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BALANCING THE DOUBLE DAY

WOMEN AS MANAGERS OF MICROENTERPRISES

Eliana Restrepo Chebair
Rebecca Reichmann

ACCION International
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Eliana Restrepo Chebair is a psychologist specializing in advanced social science research methods For over ten years, she has designed and implemented social development projects in impoverished communities of Latin America Ms Restrepo coordinated the Women and Work project for ACCION International She holds a Master's degree in Community Psychology

Rebecca Reichmann is an independent consultant based in Rio de Janeiro Dr Reichmann was formerly Director of Training, Research and Evaluation at ACCION International, she also worked with the Ford Foundation in Brazil for five years She is currently writing a book on race, gender and identity politics in Brazil

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This monograph is dedicated to the 694 microentrepreneurs whose patience and interest made this monograph possible

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INTRODUCTION

This monograph documents the findings of field research carried out by ACCION in collaboration with five Latin American affiliate institutions The purpose of the research was to learn more about how poor women manage their microenterprises and their households at the same time, and to detect factors that constrain or enhance their efficiency as managers of these multiple roles One of the monograph's key conclusions is that successful *time* management is vital to women's effectiveness as microentrepreneurs Drawing upon this and other findings, the monograph suggests how financial services may be improved to more effectively serve women's microbusinesses in Latin America

During the 1980s, considerable advances were made worldwide in technologies to foster lending to microenterprises as a strategy to alleviate poverty and unemployment Microenterprises are the small informal sector businesses of the poor, and women are estimated to make up over half of the owners of these tiny businesses in many regions of the world Microenterprises usually have assets of less than US$20,000 rely mainly on unskilled and family labor, use labor-intensive technologies and have few capital assets Over the past decade, the Grameen Bank in Bangladesh, the Badan Kredit Kecamatan (BKK) and Bank Rakyat Indonesia (BRI) in Indonesia, and the programs of FINCA, ACCION International and other non-governmental organizations in Latin America have adopted techniques that make it possible to lend to the businesses of the poor (Rhyne and Otero 1993) [1*]

The programs are based on the principle that microentrepreneurs are willing to pay for credit under conditions adapted to their working capital needs The solidarity group methodology, for example, is geared to the poorest urban population and offers training and technical assistance to entrepreneurs, in addition to credit Research has shown that such group

[1] Founded in 1961 ACCION International is a private non profit organization supporting microenterprise development with credit savings and business training services in 14 countries of North and Latin America

loans are an efficient means of increasing the poor's access to credit and improving their business skills (Almeyda 1994, Berger 1989, Buvinic and Lycette 1994, Otero 1989b, 1993, Reichmann 1989)

The solidarity group methodology is currently being tested by ACCION International and its affiliates throughout most of Latin America At present over 125,000 entrepreneurs (about half of ACCION's total active clients in 1994) are members of solidarity group credit programs The approach involves organizing three to ten microentrepreneurs in a group which signs a collective guarantee that the loan will be repaid The solidarity group loan application is based on easy-to-verify staff credit assessments and requires minimal information about the enterprise and the entrepreneur Approval of loan disbursements is speedy and the terms and conditions of the loan are flexible To cover program costs and familiarize users with real financial markets, interest is charged at local commercial rates (Otero 1989b) As loan offices are located near clients in poor neighborhoods, transaction costs for the entrepreneur are minimized

The amount and terms of solidarity group loans are tailored to client needs, with loan amounts increasing as the businesses grow Subsequent loans are conditioned on prompt repayment by the group (Berenbach and Guzman 1992) To provide an incentive, timely payments keep open a client's 'line of credit' Most of the solidarity group programs consider training and technical assistance to be essential components of their strategy, playing an important role in the microenterprise's development (Berenbach and Guzman 1992)

Financial institutions that lend to microenterprises are still seeking ways to perfect the efficiency of services to small scale borrowers, especially women, whose earnings sustain the world's poorest families Among practitioners assisting microentrepreneurs, provocative questions have emerged, some of them based on assumptions about gender roles among the poor Are women the main source of income in poor families? Are women more likely than men to invest profits back into their businesses or to spend on the family? Are men better than women at calculating real costs and prices of their products? How do women juggle their commitments to their family and enterprise? Answers to these questions and others would enable microenterprise institutions to adopt lending and training mechanisms appropriate to the needs of women's businesses and help build their job-creation potential Toward that end, the ACCION International network conducted extensive research in 1992 1993 in four Latin American countries Our findings confirmed some and challenged other prevailing assumptions about the management capabilities of poor women, leading us to believe that poor women's businesses *are* a sound investment in economic development in Latin America

ACCION International began the "Women and Work" project in 1992 with support from the United Nations Development Fund for Women (UNIFEM)

and the Ford Foundation The project involved five member programs of the ACCION network in four countries —Bolivia Brazil, Colombia and Guatemala— in research and training to improve the capacities of microenterprise service organizations to strengthen women's businesses [2] Extensive surveys were administered among 694 clients of ACCION-affiliated solidarity group programs (59 2 percent women and 40 8 percent men), 78 percent of whom were urban dwellers The microentrepreneurs surveyed were engaged in production, commerce and services, varied in age from their early 20s to 60s, and their income levels ranged from the poorest subsistence levels to families owning an automobile The average monthly income of microentrepreneurs in the groups studied ranged from about $45 to $400 for women and from about $81 to $400 for men (For a full description of the characteristics of the population surveyed, see Chapter II)

To learn more about how poor women manage their microenterprises and their families at the same time, and to detect factors that constrain or enhance their efficiency as managers of these multiple roles, the research sought to answer four key questions

1) How do women balance their work/family responsibilities?

2) How is family labor distributed at home and in the microenterprise?

3) When women head a family business, how are family financial resources distributed? What is the impact of family members' income on the business and family consumption?

4) Do women behave differently from men in the marketplace?

Based on the findings we came up with a three level model that identifies a range of managerial functions, from those which appear to be most affected by women's household and family responsibilities (Level One tasks), to those for which differences between men's and women's perfomances are less significant (Level Two tasks), and the management tasks and functions that seem to be perfomed virtually equally well by men and women microentrepreneurs (Level Three tasks) Training interventions geared to assisting women with each level of management functions and tasks are outlined in the final chapter of this monograph together with suggestions for adaptations of financial services and technical assistance now provided by the solidarity group programs to more effectively support women's businesses

ACCION International and the member programs of the ACCION network hope that this monograph will contribute to efforts at guaranteeing poor women's microenterprises around the world access to the financial and training services they need

CHAPTER I

WOMEN IN THE INFORMAL SECTOR

Women's massive entry into the Latin American and Caribbean workforce over the past three decades has resulted in profound transformations in the organization of families, society, the economy, and urban life Women s economic activities had been steadily increasing since the late 1950s in the region, but due to economic crisis, women joined the workforce in unprecedented numbers in the 1980s

The region's economy experienced a series of major crises in the 1980s after having made significant strides toward sustained growth over two decades Subsequent structural adjustments and economic contractions resulted in high unemployment declining real wages and incomes, high prices for basic consumer goods, and reduced public services (IDB 1990, Rocha et al 1989) Adjustment and contraction practically wiped out improvements in living conditions achieved over the previous 20 years Poverty and social inequality were aggravated and by the end of the decade, one of every five urban inhabitants and more than half of those living in rural areas lived below the poverty line (Buvinic and Lycette 1994 see also IDB 1990)

Women in the Workforce

As their families' incomes fell women were forced to find opportunities to earn income outside the home [2] Since the 1980s, women have continued to enter the formal economy at a more accelerated rate than men, and their participation in industry has tripled since 1970 [3] The rate is not expected to diminish through the end of the decade According to Cartaya (1994), while the number of men in the regional labor force is expected to double between 1995 and the year 2000, the number of employed women will have tripled Of the estimated 54 million Latin Americans who will be economically active by the year 2000 32 percent of all Latin American females between the ages of 15 and 65 (Nuss, Denti and Viry et al 1989) will be working outside the home

[2] Other major factors that have contributed to the influx of women in the workforce are women s lower fertility rates and greater access to education

[3] While women s rates of participation in the labor force are still increasing overall employment rates have risen at a slower pace and unemployment and underemployment have sharpened considerably

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In previous decades, many women stopped working outside the home to raise children But this trend is rapidly changing as women enter the workforce earlier and work through the childbearing years In 1985, Latin American women were economically active for an average of 11 years of their lives, while men were active for 55 years By the year 2000, women are expected to be active in the labor force for 28 years of their lives (Nuss, Denti and Viry 1989)

Unfortunately, formal employment has not significantly bettered women's conditions Most formal sector jobs held by women are badly paid and repetitive and offer no opportunity for advancement (Lycette and White 1989) Working conditions are often oppressive Disproportionately represented among part time and temporary workers, especially with the introduction of new decentralized industrial processes in textiles and electronics, many urban women are subcontracted as homeworkers with no labor benefits at all Industrial changes have also tended to reinforce the gender-based division of labor in those industries, weakening women's claims for equal wages

Women workers consistently earn less than their male peers In São Paulo, for example, Latin America's most advanced industrial metropolis, gaps in earnings between equally prepared men and women at all income levels are greater than anywhere in the Americas In 1985, the average male's income in São Paulo was at least double the average female income at the same levels of education Moreover, the differences were greatest at the highest education levels (Arriagada 1988)

With few employment opportunities in the formal labor force, and the only jobs available offering wages well below male's wages for similar work, the majority of working women in Latin America and the Caribbean have turned to the informal sector (Berger and Buvinic 1989) In some countries, the informal sector has played a key role in sustaining the region's poor, growing by 20 percent in the 1980s (PREALC 1988) Single women who are heads of household —the number of which is on the rise in the region— often have no choice but to seek work in the informal sector, where more flexible hours and working conditions allow them to combine childcare responsibilities with their jobs These women, estimated by the United Nations Gender Statistics Office to manage 21 percent of all South and Central American households, are the principal supporters of Latin America's poorest families [4] Households headed by single women are disproportionately represented among the poor in the region because they have a larger ratio of dependents to wage earners, women's earnings are

[4] See also Berger and Buvinic (1989) who cite CEPAL s (1984) estimate that in 1982 single female headed households made up between 18 and 38 percent of all households in Latin American cities

consistently lower than men's and women have less access than men to employment opportunities (IDB 1990 216)

Women's Productive and Reproductive Roles

Women who have children and/or care for relatives and domestic partners must juggle their caretaking and household responsibilities —the traditional female roles— with their newer roles in the public economic sphere Moser (1993 29) defines women's *reproductive roles* thus

"The reproductive role comprises the childbearing/rearing responsibilities and domestic tasks undertaken by women, required to guarantee the maintenance and reproduction of the labor force It includes not only biological reproduction but also the care and maintenance of the workforce (husband and working children) and the future workforce (infants and school-going children) "

Women's reproductive roles and responsibilities complicate their wage-work lives (their 'productive' roles) considerably Poor mothers must divide themselves between work and family, balancing all the demands —over which they have very little control— by working long hours, seeking help from older children and partners, and setting priorities Time is of the essence for these women, as their livelihoods depend largely on their ability to administer the multiple demands of the household and the marketplace

These circumstances have led many women to the informal sector, which offers them greater freedom to manage their home and business schedules and combine productive activity with their family obligations In Latin America, the informal sector has become increasingly dominated by women In Bolivia, for example, women represented 61 percent of the sector in 1991 (Escobar de Pabon 1988), in Mexico women accounted in the 1970s for 51 percent to 62 percent of all informal sector workers, including domestic workers (Berger and Buvinic 1989)

Women as Microentrepreneurs

Several characteristics are common to women's informal sector microenterprises in Latin America They are generally smaller than enterprises owned by men, women more commonly operate one-person businesses with few assets and scant access to modern technology and credit Women's businesses are predominantly in the lower-productivity and lower-income echelons of the sector and they tend to grow more unevenly than men's businesses (Downing 1990, Rhyne and Holt 1993) Women's microbusinesses are heavily concentrated in commerce and traditional manufactures (sewing, weaving, food processing) and small-scale services (Rhyne and Holt 1993) They are frequently viewed as extensions of or

overlapping with domestic and reproductive work (Rey de Marulanda 1981) This tendency to overlap may be a key factor limiting the growth of women's enterprises, as reproductive responsibilities limit the time women may invest in the business, reduce women's mobility (to seek out lower-cost inputs or new markets), and may require women to reinvest their scarce resources in the family rather than the business (Rhyne and Holt 1993)

Like most microenterprises, women's informal businesses are not autonomous economic units but part of larger family units Microentrepreneurs rarely separate the money of the microenterprise from family income and funds for consumption Families that operate microenterprises may participate simultaneously in several economic activities and make decisions based on needs that go beyond those of the firm, such as consumption, financial security, and investment in human capital (Rhyne and Otero 1993)

Women's microenterprises generally start up with very small amounts of capital for business purchases and inventory of raw materials Like most urban microenterprises, they operate in short-term (daily or weekly) cycles In rural areas, all informal business activity fluctuates according to seasonal crop cycles

Lack of working capital is still the major constraint to the growth of microenterprises Commercial loans are contingent on financial statements, operations information, client history, business plans, market studies, projected cash flows, and balance sheets (Rhyne and Otero 1993) Qualitative factors are also taken into account, including the bank's evaluation of the enterprise's management, and a credit check to obtain information on the client's reputation Finally, consideration is given to the type of guarantees the firm offers (Weisleder et al 1994) Since microentrepreneurs may qualify under only a few or none of the above criteria the financial technologies normally offered are not appropriate to the microenterprise sector Access is even more remote for the poorest microentrepreneurs The methods that most banks use to ensure the creditworthiness of their clients require transaction costs that are too high to handle for most microentrepreneurs Many banking institutions lend a minimum amount which excludes those in need of small loans They also require monthly payments which is not compatible with the business conditions of many microentrepreneurs Some credit criteria also discriminate against women For example, when the traditional forms of collateral required are lacking, civil status of the loan applicant is often taken into account, women heads of household are considered a higher risk than male heads of household (Burbano 1994)

As an alternative, credit and savings services specially designed for microbusinesses have enabled thousands of them to expand for a decade

now, and a number of systematic evaluations have attempted to measure the impact of these credit programs on microenterprise growth An evaluation of the impact of credit in the Fundacion Ecuatoriana del Desarrollo program showed that in one year the credit brought about benefits especially for women borrowers, by allowing them to establish a credit record and bolstering their business efficiency and productivity considerably reducing the number of hours they dedicated to their businesses each day (Buvinic, Berger and Jaramillo 1989)

Most microentrepreneurs save through informal savings mechanisms that never enter the formal economy Known as Rotating Savings and Credit Associations, informal groups of six to fifty people keep their savings and access loan money as a group As women have a long history of working in informal sector groups, they have traditionally made up the majority of such savings association participants (Berenbach and Guzman 1992)

Saving in formal institutions presents significant barriers to informal sector entrepreneurs, especially if they live in rural areas where banks are scarce Transaction costs in transportation, paperwork, waiting periods, in addition to literacy and education requirements, drive many microentrepreneurs, especially women, to informal savings associations

