financing, as I mentioned, is one of the common problems we face. Although members each invested something for piglet production, and each member pooled a certain amount as share capital, members still need more credit for co-op activities. The credit unions have solved only about 12% of the total financing need. The original investments and share capital came from several sources: credit unions, money that had been deposited in banks, money borrowed from other places, perhaps the Agricultural Cooperative, or personal savings. We don't have a cooperative bank yet.

The credit union, you see, is dealing purely with credit services, and their operation is based on short-term loans and monthly installment payments. This is good for wage-earners and small merchants, but farmers need long-term loans. Once our co-op builds up security, they will be able to get credit from banks or other cooperatives. But in order to reach that point, we need credit for production costs. About 70% of the operation fund is for feed to fatten the co-op pigs, and that cost will go up too.

Another problem is our marketing system. That has not been developed. So far, we have been selling the pigs to a middleman. Our goal is someday to do the entire range of manufacturing — make the pig products, pork and ham, and sell them to the stores. Without the middleman, the consumer's prices would be lower too. We will need assistance for marketing later on. So far we haven't hired anyone.

I must say that the credit union movement has done a great deal for social and economic development in Korea. Koreans need credit unions because we often lack security or collateral to get credit. Also, the credit union makes people, men and women, feel they can do something for themselves.

There were seven credit unions in Korea when I joined, and by 1979 it had grown to 1,457 credit unions with 780,000 members and total assets of US $250.5 million. There are about as many women members — housewives, wage-earners, business owners — as men, and they have the same access to credit.

I have no experience in working with a purely women's group. In my cooperative work, I have been working with both men and women, encouraging both to realize that they are equally important members of society and should build a better life together. I do think the cooperative is a very good way for women to participate more in society because, from my experience, there is no discrimination over sex, race, or religion. That's why, gradually, slowly, people change. Working in that atmosphere changes them.

I also believe that men and women should try to move away from a divisive social atmosphere. I think women have a lot of responsibility for these changes. They must overcome their own hesitancy, and look to their own potential. They must learn and work, work and learn, besides taking care of their families. This is my philosophy from many years with the rural co-op movement.

“Pig farmers need long-term loans, so our cooperative had to set up a revolving fund. To help capitalize the fund, each member of the co-op got a $3,300 loan from the credit union — the maximum each member could get.”

Theresa Kim
— Copenhagen interview, 1980

JENNIFER SHEFFIELD
United States

Jennifer Sheffield, president of the Texas-based Lineagraph Corporation, started her own firm at the age of 25. A trained draftsman for geotechnical projects, Sheffield also founded the Lineagraph School Corporation, which trains draftsmen and designs training programs for other companies. Named Small Business Person of the Year, Houston District, by the U.S. Small Business Administration in 1979, Sheffield was a delegate to the White House Conference on Small Business and a member of the White House Task Force on Youth Employment.

SHEFFIELD: I'm from Houston, Texas, which is known as a center of the petroleum industry, and six years ago I was a draftsperson for some major oil companies. About that time our city, along with the rest of the world, became very conscious of the energy problem.

A friend of mine and I began to be asked regularly as employees to work evenings and weekends. We saw that there was a critical need for drafting, but not enough people who were qualified. So we decided it might be a good idea to start a company of our own. Of course, at the time I didn't think beyond next week. I just thought we'd start this little business and probably make more money then we would working for one company, and that's about it. I remember being concerned about not having a paycheck every two weeks, and that was frightening because I was raising two children on my own.

So, with no experience in business but a good technical background, we set out. After some months, we needed financing. We had no collateral, but an older, wealthy woman — a relative of my brother-in-law — agreed to become a stockholder, and against collateral she provided we borrowed US $10,000. The only other help we received was from a businessman in developing our proposal for the bank. We hired a lawyer to set up the corporation and, later on, an accountant.

We did quite well the first months, with some rough times, and plowed our profits back into the company, for the most part. At the end of about eight months, my partner and I had five people working for us. Then, because we had different ideas about what we wanted, we dissolved the corporation. It was a pretty distressing time for me, professionally and personally. But I had discovered something about myself, and it was at this point that Lineagraph Corporation, my own company, was launched.

Lineagraph Corporation is a service company that sells expertise to oil and gas-related companies and engineering firms. We provide all the visual information utilized in determining where to drill or explore for oil or gas — all the maps, cross-sections, slide shows, studies, and reports.

Unfortunately, I had lost my major stockholder who had provided our collateral — something we have lacked all along, since what we own and sell are human resources, and banks do not accept that as security.

After much soul-searching, I approached my father for help. Finally he agreed to put up some property as collateral, and I again borrowed $10,000.

The business continued to grow — we have grown 40% to 75% each year — and we paid off our loan, but continued to need operating capital to meet our payroll. Our greatest financial problem all along has been our cash-flow. At this point I approached the Small Business Administration (SBA), which is part of the U.S. federal government assisting small businesses by guaranteeing 90% of the loan — a kind of insurance to the banks that they'll be repaid. All you have to do to apply to SBA is to be turned down by three banks, and that was easy.

Unfortunately, SBA granted only $17,000, 28% of our request — just enough to cover our growth during the period in which our application was being considered, and not enough to gain any ground. The collateral we put up was literally everything we owned, all of our furniture, fixtures and equipment.

About a year ago, we bought the building where we had been tenants, and that was probably the best financial move I've ever made. My crew, which numbered about ten at the time, and I did all the remodeling ourselves. When it went up for sale, I approached a friend in Houston in the real estate investment business who agreed to buy the building and then sell it to me, with no money down, and carry the mortgage. At the same time, this firm and one of its members became stockholders of Lineagraph, so that brought in some working capital.

It's amazing to have so much growth and still so much trouble with the financing. And that, apart from my lack of patience, has been our source of trouble and of my mistakes. Recently, for example, I borrowed some money from a bank on our receivables — which, incidentally, are very good and read like a Fortune 500 — but we received bad advice from an inexperienced banker on how to repay the loan. That has been destructive to our business, and to our credit record. The lesson I've learned is always to find people who have the best knowledge and experience.

As a result of all these obstacles in getting loans, I'm convinced our best way to finance expansion is through private investors. And that's related to the need I have — because of my lack of confidence in my financial management ability — to surround myself with experienced business executives who have financial ability and positive attitudes.

I have also learned that for a business to succeed, step by step, long-range planning is essential. You have to start from a strong base and know where you want to go. You have to be able to learn from your mistakes, because unless you're a genius, you'll make quite a few.

Right now, Lineagraph employs around 30 people; and Lineagraph School, seven. The annual net volume of Lineagraph Corporation was about $310,000 last year in sales and we put about $40,000 of that into the school. We have about 100 clients — every major oil company, many smaller and medium-sized oil companies and large engineering companies.

