DRAFT

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"UNA MANO PARA LA MUJER QUE TRABAJA"

The Participation of Women Microentrepreneurs in the Urban Small Enterprise Development Fund of the Industrial Bank of Peru

by

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ABSTRACT

This report presents the results of technical assistance given by the International Center for Research on Women (ICRW) to the Industrial Bank of Peru/Banco Industrial del Peru (BIP), which took place in Peru between February 20 and March 3, 1984. The purpose of this technical assistance was to ensure that the BIP's Urban Small Enterprise Development Fund (UEF) would benefit women as well as men microentrepreneurs in the pueblos jovenes (squatter settlements) of Peru.

The BIP requested assistance from ICRW in two areas:

- the design of a monitoring and evaluation component with the capacity to capture the socioeconomic profile of UEF beneficiaries, by sex, and
- training for BIP credit analysts/extensionists in the area of women's participation in credit programs in developing countries.

The bank's efforts to involve more women in the program became more urgent given its need to speed up loan disbursements, since one and a half years after the program was initiated UEF disbursements were significantly lower than expected. Nevertheless, that result was achieved with a greater number of loans than projected. In this context, women's active participation became more important not only in and of itself, but also as a way to increase total loan disbursements.

The need to speed up disbursements and the relatively low proportion (16 percent) of women beneficiaries redefined the terms of ICRW's technical assistance, adding the following key questions:

1. How can the disbursement of funds be accelerated without increasing the average loan size?
2. Together with this acceleration of disbursements, how can the proportion of women beneficiaries of the UEF be increased?
3. What factors are preventing more women from benefitting from the program?

The research methodology combined the collection of data from UEF credit records with semi-structured interviews with forty-three microentrepreneurs, twenty-eight of whom (68 percent) were women borrowers of the BIP. The statistical analysis of data from the files of a random sample of eighty-two male and sixty-six women borrowers and the interviews took place in three branches selected by BIP personnel: Comas in northern Lima, San Juan de Miraflores in the southern part of the city, and Chimbote.

Training for the credit analysts took place during two consecutive days of working meetings in which ICRW presented working documents concerning women and credit in the Third World and BIP personnel set forth their experiences with the UEF in the different branches. Dialogue among the participants was emphasized, and women's low participation in the UEF was analyzed within the context of the obstacles to reaching poorer clients.

The statistical analysis of records from the three branches, the semi-structured interviews with UEF borrowers, and conversations with BIP personnel all produced consistent results that made it possible to respond to the central question of why only 16 percent of UEF borrowers were women. These same data also answered, in part, the other two questions that defined the technical assistance: how to speed up UEF disbursements without increasing the average loan size and, together with this speedup of disbursements, how to increase the proportion of women clients in the UEF.

All the evidence indicates that women microentrepreneurs do not apply for UEF loans because they predominate in petty trade, services, and garment making. These activities generally require even smaller loans than the average UEF loan and are in sectors as yet largely untouched by the BIP, which has operated predominantly in the industrial sector. An alternative explanation for UEF's failure to reach more women is that few women are microentrepreneurs (or that women in the pueblos jovenes do not participate in the market economy), but this does not appear to be valid given studies that show women's predominance in the above-mentioned occupations and the statistical results presented here.

The statistical comparison of data for men and women in three branches showed, first, that the low proportion of women in the UEF is not due to more women being rejected, but rather to the fact that few women apply. Second, within the UEF, data show that there is a difference by sex in the amounts approved only at the upper and lower ends of the size distribution of loans; women borrowers receive smaller loans more frequently, while men are more frequently beneficiaries of larger loans. Third, these differences are explained by the type of activity in which women predominate (commerce, services, garment-making) and do not appear to stem from a bank preference for giving larger loans to men, that is, from open discrimination against women borrowers simply because they are women.

The research, together with interviews and observations by bank personnel, showed that the UEF program has had the following positive impacts:

1. It has expanded the bank's scope to the new sectors of commerce and services

2. It has provided credit to marginal areas, reaching microentrepreneurs--women and men--who have not had prior access to modern banking

3. It has encouraged the creation and preservation of jobs

4. It has had a positive impact within the banking institution itself, reinforcing the BIP's image as a vehicle to promote the development of microbusiness in the country

5. It has surpassed the planned goals for the first eighteen months in terms of number of loans disbursed (in spite of the fact that less money than expected has been disbursed)

Although there may be other factors that were not discovered by this research, it is clear that the principal obstacles which women microentrepreneurs confront (and men microentrepreneurs in commerce and service activities) in obtaining UEF credit are:

- the demand for collateral,

- the paperwork requirements,

- the large average loan size, and

- the predominance of the manufacturing sector over the commerce and service sectors in the approval of BIP credit.

Collateral is difficult to obtain for residents of the pueblos jovenes, who usually do not own titles to property. In addition, these requirements appear to be even more restrictive in practice than on paper, according to observations in the three branches, where the average guarantees registered were twice the minimum required by the BIP. The numerous and sometimes complex requirements for documents and information prior to the disbursement and approval of loans is costly in time and money, both for the borrower and for the credit analyst, and they tend to discourage the former and slow down the latter.

Based on this analysis of the UEF program, ICRW recommended the following modifications to broaden poor women's access to commercial credit under the UEF:

- Offer credit for working capital in smaller amounts and for shorter periods

- Simplify and reduce the paperwork requirements

- Create alternatives to collateral, through the introduction of (a) graduated loan sizes and terms, using the experience of short-term credit repayment and the positive incentive of future access to credit as a guarantee; and/or (b) credit that is conditional on savings capacity instead of traditional guarantees; and/or (c) an internal guarantee fund for loans to women microentrepreneurs, made up of an additional commission paid by the borrowers themselves and a contribution from the bank

In addition, ICRW made the following recommendations:

- Increase the interest rate

- Simplify and standardize credit applications

- Provide technical assistance to borrowers to promote the effective use of credit

- Give priority to existing businesses

- Rely on a strategy of self-promotion once the program has been modified

- Improve the credit manual

- Provide training to analysts, administrators, and lawyers in branches to orient them to the operations of the program and the problems of poor women borrowers