Savings services that eliminate many of the above transaction costs, such as those provided by the Grameen Bank in Bangladesh and the Banco Agricola in the Dominican Republic, are in great demand especially by women (Gonzalez Vega 1993) Other non-financial services, particularly management training and technical assistance, are essential for women, many of whom have limited knowledge of business and management (Rhyne and Holt 1993) Many of the financial intermediary institutions serving informal sector clients have developed effective technologies to provide such ancillary services in addition to credit (Drake and Otero 1992 Rhyne and Rotblatt 1994) But even in institutions willing to lend to microenterprises and offering a variety of services, practices may persist that limit women's businesses from achieving maximum growth [5] As a first step in our attempt to identify and alter those inappropriate practices, we looked closely at management patterns of women microentrepreneurs

[5] For example in a study of micro business projects in Peru and Ecuador women s businesses were shown to require smaller amounts of credit at more frequent intervals than men s businesses (Bonilla 1990)

CHAPTER II

ACCION'S STUDY OF WOMEN'S AND MEN'S MICROENTERPRISES IN LATIN AMERICA

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Research Methodology and Characteristics of the Sample

The affiliate institutions in the ACCION network that participated in the research are the Fundacion para la Promocion y Desarrollo de la Microempresa (PRODEM) in Bolivia, the Center for Support to Small Enterprises (CEAPE) in Brazil, the Fundacion Mario Santo Domingo (FMSD) in Colombia and the Fundacion para el Desarrollo Integral de Programas Socioeconomicos (FUNDAP/PROSEM) and the Fundacion Tecnologica (FUNTEC/GENESIS Empresarial), both in Guatemala

These five programs were selected as the result of a process in which several factors were weighed First, criteria for participation were based on institutional interest in gender issues and the proportion of women served or that the programs had the potential to serve ACCION affiliates were then consulted to confirm that they would collaborate in the research Five institutions were considered that were at different stages of development and that have had different levels of impact in the milieux in which they operate These organizations are situated in four countries of the region whose economic and cultural contexts vary representing different geographic subregions The Annex describes the characteristics of each program and relevant background information for the participating countries

The field research was conducted among 694 entrepreneurs, including 411 women (59 2 percent) and 283 men (40 8 percent) The sample was randomly chosen by computer from among the population of clients of the solidarity group programs in the organizations mentioned above [6] It is important to note that the sample of microenterprise owners surveyed is representative of ACCION program participants, but may not accurately reflect the characteristics of the informal sector in Latin America as a whole

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[6] The sample accurately represents the overall population participating in ACCION solidarity group programs at a confidence level of approximately 90 percent The margin of sampling error was calculated for Brazil (CEAPE) less than three percent for Colombia (FMSD) and Bolivia (PRODEM) less than six percent and for Guatemala less than 10 percent at GENESIS Empresarial and less than eight percent at FUNDAP As these values represent maximum absolute error parameters they are considered acceptable for the sample

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In particular informal sector business owners who seek out financial and business assistance may represent a self-selected group that is relatively more successful than the sector as a whole [7]

Characteristics of the Entrepreneurs Interviewed

To tease out the characteristics of women's management styles and the features that are unique to their businesses, ACCION's field research investigated the characteristics of women's and men's household and microenterprise management in four countries of Latin America In addition to determining the characteristics of the microentrepreneurs' household economies we examined their work histories, business practices and management styles A great deal of consideration was given to the interaction of family and business systems —upon which the success or failure of women's microenterprises depends

A profile of the entrepreneurs' family, educational, and social characteristics may shed light on their business histories and practices Most of the entrepreneurs in the programs studied were urban migrants of peasant origin with the exception of FMSD (Colombia) Almost all lived at the time of the survey in urban areas, with just a few in rural zones Most had been in the cities for an average of six years, and their microenterprises had been operating for an average of five years Electricity services extended to practically all of the persons interviewed from the five programs, and 80 percent of the households studied had basic drinking-water services, either in the home or from wells or cisterns located nearby Sewage services, in contrast, were deficient, reaching only a small percentage of the households interviewed and indicating their poverty level Seventy-one percent of those interviewed owned their homes, in many cases as a result of land occupations, purchase of poorly-situated lands in substandard neighborhoods or the availability of very low-cost housing Housing of the groups studied was inadequate, and homes were, in general, overcrowded The number of housing units with a single bedroom was very high among the microentrepreneurs in the programs studied, with the exception of CEAPE (Brazil) and FMSD (Colombia), the only programs where houses with more than two bedrooms were found

In general the microentrepreneurs' housing was relatively close to health centers and schools In the sample, 93 6 percent of the men and 90 8

[7] An important area for further research would be to compare characteristics of microbusiness owners participating in solidarity group programs to the overall population of informal sector business owners Such research should not only examine differences in business performance but should determine whether the socioeconomic levels of solidarity group participants are representative of the sector as a whole and whether they are more entrepreneurial than the overall informal sector population

percent of the women were literate, and their level of completed schooling was generally between primary and secondary Thirty-nine percent of the overall sample had finished secondary school Twenty-one percent had technical degrees, most predominant among the population of CEAPE (Brazil), while only four percent had university degrees In all the programs the percentage of women entrepreneurs who had no schooling was greater than for men In general, more men had some secondary education

Twelve percent of the women were single heads of household with children, and 60 percent of all the women reported that they had childcare responsibilities Consistent with the data on childcare obligations, the median age of women in the sample was slightly higher than for men, with the majority of women between 36 and 45 years old Approximately 10 percent of the sample were younger than 25 years old, while 20 percent were over 46 A total of 92 percent of the men and 87 percent of the women had households that included a permanent companion/spouse as well as children In 45 percent of the entrepreneurs' households there were at least three minors in the family, and in 36 percent there were more minors than adults Less than two percent of the microentrepreneurs lived alone, as illustrated in Figure 1

FIGURE 1 FAMILY COMPOSITION

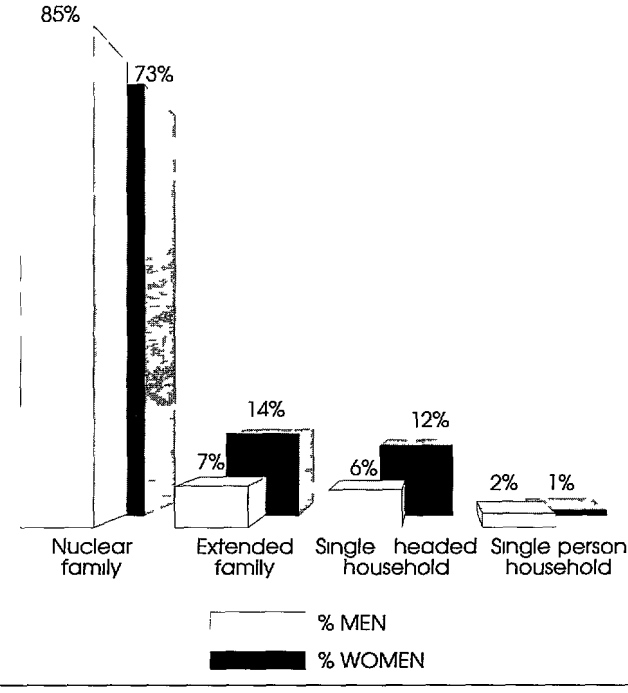

Figure 2 presents the distribution of the sample by program, country, sex and type of economic activity As is characteristic of the informal sector in Latin America, women predominated (67 1 percent) in the group involved in commerce and constituted a much smaller share of those engaged in service activities (24 2 percent) Women's participation in productive activities was significant (51 7 percent), many of those women worked as seamstresses

Credit had been crucial for the microenterprises of the groups we interviewed Solidarity group programs had been the only source of credit for 92 percent of the entrepreneurs The remaining eight percent had access to loans from the financial sector, non-governmental organizations that offered credit services, or other sources

As noted in the Introduction, the average monthly income of microentrepreneurs in the groups studied ranged from about $45 to $400 for women and from about $81 to $400 for men The incomes of single female heads of household were 30 to 69 percent lower than their counterparts in jointly-headed households, on average [8] Women microentrepreneurs consistently had lower incomes than their male counterparts, in each of the three sectors The differences were greatest at the lowest income levels women's average earnings ranged from approximately 35 percent lower than men's in commerce and services to about half of men's income from productive activities At the higher end of the income scale, gender differences in all three sectors were almost insignificant Surprisingly, commerce ventures did not represent the poorest group of businesses studied (although certainly many of the poorest microenterprises were in commerce) Among both male and female entrepreneurs, micro-industries produced less income and savings than did services and commerce, and owners of commerce ventures had the highest savings levels (ranging from an average of $7 to $69 per month) Among the rural families, non-microenterprise activities carried out by women garnered complementary family income including raising crops (10 percent) and animals (17 percent)

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[8] The largest gap in average monthly incomes (69 percent) was discovered among single female household heads versus married women in Guatemala where rural households predominate in the sample As discussed in Chapter III of this monograph our findings also suggest that a gender based division of labor in the rural households studied is more striking than in urban households

FIGURE 2 DISTRIBUTION OF SAMPLE BY SEX, ECONOMIC ACTIVITY AND PROGRAM

	ACTIVITY	PRODUCTION				COMERCE				SERVICES				TOTAL			
	SEX	MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE	
COUNTRY	PROGRAM	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
BOLIVIA	PRODEM	45	48 4	29	25 4	33	35 5	82	71 9	15	16 1	3	2 6	93	100	114	100
BRASIL	CEAPE	3	14 3	22	22 2	17	81 0	76	76 8	1	4 8	1	1	21	100	99	100
COLOMBIA	FMSD	32	48 5	47	42 0	27	40 9	62	55 4	7	10 6	3	2 7	66	100	112	100
GUATEMALA	PROSEM	27	58 7	15	41 7	18	39 1	20	55 6	1	2 2	1	2 8	46	100	36	100
GUATEMALA	GENESIS	20	35 1	23	46 0	36	63 2	27	54 0	1	1 8			57	100	50	100
	TOTAL	127	48 3	136	51 7	131	32 9	267	67 1	25	75 8	8	24 2	283	40 8	411	59 2
	TOTAL	263 (37 9 %)				398 (57 3 %)				33 (4 8 %)				694 (100%)			

Survey Instrument

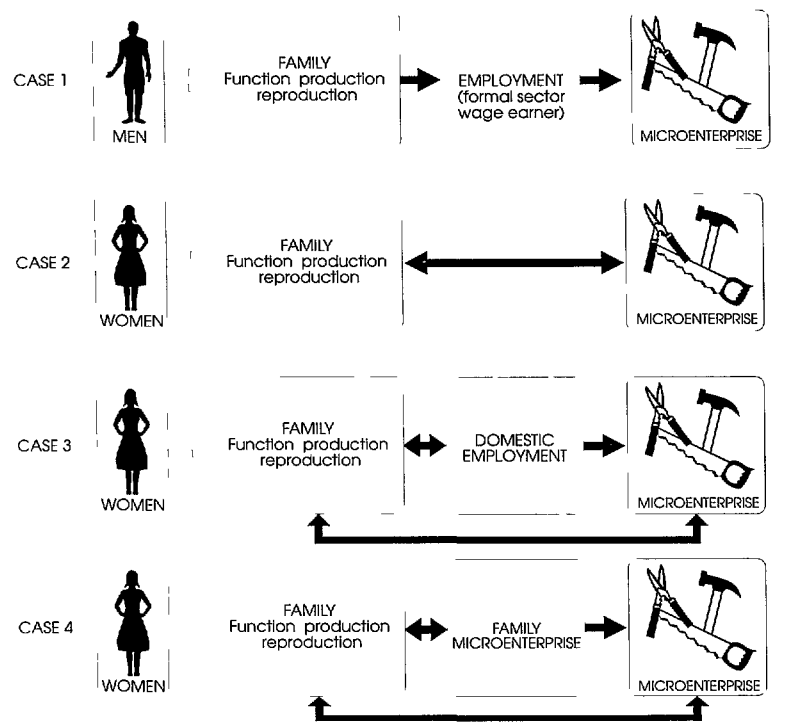
A 56 item survey questionnaire was designed and pre-tested in Guatemala and Colombia by ACCION program staff Specialists reviewed the reliability and validity of the instrument and the survey was administered in extensive one hour interviews with the entrepreneurs The staff of the ACCION affiliates participating as interviewers in this effort were trained in order to ensure uniformity of data The information was collected under close supervision and processed based on calculations of frequency and percentages Standard deviations were also analyzed for some of the quantitative variables

Business Profiles

The work histories and current management practices of the women and men studied revealed some commonalities and significant differences in their approaches to administering both household and business obligations One of the most significant differences was that women had much narrower employment backgrounds than did the men Prior employment experience had a profound effect on managerial styles of microentrepreneurs Women may have gained informal work training from home or neighborhood enterprises that familiarized them with market demands Daughters of Andean marketers (or of any market traders) may have learned something about purchasing, transporting and pricing goods, as well as how to evade officials or participate in organized market unions (Babb 1986) But whether women bring past work experience in marketing, trading, farming, dairying domestic service, factory or office work to their businesses, they have to combine their economic activities with their reproductive responsibilities in the marketplace (Beuchler 1986)

We found that, in general, the women microentrepreneurs in our study had less formal work experience and less education than the men [9] For many women (30 percent), starting their own microenterprise was their first work experience outside the home, suggesting that the start-up period for women's businesses is longer than for male counterparts who have significantly more experience in the marketplace —a hypothesis supported by our research [10] Before becoming microentrepreneurs more than half of the men (57 percent) in the sample had entered the labor force as wage earners Most of these men had been employees in small, medium or larger firms (see Figure 3) Their prior work experience allowed them to acquire job skills and familiarize themselves with production processes, the market, and in some cases, administration

FIGURE 3 ENTREPRENEURIAL HISTORY ENTRY TO INFORMAL SECTOR WORK



[9] Although their overall literacy levels are nearly on par in all of the countries more women than men have had no schooling at all and more men than women had some secondary education

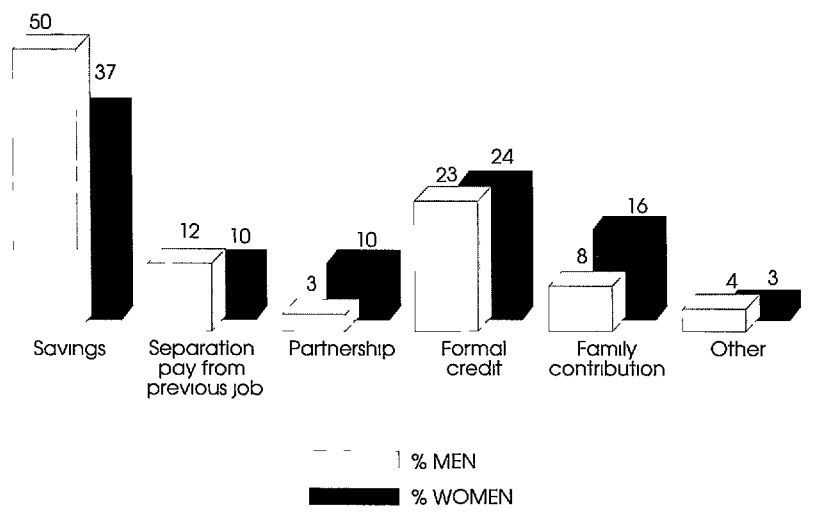
[10] Our conclusion that women s businesses take longer to consolidate is based on data showing that among men and women of approximately the same ages who had operated their microenterprises for similar lengths of time women hired 50 to 25 percent fewer employees than the men

On the other hand, only 25 percent of the women had been wage earners previously and most of those had been domestic workers —an extension of their reproductive roles and a poor introduction to the marketplace A larger group of women (35 percent compared to 25 percent of the men) had been engaged in their family's or community's informal sector activities long before turning 20 Two factors were reported as decisive in women's decisions to become entrepreneurs First, entrepreneurship is a lifestyle that allows for individual autonomy and independence, carrying both risks and rewards For any woman who juggles domestic and employment responsibilities, autonomy is indispensable to meet her greatest challenge —effective time management A second factor reported as leading to women becoming entrepreneurs was tradition Among those women participating in PRODEM (Bolivia) and PROSEM and GENESIS (Guatemala) who were part of or descend from indigenous communities, the microenterprise is not just an economic activity, but a means of maintaining the viability and creativity of their cultures In these settings, women may begin to participate in family production and sales at an early age A great deal remains to be learned about the specific means by which productive activities in indigenous communities contribute to transmitting cultural values but our data suggest that in these cases, entrepreneurial activities provided for social and cultural sustenance, in addition to material survival

Another major finding of our study is that the majority of the women entrepreneurs interviewed —nearly 80 percent— depended on additional sources of income to sustain their families The additional income may have been contributed by a spouse or partner, older relatives or working children This finding contrasts with the general picture gender and development analysts have constructed of poor women shouldering family burdens alone But the finding *is* consistent with what we know about the nature of interdependent family support systems in Latin America, and it underlines the fact that women's economic participation is increasingly essential to the survival of the region's poorest families With a number of other measures we found important commonalities and differences between male and female microenterprise owners' business profiles *In common* we found that about half of both men and women had turned to the informal sector because their options for employment and decent wages in the formal sector were so limited Men and women were also almost equally satisfied with the performance and financial returns of their businesses Also in common, men and women microentrepreneurs tended to have verbal contracts with employees and hire same-sex workers who were well-known friends or colleagues Women reported that they prefer women workers because they are more "dedicated" and "cooperative " and "relationships are easier" with them Women vendors also considered women to be better salespeople Men reported a preference for hiring males because they are considered "better prepared," and have a greater physical work capacity The traditional sexual division of labor appears to be alive and well in the informal sector!