I am Lineagraph's major stockholder, with 51%. Two other people, one a woman, own 49% between them. But I make all the policy decisions in the day-to-day management of the company. At the moment I'm working 50 hours or more a week. In fact, I dream a lot about the company. With our goals, you have to put in all the hours you can.

"I recall, before starting my business, a strong desire to work for myself. Why? I realized I was not using my ability or talent, there was much more I wanted in life. And not monetary. It had to do with change . . . , to experience more, not be too limited. I didn't want to have to fit into someone else's plan. I wanted to make my own."

Jennifer Sheffield

— Copenhagen interview, 1980

HONEE CHUN
United States and Korea

As founder and president of L'onee Corporation, **Honee Chun** operates her own firm that manufactures fine silk ready-to-wear and sweaters. Since starting her U.S.-based business in 1977, sales have increased to almost US $1 million. In 1974, following a brief career as a television actress in Korea, Chun promoted the Korean silk industry in the U.S. and moved on to become a vice president at the House of Silk. Chun personally designs her line and oversees the manufacturing as well as distribution throughout the U.S., Canada and selected western European countries.

CHUN: It is interesting how my business began, because I never planned to become a businesswoman or designer. I just sort of jumped in and did it. I was promoting the Korean silk industry for my government, and selling the fabric to the famous designers in New York, like Diane Von Furstenberg and Gloria Sachs. Then I produced some silk garments for those designers, just for the experience. So, not only did I understand the silk market in the United States, but I learned to design. Seeing how other people were building businesses around designing and marketing, I felt I could do it myself. I had no business experience.

So I went to a friend of mine, a successful businessman in New York, and told him what I wanted to do. He decided to help me, and loaned me US $15,000 for start-up, operating expenses. His money is still in the company, because he is really my advisor and has wanted to watch the business grow. That's a nice feeling.

Then my friend also introduced me to his lawyer and his accountant, both very successful people in their fields, and they have been my basic support system, not only in business but in the emotional crises too. They even provided their services free at first. But now I pay them.

After the $15,000 loan from my friend, I went to Korea, to one of the manufacturers, told him what I wanted to do and showed him a sample. I said I know the silk market, I knew how to make beautiful garments, and I know they would sell very well. I asked him to give me merchandise on credit. I asked him to trust me because I knew I could do it. He agreed, and I came back to New York, opened my showroom, which was very small, and asked a friend to help me part-time.

I found that people liked my line very much and I paid back the manufacturer in 90 days. I marked up from his cost, because I paid for freight, and that's how I financed my company. At the end of the first year I had shipped merchandise worth $300,000. I was very excited because I had done everything from designing to selling to shipping to collecting money.

Following that, my volume for two years was $600,000. Then I decided to expand. I wanted to work with different fabrics, cotton and wool, and also do sweaters. But I didn't have the capital and I didn't know how to finance it. Finally I went to the third largest trading company in Korea — they have a New York branch — which has a volume of $600 million. I know they were very interested in developing high quality fashion merchandise from Korea. I told them what I had accomplished in two years, and I proposed developing their high quality merchandise. That was a year ago. They decided to finance me by opening an unlimited line of credit for me to buy merchandise in Korea. Of course, I project every season what volume I want to do, what the prices, costs, and profits will be. As long as they know that I will pay them whatever I owe them, they provide any amount of money. That takes care of my company's cash flow, so I can expand as much as I can sell. I have already begun to produce handknit sweaters and will go into cottons and wools.

I started my company in 1977, and so far I have 400 accounts in the United States. L'onee has five employees, two of whom are women. I have sales people, a book-keeper, and a warehouse person who packs. I also have a pattern maker, and two representatives, one in California and one in Dallas, who get 10% on whatever they sell. So it's a small operation.

I own 100% of the company, set policy, and manage it. This year I project a gross volume of $700,000. Next year I hope to double that. And my goal for the next three years is to do a volume of $5 million. That's what I'm shooting for.

I have spent a lot of time with figures, and that has been difficult. Production, too, has been difficult — getting those who sew for me to understand what I am trying to create.

If I were to start over, I would learn more about business, then about designing, and then about the whole market. It would have been much easier for me. I look at business as a struggle. It's a process, like life. Also I have a lot of young women sewing my merchandise in Korea, and I have a responsibility to those people. They depend for most of their income on what I give them.

It has been a struggle. But I believe that whatever you want to do, you only need the willingness to get across the barriers. If you want something, I believe you can do it.

“So I went to one of the manufacturers and told him what I wanted to do. I told him that I knew the silk market and I knew how to make a beautiful garment. I asked him for a letter of credit and said, 'trust me, I'll make it. I know I'll make it.'”

Honee Chun

— Copenhagen interview, 1980

DAGMAR ANDREASEN
Denmark

Dagmar Andreasen is the owner and managing director of Rynkeby Mosteri, a Danish juice and fruit factory. Since she took over in 1952, annual sales of the company have grown from US $20,000 to $18 million. From 1968-1975 she held a Minority Party seat in Parliament, during which time she campaigned for better working conditions in factories. She left politics in 1975 to devote herself full-time to her business.

ANDREASEN: I tell my story to give you an idea of how a small business started by one woman can grow into quite a large business. In 1934 my mother began to make apple juice in her kitchen from apples in our garden that she feared would go to waste. The next year she suggested that our neighbors do the same — again, not to waste the apples — but they said they would prefer her to make the juice and they would pay her for it. At the same time, there was a woman in the neighborhood who was unemployed and needed to earn money, and so my mother engaged her to work in our kitchen, pressing the apples and bottling the juice.

The second year, to expand, she had a building put up — in such a way that it could be converted into a house if the apple juice production fell off. I think she borrowed money from the building society to erect this small factory. My father was well known and established and was legally responsible for any debts she made. In the beginning she didn't need much money, as she didn't buy any apples, worked in her own kitchen, and used machinery my brother had made.

From such simple beginnings, the business today employs 150 people, and our yearly turnover is about US $18 million.

In 1952 my mother wanted to retire. So, with my broken marriage and three children to support, we decided I would take it over. Now my parents preferred that I run the business for a salary, but I wanted it to be mine — so I could follow my own ideas. Looking back, taking over ownership then was one of the cleverest decisions I ever made, because I wouldn't have been allowed to expand as I have, and it would have been more expensive for me to take over later on.

Now, it wasn't just given to me. I had to pay about 200,000 Danish kroner, or $36,000, which came from my taking over the business loans, from my savings, and from advance inheritance. Those were fairly good conditions for my takeover, but then the fruit-processing business was depressed at the time and had to be rebuilt.

At first, I had trouble finding a lawyer to arrange the papers, because of doubt in my business ability. And it was also quite difficult to get increased production financed — the bankers thought I lacked training and they thought my ideas about exporting were rather unrealistic. But I never took no for an answer. I think if you want something, you just have to keep on finding new ways of presenting it, until you succeed. Finally I found a credit union that helped me. After that, I took out a Marshall loan for about $11,000 with more favorable conditions than a regular bank loan.