- Systematize, standardize, and coordinate the collection of data, including information on financial and administrative costs

The report suggests three options to implement these recommendations:

1. Modify the UEF rules at all levels of the program, incorporating the recommended changes--that is, decreasing the average loan size, the term of the loan, and the required guarantees and paperwork

2. Create a pilot program with UEF funds managed by bank personnel in two branches, one in Lima (in Comas or San Juan de Miraflores, for example) and another in a provincial city (such as Piura or Chimbote)

3. Coordinate with an agency or intermediary institution that has experience with this type of program. This agency would be in charge of opening and maintaining a special loan window, which would operate under the suggested guidelines, in two or more branches

The report concludes with a description of the principal indicators needed to monitor and evaluate the UEF program and the suggested changes, with respect to women's participation and the possibility of continuation and replication of the program. Ideally, it is suggested, this information should be compiled, analyzed, and presented every quarter as part of the quarterly reports required by AID. Alternatively, these measures should be obtained every six months. It is recommended that a preliminary evaluation of women's participation in the UEF program, based on this data and on interviews with women borrowers, be made one year after the implementation of the suggested changes. The report presented here could serve as a base study for that evaluation.

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Introduction

This report summarizes the results of technical assistance given by the International Center for Research on Women (ICRW) to the Industrial Bank of Peru (BIP), which took place in Peru between February 20 and March 3, 1984. The purpose of this technical assistance was to make sure that the Urban Small Enterprise Development Fund (UEF), established by the BIP in June of 1982, would benefit women microentrepreneurs as well as men microentrepreneurs in the pueblos jovenes (squatter settlements) of Peru.

The report begins with a brief history of the program under consideration. It then summarizes and redefines the original objectives of the technical assistance to BIP personnel in terms of research, monitoring, and training. In the research area, a random sample of borrowers in the program was analyzed and forty-three beneficiaries were interviewed. The third part of the report presents the methodology and the results of the research. It is followed by a summary of the training of BIP credit analysts, conducted during two days of activities in Lima.

The fifth section gives an interpretation of the results obtained through research on borrowers, conversations with credit analysts, and interviews with BIP personnel. The report concludes by offering recommendations designed to increase, as well as to measure and evaluate, women's participation in the UEF program.

This abridged version of the report omits the sections on training and recommendations and the appendices.

History of the UEF

Midway through the last decade, the Industrial Bank of Peru (BIP), a state entity dedicated to the promotion of industry in the country, established a development fund for small rural industries with a loan from the U.S. Agency for International Development (AID). This fund helped to make the small entrepreneur an important client of the BIP. While in 1974 small enterprises accounted for only 3.4 percent of the BIP loan portfolio, in 1981 they represented 50 percent of the total.

In June 1982, faced with a worsening economic and financial crisis but encouraged by the success of the rural fund, BIP and AID signed an agreement that set in motion a similar mechanism for the urban population. The Urban Small Enterprise Development Fund (UEF) was established with a U.S. $9.5 million loan from AID and with U.S. $3.5 million in matching funds from the Peruvian government; its objective was to give financial support to small businesses in the pueblos jovenes of Peru. The budget included U.S. $0.5 million to implement a program of promotion, training, and technical assistance for the small-business beneficiaries of the UEF.

The UEF project was designed with a dual objective: to increase employment in the pueblos jovenes and to raise income levels in the urban areas of Peru. Its purpose was to institutionalize, within the BIP, a program of credit and technical assistance to urban microentrepreneurs that could be self-sufficient at the end of four years and could help to counteract the shortage of financial resources and the lack of technical assistance related to credit in the microenterprise sector.

The UEF was conceived in order to serve four different types of microenterprises: family businesses (including crafts), small industry and manufacture, services and commerce, and small agro-industries. To accomplish this, BIP services in the pueblos jovenes of Peru were expanded.

The UEF design set a maximum limit of U.S. $60,000 per loan for fixed assets and a limit of U.S. $10,000 for loans that provide only working capital. A goal was established to grant 2,800 loans with a mean value of U.S. $5,300 per loan in the first four years of operation. The design also included two alternative systems of amortization: (a) the conventional system with terms of up to six years for the purchase of fixed assets and three years for working capital and (b) an indexed system (or readjustment) with graduated payments. The UEF currently operates only with the conventional system.

In order to be a beneficiary of the UEF, a person or legal entity must have legal business status or be in the process of obtaining legal status, must reside in the pueblos jovenes of cities considered within the program, and must provide collateral. The program grants credit of up to 90 percent of the value of the investment project. The interest rate, which is equal to that of the bank's other programs, currently varies between 46.5 percent and 50 percent a year for loans of UEF size, plus a commission of

2 percent per annum.[1] Finally, in addition to a program of technical assistance for both BIP personnel and credit recipients, the UEF includes a savings mobilization component.

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[1]It is important to point out that in real terms these rates are negative, since the rate of inflation is actually greater than 100 percent per annum.

Technical Assistance Objectives

The UEF program began operations in July 1982. Nine months after it began, officers of the BIP, AID, and the International Center for Research on Women (ICRW) initiated discussions designed to identify steps that could assure that the program would benefit women as well as men microentrepreneurs in the pueblos jovenes of Peru. Their objective was to improve upon the performance of the rural fund for microenterprises, in which only 16 percent of the direct beneficiaries were women.

Three factors motivated this dialogue: a socioeconomic profile of urban women in Peru, which demonstrated the existence of potential female demand for UEF loans; the restrictions faced by women in modern financial markets; and the possibility that the UEF model—with few or no modifications in its design—could overcome obstacles found in more traditional programs and could benefit a significant proportion of women microentrepreneurs in the pueblos jovenes.

In November 1983, the BIP took the first initiative to broaden UEF credit regulations by adding the following statement to the criteria for loan recipients: "In choosing beneficiaries, UEF will give special consideration to those businesses owned by women, either as individuals or associations, in productive activities that are included in the project."[2]

Parallel to this, ICRW's technical assistance in the areas of supervision and training was defined. The BIP requested ICRW's collaboration in two areas:

- the design of a monitoring system to record the socioeconomic profile of beneficiaries by sex and provide information to modify program implementation if the program was not reaching women microentrepreneurs, and
- the training of BIP credit analysts in the area of women's participation in credit programs in developing countries.