The key *differences* we discovered in our sample's business profiles are that many of the women had turned to the informal sector not just because of the lack of formal employment options, but also because they needed the flexibility offered by informal self-employment When starting out, not only were they disadvantaged by their lack of formal employment experience, they also had less start-up capital Women started their businesses with significantly less capital than the men In the sample, 50 5 percent of the men constituted their start-up capital from private savings, and 23 percent did so from loans Only 37 percent of the women drew upon savings, although 24 percent (about the same number as men) obtained loans from moneylenders Sixteen percent of the women depended on contributions from family members, as illustrated in Figure 4

FIGURE 4 SOURCES OF START UP CAPITAL



Among other differences, we found that women tended to hire fewer employees than men [11] Only 19 percent of women's microenterprises and 36 percent of the men's had any full-time employees, with an average of two employees among men's and one to two among women's businesses

[11] While the smaller number of employees in women s businesses might appear to be consistent with the slower growth of their businesses employment generation is not necessarily an accurate indicator of business growth Many microbusinesses particularly commerce serve markets that cannot bear the increased volume necessary to justify additional labor costs Alternatively microentrepreneurs may choose not to expand their businesses but to invest in nonproductive assets or labor saving household appliances to free up more of their own time to devote to the business

Women's needs for working capital credit were not significantly different from that of men's in each subsector, except services In that subsector, surprisingly, women clearly needed credit for equipment (such as beauty salon equipment, for example) more than short-term working capital (See Figure 5)

Women were more committed than men to sticking with their businesses, even if a better wage-paying job were to appear, and they identified needs for business assistance and training that were distinct from those requested by men As Figure 5 illustrates, the greatest differences were between men and women in commerce More than twice as many men as women expressed interest in management training Male and female producers also differed significantly, far fewer women expressed the need for marketing help than men Across the board, men were more interested than women in business training, but in neither group did more than about a third of those interviewed identify their needs for training

FIGURE 5 MICROENTREPRENEUR S NEEDS

NEEDS	ACTIVITY					
	PRODUCTION		COMMERCE		SERVICES	
HIGH DEMAND	MALE %	FEMALE %	MALE %	FEMALE %	MALE %	FEMALE %
Further credit for working capital	68	68	79	77	60	25
Credit to improve or purchase equipment Acquisition of fixed site and improvement of locale	72	61	29	39	80	100
LOW DEMAND						
Training in microenterprise management	23	20	33	16	12	
Training in marketing	32	20	22	17	8	
Technical assistance to improve product quality	32	13	20	18	20	

As women's businesses were clearly not outperforming men's, either in management or sales, our findings suggest either that women were not aware of their weaknesses as managers, or they simply could not take time away from their schedules to attend training courses

Finally, women reported that their enterprises had a more significant impact on their family life and their own personal status than did men In addition to reporting (in 83 percent of the interviews) that they had improved their children s diet and education, three-quarters of the women observed that the microenterprise brings the family together around work [12] With the recognition that their work had given them, 24 percent of the women noted that they communicate more closely with their children, and others noted that they receive more respect from their companion and children

About 10 percent of the women said their entrepreneurial activity had negative effects on their families In particular, their companions felt competitive due to their partner's new income, and some of their husbands had expressed jealousy of people with whom the women work In some cases, women reported that the business had kept them from giving their children adequate attention

On the other hand, 53 percent of women reported a sense of greater independence and autonomy, having learned negotiating skills as well as having gained economic power More research is needed, but our data suggest that women's economic empowerment has a powerful impact on gender roles, transforming women from subordinates to more equal partners with their male companions and to role models for their children [13]

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[12] Some researchers have found that women s relative power and authority in the female headed household may result in a more equitable division of domestic labor between the boys and the girls as all are required to contribute to the maintenance of the household (Gabayet et al 1988 Morrissey 1989)

[13] O Connell (1994) for example examined features of women s self esteem and social relationships that change with greater economic independence finding that some women are more likely to delay marriage or leave an unsatisfactory marriage when financial conditions permit

CHAPTER III

WOMEN AS MANAGERS OF MICROENTERPRISES

A great deal has been written about women as managers (Knight 1994 Boot 1994, Marlow and Strange 1994, Birley 1989, Carter and Cannon 1988 Cromie 1987 Goffee and Scase 1985 Hertz 1985), but little is known about women *microentrepreneurs* as managers We wanted to learn more about how the particular conditions of women in the informal sector affect their business practices To guide our analysis of the data gathered during our interviews, we focused our review of the literature and data analysis on four key questions

1) How do women balance their work/family responsibilities?
2) How is family labor distributed at home and in the microenterprise?
3) When women head a family business, how are family financial resources distributed? What is the impact of family members' income on the business and family consumption?
4) Do women behave differently from men in the marketplace?

Work and Family Responsibilities

Working women worldwide have been confronted with the task of balancing their productive and reproductive lives (Sage 1993, Leghorn and Parker 1981) To guarantee the well-being of her family on a daily basis, a woman's management functions and responsibilities include a range of time-consuming reproductive activities in addition to earning income childcare and childrearing, household maintenance, and community activities (often including basic sanitation such as trash disposal and water and sewage management) [14] None of this work is remunerated even though it may add

[14] In the 1970s and 1980s women not only entered the labor pool in large numbers they also became active in community organizations that addressed primarily 'feminine issues such as childcare nutrition and health care In addition women organized their communities to obtain infrastructural resources such as water and electricity that are viewed as part of their domestic responsibility (Moser 1989) Decreases in government assistance since the 1980s have required that women fight for the survival of community programs (Afshar and Dennis 1992)

Community organizations rely on the unpaid volunteer involvement of women in order to survive (Moser 1989 Leghorn and Parker 1981) For women who hold community leadership positions demands on their time increase For rural women community responsibilities beyond their household may include the organization of community social events such as weddings and religious rituals (Sivard cited in Cebotarev 1988)

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up to a full work day, on top of the demands of a woman's business Beyond childrearing, household maintenance, and community tasks, rural women are also responsible for the preparation of food, which can include the long process of the cultivation and gathering of food, and collecting firewood and water (Leghorn and Parker 1981) For female heads of households, the responsibilities increase to include managing family resources, the care of other adults, and earning income to support other household members (Massiah 1983)

Moser (1993) has noted that women's capacity to balance productive and reproductive work depends on both the composition of the household and the household lifecycle For example, a household with many young children will require more work than one where teenagers and adults reside, especially for single heads of households

Meeting their multiple daily responsibilities makes up what many authors have come to call women's *double* work day (Cebotarev 1988, Babb 1986, Nash and Safa 1986), or for rural women, a *triple* work day, since they must also tend to family landholdings (Cebotarev 1988) Massiah's (1993) study of female headed households in the Caribbean found that women make accommodations in their lives to manage their multiple roles by blending (as opposed to balancing) productive and reproductive roles As an example from another region, the Andean market can serve as an extension of domestic work for women allowing them to organize their activities around both work and family spheres Women in markets clean and cut vegetables and sell them while cooking meals to sell as well as to feed their own family At the same time, they bargain for goods their family needs and sell products such as knitted caps that were produced during spare moments (Babb 1986) Throughout, the market seller may be looking after one or more small children Thus, the microenterprise may be a site where women 'blend' a number of domestic and income-earning activities

Viewing women microentrepreneurs as *managers* of both their microenterprises and families, we asked how women divide their time —the scarcest of resources for these women— among responsibilities More than 70 percent of the women we interviewed spent four to six hours daily in reproductive work that included cooking laundry, cleaning, shopping, and caring for children The great majority of women interviewed lacked resources to pay for help Only nine percent hired someone to do the family laundry, four percent to cook and two percent for childcare [15] Sixty-five percent of women (compared to 35 percent of men) frequently had to interrupt their work day to attend to still other family matters, such as meetings at their children's schools (The interruptions men reported were more often related to their business, such as travel to purchase materials or to collect from customers)

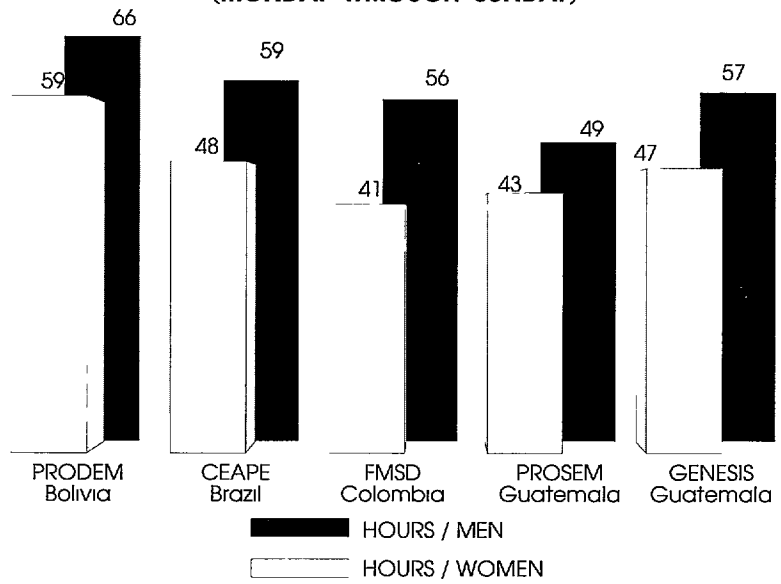
[15] Thirty eight percent of the women participated in social and recreational activities 42 percent of the men reported taking time for rest and recreation

Finding time to meet all of these obligations was even more difficult for the 12 percent of the women in the sample who were single heads of household and for the 22 percent living in rural areas Of our entire sample of female heads of household (49 women), just two were able to pay for help with cooking, one paid for housecleaning and none at all paid for childcare Rural women must often travel to their markets, creating additional time pressures Women so overburdened may also have less time to develop support networks among neighbors and friends

Although community initiatives traditionally have been a way for women to meet their families' needs, for example by participating in community housebuilding, and health or sanitation programs, only 18 percent of the women studied took the time for such activities, compared to 24 percent of the men [16]

Figure 6 compares the number of hours per seven-day week that male and female entrepreneurs dedicated to their businesses

FIGURE 6 AVERAGE HOURS/WEEK DEVOTED TO THE ENTERPRISE (MONDAY THROUGH SUNDAY)

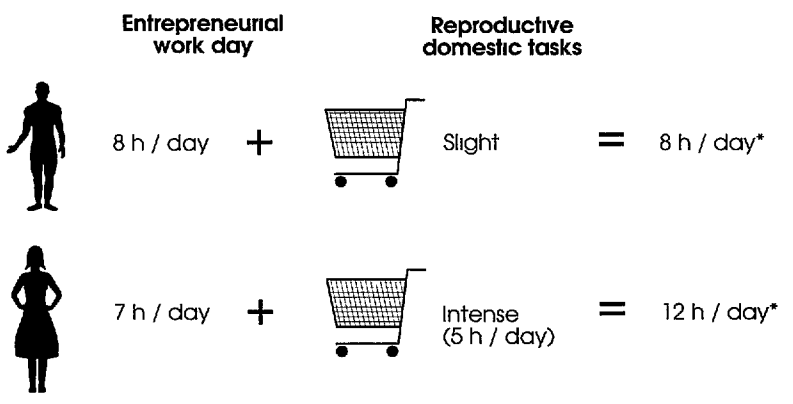


[16] Leghorn and Parker (1981) observe that men participate in social and political activities women do not have time for adding to women s political and social exclusion In an ILO report of 12 industrialized countries that compared working men and women men spent only 11 percent of their time in unpaid work while women spent approximately 31 percent Furthermore women spent 40 percent of their time performing paid work leaving 24 percent for leisure This is compared to 49 percent of men s time for work and 34 percent for leisure (Vickers 1991) When these figures are projected to the microentrepreneurial socioeconomic level in developing countries most of that leisure time is lost for women

Men spend more hours per week than women working in their microenterprise For example, in CEAPE (Brazil), FMSD (Colombia), and GENESIS (Guatemala), all programs that work with urban entrepreneurs, men tended to work 10 to 15 hours per week more than women In contrast, in PRODEM (Bolivia) and PROSEM (Guatemala) the difference between the work days of men and women was not as marked Here, the microentrepreneurs worked in small towns or rural settings Travel time required to sell their goods increased the work time of both male and female microentrepreneurs so that they dedicated nearly equal time to their businesses

In general, among men, service enterprises required more hours of work (66 hours/week) since they had to devote time to travel to distribute foods or perform repairs at the customer's location Women dedicated an average of 44 hours per week to service microenterprises, including restaurants, beauty salons, childcare and tailoring, among others Men spent an average of 59 2 hours per week in productive activities, while women spent 50 5 Men worked about 56 hours in commerce, while women dedicated 45 8 hours per week in commerce The variation in the amount of time spent weekly from one type of activity to another was less marked among women than men but in any case, both men and women dedicated well above eight hours per workday to their businesses Moreover, considering the business day alone, men 'worked' longer hours, but by understanding 'work' as labor that ensures *family* productivity as well as generating monetary income, women worked significantly more than men The women's business day was about seven hours, on average, but their reproductive work added another five hours for an average total work day of 12 hours (Figure 7) Time is literally 'of the essence' for these women