For a number of years, half my turnover was in black currant juice we exported to England. For that, the English buyer opened up a line of credit in the bank so I could be paid as soon as the goods were sent. That was very big business for me at the time. Later on, for complicated reasons, that export market dried up. We have also been financed by the breweries that have marketed and distributed our products and by banks. And now, we are investing about three to four million dollars to develop a soy protein liquid that does not require cooling and that can be mixed with fruit juice and fulfill the protein requirement in countries where milk is not available. The oil-producing countries are interested in it, and hospitals are too. Part of the investment comes from our business and part from the government, under a law by which industries can get credit with special interest rates, 10%, from loans repaid to Denmark from abroad. The idea is to stimulate industry here.

So while I have expanded quite a lot, I have invested everything in the business, again and again, to fight inflation. Of course, to expand, you must know what you can do, to whom you can sell. You must also manage and balance labor costs. And since we have always been expanding and selling more, people have not lost their jobs, but simply moved into new ones.

I don't think my firm is run much differently from others, though we like to think we are more open to our employees, telling them about competition, about profit, losses, about new investments. And we like to have their opinions, too. Although I am the managing director, I long ago delegated authority to the younger people in the organization. These are young, dynamic, clever people, who have been responsible for much of our success. We have a group of leaders, and a co-director — who will take over when I leave — a technician, an accountant and a sales director. Together we run the business and make policy, so the loans I have taken and our expansion have been worked out very carefully.

As for myself, I have done everything in the business — manual work and sales — and now I oversee the organization and try to watch carefully to prevent problems before they arise. I think women are good at that.

Men sometimes don't trust a woman in business, but later on when she proves she is able, they trust her more than a man.

“But if I should say anything about my experience, it is that if you have to start a business from the very beginning, you have to work hard and you have to save money the whole time because you must invest and reinvest.”

Dagmar Andreasen
— Copenhagen interview, 1980

Entrepreneurs Dagmar Andreasen *(left)* and Honee Chun respond to an audience question about how to approach a banker for a loan.

CREDICOOP President Leonidas Paez de Virgili *(left)* explains how her cooperative encourages members to save in order to obtain loans. *(L-R: Senator Paez de Virgili, Alice Lynn Booth, Beatriz Harretche, Michaela Walsh.)*

CREDICOOP, LTDA.

LEONIDAS PAEZ DE VIRGILI, President
Paraguay

PAEZ DE VIRGILI: CREDICOOP, Ltda., which I founded and became president of in October 1971, is the national central cooperative of Paraguay. It was originally set up as a savings and credit institution (credit union), but is now a national co-op, open to all the cooperative associations in the country.

Currently, we have 46 member associations, 13 of which are urban, and 32 rural, providing credit and multiple services to a total of almost 20,000 members. In addition, 24 more co-ops are preparing to join us, which would bring CREDICOOP to a total of 70 co-ops and about 30,000 members.

We offer a range of services — in agriculture, rural assistance, artisanry, commerce, housing, and education; and women benefit in all these areas in which we extend credit offer technical assistance and marketing services. Our rural production credit programs have been financed in part by US $3 million in loans from USAID and $500,000 from the Inter-American Development Bank. Now, 80% of the educators in Paraguay are women. And not only do we have many members in our co-ops who are educators, but we also have co-ops exclusively for educators in which women are the majority.

In CREDICOOP overall, we have quite good female participation. Of 300 posts, 87, or almost 24%, are occupied by women. On the Board of Directors five are women and four women run cooperatives. Also, in five associated co-ops, 800 (34%) of the 2,500 members are women. I can truly say that within the cooperative movement, women's status is equal to men's. After all, I am president of the national co-op center; and even at the birth of CREDICOOP, we were ten women and six men, mostly educators, who formed the nucleus. Undoubtedly, there are many advantages for women in the co-op movement: they can obtain equal credit; they do not need collateral, as with ba[illegible] hich are really for the upper middle class; women [illegible] not have to get their husbands' signatures to get cre[illegible] hey are members in their own right.

The interest on credit is about 14% overall, and repayment depends on the type of loan. Agricultural loans involve products that are commercialized annually, so members pay accordingly. On the other hand, loans taken to make household improvements or for basic needs can be paid monthly. Usually three to five years are taken to repay a loan on agricultural machinery or an animal, while loans for the purchase land may extend over five to ten years.

CREDICOOP is very active in agriculture, as the government is focusing on agrarian and land reform, and rural

Leonidas Paez de Virgili has served in the National Senate of Paraguay since 1973. She is the founder and president of CREDICOOP, the Paraguayan credit union federation, and has served on the executive committee and Board of Directors of COLAC, the Latin American credit union organization. Senator Paez de Virgili received the Bicentennial Medal of the United States for her work in the rural sector, including organization and promotion of rural women.

"I believe in people developing their potential and guiding their own destinies, and I believe women must continue to work for themselves. We cannot wait at the table to be served."

Leonidas Paez de Virgili

well-being. For example, there are pilot projects under way in which small farmers with too little land for cultivation are going to colonized zones to work. And there is a program with USAID to intensify horticultural and fruit-yielding production in farming zones.

There are also examples of women who are heads of households and large families who have to cultivate the land. A woman displays her work plan — just as her male counterpart does — and the credit union grants her credit, technical assistance, and helps to commercialize her product. And of course, credit unions are not established for profit-making. A substantial percentage of the proceeds are returned to each member. Because of this, such a woman now has university-educated children, she has improved her productivity, and she has elevated her socioeconomic status.

Also, because of urban migration, the government has established "development poles" to relocate capital — and programs — in various places in the country. Just now, agricultural schools are being opened to keep young people from flooding the urban centers, where there is insufficient employment to accommodate them. Interestingly, women are enrolling in these schools as well.

Of course, CREDICOOP is promoting the development of artisanry, which is women's great role in Paraguay. The artisans in my community, for example, were producing quilts made of cotton, woven by the women themselves. But they were terribly exploited by the "*patrons*" or intermediaries who were commercializing their product. We saw that the artisans were working from six in the morning until five in the afternoon — almost 12 hours of work — to produce four quilts, for which they were receiving the equivalent of one dollar. Meanwhile, the *patron* was benefiting from the sales of these quilts.

First we spoke to them, in a group of ten, about the necessity of a cooperative. Once they had done so, we explained the advantages of working together to liberate themselves financially, to improve their production, and to obtain better benefits. The co-op extended credit to the artisans in two stages. First, credit was given to buy the raw material — the best thread at the best price. Second, a large shed shop was constructed where they could come together and work with the assurance of quality control. They now have new designs for their quilts, better color and tints, and credit for products to Denmark and Holland — one thousand quilts a month — for which the artisans receive, by check, eight times more per quilt than they were getting before. We are now considering a consumer warehouse so that members are able to provide for their needs from the cooperative itself, without additional exploitation.

