FINANCIAL SERVICES FOR WOMEN

Tools for Microenterprise Programs: Financial Assistance Section

by

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March 1992

PREFACE

As the field of microenterprise development becomes more sophisticated, practitioners require greater technical skills to meet increasingly complex challenges. As part of its continuing efforts to meet the needs of microenterprise practitioners, the GEMINI project is producing technical notes and training materials on a range of topics related to microenterprise development. This technical note examines strategies for providing financial services for women.

Preparation of this document was carried out between September 1991 and March 1992, under the direction of Elisabeth Rhyne, Coordinator, GEMINI Project; Tulin Pulley, Office of Women in Development, USAID; and Kathy Stearns and Maria Otero of ACCION International, Washington, D.C.[1] These individuals, among the most knowledgeable in the field, freely gave their time and expertise. The assistance of Development Alternatives, Inc., the contractor for GEMINI, is gratefully acknowledged, especially that given by Jim Boomgard, Matthew Gamser, and Jennifer Santer. A special debt of thanks is also owed to Arelis Gomez, whose field experience led to many enlightening conversations, and to Lynn Bennett, who until recently spearheaded the World Bank's initiatives in women and financial services. The document emerged from a thorough review and synthesis of literature in this field, from interviews with 28 experts, and from the author's own experience in many countries.

The GEMINI technical note series is divided into three sections. The financial assistance section, to which this note belongs, includes notes on setting interest rates, managing delinquency, and other topics related to financial services for microentrepreneurs. The nonfinancial assistance section contains notes on the best way to carry out subsector analyses and identify cost-effective ways of enhancing the productivity and competitiveness of microenterprises. The research section comprises notes in survey methodologies designed to increase understanding of the growth and dynamics of the microenterprise sector. Each note can be used on its own; however, those interested in one note within a section will probably be interested in all of the notes produced for that section.

The notes can be used as reference materials and can also serve as the basis for creating customized training materials for individual organizations. Although these Tools for Microenterprise Programs are specifically designed for practitioners, they should also prove useful for donors, evaluators, and others interested in microenterprise development.

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[1] PPC/WID produced a similar document in 1987: Otero, Maria. 1987. *Gender Issues in Small Scale Enterprise*. The Gender Manual Series. Washington, D.C.: USAID.

For a complete listing of other technical notes and training materials available from GEMINI, as well as a list of all GEMINI Technical Reports and Working Papers, please see the last page of this document.

The Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project is the U.S. Agency for International Development's primary technical resource in the field of micro- and small-scale enterprise development. GEMINI explores the latest in microenterprise development and brings new findings to the field through direct work with A.I.D. Missions, U.S.-based private voluntary organizations, and local organizations in developing countries. GEMINI offers technical assistance, training, economic research, and information to A.I.D., implementing organizations, resource institutions, national governments, and other practitioners involved with microenterprise development. The project aims to have a catalytic effect on a broad spectrum of efforts to promote the growth of micro- and small-scale enterprises.

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SECTION ONE

FINANCING WOMEN: FACTS VERSUS FICTION

In enterprise finance, it is now an accepted fact that women are good credit risks and good savers, as good or better than men. Planners and financiers who would like to be associated with the worldwide trend to include more women in their programs often ask how to encourage female participation. This technical reference guide provides guidance for practitioners and bankers in all regions of the world who are offering or formulating financial services and wish to reach women. The guide succinctly describes the rationale and operational steps involved in providing effective, quality financial services for women. Quality financial services should ultimately be provided from locally generated funds without external subsidies and be available to large numbers of female entrepreneurs.

This guide synthesizes what we know about financing women's enterprises:

- Benefits of and misconceptions about financing women;
- Characteristics of women's businesses, their assets, their responsibilities in the household;
- Special credit problems and needs of women;
- Current state of financing for women; and
- Operational issues affecting programs.

There are rewarding and challenging opportunities to work with women entrepreneurs. Women must be viewed as critical economic actors, contributing to family and national wealth and well-being. The goal is to transform women from passive beneficiaries into clients with long-term reciprocal relationships with financial institutions.

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Misconceptions about and Benefits of Financing Women

Financiers may dismiss women's home-based microenterprises as insignificant income-generating activities with little growth potential, neither needing nor deserving financial services, instead of viewing them as real enterprises contributing to economic growth and family welfare.

The nature of women's businesses has engendered certain misconceptions. Women's businesses may be discounted by women themselves, who view their businesses as secondary to domestic roles. Their husbands may feel ashamed that their wives must work, believing that a working wife is an affront to their masculinity. Financiers may dismiss women's home-based microenterprises as insignificant income-generating activities with little growth potential, neither needing nor deserving financial services, instead of viewing them as real enterprises contributing to economic growth and family welfare. These beliefs may be reinforced by general cultural notions about women's status. In Islamic countries, women's businesses are not as visible as a typical male-owned storefront operation, because of the practice of seclusion, and may not even be accessible to males outside the family. The ways in which women conduct their enterprises also may be different from those of men, as discussed in the section describing characteristics of women's businesses. These differences lead to the erroneous conclusion that women are not serious about their businesses.

Recent experiences counter negative notions about financing for women, such as myths that women and the poor use financial services strictly for short-term consumption, that they do not save, and that their businesses are not good credit risks.[1] Economically active women are actually spurred on by their responsibilities for providing for their children. They are determined to make the most of their opportunities.

Women's use of profits from microenterprise activities is one example of their determination. Women invest heavily in family welfare, and this investment is not just limited to consumption goods.[2] Women's purchases of health and education for their families enhance the human resource base, thus contributing to national development goals. Moreover, women tend not to spend on their personal consumption. For example, in the Bangladesh Women's Entrepreneurship Program, 67 percent of women said they invested their earnings in their families, whereas fewer than 2 percent spent only on themselves.[3] In contrast, there is evidence from several regions that men invest more in personal consumption items. In Indonesia, a man's cigarette budget may consume 20 percent of the monthly family budget.

Women also reinvest in their productive enterprises, whether in business or in agriculture. In Malawi for example, women repaid their agricultural loans with profits from their businesses.[4] In Egypt, slightly more than one-third of women reinvested business income in their enterprise or placed this money in savings.[5] There is evidence that women invest in their husbands' enterprises as well.[6]

Although women's microenterprises in trade and services may not create new jobs as fast as manufacturing does, income is generated, significant numbers of "employment days" are created, and productivity is raised. A recent Egyptian survey of 323 businesses showed 790 jobs created, of which 30 were part time. This equated to 2.45 positions per business. There was little difference between female and male entrepreneurs in the number of jobs created, although female businesses tended to make more use of family and part time labor.[7]

Constraints on women's mobility because of their household responsibilities result in their greater tendency to spend their income locally as compared with men. Significant numbers of researchers claim that food purchases in Sub-Saharan Africa for which women are responsible contribute substantially to income generation and regional multiplication effects. Evidence from Kenya suggests that women also purchase their enterprise inputs locally, whereas men's expenditures are more often made outside the region and contribute little to regional income generation and development.

