ARIES

Assistance to
Resource Institutions
for Enterprise Support

Working Paper No. 5

Mainstreaming Women in Enterprise Development

Sponsored by

United States Agency for International Development
Contract DAN-1090-C-00-5124-00

Prepared by

Nathan Associates Inc.

July 1990

Over the course of its 5-year life, the A.I.D.-sponsored Assistance to Resource Institutions for Enterprise Support (ARIES) project has sponsored a series of 1-day seminars to disseminate project findings and to draw together micro- and small enterprise (MSE) practitioners and policy makers to discuss cross-cutting issues in MSE development. Seminar proceedings have been published as project working papers. Copies of these papers, or other ARIES working papers listed below, are available from A.I.D./APRE/SMIE, Washington, D.C., 20523 or (upon payment) from Nathan Associates, 1301 Pennsylvania Avenue, N.W., Suite 900, Washington, D.C. 20004.

ARIES Working Papers

Number 1. Small Loans for Microenterprise: Anti-poverty and Pro-productivity. September 1987.

Number 2. Interest Rates, Paying What Freight? September 1988.

Number 3. Prospects for the Promotion of Small Scale Enterprises in Africa. June 1988.

Number 4. The Potential for Financial Innovation in Small and Microenterprise Promotion. June 1988.

Number 5. Mainstreaming Women in Enterprise Development. July 1990.

Number 6. The State of the Art in Micro- and Small Enterprise Development. July 1990.

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We would like to thank the ARIES Technical Officers, Ross Bigelow, Andrea Bauman, and Melody Bacha, for their patient hard work and insights that helped with all of the effort entailed in producing this and other ARIES products. Special thanks also go to Tullin Pulley and Mari Clark of WID for their active involvement with all of the ARIES activities. And not least, we wish to thank those who contributed pieces to various ARIES activities and attended and participated in them.

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Preface

The Assistance to Resource Institutions for Enterprise Support (ARIES) project was launched by the U.S. Agency for International Development (A.I.D.) in 1985 to strengthen institutions involved in micro- and small enterprise (MSE) development. Over the life of the 5-year project, particular attention was paid to problems incurred regularly by such institutions especially in the areas of strategic planning (establishment of suitable goals/objectives for MSE program interventions), credit management (design and implementation of practical MSE credit programs), human resource management (motivation and supervision of in-house staff), and entrepreneurship (development of suitable enterprise extension services). In addition to analyzing these problems in different country contexts, the ARIES project developed training materials to assist institutions with diagnosing and solving their own problems, and it sponsored seminars in Washington, D.C., to draw attention to certain issues cutting across many of the problem areas. The seminars were on the prospects of microenterprise promotion in Africa, the potential for financial innovation in MSE promotion, information sources for MSE management, mainstreaming women into MSE programs, and the state of the art in MSE promotion.

This working paper contains abstracts of the proceedings of the fourth ARIES seminar, Integrating Women and Other Excluded Groups into MSE Promotion Programs, held on April 5, 1989, in Washington, D.C.[1] Taking as fact the economic importance of women in the household and the economy at large, the seminar focused largely on interventions to improve women's access to inputs for enterprise development and/or expansion. In this framework, concern was raised repeatedly over the range of technical assistance needed to address gender-related constraints, the quality of public and private sector services, the need to leverage in favor of structural/

1. In addition to the abstracts, one document (Berger 1989), which has been reprinted as part of the World Bank's 1989 *World Development Report*, is presented in its entirety.

regulatory changes, the difference between WID targeting and mainstreaming, and the trade-off between economic growth and equity/poverty alleviation.

The seminar's format, which is followed by this working paper, consisted of three presentations followed by the remarks of a particular commentator from either the Ford Foundation or the World Bank, and a summing up by two participants from PVOs and one participant from A.I.D (see page v for the schedule of the seminar).

In addition to this preface, this working paper contains an Introduction, written by Eric Hyman, to provide an overview of the day-long seminar and to summarize the major points raised by key seminar participants. It is followed by abstracts of the three presentations, each accompanied by the general remarks of the assigned commentator. Last, there are three appendixes, included for general reference. Appendix A contains an extract of gender-related findings from *A.I.D. Microenterprise Stocktaking: Synthesis Report* (Boomgard 1989). Appendix B contains a short piece on integrating women into credit programs. Appendix C presents findings of a survey on participant background and experience and a list of issues of concern to the participants.

1

Introduction

INTEGRATING WOMEN AND OTHER EXCLUDED GROUPS INTO MSE PROMOTION PROGRAMS

Eric L. Hyman, Appropriate Technology Inc.

On April 5, 1989, the ARIES project held a seminar that focused on integrating women into the design of micro- and small enterprise (MSE) programs. The presentations by important theoreticians and practitioners in the field and the ensuing discussions highlighted the increasing sophistication of the field of women in development and our better understanding of what works and does not work. However, despite the title of the seminar, little was specifically said about "other excluded groups."

Weidemann Paper

The first presentation, by Thomas Timberg, reported on work done by Wesley Weidemann and others at Nathan Associates Inc. on "Programs for Small Business Women in Africa and the Middle East." Weidemann's paper noted that female entrepreneurship is important to enhance women's economic and social status and also because of their comparative advantage in certain entrepreneurial roles.

There are four common reasons that women are underrepresented as entrepreneurs. First are legal constraints, but these are not seen as the primary barrier, even in Jordan. Social restrictions, the second reason, pose more of a problem. Yet, in countries with the purdah system—which bars women from many economic roles—these restrictions create other sheltered opportunities for female entrepreneurs in sales and services for women. The third problem is lack of access to resources, especially capital and skills. It was concluded that moving women from the pre-entrepreneurial stage will require more than minimal credit. Although it would generally be best for women to train potential entrepreneurs, even the Grameen Bank in Bangladesh and the ADEMI project in the Dominican Republic, which have succeeded in reaching sizeable numbers of women, have found it difficult to recruit female field workers. Fourth is lack of social support for women to develop an entrepreneurial orientation in either forming microenterprises or scaling up activities.

A.I.D. policy states that at least 50 percent of its resources for microenterprise development should be used for women, and this is probably achieved overall because of the large number of special programs for women. Nevertheless, Weidemann's paper concludes that special programs for women are not a substitute for ensuring equal access for women in general programs. Finally, it criticizes the fact that national development plans and budgets are generally prepared in the absence of information on their likely impacts on women.

Clark Comments

The commentator for Weidemann's paper, Margaret Clark of the Ford Foundation, questions the term "female entrepreneurship" because it presumes that women are not now entrepreneurs and that this is a skill that must be taught. Almost all women in LDCs perform economically valuable work. Citing Mohammed Yunis, Clark discussed the importance of supporting the economic activities that people are already engaged in to survive. The main problem is not lack of entrepreneurial talent, just access to capital, industry-specific skills, and markets. In Africa and the Middle East, lower levels of literacy and of experience in wage employment among women make training and technical assistance more critical.

Clark identified inadequate child care services as a constraint for women seeking to expand economic activities beyond home-based work. One solution may be to encourage cooperation between older women with traditional skills, who can produce goods in the home for sale, and younger, better educated women, who can do accounts, maintain inventories, and handle marketing. An important benefit of women's economic activities is that the income earned is more likely to be spent on improving the nutrition, health care, and education of the children in the household.

Suzanne Kindervatter of Overseas Education Fund (OEF) remarked that the minimalist credit debate is overly simplistic. Helping women move from a pre-entrepreneurial stage or expanding their entrepreneurial activity may require training and technical assistance to be effective, even though this boosts the costs over programs that provide credit alone.

Berger Paper

Marguerite Berger, an independent consultant, delivered her paper, "Giving Women Credit: the Strengths and Limitations of Credit As a Tool for Alleviating Poverty" (Berger 1989). She began by noting that two effects are desired, poverty alleviation and economic growth, and that the debate on possible trade-offs between these two goals has never been resolved. Berger agreed that targeted credit for women is a second-best solution compared with removing barriers to economic opportunities for women. She found misleading the Schumpeterian definition of "entrepreneurs" as dynamic actors combining inputs through innovation because, in the microenterprise sector, it neglects the importance of self-employment.

Berger classifies credit programs into four types according to their institutional arrangements: (1) commercial bank schemes, (2) intermediary organizations working with financial institutions, (3) parallel credit programs of NGOs, and (4) poverty-focused development banks. In the formal sector, although direct discrimination against women exists in the banking system, it is not the main problem. More important barriers affecting women's access to credit include collateral requirements; transaction costs of lending to small borrowers; low interest rates that lead to decapitalization of loan funds so that fewer borrowers, and usually only the large or better off ones, can benefit; and transaction costs for borrowers, such as requirements for business plans and commercial analysis, time and transport costs of arranging the loan, requirements for formalization of the enterprise, and, in some cases, the need to pay bribes to get loan approvals.

At present, the informal sector is the largest source of financing for women's enterprises. Berger noted the common features of many successful credit programs for women: flexible loan periods; small, but frequent payments; small total loan size; alternatives to collateral such as cosigners, solidarity groups, and use of nonland collateral such as jewelry and other personal assets; a simple application procedure; provision of technical assistance; and location convenient to the borrower. In many respects, these features emulate the characteristics of informal sector credit.

Often, the total interest costs of these loans are not much higher than the actual costs of obtaining formal sector loans. However, credit alone may allow a business only limited or short-term improvement More must be learned about the design and impact of appropriate training and technical assistance programs.

A neglected area for development projects is building financing links between producers and their raw material suppliers or product marketers. In NGO programs, the benefit of such links has been not so much the social pressures for repayment as the reduction of administrative costs from bundling of clients. A problem with savings and loan cooperatives is the common restriction that only one person in a household can take out a loan at a time, and this usually ends up being the man.

Although much discussed as an objective, Berger noted that the NGOs, banks, and borrowers do not have an incentive to graduate from development program loans to conventional financial institutions. The NGOs do not want to lose their best clients, whose regular repayment keeps their programs sustainable. The banks do not want to face the higher administrative costs of dealing with many borrowers who are growing but still small. The borrowers do not want to bear higher transaction costs and interest rates.

Levitsky Comments

Jacob Levitsky, an independent consultant, commented on the paper by Berger. With regard to the trade-off between economic growth and poverty alleviation, he believes it may be necessary to favor the equity side because we need to be concerned with people at the survival levels, rather than just entrepreneurs. Part-time activities should not be neglected, including those in which women work in partnership with men in family businesses. There is a need to improve the image of women's traditional economic activities, as they can sometimes be quite profitable. Most women in business in LDCs are among the least-educated groups.

Because of the greater needs of women for nonfinancial assistance as well as credit, Levitsky argued that the objective of having sustainable loan funds may have to be put on the back burner. Graduation may be more relevant for whole groups of borrowers rather than individuals, and one way of accomplishing this is by linking an NGO intermediary to a financial institution.

Irene Tinker of the Equity Policy Center commented that the issue of growth in firm size is not always relevant; for example, we do not bemoan farmers having 1-hectare plots because they do not expand their farm size. To assume that women are unsuccessful if they do not act like the ideal entrepreneur is an unfair value judgment when their usual goal is to assist their family as best they can in diverse ways. Structural adjustment programs are pushing more women, including educated ones, into formal sector activities. Yet, government agencies are reluctant to deal with the increasing number of female-headed households in many LDCs.

Bremer-Fox Paper

Jennifer Bremer-Fox of Nathan Associates spoke on "Making Integration More than Lip Service." Her theme was mainstreaming women into regular development support services because separate programs are usually far from equal. If mainstreaming were sincerely carried out, it would increase the total resources available to women, recognize their important economic role as opposed to just equity concerns, and highlight the problems women face in securing access to development resources.

There are several concerns about the mainstreaming strategy. The first is that mainstreaming can be misused as an excuse for doing nothing to remove barriers to women's participation. Second, because discriminatory laws and social attitudes remain in place, women may need extra resources to be able to compete on a more equal footing. Third, an effective monitoring system is needed to determine how many women are being reached by the mainstream program.

According to Bremer-Fox, some of the features needed for effective mainstreaming are (1) an understanding of women's economic activities and their constraints, (2) the availability of private sector services for credit and technical assistance (since governments often deliver the bulk of their services to the best connected), (3) good targeting of the location of the services since low-income people have many pressing demands on their time, and (4) including activities in which women are not just entrepreneurs, but also workers. A justification based on "broad-based economic growth" is generally more persuasive to governments than an equity rationale.

Bennet Comments

Lynn Bennett of the World Bank noted that the new push for mainstreaming is a result of frustration with the previous women-in-development mindset. Many of the early NGO and government projects in this area failed to take a businesslike approach to production and marketing. Financial institutions, whether government or private, have sometimes viewed special credit schemes as a cost of doing business like a tax and expect losses in these activities. A common characteristic of some of the more successful recent projects, such as one in Nepal, is the formation of groups by a women's association, which then work with commercial banks.

Bennett reported on experience with a major integrated rural development project in India that raises questions about mainstreaming women in a large politicized project. As a result of high credit delivery costs, borrower perceptions of loans as grants, and politicians proclaiming loan forgiveness, this credit fund became decapitalized. Also, the government decided what activities women should take on and subsidized only those activities. Although mainstreaming might be preferable ideologically, it is important to examine the structure and implementation of such programs.

De Wilde Comments

Ton de Wilde of Appropriate Technology International noted that women's economic activities in MSE have always been important, despite only recently being discovered on the "development map." Most macroeconomists have neglected this sector in formulating theories or recording national statistics, viewing it as important only for poverty alleviation rather than economic development. Yet, as an ILO study revealed, the value of the output from women's domestic and household production activities usually amounts to 30 to 38 percent of total cash and in-kind income of households.

De Wilde identified a major constraint to better integration of women into the economy—the fact that they have to devote much time to arduous work because they lack access to more productive technologies for carrying out traditional tasks. In Africa, for example, UNIFEM has found that women generally work longer hours than men. Because women are already working such long hours, they find it difficult to find the time to undergo training or shift to new activities. Making appropriate technologies available to the poor is an essential component of raising their productivity and providing more time for greater participation in the formal and informal economies. Examples of these technologies include simple machines for grain milling and oil pressing.

Another area that has not been sufficiently addressed, according to de Wilde, is the macroeconomic and sectoral policy environment. A series of small project interventions will not have much impact overall without structural changes that allow access to more productive technologies and provide adequate incentives for increased production. In general, this means not just subsidizing MSEs, but also removing the barriers to sound decision making. The macroeconomic policies of most countries currently favor large-scale enterprises using inappropriate, capital-intensive technologies. As Ariyaratne of the Sarvodaya Movement in Sri Lanka stated, "Development is learning to do with what we have."

Otero Comments

María Otero of ACCION began by stating a reluctance to make generalizations across different programs and countries. Nevertheless, she noted some recurring themes that arise from this experience:

- Access is broader than just credit, it encompasses all aspects of women's lives.
- Women predominate among the smallest producers.
- Women face many constraints in their economic activities.
- Successful MSE development programs reaching the smallest enterprises have not found working with women to be a problem.
- A wide diversity of successful programs exist. Debates about the merits of minimalist credit versus credit programs with training and technical assistance have focused on absolutes that are irrelevant in the field.

- Conditions often differ across countries in a region.

She also noted there are still many unresolved questions:

- Does targeting matter or is mainstreaming best?
- What should be the role of government?
- Do trade-offs exist between growth and equity?
- What are the types of institutions that reach women and the characteristics of these institutions?