We, of course, also teach our members to save, by month if possible. Sometimes it is impossible in agriculture. But we have a system of granting credit on the basis of what is saved — five-to-one, or ten-to-one in some co-ops. So members know that saving is essential, and the system is an effective incentive.

There is, for example, a woman who joined the co-op some years ago, as an artisan of purses, large bags, and leather suitcases. Her savings increased over time, and her last loan was for the purchase of an industrial machine and raw materials. Now the finish of her materials is much better, and she has been able to generate work and income for her two daughters and husband, as well as for some buyers. And she has formed her own business.

Now, although there is no discrimination in fact or in spirit in the cooperative movement in Paraguay, it must be said that most of the projects are presented by men. This is not surprising, as our society is traditional, and men are heads of families and run the businesses — at least that is the perceived norm. But there are certainly women who are single or heads of household who run the business of the home and have to earn money.

One obstacle for women is their lack of education, and their isolation in rural areas. Women are also socially isolated, with little access to information, and to news about progress. I believe in people developing their potential and guiding their own destinies, and I believe women must continue to work for themselves. We cannot wait at the table to be served. We must change attitudes — in both men and women — and to do that we must begin in the schools.

“One obstacle for our women is their lack of education and their isolation in rural areas. Women are also socially isolated, with little access to information, and to news about progress.”

Leonidas Paez de Virgili

MANILA COMMUNITY SERVICES, INC.

LILIA OBLEPIAS-RAMOS, Executive Director
Philippines

RAMOS: "She hasn't sold anything all day, and no one has given her a single krone." That's how the Danish writer Hans Christian Andersen described the final hours of a young street vendor in his story "The Little Match Seller," which vividly portrays the marginal existence of most small business women. Their universal problem is a lack of any collateral they might use to avail themselves of credit schemes offered by banks and other financial institutions.

In the Philippines, there are a number of both governmental and private organizations engaged in credit assistance programs. I would like to talk today about a micro-enterprise credit program for women carried out by Manila Community Services Inc. (MCSI), a private voluntary organization of which I am Executive Director. The beneficiaries of this program are what we might call "barefoot entrepreneurs," usually migrants from rural areas to metropolitan Manila, who engage in a variety of small business activities, from toy-making, to basket-weaving, to embroidery. These women from the lowest levels of society are unable to get credit from banks because of lack of required security, and their only alternative is the loan sharks. The program consists of two parts: the pre-SELP, and the SELP loan fund. SELP is the acronym for "Self-Employment Program," and it is in this second stage that we concentrate on skills training — a primary function of MCSI — and entrepreneur formation.

But before I explain the program's two parts, I must say that the most striking feature of the entire program is the development of indigenous women community leaders. In the informal credit world of moneylenders and merchants, one's word is good enough. We have embarked on a seemingly fruitful experiment along these lines. We supply each community leader with a petty loan fund of about 1,500 pesos — or US $200 — to lend without loan papers to prospective entrepreneurs in their communities. Each fund is like a small community bank. Women can just come to the leader's house and borrow money without collateral. If she needs money, say, to buy a basketful of fruit to sell during the day, she may borrow 30 pesos, and at the day's end returns the 30 with a 2 peso interest. The 2 pesos are recycled in the petty loan fund, so it grows and revolves. There is no training involved in this pre-SELP system.

The MCSI principle is to make of the community leaders — many of whom began as simple borrowers — the pillars of "social credit," operating within the geographic and social matrix of their communities, just as the informal moneylender operates. We have been experiencing 100%

Lilia Oblepias-Ramos, Executive Director of the Manila Community Services, Inc. (MCSI), has many years experience in designing and implementing programs in business and skills training. She holds degrees in industrial relations and social work. Under her leadership, MCSI conducts entrepreneurial skills training for its women participants. Ms. Ramos has co-authored one book, and is the author of another, *Training and Developing Small Business Entrepreneurs: the MCSI Experience.*

repayment of loans, and are now developing a system of community sanctions against bad credit, in part by strengthening the credibility of the leaders in giving them personal discretion in the disposition of the petty loans. The leaders are responsible for the loans they recommend to us, and the women clients borrow and repay according to terms agreed upon by them and the community leaders.

"Social credit" is not charity. But the guarantees for repayment are based on forms of security that differ from traditional collateral. Certain Philippine social and cultural values come into play when credit is extended: social shame; a sense of community; individual and group integrity. The quality of the beneficiary group as a social unit, with participative decision-making and sharing of responsibility, also serves as a form of collateral.

The concept of "social credit" applies more to the SELP loans than to the pre-SELP fund. Once the pre-SELP loan has been fully repaid, and the applicant requests a larger loan, she is screened and tested for entrepreneurial traits essential to success. Then, in small informal seminars, she is trained in basic management, accounting, production, quality control, and marketing. Finally, if approved, she is given a small start-up capital loan that ranges from $30 to $300 per client. So far, about 200 women have participated in our entrepreneurship training program and have small businesses in the metropolitan Manila area, in garments, toy production, shoe repair, embroidery, cooking native foods, producing peanut butter, preserving fruits, etc.

The woman selling fish, for example, would have learned in our program how to preserve fish that has not been sold, how to weigh and price fish properly, how to keep records of what she buys and sells. Some of our trainees have become quite successful. We lent 1,000 pesos — about $150 — to one woman to start up a toy production business. She has expanded so rapidly that she doesn't belong to our program anymore. She has increased her capitalization to a level beyond us. We helped her prepare a feasibility study so she could borrow from a bank, and now she owns a small factory and employs women in the community.

I would like to add that the Philippines Commercial and Industrial Bank, one of our leading banking institutions, administers the loan program. In addition to acting as the disbursement center for the loans, the bank also extends technical expertise to MCSI and assists in the evaluation of project proposals as well as in the development of trust investment plans for the SELP loan fund. The loan criteria are those familiar to most financial institutions: viability of the project; alternative means of financing (SELP helps those without such alternatives); the income-generating capacity of the project and the loan; reliability of the applicant.

Currently, loan applications are being evaluated by the community leaders, who live in the clients' communities and are in the best position to determine reliability. Inter-

> "Training, health, nutrition and other community development components are extremely important to the long term development of the informal sector, but the entry point for breaking the poverty cycle is through credit."
>
> **Fraser and Tucker**
> PISCES, Cambridge, 1980

"The most striking feature of MCSI's credit assistance program is the development of indigenous women community leaders. From mere receivers of assistance, these women have been turned into formal leaders in their communities."

Lilia Ramos

estingly, I have discovered that in other developing countries — notably Ghana and Upper Volta — community leaders are also used in credit schemes that resemble ours.

Also, as in other countries, our tradition of strong family women, who actually control the purse strings, serves as an effective base for the SELP loan scheme. In fact, most of our most successful women entrepreneurs are pirating their husbands from their places of employment to work for them — which is excellent to our way of thinking, and fits with our recent focus on developing the family as an entrepreneurial unit, as one way to combat inflation.