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During periods of structural adjustment or economic contraction, the number of female-owned businesses in the informal sector tends to expand as household dependency on income from women's enterprises rises. Women's participation in the labor force compensates for declines in husbands' income and wage-earning employment in the public or private formal sector.[8]

Economic efficiency offers another argument for extending financial services to women. Women's repayment rates are often excellent in programs around the globe. Many programs with high female participation rates, such as PRODEM in Bolivia, Grameen Bank in Bangladesh, Working Women's Forum (WWF) in India, and the Self-Employed Women's Association (SEWA) in India have correspondingly high repayment rates. The U.S. Agency for International Development (USAID) reports higher repayment rates for women than for men in

Honduras, Barbados, Guatemala, Senegal, Cameroon, Malawi, Niger, and Chad, and equal repayment rates by gender in Ecuador.

Lastly, for equity reasons, women's access to financial services should be increased. As the next section shows, many factors constrain women from owning assets and earning and controlling income within their households. Access to financial services can give women more control over assets and income, improving their status within the family and contributing to more equitable social and economic structures.

WOMEN'S INCOME AND ASSETS

Women are over-represented among the poor, both because of their lack of assets and other factors that constrain their ability to generate income. Poorer households are more likely to depend on female income for survival, even when there are working males in the family. Many women resort to informal sector activities and self-employment as a means of support because of a lack of employment opportunities and a need to balance domestic and work activities.

Women's low level of asset ownership is a reflection of cultural and sometimes legal conditions. In countries governed by Islamic law, inheritance laws give female offspring one-half of the portion bequeathed to males. Land title, often required for obtaining formal credit, is frequently in the name of male household members. Where women do hold title to land and property, the value of women's holdings is often lower than that of men's. In Africa for example, women are likely to have smaller, less productive, and more fragmented holdings. Female-headed households are especially poor in assets. In rural areas they possess less farm equipment and livestock than male-headed households.[9] Lack of assets among the poor compounds problems of high levels of indebtedness. To meet basic survival needs, household assets are often sold or pawned, particularly in poorer female-headed households. It is not uncommon for indebtedness in impoverished South Asian households to be many times the monthly family wages.

In urban areas, males often hold the title to vehicles, housing, and other shared property. Among rural households, men usually possess the more valuable assets, such as large livestock, whereas women own smaller stock, such as goats or poultry. Women's assets are likely to be in non-liquid forms, such as jewelry or household furnishings. Although these may be accepted as collateral by money lenders and pawnbrokers, they do not meet the collateral requirements of formal financial institutions. Women who work are often paid less than men doing the same job, further eroding their capacity to build assets. Women are also concentrated in enterprises or jobs that pay less.

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The assumption is often made that women's earnings disappear into a unified household income stream. Households are groups of interdependent people with separate but complementary income streams and responsibilities, and with resources allocated according to different preferences and needs. This is the case in Sub-Saharan Africa and the Caribbean, where men and women in the same household keep "separate purses" and have distinct financial responsibilities. Even in households where men are theoretically responsible for all expenditures, women often need and keep their funds for family emergencies, ceremonies, social purposes, and the like. Women thus try to retain their income from enterprises. Improved family status and bargaining and decision-making power all result from female income control.

Characteristics of Women's Businesses

The following features often characterize women's businesses.

- **Home-based and Sometimes Ambulant.** Women's household roles shape their businesses to a large extent. Women are more likely to keep their businesses close to home to minimize conflict stemming from their multiple roles as wage earners, mothers, and homemakers. In some countries, female entrepreneurs are likely to be found among widows, those with grown children, or younger childless women. In others, they may be women with young children and either the sole income earners for their families or sources of much-needed supplemental income. The typical woman participating in an ACCION International Latin American financial services program is 34 to 36 years old, has a third grade education, and has five children; her male counterpart is the same age but has twice the education.[10] A large group of the smallest female entrepreneurs in Latin America, Africa, the Near East, and Asia are traders or vendors with no fixed business location.

- **Smaller.** Women's businesses tend to be smaller, with fewer assets and less access to credit than men's businesses. Operating from a home base that limits space, time, and mobility constrains the size of women's businesses. In addition, the preponderance of women in certain low-remuneration enterprises with few barriers to entry, such as food and craft production, limits opportunities for expansion.

Women entrepreneurs are concentrated in the commercial sector and in services.

- **Concentrated in Certain Sectors.** In countries as diverse as Nigeria, Indonesia, and Egypt, women entrepreneurs are concentrated in the commercial sector and in services. Some hypothesize that women concentrate in these sectors because of time constraints imposed by domestic duties or other income-generating activities. A surprising finding from a recent study in the Dominican Republic was that university-educated women were working as micro-vendors.[11] Women in production are likely to be found in light industries, such as the manufacture of apparel, leather goods, and handicrafts, where profits are lower. In rural areas, female agriculturalists tend to produce low-return food crops, whereas men are more likely to be in remunerative cash-cropping.

- **Part Time, Seasonal, and Diverse.** Women's businesses are usually part time and often seasonal in nature, thus accommodating other responsibilities in child care or agriculture. Women probably have more diverse portfolios than men, perhaps to spread risk.[12]

- **Different Growth Strategies.** Finally, women's growth strategies may differ from those of men. For example, among ADEMI borrowers in the Dominican Republic, women who owned medium-sized textile firms were more reluctant to purchase machinery and equipment than were men. In the larger firms, the tendency of women owners to hire labor as a growth strategy resulted in lower output results than in firms owned by males.[13] A typical pattern worldwide is for men to purchase equipment and for women to hire workers.

SUMMARY:

WHY WOMEN LACK ACCESS TO FINANCIAL SERVICES

- Lack of collateral (usually land title)
- Need for a male co-signer
- Low levels of literacy, numeracy, and general education, which make women less able to respond to written materials and forms
- Distance, time, and cost of travel to credit institutions
- Lack of knowledge of and experience with formal institutions, which makes women less confident
- Small scale of many women's operations

CONSTRAINTS THAT AFFECT FINANCIAL SERVICES FOR WOMEN

To reach female entrepreneurs, institutions offering financial services need to take a market-oriented approach and examine the requirements of this client group. The major factors to consider are outlined below.

Lack of Conveniently Located Institutions with Suitable Hours of Operation. Financial services for women should allow the transaction of business near their homes or businesses, in a short time. Women tend to have less free time than men and to be less mobile. Responsibilities such as family meal preparation and child care tie women to the home for much of each day and leave little time and energy to travel to distant financial institutions. Women also have less cash for transportation and less likelihood of owning transport. In some situations, cultural and religious barriers further inhibit their mobility.