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[2]This statement was added, in large part, thanks to the efforts of Peggy Baldwin Cahuas, who at the time was chief of the International Division of the BIP.

Redefinition of Objectives

It is important to point out that the objectives of the technical assistance were defined while it was still uncertain whether the UEF would be able to reach women microentrepreneurs, with the idea that by the time the technical assistance was to be provided there would be sufficient evidence of disbursements made over a period of time to allow research on women's access to the program. When the ICRW team arrived in Peru in February 1984 to carry out the technical assistance, it was confronted with two factors that were critical in planning the assistance: a low proportion of women among UEF borrowers and a broader problem, the slow rate of disbursement of the UEF funds granted by AID.

The percentage of loans given to women was equal to the percentage found in the rural development fund, in spite of the special effort to include women in the UEF program and the high economic participation of urban women. Table 1, as provided by the BIP, indicates that from January to December 1983, eighty-five loans, or 16 percent, were granted to women, 72 percent to men, and the remaining 12 percent to legal entities.

TABLE 1

UEF Loans Approved by Branch
January - December, 1983

Branch	Number of Applications	Amount Approved (000 Soles)	Men n	Women n	Legal Entities n
COMAS	228	1,398,290	158	34	36
SAN JUAN	138	612,956	107	21	10
CALLAO	12	25,932	9	--	3
PEQUEÑA EMPRESA Y ARTESANIA	36	213,915	27	6	3
TRUJILLO	43	231,030	36	7	--
CHIMBOTE	52	262,640	32	15	5
CHICLAYO	4	25,786	3	1	--
PIURA	3	44,375	2	--	1
ICA	9	24,900	8	1	--
TOTALS	525	S/2,839,824	382	85	58

Source: Programa de Pueblos Jóvenes, Banco Industrial del Perú.

The percentage of UEF borrowers who are women is above the observed norm for credit programs that take place in the modern sector of the Third World. The average number of women beneficiaries in such programs generally ranges from 7 percent to 11 percent.[3] This already suggests a great potential in the UEF design to reach women microentrepreneurs. In order to realize this potential, it is important to explore, first, the factors that inhibit greater female participation in the program. On the supply side, there can be obstacles to the approval of women's applications or in the type of credit offered, which may not satisfy the particular needs of the female population. On the demand side, socioeconomic barriers particular to the female population can exist that cause women in the pueblos jovenes not to solicit credit. These are precisely the factors that were studied by ICRW.

The bank's efforts to involve more women in the UEF program became more urgent due to the need to speed up the granting of credit. One and a half years after the program had begun, the total amount disbursed by the UEF was significantly less than anticipated; the number of loans, however, was higher than projected. Using AID's estimates,[4] Table 2 compares these initial projections with BIP data that summarizes the first eighteen months of experience with the program. These data indicate that at the end of 1983, 603 loans were disbursed, totalling 3,419,655,000 soles, with a mean of 5,671,000 soles per loan. In other words, the program had disbursed only 15 percent of the amount assigned for the four years, in comparison with the projected 24 percent--and this was not due to the fact that fewer loans were granted, but because the loans approved were smaller than expected. This indicates the existence of demand for the program and the BIP's institutional capacity to fulfill this demand.

Undoubtedly, the fact that the actual mean loan size is lower than projected is due in part to the progressive devaluation of the sol since the beginning of the program, and in part to an overestimation of the available resources of the average microentrepreneur in the pueblos jovenes.

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[3]Margaret Lycette, "Improving Women's Access to Credit in Developing Countries: Some Project and Policy Recommendations," ICRW Occasional Paper (Washington, D.C.: ICRW, 1984).

[4]See Tables 10, 17, and 20 in "Peru Project Paper: Urban Small Enterprises Development" (Washington, D.C.: USAID, Bureau for Latin America and the Caribbean, 1982).

TABLE 2

UEF Projected and Actual Disbursements, 7/82 - 12/83

(US $)

	Projected 1/	Actual 2/
Amount(and % of total)	$ 2,250,000 (24%)	$ 1,424,856 (15%)
Approximate Number of Loans	425	603 3/
Average Loan Size	$ 5,300	$ 2,362

1/ See Tables 10, 17, and 20 in "Perú Project Paper: Urban Small Enterprise Development."

2/ US $1 = S/2,400 (exchange rate in February, 1984).

3/ According to data from BIP, Programa de Pueblos Jóvenes (525 loans approved in 1983, 78 in 1982).

In 1983, to speed up loan disbursements, the BIP extended the program's reach to include a greater number of legally established pueblos jovenes and other marginal urban areas. In addition, it was recommended that the training component be directed more toward already established entrepreneurs, rather than toward the promotion of new entrepreneurial activities. However, the bank also started to look for other ways to accelerate the approval and disbursement of credit. In this context, the active participation of women became important not only in and of itself, but also as a means of increasing total disbursements.

The goals of accelerating disbursements and changing the relatively low proportion of women beneficiaries in the program redefined the specific terms of the ICRW technical assistance by adding the following questions, which took precedence in the design of a monitoring system:

1. How could UEF disbursements be accelerated without increasing the average loan size?
2. In combination with this speedup, how could the proportion of women beneficiaries of the UEF be increased?
3. How could those factors that might be preventing more women from benefitting from the program be identified and overcome?

In order to answer these questions and to offer suggestions on how to expand women's participation in the program, it was first necessary to become acquainted with the female clientele of the UEF program and to understand the functioning of the program from an institutional perspective.

Research

Given the proposed objectives, a research methodology was designed to answer the aforementioned three questions and define reliable indicators for monitoring and evaluation. An exploratory method for training credit analysts was also defined.