We believe that our approach to micro-credit development is innovative, but there is still a great need to explore new and better strategies. We hope to be able to develop dynamic leaders in communities where women are held back, as in our Moslem communities where women still have to ask permission of their husbands before they can take a small loan.

We believe in real income-generation, which is why our slogan is: "Give a person a fish and she will eat only once; teach that person how to fish, and she will eat for an entire lifetime."

INSTITUTIONS IN KENYA

DIANA OPONDO, Cooperatives Consultant
Kenya

OPONDO: There are a number of institutions that serve as sources of credit for women in Kenya and East Africa. Some work well, others do not.

First, we have the commercial banks where women can get credit—if they have the security and collateral required. In most of our countries, however, especially in Kenya, banks require a title deed and land as collateral, and the land is owned by men. There is another barrier, too, and that is simple prejudice. I recently talked with a bank manager who is a woman, and she said that even when a woman does present collateral, men managers refuse to believe that she will repay the loan unless her husband guarantees it. So women are refused loans—even when they qualify. Besides the fact that women *do* repay their loans promptly and often do better business than such men ever thought they would, this woman suggested that women bankers should go out of their way to support women clients.

Our agricultural banks, in contrast, are not prejudiced. They operate for the rural farmer—man or woman—and give credit according to capability. However, women do face problems with the housing or building societies where, by law, a man has to guarantee a woman before she can get a loan, even when the man has no money at all, and the woman does. We are trying to make changes in this area.

And then we have cooperative banks that operate exclusively for registered cooperative societies. The banks are interested primarily in the viability of the society, so women members have fair access to credit there.

I would also like to describe two other important sources of credit for women: savings and credit cooperatives (credit unions), which are working well for women; and agricultural cooperatives which are improving, but have a long way to go.

The savings and credit co-ops began in Kenya in 1967. As it turns out, most are organized around working groups in urban areas, in factories, industries, government offices, and other private sector companies. The system works well because it is based on a sort of compulsory savings arrangement, whereby a member agrees to save so much each month—an amount deducted from payroll. The rule is that once a member signs and borrows money, the deduction continues until the loan is repaid. Women also provide security by signing for one another so that a friend may guarantee you if you want a loan.

So, a woman working in a company where a savings and credit co-op is organized is eligible to join in her own

With sixteen years experience in cooperative and credit union education and training, **Diana Opondo** has worked for the International Co-operative Alliance in Tanzania as education and project officer for women's programs and with ACOSCA, the Pan-African credit union association, in the promotion and organization of credit unions in Kenya. A qualified primary and secondary school teacher, Opondo now operates a 200-acre sugar cane farm in the western part of Kenya, employing ten workers and producing sugar cane for domestic consumption.

"Finally, attitudes must change. Men and women both must feel they will benefit by women's increased participation. Also, men must understand that they need to encourage women's participation, because they are the policy-makers."

Diana Opondo
— Copenhagen interview, 1980

right and gets the same services as her male colleagues. Today there are 500 such co-ops in Kenya, with a membership of about 390,000, a third of which are women.

It is interesting that women members of these co-ops use the money they borrow for a range of activities, many that are income-generating. For example, some borrow money simply to cover basic needs of home, such as children's school fees, hospital expenses, or home appliances, such as refrigerators. Other women have bought land, put deposits on houses in the city, bought machinery for the family farm, purchased famine food, or installed water pumps in their areas — particularly in rural areas where water is a big problem. Women have also borrowed to set up business in tailoring, or have opened stalls to sell. I myself have borrowed from my co-op more than once to make improvements on my sugar cane farm.

So our savings and credit co-ops work well, particularly for women in urban areas. The problem for rural women is their lack of regular income, which is required according to the way these co-ops work. But if they have a business, they are allowed to form a savings and credit co-op. And even if they have formed it as a women-only co-op, they can go to a cooperative bank and borrow money to run their businesses or make investments.

Women who are self-employed and do not belong to a group should be organized, especially women working in the markets. Also, in rural areas, there is another class of women who could easily be organized into savings and credit co-ops — the women who work on farms for money. These women could come together and form self-help groups to save money together. In Kenya we call them "Mabati" groups. "Mabati" means iron roofs, and such groups save together until each member has been able to buy an iron roof, or use the pot of money for some other home improvement.

Now, agricultural co-ops are another area where women are playing an increasingly greater role. In the beginning, however, they played almost no role and had no say in the cooperative. The men attended the meetings and took the proceeds from the produce. The women didn't even know what a co-op was — although they were the ones working on the farms, weeding, harvesting, selecting the produce, grading it, and taking it to the co-op for marketing.

Still, today, in most African countries women are not members of cooperatives. But we began to organize programs to educate women who were wives of co-op members, and also programs to convince men that women should participate at meetings and be treated as members, not just workers. After all, they know women look after the family land — many men go to urban areas to work. We reminded them that the women are working on their behalf. They began to see the value of the women attending meetings and keeping informed in their absence, to protect the interests of the family farm.

Of course, when it is put that way, everyone agrees — until it comes to the question of money. But we have more or less solved that problem. Instead of co-ops giving women their husbands' money, each member is paid through her or his individual account in the co-op. Many families have found it quite convenient to allow the wife to operate the account. She is able to improve on the quality of the produce, and to get access to money for family needs.

But, again, in the area of management we have a very long way to go. And that is related to bringing women into the co-ops as fully equal members, so that if a woman attends meetings and is active, and if she is elected to a committee, her leadership role will improve the overall status of women in the agricultural sector.

Also, where agriculture is only a source of marginal income, women are eager to do other things to improve their economic situation. We have tried to encourage them, for example, to organize handicraft activities more economically by improving the quality. But marketing is a problem. There is one handicraft co-op in Nairobi, which helps a lot with marketing. Some groups have been assisted by the Women's Bureau, others by religious organizations like the National Christian Council of Kenya, which I believe gives credit as well as marketing and training assistance. There is a need for small producers who work in their houses to organize into co-ops at a grass-roots level. I think then they could get credit from the Co-op Bank. Also, all of these groups need good business training in pricing, quality control, and profit, so they can avoid middlemen and begin to generate income. Right now, the part women are playing in Kenya economically may not be very big, but it is growing. There are more and more stores and businesses run by women — and a feeling of competition among women. They want businesses that will generate income.

THE CHASE MANHATTAN BANK, N.A.

CLAUDIA MARSHALL, Vice President
United States

MARSHALL: In discussing with entrepreneurs the difficulties they face in obtaining start-up financing for their businesses, I often hear how tough it is to turn to a commercial bank, such as Chase Manhattan. Perhaps I can contribute to an understanding of this problem by describing some of the elements — both tangible and intangible — that a banker considers in a small enterprise loan proposal. I will add that, besides my experience with U.S. businesses, I train bankers from around the world — that is, commercial bankers, credit union managers, savings and loan bankers. The basic elements they look at in a small business proposal are much the same everywhere.