The hours of the facility where the loan is repaid should be compatible with women's commercial and domestic activities. On the island of Dominica, the Agricultural Development Bank of Dominica (ADBD) reported female participation of only 11 percent, whereas females constituted 60 percent of the clients of the island's credit union system. The low participation rate was caused by hours of operation. The credit unions were open from 9 a.m. to 4 p.m., whereas the ADBD was only open from 9 a.m. to 1 p.m. The reduced hours created conflict for women who were unwilling to leave their businesses during the busy morning hours to go to the bank.[14]

Mobile services have been successful among market women in Ghana and elsewhere. The highly decentralized Baden Kredit Kecamatan (BKK) program in Indonesia, with 3,000 posts, opens services once a week in small villages and has proved effective at reaching women clients.

WOMEN AND BANKING HOURS IN PARAGUAY

Fundacion Paraguaya experienced a higher default rate for women than for men. Interviews were conducted to determine the reasons. Reportedly, 68 percent of defaulters said the hours for paying loans (8 a.m. to 2 p.m.) coincided with the height of women's commercial activity and deterred them from leaving their businesses to make loan installments.

Shortage of Savings Services. Savings are often a source of start-up capital for female-run microenterprises, as they are for men. Financial institutions that accept deposits therefore expand their lending capability, protect their portfolios, and fulfill an often unmet need among women and the poor.

Women are reported to be disciplined and responsible savers. Many programs with compulsory savings components have high levels of women's participation, such as several ACCION International programs in Latin America, the Grameen Bank in Bangladesh, and the BKK in

Indonesia. In Egypt's Agricultural Production Credit Project, women constituted 19.8 percent of the borrowers but 25 percent of the savers.[15] Ghana's Akuapem Rural Bank, in a poor and food-deficient region, was able to capture the funds of more than 12,000 depositors after five yearsof operation.[16] The Savings Development Movement in Zimbabwe had more than 250,000 depositors, 97 percent of whom were female.[17]

In Egypt's Agricultural Production Credit Project, women constituted 19.8 percent of the borrowers but 25 percent of the savers.

Savings services protect women's income and businesses and help provide for family emergencies. Because women's funds were thought to be vulnerable to appropriation by husbands, SEWA members solved the problem by proposing and successfully organizing their own bank, SEWA Women's Cooperative Bank.[18] However, the structure of the savings service seems more relevant in determining savings rates than does the gender of the depositor.

Low Literacy. In most developing countries, except for Latin America, female literacy and educational enrollment rates are half those of men. In some credit schemes, literacy is an application requirement. Even when this is not the case, the forms and documents of financial institutions can be intimidating. Illiterate women may require simplified procedures or help with their applications from a loan officer, literate group leader, friend, or family member.

ILLITERATE WOMEN ARE RESOURCEFUL ENTREPRENEURS

Women devise strategies to overcome their lack of literacy and numeracy. For example, an illiterate woman vegetable seller in The Gambia arranges her produce in different piles on a tray. Under each pile, she puts the money earned from sales of that crop, thus creating an accounting system that allows her to calculate profits and losses on a particular product and determine future buying and selling strategies.

Lack of Experience with Formal Institutions. Women usually have a smaller and more home-centered geographic sphere of experience than men. Women who have not attended school or dealt with many other institutions may be reluctant to approach a formal financial establishment.

Lack of Traditional Collateral. Women's lack of assets is a disadvantage when it comes to offering the typical collateral required by formal lending institutions. As noted earlier, they may not have title to land or property, and the assets they do possess, such as jewelry, may not be acceptable collateral. In Brazil, Bolivia, and Peru, laws prohibit women from having property under their names. Also, some institutions insist on a male cosigner despite the collateral offered by a woman. Lending based on character, peer pressure, and repayment incentives can be an effective alternatives for reaching women.

Working capital is usually the first- or second-ranked need of women entrepreneurs in studies around the globe.

Lack of Working Capital. Working capital is usually the first- or second-ranked need of women entrepreneurs in studies around the globe. Female entrepreneurs in Egypt were squeezed for credit from both sides because they provided more credit to their customers and received less credit from their suppliers than did men. They reported a great need for working capital.[19] Female entrepreneurs usually need short-term loans, of several weeks to several months duration, given the nature of their businesses. Because trading and vending have rapid turnover, they require a continuous flow of working capital and frequent (weekly) installments to facilitate repayment. Women are reluctant to take out the larger, long-term loans that traditional financial institutions offer. Women fear not being able to repay in the face of adverse market or personal conditions.

Factors Affecting Women's Technology. Financing of improved technologies can help women's businesses become more efficient and move up the enterprise size and productivity scale. Most women have less access to and higher effective costs for technology, information, and inputs, thus depressing their productivity. It is often a matter of not being able to afford tools or equipment or of choosing not to make such a large commitment. In other instances, the technologies are ill-designed for women or simply do not exist. Women's workload makes it difficult for them to undertake training for new skills or to shift to new activities.[20] In the Middle East, businesswomen have difficulty upgrading their technologies because they lack access to trade magazines, do not participate in trade fairs, and have no access to technical research at universities.

CHECKLIST FOR FINANCIAL INSTITUTIONS THAT WANT TO ATTRACT FEMALE CLIENTS

1. Does your program give loans for commerce and services, as well as manufacturing enterprises?
2. Is the turnaround time between loan application and loan approval one week or less?
3. Is paperwork minimized?
4. Do loan officers help complete forms of illiterate women?
5. Does your institution allow women to sign on their own, without requiring the signatures of their husbands or male relatives?
6. Do loan amounts and repayment periods fit the business cycle and capital flows of women's businesses? That is, are they small loans with weekly or biweekly repayments?
7. Are your services located near the work places or homes of women borrowers and savers?
8. Are unregistered businesses eligible for loans?
9. Do you accept alternative collateral arrangements for women, such as group lending, character references, jewelry, and other valuables?
10. Do your loan officers actively seek out women entrepreneurs?
11. Do you advertise your loans through channels to which women have access?

If you can answer most of these questions affirmatively, then your program probably will be effective in reaching women.

Notes

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2. Mencher, Joan P. 1989. "Female Headed/Female-Supported Households In India: Who are They and What Survival Strategies are Possible For Them?" Paper Prepared for Joint Population Council/International; Center for Research On Women Seminar Series On The Determinants and Consequent of Female Headed Households. Mencher found in a South Indian village that where males and females earned equal income, women devoted a higher proportion of earnings to household survival.

3. Ferdousi Sultana Begum. 1986. "Women Entrepreneurship Development Program: A Socio-Economic Impact Study." Dhaka, Bangladesh: Small and Cottage Industries Training Institute. Begum reported that women entrepreneurs were more than three times as likely to spend their income on the family as were comparison groups.

4. Saito, Katrine A., and C. Jean Weidemann. 1990. *Agricultural Extension for Women Farmers in Africa*. World Bank Discussion Papers, No. 103. Washington, D.C.: World Bank.

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7. Weidemann, C. Jean, and Zohra Merabet. (Ibid.)