FIGURE 7 WORKDAY OF MICROENTREPRENEURS



* Includes holidays

Because of the traditional division of gender responsibilities, male and female entrepreneurs work under different conditions of competition Men have the advantage of being able to control many of the variables that affect the productive capacity of their businesses In contrast, women have little control over factors that compromise their productivity Time women devote to the shopping and cooking for family meals, to a child who becomes ill, to an elderly parent who must be tended all add up to dispersed energies and to fatigue

So how can women be efficient? We discovered that women use several strategies to balance the management of their households and enterprises

- Women rely on free labor of family members, usually daughters, for household chores and childcare,
- Women may invest some of their profits in time-saving domestic appliances or machinery, rather than in business inputs or assets In this way, they *invest in freeing up their own time* to enable them to devote more time to their businesses,
- Women dedicate less total time to their enterprise than their male counterparts, they may divide up their business day to attend to household obligations at midday or in the evening, returning to work afterward,
- Women may reduce the geographical scope of their business activity to cut down travel time (discussed later in this chapter)

Each of the strategies is meant to free up a small amount of women's time, the essential ingredient in a successful balance of work and family

Family Division of Labor

Paid help for domestic and childcare services is financially unattainable for most women in the informal sector When extended family or friends are not available to assist with childcare, women resort to bringing their child along to work and/or staying home when the child is on holiday or sick (Massiah 1983, Beuchler 1986) A more common occurrence (and for a longer household cycle) is for an older child, usually a daughter, to eventually take over the care of younger siblings and other domestic chores, allowing the mother to work longer outside of the home (Moser 1993) In this respect, working daughters permit an efficient division of female labor (Ehlers 1990) especially for female heads of households where time allocation between the market and the home is more difficult

The distribution of household labor between males and females is generally unequal, in terms of both time and responsibility In most regions of the

world women are responsible for childcare, cooking, cleaning, washing clothes knitting, sewing and approximately half of house repairs (Leghorn and Parker 1981 Babb 1986) In rural areas, providing for about 70 percent of the food production, 50 percent of domestic food storage 100 percent of food processing, and 80 percent of the fuel supply also usually falls to women (Leghorn and Parker 1981)

As we discussed in the previous section, contributions of family labor to household maintenance are key to enabling a woman to devote more time to her microenterprise Our research revealed that women spent much more time than men on reproductive work although they received substantial help in those chores *on a weekly basis* from family members Male entrepreneurs, on the other hand almost universally reported that other family members contribute to maintaining their households *on a daily basis* Thus the males in our sample viewed reproductive work as an area where they 'help out' at home, while women's reproductive tasks were integral to their daily obligations Figure 8 shows the distribution of time male and female microentrepreneurs spent on household activities

Approximately 39 percent of the women we interviewed reported that they receive family support for childcare, although they had less childcare help from the family than for other domestic chores Therefore, many women

FIGURE 8- HOUSEHOLD DIVISION OF LABOR (Percentage of Male/Female Microentrepreneurs Engaged in Activity on Daily/ Ocassional Basis)

ACTIVITY	DAILY BASIS	
	FEMALE	MALE
Childcare	60	34
Cooking	82	10
Laundry	73	10
House cleaning	78	31
Grocery shopping	73	31
Animal production	17	32
	OCCASIONAL BASIS	
	FEMALE	MALE
Carrying water	6	11
Carrying fuel	14	9
Chopping wood	8	20
Planting	10	27

took children along to work or cared for them while working at home About two-thirds of the men also reported involvement with 'childrearing' activities, presumably referring to children's discipline and family 'education' rather than childcare per se

In the majority of families in which women headed the family microenterprise, family members helped with many household chores, but their contributions were sporadic and did not cover the household's needs About 65 percent of the women received such support from just one family member and only a few times per week Most of the women were solely responsible for all family shopping, when they did get help with shopping it was usually a daughter who stepped in In only a small number of cases did a woman's husband or male companion provide such assistance Just eight percent of all women reported that their male partners helped with cooking and housecleaning, six percent with laundry, and almost 13 percent reported that their spouse or companion participated in 'childrearing '

Women and men appear to share responsibility for heavier tasks such as chopping wood and carrying fuel and water, but again, women reported that they received family assistance with such jobs just a few times per week, while the majority of men received family help on a daily basis

Most men who ran microenterprises engaged in very little domestic work on a day-to-day basis, and for each type of household activity, 87 to 96 percent reported receiving daily support from their spouses and families We cannot help but notice that women's reports about the help they receive from their spouses and partners diverge sharply from male microentrepreneurs' estimates of their own participation in household chores (as in Figure 8) The males interviewed in our survey were *not* the partners of the women interviewed so it is conceivable that our sample of men did participate more actively in household work than did the partners of our female sample, but given the amount of household help men in our sample reported receiving it is more likely that they overstated their participation in the household tasks listed in Figure 8

To summarize, the distribution of family labor in the overwhelming majority of households studied conforms to the traditional division of labor based on gender Even when a woman is running her own business she holds primary responsibility for maintaining the functioning of her household Men continue to depend on the labor of their spouses and (primarily female) children to manage their households, even when the spouse and daughters are also working in the family business Family labor appears to be distributed along gender lines in the microentrepreneurs' businesses as well Sixty eight percent of the entrepreneurs received direct support from at least one family member who worked in the microenterprise But more family members worked in men's microenterprises —most often the female spouse— than in

women's businesses Family members of women microentrepreneurs, particularly their husbands or companions, were more likely to be employed outside the family enterprise Family workers in women's businesses tended to leave for wage labor jobs or to pursue their education more frequently than family workers in men's businesses [17]

While more than two-thirds of the microentrepreneurs studied had the help of one family member in their microenterprises, only 20 percent of men and 16 percent of women paid this person for their work, as Figure 9 illustrates

FIGURE 9 FAMILY LABOR IN THE MICROENTERPRISE

	MEN %	WOMEN %	AVERAGE
Enterprise with one family worker (in addition to microentrepreneur)	68	67	68
Entrepreneurs who remunerate the work of that person	20	16	18

Some microenterprises may not generate enough income to remunerate family labor From the standpoint of the entrepreneurs, the work of this family member may have no monetary value The family's poverty may require that all work be done cooperatively and for free to ensure the whole family's subsistence In addition, affective family ties may hamper the establishment of an employer-employee relationship Many of the entrepreneurs also reported that since the worker was their companion, spouse, child, or some other close relative who lives in their home, the worker receives more than a wage in the form of room and board, paid for out of the family budget

In summary, while women do get help both at home and in their enterprises from unpaid family labor, it is not as much help as men get in either sphere The help of family workers is never adequate to meet all of the family's and enterprise's needs, and women depend significantly less on such labor than do their male counterparts

Family Income and Distribution of Financial Resources

Since women's earnings are usually lower than men's, male authority to control resources is often established in households, leading to an unequal

[17] In 81 percent of families of women s businesses at least two family members are in school versus in 68 percent of male entrepreneurs families

distribution of decision-making power (Cebotarev 1988) In households that maintain such traditional gender relations worldwide, men control family resources and women remit their incomes to them An allowance is then allotted to women for purchase of household and business necessities This, in effect, takes decision-making power away from women (Moser 1989)

This model of household resource allocation, however, is not the universal reality Women cannot rely on a consistent 'allowance' since under traditional arrangements the amount given commonly fluctuates (Gabayet et al 1988) and increases in family income will not necessarily result in the flow of more funds to family consumption Based on their research on family resource allocation in Mexico, Gabayet et al (1988) observe that generally "income surplus is channelled into other directions the farm the household enterprise, to cover debts, or for personal 'needs' of the male household head "[18] Therefore, many women particularly those with their own wages or microbusinesses, do not give all of their income to their husband, maintaining autonomy to manage both their business and household

Female heads of household, despite their disadvantage in terms of the amount of resources available,[19] maintain autonomy in financial decision making They tend to distribute household resources more equitably, with the majority of money used directly for household maintenance (Gabayet et al 1988 Momsen 1993) Female heads of household may also have more control (than jointly headed households) over additional resources generated by family members For example, Gabayet et al (1988) found that Mexican sons of female household heads usually remitted their full salary back to the household

In comparing jointly-headed to female headed households, the nature of the relationship between the man and the woman —particularly in terms of decision-making authority— may determine patterns of distribution of the family's financial resources In all types of households however, most poor families pool resources generated from members' wages and microbusiness activities (or from rental of house space or boarders' remittances) to ensure survival and cover for family members who may be unemployed (Beuchler 1986)

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[18] Gabayet et al (1988) point out that men s economic condition may differ significantly from that of their family applying the term *pobreza secundaria* (secondary poverty) to describe the poverty of women and children with respect to that of a male head of household who retains family income for his personal use

[19] Female heads of household in the Caribbean and Latin America are disproportionately clustered in low skill low paid occupations with no prospects for improvement or are unemployed (Massiah 1983 IDB 1990)

In light of the patterns of family resource allocation described in the literature, this section describes each of three aspects of family resource distribution that we examined family members' occupations, monetary contributions to total family income, and use or distribution of family money

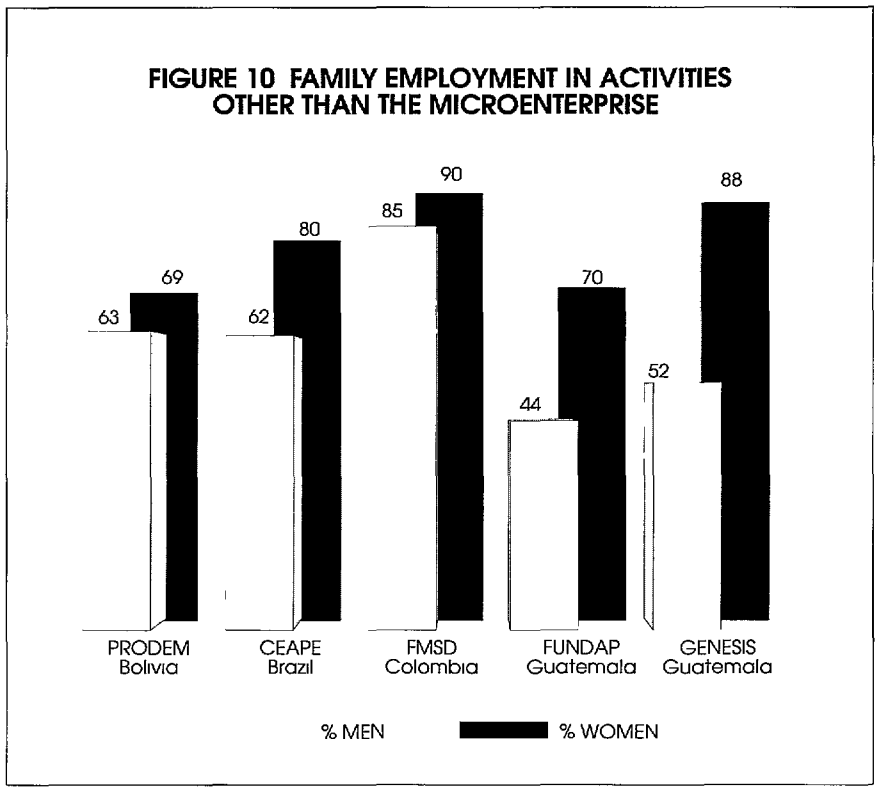
1 Family members' occupations and contributions to family income

Family structure and traditional gender roles have changed rapidly over the past decade as women have flooded the job market and informal sector and gained unprecedented economic autonomy However, we found that men still predominate in decision making in the household, and that large numbers of poor women, even microentrepreneurs, still depend on male companions and family members for income In 72 percent of the families studied in which a man was the head of the family enterprise, he made all the family decisions alone, even when his spouse brought in a share of family income In just 23 percent of the households of male microentrepreneurs were family decisions shared by husbands and wives

As we have noted, in most of the families studied, the microenterprise was not the sole source of family income in 79 percent of female-headed microenterprises and 62 percent of those headed by males, family income was made up of income from the microenterprise plus income from one or more family members who were wage earners (see Figure 10 for a comparison of family employment among clients in the programs participating in the study) [20] Thus, with the exception of the 12 percent of women in our sample who were single heads of household, many more men than women were the sole income earners and sole decision makers for their families These figures seem to reinforce the traditional logic of gender relations in Latin America, particularly with respect to access to household resources and power The data also suggest that women's earnings are significantly lower than men's, to the degree that several incomes are needed just to maintain family subsistence [21] In addition, although it may be low steady income from women's microenterprises can be crucial to poor families' survival, as it allows other family members to take risks by competing for higher-paying jobs in the marketplace

[20] In the majority of families at least two family members were in school this was more common in families in which the women were the entrepreneurs (81 percent of women entrepreneurs families compared to 68 percent of men s) But in spite of the fact that household members in school were less likely to be wage earners in each of the countries studied more women microenterprise owners depended on sources of family income in addition to the microenterprise

[21] The data do not permit analysis of the proportion of family income represented by profits from the microenterprise However the income levels of women entrepreneurs suggest that (with the exception of single female heads of household) women s earnings represent a proportionately smaller contribution to family income than that of male entrepreneurs



The household is a marketplace in itself where women's labor is less valued than men's [22] Because women earn less in the public marketplace, female entrepreneurs must depend (more than males) on other household members to augment the family income The lack of such additional cash income in the households of male entrepreneurs is offset by the contribution of unpaid labor they receive from family members (often female) in their microenterprise and in household reproductive tasks In other words women are more likely to benefit from cash contributions of family members while men tend to benefit from in-kind contributions of family labor, both types of contribution represent additional family resources mobilized to ensure survival

[22] Some evidence has suggested that the household status of women microentrepreneurs varies according to the type or sector of work in which they are engaged Browner (1991) found in Teotiteco (Mexico) that women weavers characterized their work as integral to a family system of production over which they exerted relative control Women engaged in family commerce on the other hand described themselves as employees of their husbands even though this group tended to be more economically mobile than the weavers Women in merchant households were viewed by Browner to have sacrificed authority for economic mobility while without the economic benefits of commercialization women in weaver households retained greater power within the family sphere

Our data suggest that in Guatemala specifically (and perhaps rural households more generally), families maintain even stronger traditional gender divisions of labor, in which men work in the public sphere and women tend to reproductive tasks, agriculture and household production —none of which is considered 'employment' [23] A great deal of research has explored gender relations in rural settings, where women have traditionally engaged primarily in production for household use or consumption rather than for cash exchange In many rural settings, women are simply not permitted by their husbands to take part in activities outside of the home (Cebotarev 1988, Lavrin 1987)

Yet, increasing economic and social pressures are encouraging, if not forcing, women to earn cash to help meet basic food, clothing, and shelter needs of the family (Charlton 1984) [24] Latin American women who do maintain a traditional unpaid position are believed to be losing customary family authority and respect, even when they take on ever larger shares of traditional family tasks as other family members join the paid labor force (See Huston cited in Charlton 1984)

II Distribution of income

We found that entrepreneurs generally combine the monetary resources of their family and enterprise in a single fund for both income and expenditures Income includes both revenues from the microenterprise and from family members' other earnings, and expenditures include both family consumption and purchases for the microenterprise Figure 11 describes the percentage of income in the entrepreneurs' funds earmarked for those categories

Our data do not indicate significant differences in men's and women's money management —33 to 39 percent of the income in both cases was earmarked for family consumption, allowing for subsistence conditions However, women invested slightly more in household consumption, and men spent slightly more on the microenterprise

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[23] Figure 10 also shows greater differences between men and women in GENESIS and FUNDAP (Guatemala) with respect to the other programs Those programs work with large numbers of rural entrepreneurs —more than one third of the entrepreneurs interviewed from those programs In GENESIS and FUNDAP families with male headed businesses were significantly less likely to have another wage income earner