Research Methodology

The research methodology combined data gathering from loan records of male and female borrowers and semi-structured interviews with forty-three microentrepreneurs, twenty-eight of whom (or 65 percent) were women BIP borrowers. The statistical analysis of the records and approved credit applications, as well as the semi-structured interviews, were conducted in three branches selected by BIP personnel: the Comas Branch in the north of Lima, the San Juan de Miraflores Branch in the south of the city, and the branch in Chimbote, a city six hours north of Lima. Table 3 gives the total number of borrowers interviewed, based on a nonrandom sample, and the total number of records selected randomly, by sex and branch.

TABLE 3

Number of Applications Reviewed and Interviews Conducted by Branch and Sex of Borrower

	Applications 1/			Interviews 2/			
Branch	Women	Men	Total	Women	Men	Others 3/	Total
Comas	30	47	77	17	4	2	23
San Juan	21	20	41	5	2	-	7
Chimbote	15	15	30	6	4	3	13
Total	66	82	148	28	10	5	43

1/ Random Sample.

2/ Intentional Sample.

3/ Nonborrowers.

For the data analysis, random samples of male and female UEF borrowers were drawn, using the registry of loans available in each branch. Beneficiaries of other credit programs and legal-entity beneficiaries of the UEF were not included. It is noteworthy that the majority of the borrowers in these three branches use the UEF, especially at the Comas and San Juan de Miraflores Branches. After the sample was selected, data on men borrowers was obtained from the registry, while for women borrowers it was obtained from individual records that had all the information on the credit recipients. Some records contained more than one hundred pages of documents, including loan applications, investment plans, evaluation of collateral, and necessary registration documents. Information in these records was not systematically organized and was often incomplete, so it was difficult to obtain complete data for all women selected. Particularly in the areas of job creation and projected sales, it was impossible to find reliable data for the majority of women borrowers in the sample.

Research Results

Context. Small-scale industry and commerce represent an important sector in the Peruvian economy, commonly known as the "informal sector," which continues to be dynamic despite the serious economic crisis that the country currently faces. In the face of a growing urban population and an economic crisis, large-scale industry has been unable to generate enough employment to absorb the increasing labor supply. Thus, the urban informal sector (UIS) has become the center of a strategy for employment self-generation by the working population, especially in the pueblos jovenes. It is estimated that at least 50 percent of the economically active population is concentrated in the UIS, and many believe that this proportion will increase in the years to come.

It is clear that women constitute a large part of this UIS population. Although it is difficult to determine exactly how many belong to this sector, in the last decade one major study of the sector indicated that, when domestic servants were excluded, 40 percent of the remaining labor force and 60 percent of self-employed workers in the UIS were women.[5] According to more recent estimates by the Peruvian Ministry of Labor, 64 percent of the female labor force was in the UIS in 1974, and this percentage in-

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[5]Dipak Mazumdar, "The Urban Informal Sector," World Development 4 (1976).

creased to 73 percent in 1978.[6] Due to lack of employment opportunities many women engage in economic activities as self-employed workers, and some even hire other workers. In 1981, 22 percent of women in the labor force in the Department of Lima were in the categories of self-employed, employer, or proprietor.[7] Many poor women find that commercial activities or microbusinesses established in the home allow them the flexibility to integrate their responsibilities as housewives and mothers with paid work. However, the majority of self-employed women are engaged in very small-scale commerce, such as selling out of fixed stalls in the markets or street vending. While 62 percent of self-employed women and 22 percent of female workers in Lima belong to the commerce sector, only 15 percent of women from both categories are in manufacturing.[8]

Women's role in commerce is evident in the pueblos jovenes of Comas, San Juan de Miraflores, and Chimbote, where this study was conducted. In San Juan, for example, it is estimated that at least 50 percent of the market and street vendors are women.[9] The next most important occupation is seamstress. The results presented below confirm this data and bring new information on the credit behavior of women merchants and seamstresses.

Analysis of records in the three branches. The first question about women's participation in the UEF program was whether their relatively low participation was the result of rejection, during the loan approval process, of a large number of loan applications made by women, either because they did not fulfill the necessary requirements or because of simple "preference" toward male applicants (which would suggest open discrimination). Data from the Comas branch on the number of UEF applicants accepted and rejected, from the beginning of operations until February 1984, indicate that this is not the case. That is, women's low participation in the UEF is not due to the fact that loan applications from women are rejected more frequently that those from men. Furthermore, as Table 4 indicates, the proportion of women applicants rejected is lower

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[6]Marcela Chueca y Vilma Vargas de Balmaceda, "Estrategias de Sobrevivencia de la Mujer en la Actual Crisis de la Economia Peruana, Congreso de Investigacion acerca de la Mujer en la Region Andina, Lima, Peru, 7-10 junio, 1982.

[7]Instituto Nacional de Estadistica (INE), Republica de Peru, Censo Nacional 1981, Tomo I, Cuadro 10.

[8]Ibid., cuadro 11.

[9]Jose Ordenique Carranza and William Tucker, Estudio Preliminar sobre la Situacion del Negociante Callejero (Lima: Accion Comunitaria/AITEC, 1982).

than the proportion of men rejected. In this branch, only 7 percent of women applicants, versus 14 percent of men, were rejected. Additional data indicate that 70 percent of the rejections in Comas were due to a lack of collateral, documents, or both; 16 percent were due to applicants dropping out because they lost interest; and the rest were due to various other reasons. As can be seen in this table, the Comas branch rejected an average of only 11 percent of the applicants to the program. This information, however, does not allow us to determine if there was discrimination against women in a preselection process that could have discouraged women applicants before the filing of a formal application.

TABLE 4

Applications Approved and Rejected by Sex
of Applicant, Comas Branch
9/82 - 2/84

	Applications Accepted		Applications Rejected		Totals 1/	
	n	%	n	%	n	%
W	54	15.4	4	9.1	58	6.9
M	242	68.9	35	79.5	277	12.6
LE 2/	55	15.7	5	11.4	60	8.3
Totals	351	100*	44	100*	395	11.1

1/ Percent rejected.

2/ Legal Entities.

* Totals may not add up to 100 due to rounding.