8. Downing, Jeanne. 1990. *Gender and the Growth and Dynamics of Microenterprises*. GEMINI Working Paper No. 5. Washington, D.C.: USAID, GEMINI Project.

9. Saito, Katrine A., and C. Jean Weidemann. (Ibid.) Citing Kossoudji and Mueller, 1981.

10. ACCION International is a private voluntary organization operating successful microenterprise programs in Latin America.

11. Rubio, Frank F. 1991. "Microenterprise Growth Dynamics in the Dominican Republic: The ADEMI Case." Washington, D.C.: USAID, GEMINI Project, p. 9.

12. Downing, Jeanne. (Ibid., p. A-4.)

13. Rubio, Frank F. (Ibid.)

14. Malhotra, Mohini. N.d. "A Concept Paper on the Use and Analysis of Gender-Disaggregated Data and Indicators." Washington, D.C.

15. Merabet, Zohra. 1989. "APCP Baseline Study: Women's Integration into Small Scale Enterprises and Credit Packages." Cairo: North South Consultants Exchange.

16. Nikoi, Gloria. N.d. "Women's Access to Credit in Ghana." Available from GENESYS. Research and Development/Women in Development. Washington, D.C.

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19. Weidemann, C. Jean, and Zohra Merabet. (Ibid.)

20. T. Paul Schultz, 1988. "Women and Development: Objectives, Frameworks, and Policy Interventions." PPR Working Paper, No. 200, Women in Development Division. Washington, D.C.: World Bank.

SECTION TWO

REVIEW OF AVAILABLE FINANCING FOR FEMALE ENTREPRENEURS

There is an emerging strategy among program planners worldwide to attract and serve the financial needs of women and the poor by addressing the constraints described above. These innovative programs rely on character, group dynamics, and the prospect of repeat loans to stimulate repayment, thus removing the need for costly loan appraisals and collateral certification. The new approach assumes that entrepreneurs require little or no training before borrowing. The new programs provide credit for working capital and savings depository services, which are more important financial services for microentrepreneurs than are the term loans for fixed assets provided by an older generation of programs. These emerging programs charge commercial interest rates or above to cover costs and ensure sustainability, recognizing that women and the poor pay as much or more for informal sector credit.[1]

The new programs provide credit for working capital and savings depository services, which are more important financial services for micro-entrepreneurs than are the term loans for fixed assets provided by an older generation of programs.

The financial services for women described here embody many of these characteristics and generally fall into three major categories:

- Programs targeted especially to women;
- Nontargeted or mainstream programs that attract significant numbers of women, if designed appropriately; and
- Programs that were not originally targeted toward women but evolved into predominantly female programs.

Programs of each type are analyzed in this section.

PROGRAMS SPECIFICALLY TARGETING WOMEN

Some programs are specifically targeted to females for a variety of reasons. These include an intent to influence the welfare of the household and children; a desire to reach directly the poorest of the economically active; perceptions of women as more responsible financial services clients; or concern that, in mixed groups, women would otherwise be left out. Because women have access to fewer resources than do men, targeting women makes sense. In addition to the economic benefits, increased access to financial services and earnings enhances the self-esteem and status of women, as well as their intra-household bargaining power. The following discussion reviews the successes and shortcomings of women-targeted programs operating in Asia, Latin America and the Caribbean, and Africa.

Self-Employed Women's Association — India

The SEWA is a trade union for illiterate women in Ahmedabad, India, established in 1972. To date, more than 40,000 women have benefitted from SEWA, which grew out of activities of the women's wing of the Textile Labor Association, a union founded by Mahatma Gandhi in 1917. SEWA is based on the Gandhian approach to social change, focusing on both work and family life in the community. Three categories of workers belong to SEWA: small-scale vendors, home-based producers, and laborers in services ranging from cleaning to construction. The union advocates higher wages and improved working conditions and defends members against harassment by police and exploitation by middlemen. SEWA also provides a women's bank, skills training programs, social security schemes, and production and marketing cooperatives. Project evaluations suggest that SEWA has stabilized and increased the incomes of many of its bank and cooperative clients and its trainees.

To enable its members to get loans from India's nationalized banks, SEWA began as an intermediary between its members and the banks. The difficulties in dealing with banks over the very small loans its members needed led to a decision to start a bank expressly for SEWA members. The board of SEWA Bank is composed of illiterate and literate women and technical and self-employed workers.

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SEWA Bank was intentionally created as an open organization so that clients feel it is theirs. For example, customers may come around the counter and share tea with bank staff instead of standing on the public side of the counter. SEWA Bank tries to adapt traditional banking practices to the needs of its self-employed members. For example, because most account holders are illiterate, the bank issues an identity card with a photo showing the client holding a slate with her account number written on it. Her name and account number are thus associated with her photo and not with her signature. When women open or operate their accounts, bank staff help them with the paperwork. Once a month, SEWA field staff visit the members to collect their savings into a small box to which staff hold the keys. In its lending operations, SEWA emphasizes relationship-based control systems, such as screening and referrals from members, instead of asset-oriented controls. The bank conducts loan assessments but also considers character and socioeconomic background, capacity to repay, and collateral, including nontraditional items such as jewelry. SEWA's average loan size is $72.[2]

Village Banking (VB) — Worldwide

This methodology, pioneered by the Foundation for International Community Assistance (FINCA), has been introduced in more than 14 Latin, Asian, and African countries by at least eight different international assistance agencies and many local NGOs since its inception in the 1980s. Village banking programs aim to support business start-ups and are more poverty oriented than employment generating. They attempt to reach the very poorest and have developed methodologies to assist villagers without prior organizational experience. Most village bank programs target women.

Village banks are credit and savings associations established to improve members' access to financial services, build community self-help groups, and aid members in accumulating savings. They are managed by their members, making them particularly adaptable to the special needs of women.

The tools of village banking include loans to finance income-generating activities using seed capital provided by sponsoring agencies, a stimulus for voluntary savings, and a mutual support group of 30 to 50 members. First loans are typically equivalent to $50 and require no collateral. Instead, all members sign the loan agreement, offering a collective guarantee. Loans are typically made for short-term working capital, to be repaid in weekly installments over a four-month period. Subsequent loans depend on the amount of savings accumulated over the four months, with a minimum of 20 percent expected to be saved per loan cycle. Savings stay in the village bank, where they may be either banked or re-lent. Members receive a share of the bank's profits instead of interest. Maximum loan amounts of $300 are expected to be reached in about three years. Over the three years, the members' saving also should total $300. Because members must guarantee each other's loans, members of the bank are self-selected, not chosen by promoters.