Bigelow Comments

Ross Bigelow of A.I.D ended the discussion by mentioning some of the conclusions of the recent stocktaking exercise of A.I.D. microenterprise programs. In this sample of projects, the proportion of women beneficiaries was high, and there was no evidence of lower economic returns or reduced sustainability of projects with a gender-specific focus. Begelow also identified the lack of statistically sound information on the income impacts of microenterprise projects as a program in convincing decision makers of the merits of these programs, and he noted the difficulties of obtaining such information from entrepreneurs.

First Presentation

GENERAL PROPOSITIONS BASED ON THE REPORT ON FEMALE ENTREPRENEURSHIP IN JORDAN

Wesley Weidemann and Laurene Semenza Graig,
Nathan Associates Inc.

We are interested in female entrepreneurship as a means to enhance women's status both because their low status is partly caused by their underrepresentation as entrepreneurs and because they often have specific comparative advantages in certain entrepreneurial roles, especially as microentrepreneurs. Women are underrepresented as entrepreneurs for one of three general reasons:

- Legal and customary constraints;
- Lack of access to necessary resources, particularly capital (credit) and skills (training); or
- Societal restraints to developing an entrepreneurial orientation.

Legal and Customary Constraints

With regard to legal constraints, Jordan is fairly typical of a number of countries with which we have some experience. The legal handicaps (difficulties with borrowing without a husband as a cosigner, obstacles to women's control of property, and so forth) are catalogued in Weidemann, et al. 1987. These are no more severe than those that were present in industrial countries before the first phase of the women's movement in the nineteenth century; the situation is characteristic of many countries in which many of you have worked. While changing these laws is certainly desirable and often a priority for the organized women's movement, these are not the primary barriers to women's entrepreneurship. Women entrepreneurs often flourish by circumventing the barriers these laws pose.

In terms of customs, Jordan is also typical of a smaller number of countries with which I have had experience—Pakistan and Bangladesh come to mind. Social restrictions pose a greater limit on women's entrepreneurship than legal ones—but even these act in a complex way. The "purdah" system in its broader aspect bars women from important economic roles, while creating certain sheltered opportunities (direct provision of goods and services to women by women). Women's recorded labor force participation forms an interesting contrast with that found in industrialized countries. In the first place, women's recorded (nonhousehold) participation is quite low. Those women who are employed are characteristically low-level, unskilled workers—domestics, agricultural laborers, and so forth. Higher status women are more likely to be found in the civil service and in professional categories, partly benefiting from a belief that women should only be served by women professionals. Jordan, like the other countries referred to, has a group of highly educated, enlightened women who are likely candidates for more high-level entrepreneurial roles. However, the potential for direct market participation is low—projects have even been started for protected women's markets and women's bank branches to facilitate such participation (a similar project exists in Bangladesh). A study with which I am sure you are all familiar (street food vendors in approximately 16 countries) found in Bangladesh, for example, that almost none of the food vendors were women—even though the spouses of vendors often prepared their wares.

The policy implications are complex. On the one hand, entrepreneurial activity is a way to change social rules. On the other hand, the purdah economy can often be exploited. The implications of this for integrating women's promotional activities are discussed in greater detail in Weidemann, et al. 1987.

Integration—Access to Resources

Promotional activities for providing access to entrepreneurial resources must be finely differentiated in terms of both level of target group and the treatment of integration.

Women with potential for higher-level entrepreneurship need both skill training and access to formal sector credit. For micro-entrepreneurial women, but not pre-entrepreneurs, credit is likely to be more critical. (This is one of the most contentious issues in enterprise promotion at the moment, and rather than focus on it, I will commend Jim Boomgard's treatment in his recent Synthesis Paper for the USAID stocktaking [Boomgard 1989].)

In most cases, the bulk of resources and the focus of promotional activities for enterprises, even small enterprises, is not centered on women's programs. Women's programs are afterthoughts added to a country's development plan after the Parliament, the IMF, and the Planning Commission's intellectuals have been satisfied. Resources are typically provided to males only, not explicitly, but by default.

The prime issue is thus to ensure that women have adequate access to the resources being provided under the main plan. The best way to start is often to look at the budget that corresponds to the plan and review each program item one at a time. In the microenterprise area, A.I.D. policy tries to ensure women's access by demanding that at least 50 percent of all resources be used for women. This is an agency-wide goal that does not apply to specific programs—and, because of the numerous heavily female programs in this area, is probably met. The percentage of resources for women in programs with slightly larger-size target groups is far lower—particularly where programs are targeted to manufacturing, or even specific subgroups like metal working industries, with low female participation rates. Targeting, however, is a second best strategy to one based on designing systems that guarantee women's access. Some of the ways to do this are (1) changing eligibility criteria (the National Development Foundation in Paraguay retains its less profitable vendor program because it reaches poor women), (2) having women extension workers (this turns out to be difficult in a number of cultures). and (3) setting up hours and outreach to reach women.

Some discussion of the cultural blocks to women workers is probably in order. Outsiders often believe that these blocks are exaggerated, but even programs like the Grameen Bank, which has progressively been moving to serve a greater number of women, reports difficulty in living up to its commitment to have women entirely served by women workers. ADEMI in the Dominican Republic, in response to one criticism, noted that women field workers would not be feasible in Dominican slums; but it still has a significant number of women borrowers despite pro-manufacturing targeting that would normally be expected to act against them.

Transformation of Women into Entrepreneurs

As indicated above, many microenterprise programs do achieve relatively large female participation rates because women are already well represented in micro-entrepreneurial ranks. However, the need to instill an entrepreneurial orientation in women is critical for entrepreneurial areas where women are less common. Many women-specific programs have "transformational" concerns—either to get pre-entrepreneurial women to become micro-entrepreneurs or to encourage women micro-entrepreneurs to become larger-scale entrepreneurs. These goals represent long-run, costly investments in female human resources and cannot be judged in immediate enterprise promotion terms. Instead, they should be judged in competition with other educational and human resource enhancement programs. The

Entrepreneurship Development Institute of India has the most extensive experience with such entrepreneurial development programs. However, I have not seen any specific disaggregation of its impact on women. More specialized but smaller programs, such as those run by OEF International, are better studied.

There may be strategic advantages to listing transformation programs in the industrial promotion section of the development budget, but the criteria for evaluation are different from those for industrial promotion programs in general (time discounted increments to value added). Unfortunately, such evaluation is rarely done, and hard choices between human resource development strategies are typically made in total ignorance of their long-term or even short-term impacts.

The whole area of transformation programs for entrepreneurs is still in its infancy, and numerous programs with promising first results exist. But the long haul of analysis, evaluation, and coming up with a state of the art is still ahead of us.

Commentator

Margaret Clark, Ford Foundation

I'd like to begin by questioning Dr. Weidemann's use of the term "female entrepreneurship," the theme of his paper, to describe the goal or the end product of our efforts to integrate women into MSE projects. This use of the term presupposes that females are not now entrepreneurs, and it suggests that women in particular must be given special attention to enable them to handle business projects. It does not acknowledge the substantial contribution that women already make to the productive economy. I would argue that lack of what we're calling entrepreneurial talent is not the principal problem for third world women. The problem for these women is access to the basic goods and services that any small business requires. These are capital to purchase raw materials or to expand a location, industry-specific skills, and access to a viable market. For women the world over, including the United States, this access is generally lacking.

Anyone who spends time with Dr. Mohammed Yunus, who founded the Grameen Bank, remembers a phrase of his. The phrase that echoes in my mind is "You should look at what people are doing now to survive and support that process." The Grameen Bank began when Dr. Yunus talked to some women who were making bamboo stools and asked them how they got their raw materials. They told him that the raw materials came from a middle man who charged heavily for that service. He asked them how they marketed their goods, and they told him that the goods were marketed through a merchant who also took a heavy bite out of their profits. Dr. Yunus began the Grameen Bank by giving the women credit for raw materials and for marketing the stools. For these bamboo stool entrepreneurs, the problem was lack of access to credit and inability to travel to the market. It was not entrepreneurial talent per se.

Women in the Middle East and Africa do face very real constraints to operating viable businesses. These women are not integrated into the formal wage economy. Literacy rates are quite low. In Jordan, the illiteracy rate for women is 49.9 percent, whereas for men it is 19 percent—a dramatic difference. But women in the Middle East and Africa are very involved in productive activities. In Africa, women engage in traditional artisan activity, food processing, agriculture-related, small-scale enterprises, animal husbandry, and trade. In the Middle East, where Islamic traditions confine most women, particularly rural women, to the home or to the compound, women's work is primarily home based. This confinement makes it impossible for women to travel to purchase raw materials or to sell goods. Women are also constrained, throughout the world, by the inadequacy of child care services, making it difficult for them to be away from home. Despite these constraints, it is interesting to note that the most important and successful programs in the MSE field specifically target women; women represent more than 50 percent of the beneficiary groups. Eighty-six percent of Grameen Bank's borrowers are women. For ACCION's solidarity group methodology programs, the borrowers are generally more than 50 percent women. FINCA's Community Banks borrowers are more than 50 percent women. Leaders in this field have found that not only is it not difficult to include women, it is desirable. One reason is that any poverty alleviation strategy must target women as they are among the poorest in the society. It has also been demonstrated that repayment rates for women are consistently higher than those for men.

We should also look at the effects on children of women who are involved in MSE projects. Preliminary data from Save the Children's (SCF) Women Savings and Loan Group in Bangladesh have shown a significantly improved nutritional status, lower infant mortality rates, and lower child death rates among children whose mothers participate in that program. Other data have shown an increased valuing among the women participants of their female children. Traditionally, infant mortality rates for female children are almost twice as high as for male children throughout the world. It was shown that the female children of Women Savings and Loan Group participants had infant mortality rates and child death rates comparable to those in wealthy communities. Targeting women in income-generating projects will result in measurable improvements in the lives of their children.

In the Middle East two categories of women participate in our programs. One is older women who are generally illiterate and have a traditional productive skill. The other category is younger women who are referred to as "the readers and writers." They have some basic literacy skills and, in most cases, are able to travel more widely than older women. SCF has a project in Jordan where the older women are primarily responsible for the production cycle of the enterprise, while the younger women keep the books, maintain the inventory, and do some of the marketing.

It is not only promotional work that concerns women. Policy work, as well, can specifically target women home-based workers. The most noteworthy example of this is work done by Ela Bhatt's Self-Employed Women's Association in India. Ela Bhatt started by recognizing that there was an enormous number of women working at home and making a contribution to the GDP. However, because they were working at home, they were not recognized by the census. They were not recognized by policy makers and had no rights to minimum wages, insurance policies, health care benefits, or any kind of job security. Therefore, Ela Bhatt has begun to lobby the Indian parliament to recognize home-based workers. She has made strides in organizing home-based workers and realizing legislative gains for them.

Another interesting pattern, which Tom Timberg alluded to, is that women are increasingly beneficiaries in some of our best MSE projects, but they have rarely been integrated into the main structures of the programs. Grameen Bank has only two senior female managers out of several hundred senior management people, and it has few female bank workers out of several thousand bank workers. As Tom said, the Grameen leadership will explain that the principle reason is that women cannot relocate to the rural areas. But when pressed, the second in command admitted to me that women are more expensive to have as workers because of maternity leave. I thought, "This is our leader in the development field." Most of his borrowers are women, yet there is still a major attitudinal change that needs to be overcome for women to be not just beneficiaries but deliverers of service projects for women.

I'd like to close by reading from Dr. Weidemann's paper in his recommendation section: "Entrepreneurship development training will not be appropriate for all women. As mentioned earlier, one cannot expect someone who has never worked to run a business. The entrepreneurship development program is designed to focus on those women who show entrepreneurial interest and drive, to tap that drive and combine entrepreneurial development with skills upgrading and training." There are two things that I find disturbing here. One is the statement that we cannot expect someone who has never worked to run a business. I have never, anywhere in the third world, seen a women who doesn't work, except for elite women. The other is his point that we should focus on those women who show entrepreneurial interest and drive. I'm reminded of a study in the *Harvard Business Review* that described "The Mommy Track" (Schwartz 1989). It states that corporate managers should look for those women with the gleams in their eyes, highly ambitious women who will make it to the top without having children or perhaps marrying. The rest of us, the normal women, should be resigned to middle management, because we're on the mommy track and will never be able to compete successfully.

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Second Presentation

GIVING WOMEN CREDIT: THE STRENGTHS AND LIMITATIONS OF CREDIT AS A TOOL FOR ALLEVIATING POVERTY

Marguerite Berger

BERGER SUMMARY

Poor women in developing countries often turn to self-employment as a way to support themselves and their families, but these small-scale activities rarely yield enough income to lift them out of poverty. Recently NGOs and donor agencies have sought to assist these women by providing credit, which is otherwise largely unavailable to them. The broad aims of these programs vary, as do the strategies, which range from simply offering credit (a "minimalist" approach) to providing training and technical assistance as part of the credit package (a "credit plus" approach). The channels used (bank schemes, intermediary programs, parallel programs, or poverty-focused development banks) also vary. So far, the last three channels have been more effective than the first in improving women's access to credit. However, not enough is known about which strategies have the greatest economic impact for particular groups of women, and further evaluation is needed.

BERGER SUMMARY
(SHORT VERSION)

Poor women turn to self-employment as a means of supporting themselves and their families, but their small-scale activities rarely yield enough income to lift them out of poverty. NGOs and donor agencies seek to assist by providing credit, not otherwise usually available to poor women. The aims of these programs vary, as do the strategies, which range from a "minimalist" approach to a "credit-plus" approach -- which adds training and technical assistance. Additional evaluation studies with improved methodologies will help determine what strategies are most effective with particular groups of women.

1. INTRODUCTION

With limited education and skills, and few formal employment opportunities, poor women in developing countries often turn to self-employment as a means of supporting themselves and their families. Scattered evidence indicates that increasing numbers of women are creating their own jobs in very small-scale agricultural, manufacturing, service, and petty trade activities. Yet most of these informal activities do not yield sufficient income to raise women out of poverty. They lack the capital, technical and managerial know-how, access to credit, markets, raw materials, and services necessary to expand or even make marginal improvements in productivity and income.

Recognizing the importance of the informal sector for the livelihoods of poor women, donor agencies have sought to assist women who operate informal microbusinesses. This move is part of a broader trend in development assistance toward providing direct support to the "smallest economic activities of the poor."[1] In the past ten years such efforts have focused more and more on credit. Numerous programs have been developed to provide the poor and the smallest businesses with access to this "missing ingredient." The Badan Kredit Kecamatan in Indonesia, the Fundacion Carvajal in Colombia, Accion Comunitaria in Peru, FEDECREDITO in El Salvador, the Self-Employed Women's Association (SEWA) and Working Women's Forum in India, and the Grameen Bank in Bangladesh, are longstanding examples of programs that have given hundreds of thousands of poor women and men in developing regions their first institutional commercial loans.

Many of these credit programs designed to reach the informal sector have included high proportions of women among their borrowers, even when women are not specifically targeted. Others, particularly those operated by formal financial institutions, still include only very few women. This raises questions about what type of programs, institutions, or mechanisms are best able to meet the needs of poor women.

More importantly, the preference for direct credit programs has developed despite little evidence of the net impact of these programs on poverty. Even those credit models that are successful in providing financial services to poor women must be assessed in terms of their ability to improve women's livelihoods. Specifically, we need to know what potential different credit models have for making significant progress toward eliminating or reducing poverty.