[24] The pressures to earn cash are real but wage earning jobs are scarce in rural areas Vickers (1991) notes that rural women make up approximately 13 percent of rural single headed households but women account for only eight percent of rural wage earners Yudelman has noted that rural women in Latin America are also excluded from access to land credit technical assistance or opportunities to participate in cooperatives or state farms (See Deere 1987)

FIGURE 11 DISTRIBUTION OF ENTREPRENEUR'S FAMILY INCOME			
ALLOCATION OF REVENUES		ENTREPRENEURS	
		% of women s revenues earmarked for	% of men s revenues earmarked for
FAMILY (CONSUMPTION)	Food Education Health Clothes Recreation Housing Services	39	33
ENTERPRISE	Reinvestment and capitalization of the business Financial obligations	51	59
OTHER	Pay debts to relatives Luxuries Savings	8	6

Forty-two percent of the women in our study invested profits in capital equipment and merchandise for their businesses Twenty-five percent of the women made significant investments to free up their time to work more on their business, either by lightening their domestic chores (e g , some purchased household appliances such as electric stoves, and in a few cases, washing machines), or by otherwise increasing their time efficiency (e g 15 percent purchased automobiles) Others purchased luxury items such as televisions and radios Men on the other hand, tended to use their profits to purchase inputs, tools or equipment for their businesses

III Savings

Our findings corroborate studies of savings among microenterprises which found that members of poor families pool their income to set aside savings (Beuchler 1986), and that entrepreneurs (especially women) prefer savings that are liquid, easily accessible and provide security when high returns are not available (Robinson 1993, Gonzalez Vega 1993, Otero 1989a) Figure 12 illustrates that significant numbers of entrepreneurs save periodically, even if in small amounts

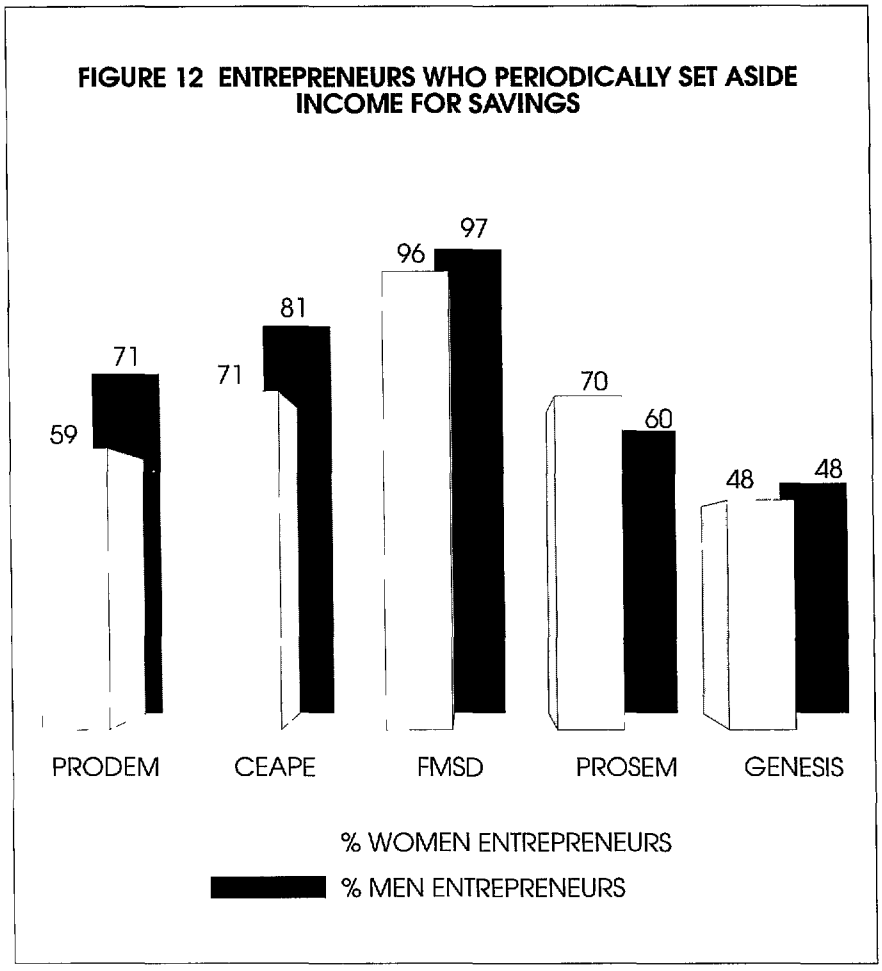


Figure 12 indicates that in each of the programs studied, at least 48 percent of microentrepreneurs —slightly more men than women— set aside some savings from their incomes In the Colombian program, the numbers of entrepreneurs who saved reached nearly 100 percent of those interviewed Although women were slightly less likely to save, those who saved tended to do so somewhat more than men, ranging from an average of about $29 per month for women to about $18 per month for men

How savings were spent by men and women also differed, as illustrated in Figure 13 where the modalities and uses of entrepreneurs' savings are summarized

FIGURE 13 TRENDS IN MICROENTREPRENEUR'S SAVINGS

	EMPHASIS	WOMEN ENTREPRENEURS %	MEN ENTREPRENEURS %	PREFERENCE
FORM OF SAVINGS	INSTITUTIONAL	39	35	FMSD Colombia CEAPE Brasil
	KEPT AT HOME	25	30	PRODEM Bolivia PROSEM Guatem GENESIS Guatem
	IN MICROENTERPRISE	13	14	ALL
	ANIMALS/ CROPS	8	11	PROSEM Guatem
USE OF SAVINGS	BASIC NECESSITIES EVERYDAY	43	39	
	INVESTMENT IN ENTERPRISE	13	19	
	FUTURE/ OLD AGE	7	8	
	INVESTMENTS (Luxury items house etc)	8	8	
HOW SAVINGS USED (TREND) Women + Men	FAMILY	56%		
	ENTERPRISE	16%		

Savings kept at home were almost equal to the amount placed in institutions Families continued to stash money at home in part to maintain liquid savings and in part because the savings were used for both daily needs and emergencies Fifty-six percent of the combined savings of males and females were allocated to the family and only 16 percent to the microenterprise (although we know that women tended to invest slightly more in the family, and men put more into their businesses)

To summarize this section

- In the majority of families studied, men made family decisions alone, even when they were not the sole source of family income,
- Most microentrepreneurs' households in our study —particularly women's— depended on sources of income in addition to the microenterprise,
- Significant numbers of poor families had savings, ranging from an average of $29 per month for families of women microentrepreneurs, to an average of $18 per month for families of men entrepreneurs,
- Women spent slightly more of their family savings on consumption (often on labor and time-saving appliances), while men spent slightly more of family savings on business-related expenses

Behavior in the Marketplace

Women's ownership responsibilities promote their independence and autonomy as managers Nevertheless, their subordinate position and multiple obligations in the reproductive sphere spill over into the general labor market and the informal sector, restricting their access to resources (Faulkner and Lawson 1991) For example, Babb's (1986) study of Andean marketers found that women and men sold similar items, but men's businesses were larger scale due to the extra capital resources they drew from other forms of employment The men also enjoyed greater mobility to travel to production sites to purchase goods and, consequently, sold larger quantities of manufactured goods at lower prices than women (Babb 1986) This case illustrates how male microentrepreneurs' lack of reproductive obligations enables them to make management decisions that give them a competitive edge over their female counterparts We found many such cases, although we did *not* find differences in men's and women's management at all levels of managerial functioning

Our research suggests that specific aspects of women's management practices are influenced by the nature and level of reproductive responsibilities that thwart women's efficiency, in other words, some management functions are more affected by women's reproductive obligations than others In particular, time-intensive management tasks, such as employee training and supervision, may be most constrained by women's multiple responsibilities Thus, women appear to manage at different levels of efficiency at different times in the family life-cycle When the pressures of reproductive responsibilities have been minimized —particularly when children are able to take care of themselves or even contribute to the enterprise— women's and men's management styles do not appear to differ significantly

Based on this finding, we came up with a three-level model that distinguishes among managerial functions that appear to be *most* affected by women's household and family responsibilities (Level One tasks), ranging to management tasks and functions that appeared to be performed virtually equally by men and women microentrepreneurs (i e *least* affected by women's reproductive responsibilities —Level Three tasks)

The following discussion outlines our observations at the three levels

- **Level One** Management tasks at the first level seem most adversely affected by women's gender conditions Here, we found the strongest divergences between men's and women's *time management* patterns (women devoted less time to the business) and *labor management* (women had fewer employees paid less, and employees were less stable) These factors, together with women's lack of previous work experience, surely contribute to the slower and more uneven growth of women's businesses

- **Level Two** With second-level tasks, reproductive responsibilities interfered less with women's decisions Differences diminished between men's and women's patterns in the performance of these functions including *management of financial resources* (women started businesses with less capital and tended to recycle smaller proportions of their profits back into their businesses) *investments* (women were more likely to invest profits in household time-saving devices that allowed them to put more hours into the business) and *savings* (women were slightly more likely to opt for liquidity) In regard to these specific practices, the differences between men and women were less sharp than for Level One tasks, yet the contrasts were still significant

- **Level Three** Third-level management tasks relate directly to market demands Here, we found fewer differences among the practices of men and women microentrepreneurs Although they were still present, women's reproductive responsibilities appear to have less impact than the marketplace in determining women's choices We found that *with regard to suppliers, pricing and marketing* of their products, male and female entrepreneurs tended to behave in a similar manner in commerce services and micro-industries In decision making and performance at this level, gender differences seem to disappear

We explored in more depth three Level Three management tasks, where distinctions were minimal between women's and men's management practices pricing, marketing and strategies to cope with periodic economic downturns Where gender differences in approaches to these tasks did appear, they were strongly associated with gender related responsibilities For example, women's reluctance to seek out new markets was directly related to their need for proximity and availability to their families

I Pricing

We found that in most cases both male and female microenterprise owners underestimated the real costs of production and set prices for their products that were too low to generate marginal profits We assess here entrepreneurs' reports about the major factors associated with pricing

a Cost of Inputs and Overhead

Given their limited working capital, microentrepreneurs are rarely able to obtain their inputs and supplies in large quantities at favorable prices, which would give them a larger profit margin This lack of liquidity becomes a bottleneck for expanding microenterprises Only 22 percent of the women and 25 percent of the men in the sample purchased inputs with credit from the suppliers that is, most depended on formal and informal sources of loans

Second, entrepreneurs looking for better prices often depended on distant suppliers, requiring travel and increasing the final cost of the raw material This cost had a particular impact on women, whose time was limited due to family responsibilities As a result, women were obligated, more than men, to pay more for capital in order to buy larger quantities at a time This was particularly the case among women microentrepreneurs in Bolivia and Guatemala most of whom worked in commerce For example, the Bolivian women who sold their goods in weekly markets, following the schedules set in each town had to ensure that they had enough goods and working capital to supply themselves for at least one week's sales This sort of requirement can create a relationship of dependency and subordination of microentrepreneurs to suppliers, since suppliers often refuse to negotiate prices and payment conditions

Few of the entrepreneurs we studied —with only negligible differences among men and women— had adequate technical skills with which to determine the costs involved in producing their goods The entrepreneurs' estimates of the real cost of money (i e , the interest on loans for working capital) were not factored into calculations of their prices Only 17 percent of the entrepreneurs took into account transportation expenses and only 13 percent calculated energy and fuel costs into the final price of their products, even though those were among their largest expenditures While 35 percent of the entrepreneurs paid rent for their work site, none of them took it into account in pricing In addition, the family subsidized many of the costs of the enterprise for those who worked at home, including water, electricity, and space which were also excluded when prices were determined [25]

[25] The costs of maintaining equipment and machinery which should also be included were calculated in the value of the product by just three percent of the clients studied perhaps because very few entrepreneurs use technology in their enterprises

b Cost of Labor

In 72 percent of the enterprises, the only labor available was that of the entrepreneur and his or her family members In these enterprises labor was usually unpaid (just 18 percent of family labor was paid) and excluded from calculations of the cost of the products As we have noted, fewer women had paid employees than men, but most men and women neglected labor costs when pricing their products Only about seven percent of both males and females who hired non-family employees factored the remuneration they paid their employees into the price of their goods or services

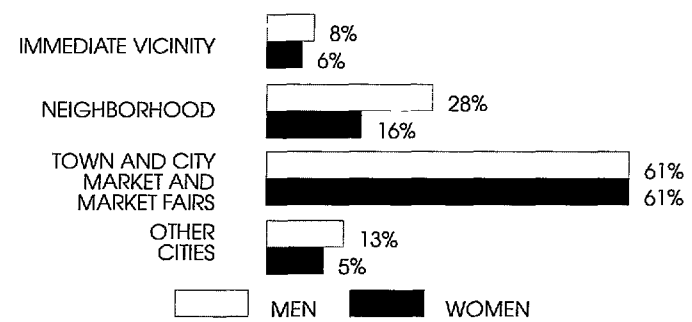
During periods of very high demand as at the middle or end of the year, 20 percent of the entrepreneurs hired personnel on a temporary basis to support their activities in production, distribution or sales Since such jobs were temporary, the owners also failed to take into account those labor costs in pricing their products

Many male entrepreneurs did not specifically quantify the costs of their wives' labor Because of gender subordination, they may consider it inappropriate to do so and may fail to place any significant value on women's work Women may also undervalue their own labor Thus both men's and women's profits were undermined by inadequate pricing policies

ii Marketing

A second area of management where we detected only slight differences among men and women was marketing Microentrepreneurs relied on four types of primary markets, defined by proximity or distance from the entrepreneurs' dwellings the market in the entrepreneur's immediate vicinity the village or neighborhood market serving more than the entrepreneur's immediate surroundings town or city markets and market fairs and markets in other cities, requiring that the entrepreneur travel to a different locale Figure 14 indicates that some women tended to prefer markets closer to home, while men were slightly more likely to seek markets in more distant areas The majority (61 percent), however, sought similar markets for their products

FIGURE 14 TYPE OF MARKET



Several criteria enter into the decisions of entrepreneurs when they choose their markets First, domestic responsibilities and ability to keep tabs on their children swayed 22 percent of women to locate their marketplace near their homes While this eased their reproductive tasks, their businesses may have been affected by ongoing family-related interruptions Moreover, women's markets might be atomized in their local neighborhoods, limiting their potential for increased sales Therefore, the majority of women sought markets outside their immediate neighborhood —yet within their municipality— to ensure sufficient revenues, even if travel time compounded the burdens of their household responsibilities

In about 42 percent of both the male- and female-owned enterprises studied sales were handled solely by the entrepreneur In about half of the enterprises, control over sales was shared or delegated to family members In the remaining nine percent of enterprises a hired employee was given charge of sales most frequently in microenterprises run by men

III Strategies for surviving periods of economic downturn

Informal sector markets inevitably experience cycles of growth and stagnation, reflecting trends in the national or regional economy Microenterprise owners must be able to constantly adapt to periods of relatively higher or lower demand When demand is low, they draw on an array of refined strategies to survive slump periods We found that women and men employed two similar strategies —reducing production and varying their products or services In addition, men searched out new markets and reduced family expenditures which women were less likely to try, even in times of crisis A number of other strategies were employed less frequently, and they were used virtually equally by men and women Figure 15 presents the solutions cited for getting through periods of low demand