Most village banking programs have good repayment rates because of peer pressure and the presence of the bank committee. Those institutions that have invested heavily in VB training and administrative oversight have maintained the highest repayment records. CARE Guatemala, which has adapted the FINCA model to local conditions, is an example. Defaults and arrears in several programs were associated with inexperienced staff; underemphasis on administration, training, and supervision; and in some instances, subsidized interest rates. Subsidized rates can signal that the loan is a welfare transfer that does not have to be repaid.[3]

Women's Entrepreneurship Development Program (WEDP) — Bangladesh

WEDP is a USAID-supported activity managed by the Bangladesh Small and Cottage Industries Corporation. In a country like Bangladesh, where women receive less than 10 percent of formal sector credit, such projects are crucial for women's enterprises. WEDP managers are women, and clients are poor, rural entrepreneurs. Entrepreneurship training and enterprise development supplement the loan program. Loan recovery rates are currently between 75 and 80 percent. The program is not self-sustaining, and only $387,000 has been disbursed to about 9,000 women entrepreneurs, with an average loan size of $55. Most loans are used for food processing, animal keeping, and handicrafts.

Several specific characteristics of the WEDP have made it difficult for the program to develop a strong portfolio that effectively promotes women's entrepreneurship and economic activities in rural Bangladesh. There are no group guarantees or peer pressure mechanisms to encourage on-time repayment, loan processing can take up to two months, loan terms are long, and borrowers that pay back on time and in full are not guaranteed future loans because of liquidity problems. These conditions, and those described below, have contributed to weaknesses in the program's sustainability and impact.

- Husbands' signatures are necessary, placing single or divorced women at a disadvantage and giving males control of the loan funds. Certificates showing ownership of homestead land are also required.

- The lengthy repayment schedules of up to five years for small loans, and the division of loans into fixed and working capital, aggravate repayment problems because the bulk of entrepreneurs have activities that demand continuous infusions of working capital.

- Only 19 percent of WEDP women managed their enterprises by themselves; 21 percent were not involved at all in the enterprise; 25 percent were unpaid family workers; and 35 percent jointly managed the enterprise with male guardians.

- Only 63 percent of WEDP loans were used for the purpose that the loans were given, and 25 percent of the borrowers used the money for consumption purposes.

The follow-on USAID project on Women's Enterprise Development has been designed to overcome these weaknesses and thereby improve the program's sustainability and impact.

Women's World Banking (WWB) — Worldwide

One of the best-known programs targeted specifically for women is Women's World Banking, established in 1979, which now has 50 local affiliated organizations operating in 40 countries in Asia, Latin America and the Caribbean, and Africa. Each affiliate is an independent legal institution with control of and responsibility for its own decisions and finances. WWB attempts to forge links between commercial banks and poor women who own or want to start micro- and small-scale businesses. WWB affiliates create delivery mechanisms and bridges to help female entrepreneurs gain access to institutional finance and other business services. WWB headquarters provides training and financial and operational support. To provide female role models, WWB boards of directors, management, and staff are mainly, but not exclusively, women.

Generally, WWB affiliates lend to somewhat larger businesses and to women who are slightly better off than those in the Grameen Bank, SEWA, or village banking programs. Loan sizes might range from $250 to $2,500, depending on the country. WWB operates through a central loan guarantee fund through which it guarantees a portion (up to 75 percent) of loans made through their affiliates and disbursed by a formal financial institution. The success of affiliate operations has been mixed over the years. WWB is currently revamping strategies to include better training of affiliate staff and an emphasis on "best practices" which can be replicated.

Programs Not Specifically Targeted Toward Women

Jehudi Credit Scheme of the Kenya Rural Enterprise Program (KREP)

Initially, the program had more male participants, but their number dropped because males were not as willing as females to work in groups and their repayment rates were lower than those of women.

In the first four months since it began in 1991, this group credit scheme extended more than 2,000 loans, averaging $400, to residents of one of Nairobi's poorest slums. The female participation rate is 60 percent. The program, modeled after the Grameen Bank, works with groups of five people who pay monthly deposits of $8 into a savings and loan guarantee fund. The fund is jointly operated by the borrowers and the sponsoring organizations. By changing from an individual loan approach to the modified Grameen approach, KREP has achieved dramatic effects: repayment rates have risen from 75 percent to more than 95 percent; loans are being disbursed six times faster; and administrative costs have fallen from $1.75 for every $1 lent to only 25 cents per $1 lent. Initially, the program had more male participants, but their number dropped because males were not as willing as females to work in groups and their repayment rates were lower than those of women.[4]

Unit Desa Network of the Bank Rakyat Indonesia (BRI) and the Village Financial Institutions Supervised by the Bank Pembangunan Daerahs (BPDs)

The BPDs include the well-known BKK program in Central Java. BKK lends small sums without collateral. Although not intended to be a women's program, the BKK has borrowers of whom 60 percent are women, often involved in trading activities. BKK loan application forms are less than one page long, and loans take less than a week to process. The average new loan size is $60.

The BKK is highly decentralized — more than 35 percent of Central Java's 8,500 districts are served by almost 500 subdistrict BKK units and 3,000 village posts. Roughly 2,700,000 beneficiaries have received loans. Interest rates cover costs and earn BKK units substantial profits. Character references from local officials and peer pressure encourage repayment. Initial loans are small, introducing villagers to the credit system and graduating them to larger loans. Most clients reported that the greatest incentive for repaying on time was the expectation of another loan. BKK has recently changed its deposit services from certificates of deposit to passbook savings in order to attract more savers.[5]

The Unit Desa system of BRI also serves rural Indonesia with lending and savings facilities at more than 3,600 rural bank branches located in subdistrict towns. The BRI has made nearly 8 million loans in six years and earns a substantial profit on its activities. Collateral is required for all loans, and the average loan size in 1990 was $440. Women make up approximately 24 to 30 percent of the clientele. A remarkable achievement of BRI is its savings program. There are more than five times the number of savers as borrowers, and the value of savings exceeds the value of loans by millions of dollars.

A recent study compared women's participation in the two programs and reached several interesting findings:

- Women's participation is higher in the BPD programs, probably due to easier access to the village-level bank offices, lower collateral requirements, and smaller loan sizes.

- Women demand smaller loans with shorter terms, which are better suited to their small, trading activities. Women are willing to pay higher interest rates for small, short-term loans that are available at the village level.

- Women can be important participants as savers. Low levels of savings have been associated with programs that have offered inappropriate savings instruments (non-passbook), not with gender. Evidence on savings levels also showed that as savings levels rise, so do average loan sizes because banks face pressure to meet interest obligations on their deposits. This trend could have negative consequences for women seeking small loans.[6]

USAID Small and Microenterprise Development (SME) and Rural Small-Scale Enterprise (RSSE) Projects — Egypt

The urban-based SME project in Cairo and Alexandria was designed to increase employment and profitability in micro- (1-5 employees) and small-scale (6-15 employees) manufacturing businesses. Two privately managed foundations deliver credit, technical assistance, and training to the entrepreneurs. Because assistance is limited to manufacturing firms and female participation was never a stated project objective, only 1 percent of project participants in Cairo and 9 percent in Alexandria are women.