If there is no difference between men and women in the loan approval process, the next question is whether there is any difference in the type of credit granted. Differences by sex in the type of credit granted can reflect differences in the treatment of men and women by the bank or differences by sex in the demand for credit. Table 5 summarizes, by sex, the characteristics of loans granted by the three branches studied. It gives the size and average term of the loans, the average waiting period between loan application and first disbursement (in days), the average guarantee posted, and the ratio between guarantee and loan size.

TABLE 5

Characteristics of UEF Loans by Branch and Sex of Borrower (000s of Soles)

Branch		n	Loan Amount $\bar{X}$	Guarantee $\bar{X}$	Guarantee/Loan[1/]	Term (Months)	Wait[2/] (Days)
Comas	M	47	5,326	13,173	2.43	2.20	43
	W	30	4,614	12,537	2.91	2.10	58
Chimbote	M	15	3,627	7,314	1.55	2.40	45
	W	15	1,922	6,574	1.98	1.70	63
San Juan	M	20	4,840	7,479	2.02	2.70	n.a.
	W	20	4,168	8,261	3.42	3	49

n.a. = No data available.

1/ $g/l = \frac{\Sigma g_i}{\Sigma l_i}$

2/ Length of time elapsed between application and first disbursement, in days.

Statistical comparison of the means (using the t statistic) indicates that there is no significant difference between men and women for any of these five characteristics in the three branches.

To simplify the analysis, the following tables present data aggregated across the three branches. Although there is no significant difference between men and women in the average loan size, it is possible that mean values are obscuring variations in the size of loans approved according to sex.

TABLE 6

Comparison of Borrowers by Sex:
Bottom and Top Quintiles of Loan Distribution[1/]

Quintile	Women			Men		
	n	% of Quintile	$\bar{X}$ (Soles)	n	% of Quintile	$\bar{X}$ (Soles)
Bottom Quintile (Loan Size = S/500,000 - S/1,300,000)	18	62%	895,000	11	38%	932,000
Top Quintile (Loan Size = S/6,000,000 - S/28,000,000)	11	38%	11,301,818	18	62%	12,162,611

1/ Comas, Chimbote, and San Juan de Miraflores Branches.

Table 6 addresses this possibility by giving the number and percentage of approved loans, by sex, for the bottom and top quintiles in the distribution of approved loans. As can be seen, women received 62 percent of the loans between 500,000 and 1,000,000 soles, while men received 62 percent of the larger loans, between 6,000,000 and 28,000,000 soles. Table 7 compares the distribution of loans by sex of borrower and approved amount.

TABLE 7

Distribution of Loans Approved in Three Branches, by Loan Size and Sex of Borrower

Loan Size (Soles)	Women		Men		Total	
	Fn*	%	Fn*	%	Fn*	%
20,000,001-28,000,000	65	100	82	100	147	100
15,000,001-20,000,000	64	98	80	98	144	98
10,000,001-15,000,000	63	97	78	95	141	96
9,000,001-10,000,000	62	95	73	89	135	92
8,000,001-9,000,000	58	89	72	88	130	88
7,000,001-8,000,000	57	88	71	87	128	87
6,000,001-7,000,000	55	85	68	83	123	84
5,000,001-6,000,000	53	81	64	78	117	80
4,000,001-5,000,000	51	78	59	72	110	75
3,000,001-4,000,000	46	71	49	60	95	65
2,000,001-3,000,000	43	66	38	46	81	55
1,000,001-2,000,000	32	49	27	33	59	40
0-1,000,000	14	22	8	10	22	15

* Fn = cumulative frequency.

Women borrowers' predominance in the smaller-loan category could be due to the fact that they are involved in entrepreneurial activities that, by their nature, cannot absorb larger loans; that they do not have the necessary collateral to obtain loans for higher amounts; that the bank does not assign significant loans to women borrowers; or to a combination of these factors.

The following table (Table 8) shows the predominance of the women in the sample in commerce and garment-making activities—corroborating other research data—and the predominance of men in shoemaking and carpentry and in "other manufacturing," a category which includes nontraditional enterprises. In the sample, women made up 83 percent of those microentrepreneurs engaged in commerce and 54 percent of those engaged in garment making.

TABLE 8

Distribution of UEF Borrowers and Average Loan Size (In Thousands of Soles) by Activity and Sex Borrower[1/]

Activity	Women			Men			Total Category		
	n	%	$\bar{X}$ (S/000)	n	%	$\bar{X}$ (S/000)	n	% Women	$\bar{X}$ (S/000)
Commerce	19	28.8	2,026	4	4.8	4,075	23	83	2,383
Services	8	12.1	3,764	6	7.3	4,956	14	57	4,275
Manufacturing:	39	59.1	-	71	86.6	-	110	35	-
- Bakeries	8	12.1	9,854	13	15.9	7,761	21	38	8,558
- Sewing	20	30.3	3,081	17	20.7	4,074	37	54	3,537
- Shoemaking/ Leatherwork and Carpentry	5	7.6	2,300	23	28.0	4,534	28	18	4,135
- Other Manufacturing	6	9.1	5,000	19	23.2	4,267	25	24	4,443
Total	66	100*	-	82	100*	-	148	45	-

1/ Comas, Chimbote, and San Juan de Miraflores Branches.

* Totals may not add to 100 due to rounding.

In order to answer the question of whether women received loans in small amounts due to the type of activities in which they were engaged or simply because they were women, the mean loan sizes from Table 8 were compared using an analysis of covariance with a 2 x 6 factorial design, in which sex of beneficiary and activity were varied and the effect of the guarantee on the loan size was adjusted statistically.

The results of this analysis, presented in Table 9, indicate that when controlling for collateral posted (which explains 53 percent of the total variation in loan size), the borrower's activity significantly explains variations in loan size ($p < .001$). However, the sex of the borrower does not seem to affect this amount (there is neither a main effect nor an interaction effect of sex by activity). In other words, women receive lower amounts because they predominate in activities associated with small loans and not because the bank discriminates against them.