FIGURE 15 MICROENTREPRENEURS' STRATEGIES FOR LOW-INCOME PERIODS

MAIN STRATEGIES	MICROENTREPRENEURS	
	MALE %	FEMALE %
Reduce output	26	25
Offer different goods or services	16	19
Seek other markets	22	12
Change prices	9	14
Use savings	7	9
Reduce family spending	10	5
Apply for loans	2	6
Lengthen the work day	3	6
Seek employment	2	3

Reducing output and the varying products and services were strategies most commonly employed by *both men and women* in the sample Since women's investments were relatively small and their production processes were normally simple, microentrepreneurs could easily adapt to circumstances, changing or varying the production process in order to offer other goods and services For example, a woman making sports clothing could switch to make other types of articles, such as school uniforms, to respond to the demands of the moment Reducing production may be less costly for women than for larger enterprises (which tend to be male-owned) because women's enterprises tend to have lower fixed costs Larger businesses have to continue to meet overhead and salary costs, even when production is reduced

After exhausting those two strategies, *different* approaches were taken by men and women in our sample Seeking new markets requires travel and new marketing techniques Since the time women devoted to family responsibilities made them less mobile, nearly twice as many men as women used this strategy Reducing family spending was also tried by twice as many men as women as a means of getting through hard times Women microentrepreneurs placed immediate family needs above all else when distributing their incomes and were much less willing to use this strategy Men, however, tended to accord greater priority to the business

No significant sex differences were discovered in the following strategies which were less frequently used to survive periods of economic downturn

Draw on savings Women were very slightly more likely to spend savings, either for family consumption or to strengthen the business (by trying a new product, for example)

Lower prices Changing prices was most common in commerce ventures, which were operated predominantly by females Women might tinker with the prices of goods that were in storage and had not found an outlet As prices fell income was obtained from larger sales volumes to alleviate the temporary sales crisis, though profit margins were smaller

Apply for a loan Applying for loans was a less common strategy among the microentrepreneurs It was used by fewer men than women This reluctance reflects microentrepreneurs' caution with respect to indebtedness in high-risk conditions For some it is a good alternative, so long as the loan applied for is earmarked for the enterprise to pay earlier invoices, to buy raw materials or merchandise, or to offer new products This solution is risky if the loan is used for consumption, as additional unanticipated costs would be incurred, including interest on the debt

Work longer hours or seek other employment When demand was low for their microenterprise's products or services, some women found daily

employment in domestic services while delegating sales to their children or opening their business later in the day

In an extreme example, some Bolivian women who were unable to sell their merchandise during the normal work day "stayed open" until midnight

IV Women as managers Concluding remarks

Recognizing the reality of the multiple constraints placed on women by their reproductive roles, we hope to suggest how microenterprise services can be adapted to help businesswomen deal more effectively with both reproductive and productive responsibilities To summarize our findings on differences and similarities between men's and women's management styles

Similarities

- Both men and women microentrepreneurs have difficulty calculating the real costs of production,
- When demand is low, both men and women will cut production levels and vary the products and services they offer,
- In performing management functions directly related to market demands and when the pressures of reproductive responsibilities have been minimized, women's and men's management styles do not differ significantly

Differences

- Women start their enterprises with less professional work experience and knowledge of their sector than their male counterparts Their lack of employment experience may contribute to the pattern in women's businesses of a longer start-up period, more uneven growth and smaller size,
- Women who run a business are more likely than male entrepreneurs to depend on additional sources of family income As a result, family members are less available to work in the microenterprise However, the additional family income may make women better credit risks for suppliers,
- When demand is low, women are less likely than men to cut family consumption or seek out new or distant markets,
- Key differences in men's and women's managerial approaches are related to time and labor management and investment and savings patterns

- The percentage of their time that women allocate to their enterprise is lower than for men, primarily due to the time pressures created by women's childrearing and household responsibilities,
- Women entrepreneurs' family members are less likely to work in the enterprise, work fewer hours and are paid less than in families where men run the microenterprise, these workers are generally less stable than family members working in men's enterprises,
- Women spend slightly more of their profits and/or family savings than their male counterparts on family consumption (often for labor-saving appliances to free up their own time), while men spend slightly more on business-related expenses,
- Women are more likely than men to opt for liquid savings in an institution rather than keeping their cash surplus at home

CHAPTER IV

PROPOSED INTERVENTIONS

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Most income-generation and microenterprise training programs fail to consider the single issue that is perhaps most critical to women's management capacities time [26] Time management and labor (both family and wage labor) management —Level One functions— emerged in our research as areas that impose the greatest burden on women Therefore, our recommendations for training methodologies focus on those skills as highest priority for women microentrepreneurs Level Two skills are then addressed primarily centering on financial administration that takes into account microentrepreneurs' tendency to merge business and combined family financial resources into a single family fund Training in Level Three management functions include the functions traditionally associated with microenterprise training —fundamentals of small business management such as pricing and marketing

In addition to recommendations for training geared to women's businesses, we propose in this chapter a series of adaptations and innovations in microenterprise services to improve their effectiveness in assisting women's businesses The recommendations are designed to heighten institutions knowledge about gender inequality and pressures faced by women entrepreneurs, to adapt microenterprise service operations to account for family resources and labor, to decentralize their operations, to offer family oriented savings products, and to adopt monitoring systems that track women's performance The innovations suggested for microenterprise services should be designed in accordance with the following criteria They should be cost-effective replicable capable of scale operations and allow for systematic monitoring and evaluation

Training for Women Entrepreneurs

Many practitioners consider men to be more prepared to benefit from microenterprise training than women In a World Bank retraining program

[26] Leghorn and Parker (1981) point out that many community development programs count on women s unpaid labor Women in community leadership positions experience added pressure as they are expected to supervise the allocation of resources for the development programs (Moser 1989)

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returns from training among Mexican males who had previous job experience were found to be greater than among women Based on a study of the program, Revenga, Ribout and Tan (1992) concluded that the impact of training programs depends on the characteristics of the participants Training is typically designed for male microenterprise owners, and fails to take into account women's lower levels of literacy, lack of previous business experience, multiple responsibilities and chronic fatigue Training for women entrepreneurs should use familiar language and concepts and accommodate women's hectic schedules by holding meetings in accessible locations on weekends or evenings, when their businesses are more likely to be closed It should also be held in brief sessions, to offset the exhaustion which may lead to difficulties women may have in concentrating The training should be practical and include tools that allow women to forge their own strategies, accompanied by opportunities for reflection Given most women microentrepreneurs' dependence on family labor, family members who work in the business might be invited to participate in the training, particularly in discussions about household division of labor and time management Training should be carefully monitored and evaluated Finally, since many women microbusiness owners are recent migrants, marginally literate and unfamiliar with urban services, program staff and trainers should be prepared to inform women of government and private agencies available to assist them with health care housing assistance, childcare, literacy training, legal aid and related social services

The following is an example of contents that could be included in microenterprise management training for women

LEVEL ONE

- Management of human economic, and financial resources,
- The family economy,
- Distribution of labor in the microenterprise,
- Time management and economy evaluation of reproductive responsibilities and entrepreneurial responsibilities, co-responsibility of family members,
- Introduction to gender relations,

LEVEL TWO

- Financial management household and business investments and savings,
- Tools for institutional and financial negotiation,
- Introduction to business management,
- Gender relations II,

LEVEL THREE

- Business management and factors associated with its effectiveness —purchasing, costing, marketing,
- Entrepreneurial leadership negotiation skills, professional organizing skills, innovation and initiative in the marketplace,
- Gender relations III

Institutional Training in Gender Awareness

Staff working in microenterprise lending institutions, at all levels, should be sensitized to the specific needs of women as managers Open discussions on the constraints of women's multiple roles and women's management should be held, along with practical tools for working with women's businesses Staff training should also address social attitudes about women's status and relationships between men and women in society at large The following is a list of possible contents of such training

- Women and perspectives on development, attitudes toward women and social change, gender relations,
- Microenterprise and women's entrepreneurial management,
- Factors in women's management associated with growth and development of their microenterprises,
- Tools for evaluation and monitoring of women's management and the economic unit,
- Tools for evaluation of credit earmarked for women,
- Characteristics of women's financial services,
- Tools for the training of women

Institutional Operations

Institutions with a commitment to women's businesses should monitor their portfolio of women's loans in both number and amount to ensure that at minimum percentage of their loan portfolio provides credit to women's enterprises Since loans to poor women tend to be small, the scale of the institutional commitment should be evaluated not by measuring the total amount loaned to women but the number of loans to women Institutions should be encouraged to avoid large loans to small numbers of women as this reduces their coverage for poorer women The following suggestions for

adapting technologies to women's businesses focus on decentralized and flexible mechanisms for adapting credit and training

- Locate offices near the location of clients' businesses, decentralization will lead to greater efficiency in credit operations, lower costs, and greater access for women,
- Offer training for small groups in the areas where clients' businesses are located
- Adapt program schedules to account for women's double work day,
- Design information systems on financial and training services that adapt to the characteristics of women's businesses (i e the single family fund, use of sporadic and family labor, etc)

I Credit analysis

An essential tool for approving loans is the assessment made of the microenterprise and the borrower, including basic information on the business that enables a loan officer and loan approval committee to make a decision on the loan conditions The credit analysis should include indicators unique to women's management of a microenterprise, such as analyses of the use of family resources and labor in the business, and the pressures exerted on the business by household demands These factors should be incorporated into loan officers' or promoters' assessment tools

The following is a list of some of the indicators that could be included among the credit analysis evaluation instruments

- Borrowing capacity based on a single family fund,
- Extent of economic dependency of family members on income generated by the microenterprise,
- Productive capacity of the microenterprise based on family labor capacity,
- Women's capacity to dedicate themselves to the microenterprise in relation to other domestic and reproductive responsibilities,
- Family support,
- Family capacity for savings, characteristics of savings
- Use and management of money in the family and microenterprise,
- Prospects for the microenterprise short- and medium-term plans

II Savings

A great deal remains to be learned about savings among the poor Research suggests that there is often an imbalance in which the poor and microenterprises have greater access to savings services than to loans (Gonzalez Vega 1993) But savings services and products could be better designed to make effective use of and respond to microentrepreneurs' capacity for and interest in savings (Otero 1989a) Savings services should be aimed at providing benefits to the family For example savings programs could include not only traditional passbook savings, but also specific products such as educational savings plans, where the user periodically sets aside funds for children's education This would minimize the risk of diversion of the funds for other purposes

III Records disaggregated by gender

Systematic client data disaggregated by gender are essential to ensure that services actually contribute to the growth of women's businesses Monitoring indicators should be developed to obtain detailed information about women's microenterprises (as compared to men's) in a simple and efficient information management system Monitoring should be aimed at planning and modifying interventions adjusted to respond to client demands, and to evaluate the impact of such interventions on women Such monitoring should result in accurate assessment of the impacts of credit, savings and training programs on participating microenterprises and on women s business management

Conclusion

The principal finding of our study of women as managers of microenterprises in Latin America is that most differences in men's and women's managerial choices are related to time and labor management, and to a lesser extent, investment and savings patterns In each case, the differences reflect women's greater responsiveness to their family commitments and responsibilities Our second key finding is that women effectively deal with the constraints of their multiple roles by devising a range of time-management strategies A third finding less related to women's management but nevertheless a significant contribution to analyses of the informal sector, is that poor families in Latin America —among which female-headed households are the poorest— depend on multiple sources of income to survive, microenterprises were rarely the sole source of income among the families that we studied In light of that fact, another key finding is even more surprising large numbers of poor families in Latin America save money and prefer institutional savings where they also may become borrowers of working capital credit

Our recommendations for institutional responses to the specific needs of women's microenterprises, based on these findings, are intended to contribute to evolving worldwide efforts to guarantee poor women access to the financial and training services their businesses require Ongoing monitoring and further research will be needed to deepen our understanding of the complex dynamics of the informal sector and to continue refining strategies to assist women's microenterprises We hope that ACCION's experience of engaging solidarity group program staff in the region in the process of designing and conducting the research will serve as a model for future studies of the sector

ANNEX

CHARACTERISTICS OF THE PROGRAMS AND COUNTRIES THAT PARTICIPATED IN THE RESEARCH

CHARACTERISTICS OF THE PROGRAMS AND COUNTRIES THAT PARTICIPATED IN THE RESEARCH[2]

All of the programs that participated in the research are affiliated with the ACCION International network of microenterprise finance organizations which transfers a methodology for microenterprise services that has been developed over more than 30 years The fundamental goals and methodologies for service delivery are common among the programs, but each has adapted the methodologies to fit their country's particular characteristics To place the research in context, this Annex presents an overview of each country and program

A COUNTRY CONTEXT

1 Bolivia

With a total area of 1 1 million square kilometers, and one of the lowest population densities in Latin America, Bolivia's social and economic indicators make it the poorest country in South America 1990 World Bank estimates indicate that in 1989 the total population was 7 1 million, with an annual population increase of 2 8 percent Infant mortality is 106 children per 1,000 live births, and life expectancy at birth is 53 7 years for both males and females, lower than the average (67) for the other countries of the region More than half of the total population has no access to safe drinking water while only 27 percent of the rural population has access to safe drinking water

In 1989, per capita gross national product was estimated at US$ 620 and prevalence of malnutrition in the population under five years of age was 18 percent One-fourth of the total population was illiterate, 35 percent of females had no formal education

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[2] We would like to express gratitude for the preliminary drafts for this chapter written by Rosalia Tesillo FMSD Colombia Claudia Cisneros CEAPE Brazil Ronald Reque PRODEM Bolivia Deborah Mejia GENESIS Guatemala and Olga Rodas PROSEM Guatemala

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These poverty indicators worsened in the 1980s, when world prices for the principal export commodities (natural gas, sugar cane, coffee, lumber, and soybeans) dropped, and the external debt continued to grow The economic crisis brought on by this situation led to high unemployment and hyperinflation, which skyrocketed to 24,000 percent in 1983 In 1984 the Bolivian government devalued the currency by 300 percent, resulting in social pressures to suspend payments on the external debt (ACCION International 1992a)

With the assistance and support of international organizations, especially the International Monetary Fund, a drastic austerity program was initiated to save the crippled Bolivian economy This adjustment program proved to be one of the most successful in Latin America Inflation was slashed to 20 percent annually and economic growth reached 4 1 percent in 1991, one of the highest rates in the region Nonetheless, implementation of the adjustment policies geared to meeting the demands of the external debt, combined with Bolivia's debilitated competitiveness in world markets, led to a sharp decline in wages and had an uneven impact on different population groups and economic sectors (ACCION International 1992a)

In addition to the high social and political costs involved in implementing structural adjustment programs, certain characteristics of Bolivia make it difficult to carry out programs that benefit the majority of the population The first has to do with overland transportation As it is an extensive country with a small population, overland access to communities in faraway places is very limited In 1989 the country had only 39,824 kilometers of highway (World Bank 1991), thus a cost-benefit analysis of programs with a relatively small scope of impact tends to discourage their implementation

Another difficulty is Bolivia's migratory patterns The growing concentration of economic and administrative activities in the large cities and the deterioration of living conditions in rural areas has spurred the rural-urban migration since the 1970s At present half of the population live in urban areas, and in the first five years of the 1980s urban population growth exceeded 10 percent (Tesillo 1994) Migration had a great impact on employment unemployment jumped from six percent of the urban economically active population in 1976 to 17 percent in 1986 (Casanovas 1986a) The mass of unemployed people continues to grow while the capacity of the formal sector economic system to absorb them remains scant