The Rural Small-Scale Enterprise Project provides credit to rural and urban, micro- and small-scale entrepreneurs through branches of the National Bank for Development. The project makes special efforts to attract female clients by offering recognition to loan officers who have many female borrowers and by financing petty trade, ambulant enterprises, and service activities as well as manufacturing. Project leadership also seeks out outstanding local women who can mobilize others to join the project.[7] These efforts have resulted in 20 percent of the borrowers being women. Although this figure is low compared with other regions of the world, it is considerably higher than the percentage associated with the other Egyptian project mentioned above. Furthermore, the level of women's participation in the economy of Egypt is lower than in many regions. For example, the Central Agency for Mobilization and

Statistics of Egypt reported in 1987 that only 0.2 percent of small enterprises were owned by women. The percentage of microenterprises owned by women is undoubtedly higher: a 20 percent participation rate for women in the program may actually be close to reflecting the percentage of female microentrepreneurs in rural Egypt.

PROGRAMS THAT EVOLVED TOWARD TARGETING WOMEN

Grameen Bank — Bangladesh

The Grameen Bank emerged from a small private initiative started in 1976 to help the landless poor to obtain credit. It was not originally gender targeted but became so when bank officials noticed that women's repayment rates were higher than men's. Instead of requiring collateral, the bank's customers are organized into five-person groups, and each member must establish a regular weekly pattern of savings before seeking a loan. The first two borrowers in a group must make several weekly payments on their loans before other group members can borrow. Bank staff meet weekly to disburse loans, collect savings deposits and loan payments, and provide training in financial responsibility. Most loans are used to finance the trading and purchase of livestock, with loan sizes averaging $58. In 1990, beneficiaries numbered 800,000, 87 percent of whom were women. This figure was up from 1987, when women constituted only 75 percent of the total.

PRODEM — Bolivia

This rapidly growing affiliate of the U.S. private voluntary organization, ACCION International, has been lending since 1987 to self-formed solidarity groups in Bolivia. Although not originally targeted toward women, 70 percent of its borrowers are very poor female entrepreneurs. After four years of operation, PRODEM is self-sufficient, and its repayment record is almost 100 percent. The proven ACCION International methodology, using solidarity groups and careful credit management techniques, has contributed to its success. PRODEM has flourished to the extent that it has inaugurated a commercial bank to handle its savings and credit activities; Banco Sol is perhaps the first private commercial bank in the world devoted exclusively to microenterprise.

The Get Ahead Foundation — South Africa

This unique nonprofit, black-owned foundation promotes microenterprise development in black South African townships. Get Ahead offers credit, legal advice, business training, and marketing to a population that had never received any services before. By far its largest activity, the Stokvel Lending Program, uses group lending techniques much like those of ACCION International and the Grameen Bank. Women comprise 91 percent of participants. Although the program did not originally target women, it has shifted increasingly toward women as it has found that women repay more readily and are more willing than men to enter groups. Get Ahead is able to build on the existing experience of these women with informal savings and credit clubs, known as stokvels. At this point, nearly all loan officers are women. Loans are given for one-year terms and average $162. No collateral is required, but all clients must have existing enterprises.

Most of the financial institutions cited in this section that attracted large numbers of poor women borrowers adhere to common practices, which are listed below. Some of these practices are discussed in more detail in the following section on operational issues.

- Adopt a market perspective so that client preferences are understood and products are designed to meet them
- Target the poorest of the economically active
- Lend for trade and service activities, as well as manufacturing
- Use simple loan forms and have rapid approval processes
- Offer small, short-term working capital loans with frequent payment
- Decentralize operations so that banking is convenient for women borrowers
- Accept alternatives to traditional collateral, such as solidarity groups or character references
- Ensure larger, future loans for clients with good repayment records
- Establish convenient deposit facilities for clients
- Charge interest rates sufficient to cover operating costs
- Employ banking rigor and disciplined operations
- Develop credit consciousness if needed, through training of borrowers
- Provide intensive practical training for developing a motivated cadre of workers and organizers

Notes

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SECTION THREE

OPERATIONAL ISSUES IN DESIGNING FINANCIAL SERVICES FOR WOMEN

COLLATERAL ISSUES

Solidarity Groups/Joint Liability Groups

Joint liability and solidarity groups, pioneered by ACCION International in Latin America and the Grameen Bank in Bangladesh, proved to be successful mechanisms for delivering credit to the very poor and women. Group lending can reduce administrative costs while minimizing risks. Successful group lending schemes are based on groups that are relatively homogeneous and jointly liable for defaults. Denying credit to all group members when one member defaults creates tremendous peer pressure on reticent clients and is one of the most effective and least costly ways of motivating repayment. Another way to encourage loan repayment is to require deposits that are reimbursed only when all group members repay their loans.

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Groups serve other needs as well, because they help women find work, spread information, offer training, and obtain access to resources. This is particularly true in societies in which women might be excluded from formal networks. Groups provide a setting in which women can learn and practice new skills before embarking on their activities. Group decisions can carry more weight and encourage otherwise reluctant members to adopt new ideas. Group cohesion often fosters peer learning. Groups can be particularly effective in reinforcing knowledge among illiterate women, who can then rely on collective memory.

African women are particularly attracted to groups; nearly all women in some parts of Africa belong to some sort of group. Female groups can often have more culturally acceptable interaction with male loan agents than can individual women. Groups of illiterate women sometimes need to have a teacher or perhaps even a literate male who can do the bookkeeping. With group lending, transaction costs are shifted from the financial institution to the group that must distribute, monitor, and collect loans. These economies of scale are partially offset, however, by the cost of forming the group.

Political Groups

If self-sufficiency and sustainability are important, then women's groups formed for political reasons should not be used for credit purposes. In some countries, women's groups are formed to capture a female constituency for the government or a political party. Loans are freely given for enterprises that are not financially feasible, and there is usually a lack of rigor about repayment. Such programs are doomed to failure and undermine the parallel efforts of legitimate microenterprise projects in the country.

New or Existing Groups

Lending groups are often created for receiving loans from an outside source. Alternatively, financial institutions and projects can identify existing women's groups through agricultural extensionists, adult education staff, or social workers. However, there is mixed evidence whether lending groups formed from existing groups that share some commonalities are as successful as groups that are newly created to receive credit.

Group Size

The size of groups can range from the 5- to 7-member solidarity groups to 30- to 50-member village banking groups. Varied group size serves different purposes. Smaller groups are better for joint liability. Larger groups serve more complex functions such as management and decision making in the organization. Programs such as Jehudi, Grameen, and village banking sometimes have groups of 30 to 50 members who then divide into subgroups of 5 to 7. Larger groups can prove unwieldy, and members may not have the intimate connections made in smaller groups.