Despite the passage in the United States of the Equal Credit Opportunity Act and Regulation B enforcing that act, we all know that equal credit does not mean easy credit. Why is a loan to start a new business one of the hardest lines of credit to establish? The reason for this is because so many new businesses fail. An understanding of why they fail can shed light on the way bankers look at small business loans.

According to various studies, roughly 98% of the small businesses in the United States that fail do so because of managerial inexperience, managerial incompetence, or a lack of understanding of one aspect of the business, such as a lack of hard financial knowledge. Only 2% of the failures are due to factors beyond the control of the people involved. Fortunately, though, as my friends tell me, with drive and commitment, you can achieve a simple understanding of all the necessary elements.

Now, it is untrue that banks never lend money for new businesses. But it is true that banks are not in business to make loans; they are in business to provide a reasonable return to their shareholders. In addition, the return a bank gets on a loan — whether the business grows rapidly or slowly, has a good year or a bad year — is constant. There is absolutely no merit or reward given to a bank for taking more risk than necessary.

With a marketable idea and a well thought-out business plan, however, a loan can be secured. There are seven major categories around which you might structure your proposal, and I would add that simplicity and a fundamental grasp of what you want to do is far more impressive than a lavish presentation. The seven categories include:

1) A description of the business itself: Is it a merchandising, a manufacturing, a service company? What is your product? Is it a new business or

Claudia Marshall, Vice President and Director of Marketing at The Chase Manhattan Bank in New York, is responsible for marketing activities to correspondent banks and institutions globally. In addition, Ms. Marshall manages the Seminar for International Bankers which offers programs on credit and finance to bankers from around the world. She has also worked extensively with credit unions in the United States. Previously employed by IBM Corporation, Ms. Marshall has taught communications at Michigan State University, and holds a masters degree in business and a bachelors degree in communications.

one you are taking over from someone else? Will it be profitable? What information do you have from others outside the business — trade suppliers, banks, communications and publications people — about the business you wish to undertake?

2) The market in which you wish to operate your business: Who is your market, precisely? What needs do you plan to fill in this market and how do you plan to maintain customers on a long-term basis?
3) Your competitors: Identify them. What do you know about their operations? How will your approach or technique differentiate your produce from theirs?
4) The location of the business: What kind of facility do you need, and where?
5) The management of the business: How does your background and business experience help you in this area? How does your track record show your technique will work? What related work experience can you point to? If you lack experience, who will provide that expertise?
6) Personnel you will employ: How will your personnel needs be met, now and in five years? How will you train your personnel?
7) The need for the loan: How will the loan make your business more profitable? How will it be used and what is your plan for repayment?

Note that six of these points have little to do with the financial aspects of the loan.

I would also like to describe what the loan application itself should include. At Chase, we refer to the five "P's" of lending:

1) The principals: Include a personal, financial, and business portrait of every key person in your business, even include credit and business references.
2) The purpose of the loan: Specifically, how will you use the money?
3) The payments of the loan: What is the primary source of money for repayment? Sales? Conversion of your inventory?
4) Protection: The banker is always looking for protection, and will not want to look to your collateral or security for repayment, but rather to your business and income it generates.
5) Prospects: Because most banks are interested in establishing a total relationship with a lendee, they will want to support any checking accounts or financial transactions related to the business — particularly since small credit lending is not very profitable.

"Now, it is untrue that banks never lend money for new businesses. But it is true that banks are not in business to make loans; they are in business to provide a reasonable return to their shareholders. There is absolutely no merit or reward given to a bank for taking more risk than necessary."

Claudia Marshall

Your financial statement should state as simply as possible your basic assets, your liabilities, the ownership of the business, as 12- to 18-month projected profit and loss statement, and a projected monthly cash-flow statement.

Now, to round out the picture, let me list the reasons that most loan requests are rejected:

1) Inadequate preparation of a lending proposal;
2) No prior related experience of the applicant;
3) Lack of capitalization by the company in any form;
4) Little money to invest from the individuals involved;
5) Lack of an attorney or accountant on the part of the applicant;
6) A general lack of understanding of the market in which the proposed business would operate.

I think the difference an institution like Chase can make for women entrepreneurs is in offering programs and training to develop the basic expertise of prospective entrepreneurs, which, aside from the technical elements in the loan itself, is what a banker evaluates in deciding to accept or reject an application. There are many women trying to make a transition between, say, being a mother and opening a day-care center or a boutique. Their problem is, they have no demonstrated experience to indicate that, indeed, they could successfully run a boutique. Somehow, they must gain that experience, most probably in a job related to the business they envision. Because there are these obstacles, I believe the ultimate success of business stems from the personal ambition of someone pushing through, despite opposition, despite even a lack of support from people around them.

A business should not be entered into in order to escape something else. That's a formula for guaranteed failure. Nor should a business be shaped to fit established rules of financial institutions. It is much easier for a woman to creatively establish an entreprise in her own right, and *then* find ways to link up with any series of sources of credit in her neighborhood, city, or state. And of course, the whole support system — legal and accounting — is as critical as obtaining credit.

I would add, finally, that we are seeing increasing numbers of women in banking. Close to 20% attending our recent training program in Cairo was female, and we had a handful in Barbados. A lot of women are in charge of credit and lending departments. Hopefully, with more women trained, there will be more empathy for women's credit problems.

ERRATA

1. Page 29, para 1, lines 5 and 6:
   Delete "an annual turnover exceeding US $17 million" - replace with "a portfolio exceeding US $17 billion"

2. Page 29, para 3, line 11:
   Delete "we have to pay them back" - replace with "they have to repay"

3. Page 30, para 2, line 5:
   Delete "1-year" - replace with "10-year"

4. Page 30, para 4, line 5:
   Delete "at very low interest rates. Our returns" - replace with "no interest. Returns".

INTER-AMERICAN DEVELOPMENT BANK

BEATRIZ HARRETCHE, Deputy Manager, Technical Cooperation
United States and Argentina

HARRETCHE: The Inter-American Development Bank (IDB), based in Washington, D.C., is an international financial institution consisting of Latin American and Caribbean countries as well as the U.S., Canada, Japan and 16 European countries. IDB, as a development bank, has an annual turnover exceeding US $17 million and a development program covering most sectors.

Since April 1980 I have been deputy manager for technical cooperation at the bank. The program I'm going to describe here was not designed specifically for women; rather, its focus is to finance small projects. Nonetheless, the program is actually promoting the participation of women in a fundamental way.