Few rigorous evaluations of microenterprise credit programs have been carried out to date, however, and their results are mixed. One set of studies found that, when allowances are made for indirect training benefits and multiplier effects of the investment in small firms, microcredit projects yield a high return.[2] Others have criticized specific credit schemes for being costly and failing to create employment.[3] One study of women's use of bank credit found that although women's incomes increased after receiving a loan, their additional earnings were used to make the interest payments on the loan, rather than reinvested in the business.[4]

Studies of women-specific credit projects, largely carried out by the implementing organizations themselves, have generally found positive economic and social benefits, and have shown credit programs to be superior to other income-generating interventions for women.[5] In addition to stabilizing income or generating additional income, these credit projects have contributed to improving women's self-esteem and status within the household. They have also demonstrated that women borrowers are reliable and have high repayment rates.[6] However, few evaluations have looked at differences in participation, let alone impact, for male and female borrowers.

Sex-disaggregated impact data are generally unavailable on the larger scale government and private sector lending experience in developing countries (which are primarily targeted to larger businesses), although some of these programs have reported on women's participation.

The results of a recent comparative impact evaluation of an NGO microenterprise credit scheme tend to confirm findings of moderate impacts from credit.[7] The study, which compared borrowers' progress in terms of net business income and employment with that of nonborrowers, found that while the borrowers' incomes increased after participating in the program (and women as a group increased their incomes as much as or more than men), nonborrowers' incomes also improved over the same period. Although the methodology used in this study may have underestimated the benefits of the project, statistical tests supported the conclusion that while microenterprise credit projects benefit women at least as much as men, their overall benefits are moderate. On average, they tend to preserve, rather than create jobs, and to stabilize, rather than increase, income.

Although impact data are limited, it is now possible to take stock of the experience of the past several years of experimentation with small and microenterprise credit schemes from a gender-disaggregated perspective. This paper examines the programs and institutions involved in lending to women microenterpreneurs, assesses the poverty alleviation potential of different credit models, and reviews the effects of policy interventions in financial markets on women's access to and use of credit. But first it is necessary to understand the competing objectives implicit in different credit models, the factors that influence women's demand for credit, and the obstacles women face to participating in credit programs and the formal financial sector in developing countries.

2. PROFILE OF CREDIT MODELS

(a) Goals of credit programs

Development agencies, and even specific development programs and projects, pursue different goals in their attempts to improve credit and financial markets in developing countries. At the most elementary level, credit is simply a means to facilitate exchange. More importantly, credit is part of a system of financial intermediation which allocates resources over time and transfers resources from one individual, household, or firm to another. Financial intermediaries accept deposits -- providing their clients with a secure place to hold money while offering a monetary return -- and use these funds as loans to others who lack sufficient funds for working capital or investment. The availability of credit is important to ongoing production as well as investment. In agriculture, for example, credit is a useful bridge because production is seasonal and a considerable lag occurs between the outlay of major expenditure and the resultant flows of income.

Development interventions in the financial sector have focused on creating institutional structures, mechanisms, and policy instruments to improve financial intermediation. But governments and development agencies have also used financial markets and institutions to pursue other goals: to develop particular agricultural or industrial sectors, diversify the economy, create jobs, generate income, distribute resources more widely, and organize or empower certain groups politically. Some of these ends are expected by-products of credit provision and associated investment, but others particularly those related to changing distribution, are more difficult to achieve.

Development organizations often pursue the broad goal of poverty alleviation; their specific objectives include increasing employment and income. Credit can be targeted in several ways to achieve these objectives. First, investment may be directed toward labor-intensive industries or firms that are likely to create jobs for women. Second, credit can be used to create forward and backward linkages to women's income-producing activities in the informal sector. A third option is to direct credit to businesses that transfer women's household responsibilities to the market and relieve women of some of their domestic work burden at a reasonable cost, even if these businesses are not owned and operated by women. This would help free up women's time from household labor and allow them to devote more time to income-producing work. Finally, loans can be granted directly to individual microenterprises that are owned by women, creating jobs for women, and allowing them to improve their productivity and raise their own incomes.

How well each approach addresses the needs of poor women has been debated elsewhere; this paper focuses on the merits of the most common of the four -- direct lending to the poor for microenterprise development. This approach is widely used by development agencies that have a specific poverty mandate. A recent book by the International Fund for Agricultural Development (IFAD) summarizes a series of potential benefits of credit, which typify donor expectations about direct lending to the poor. They include:

- Transfer of resources to the poor. Credit gives the poor access to a range of new technologies and inputs, not just a single option imposed by the project design.

- Relatively simple project design. According to IFAD, these projects can be quickly formulated and implemented.

- Empowerment and increased self-reliance. Credit programs can improve the bargaining power of the poor by providing an alternative to exploitative indebtedness.

- Organization and group formation. IFAD argues that "it is easier to promote organization and mobilization of the poor within the framework of a credit project than in many types of projects." In this way, the poor can "end existing exploitative relationships and also make their collective voice heard in community affairs and politics."[8]

- <u>Participation of women</u>. "One of the most important advantages of credit projects over others is the ability to reach out easily to groups of women, helping them to develop and sustain viable economic activities."[9]

(b) Typology of credit programs

Even within the direct credit approach, different types of programs aim to accomplish poverty alleviation, income, and employment generation goals through different means. For purposes of comparison, we classify these programs under the following headings: special credit schemes within commercial banks; intermediary programs that assist the poor to borrow from formal institutions and broker with the latter for special credit lines for poor borrowers; and "parallel" programs that operate outside the formal banking system. A fourth approach is related to the parallel type, but has gone beyond it, expanding and developing to the point where it might be called a poverty-focused development bank.

(i) Commercial bank schemes

Generally, commercial banks lend to larger enterprises in the formal sector of the economy; however, some banks have instituted programs to serve borrowers in the informal sector. Two examples of commercial bank programs are the small artisan lending program operated by a private bank -- Banco del Pacifico in Guayaquil, Ecuador -- and the recently created KUPEDES program of the government-owned Bank Rakyat in Indonesia. The majority of these schemes are under the auspices of government-owned banks, which often have a mandate to serve small borrowers. In India, for example, national banks are required to lend one percent of value of the previous year's disbursements to the "weak sectors" at concessional rates of interest.[10] However, to obtain these loans, the borrower is required to post real assets as collateral and complete formidable paperwork. As a result, few microbusiness owners are able to participate in the special programs, and loans go primarily to the elite.

In addition, many countries have laws requiring private commercial banks to place a certain portion of their deposits in loans to microbusinesses or small farmers. Commercial banks that maintain special programs targeted to the poor and other small borrowers, including the Banco del Pacifico, generally receive some subsidy from the government in the form of guarantees or low interest funds to onlend. They also tend to view these as "social" programs,[11] operating them as a public relations effort, perhaps hoping to attract more small savers from relatively poor neighborhoods.

Most donors hope that the formal system will eventually extend its lending operations to small borrowers. In fact, the formal banking system is probably the only model capable of offering credit and savings options to massive numbers of people, because it has a well-developed institutional structure and branch system. However, the programs currently operated by commercial banks -- even though they are targeted to the small borrower -- have failed to reach many poor borrowers, let alone poor women. Women's participation in formal, small-scale enterprise lending programs rarely exceeds 20 percent. One study found only 16 percent of the borrowers in an Industrial Bank of Peru program to be women.[12] The nationwide KUPEDES program in Indonesia has granted only 25 percent of its loans to women, even though women are 60 percent of borrowers in the smaller village bank program that served as its model.[13]

(ii) Intermediary programs

Intermediary programs offer microbusinesses a link to the formal banking system. They are are generally run by NGOs and government agencies that provide referrals, assistance with loan applications, training, technical assistance, and guarantees to lenders which reduce the implicit costs of formal borrowing and reduce the bank's costs and risks of lending to the poor.

The intermediary institution promotes links between poor women and the formal banking sector. NGOs can assist credit applicants with paperwork, analysis of their investment projects, and so forth. They can also "retail" credit from banks to small borrowers, either charging the borrower a fee or receiving a subsidy for this service from a development agency. Helping to establish these links is a function well suited to bilateral and multilateral donors, which often work with government-owned banks already. Private banks may also be interested in this type of linkage, and local NGOs may already have connections to these institutions through their boards of directors. As intermediaries, NGOs that work with women can play a useful role in cultures where women's contact with men (in this case, male bankers) is severely limited by custom, or where the gap in education between men and women is so great that women are unable to compete on their own for resources.

Women's World Banking is the most important example of this credit model, operating in some 50 countries, and extending credit to women through commercial banks with the use of a guarantee mechanism.[14] Several governments in Latin America have also set up intermediary agencies along these lines. One example is the Institute for Development of the Informal Sector (IDESI) in Peru which in its first year of operation helped over 40,000 poor microentrepreneurs, the majority of whom were women, to obtain loans from a state-owned bank.[15]

Some institutions which adopted this approach -- like SEWA in India -- experienced resistance. The banks they dealt with had little patience with poor women borrowers and treated them with contempt.[16] Other intermediary-based programs, including some Women's World Banking affiliates, have been criticized for an inability to reach very poor women. This may suggest, again, that the direct connection to the banking system hampers poor women's access to credit, even when they are assisted by an intermediary. Another problem is that the bank may have little opportunity to learn about its new clientele when the intermediary handles the loan application process and collections. Finally, unless the intermediary can package its services to borrowers in such a way as to generate enough revenue to cover its operating costs, its scale will be limited and it will be dependent on donor resources.

(iii) Parallel programs

Parallel programs are further removed from the formal financial sector, providing credit directly to the poor via nonbank institutions. These institutions are usually NGOs that have been set up expressly for the purpose of lending, or have added a credit component to their portfolio of development and social programs. Examples of parallel programs include the Small Business Scheme of the National Christian Council of Kenya (NCCK), ADEMI in the Dominican Republic, the Working Women's Forum in Madras, India, and the PRODEM program in Ecuador.[17] The Zimbabwean Savings Clubs, which provide loans and accept deposits, combine the parallel model, the formal bank model (since they carry out multiple banking functions), and the informal community institution approach discussed below.[18]

Given their experience in working with disadvantaged groups, and particularly women, in developing countries, NGOs are perhaps ideally positioned to extend credit to the same population. However, they often lack the expertise and management capability necessary to launch a credit program with broad reach. And because their ability to capture deposits is limited, they must generate all funds for both lending and operating costs from donations, compulsory deposits, interest, and fees. One promising new trend for this type of program, which would bring it closer to the intermediary model, is onlending to microentrepreneurs with funds borrowed from commercial banks.

(iv) Poverty-focused development banks

Some parallel programs have evolved and expanded their outreach and services to such an extent that one observer has referred to them as "poverty-focused development banks" (see McKee this volume). These institutions are officially registered as banks, but their focus on development differentiates them from commercial banks. They reach very large numbers of poor borrowers, offering a limited range of services centered on credit. The best known of these programs is the rural-based Grameen Bank for the Landless in Bangladesh, which has over 500,000 borrowers, at least 70 percent of whom are women.[19] SEWA in India can also be included in this category. It began as an intermediary organization and pressure group representing the interests of street vendors. Because the difficulties in opening up bank credit to poor women proved insurmountable, SEWA established a special women's bank. Since then it has also invested in a range of other income-generating projects for women.

3. WOMEN'S LIVELIHOODS AND CREDIT INSTITUTIONS: MATCH OR MISMATCH?

Which of the credit models profiled above "work" for poor women? Which can be expected to offer these women the greatest access to financial services and to make the most impact on women's livelihoods? The answer to these questions depends in part on the country context and economic conditions. But women's access to credit also depends on the institutional characteristics of financial intermediaries and the type of activities women pursue, and the match between the two. Below we examine some of the factors that determine the match or mismatch of credit supply and women's demand for credit.

(a) Women's demand for credit

Women are active in the market economy in developing countries. Their economic participation rates are increasing in many areas, while the growth in the male labor force is slowing or falling.[20] Women's registered labor force participation is lowest in the Middle East and North Africa and relatively high in the Caribbean, West and Southern Africa, and in East Asia. Yet even in South Asia where official statistics portray women's participation as low, women are highly visible in informal sector business activities, and some of the largest and most successful credit schemes for women have been launched.

Women are heavily concentrated in the informal sector, both as as self-employed business operators and employees.[21] Existing studies indicate that women own or operate roughly one-third of all informal sector businesses.[22] Because they have limited control over physical and human resources, they tend to be concentrated among the smallest businesses, even within the microenterprise (five employees or fewer) group. The overwhelming majority of women's businesses (probably over 90 percent) have only one worker -- the business owner herself.[23] Despite variations by country and region, women's business activities tend to be concentrated in certain activities, most notably commerce, services, and sewing.

Although women business owners in the informal sector do not face discrimination from an employer, they still earn less than their male counterparts. On average, women's microenterprises have lower sales revenues, fewer assets, and smaller profit margins than men's. The fact that informal sector earnings are lower than those in the formal sector may also help to explain why women are so strongly represented there. One study in Belo Horizante, Brazil, for example, found that 53 percent of female heads of household worked in the informal sector as compared to only 13 percent of male heads. These wpmen also earned significantly less than men working in the same sector.[24]

These features of women's informal sector activities are reflected in borrower characteristics in microenterprise programs. The average number of employees in women-owned businesses borrowing from a microenterprise program in

Quito, Ecuador, was only one, as compared to two for men's businesses.[25] Among borrowers from a small business loan program in Peru, 29 percent of the women borrowers were involved in commerce and 30 percent in sewing; only 5 percent of the men borrowers were in commerce and 21 percent in sewing/tailoring. Further, women's business assets were only half the level of men's.[26] In a loan program for women in rural Bangladesh 25 percent of the loans were for traditional rice husking and 24 percent were for handicrafts, both activities that yield extremely low incomes.[27]

Under conventional financial criteria, many women-owned microbusinesses are perceived as poor risks because of their small profit margins and low reinvestment of earnings. In addition, because the smallest businesses tend to be undercapitalized, they have difficulty absorbing short-term debt, except at a minimal level. Others lack the skills for business expansion through long-term lending for fixed investment.

For poor women, informal businesses are not a refuge from oppressive legal norms, as some have characterized them.[28] More often, they are an attempt by those who have been excluded from formal sector jobs to create the means for their own survival. Thus, women have found ways to extend their household work into economic niches that provide some income, however small. The resulting overlap of work and household spheres is typical of both the informal sector and poverty in developing countries.