The increase in the cost of the basic family market basket due to inflation was particularly detrimental to households that depended on wage incomes, many had to invent strategies to maintain minimal levels of family consumption Informal sector productive activities were a response to these needs

The informal sector of the Bolivian economy has grown abruptly in recent years, to the point of employing more than 75 percent of the economically active population Seventy-two percent of those employed in the informal sector are women At first this noteworthy expansion of the informal sector was perceived in Bolivia, as in the rest of the countries of the region, as a transition to the stability of a modern economy Yet the insertion of the informal sector in the national economy and the fact that it covers and ensures certain productive, commercial and service activities mean that it has become an important structural feature of the Bolivian economy (Bonilla and Rodriguez 1992)

This change in the structure of the national economy is considered by some analysts to be one of the most important trends in recent times (Morales 1986) Indeed, the Bolivian informal sector accounts for the largest share of national job creation From 1980 to 1984 the formal sector saw a drop in its share of the economically active population from 42 percent to 37 percent, while the informal sector climbed from 53 percent to 58 percent (ACCION International 1992a) In 1983, 95 percent of the country's economic establishments were in the informal sector (Casanovas 1986)

Nonetheless, many informal sector enterprises intersected with the formal sector, in order to offset the inefficiency of the informal economy's low wages, lack of social security and in particular, women's "super self-exploitation" in which their work is distributed among domestic activities and self-employment (Morales 1986)

While women have played a fundamental role in this new economic scenario, cultural features of Bolivia limit the implementation of development plans and programs Several languages are spoken in addition to Spanish, including Quechua, Aymara, and Tipuguarani The effort to plan assistance and consolidate women's work is particularly complex in Bolivia because of the many ethnic groups and the marked cultural diversity in which male-centered family representation prevails

Nevertheless the increased participation of women in the informal economy is explained primarily by the need to contribute to family incomes, which have fallen sharply In this context, it is noteworthy that 68 percent of self-employed workers are heads of households, and more than one-fourth of these are women (Morales 1986) These figures help explain the Bolivian government's interest in carrying out programs that have the potential to strengthen women's economic activities Such programs promote efficiency and investment, and support new forms of organizing family labor in production units in which a woman is simultaneously in charge of the home and an entrepreneur

2 Brazil

Brazil is the fifth largest country in the world in area, covering an expanse of 8 5 million square kilometers With dense jungles and enormous mineral and timber reserves, it has the largest river system in the world This territory has a population of 153 million, accounting for 40 percent of the population of South America (ACCION International 1992b)

The literacy rate is 81 percent According to World Bank estimates, infant mortality in Brazil is 59 9 per 1,000 live births, higher than the average for Latin America and the Caribbean (51 7 per 1,000 live births) Life expectancy is 65 6 years (World Bank 1991)

Beginning in 1950, Brazil embarked upon a transition period From a fundamentally agricultural economy it moved to an urban industrial economy sparking considerable migration from rural areas to the cities, expanding and concentrating the labor supply in large civil works projects, industry and expanding urban services In 1989, 76 percent of the population was living in urban areas (World Bank 1991) Investment in rural areas diminished, giving rise to marked social and regional imbalances (Fernandes 1994)

In this process of expansion and modernization, the Brazilian economy grew over 10 percent annually from 1967 to 1979 During this stage there was increasing urban growth and a greater concentration of capital and economic activities, which intensified which unequal growth (ACCION International 1992b) Beginning in the 1980s this trend in the Brazilian economy began to change, giving rise to indicators that suggested the onset of a general recession, including mounting public debt, a growing external debt, and hyperinflation, all of which led to a decline in investment and a sharp drop in real income for the wage-earning population Among the measures adopted to address this situation, special mention should be made of the wage freeze and the reduction of public investment, which helped polarize social differences

The new measures adopted in the 1980s exacerbated the predominantly urban bias in the economy The dizzying growth of the informal sector accounted for a significant part of the urban economy as new occupations were created and numerous microentrepreneurial initiatives expanded Microenterprises with less than five employees, both regulated and unregulated, accounted for approximately half of all active workers, as much as 74 percent in rural areas The informal sector's adaptation and capacity to respond to this crisis made for the structural insertion of the sector into the national economy, creating and strengthening supply of raw materials, production links, and forms of marketing, as the formal sector saw its competitive edge weakened (Fernandes 1994)

This phenomenon evolved as it did because a part of the population, having no access to jobs decided to employ itself Informal sector work allowed women to be incorporated in the labor force quickly, especially in the large cities From 1980 to 1990, women increased their participation in the economy from 27 4 percent to 35 percent nationwide, and to as much as 40 percent in metropolitan areas (Fernandes 1994)

In 1990 more than half of the women ages 18 to 39 years were engaged in remunerated work This suggests that mothers, independent of whether they were heads of households, were the main resources for maintaining at least minimal levels of family consumption In 1990 more than half of those employed in the informal sector (55 2 percent) were women (Fernandes 1994)

As the informal sector expanded to become the largest generator of employment, it adapted production and marketing requirements to the competitive weaknesses of the formal sector, giving it a unique role in economic policy Policy makers have come to understand the need to strengthen these new modes of labor organization by improving institutional support to the sector

The living conditions of women microentrepreneurs enable them to consolidate production units with a high potential for self-sufficiency This is particularly true in Brazil where the population has the cultural resources to adapt to modernity Nonetheless, the geographical expanse of the country makes it difficult to establish regional typologies of microenterprises requiring institutional coordination to foster, with formal sector and public sector contributions, stable economic growth with equity

3 Colombia

Colombia with a territory of 1 14 million square kilometers is the fourth largest country in the region, and has a population of 33 6 million that is growing by two percent annually Illiteracy stands at 11 9 percent below the average for Latin America and the Caribbean the rate is similar for men and women (women, 12 9 percent) Average illiteracy in the region is 16 7 percent for both sexes and 19 percent for women (World Bank 1991) Infant mortality is 43 per 1,000 live births significantly lower than the average for Latin America Life expectancy at birth is 68 5 years close to the average for the region (67 years)

Traversed from north to south by the Andes, Colombia has a wealth of ecological diversity Forty percent of its territory is suitable for agriculture, and the upland zones make it the second leading producer of coffee worldwide With its enormous mineral wealth Colombia is not only a significant producer of emeralds (95 percent of world production), gold,

silver, platinum, copper, and uranium, but it also has the largest coal reserves in Latin America Gross domestic product was US$ 1,190 per capita in 1989 (World Bank 1991)

Although the economy showed clear signs of recession beginning in 1982, Colombia adopted measures in 1983 that made it possible to achieve average annual growth of 3 7 percent for the rest of the 1980s It is one of the countries of Latin America that has suffered least the negative effects of economic adjustment and austerity measures The drop in world coffee prices in 1989 had a significant impact on economic activity Nonetheless, Colombia kept its growth rates at 3 5 percent for 1989-1990, and 3 3 percent in 1990-1991 (ACCION International 1992c)

This moderate economic growth was accompanied by rapid urbanization that came to concentrate 70 percent of the population in the cities The World Bank (1991) estimates that in 1989, 69 7 percent of the population lived in urban areas, and that there were 88 women for every 100 men living in urban areas It also estimates that the pace of growth of the urban population was greater than for the total population, at 2 8 percent annually

With inflation close to 24 percent annually, real wages fell Also affected were the small agricultural producers who kept the prices of their products relatively stable while manufactured goods and services became scarcer and more costly In this unequal exchange, agriculture transferred value to industry and services of the informal sector The capacity for investment in the countryside continued to slide, spurring unemployment and poverty This process led to growing diversification of the labor force 40 percent of the economically active rural population was engaged in non-agricultural work in these years (Tesillo 1994)

Accentuated poverty in the agricultural and wage-earning sectors forced them to explore new forms of work to maintain minimum levels of consumption, as was occurring in other countries of the region In this search for survival mechanisms, people drew on the comparative advantages of the informal sector, especially in the form of the family enterprise (*fami-empresa*) in order to become involved in, supply, adapt, and functionally complement areas of the formal sector In this way Colombia saw rapid growth of an informal sector that currently employs 57 percent of the economically active population and that is estimated to generate 25 percent of GDP (ACCION International 1993) At present Colombia has more than 1 2 million microenterprises with less than 10 employees, about half of these employ only one person The microentrepreneurial subsector is linked to the overall economy but it generates more employment, as total jobs in the sector grew at 5 7 percent annually from 1988 to 1990 (Tesillo 1994)

In these survival strategies the women of Colombia, as in other countries of the region, increased their economic activity as they were able to combine domestic chores with remunerated work Aside from domestic work, women's participation in the labor force reached 31 percent nationally in 1985 and 43 percent in urban areas By 1990 women accounted for 62 percent of employment in services and 43 percent in manufacturing industries (Tesillo 1994)

The tendency toward the growth and consolidation of these microentrepreneurial forms of production and services, as well as women's propensity to account for an ever larger share of them, have forced public and private development assistance agencies to consider differentiated strategies with respect to the organization of production, technological level and productivity But in addition, the dynamism of the sector and its insertion into the local, regional and national economies must be taken into account The objectives of such programs are to foster greater equity in the context of economic growth, diminishing sectoral and gender-based disequilibria so that these activities may become self-sustaining

4 Guatemala

Guatemala has one of the worst poverty indices of the countries of the Americas With a population of nine million in a total area of 108,000 square kilometers, seven million live in poverty, according to the World Bank (1991) Per capita output in 1990 was US$ 910, 18 percent less than in 1980 The population of Guatemala has grown at 2 9 percent annually, infant mortality is 55 6 per 1,000 live births Illiteracy is widespread, and increased slightly from 44 2 percent in 1980 to 44 9 percent in 1990

Guatemala has a large indigenous population as descendants of the Mayan civilization account for over 60 percent of the population There are many cultures which are situated in well-defined regions In addition to Spanish some 40 dialects and languages are spoken, the main ones being Quiche, Cakchiquel Mam, and Kekchi While indigenous cultures are found nationwide, they are concentrated in the north and in the western *altiplano*, which is considered the most productive region for artisan crafts and agriculture (Rodas 1994)

The Guatemalan economy saw sustained growth up to the late 1970s, which is attributed mainly to favorable world prices for its export products, especially coffee This period marked the beginning of accelerated urban growth and a high concentration of economic activities in Guatemala City, home to more than one-fourth of the population where the formal sector and public investment in infrastructure led to an increase in the job supply

Like most Latin American countries, in the 1980s Guatemala's general economic and social indicators deteriorated In the macroeconomic literature this decline is explained as the consequence of plummeting prices for its exports, especially coffee Falling export prices combined with the impact of the external debt to provoke a marked recession, as attested to by the negative 5 5 percent rate of economic growth from 1981 to 1986 (ACCION International 1992d)

Worsening rural living conditions and declining production in the countryside sped up urbanization and the unequal concentration of economic activities, while reinforcing the residential segregation that physically sets apart a population characterized by survival in the informal sector

After more than two decades of military governments and the return of democracy in 1986, Guatemala implemented a stabilization plan and achieved average economic growth of more than three percent annually (ACCION International 1992d) Nonetheless, structural adjustment measures and inflationary pressures continued to limit job creation and kept real wages down In general households that depended on wage incomes, the underemployed, and the unemployed bore the brunt of the adjustment measures, along with certain population groups, particularly women whose efforts maintain minimal levels of family consumption

Both the rural and urban poor have needed innovative strategies to meet minimal consumption requirements, many have turned to the informal economy and have continuously adapted their activities to withstand the massive increase -106 percent in the past decade- in the cost of the basic family market basket (Rodas 1994) An estimated 500,000 microenterprises have formed, 125,000 of them in Guatemala City Official data indicate that approximately one-half of the active labor force is employed in the informal sector (ACCION International 1992d)

As indicated for other countries, few of the informal sector activities operate in isolation from the rest of the economy, but depend on the formal sector for raw materials supplies and services, or are a link in the chain of finishing of a good, service or consumption, thus playing an increasingly vital role in the national economy Some economic analysts estimate that the informal sector accounts for approximately 26 percent of gross domestic product in Guatemala (Mejia 1994)

In order to join the work force, Guatemalan women have had to overcome adversities in their milieu and culture Many have become heads of households due to high male mortality caused by political and social violence Guatemala has one of the longest-standing guerrilla movements in the Americas, which has been fighting continuously for more than 40 years These single mothers accounted for 15 percent of total households in 1981 this figure may have risen in recent years (Rodas 1994)

Furthermore, some cultures prohibit women from communicating with third persons in general, since men traditionally exercise family authority As a result of this custom, most women have no legal documentation authorizing them to engage in formal transactions Another cultural factor has to do with literacy While there have been changes of late, until a short time ago women did not have access to education According to the World Bank (1991), in 1989 52 9 percent of Guatemalan women were illiterate To a large extent they have had to acquire their capabilities and skills informally

Nonetheless, due to pressure to ensure minimum family consumption, as has been the case in almost all the countries of Latin America the female population has had to increase its working hours to generate income Women now account for 61 percent of Guatemala's informal sector commercial microentrepreneurs (Mejia 1994)

The development and growth of these activities and the tendency for the informal sector to consolidate as a structural feature of the national economy have created an awareness of the importance of providing institutional support to these initiatives in the form of financing, technical assistance, and marketing assistance, as well as policies to bolster productive capacity and improve work organization

B DESCRIPTION OF PARTICIPATING MICROENTERPRISE PROGRAMS

1 Fundacion para la Promocion y el Desarrollo de la Microempresa (PRODEM Foundation for Microenterprise Promotion and Development)

PRODEM was founded in 1986 by a group of Bolivian entrepreneurs with the support of ACCION International Offering access to credit and training services, PRODEM was created to expand job opportunities, encourage investment in microenterprises and increase their incomes Its clients are owners of very small-scale businesses who work in production commerce and other services with commerce the strongest sector The main service offered by PRODEM is credit, provided exclusively through the solidarity group method which provides short-term working capital loans for productive activities Although the program does not offer ongoing training courses the owners of microenterprises are given basic knowledge about loan management in the first stage of their contact with PRODEM

PRODEM has received financial support from its founders, the United States Agency for International Development (USAID), the Social Emergency Fund, and the Calmeadow Foundation More recently it has taken out private bank loans to on-lend to the poor

From the outset PRODEM's operations expanded rapidly The size of the informal sector in Bolivia and the absence of programs to serve this population on a large scale created a significant demand for its services While in its first four years of operations the program served some 18,000 microentrepreneurs —mainly female merchants— in the city of La Paz, the lack of resources and the desire to make a significant contribution to the target population pressured the program to seek a financial strategy to expand services on a permanent basis To address this problem, PRODEM created a bank In 1992 PRODEM transferred its $4 5 million portfolio to create Banco Solidario (BANCOSOL), which became the first commercial bank in Latin America devoted exclusively to serving microenterprises In its first two years of operations, BANCOSOL had consolidated a services model that could represent a long-term economic solution for Bolivian microenterprises As of December 1994, BANCOSOL had a loan portfolio of US$ 24 5 million with more than 46,400 active clients, 71 percent of whom were women This clientele receives services at 21 offices located in the main cities