Nontraditional Collateral

Loan programs of the type described in this document should not turn down borrowers who lack collateral as normally defined by formal institutions. Rather, they should accept any item or arrangement that will make borrowers feel that they have something at stake. These include the following:

- Solidarity or joint liability groups;
- Character references;
- Jewelry, ornaments, or household furnishings; and
- Analysis of viability of enterprise.[1]

Anytime individual loans are made, whatever collateral is available should be taken, even if it is not what would normally or legally be considered binding. This strategy increases commitment and enhances incentives to repay.

OTHER ISSUES

Identifying and Communicating with Women Clients

Identifying Women Clients

In the programs most successful at reaching women borrowers, loan officers are proactive; they seek out women clients in marketplaces, neighborhoods, the street, clinics, religious gatherings, and low-income residential areas. They talk to other entrepreneurs or people in the neighborhood in order to discover likely candidates. Because the highest percentages of women are found in commercial and service enterprises, many of which are based in homes, loan officers must look beyond areas with high concentrations of manufacturing enterprises to locate women entrepreneurs.

Communicating with Women About Financial Services

In most countries, female communication channels are different from those of males. Women tend to be less literate and are therefore less likely to hear of programs through written media. Radio and television are alternatives. Visits by loan officers to neighborhoods, homes, and gathering places are highly successful. Loan officers speak with potential clients in women's organizations, Rotating Savings and Credit Associations (ROSCAs), the marketplace, or the street in the case of ambulant vendors, rather than rely on the written word. Any training should stress visual materials because of lower literacy rates and should be as participatory as possible, using groups to reinforce the learning.

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Deciding When to Mainstream and When to Target Women Specifically

Women-specific programs may be appropriate under certain circumstances. However, the ultimate goal, where culturally permitted, should be the full participation of women with men in mixed-gender savings and credit programs. Even organizations that traditionally have targeted only women, such as Women's World Banking, have extended their services to both men and women because of the recognition of the link between households and enterprises. Furthermore, the United Nations Fund for Women (UNIFEM) guidelines for credit projects speak strongly on the issue of making provisions at project initiation for opening up services to men as well as women.[2]

Conditions under which women-only programs should be considered include the following:

- Where women are in seclusion (Islamic banks usually have a women's department, but sometimes there are women's banks, as in Saudi Arabia);
- Wherever cultural values inhibit women from participating, as in many areas of rural Latin America;
- Among poor or powerless women obtaining credit for the first time in a group situation where men might tend to dominate;

- Where women have been by-passed so consistently that action is required to compensate for unequal access;

- When the project is using methodologies, such as group lending, that are not as successful with men, as was the case with Grameen Bank and the Get Ahead Foundation.

Determining Whether to Establish Quotas for Female Participation Levels

There are both positive and negative aspects of establishing quotas for female borrowers. Sometimes, USAID Mission staff or government officials who are trying to get projects initiated perceive quotas as standing in the way during negotiations or as imposing something that is culturally unrealistic. On the other hand, quotas can have powerful positive effects in stimulating institutions to adapt their programs in order to incorporate more female borrowers.

If quotas are to be used, they should be established during project design, be agreed upon by all the parties involved, and not contradict other project objectives. The Small and Microenterprise Project sponsored by USAID in Egypt, for example, was designed specifically for manufacturing firms. During project implementation, however, there was considerable interest on the part of USAID in increasing levels of women's participation in the project. Because women are very under-represented in the manufacturing sector in Egypt, incorporating significantly more women into the project would require a major change in the project's methodology (loan size and terms, collateral requirements) and target group.

If a project decides to establish quotas, the quotas should comply with these requirements:

- Realistically reflect the proportion of women involved in the target group of microenterprises in that country (determined from survey data);

- Be agreed upon at the start of the project and be subject to review; and

- Be seen as positive motivators.

Sometimes, high percentages of women are attracted simply because of appropriate project design — even without targeting, quotas, or specific objectives to attract women — as in the Grameen and PRODEM cases. Good project design, which considers the special needs of women microentrepreneurs, is the most effective way of ensuring high levels of female participation.

Gender of Loan Officers: Does It Matter?

The choice of male or female loan officers is highly dependent on local conditions. Female promoters are necessary in strictly Islamic areas such as Pakistan, parts of the Middle East, and African enclaves where seclusion is strictly observed. In more open Islamic countries, such as Egypt, female promoters may be desirable, but there may be a shortage of trained women. In some cases, especially in high-crime urban areas, the safety of female loan officers is an issue, as they often visit borrowers in the evening. In rural areas of Latin America, female promoters may be necessary, especially for married women clients. In most cases, if female officers are more desirable but unavailable, then having male officers deal with groups of women borrowers is more acceptable than having male officers deal with individual female borrowers.

The Grameen Bank experience suggests that it is not necessary for bank workers to be female to reach women about financial services, even in Islamic countries. Less than one-third of bank workers are women, whereas 87 percent of the borrowers are female. The key is in the quality, attitudes, and training of the Grameen staff. The philosophy and approach of the bank motivate staff to reach women. Grameen staff are trained to understand the special dynamics and constraints of women's businesses, and to develop qualities that inspire trust and confidence among rural women. In Bhutan, however, financial incentives were necessary to encourage male extensionists to approach women borrowers. In many cases, training on the motivation and strategies for reaching women borrowers is necessary. In addition, having less experienced loan officers go to the field with officers who are successful in identifying women entrepreneurs can be effective.

Although men can work effectively with women, it is desirable for women entrepreneurs to have female role models. Observing women as loan officers can motivate and inspire female entrepreneurs. One strategy to consider where there is a shortage of female loan officers and where cultural traditions are restrictive is that of local Anchor Women. This has been successful with women's programs in the Middle East. Anchor Women are well respected and known in their neighborhood and serve as project paraprofessionals, identifying potential clients, linking them with the project, and possibly collecting loan payments.

Although men can work effectively with women, it is desirable for women entrepreneurs to have female role models. Observing women as loan officers can motivate and inspire female entrepreneurs.

Deciding Which Sectors to Target

We have noted that, worldwide, women are concentrated in the trade and service industries. Fewer women are in manufacturing, and those that are often produce goods that are an extension of their domestic duties, such as food or clothing. Many of the programs cited in this document have shown that petty traders are no more risky than any other industry segment, and that loans to this group can be profitable and manageable. The most successful programs, such as PRODEM, BKK, and Grameen, serve large numbers of petty traders and market women. Experience from around the world also indicates that excluding commercial activities from the pool of eligible enterprises has a definite negative effect on women's participation.[3]

The important fact for planners to remember is that targeting loans in manufacturing will almost guarantee low female participation, unless analysis at the subsector level shows otherwise. Targeting services and trade is the best way to attract women borrowers.

Women want savings instruments that offer safety, convenience, ease of deposit, ready access to money, and a positive real return.

Deposit Services: What Do Women Want?