The blurring of household and market elements in women's daily activities has implications for women's demand for and use of credit. First, credit must be available on terms that are compatible with women's complex patterns of time use. In addition, the overlap between household and business makes it difficult to ensure that credit is used for purely "productive" purposes, and difficult to measure its impact on women's incomes. The daily demands on poor women to feed and care for family members create strong pressure to dip into business stocks and revenues, rather than keeping them separate and reinvesting in the business (see Jiggens this volume). Women's businesses may also be used to fund consumption or the economic activities of their husbands and other male household members. Numerous examples exist of the diversion of women's business earnings or assets to men. In Bangladesh, for example, a woman fishnet maker was so successful in her business she was able to purchase a rickshaw for her unemployed husband.[29] In Guatemala, a rural loan program for women failed when their menfolk appropriated and sold the chickens and small animals the women were raising on credit, and used the money for themselves; the women did not benefit from their investment and labor, but were stuck with the debt.[30]

Although they tend to be small, women's businesses are not homogeneous. Even among microbusinesses, women's economic activities are operated under varying conditions and offer different expectations for the impact of credit. At the lowest level, these businesses provide the bare means of survival. Because they exist at the margin of minimum subsistence levels, women in this group tend to be risk-adverse. The low returns from their informal economic activities and lack of assets severely limit the options for improving their incomes. As a result, they may choose to use any increased labor time on household work to feed their families and provide items that would otherwise have to be purchased in the market. Their involvement in highly diversified activities, both income-earning and income-saving, makes it extremely difficult for them to participate in all but the most flexible credit programs. Their desperate living situations may make them eager to take loans if they can obtain them, but their loan investment is unlikely to lead to significant income expansion, and they may be forced to "divert" the loan to consumption. At the most extreme level of poverty, women (and men) are unable to increase even their own labor efforts sufficiently to improve their incomes.[31]

In contrast to these "ultrapoor," most women's microbusinesses counted among the "poor" tend to be oriented toward stability and economic security objectives. The prospects for expanding their businesses are modest, but these women aim at maintaining a steady level of operations.[32] Their ability to expand is highly constrained by demand conditions. Many poor women carry out several microbusiness and/or agricultural activities simultaneously or seasonally.[33] Given the level of resources with which these microentrepreneurs operate, the frequent shifts among multiple activities may actually strengthen the overall business strategy for stability; they allow women flexibility to seek out those activities which are more remunerative according to seasonal changes or other variations in the market. Women in this category need credit, particularly for working capital; a loan would facilitate their daily business transactions -- purchasing inputs, keeping an inventory, replacing worn out equipment, selling to clients on credit -- and allow them to increase their productivity and incomes even while maintaining a constant level of sales and employment. If a loan enables them to find a secure market niche or to concentrate their efforts on a particular activity, women in this category will also be in a better position to expand.

Some women microentrepreneurs will be disposed to greater risk-taking and can direct their efforts toward growth of their business. The women in this category likely operate one full-time business. Although the business may involve different elements (such as selling goods produced by others as well as by herself), it does not suffer the same abrupt shifts that characterize the activities of women in the survival category. These women's asset base may be greater than other women microentrepreurs; however, they may still lack access to formal lenders. Credit could allow them to make strategic investments, usually in fixed capital, which would produce dramatic increases in sales, productivity and income.

(b) Constraints to women's access to credit

(i) Formal credit

The little available data show that women's access to formal sector credit is limited, even where special credit schemes have been established for microenterprises. Anecdotal evidence suggests that women who do gain access tend to be in the better-off category described above or to operate their businesses together with male household members. For example, the loan program of the Industrial Bank of Peru, directed to small and microbusinesses in the shanty towns of Lima, counted only 16 percent women among its borrowers, despite specific emphasis in the program's regulations on targeting women. Although their assets were smaller than men's, they were able to post assets that averaged 200 percent of the value of their loans as collateral.[34]

The characteristics of formal bank credit are often inappropriate for the needs of women microentrepreneurs, so women do not even attempt to borrow from these institutions. In some cases, formal banking procedures or regulations, such as requiring a woman to have her husband or another male relative cosign for a loan, discourage women from applying for loans from formal lenders.[35] In other cases, the factors that limit access to formal financial institutions affect women because they tend to be small borrowers. Interest rate ceilings prevent banks from lending to small borrowers, because they cannot cover the high transactions costs (e.g., the paperwork and staff time required to process loan applications) associated with making many small loans to an unknown clientele. Finally, outright discrimination by bank employees may prevent women from applying for or being granted loans.

These problems take on added dimensions when they are considered in light of prevailing legal and social norms in many developing countries. The demand for credit by women and other small borrowers, for instance, tends to be relatively interest-inelastic, because noninterest transaction costs often represent a greater proportion of borrowing costs than does interest on small loans. The borrower's transactions costs include transportation, the effort (in terms of lost time or income) required to complete the credit transaction, special fees (such as stamps), and bribes. Most of these negatively affect a potential borrower's demand for credit, regardless of gender. However, because of their multiple work obligations in the household and the marketplace, women experience greater opportunity costs to their forgone labor.

On average, poor women work longer hours than men of the same class when both market and household tasks are included.[36] The opportunity cost of a woman's time spent in credit transactions involves not only lost income, but also displacement from household labor that would have been used to satisfy consumption, and even substitution of child labor for female labor within the household. As a result, women who might want to borrow from a bank are easily discouraged by the lengthy application and approval processes.

Collateral requirements are one of the most pervasive barriers to formal credit for women. This is a problem for many small borrowers, who generally lack clear title to land or other property that lenders will accept as collateral. The problem is compounded for women by the widespread custom of registering property in the names of male household members and systems of inheritance which distribute property to male survivors. The type of valuables that women may control -- like jewelry -- are not normally accepted by bankers as security, although pawnbrokers and money lenders will allow them to be used as collateral.

In many countries, except in much of Latin America, where educational levels are nearing equality, women's lack of education relative to men also puts them at a disadvantage in applying for credit. In Africa, women's educational attainment averages 58 percent the level of men's; in South Asia, only 47 percent.[37] As a result, many poor women have difficulty completing the complicated application forms and financial statements that banks require. A further impediment is their limited practical experience with formal financial institutions.

Cultural factors also influence women's demand for credit. Although restrictions vary widely by ethnic group and class, cultural norms may limit women's ability to undertake loan transactions with men. Economically active women who do business with men outside their family will probably be less constrained by such restrictions. Cultural factors also influence the structure of information channels. Women may not know about credit programs or how to apply for loans if information is spread through male networks such as cooperatives or farmers' associations, or if marketing is directed to men.

It is not uncommon for public financial institutions to permit only one loan per household, even if household members engage in separate business activities. Such policies were instituted to avoid fraud by families trying to obtain multiple loans for the same activity; they assume that money is fungible and that businesses within the household are interconnected, so that even if a loan is used for one specific activity, the additional income generated may be invested in another household enterprise. This assumption holds true for some small business operators, but in other cases men's and women's business activities are conducted quite independently even within the same household.[38] In households where individual economic activities are relatively autonomous, a one-loan-per-household rule limits access to loans for some credit-worthy borrowers. And since women's businesses are generally smaller, they are more likely to be hurt by this policy.

Some credit programs for small borrowers target particular economic activities and exclude others. Banks, for example, target somewhat older businesses, as well as those that operate year-round or full time. These "errors of omission" are typical of credit programs operated by formal banking institutions, which frequently rule out loans to retail sales or commerce activities and will not lend to women for multiple part-time microbusinesses. The tendency to exclude trading activities from the pool of eligibles for microenterprise programs, in the belief that these activities have less potential for creating new employment, has even spread to parallel NGO programs where it has negatively affected women's participation.[39]

(ii) Informal credit

Facing restricted access to formal institutions, self-employed women tend to rely heavily on informal sources of credit and "social" assets, from family and friends, not only in the face of emergencies, but also for routine borrowing needs. These credit sources are particularly important for business start-up capital for both women and men. Liedholm and Mead's multicountry survey found that over 90 percent of small business owner-operators obtained their initial capital from close friends and relatives.[40]

Moneylenders, pawnbrokers, suppliers, and warehousers are also important sources of credit, because they are close to the borrower and offer small sums of money and immediate disbursement. The convenience of borrowing from these sources is cited repeatedly by borrowers as their reason for dealing with money lenders and the like, despite exorbitant interest rates.[41] In addition, the credit services of informal lenders are often linked to other services, such as supplying raw materials or merchandise for sale (on credit) or marketing. One widespread form of agricultural credit is the advance purchase of crops, at a discount, prior to the harvest. This form of "credit-cum-purchase" gives the farmer cash to repay outstanding debts, meet living expenses, and make new purchases; it also provides a sure market for the crop when it is harvested.

One of the most significant indigenous financial innovations in developing countries, established largely by women for women, is the rotating savings and credit association (ROSCA). It takes slightly different forms in different countries: tontines in West Africa, _arisan_ in Indonesia, and _panderos_ or _juntas_ in Peru, to note a few examples.[42] These associations have a social as well as economic purpose, serving to cement existing social ties and establish new ones. They are necessarily small-scale and have limited viability in an inflationary context. However, some interest-bearing ROSCAs have developed, notably the _simpan-pinjam_ in Indonesia and certain tontines in Cameroon.[43]

Post offices, pawnshops, credit unions, and village banks also provide financial services to women. In parts of Africa and Asia, for example, post offices provide an accessible location for rural women to deposit their money; they even offer a small return for savings. In some countries, such as Indonesia, pawnshops are operated by the government. They are an important source of credit for women and serve as a means of monetizing their savings or other assets such as jewelry to use as security on the loan.

The drawback of informal credit institutions is that while they are useful for some purposes, particularly for large consumer purchases or emergencies, they are not dependable and often have a high cost. Furthermore, the interlinkage of informal credit with other services, such as marketing or the supply of inputs, frequently channels the benefits of increased production to the money lender, not the borrower. Many informal sources of credit do not offer women a secure place to save their money and realize some return on those savings. Participation in these institutions does not link women directly to the mainstream financial system; continued reliance on them is one means of perpetuating the marginalization of women's economic activities. And the amount of capital available from these sources is limited. Women whose businesses have good prospects for expansion must look elsewhere for larger, longer-term loans.

(iii) Microenterprise credit programs

Parallel NGO credit programs, intermediary programs, and poverty-focused development banks have sought to overcome the limits to women's access to formal credit by adopting some of the features of informal sector lending. Contrary to the experience of many government credit programs, some of these organizations have an excellent track record in incorporating women into their programs designed to assist microenterprises. It is not uncommon to find that women comprise over half of the borrowers in projects run by NGOs that specifically target the smallest businesses. For example, 85 percent of borrowers from the FEDECREDITO program in El Salvador were women in 1979; 50 percent of individual borrowers and 80 percent of solidarity group members in the Progreso program in Lima, Peru, are women; women are 60 percent of borrowers from the Badan Kredit Kecamatan in Central Java, Indonesia; they are a majority of the clients of the NCCK loan program in Kenya; and 97 percent of the members of Zimbabwe's Federation of Rural Savings Clubs are women.[44]

Women's participation tends to be significantly higher in projects utilizing the solidarity group mechanism, which organizes borrowers in groups of about five to eight whose members guarantee each other's loans.[45] The solidarity group provides a character-based substitute for collateral, an innovative feature that sets them apart from conventional banks. In addition, the cost of lending to very small businesses is reduced by bundling together several very small loans. Finally, the solidarity group also provides a support mechanism which encourages women to participate in a relatively unfamiliar credit activity.

Parallel credit programs exhibit several features that make them more accessible to women: frequent and flexible repayment schedules, relaxed collateral requirements (including use of cosigners and personal property for guarantees), use of information channels accessible to women, simple application forms and procedures, and location of lending operations close to women's places of work.[46] (See Appendix 1.) These features enable parallel programs to reach poorer women and assist them in stabilizing and even improving their incomes. But, while parallel programs tend to reach women in greater proportions than special schemes run by formal financial institutions or intermediary programs, they generally work with small numbers of women. The NGO successes, therefore, could serve as examples, and their more innovative features incorporated into larger scale public and private sector banking operations. Poverty-focused development banks such as the Grameen Bank, or intermediaries such as IDESI in Peru -- both of which operate on an impressive scale -- offer some clues about how to expand the reach of NGO microenterprise credit projects. The lessons from their experience can be used to help other NGO projects increase the numbers of their participants and assist formal lenders to reach women and other smaller borrowers.

4. ENHANCING WOMEN'S ACCESS TO AND USE OF CREDIT: UNANSWERED QUESTIONS

Despite improvements in women's access to organized credit, a number of issues remain: the role of training and technical assistance in credit schemes; the question of project sustainability and the use of subsidies; graduation of borrowers to formal sources; the role of government policy; and evaluation of credit impacts. Future experimentation with credit programs for poor women should examine these issues closely. They are discussed below.

(a) Minimalist credit vs. credit plus

Poor women lack formal education and business training; they are equipped with few basic management skills necessary to expand their business. They may require special training, individual counseling or technical assistance. Unfortunately, many formal lending institutions look upon such training as a prerequisite for receiving a loan, yet are unwilling or unequipped to provide the training themselves.

Development planners and credit program implementors are divided on the appropriate role of training and technical assistance linked to credit. The debate revolves around the relative merits of so-called minimalist credit versus those of "credit plus" -- that is, credit accompanied by technical assistance, training, or other forms of assistance (see Tendler, this volume). Some practitioners see training and technical assistance as a necessary component of microenterprise projects. Additional training may be added for women in particular, oriented around their household roles. Other credit projects devote considerable attention to nonformal education activities designed to raise women's awareness of the social and economic barriers they face as women, or to strengthen women's leadership ability.[47]

The addition of training components has been justified as a means to guarantee effective use of credit and improvements in productivity and income for borrowers. On the other hand, some highly successful credit programs, such as ADEMI in the Dominican Republic, provide little technical assistance beyond help in preparing loan applications and keeping business records. McKean's review of several Latin American credit programs for microenterprises found that overall, the minimalist programs providing little or no technical assistance had as strong an impact on borrower's income as credit-plus programs.[48]

Training and technical assistance raise the costs of credit projects and add a further administrative burden, potentially interfering with a program's ability to be self-sustaining. Some programs suffer from what might be called the error of excess. Seeing that credit alone is often insufficient to lift poor women out of poverty, they add other interventions which raise the cost of the program. Providing training may also divert the organization's attention away from the effective administration of credit and have serious consequences for repayment rates.

Training activities can also place an undue burden on women borrowers. Given their responsibilities for both home and market work, women face formidable time constraints to participation in training programs. The addition of training activities that do not provide women with immediate, tangible benefits will raise the time costs of participating in the credit program and may reduce women's demand for credit from the project. The training that is targeted to women is often inappropriate to their economic roles.

Although the advocates of minimalist credit advance powerful evidence, the appropriate role of training and other services linked to credit remains unclear. What kind of training is most effective? For which women microentrepreneurs? Because it is unlikely that training activities could be fully self-financing, institutions should perhaps explore ways to separate self-financing functions (simple lending) from other functions (technical assistance and training).

(b) Subsidies and sustainability

Few parallel credit programs can cover their operating and indirect costs, let alone recoup their initial investments, without repeated donations, usually from international agencies. Special credit programs in formal banks have suffered even greater losses, but they have often been due to corruption and low repayment. Intermediary programs, such as Women's World Banking, are generally not designed to survive on fees from their services.

For the most part, microbusiness credit programs of all types have exhibited relatively low rates of arrearage and default. Some quantitative evidence indicates that poor women tend to be more responsible about loan repayment than men. While arrearage is higher than commercial banks could tolerate, only in problem programs does it exceed 5 to 10 percent of the value of loans outstanding.[49] But, in some cases, inadequate systems for classifying overdue payments understate the true arrearage costs.[50] And some institutions have encountered problems with repeat borrowers, both women and men. As borrowers take larger loans over time, repayment rates drop.[51]

Credit projects are not relief efforts; they must face the issue of economic viability if they are to remain in operation. To avoid eroding their capital base, projects must charge interest rates high enough to cover administrative and financial costs (including defaults) and keep pace with inflation. They must operate efficiently, maintaining administrative expenses at a minimum level, to keep costs to borrowers low. Today, when resources are scarce, concern with self-sufficiency is particularly urgent.