Before starting this program to provide credit from a variety of small projects, we conducted a study to see obstacles or hindrances to making loans to small businesses. And it was easy to see why neither the private bankers nor development bankers can risk making loans to any new, struggling business. All bankers — whether commercial, private or development — need to see whether they have the capacity and the capability to repay. And for international development entities, like IDB, it's even more difficult in times of increasing inflation, because with dollar loans we have to pay them back in dollars.

We concluded that the commercial banks go only to the first line and lend to those businesses with sufficient collateral to put up as security. We think that, by making a very considerable effort, we can go down to the second line, where there is a human layer with the capability to develop small businesses whose only hindrance is lack of access to credit.

We decided to aim our program at those whose incomes are less than half the average per capita income in their countries, to enable them to rise above the subsistence level. But rather than trying to instill motivational ability within individuals or groups, we decided to provide credit management capacity.

Now, the bank is not working with the beneficiaries directly, but through intermediary groups that are non-profit, usually private organizations — cooperatives, foundations, church groups, and other NGO's — which provide technical assistance and credit. We ask these intermediaries for a detailed presentation of their organization and their financial operation, because they must be geared to service small businesses, and to communicate relevantly with groups — often rural — who have never taken formal loans.

The criteria of projects that we accept are that they must:

In 1980, **Beatriz Harretche** became deputy manager of the Inter-American Development Bank's Technical Cooperative Sub-Department, which funds projects to create new job opportunities and provide management and business training for low income Latin American groups. A native of Argentina, she was assistant to the director of cultural affairs at the Argentine Embassy in the U.S. She is the co-author of *Una Decada de Lucha por America Latina* and is a board member of the Society for International Development.

"... our credit program was designed to help small businesses through the use of intermediary organizations. We decided to use non-profit organizations or cooperatives or private corporations that could help those small businesses by providing technical assistance or channeling loan funds."

Beatriz Harretche
— Copenhagen interview, 1980

1) directly benefit marginal groups with no access to public or commercial credit;
2) generate employment and promote training in the use of technologies appropriate to the project and to the country conditions;
3) utilize a high percentage of raw materials and semi-finished products of national origin.

We also want projects that will have an impact in the short run, in a one-year period at most.

In each case, IDB evaluates the need for providing technical assistance to the intermediary to ensure its institutional capacity for administration of the financing. In addition, our conditions are flexible: a 40-year period for repayment, with a 1-year grace period, and a 1% commission.

The projects chosen should, if properly executed, permit the beneficiaries access to conventional credit in the near future. We also consider projects that can function as pilot experiences, for future application on a larger scale.

Now, to date we have undertaken 25 projects in 14 countries, the maximum being $15 million. The terms are very flexible, with loans being lent to less developed countries for up to 40 years with 10-year grace periods and at very low interest rates. Our returns, so far, are very satisfactory.

Among these successful projects, between 50 and 60 enterprises are controlled or owned by women. Some programs sometimes are 100% women. The Manos del Uruguay cooperative project, for example, is extremely successful. There, we have provided $550,000 for a five-year expansion program to benefit women artisans who live in rural areas where the annual per capita income is less than $140. Manos del Uruguay is a non-profit association made up of 18 handicraft cooperatives throughout the country, with a service center in Montevideo. There are about 1,000 working women and 100 in administration, who provide technical assistance, acquire the raw materials, and see to the marketing of the products. Last year, Manos sold $1.8 million worth of high quality wool and cotton sweaters, rugs, ponchos, and other woolen and fiber goods, and more than half was exported to New York, Paris, and Tokyo. According to its stated goals, Manos intends that its artisans participate in the direction of the enterprise as well as benefit from steady employment and income. To this end, the groups have become self-managed cooperative businesses. You can understand why each group has a waiting list of women and a few men who wish to join.

I have great confidence and hope in these women's businesses, which work so well when the range of needed resources — technical, financial, management, training — are provided. I can also see that more innovation is needed, particularly in providing guarantees for credit, for both men and women. That is a critical component often lacking.

WOMEN'S WORLD BANKING, INC.

MICHAELA WALSH, President
United States

WALSH: Women's World Banking (WWB), of which I am president, is an international, independent financial organization created to foster entrepreneurship by women, particularly those women who have not generally had access to banking and financial services.

WWB was an idea born at the 1975 International Women's Year Conference in Mexico City and incorporated in the Netherlands as Stichting Women's World Banking in May 1979. WWB seeks to redirect financial resources and management services to entrepreneurial women who are generally without access to established financial institutions.

I would like to mention a couple of common assumptions about women and credit that led me to Women's World Banking. The first assumption is that of "expertise." Over the past few years, I've gradually come to the conclusion that there are no experts at this game. Instead, there are a lot of specialists with knowledge and experience that can be shared. In fact, I think the word "expert" itself is divisive. Because of its implication that there are only a few who "know," its use has eliminated women from many decision-making bodies as well as from access to resources that can help increase their productivity. We should begin by changing the vocabulary and the dialogue. Just for starters: if "expert" becomes "specialist," we've changed the image of who helps whom.

Another assumption I question is that many women are experiencing mainstream entrepreneurial success. The reality is that very few women have access to credit, either because of legal barriers, or because of perceptions of what a good credit risk is, or perceptions on the part of women of what a loan should be. At the same time, we've moved beyond the idea that credit alone is the issue. Credit is a tool. Alone, it does nothing to ensure women's access to resources.

There is a need, within individual countries, for women to understand what is involved in the formation of enterprise development — from the ground up. And there is a need for those who have the skills and the capital to work collectively in a businesslike way to increase access for those who don't have the resources. So, those who don't have capital become partners with those who do — but it's not welfare.

Now, WWB has been designed with four things in mind: to increase women's access to collateral by initiating a loan guarantee mechanism to generate financing for women's income-producing activities; to increase access to information by developing a network to collect and disseminate information, by relying on local information and

Michaela Walsh is president and a founder of Women's World Banking, an organization that links entrepreneurial women with financial, technical, and managerial resources. She was a partner of Boettcher and Company, a member firm of the New York Stock Exchange, prior to serving as program associate for the Rockefeller Brothers Fund. She also directed a study at the Office of Technology Assessment for the U.S. Congress — "An Assessment of Technology for Local Development."

knowledge and by arranging for management assistance to ensure the viability of ventures; to stimulate efforts among women who have access to capital to help develop mechanisms for getting that capital out to larger numbers of women; and to expand and strengthen the network of women participating in financial decision-making.

How do we plan to initiate this program? We are launching a capital fund throughout the world that will provide, say, a 10% to 15% return. This will be the basis for guarantees to existing financial institutions for loans they make to women. Now, when WWB places a guarantee at a level of US $250,000 with a financial institution, that capital can be leveraged to provide $25 million in loans to women. You can see the tremendous benefit in leveraging women's capital toward helping other women.

I do not believe we need any more financial institutions. We need to make the ones we have more workable. If women have equal access to the financial institutions, they will also have access to the markets, the skills, the decision-making functions of a given economy. And that's the way most economies are run — through banking systems.