Savings should be treated as a service and designed around client needs, adopting a market perspective so that client preferences are understood and products meet their needs and preferences. Women want savings instruments that offer safety, convenience, ease of deposit, ready access to money, and a positive real return. Because women and the poor are more interested in good places to save than they are in loans, savings services can tap new clients and reach deeper into the community. As noted earlier, savings are often a source of start-up capital for women's microenterprises, because women lack access to the wider range of financial sources available to men.[4] Savers constitute a different and wider audience than borrowers.

Financial services that incorporate savings with borrowing are more self-sufficient and reach more of the communities they serve. Savings services allow lending to be largely financed in the same community by savings that are deposited in the institution. In Indonesia, deposit-mobilizing institutions outperformed the specialized credit institutions according to every criterion used.[5]

ROSCAs represent a large untapped savings source that can be mobilized. Women constitute a large proportion of these savers. The main feature of ROSCAs is people getting together and pooling money. Especially in West and Southern Africa and East Asia, many women and men rely on ROSCAs to fulfill savings and credit needs. These associations were even found among employees of formal financial institutions, including central banks of several countries!

ROSCAs take many forms. These include fixed-fund associations in which each participant gives savings at regular intervals to a treasurer who holds them for safekeeping for a mutually agreed upon period. Sometimes, there is no borrowing. More commonly, however, officers of the group lend money held on deposit to members. Officers sometimes charge interest and may even lend to nonmembers at a higher rate. Participants report that they save more than they would if they saved individually because of the discipline of having to meet regularly as a group and make a deposit.[6] One-third to one-half of adults living in urban areas of Bolivia often participate in ROSCAs. Their average ROSCA payments account for one-sixth of their salaries.[7] Defaulting is rare in ROSCAs because of institutional safeguards and community pressure.[8]

ROSCAs are not being used only in developing countries. In the United States, Koreans are the ethnic group with the highest rate of small business start-ups. They attribute their success to adapting their ROSCA, *keh*. In Korea, *keh* has traditionally been a women's activity. In the United States, it is predominantly male, and the stakes are higher;

participants sometimes belong to several groups and pool as much as $20,000 or more a month. Before coming to the United States, new immigrants usually sell their Korean real estate very profitably and then use the proceeds to join a *keh* when they arrive.

Relying on ROSCAs and other informal sources such as money lenders and pawnbrokers discourages women from entering the mainstream of formal markets. In many countries, women have no alternatives, and these informal institutions must fill a gap until formal credit is available. However, formal financial institutions can find ways to mimic or link with ROSCAs, thereby expanding their services. In Ghana, ROSCAs have evolved into large-scale credit and savings facilities, with money collectors going to the markets daily to accept deposits, mainly from market women. Ghana's Money Back program, established by the government, is based on the ROSCA model and shows how a successful informal model can be replicated in a formal market.[9] The Club Account is offered by the largest savings and loan institution in South Africa as a way to attract the deposits of ROSCAs. Its distinguishing feature is an account designed to have multiple owners instead of a single person. Groups usually range from 10 to 15 members.

PRINCIPLES OF OFFERING DEPOSIT SERVICES TO WOMEN

- Adopt a market perspective with products designed to serve female clients
- Use savings instruments that offer safety, convenience, and ease of deposit
- Allow ready access to money
- Locate near clients or offer mobile services
- Provide a positive return

What Women Need Besides Credit

Training for women, who are often initiating a formal credit relationship for the first time, is critical and should be approached in segments.

Microenterprise programs have tended to focus on credit, technical assistance, and training. Training for women, who are often initiating a formal credit relationship for the first time, is critical and should be approached in segments. Initial training might focus on credit consciousness, informing women about what is expected of them in the program and how to be good savers and borrowers. This segment would be tailored to the program's own requirement and might include the credit process, including procedures, policies, and responsibilities; the credit plan, including the credit application form, description of the business, financial information, marketing, and management; and group formation — if this is to be the organizational mode — including group dynamics, empowerment, and responsibility to peers in the group.
Training of this type is crucial, whereas training in accounting and bookkeeping may not be necessary for small-scale vendors and similar businesses.

Programs should be flexibly designed so that training can be integrated when needed. Training beyond credit consciousness might include marketing and input supply, which were identified as critical needs by female entrepreneurs in four countries in Southern Africa; quality control; and basic cash management skills. If the program is geared specifically to women, then several nonbusiness topics might be of interest to the borrowers, such as household budgeting, use of income, family planning, child care, and personal empowerment. Training must be tailored to the project and the women. For instance, women in Zambia expressed a need for technical and general business training, whereas women in Egypt polled in a recent study gave such training a lower priority.[10]

Finally, the biggest obstacle to training women entrepreneurs may be their lack of time to attend courses, even those that do not require overnight stays or distant travel, which present additional constraints. Course schedules have to work not only around the enterprise responsibilities of the borrower, but also around the household responsibilities.

Programs can be successful without extensive training. The USAID Stock-Taking Report concluded that "minimalist credit" programs, those without much training or technical assistance, were the most successful.[11] Programs must decide whether or not training is an important service to the borrowers and how it can be implemented in the most cost-effective manner.

If the decision is made to include training in the program, then the training design should meet the following criteria:

- Hours should be flexible.
- Trainers should aim at an appropriate literacy/educational level for the intended audience.
- Activities should be participatory and visual.
- Female as well as male entrepreneurs should be used in illustrations, and language referring only to men should be eliminated.
- There should be a fee for training.
- Training should be demand-based.
- Training sites should be local, reducing women's transactions costs to attend.

Collecting Program Data by Gender

With appropriate analysis of gender roles throughout project design and implementation, programs can be monitored in terms of beneficiary impact. Disaggregating males from females in data collected for any project purpose allows for midstream adjustment if objectives are not being met and is essential for evaluation purposes. Socioeconomic baseline data support program documentation as well.

Some key indicators that should be gender-disaggregated in microenterprise projects and programs include the following:

- Number and amount of loans provided to women and men;
- Number of women and men receiving technical assistance or training from a particular organization or project;
- Number and amount of savings accounts held by women and men registered in an institution; and
- Number of women and men clients by industry, sector, and activity.

SUMMARY:
CHARACTERISTICS OF FINANCIAL SERVICES THAT MEET WOMEN'S NEEDS

- Loans are available for trade and services as well as manufacturing.
- Collateral is not required because substitutes such as solidarity groups, character references, jewelry, and personal effects are acceptable.
- Deposit services are offered.
- Loans are available for short-term working capital.
- Loans are available in small amounts.
- Loan repayment schedules fit women's business cycles.
- Loan sizes may be increased upon satisfactory repayment of first loans.
- Microenterprises with few employees are eligible.
- Signature of spouse or male relative is not required.
- Literacy is not a requirement.
- Loans are easily and quickly processed.
- Loan officers can assist women in completing forms.
- Loans are given to home-based or ambulant businesses.
- Location is convenient and safe for women.
- The hours of operation of the institution are compatible with women's business and domestic obligations.
- Training is not required for disbursement of credit.
- There are special arrangements to assist female borrowers unfamiliar with formal financial service institutions.

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APPENDIX

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