Despite widespread agreement on the need for greater self-sufficiency, it is unclear whether poverty alleviation programs can and should be expected to recover all their costs. First, as noted above, it may be desirable to keep interest rates for very small borrowers in line with those for larger businesses so as to maintain a uniform cost structure for different size economic activities. Forcing financial institutions to charge artificially low interest rates for certain categories of borrowers is harmful to the development of a thriving financial system, and thus could further restrict women's access to credit. But governments or donors may wish to directly subsidize the costs of lending to women and other small borrowers.

Second, part of the problem with attaining self-sufficiency may be that the amounts of money initially invested in these projects do not allow them to reach a scale of operation that would make them viable. Another issue is that NGO programs are compared with state banks and other financial institutions receiving low cost funds and other subsidies through government programs designed to increase the supply of credit to formal businesses or to particular sectors of the economy. A further problem is the lack of institutional development of many of the young organizations undertaking new credit projects. Qualified staff are hard to find; in addition, the legal structure of the organization may be ill-suited to running lending operations.

Nevertheless, some microenterprise programs are relatively successful in economic terms. Those that are close to self-sufficiency generally started out simply, targeting a particular activity or sector (see Tendler this volume). Diversification has come, if at all, only when they mastered their first activity. This seems to be a formula that argues for a minimalist approach to credit.

(c) Graduation

Many donors are eager to see parallel credit programs and intermediary institutions bring poor women into the mainstream economy by "graduating" women borrowers to the formal financial sector. Linkages between formal financial institutions and NGOs can help facilitate this. However, until now, few NGOs have been successful in constructing real bridges to formal institutions. The expectation of graduation may not be realistic.

At present there is little incentive for graduation -- whether for the bank, the borrower, or the NGO. Unless banks change their procedures, lending to the poor will continue to be costly. In addition, graduating their most successful clients may be a losing proposition for the NGOs; they would be left with the clients who are least attractive to the banks precisely because they are costly to work with. Thus, the goals of sustainability and graduation are contradictory for NGO parallel credit programs. As an alternative, intermediary programs or institutions might play a direct brokering role:

bundling together loan applications to present to the banks or onlending borrowed funds to microentrepreneurs for a fee.[52]

(d) Business start-ups

Most microenterprise credit schemes work only with women who engage in ongoing business activities. In the short term, it seems fairly clear that many more women can be reached by targeting traditional women's occupations -- such as sewing and selling -- in which they are already active in large numbers. In the long run, however, involving women in new activities may be one of the few means available to improve their economic situation significantly.

A number of lending programs, such as FUNDE in Nicaragua, and the Working Woman's Forum and SEWA in India, were initially successful because they focused on an occupation where women predominate -- petty trading.[53] But credit programs, whether women-specific or integrated, might also play a role in moving women into more lucrative activities. In these cases, peer groups provide a support network to help women enter a nontraditional field and overcome the pressure and negative reactions. Equally important, these new financial resources allow women to break into new activities. Typical "women's jobs" tend to be those that require very low capital investments, while nontraditional jobs may require substantial up-front financial commitments. Credit schemes can help women pool resources and gain access to the funds they need.[54]

Unfortunately, this process has been complicated, risky, and costly. So far, experience with using credit to launch new activities has been limited largely to group projects, which were relatively unsuccessful.[55] A great deal more experimentation is required to create viable tools for helping women launch new, nontraditional activities. One potentially promising area that has received little attention is the use of noncredit tools, such as equity investment or venture capital. However, it seems unlikely that such instruments could be used for investment in individual microbusinesses.

(e) Role of government policy

Until recently, government policies toward microenterprise development have received little attention. There is scant experience with policy changes specifically targeted to the sector, making assessment difficult. Where pricing and regulatory changes have occured, few studies have differentiated their effects on borrowers' access to credit or their impact by size of firm. Certainly none has looked at these questions from a gender-disaggregated perspective.

Despite changes in recent years, pricing, licensing, infrastructure, education, and trade policies in most developing countries still favor large, formal sector businesses. They neglect labor-intensive, small-scale informal sector activities, because the resources required to take advantage of these policies and programs put the opportunities beyond the reach of producers in the sector. Instead, policy should aim at creating a level playing field on which small and microenterprises can compete. Macroeconomic and regulatory policies could be designed to complement direct interventions on behalf of microenterprises. In turn, there is evidence that support for microenterprises will have a positive impact on macroeconomic goals, such as increased economic growth and reduced reliance on imports.[56]

(i) Deregulation of the financial sector

Making many small loans to microbusinesses is more costly for banks than is making a few loans to large firms. When interest rates are fixed at artificially low levels, banks face a double disincentive against dealing with small borrowers, since they cannot compensate for higher costs by charging higher rates. In addition, their ability to capture deposits that would expand the resources available for lending is limited, because they must pay even lower rates to savers in order to stay in business. As a result of these pressures, banks often ration their limited funds among a small number of larger and more influential borrowers.[57] One solution to this problem is to change policy to allow interest rates to rise. If a government wants to encourage small businesses to invest more by offering them lower interest rates, it should subsidize the difference between the market rate and the lower rate by paying the bank directly.

Structural adjustment and sector development loan agreements negotiated with the World Bank and the International Monetary Fund (IMF) often include provisions for decontrol of interest rates, or gradual upward revision of interest rate ceilings. Because powerful interests favor keeping ceilings low, this is a difficult policy prescription for many countries. Therefore, it is an area of reform that is most appropriately addressed by the large multilateral lenders, although donor agencies can be involved by educating their grant recipients about the pitfalls of artificially low interest rates.

Decontrolling interest rates and eliminating those banking regulations that inhibit the expansion of branch networks and competition should help increase the supply of credit to small borrowers, including women, by reducing the banks' incentives to ration credit to larger and more influential borrowers. These changes also allow parallel programs to charge rates that enable them to cover their costs. It is unclear, however, whether these measures will be sufficient or equitable for very small borrowers. If microentrepreneurs pay higher interest rates, they face higher costs of production than large borrowers, and so are at a disadvantage from an investment standpoint. In addition, deregulation often leads to greater instability in financial markets (at least in the short to medium term), putting small savers and other depositors at risk. Finally, some argue that deregulation may not be sufficient to induce lenders to take risks and incur higher unit costs by lending to small borrowers. A climate of economic uncertainty or a heavy concentration of assets in the banking sector will also lead to credit rationing away from small businesses.[58] Lucrative overseas investment opportunities, and abrupt currency swings that make foreign exchange speculation attractive and investment in the local economy more risky, only exacerbate the situation.

Institutional changes are also necessary to induce the formal banking system to expand its lending to women. This may require that governments play a more active role, adopting legal reforms and encouraging institutional changes that expand women's access to credit.

(ii) Legal reform

The most important legal reforms that can widen women's access to credit are changes in property laws, which limit women's inheritance and prohibit married women from holding property in their own names, and changes in banking laws, which require married women to obtain their husband's consent or cosignature to undertake a financial commitment. But even if statutes are changed, lending institutions may still retain these biases against women. It may, therefore, be necessary to promote legislation that requires banks and other lenders to eliminate such practices. Of course, these changes will not guarantee enforcement, especially in poor countries, and poor women are unlikely to be aware of the new statutes, let alone have the wherewithal to take action against institutions that violate them. However, legal reforms are a first step toward change, and may even provide a point around which women's groups can organize and pressure recalcitrant institutions or the government.

(iii) Institution building

An activist government policy might also create or strengthen those credit sources that reach women microentrepreneurs in a cost-effective manner and ensure payback for the lender with a minimum of inconvenience to the borrower. More experimentation is needed, especially with the intermediary model, because formal banks may not be the appropriate institutions to adopt such mechanisms, which are diametrically opposed to their existing practices.[59] Often, intermediary programs work in conjunction with a bank and provide a link between the informal business sector and the formal banking system. In Colombia, the government has helped private foundations obtain resources for loans to microenterprises and to organize an umbrella network that increases their efficiency. The government's program in Peru, mentioned earlier, provides loans to many small businesses, most of them operated by women.

Governments have also become involved directly in microenterprise lending. The Grameen Bank, the largest microenterprise credit program in the world, has been under direct government sponsorship since 1985. The new KUPEDES program in Indonesia, run by the country's largest public sector bank, is modeled on the experience of smaller projects operated by provincial development banks since the 1970s; KUPEDES has so far been less successful than its predecessors in providing credit to women.

5. CONCLUSIONS AND FURTHER RECOMMENDATIONS

To improve the situation of women and their families, policies and projects designed to assist microenterprises should be oriented around a dual strategy:

- to strengthen those microenterprises that have the possibility to expand, and thereby create new jobs that can be filled by both men and women;
- to assist activities that need help in order to raise the income levels and the standards of living of their operators, even when such activities seem to provide little possibility for job creation.

Both credit strategies provide a service. Ironically, the first has greater potential for strengthening financial institutions (because of the possibility of establishing a relationship with successful clients and providing larger loans in the future) as well as creating jobs. But the second is more likely to reach the poor.

If the focus is only on the first strategy, women might be excluded in greater numbers than men, because they are concentrated in smaller activities with lower returns. Although the expansion of successful microenterprises can lead to additional employment for women, current trends suggest that many women will enter the market economy as operators of their own microbusinesses. Neglect of these very small activities will have negative distributional consequences, frustrating poverty alleviation goals.

Experience teaches that if state or private lenders are to reach poor women, they must adopt some of the features of the informal credit sources to which they now turn. These sources are not adequate to serve the enormous demand for financial resources in the informal sector, but they are often the only option. The fact that women microbusiness owners continue to use these sources, despite their unreliability and high cost, testifies to women's willingness to pay for credit. It also demonstrates that, with appropriate mechanisms, formal financial institutions might be able to reach this group with better, lower cost services without sacrificing profits or laying out additional subsidies.

(a) Evaluation

Despite recent progress, systematic and comparative evaluations on the impact of credit on women's livelihoods are virtually nonexistent. In part this reflects the lack of effective measurement tools. But it also relates to the fact that evaluation criteria differ depending on the goal of the intervention.

If the goal of credit is simply to provide access to financial services, a project should be evaluated primarily on whether or not it is sustainable over the long term. But continued use of and repayment of credit can also be an indicator of impact, especially if market interest rates are charged. A borrower's ability to repay and her continued recourse to a particular lender indicates a positive return to the investment. From a gender-disaggregated perspective, the key issue is women's access to the financial sources provided and repayment records.

Credit programs with poverty alleviation goals aim at providing greater job opportunities and increasing the incomes of the poor. Evaluation of these programs should, therefore, focus not only on the cost of creating new jobs, but also attach greater weight to the additional direct and indirect income generated as a result of the program. Evaluations should reflect the fact that, for the poor, the goal of increased productivity and income is as important as the goal of employment creation.[60] This is particularly true for women, since they tend to be relegated to the lowest paying occupations where little initial investment is required and productivity is low.

Measuring the income and job creation impacts of credit in small and microenterprises is difficult. The lack of record-keeping and imprecision of economic data that can be garnered through interviews frustrate impact studies. Because women microentrepreneurs often blend household and business expenditures in daily practice, it may not be possible to isolate the effects of credit on their businesses. Moreover, few evaluations can compare results for borrowers with a control group of nonborrowers, to determine whether changes should be attributed to the program or to other factors. Finally, evaluators have not yet found a suitable methodology to ensure that increases in income and employment attributed to the effects of a credit program are, in fact, net new increases. In other words, they do not take account of possible displacement of other businesses or jobs by the borrowers' expanded activities.

Evaluation studies need to develop innovative means to measure the impact of credit and assess it from a gender-disaggregated perspective. Results should be differentiated by class or income level, perhaps by adding the use of distributional weights to the traditional benefit-cost analysis. Better tools for measuring women's time use and the transactions costs associated with different financial instruments should also be developed. And research must examine more closely women's use of informal credit sources, comparing costs and benefits to that of new credit models, and perhaps finding ways to upgrade existing informal mechanisms. Evaluation of credit programs could also shed more light on the characteristics of success of different programs (What makes them able to develop a sustainable structure? What allows some to reach large numbers of borrowers?) and the characteristics of success of the borrowers themselves (Which women microentrepreneurs make the best use of credit, and under what circumstances?). Finally, some effort should be made to study the effects of credit over a longer period, to determine whether the creation of institutions has long-lasting benefits for poor communities.

(b) Complementing credit

Finally, a word of caution on credit. Even if the institutional problems noted earlier are solved, credit cannot be regarded as a panacea to cure the ills of all self-employed women in the informal sector. Illiteracy, little education, and weak management skills also hamper the efforts of women microentrepreneurs to increase their incomes. Training and technical assistance oriented to the informal sector may help. Yet, women's economic and household and work responsibilities severely limit women's time to participate in training.

In addition to changes in the financial sector, governments can intervene in other areas to improve the lot of women microentrepreneurs. Local government support for programs to assist vendors to obtain fixed locations for work, for example, are crucial to enhancing livelihoods. Hernando de Soto of Peru argues clearly the need to reduce government red tape in licensing, registering, and taxing businesses.[61] Worker training and education policy are also important areas that can have a positive impact on the microenterprise sector. Schools should be encouraged to develop curricula that are relevant to the self-employed, since this will be one of the few employment options for many graduates and school leavers. In Latin America and Africa, vocational training institutions have begun to design short courses to upgrade business and technical skills. (The cases of the national training agencies, SENA in Colombia and SIDO in Tanzania, are noteworthy.)

Ultimately, the present emphasis on individualistic solutions must shift to broader, systemic changes. The current approach overlooks the obstacles to microenterprise expansion posed both by government economic and social policies and by structural barriers that hamper the microenterprise sector as a whole. The solution to government-imposed constraints cannot be found in individual training or credit activities. Rather, the ability of microenterpreneurs to advocate and lobby on their own behalf becomes important, as does the possible brokering role that private organizations could play for individual microenterpreneurs, in providing them services (marketing, legal assistance, lobbying) that by themselves they could not afford to acquire.

NOTES

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1. Farbman (1981).

2. Kilby and d'Zmura (1985).

3. See, for example, Tendler (1983).

4. Everett and Savara (1984).

5. Buvinic (1986).

6. See, for example, Reichmann (1984); Berger (1985); Tendler (1987).

7. Buvinic, Berger and Jaramillo (forthcoming).

8. IFAD (1985), p. 9.

9. IFAD (1985), p. 14.

10. Everett and Savara (1984), p. 272.

11. Salmen (1980).

12. Buvinic, Berger and Gross (1984).

13. Center for Policy and Implementation Studies (1986).

14. Women's World Banking (forthcoming).

15. Pinilla (1987).

16. Sebstad (1983).

17. Summaries of these projects and others are provided in a wide array of sources. See especially Farbman (1981); Lycette (1984); IFAD (1985); and Egger (1986).

18. Egger (1986).

19. Hossain (1988). Much has been written about the Grameen Bank, but some of the best sources are difficult to find outside of Bangladesh. The Bangladesh Institute of Development Studies (BIDS) has an ongoing research project on the Bank, which includes studies of the impact of Grameen Bank credit on women.

20. Joekes (1987).

21. More detailed information on the magnitude of women's involvement in the informal sector and microenterprise is discussed in the Introduction to this volume.