TABLE 9

Analysis of Covariance: The Effects of Sex and Activity of Borrower on the Size of Loan, Adjusting for the Value of the Guarantee[1/]

	Sum of Squares	Degrees of Freedom	Means Squared	F
Total	3,024,494	147	205,747	
Sex (A)	8,078	1	8,078	0.98
Activity (B)	450,294	5	90,058	11.02*
A x B	12,000	5	2,400	0.29
Residual (S/AB)	1,102,913	135	81,697	

* $p < .001$

1/ Utilizing a 2x6 factorial design, varying the sex of the beneficiary (factor A) and his/her activity in six different groups (factor B) and adjusting statistically for the effect of the guarantee size on the dependent variable (= loan size).

To check this finding, the average loan size for women was compared with that for men within garment making, where there is a similar proportion of microentrepreneurs of both sexes. Even though the average loan size for women borrowers was lower than that for men (3,028,000 versus 4,076,000 soles), the difference between the two means was not statistically significant.

The most important factor in explaining loan size is, not surprisingly, the guarantee. What is noteworthy is the size of guarantees posted by both sexes. The total value of collateral posted divided by the value of loans granted, by branch, is as follows: Comas 2.5, Chimbote 2.6, and San Juan de Miraflores 1.75. These amounts greatly excede the minimum collateral required by the bank, 1.1 times the value of the loan. Even when all loans guaranteed with real estate (a factor that could exaggerate the weight of the collateral) are excluded from the analysis, the guarantee still represents 173 percent of the value of the remaining loans granted by the three branches. As Table

10 shows, there are very few borrowers who can offer their own house as collateral. This is because people in the pueblos jovenes generally do not yet have title to their property. Also noteworthy is the high proportion of loans that are guaranteed by machines, furniture, and electrical appliances, either owned or yet to be purchased.

TABLE 10

Type of Guarantee Posted

Type of Guarantee	Women n	Women %	Men n	Men %
Machines, Appliances, Furniture	55	84.6	71	88.8
Real Estate	14	21.5	24	29.6
Cosigner	13	20.0	9	11.1
FOGAPI 1/	1	1.5	5	6.2

1/ Fondo de Garantía para Préstamos a la Pequeña Industria = Guarantee Fund for Loans to Small Industry.

Although the ratio of guarantee to loan was higher for women in the three branches researched (see Table 5, page 12), statistical tests did not reveal a significant difference between men and women in this respect.

To summarize, statistical comparisons of data for men and women in the three branches indicate, first, that the low proportion of women in the UEF is due not to the fact that the program rejects more women, but rather that very few women apply. Second, within the UEF, the data show differences by sex in approved amounts only at the top and bottom extremes of the loan size distribution. Women borrowers more frequently receive smaller loans, while men are more frequently beneficiaries of larger loans. Third, these differences are explained by the type of activity in which women predominate (commerce, services, garment making). An expected but important finding is the predominance of women in commerce and their high participation in services, both

sectors new to the BIP that are not handled by its regular programs. In other words, the observed differences between the sexes in amount loaned are due, in large part, to the fact that women are in activities that require smaller loan amounts. These differences do not appear to result from women asking for smaller amounts because they have less collateral to offer--since the collateral posted with respect to loan size is not significantly different for men and women, even within the garment sector--nor do they seem to be linked to any bank "preference" for giving larger loans to men. In short, there is no open discrimination against women borrowers based simply on their being women.

Results of the interviews with women borrowers. In order to explore in greater depth the credit behavior and specific problems of female clientele, ICRW staff conducted individual interviews with thirty-eight Industrial Bank borrowers in the three branches selected and five women business owners who were not yet borrowers of the bank. The distribution of interviews by branch and sex are presented in Table 3 (see page 8). Of the total number interviewed, twenty-seven were women. They had received loans that range between 700,000 and 21,000,000 soles (U.S. $280 to U.S. $8,400) with a mean of 6,454,000 soles (U.S. $2,586). Since there was only a short time in which to conduct the interviews, and no advance notice was given, those women borrowers who were easy to locate were the ones interviewed. This nonrandom selection seems to have favored bigger or more well-established businesses (which were easier to find), since the mean loan size is greater for the group of women interviewed than for the random sample of women's loan records.

The interviews were conducted using an open-ended questionnaire. The survey instrument included questions about use of UEF credit and the credit experience of the woman borrower; the effect of the UEF loan on the scale of production, sales, profits, purchase of raw materials, and jobs created by the enterprise; future loan needs of the woman borrower and of other women entrepreneurs with whom she was acquainted; and the positive and negative elements of the program. The following points summarize the results of the interviews and offer some impresssions of the ICRW team regarding those results.

1. Characteristics of the women borrowers interviewed. Replicating the findings obtained from the records, the predominant occupations among the group of female beneficiaries interviewed were commerce and garment making. Half of the women interviewed (thirteen) were engaged in one of these two activities. An additional 35 percent (nine) owned bakeries, restaurants, or beauty parlors. The majority of men interviewed were engaged in carpentry, baking, or leatherwork. The age of the women

interviewed ranged between 24 and 45 years (with a mean age of 33). Eighty percent were married, and the women had an average of four children.

2. Dissemination. When asked how they had found out about the UEF program, women borrowers cited as sources of information relatives or acquaintances, radio, TV, and newspaper advertisements, and in some cases they responded that they came to the bank on their own initiative. However, the great majority had found out about the program through relatives, friends, or other acquaintances. This corresponds to the experiences of similar projects, which have proven that programs that offer financial services that people really need are self-promoting. It seems that a program's merits--more than promotional campaigns--attract the clients.

3. The need for working capital. Half of the women interviewed (fourteen) used the UEF loan primarily as working capital to buy commodities or raw materials. Another eleven women invested the money mainly in fixed assets, and the remaining two divided the loan between both uses. This indicates the need that exists for working capital among small entrepreneurs in this stratum. The majority of the women interviewed stated that lack of working capital is one of the major problems they face in the management of their business. It continues to be a problem even after receiving the BIP loan. According to them, the need for working capital is even more urgent during inflationary periods, such as the current one, since the loans allow them to take advantage of lower prices for inputs before inflationary increases. In addition, they mentioned the need for working capital in order to be able to give credit to their clients.