As a result of the creation of the bank, PRODEM reoriented its activities to experiment with lending technologies in rural areas At the same time, it continues to open and operate urban offices which, once they become profitable are sold to BANCOSOL in exchange for stock and other types of instruments While the bank offers exclusively financial services to microenterprises —including credit and savings in various forms, earmarked to different users, and in different currencies— PRODEM focuses its actions on credit services, particularly to support family economies Its clients use the loans for activities ranging from agricultural production and marketing to electrification, housing, and capital for productive operations

As of 1994 PRODEM was operating 19 offices located in rural areas in the main regions of Bolivia Although its active clients numbered 20,000 in 1991, in 1994 there were 9,974, since most of its clientele had been transferred to BANCOSOL In 1993, 58,649 owners of microenterprises were receiving services from both organizations In 1994 PRODEM alone disbursed more than 38,290 loans averaging US$ 344 per microenterprise This loan size indicates that its clientele are among the smallest-scale entrepreneurs in the country, 56 percent of them are women (ACCION International 1994)

PRODEM's loan portfolio grew significantly from the outset of the program, reaching US$ 4 6 million in 1991 With the transfer of the offices to the bank, in 1992 the portfolio stood at US$ 2 2 million, but grew by US$ 1 5 million in just one year As of 1994 delinquent loans accounted for less than one percent of the portfolio, counted as of 30 days Loan recovery has enabled PRODEM to generate enough income to be considered well on its way to

self-sufficiency the degree of financial self-sufficiency was 67 percent in 1993, though self-sufficiency was greater before PRODEM transferred much of its client base to the bank (In 1990 this indicator was approximately 200 percent, see ACCION International 1994)

PRODEM has also succeeded in increasing financing to microenterprises In addition to achieving a healthy rate of growth, the program has steadily increased the number of loans it processes While in 1989 the number of loans per month was just over 1,000, in 1991 an average of 4,334 loans were made each month The sum of money disbursed to the clientele, as was to be expected, has also risen In 1989, US$ 248,400 were disbursed monthly, in 1991 this indicator increased to US$ 1 23 million per month In 1994, PRODEM and BANCOSOL together made loans totalling more than US$ 89 million (ACCION International 1994)

Complementary urban-rural services a growing client base consolidation of an effective service model, financial sustainability and access to resources never before available to this sector have all contributed to making the PRODEM-BANCOSOL combination the program reaching the largest number of microenterprises in Latin America, with potential to continue incorporating even more women in the future

2 Centro de Apoio aos Pequeños Empreendimentos (Center for the Support of Small Businesses - CEAPE)

CEAPE is a non-profit civic association dedicated to the economic and social development of small family enterprises in Brazil Founded in March 1989 with technical and financial support from the United Nations Children's Fund (UNICEF), ACCION International, the Commerce Association of Maranhão, and local businesses CEAPE began under the name of the Associação para o Desenvolvimento da Mulher na Economia Informal (ADIM Association for the Development of Women in the Informal Economy), and changed its name after a year of operation Its offices are in São Luis, Maranhão, in the Brazilian Northeast, which is the poorest and most populated region of the country

CEAPE's objectives are to improve the living conditions of small entrepreneurs in the informal sector and their families, to create new jobs to support women's participation in productive activities and in the exercise of their citizenship, and to coordinate public and private sector efforts to develop policies and programs to benefit small family enterprises Its target population is made up of microenterprises with less than five employees that work in commerce, production and services CEAPE offers the following services credit, business training and management advisory services, and workshops in gender relations

The credit program uses the solidarity group methodology, which has proved suitable for assisting market vendors and for reaching large numbers of women As in the case of other ACCION affiliates, loans are mainly used for working capital The loans are made in incremental amounts and they are provided with a minimum of bureaucracy At CEAPE major emphasis is placed on management training, which is compulsory for those who receive loans, other clients can choose such training, but must pay a fee Loans and training are closely linked

Though it was created to provide services to women, the lack of sufficient programs serving microentrepreneurs and small businesspersons in general has led CEAPE to expand its services to men, though they account for only 33 percent of its client base CEAPE is a small program whose coverage is limited to the city of São Luis The main obstacle to its expansion has been the lack of funds for expanding credit operations, since Brazil receives limited international grant monies Moreover, highly bureaucratic mechanisms must be negotiated in order to gain access to funds specially earmarked for microenterprises As of 1994, CEAPE had provided services to 1,440 microenterprises and its loan portfolio, with 2,802 active clients came to US$ 1,794,000 Delinquent loans, counted from 30 days, account for only 4 3 percent of the portfolio (ACCION International 1994)

In view of the growing support from local private businesses, CEAPE is planning to expand its activities not only in São Luis, but also in other cities of the interior of Maranhão, including Caxias and Arari CEAPE is a founding member of the Brazilian network of microenterprises and small businesses, the National Federation of Small Businesses (FENAPE)

3 Fundacion Mario Santo Domingo (FMSD Mario Santo Domingo Foundation)

The FMSD is a non profit corporation in the city of Barranquilla, Colombia It was formed in December 1959 to promote the common good and to foster development in Colombia It does so by supporting educational and cultural activities and programs, scientific and technological research, health programs, and other areas of endeavor that help improve the population's quality of life, especially for the most underprivileged

The FMSD carries out programs in community development, including construction and refurbishment of housing, education, supporting the Instituto Experimental del Atlantico and a fellowship fund, support for the creation and strengthening of entities including "Carnaval, S A ", pre-cooperative and associative groups, and the Barranquilla zoo, and finally, the income-generation program The income-generation program has credit and training components as well as advisory services to benefit microentrepreneurs, solidarity groups, shopkeepers, female-headed families, and youth

The Fundacion Mario Santo Domingo receives income in the form of contributions from the Santo Domingo Group and from the services it provides It has agreements with the Executive Office of the President of the Republic, the Inter-American Development Bank, the Office of the Governor of the department of Atlantico, Artesanias de Colombia S A , the Cooperativa Grupos Solidarios, the Corporacion Financiera del Desarrollo the Corporacion Financiera del Norte and the Colombian Institute for Family Welfare (ICBF)

In September 1987 the FMSD launched the Solidarity Groups program in the city of Barranquilla It reaches large numbers of informal sector merchants, and to a lesser degree small businesses that process raw materials and provide services (this group receives management training and credit) Credit enables clients to obtain individual or group loans, which are renewed depending on payment capacity and business need Most of the credit is used for working capital

Together with other programs in Colombia affiliated with ACCION International the FMSD tested a methodology for managerial training of microenterprise owners that is being used in many countries of Latin America This model draws on the managerial experiences of the participants themselves, using a large number of audiovisual resources Training is offered through short courses in conjunction with the loans Issues studied include managing credit accounting, investment, marketing and business organization The clients may choose to take the courses at times compatible with their work schedules

As of 1990 more than 2,500 microenterprises had been serviced in the city of Barranquilla The FMSD expanded access to its services to microentrepreneurs in late 1990 in the city of Cartagena as of 1993 between the two cities more than 12,500 microenterprises had been serviced

Women's participation increased as the programs expanded access to services for the poor working population While in 1990 women accounted for more than half of the active clients (58 percent), in 1994 the female population accounted for over three-fourths of the participating clients (78 percent) This access to services had a positive impact on the family economy of the participating households and contributed to the decision of the Board of Directors of the FMSD to create the special credit program for the development of women-headed families (Tesillo 1994)

From its beginnings in 1987 to December 1994 the FMSD had provided some 28,491 loans for US$ 6 3 million The average loan amount in 1994 was US$ 222 per microenterprise (ACCION International 1994)

The revenues generated by the income-generating program enabled the FMSD to be operationally self sufficient, though financially in 1994 it only attained 90 percent self sufficiency with a portfolio of US$ 2 29 million (ACCION International 1994) The Fundacion Mario Santo Domingo currently presides over the Association of Solidarity Groups of Colombia, which brings together about 20 credit and training programs nationwide, and is actively involved in national plans that are coordinated with the Government of Colombia

4 Fundacion Tecnologica (FUNTEC Technological Foundation) and its program GENESIS Empresarial (Entrepreneurial Genesis)

The participating programs in Guatemala began operations simultaneously in July 1988, even though they are implemented by two entities operating in different geographic areas FUNTEC is a non-profit institution founded in 1985 to disseminate technologies that help enhance the quality of life of the Guatemalan population, providing technical assistance, education, training, and other services Among its most important programs are the Technology Museum, implemented with the city government of Guatemala City, schools that provide technical training for future employees of assembly plants, and the Youth Entrepreneurs program In 1988, with assistance from ACCION International and the Business Chamber of Guatemala, it created GENESIS Empresarial, which quickly became its largest program

GENESIS Empresarial was created to offer financial assistance, management training, and entrepreneurial advisory services to microenterprises Its specific objectives are to increase entrepreneurs' incomes, to contribute to the growth of microenterprises, to generate and strengthen employment opportunities, and in general to promote the socioeconomic development of the working poor, including both workers and their families These objectives are attained through several programs, including microenterprise promotion, serving existing enterprises that operate in urban areas productive use of electricity, which promotes the use of electricity in rural areas for income generation, a partnership with Conservation International, which supports microenterprises working in tourism and marketing of goods from extractive reserves in the Peten jungle, a pilot program for rural credit, which incorporates the methodology of rural community banks, and the Women and Work Project

GENESIS Empresarial offers credit and management training programs to its clientele, making available lines of credit for working capital, fixed assets, workplace improvements, and other uses The loans are renewed depending on the needs of the business, incremental increases may be obtained The loans are made to individual microenterprises as well as groups of

microenterprises working in any productive sector, with commerce the largest clientele

GENESIS Empresarial has received financial support from local and international organizations, the largest shares coming from USAID and a dozen commercial banks The program recently received support from the Chamber of Commerce of Guatemala to expand in the interior of Guatemala GENESIS Empresarial has also penetrated national capital markets by selling securities on the Guatemala City stock market in order to obtain resources to expand its microenterprise operations on a larger scale

As of 1994 GENESIS Empresarial had 19 offices located in 15 of the 22 departments of Guatemala, offering services to 145 communities including departmental and municipal capitals as well as villages Administrative decentralization contributed to the growth of clientele As of 1990 the program had served 6,000 microentrepreneurs, in 1994 this figure was up to 19,068, women account for 42 percent of all clients (ACCION International 1994) Although GENESIS Empresarial does not have special policies for reaching women, women's participation has increased over time Of the new clients in 1990, women accounted for 36 percent of the members of groups and 34 percent of the individual clients In 1993, women accounted for 38 percent of the groups and 45 percent of the individuals (ACCION International 1993)

As with other programs in the ACCION International network, GENESIS Empresarial has an institutional policy that makes it possible to assist microenterprises that have no collateral through solidarity groups The average size of such loans in 1993 was US$ 170 per group member, while for individual clients the average loan amount was US$ 817 (ACCION International 1993) In 1993, 18,465 individual and group loans were made, much higher than 1990 operations, when 5,557 loans were approved In 1993 total loans came to US$ 10 5 million, whereas in 1990 the total amount loaned was only US$ 3 million

In 1992 the program achieved financial self-sufficiency, which helped in obtaining additional resources from several commercial banks As of December 1994 the loan portfolio came to US$ 4 5 million (ACCION International 1994) Based on net operations Guatemala's microenterprise program has achieved excellent coverage and national impact GENESIS presides over the National Commission for Popular Credit, a government agency

5 Fundacion para el Desarrollo de Programas Socio-Economicos (FUNDAP Foundation for the Development of Socioeconomic Programs) and its program PROSEM

FUNDAP is a private development agency founded in 1985 by representatives of the private sector in order to improve the living conditions of the population of the western *altiplano* region of Guatemala It operates in seven departments that have large indigenous populations FUNDAP carries out several programs to develop and recover artisan crafts, in addition to reforestation, rural electrification, and programs to support women and children

In 1988, FUNDAP, with support from the Business Chamber of Guatemala and ACCION International, created the Program for the Promotion of Microenterprise Services (PROSEM), whose main objective is to expand access to services for microenterprises to create and consolidate jobs PROSEM operates five offices which offer credit, management and technical training to microentrepreneurs in seven departments of Guatemala In its first years of operation the program received financial support from USAID, more recently support was provided by commercial banks

PROSEM loans can be obtained individually or in groups, and are earmarked for both working capital and acquisition of fixed assets The terms are short, with an average of three months, though loans for the purchase of machinery may have a payment period as long as 18 months Management training consists of modules of subjects related to business management, which are offered in two cycles The first is compulsory, the second optional Technical training transfers knowledge to the clients that helps them make use of good business practices and primarily targets rural areas

Since most of PROSEM's clients are members of indigenous ethnic groups, the program has had to address several challenges First, most clients speak one of several languages other than Spanish, mainly Quiche Field staff must therefore be bilingual In addition, more than half of the clients are illiterate Therefore, to address the language barrier, the training program draws on audiovisual materials and real-life experiences Finally, indigenous clients tend to maintain strict gender-defined roles, particularly male representation of family authority

Although women are often business owners, they do not have authority to enter into contracts, nor do most women have the legal documentation required to do so This partially explains the low percentage of women formally registered as users of PROSEM credit (approximately 22 percent) Most of the urban clients are merchants

As of 1994, PROSEM had served 12,167 clients through its Microenterprise Promotion program It had provided more than 25,000 loans at an average

amount of US$ 115 for members of solidarity groups and US$ 374 for individual clients As of December 31, 1994, the program's portfolio came to US$ 1 46 million with an active clientele of 10,671 owners of microenterprises Operationally, the program is self-sufficient, and the level of financial self-sufficiency was 87 percent for 1994 (ACCION International 1994)

Finally, the services methodology used by PROSEM/FUNDAP in the rural program "Productive Uses of Electricity" is being replicated in other Latin American countries, including Honduras, Costa Rica, and Bolivia

C SUMMARY OF MICROENTERPRISE SUPPORT PROGRAMS

Figure 16 shows 1994 statistics for the programs included in the research

FIGURE 16 PARTICIPATING ORGANIZATIONS SUMMARY OF LENDING ACTIVITY (1994)

Organization	PRODEM	CEAPE	FMSD	GENESIS	PROSEM
Country	Bolivia	Brazil	Colombia	Guatemala	Guatemala
Year of First loans	1987	1989	1987	1988	1988
Type of loans	Group	Group	Group & Individual	Group & Individual	Group & Individual
Number of Ofices	19	3	6	19	8
Active Clients	9 974	446	10 463	10 024	10 671
% Women	56	80	78	32	22
Accumulated Clients	48 567	2 368	17 759	19 068	12 167
% Women	67	76	65	42	25
Total Loans Made	38 290	7 658	28 491	16 263	7 830
Total Amount Loaned (US$ Thousands)	12 984	3 147	6 320	12 238	4 362
Average Loan Size (US$)	344	1 095	222	752	557
Loan Portfolio (US$ Thousands)	2 597	204	2 291	4 520	1 462
Delinquent Loans at Year End[a] (%)	0 83	4 31	1 86	4 17	6 00
Reserve Fund (US$)	47 562	0	1 188	209 347	0
Financial Self Sufficiency[b] (%)	67	80	90	126	87
Exchange Rate = US$1 00	4 69	0 90	831 27	5 64	5 50

[a] Loans that are more than 30 days past due defined as a percentage of the total portfolio

[b] Average for 1993 (figures provided by the organizations)

Source ACCION International Informe Anual de Estadisticas 1994 (except for self sufficiency)

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