22. PREALC (1981); Sethuraman (1981); Liedholm and Mead (1987).

23. Leidholm and Mead (1987) found the same to be true in men's businesses.

24. Merrick and Schmink (1983).

25. Buvinic, Berger and Jaramillo (forthcoming).

26. Berger (1985).

27. Buvinic, Berger and Gross (1984).

28. de Soto (1986).

29. Buvinic (1985).

30. Sally Yudelman, personal communication.

31. Lipton (1988).

32. Tinker (1987).

33. Massiah (1986).

34. Buvinic, Berger and Gross (1984).

35. These factors are discussed at length by Lycette (1985).

36. King and Evensen (1983); Leslie (1987).

37. Sivard (1985).

38. Folbre (1986); see also Bruce, this volume.

39. Reichmann (1988).

40. Leidlholm and Mead (1987).

41. Timberg and Aiyar (1984).

42. See Geertz (1962) for a more complete discussion of these credit schemes.

43. See Jiggins, this volume, for a discussion of tontines. The simpan-pinjam have been largely a male ROSCA, a parallel development to the largely female arisan. For more information on the simpan-pinjam, see Alexander and Alexander (1986). Papanek and Schwede (1988) studied arisan in Indonesia.

44. For El Salvador, see Blayney (1979); for Peru, see Reichmann (1984); for Indonesia, see Rosengard (1983); for Kenya, see Hellinger (1985); and for Zimbabwe, see Egger (1987).

45. Otero (1986).

46. See White et al. (1986), pp. 45-48, for more detail.

47. Kindervatter (1983).

48. McKean (forthcoming).

49. For example, the 1987 review of microenterprise credit schemes receiving assistance from Accion International/AITEC showed that the rate of overdue payments over outstanding balance of loans ranged from 0.5 to 27.1 percent in the programs AITEC advises.

50. This argument has been made about the Grameen Bank, for example, because they do not consider a loan in default until after the year-long repayment period has ended. Therefore, the reported recovery rate of 97 - 98 percent does not fully account for arrears.

51. This was the case with the PRODEM program in Ecuador; see Buvinic, Berger and Jaramillo (forthcoming). Evidence indicates it may also be the case with the Grameen Bank; see A. Rahman (1988).

52. Jacklin (1988).

53. Bruce (1980), Chen (1983).

54. Carr (1984) illustrates how access to appropriate technology and credit can permit women to take advantage of alternatives to low paid, "traditional" handicraft production.

55. McKee (1987); Crandon (1984).

56. Kilby and d'Zmura (1985); de Soto (1986).

57. Several of the papers in Adams et al. (1984) make this point.

58. Anderson and Khambata (1985); Ramos (1980).

59. If banks apply their standard lending procedures to operations for very small borrowers, they may well have to charge interest rates that are as high or higher than those of moneylenders in order to cover their costs. A lengthy loan review process is simply too costly to be applied to the smallest borrowers.

60. Kahnert (1987).

61. de Soto (1986).

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APPENDIX I
FEATURES OF CREDIT PROGRAMS THAT ENCHANCE WOMEN'S PARTICIPATION

Project Feature and Recommended Approach	Rationale for Recommendation
Baseline Data: Use sex-disaggregated data	Enables programs to reach a greater number of women and to track the differential performance of women clients in credit programs
Implementing Agency: Provide technical assistance to the implementing agency in the area of increasing women's participation	Many technically competent implementing agencies have little or no experience in increasing women's level of participation
Advertising: Promote the project through women's organizations and maternal/child health clinics, and by word of mouth through informal channels	Many community organizations which disseminate information about sources of credit and application procedures are male organizations
Guarantees/Collateral: Use the business's track record and potential for increased production; use a low minimum savings requirement; establish an internal guarantee fund, funded by borrowers' commissions and the lending institution; use a solidarity group credit component; use the incentive of future access to credit as a guarantee; use the borrower's reputation in the community	Women often lack title to houses, land, businesses or other property
Training: If training is required before loans, schedule sessions at times and locations convenient to women; establish referral services to vocational education programs in the community	Women are more often deficient in accounting and managerial skills, and they have limited time available for training
Technical Assistance: Offer technical assistance in the loan application process; assist borrowers to form their own associations to increase their leverage to institutions and resources such as raw materials	Women more often require assistance in filling out applications, due to high illiteracy rates; they predominate in low-paying activities
Transactions Costs for Borrowers: Make application forms short; administer loan program in a decentralized setting, near women's businesses or homes, possibly through mobile vans or neighborhood offices	Transaction time is too cumbersome for women borrowers, who must take time away from their businesses and household activities to carry out transactions

<u>Loan Approval and Disbursement Process</u>: Allow program staff to approve loans as well as make recommendations; make the local bank responsible for loan disbursement, releasing staff time	The nature of women's businesses demands working capital on a frequent basis with rapid disbursement
<u>Type of Loans</u>: Make loans available for working capital as well as fixed capital; through incentives in loan terms, encourage women to move into new, more productive activities	Women predominate in commerce and services, rather than manufacturing, and therefore need working capital
<u>Interest Rates</u>: Set at or above market rates to avoid decapitalizing loan fund	Often, women's only option is much higher interest rates to moneylenders
<u>Repayment Terms</u>: Keep loan terms short and flexible	Default rates are often lower if small borrowers are given the option of repaying the loan in frequent small payments or in fewer large payments

Source: Adapted from White et al. (1986).

Commentator

Jacob Levitsky, The World Bank

The first comment I would like to make is on Dr. Berger's discussion of growth verses equity. Recently at a conference I attended in Holland, there was quite a heated discussion about whether, in supporting micro-enterprise, one has to choose between business development and poverty alleviation. We should recognize that here we are concerned with an equity problem, and one that is linked to poverty alleviation. Having said that, I found that a lot of what Dr. Berger said here, as well as what was in the paper, applies to the question of support for the microenterprise sector for the very smallest business units in the developing world.

Repeatedly, we find that the problems and difficulties faced by the very small units in gaining access to credit and being able to develop their businesses apply even more so to women who face additional barriers. We have to accept that in some cases the extra problems of trying to help women get involved in business development requires that we take a slightly different viewpoint on the microenterprise sector generally. One example is so-called minimalist credit—should one go for programs that can be extended quickly to large numbers of very small borrowers, (the activities of the so-called poverty-focused banks such as Grameen and SEWA Bank) or should one stress that credit alone will not achieve the objective of helping these very small enterprises to become successful and that other elements of technical assistance and training must be added. I believe that the training and technical assistance element for women is very important.

For all the reasons that have been stated here, both Dr. Berger's contributions and also in the previous discussion, women are suffering from a lower level of education and training, lack of skills, lack of general access to the business community, and lack of contacts and information. I believe that if we want to promote women in business activity we cannot do it simply by making more money available. Parallel with this, there has to be a greater effort in training and promotional activities. For this reason, I believe sustainability may be a mirage for any program in the field of very small enterprise. We may be deluding ourselves by making available low-cost credit and then stating that a program is sustainable. In the case of programs for women I believe this issue of sustainability will have to be put on the back burner for a longer period. We have to work out ways in which a credit program will be more closely linked with promotional training and technical assistance activities.

With regard to different types of entrepreneurial activities of women, I think that we should be talking about women in business activities. This may not satisfy all the aspirations of women with regard to promoting a greater role for them in the business community, but it faces the reality of what is going on in the developing world. A large number of the women who are engaged in business are at the very lowest level of the business ladder and are only engaged part time. They may be part time, as Dr. Berger points out in her paper, because they have to attend to household activities. They may be working within a family framework, together with their husband or other members of the family. I do not believe that we should be concerned only with helping women who are owner-entrepreneurs of a whole business. I believe that we also have to direct our programs to women who are at the survival levels of entrepreneurial development. A new category that has developed apart from MSEs is survival enterprises, that is, the people who start some type of business activity because they cannot survive on the incomes at their disposal. I think that women are, to a great extent, involved in this survival-type of business: it is self-employment.

I thought that sooner or later the "mommy track" issue would come up. I do not want to get embroiled in the discussion as far as this country is concerned, but as far as the third world is concerned, I interpret the mommy track to mean an acceptance of the fact that women will not always be able to follow the same business track that men or others in the community follow, for many years to come. I am not going to talk about what the situation will be 20 or 30 years from now. However, currently in third world countries we must have programs that help women who are engaged in business activities, whether as women alone or together with men in their families, or whether in part-time business activities.

With regard to institutions, I think that Dr. Berger's categorization is correct. The commercial banks obviously have their high transaction costs, their risks, their problems. Access to credit from commercial banks and formal financial institutions for women is at least as difficult as for all microenterprises and probably more so for all of the reasons mentioned. However, I still do believe that, using the second type of intermediary approach, we should not write off the formal financial institutions. Dr. Berger made some mention of Hank Jackelen's proposal about specialized intermediaries. I do not know that this is such a new idea, but the basic idea is that, when dealing with commercial banks and getting them involved in lending to the very smallest type of businesses, such structures may be required. This would apply to many women's businesses as well. We should try to create such structures in a group form so that we graduate not individual businesses but rather whole groups and thereby the intermediary, usually an NGO. The intermediary will play the role of preparing the projects for financing in an attempt to reduce the high transaction costs, and possibly also assist in guarantees or collaterals.

I do not believe that we can resolve this issue, and particularly not for women, unless we squarely face the issue of graduation—which means growth. If we develop programs that simply keep women businesses at the survival level and in truncated, dwarf-like business activities, then we are not going to solve their problem. I do not believe this will satisfy the women's community; it will not solve anything. We have to find ways to facilitate growth and development of women's firms. I hate to think that less than this is being accepted because NGOs do not want to give up their best clients. There is something wrong with the design of all our programs if in the end the interest of the NGO—in looking after its programs and vested interests in growth, survival, and income—is the basis on which we decide about graduation.

I do wonder whether, in our attempts to develop women entrepreneurs and to promote women in business, we neglect the possibility that women might sometimes do well in partnership with men. I have visited quite successful small business women and microenterprises owned by women, but there is often a husband involved as well. Although the woman may be playing the substantial, important role, it is a family business. I do not think that we are out to create sanitized activities where only women will be engaged. The type of household businesses that we are discussing can very well be the way in which women get out of the survival economy and move to the small enterprise sector where they are less represented. The first step can be a family business in partnership with men, who may or may not be their husbands. Giving this role to men in the promotion of women in business should be given more thought.

Another point that I want to make related to an earlier discussion is the type of activity that we should expect women to be engaged in. We might like to see women running foundries and heading factories that make electric components and computers. However, I do not find it any less important for a woman to have a successful business making toys or making sweaters than to run a foundry. In her final remarks Dr. Berger noted that it is important to get women into the more lucrative activities, but I can assure you that Bennetton in the fashion industry in Italy is as lucrative as any foundry. If women are able to and find it more convenient to develop light industrial activities, they should be encouraged to do so. That is not to say we should make a distinction between heavy and light industry. It is not correct that only if women get into the basic industries can they make a contribution to business.

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Third Presentation

MAINSTREAMING: MAKING IT MORE THAN LIP SERVICE

Jennifer Bremer-Fox, Nathan Associates Inc.

When the women-in-development movement began, emphasis was placed on creating programs specifically for women. These programs took various forms, including separate women-in-development projects or programs and women-in-development components within larger projects. In general, these activities were separate but far from equal. At best, they offered a limited level of services directed to what project designers imagined women would be interested in and were only loosely connected to the projects' main activities. A project focused on farmer extension, for example, would include a women's extension component focusing on kitchen gardens, food preparation, or some such "women's activity." At worst, the women's component took the form of activities, such as handicrafts, that were marginal to everyone involved, including the women.

The donors bear only part of the responsibility for this situation. In many cases, they have simply taken the course of least resistance by buying into the host government's existing programs for women. These programs have often been ghettoized by being placed in separate offices within the technical ministries, such as women's extension services; in different ministries from the main program, such as social service ministries; or even in separate offices with no visible attachment to anything else at all.

Why Mainstreaming Is Better

Dissatisfaction with this approach gave rise to a new approach, generally termed "mainstreaming." In the mainstreaming approach, efforts are made to incorporate women and women-owned enterprises directly into the project or program's main activities. Rather than operating a separate credit program for women entrepreneurs, for example, a project using mainstreaming would attempt to include women entrepreneurs in the clientele served by the main credit program implemented or assisted by the project.

Mainstreaming is viewed as preferable for a number of reasons, some ideological, some practical.

First, it tends to increase the resources made available to women entrepreneurs, because they are not channeled artificially into a separate program that is always much smaller than the main program, implicitly reserved for men.

Second, it recognizes the importance of women's economic production and entrepreneurial role by including them in the project's main programs, rather than treating them as a socially desirable but otherwise useless add-on.

Third, it highlights the constraints that women may face in gaining access to services under the existing system and promotes the institutionalization of measures to remove these constraints.

The Danger of Mainstreaming

At the same time, it is vital to distinguish between actual mainstreaming and mainstreaming in name only. If project implementers are serious about reaching women, then mainstreaming is probably the way to go. If, however, project implementers are simply engaging in a box-checking exercise, trying to meet a requirement imposed from outside with as little bother as possible, mainstreaming offers a convenient bolt-hole. By labeling their proposed approached as mainstreaming without actually adapting the project design, they can give the appearance of being at the forefront of women in development without actually doing anything.

It is vital, in my view, for the women-in-development movement to recognize the implications of project adaptation. Whether the approach is mainstreaming or women-focused project activities, real modifications and adaptations in projects are needed. This means changes in design, in implementation, and in evaluation. Some of these changes can be made with little or no additional resources and require only greater awareness on the part of project implementers or stricter adherence to sound design principles that benefit both men and women participants. But many of these changes require additional resources, in terms of personnel, financial inputs, training, and so on.

In saying this, I believe in some ways like the poor soul who set off the "mommy track" debate. But the point she makes is no less valid for the women-in-development movement. There are really two points, and the first and more important point tends to get lost in the frenzy generated by the second point.

First, women are a vital part of the economic system, as entrepreneurs, employees, and managers. Development can only succeed if they are involved, because to exclude them is to exclude a significant part of the total picture.

However, second, reaching and including women is not without cost. If it is true that women in our society face constraints that inhibit their full participation in the workforce, how much more real are these constraints for low-income women in developing countries? If it is true that U.S. women-owned enterprises are affected by past discrimination, how much more serious are the impacts on third world women, where discriminatory laws remain on the books? To overcome these barriers, both external and internal, projects must include the extra resources needed to reach women. Women entrepreneurs, as a group, run smaller enterprises and operate closer to the margin of survival compared with other enterprises. Women entrepreneurs may be illiterate or lack basic accounting skills. All of these problems mean that additional resources must be expended to reach them.

Three Approaches to Mainstreaming

Three things must be done to make mainstreaming a reality:

- Constraints analysis,
- Private sector service delivery, and
- Targeting.

Constraints Analysis

This approach is most similar to a special project. It requires a two-step process:

- The first step is describing women's economic activities in sufficient detail to identify the constraints they face in expanding their income and employment, including
    - Job-related constraints, such as access to credit;

- Off-the-job constraints, such as household maintenance activities that reduce time available on the job; and

- Consideration of both types of constraints for men as well, because low-income people typically have much higher demands for a household maintenance and related activities regardless of their gender. This has often not been considered, leading to project problems.

■ The second step is designing project features that address these constraints.

In many cases, the actions needed are consistent with good design, and the need to reach women is simply an extension of the need to make project decisions on an economic basis.