4. Current sources of short-term capital. When short-term capital is needed, women borrowers use the following strategies: using profits from current sales, collecting debts, borrowing from suppliers or relatives, participating in traditional savings and credit associations (panderos and juntas), or getting loans from money lenders and pawn brokers. For some women borrowers, overdrafts or short-term notes from the BIP alleviate the problem of the lack of short-term capital, but this only works for some businesses, generally the more successful that have a checking account with the bank.

5. Usury. Almost all women interviewed acknowledged the existence of money lenders in their neighborhoods, and several had used them on one occasion or another. They mentioned that usurers commonly charge an interest rate of 10 to 35 percent a month, with an average of 25 to 30 percent. This corresponds to an annual rate of much more than 500 percent and indicates that people are willing to pay interest rates far higher than the commercial rate in order to get short-term loans and rapid disbursement.

6. Evidence of economic crisis. From the answers obtained, it is evident that the current economic crisis has had a negative effect on the growth of these microenterprises; this effect seems most pronounced in Chimbote. Evidently, the limited market for products from microenterprises—a result of the fall in the purchasing power of the population during the crisis--has prevented the expansion of production or sales in many businesses, as well as the creation of new jobs. The crisis has also contributed to the difficulty of the microentrepreneur in meeting his or her obligations for loan repayment.

7. Effects of the loans. Several women interviewed were unable to determine (or did not want to comment on) the effect of the loan on the scale of their operations--either in terms of production, sales, or generation of jobs. Among those who answered these questions, there was little evidence of business growth attributable to the loan. In several cases, women borrowers had increased the value of sales, but it was impossible to isolate the effect of inflation on this increase. In half of the cases investigated (eleven), the number of employees was unchanged. However, in another eight cases employment increased, while only in the remaining four cases did it decrease. Credit does seem to have helped to maintain existing jobs in a great number of the enterprises studied. Credit also seems to have helped regularize or stabilize the operation of many enterprises, especially in financial terms.

8. Potential demand for credit. The results of the interviews indicate that there is a significant potential demand for loans on the part of women entrepreneurs in the pueblos jovenes, but only if the credit is offered under conditions that are convenient to them. Although they commented that it is not customary to talk about business among acquaintances--and therefore it is difficult to know whether or not others have access to the credit they need—the majority of women borrowers who answered these questions stated that they had female friends who needed loans to improve their businesses. They also mentioned that people in the pueblos jovenes, especially women, fear banks; that they are not aware of the BIP's program; that they do not have the collateral required by the bank; and that many times they do not want to risk being in debt. This implies the need to make access to the program easier and to provide extension services specifically directed toward women.

9. Positive elements of the program. When asked about the positive aspects of the program, the majority of the women interviewed answered that the most important thing for them was the fact that they had received the loan. Since for most of them this was their first experience with modern banking, they praised the BIP for facilitating their access to credit. In addition, they mentioned as positive elements interest rates

that are lower than commercial rates, fair treatment by bank personnel, and the easy terms for making payments arranged by the bank. They stated that because of this credit experience they have learned to be responsible, to manage a loan, to expand their clientele, to organize their enterprise, to keep money safe, and to plan investments better.

10. Experience with credit. There is no doubt that one of the most significant successes of the UEF is the granting of credit to those persons who have not had prior experience with the formal financial system. Of the twenty-six women who answered the question about credit experience, eighteen (69 percent) had not had experience with formal financial institutions. Of the other eight, half had received a loan from a credit union and the other half from a bank (such as the Banco Nor Peru, the Housing Bank, and the Banco Industrial itself). Among those with no formal credit experience, there were several who had participated in traditional savings and loans associations (the so-called panderos and juntas) and others who had received credit from suppliers.

These results indicate that the UEF is achieving one of its fundamental objectives--to serve as a bridge between the informal and formal sectors. It is possible that with the credit experience gained in the UEF program, male and female microentrepreneurs will have a better chance of being incorporated into the formal sector of the economy.

11. Waiting period between application and disbursement. Many of the borrowers interviewed pointed out that the delay between the presentation of the loan application and the first disbursement is too long. However, they agreed that it is shorter than in any other bank. The majority of clients who answered questions regarding this point (eleven women) received their first disbursement in less than two months (from the first formal attempt at application). However, six of them waited more than three months between the application and disbursement. In the cases where people had more than one loan, they always received the second less than a month after applying for it. In spite of this, women borrowers said that any delay, either in the approval or in the disbursement of credit, is costly because of inflation, the effects of which can make it impossible to execute the planned project with the solicited amount.

12. Other negative elements. Female borrowers also identified the amount of paperwork, the required collateral, and the interest rate applied as negative elements of the program.

- Interest. Regarding the bank's interest rate, the women borrowers acknowledged that it was lower than the commercial rate, and two of them even mentioned

this as a positive factor in the UEF program. But as commonly happens with these programs (especially when they are state-run programs and the clients do not have experience with formal credit), there are benficiaries who are dissatisfied with the interest rate. Probably, this was the case with the six women interviewed who complained about the interest rate they had to pay.

- Paperwork. Of the twenty women borrowers who answered this question, six named the amount of documents required as one of the more serious problems of the UEF program. The acquisition of these documents is costly for borrowers, not only in time, but also in financial terms (between 100,000 and 200,000 soles or more can be spent in order to fulfill the requirements).
- Collateral. Seven women interviewed added that the bank is too demanding with regard to the guarantee, and many thought this could be an enormous obstacle for other entrepreneurs who need credit but do not have sufficient resources. The guarantee also has certain implicit costs, since the client has to provide original receipts and the application requires that an assessment of the value of the objects offered as collateral be made by the credit analyst. In addition, it is difficult for UEF borrowers to offer property as collateral because the majority of residents in the pueblos jovenes do not possess property titles. Finally, the guarantee also implies additional cost for those who have to resort to the use of a cosigner.

13. How to improve the program. The women interviewed made the following suggestions about the UEF: decrease the paperwork, documents, and collateral required; speed up the process of application and disbursement of credit; lower interest rates; raise the amount of credit; provide more technical assistance or marketing for beneficiaries; and improve extension efforts in order to attract more women clients.