The question is, how can WWB help women have greater control over the money we "own"? By joining with women knowledgeable about banking practices within their own economies, with women who have deposits in those financial institutions or access to those resources, and by providing guarantees to the lender. In this way we can help to provide knowledge and share a portion of the local banking institution's risk. In all cases, WWB will agree to work with banking institutions that agree to be responsbile for 25% of the risk. This integration of knowledge and collaboration helps to ensure that loans work effectively toward greater productivity for the women involved.

Of course, we work with lending institutions of any design: a trade union bank, a commercial bank, private lending organizations, a national bank, or even private individuals. Right now, we are calculating the risk factors in programs we will undertake: to what degree can we lend and risk money? how do we protect our investors? if we invest money in a guarantee fund, how do we protect that money?

To give you an idea of projects we will undertake, we have begun to negotiate a WWB institution in Nigeria. We also have a request for help from two entrepreneurial groups, Manos del Uruguay and Artisans' Co-operative in the United States, both of which are marketing in their own countries but are joining forces to extend those markets into Europe and other parts of the world.

Another experiment we hope to launch is a relationship between WWB, a group in a Latin American country, and Singer Manufacturing, in which Singer will provide technical assistance and training in both the use and maintenance of sewing machines by women. Ultimately, the women will own the machines themselves, having purchased them through a local banking institution with a guarantee from WWB, an individual in the country willing to guarantee part of it, and the banking institution itself guaranteeing part.

We still have a long way to go. But we are open to experiment and committed to strengthening women's control of resources and capital formation on the community level, where I believe our real strength rests.

As we proceed, I think all of us should continue to raise basic questions about the viability of programs, distinguishing between survival programs and really profitable, income-generating programs. It is also critical that governments and development agencies question their role in income generation. So many programs fail. It seems to me that management skills can be taught, but not entrepreneurship itself, which is a talent. It seems more sensible to return to square one, open ourselves up to experiment and new possibilities, and ask women around the world what they think needs to be done. That's quite different from going into a country and saying, here's what you need; here's what we're going to teach you. Not giving people a formula or predesigned package is terribly difficult. That's the approach I've been using in recent years. And you can see what's coming out of it!

"Credit is a tool. And without an economically viable business, credit can be destructive. It must be combined with good management, and it must lead to increasing the capital resources that women control."

Michaela Walsh
—interview, April 20, 1981

PART THREE

Program Design Implications: Observations from the Panelists

In order to make practical use of what was learned from the World Council of Credit Unions program on women and credit (and subsequently reinforced in interviews with development practitioners), the observations drawn from the ten Copenhagen panelists are divided into three categories: credit access, enterprise development, and loan program design. The list of observations, while not exhaustive, represents themes that recurred throughout the Copenhagen presentations. Many of the themes are simple ones, but they are rooted in actual experience.

CREDIT ACCESS OBSERVATIONS

- Start-up loans are the most difficult to obtain for any new business. Once obtained, however, timely repayment helps build the entrepreneur's reputation as a reliable credit risk.
- Geographic and social isolation, combined with lack of education, are particularly significant problems for women.
- A business based primarily on human resources, with little capital, equipment or other tangible assets, lacks the collateral deemed adequate by most financial institutions.
- Reasons for loan proposal rejection include inadequate preparation, no prior related experience, lack of capitalization, little money to invest by the enterprise, lack of legal or accounting advice, lack of understanding of the market.
- To obtain a loan, business plans should fully describe the business, market, competition, location, management, personnel, and the need for the loan.
- A loan proposal initially rejected by a financial institution may simply need to be re-packaged and re-submitted.
- Self-employed women borrow more successfully when organized into groups with pooled savings.
- Groups need access to financial institutions that are willing to process small loans.
- Women's associations, women's cooperatives, or women's banks can serve as effective financial intermediaries assisting women to establish credit histories that facilitate access to commercial banks and other formal sources of credit.

ENTERPRISE DEVELOPMENT OBSERVATIONS

- After initial funding from friends and relatives, the capital needs of an expanding enterprise usually outpace amounts available from informal sources.
- Continual reinvestment of profits and increasing amounts of credit are critical for enterprise growth.
- Entrepreneurs and other women lacking business experience need specially-tailored training in needs assessment, planning and goal setting, fiscal responsibility and management.
- Groups and individuals need increasingly sophisticated business management advice as the business matures and expands.
- Formal sources of credit, such as banks or private investors, are able to provide business management advice rarely available from most informal sources.

LOAN PROGRAM OBSERVATIONS

- A successful credit program reduces the borrowers' dependence on project loans, preparing them for future borrowing from commercial banks and other outside institutions.
- Indigenous women community leaders can be trained as effective intermediaries to evaluate loan applications, establish lending criteria, make disbursements and collect repayments.
- A loan program can be based on forms of security that differ from traditional collateral, such as the borrower's standing in the community, or group commitment to loan repayment.
- Loan guarantees and technical assistance for women's projects can be delivered through a variety of partnership arrangements (for example, private voluntary organizations and commercial banks, women's banks and corporations, or cooperatives and governments).
- Payroll deduction minimizes risk of loan default.
- Loans should be available in small amounts, suited to the borrower's ability to repay.
- Location of the lending institution or sources should be based on proximity and accessibility.

From interviews and research conducted during preparation of this report, development specialists point out a few areas in which credit-related research is still needed to improve the design of credit programs and projects. Among them:

- Studies of women-operated agricultural, off-farm and urban economic activities to determine appropriate loan sizes, interest rates, repayment schedules and substitutes for traditional forms of collateral.
- Studies of ways to strengthen the marketing potential of small enterprises.
- Complementary data for efficient targeting of credit programs, such as identification of regions with high percentages of women-headed households, household composition, household production.
- Case studies of women borrowers in particular kinds of economic activities, loan default studies and transaction cost assessments of women borrowers.
- Studies of the relation between increases in provision of credit and increases of productive output.
- Country-specific and socio-economic analyses of laws and regulations on individual ownership and banking practices affecting women's access to modern credit institutions.

(Ashe, 1980; Dulansey, 1980; Schumacher, Sebstad and Buvinic, 1980; Margaret Snyder, Dao Spencer, interviews, 1981.)

As the Copenhagen panelists and project experience attest, timely access to appropriate amounts of capital and credit from dependable sources is crucial to the success of income-generating projects. Such projects designed especially for women should build upon conditions that enable women to demonstrate their credit-worthiness and to approach the same "windows" or sources of credit available to male borrowers. Recognition of these factors in program planning will permit women entrepreneurs to contribute more effectively to the economic development of their countries.

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OVERSEAS EDUCATION FUND (OEF) — a private, non-profit organization focused on integrating Third World women and their families into the socioeconomic development of their societies. OEF assists community organizations in the design and implementation of income-generating projects. In the U.S., OEF encourages greater understanding of international issues and women.