■ Women have better access to credit at market rates than to subsidized credit, because the latter is allocated by nonprice rationing, which often discriminates against them; improving access to women is only one reason not to provide subsidized credit.

■ The general goofiness associated with many just-for-women activities in the past is the result in part of the failure to apply sound project design principles, taking instead an "oh those poor women need our help" approach that served no one's needs.

In other cases, addressing women-specific constraints means adding extra project features, such as additional classes scheduled when they can attend.

■ We need to acknowledge that these features cost money and use scarce project resources, and not try to hide this reality out of fear that we will scare people away from including women, and then find that the resources are not there when we need them.

■ Even though incorporating women costs money, it is money well spent because failure to reach women or ensure that project activities benefit them puts the whole project in jeopardy and reduces returns—in other words, there is no choice but to make the extra expenditure and it is worthwhile in terms of better project results.

Private Sector Service Delivery

Evidence is accumulating that government services, particularly subsidized services, go to those who are best connected. Government bureaucrats also tend to have a distorted view of private sector activities and to downplay women's contribution, particularly when that contribution is in the informal sector—for example, higglers and hucksters in the Caribbean —and therefore to exclude women from programs.

Although the private sector is not perfect, private service providers are most interested in making money, not in excluding part of their customer/ supplier base because of gender.

- Indeed, women are preferred by the private sector in some cases because of positive stereotypes—women are "more honest," "harder working," have greater dexterity for certain jobs, and are "more reliable."
- Still, the private sector needs help to reach women and supervision to ensure that women's lack of knowledge and opportunities is not taken advantage of.

Targeting

Women's economic activities are concentrated in certain subsectors.

- These subsectors vary from country to country.
- They are usually concentrated in retail and consumer services, with a lesser emphasis on small manufacturing and processing, especially agricultural processing.
- In the agricultural sector, women's activities are usually concentrated in traditional food crops, especially nongrains (pulses, tubers) and coarse grains

(maize, sorghum), horticulture, small livestock, and dairy.

Project activities can be targeted to these activities and, if the other approaches are applied as well, should result in a high proportion of women participants. In targeting, we are looking for activities in which women are entrepreneurs and managers, but we must also consider activities in which women are major contributors to the labor force or are important as clients or service users.

Conclusion

In conclusion, women are important to the economy. If project activities do not include women, something is wrong.

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Commentator

Lynn Bennett, The World Bank

"Mainstreaming" is a word we have heard a lot in the past 4 or 5 years. The term may have grown from our sense of frustration with some of the early approaches to that horrible phrase "integrating women into development," which became so overused and so ineffectual that it lost all of its power.

I remember my own attempt to break out of the "integrating women into development" mindset with a project called Production Credit for Rural Women, which I designed in Nepal in 1982. Listening to Dr. Bremer-Fox's discussion of three approaches, I realize that I used constraints analysis. I tried to assess the special problems that women faced in getting access to a large-scale, government-sponsored credit program called the intensive banking program. Then I tried to put into place assistance from the government—a special intermediation system—that would help women get into the mainstream.

About 1 year into implementation, I wrote a paper called "Infiltrating Banks." Having just come back from 16 years abroad, I cannot even find that paper. But what I was trying to talk about was mainstreaming. The word infiltration was my own attempt to discuss that issue. I remember how excited we were at the time about developing production credit for rural women because we were moving into the big time. We were going to work with commercial banks; we knew they had the money; and we thought they had the know-how to help get Nepalese women started.

My infiltration strategy was based on two beliefs: (1) that economic programs for women should take a businesslike, non-welfare approach; and (2) that the banking system in Nepal functioned in a businesslike manner. I was working for UNICEF at the time, and the nonwelfare approach was not the mainstream idea in UNICEF. But I believed that women's enterprises and the whole project structure in which they were working should try to become economically viable. I also thought that we should try to think from the perspective and learn the language of the banks that we were dealing with, so that we could set up mediation structures and act as translator between the banks and the women we were trying to serve. I still hold this belief and am sure that most of us are still trying to figure out how to accomplish it.

The second part of my infiltration strategy was built on a belief that has not proved as robust: the rather naive belief that the banking system in Nepal functioned in a businesslike way. I believed bankers could guide us and teach us how to make money work for women. If we could make sure that our women clients repaid the banks, the banks would want to expand their business with women and the miracle of market forces would take us the rest of the way. I then learned what was really driving the commercial banks' involvement in that government program: a government mandate. Participation was essentially the cost of doing business in Nepal; it was not a business transaction, it was a tax. The banks did not care about repayment. They did not care about the viability of individual projects. Only our women's development division and, ultimately, the women's credit groups that we formed were concerned about repayment and viability.

I do not mean to sound so negative. The PCR project has actually been a success. It has gone from a pilot program in five districts, supported by UNICEF grant funds from the Netherlands, to a nationwide program for which the Nepal government has decided it is worthwhile to take a $5 million loan from IFAD. Even better, our repayment rate was 91 percent last year.

However, the reason for the success of this project lies not with the banks or the government's intensive banking program, with which I was so eager to get involved. The group formation and the intermediation work done by the women's development section and the concern with repayments and profitability got us through. I will look at the programs that had the special intermediation component and those that did not and compare.

When I was writing the infiltration paper—and I used that term—my husband feared that it sounded subversive, that I would be considered a radical feminist. At the time I was at great pains to prove that I was not, that there was nothing subversive in our approach, and that we were just trying to learn the system. Now, I am not so sure. Getting into the mainstream, in this case the government credit programs, is not enough. We may have to question their paradigms and try to change them. We should change not only the way they work for women but the way they work for poor people in general. The crux of the mainstreaming issue is not only that we need the banks, but that they need us.

Now I am involved in an assessment of the women of India for the World Bank. My experience with government credit programs and what it took to successfully mainstream them in the Nepal case has made me question the wisdom of mainstreaming women in India's massive credit-based, poverty alleviation program called the Integrated Rural Development Program (IRDP).

This program is truly important. It reaches 27 million rural families, 135 million rural people, and between 1980 and 1988, $6 billion was expended. However, it also has significant structural problems. It has a very low repayment rate—which may result from the belief that politicians will say "I forgive all your loans, you've elected me, forget it, you don't have to pay." This belief does little to promote the repayment ethic, particularly within a nationalized banking system in which the motivation to get out there and hustle is extremely low. The current arrears on the nationalized commercial banks, and they are all nationalized, is 46 percent. The cost of the IRDP credit delivery is not covered. That means, even if the payment rates were perfect the banks would lose money on every IRDP loan made. Therefore, there is no incentive to make loans.

It would appear that, as in Nepal, the banks in India consider the IRDP program to be the cost of doing business. And they treat it as such instead of setting up a system and to provide an opportunity for the poor to borrow in the formal credit system. We do not want only a one-time loan, we want a system that will continue to allow our entrepreneurs to graduate.

IRDP has become a one-time grant. Repayment is apparently not expected, and continued credit and graduation is not available. Women are currently 15 percent of the beneficiaries, a rapid rise from the 7 percent of a few years ago. The target is 30 percent. However, I question whether this is a program into which we should mainstream women.

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Appendix A

GENDER-SPECIFIC SUMMARY FINDINGS FROM THE A.I.D. STOCKTAKING STUDY

This text is taken from Boomgard, *A.I.D. Microenterprise Stocktaking Synthesis Report.* 1989.

Microenterprise programs are well suited to the goal of integrating women into the development process. The proportion of women beneficiaries is high in many of the programs reviewed.

The proportion of women beneficiaries was highest in those programs that (1) specifically targeted women and (2) targeted assistance to urban, commercial microentrepreneurs—sectors having proportionally high rates of female participation. There was no obvious performance trade-off caused by a gender-specific focus. The majority of the enterprise formation programs reached a large proportion of women, both through explicit targeting and by focusing on the neediest groups in the program communities. The enterprise expansion approach, by virtue of its orientation toward commercial activities, tended to have a high proportion of women beneficiaries. Transformation programs, except when specifically targeted, do not reach a high proportion of women (p. xv).

Successful microenterprise programs focus first and foremost on the development of profitable and sustainable businesses. Secondary targeting—directing resources to women or disadvantaged groups, for example—should be consistent with this primary focus.

The benefits of microenterprise development arise from the income earned by producing or selling goods and services. If the services provided to enterprises by assistance programs do not improve the performance of the businesses, there will be no benefit and the distribution question is mute. As obvious as this point seems, there are programs in the sample that have given priority to delivering resources to a particular target group at the expense of business development. Secondary targeting may mean that the businesses with the greatest profitability potential are sacrificed in favor of more modest ventures that are operated by women or other socially disadvantaged groups. This targeting decision is made on the basis of the value attached to the distribution of benefits. (p. xxi).

Appendix B

INTEGRATING WOMEN BORROWERS INTO CREDIT PROGRAMS

Paola Lang, Nathan Associates Inc.

Introduction

Recognition of the contribution of women to the development process and overall production has grown rapidly in the past decade. In addition to the increasing visibility of women in the labor force and as heads of households, economists, policy analysts, and program implementors have noted the high level of participation of women in small-scale activities within the informal sector.

The tendency of women to generate jobs for themselves within the informal sector is explained by two sets of factors. On the one hand, paid employment opportunities for women in the formal economy tend to amount to marginal jobs with low wages, little change for advancement, no or little fringe benefits, and poor and inflexible working conditions. On the other hand, self-generated jobs within the informal economy can be tailored to meet individual abilities and needs, and they permit rapid changes in activities and hours, according to market conditions, availability of inputs, and demands on productive time.

Studies of informal sector activities confirm the dual role assumed by women entrepreneurs, as homemakers and providers trying to raise overall household production levels, as well as homemakers and mothers trying to satisfy the consumption requirements of the family. The studies indicate little separation for women entrepreneurs between business maintenance (a production function) and household maintenance (a consumption function). They also show a concentration of women in garment-making, food production, and the sale of perishable foods and other occupations that are extensions of women's domestic role in the household.

This link between production and consumption as focused on the household is the most important characteristic of women entrepreneurs. Other characteristics include low literacy rates, limited access to the factors of production, and little spare time to upgrade skills or learn new ones. These characteristics have important implications for credit programs. Just as it was found that interventions in the informal sector should be based on characteristics (type and size) of the subsectoral activity, credit programs must address ability and willingness of women to apply for credit. This appendix seeks to put into relief potential constraints on women's participation in credit programs and to offer some insights on how these constraints may be overcome.

The Informal Sector and Women Entrepreneurs

The informal sector is considered to be the segment of the economy that operates outside of the legal and regulatory framework established by public sector policy makers. As a result, the informal sector permits the evolution of loosely structured businesses that bypass many of the expensive and time-consuming licensing requirements of the formal sector.

For women, the informal sector also presents other advantages. Home- and marketplace-oriented production and selling skills can be transferred to a new enterprise, thereby overcoming the lack of education and vocational skills demanded by jobs in the formal sector. Work sites in the home or on the street can ease the balancing of household-maintenance and income-earning responsibilities, as well as surmount general overhead and initial capitalization costs.

Women's enterprises tend to cluster in retail services with accessible sales markets and supplies of basic inputs, with simple technology, and with low potential for economies of scale. Enterprises in manufacturing and other subsectors in industry are less appealing to women, for though such ventures tend to earn higher returns, they also carry higher risks and start-up costs, owing primarily to competition from existing, relatively large-scale, capital-intensive units.

Women starting enterprises generally rely on traditional economic activities: street vending in a fixed location, itinerant street hawking, beer brewing, baking, and other forms of elementary food processing and selling that usually result in marginal increases in real income. Success in these activities sometimes leads to their expansion or to the initiation of other economic activities requiring higher levels of capital, more sophisticated technologies, and stronger management and marketing skills. Examples include high-volume trading and other business requiring a fixed location and

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more than one or two employees. Such business ventures may result in substantial increases in real income.

The majority of women-owned enterprises, however, fall into the lowest income category. Women are restricted to the smallest and simplest entrepreneurial activities because of limited access to the factors of production—an access that changes marginally with the presence of entrepreneurial activities that are often tied to the need for additional income within the household. Frequently, too, poverty reinforces traditional social and economic mores that prevent women from gaining control over productive resources and from developing enterprises with strong cash flow and income levels. As a result, many female entrepreneurs are more concerned with subsistence than enterprise growth issues.

The implications for credit programs seeking to integrate women borrowers among their clients are as follows:

- Women fare poorly compared to men in the acquisition of education, commercial work skills, and other attainments generally regarded as prerequisites for successful entry into business ventures. They also often do not have formal control over material assets that can be capitalized for business start-ups or expansions. As a result, they own and operate the smallest businesses, often one-person enterprises, with small credit needs and uneven income streams. Credit programs must be willing to lend in small amounts and develop a repayment option for small, frequent payments.

- Women tend to balance income generating and home activities with very little "leisure" time for completing lengthy loan applications and training courses. Credit programs must be willing to tailor their content to minimize the opportunity costs of women interested in obtaining loans.

- Married women are sometimes denied the legal right to hold property in their own name and often lose their inheritance of property to men through ignorance. Credit programs must be willing to accept other forms of collateral or develop surrogates for land titles.

- Women are often illiterate, especially in rural areas; this has a notable effect on migrants to urban centers. Credit programs must move away from application procedures with extensive written responses.

Mechanisms for Integrating Women into Credit Programs

A flexible approach to credit delivery has been tried by a number of credit programs—from those targeting only women borrowers, to those focused on the participants of a particular subsector or trade, to those concerned with the inability of the smallest and often most needy entrepreneurs to obtain credit from formal sources.

Policies and procedures promoting credit delivery to women can be developed without sacrificing basic credit principles and a strong management stance. Examples follow.

Informal Communication Channels

Informal communication channels for promotion of program services can be used to take advantage of the informal contacts through which most women obtain information.

Tying the local female figure of authority, such as the village/community midwife, into the program's communication network is an effective way of introducing women to the array of services offered by a program. Such figures have contact with a wide female audience, and routinely advise members of their audience on important matters.

Another means of informal advertisement is using female loan officers/extension agents to encourage both formal and informal interaction between program staff and women, since women often find it easier to communicate with other women. Sometimes, however, working conditions (such as using mopeds to travel from office to office) or cultural overtones effectively prevent employing female staff members to this end. The use of male extension agents/loan officers may be made more effective by sending them to the marketplace where women are used to gathering market intelligence and initiating business transactions.

Simplified Application Forms

Simple application forms supplemented by interviews can reduce the reluctance of women to approach the institution for assistance.

By keeping application forms short, and relying on community-based referrals or interviews to complement the forms, credit programs render the application process less formidable and more personalized, and they encourage women to participate in organizational activities frequently perceived as being exclusively male.

Group Support

Promoting group formation among borrowers, collectively and individually responsible for loan repayment, can obviate the need for collateral and guarantees.

By filtering group attitudes to determine credit worthiness, credit programs bypass the difficult and time-consuming traditional loan analysis based on financial statements and the ability to provide collateral. In this system, an individual's reputation in the community—and not financial statements (which often do not exist) or title to houses, land, and other property (which also do not exist)—becomes the basis for admission into groups of women from the community. The groups then are responsible to the program for loan repayment, with peer pressure minimizing the risk of default. Such groups operate best if they are self-initiated from within the same trade or activity because they have common problems, objectives, and loan purpose. Other mechanisms for encouraging loan repayment are tying access to future credit to prompt repayment and tying loans to a minimum savings requirement.