14. Accounting. A significant number of the clients interviewed (ten out of the twenty-two who answered this question) pay for the services of an accountant. Only five said that they have no accounting system, and the rest have an informal system for writing down expenses and income.

15 Training. There is an almost universally felt need for managerial or administrative training, especially in accounting, but also in project planning and marketing.

16. Child care. The majority of women interviewed, despite having an average of four children each, stated that they had no problem with child care. This might be due, in part, to the fact that the mother's business is generally in the home, and therefore the children can be with her. However, it was impossible to ascertain whether the women

borrowers could increase their productivity if they did not have to divide their time between child care and the operation of their businesses.

17. Possible overestimation of the number of women beneficiaries. The interviews revealed a possible exaggeration of the number of women who can be considered as primary beneficiaries of the UEF loans. This is due to the fact that in some cases the business, although registered in the woman's name, is actually managed by her husband or some other male relative. Since the majority of borrowers are married, it is generally the husband who plays that role. However, it is important to consider that at this level women still play an important role in the business, because a great number are family businesses in which all members of the family work.

Interpretation of the Results

The statistical analysis of records from the three branches, the semi-structured interviews with women borrowers of the UEF program, and the conversations with BIP personnel all produced consistent results that make it possible to respond to the central question of why only 16 percent of UEF borrowers are women. These same data answer, in part, the other two questions asked at the beginning of this report--that is, how can the disbursement of UEF monies be speeded up without increasing the average loan size and, along with this speedup, how can the number and proportion of women clients in the UEF be increased.

Before interpreting the results obtained for female and male borrowers, it is important to summarize the progress of the program as a whole with respect to the original objectives formulated in the AID project paper.

1. The UEF has surpassed its projected goals for the first eighteen months of operation in terms of the number of loans disbursed (603 loans actually granted versus 425 projected). This indicates that the branch offices implementing the program are placing loans effectively and that the BIP has the institutional capability to manage the program.

2. The UEF has complied with the original objectives of AID in two ways. First, the actual average loan size was much lower than that projected (U.S. $2,362 versus U.S. $5,300), which not only reflects a devaluation of the sol, but also suggests that the program continues to reach the microentrepreneur instead of substituting entrepreneurs with greater economic resources. In addition, the program is adjusting itself to the microentrepreneur's need for working capital, even though its design emphasizes investment in fixed assets. Second, the UEF is implementing the objective of attracting new borrowers, those with no prior experience in modern banking. At least this was the case for a majority of the women microentrepreneurs interviewed, for whom the UEF served as bridge for their entry into the modern financial system.

3. At the same time, the UEF appears to have contributed to strengthening the BIP's capability to promote the development of microindustry and to extend its coverage to the commercial and service sectors.

4. However, there have been delays in the projected disbursements of the UEF (at eighteen months, 15 percent of the total funds had been disbursed, as compared to a projected 24 percent). Although this delay is due in large part to the economic crisis and

devaluation of the sol, results suggest that bottlenecks in the design and operation of the program are also slowing down its activity.

In addition to these obstacles, which affect men and women borrowers equally, results also show other barriers (related to supply and demand) that have limited the proportion of women beneficiaries of the UEF to 16 percent.

5. Interviews revealed that the collateral and documentation required are the principal factors on the supply side--that is, in the program's design and operation--which are blocking the rapid disbursement of funds. This was confirmed both by an analysis of records and by bank personnel. Real guarantees are difficult to obtain for residents of the pueblos jovenes, the majority of whom do not own titles to property. Also, these requirements appear to be even more restrictive in practice than on paper, as was observed in three branches where the average guarantees registered were double the minimum required by the BIP. The voluminous and sometimes complex paperwork required for approval and disbursement of loans is costly in money and time, both for the borrower and the credit analyst, and tends to discourage the former and delay the latter. The third potential obstacle to expanding program coverage--the number of credit analysts available to identify and process applications and monitor their disbursement--could be minimized if the administrative work of the analyst were simplified.

As previously stated, the UEF has, in practice, overcome potential obstacles to expanded credit approval by accommodating the demand for loans of relatively small size and by allowing them to be used primarily as working capital.

6. According to the statistical analysis of loan records, the fact that women constitute 62 percent of the borrowers within the program who receive the smallest loans (between 500,00 and 1,300,000 soles) is determined by their predominance in activities that are linked to low loan amounts; these are commerce, services, and--within the manufacturing sector--garment making. This same analysis casts doubt upon the hypothesis that these borrowers received smaller loans because they had less collateral to offer or because the bank simply preferred to give women smaller loans (that is, discriminated against them).

7. If the analysis shows that the bank treats men and women borrowers equally, and it only gives differential treatment according to occupation, then why are there so few women participating in the program? The explanation is not that the bank refuses more applications from women than from men microentrepreneurs; evidence from the Comas branch indicates that the opposite is true.

All the evidence leads to the conclusion that women microentrepreneurs do not apply for loans from the UEF because they predominate in activities in commerce, services, and garment making that require even smaller loans than the average loan granted by the UEF to date and because they are in sectors that are still largely untouched by the BIP, which has operated predominantly in the industrial sector.

The most plausible explanation is that the UEF reaches only a small proportion of women borrowers because it does not reach a large part of the microentrepreneurs in commerce and services, sectors which can only absorb loans in very small amounts and where the women microentrepreneur is prominent. An alternative explanation would be that the UEF does not reach women because few women are microentrepreneurs (or because women in the pueblos jovenes do not participate in the market economy). This explanation does not appear to be valid, given the studies that show women's predominance in the above-mentioned occupations and the results presented here.

In summary, although there may be other specific factors that are attributable to the condition of women that were not discovered in this study, it remains clear that the principal obstacles that women microentrepreneurs (and men microentrepreneurs in the areas of commerce and services) face in obtaining credit from the UEF are:

- the demand for real guarantees,
- the paperwork required,
- the large average loan size, and
- the predominance of manufacturing over the commercial and service sectors in BIP lending.