Decentralized Services

Favoring decentralized loan extension services or few mandatory home-office visits can minimize the amount of time female borrowers must spend away from their households.

By administering the credit program in a decentralized manner, with program staff setting up (part-time) offices near women's businesses or homes, or even using mobile vans to visit set locations on a regular basis, the program can cut down the loan transaction time for female borrowers. Decentralization is also an effective way to overcome cultural constraints especially strong in Asia against women circulating beyond their home village or community.

Specialized Loans

Loan types should be developed to account for the specialized needs of women in commerce (especially retail services).

By allowing access to both working capital and fixed capital loans, credit programs can respond to the short-term, generally low-volume credit needs of women in commerce activities, where they tend to predominate. Simultaneously, incentives have to be developed to encourage women in commerce to move into possibly new, more productive areas.

Training in Business Procedures

Offering standard training in accounting and business management prior to loan disbursements and in conjunction with the loan disbursement and repayment process can increase the self-confidence of women with respect to business matters.

Not all credit programs feel the need to offer more than credit (generally known as the "minimal" credit approach). Should a program consider offering more than credit, the services should be packaged in a manner that complements the loan application and repayment cycle and increases the ability of women borrowers to ascertain market forces, move out of low-paying activities, and increase access to supply and sale markets. Care should be taken, however, that such training be offered at times that do not interfere with the schedules imposed by household maintenance tasks. Care must also be taken to tailor the training to a group of generally illiterate borrowers and to develop training modules that seek to overcome the doubts of women seeking to penetrate markets operated by people typically more literate than themselves.

Rarely are all of the policies and procedures mentioned above integrated into one program. A variety of country-specific factors, such as cultural and societal norms, institutional and regulatory requirements, and economic developments, can affect program parameters, and render implementation of such polices and procedures difficult. It is important, however, to explore the degree to which women can be encouraged to participate in credit programs and to eliminate program elements inherently biased against women, sometimes unknowingly.

The best time to consider integrating women in credit programs is at the program's inception. Good programs can and should be refined over time in order to remain responsive to changes in the economy and the overall social and political environment, but major modifications in program design are difficult to implement mid-stream because they usually demand organizational, as distinguished from operational and procedural, changes.

Women and Credit: Institutional Considerations

Organizational Purpose

The credit management training package suggests that credit programs ascertain their organizational purpose because this has a notable impact on program content and client selection. Credit programs generally fall into one of two broad categories: those interested in community development and those that seek to foster economic development.

Those programs concerned primarily with community development, poverty alleviation, and income generation tend to promote educational services (including financial management and production skills), community services (including group administration), and other services of concern to all community members, whether men or women. Such programs use promotion and extension techniques that touch on a number of cultural and social sensitivities. They almost automatically target the illiterate, those with low skill levels, vulnerable households, and other groups where women have been found to predominate.

On the other hand, programs focused on economic development tend to emphasize economic benefits and try to increase the material well being of the community. Promotion and extension efforts tend to focus on productive activities with high rates of return. Unless special criteria are established for client selection with respect to sex and subsectoral activity, most clients (if not all clients of such programs) will be men.

One way of encouraging women's participation in programs run by commercially or economically oriented institutions consists of placing women in key professional positions within the organization, especially in central decision-making positions affecting the scope and type of organizational activities pursued and in extension-level positions affecting the nature of the organization's transactions at the community level. The goals of these programs need not be gender-specific, but the delivery and out reach components of the program must take into account the characteristics of women entrepreneurs so that they are encouraged to participate.

Organizational Procedures

Credit programs must also be careful of limiting the scope for women's participation by modelling themselves too closely on the credit operations of formal financial institutions. A critical barrier is overreliance on standard operating policies and procedures that emphasize lengthy, written loan applications; material resources, such as buildings and land, as collateral or security for loan repayment; and long intervals between loan application and funds disbursements. Many women simply cannot comply with the requirements for literacy, capital and time inherent in such rigid credit operations.

Another barrier to women's participation in credit programs is limiting employment of loan funds to a select number of activities or types of borrowers. Narrow definitions of eligible activities and borrowers tend to focus on business ventures immediately perceived as being highly remunerative such as large-scale manufacturing units where there are very few women, or on loan uses expected to have high returns such as construction, acquisition of capital goods, major infusions of working capital, and other large-scale credit needs often beyond the scope of women.

Generally speaking, while services may be limited by credit programs to a narrow range, clients should not be. The best way to prevent biases against women from creeping into the operations of credit programs is to assess the market; target a community, subsector, or sector for operations; and develop illustrative client profiles prior to program start-up.

The best credit programs (the most successful in terms of impact) are those that study the environment in which they will work before actually initiating credit operations. The focus of such studies are twofold: to better understand (1) the players and (2) the economic elements of the environment. The players cover the gamut from public and private institutions, political authorities, buyers, sellers, producers, and any other entity or group that may have a direct or indirect impact on, or role in, the targeted community, subsector, or sector. The economic elements cover market structure and dynamics. By studying the environment in this manner, the best credit programs ascertain the composition of their potential client base, the role of the client base within the local economy, the immediate needs of the client base, and the best ways to help the client base overcome constraints to production. If women represent a significant percentage of the activity in the trade, subsector or sector targeted by the credit program, then these programs tailor their interventions and outreach efforts to meet the needs of the client base, taking care to develop procedures that respond to the particular requirements of women.

Examples of Specific Institutional Credit Delivery Systems

As mentioned earlier, institutions vary in the degree to which they tailor their credit programs to women. The first three institutions mentioned below have targeted the smallest businesses or women, and women consequently represent a majority of their borrowers. The last institution highlighted below never consciously targeted women and even gradually oriented its credit towards large manufacturing enterprises. Yet, despite the focus on units with higher potential for income and employment generation, this institution continued to serve women according to the proportion they represent within the manufacturing subsector.

Grameen Bank

The Grameen Bank, founded in 1976, provides loans to the landless poor in rural areas of Bangladesh. Loans are disbursed only to self-initiated groups of five, and only after attendance at a week-long course tailored more to ensure an understanding of the loan repayment process than to upgrade business skills. Loan amounts have a ceiling of $50 per person. Repayment rates are high, approximately 94 percent. Bank operations are decentralized, with branch staff members living near the branch.

Grameen Bank targets very poor borrowers, and 70 percent of its borrowers are women, many of whom have never engaged in income-generating activities prior to the loan. For various reasons, it has recruited almost exclusively women borrowers in recent years because of good repayment experience and explicit preference. Many design features contribute to the success of the Grameen Bank in reaching women: group formation overcoming the need for collateral; female staff members as much or possibly more than men conveying programmatic information both formally and informally; and standard, simple training increasing the self-confidence of women. In addition, Grameen Bank has an explicit policy that at least half of its loans are to be for women.

PROGRESO

PROGRESO, a credit program started in 1982 by Accion Comunitaria del Peru, operates in the barrios on the outskirts of Lima. PROGRESO serves the microenterprise sector, and has delineated two client groups within the sector: (1) manufacturing- and service-oriented microentrepreneurs with an established place of work and (2) itinerant street and market vendors with changing work locations. Initially, PROGRESO employed different loan procedures for each group. In the case of microentrepreneurs with businesses at least 2 years old, individual loans were made subsequent to interviews and an on-site visit by a PROGRESO staff member. With respect to market and street vendors, loans were made to self-selected groups of five to eight people, which are collectively responsible for loan repayment.

In 1985, the solidarity group methodology was tested among microentrepreneurs because of its inherent cost-effectiveness and potential for facilitating PROGRESO's outreach. The success of the tests encouraged PROGRESO to reorganize its program around solidarity groups. By 1986, only 29 borrowers received individual loans. The loan repayment rate for all borrowers averaged 97 percent.

Women account for 50 percent of the microentrepreneurs and 80 percent of itinerant workers assisted. PROGRESO has been able to maintain high levels of women participants by situating PROGRESO offices in the barrios; imposing no collateral requirements (a cosigner guarantees repayment when microentrepreneurs default, and the solidarity group ensures repayment amongst market vendors); requiring few office visits (a total of three pre-loan, and monthly post-loan visits); offering small initial loans with automatic borrowing privileges for slightly larger loans once the first one is paid; and extending training in bookkeeping and business management throughout the loan disbursement and repayment process.

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OEF International

OEF International (OEF), a U.S.-based private voluntary organization initially formed under the auspices of the U.S. League of Women Voters, implements credit programs for women worldwide, with a preponderance of programs in Central America and West Africa. In each country, OEF works in partnership with indigenous public and private sector organizations with well-established histories of serving women, a strong presence in rural areas, and well-developed but decentralized operations. By linking itself into existing networks, OEF bypasses high start-up costs and entry barriers and is able to concentrate on strengthening the outreach capacity of its affiliates. OEF's efforts include training male agents (promoters) to work with women, tying external public and private extension services to those provided by the organization through collaborative contracts, and developing revolving loans structures and credit guarantee schemes to allow women access to formal sector funds.

OEF favors the extension of credit in conjunction with training and technical assistance that are designed to help rural women transform traditional subsistence activities into productive business operations. OEF's credit program consists of three distinct elements: women approaching OEF with business concepts; OEF teaching these women the mechanics of undertaking feasibility studies, complete with market analysis to ascertain the viability of the business concept; and credit in a variety of forms depending on the results of the feasibility studies.

Most of OEF's services are demand-driven. OEF developed the ongoing credit program 7 years ago based on repeated requests by women seeking to strengthen their economic roles with respect to income generation and family welfare. OEF is currently considering the integration of child care into the credit program as a means of overcoming the obstacles it poses to expanding entrepreneurial activities.

Asociacion Para el Desarrollo de Microempressa, Inc.

Asociacion Para el Desarrollo de Microempressa, Inc. (ADEMI), a private nonprofit organization established in 1983 with financing from local Dominican leaders and technical assistance from ACCION/AITEC, has three objectives to its credit program: (1) to increase the income stream of microentrepreneurs, (2) to create new employment, and (3) to strengthen the viability of jobs within the informal sector. ADEMI's original credit program had two components, one for microentrepreneurs with fixed assets and business histories providing sufficient information for credit analysis, and one for itinerant vendors and the like who would band together in groups of five to eight members to ensure loan repayment. In 1984, to better focus on program objectives, and given the presence of several other credit programs

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serving the smallest enterprises through group mechanisms, ADEMI began to phase out service to groups, 43 percent of which were composed of women. By 1987, all services were targeted to individual microentrepreneurs. Throughout this transition, ADEMI was able to sustain a growing number of women clients within the microentrepreneur class, from 14 percent in 1984, to 28 percent from 1985 to 1987, to 36 percent in 1988. The reasons for this are ingrained in ADEMI's operating procedures: the initial loan size is small, averaging $25 to $50; initial loan terms are flexible, generally from 2 to 3 months; the initial loan is restricted to working capital; and technical assistance is not a loan requirement.

This success was achieved despite the fact that all field workers are male, a conscious decision made because of the rough slum areas in which ADEMI operates.

Appendix C

SUMMARY OF A PARTICIPANT SURVEY

Mari Clark, Consultant to the
Office of Women in Development
Agency for International Development

One part of a PPC/WID-supported ARIES study, of lessons learned from ARIES about involving women in microenterprise projects, was a survey of participants who attended this ARIES workshop. The objectives of the survey were to provide a profile of the background and experience of the audience and to identify issues of concern to those who did have an opportunity to give a presentation or ask questions during the workshop.

Participant Profile

Twenty-three females and 11 males responded to the survey. They ranged in age from 20 to 64. Their experience in development work ranged from zero to 30 years, but only four individuals had no experience. Nearly half of these individuals were from PVOs, one-fifth were from government agencies, and the remainder were evenly distributed between universities, consulting firms, financial institutions, and other organizations. Their experience in women and microenterprise was fairly evenly distributed in terms of technical assistance, research, training, and project management. Most participants attended the meeting to gain a better understanding of the issues, problems, and the latest findings on women and microenterprise as well as to broaden knowledge of program operations and practical information on how to involve women.

Broad Program and Policy Issues

- Economic growth versus poverty-alleviation approaches to MSE assistance;
- Sustainability of enterprises and support institutions;
- Shifting from a strictly credit access focus to a broader business development focus, including capital investment and access to savings opportunities;
- Effects of policy change, disaggregated by gender;
- Finding ways for governments to pay the expenses of reducing social costs;
- Getting women into decision-making and management positions;
- Learning how to help people graduate from survival trade to small businesses;
- The relative merits of self-employment versus wage labor for women;
- Recognizing and addressing the issue of women's multiple roles and double burden, particularly women who head households;
- Women's access to technology; and
- Cross-cultural difference and how these affect western-based efforts to promote women's issues.

Implementation Issues

- Strengthening credit service institutions (start-ups, expanding credit supplies, involving local credit institutions, expanding coverage of existing programs, finding alternatives to literacy for bookkeeping) and
- Noncredit assistance (integrating education, family health care, and family planning with microenterprise

assistance; appropriate training and skills development, relating assistance to country needs).

Evaluation and Research

- Improvement of baseline data in each country, particularly on women entrepreneurs;
- Evaluation of microenterprise programs to determine what features of design facilitate maximum participation of women;
- Evaluation of assistance impact, disaggregated by gender but going beyond women versus men data (taking into account socioeconomic, occupational, and other key differences between women);
- Case studies of successful implementation;
- Documentation of alternatives for women that take into account sociocultural constraints and opportunities; and
- Research on the impact of women's income on family and community nutrition and well-being.

Appendix D

SEMINAR SCHEDULE

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INTEGRATING WOMEN AND OTHER "EXCLUDED GROUPS" INTO SME PROMOTION PROGRAMS

April 5, 1989

In collaboration with the United States Agency for International Development (A.I.D.), the ARIES Project will hold a seminar on "Integrating Women and other 'Excluded Groups' into Small- and Micro-enterprise (SME) Promotion Programs." The seminar, to be held from 10:00-12:00 and from 2:00-4:00 on Wednesday April 5, will focus on SME program planning and project design for women and other excluded groups, with particular emphasis on broader policy issues and specific projects that have effectively undertaken integration efforts.

Seminar Schedule

CHAIRPERSON: DR. THOMAS TIMBERG, ARIES Project Director

10:00 - 11:00	DR. WESLEY WEIDEMANN, RRNA principal associate, director of Middle East and North Africa operations, and ARIES project coordinator. "Programs for Small Business Women in Africa and the Middle East." Commentator: Margaret Clark, the Ford Foundation.
11:00 - 11:15	BREAK
11:15 - 12:15	MS. MARGUERITE BERGER, independent consultant. "Women's Participation in Credit Programs for Small- and Micro-enterprises." Commentator: Jacob Levitsky, the World Bank.
12:15 - 2:00	LUNCH
2:00 - 3:00	DR. JENNIFER BREMER-FOX, RRNA principal associate and director for agriculture and human resources. "Making Integration More than Lip Service." Commentator: Lynn Bennett, the World Bank.
3:00 - 3:15	BREAK
3:15 - 4:00	CLOSING COMMENTS AND CONCLUSIONS Commentators: Ton de Wilde, Appropriate Technology International and Maria Otero, ACCION.

The seminar will be held in the board room of Robert R. Nathan Associates, 1301 Pennsylvania Ave., Suite 900, Washington, DC, 20004, unless excessive attendance forces a move. Non-A.I.D. participants will be asked to contribute a $5.00 fee. Please RSVP to Ms. Wendy S. Weidner at (202) 626-8250.

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