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SELECTED RESULTS FROM THE INSTRAW STUDY OF GENDER AND CREDIT: MEN AND WOMEN CLIENTS OF ADEMI AND THEIR EMPLOYEES

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INTRODUCTION

INSTRAW, the International Institute for Research and Training for the Advancement of Women, is carrying out a worldwide study of gender and credit, in which its research on ADEMI, the Asociacion para el Desarrollo de Microempresas, Inc., serves as an empirical case study. Since January 1994, data have been collected from ADEMI, its clients and a few of their employees, using a variety of techniques. Information has been supplied by ADEMI on its procedures as well as on certain business parameters and performance indicators relating to its clients. In-depth interviews with small, purposive samples of men and women clients were conducted in February-March 1994, and again, in May. Finally, in June, a random sample survey of ADEMI clients in the Santo Domingo area was carried out. The sample was stratified by subrama, or the specific business sector engaged in by its clients (e.g., clothing manufacture). A total of 271 interviews were completed, representing a 75 percent response rate from the original sampling frame. That frame was not confined to the active clients of ADEMI and, therefore, almost all the non-responses involve clients who had moved or gone out of business.[1]

Of the 271, women comprised 38 percent (104), and men, 62 percent (166). The proportion of women corresponds to the proportion of ADEMI clients in the last several years. Over the course of ADEMI's history, since its founding in 1983, the proportion of women has grown steadily. When it was first studied by Rebecca Reichmann in 1984, it had only 14 percent women clients among its individual loan recipients (in those days, it also made loans to Solidarity Groups). My 1985 study (Blumberg 1985; 1989a) found that 17 percent were women, and the most recent quarterly report (April-June 1994) shows 43 percent are women microentrepreneurs (MEs). It should be noted that this increase in the proportion of women clients is due primarily to two factors.

First, women MEs have been found to have lower rates of arrears than men, both by ADEMI and worldwide, by virtually all of the other organizations lending to MEs on a business-like basis at market rates of interest.[2] ADEMI's promotores (loan officers) are assigned geographically and receive the largest component of their bonus pay by maintaining a low rate of arrears among their clients. This means that the loan officers tend to gradually increase the proportion of women clients as they become more familiar with their territories and the local

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[1] These "desaparecidos" might be studied (as did FondoMicro) using the computerized information ADEMI tracks on all its clients. The "vanished" ventures/clients could be compared with these 271.

[2] ADEMI has been internally self-sufficient since 1988 (interest income covers its costs although donors continue to increase its capital base).

reputations of women and men MEs doing business there. It is in the loan officer's best interest to search out the clients most likely to make timely payments.

Second, ADEMI's methodology eliminates many of the barriers that prevent women - and the poor - from getting credit. Most notably, transaction costs are low. There is a minimum of paperwork and, for small initial loans, collateral or co-signer requirements.

The full INSTRAW study is aimed at gathering data on all three sides of the "microenterprise triangle": (1) the characteristics of the credit-granting organization that enhance its success in reaching women, (2) the impact of the credit on the businesses of women vs. men clients, and (3) the impact of any enhancement and/or stabilization of income resulting from the credit on the well-being of women vs. men's families.

Among the hypotheses being explored are (1) that women MEs will perform as well as men vis-a-vis the impact of the credit on their businesses, (2) that the gender division of labor/segregation patterns in the labor force make women MEs a more important source of jobs for poor women in the informal sector than men, and (3) that, while the families of both men and women clients are expected to benefit if the credit has a positive impact on income, women MEs are expected to focus more on improving the welfare of their families (e.g., improving nutrition, education, etc.).

One topic of mutual concern to INSTRAW and USAID is poverty alleviation. In that regard, the gender of the head of household is relevant. Female household heads generally (but not always) have been found to be poorer than their male counterparts. But the welfare of their families often has been found to be better than expected, given their income level. In particular, studies in various parts of the world frequently (but not always) have found their children to be better nourished than those of their male counterparts. Several studies also have found a stronger emphasis on education for both girls and boys in households headed by females.

In the present sample, a full 47 percent of the women MEs (N=49) are heads of household. This compares with a female headship rate in the Santo Domingo area of under 30 percent. Accordingly, it was decided that for the first analyses of the data, instead of just looking at the major variables of interest disaggregated by sex, it would be useful to create a new variable that combines gender and household headship. This led to the following breakdown: among women MEs, 47 percent were household heads and 53 percent were not; among men MEs, all but 6 percent were household heads.

The ten men in the sample who were not household heads were considerably younger on the average than the male heads (27.6 vs. 38.6 years); whereas, in keeping with the worldwide literature on female household headship, the women heads were older on the average (42.6 vs. 37.2 years) than the female non-heads. Educationally, with the exception of the young male non-heads, there was little difference in years of schooling: women heads averaged 9.9 years, women non-heads 11.1; men heads 10.2, and men non-heads 14.2 years. Nevertheless, the male non-heads were not very different from their male peers with respect to the studied business variables.

In the analyses of the variables of interest to USAID, all breakdowns are by the combined gender/household headship variable, using either the above four categories (male and female, heads and non-heads), or a three-way disaggregation of female heads, female non-heads and men.

RESULTS OF THF "USAID VARIABLES" BY "SEXO JEFE"

As per the scope of work, the following section presents the breakdown of the major variables specified by USAID, disaggregated by a four-way or three-way version of "sexo jefe." The data were analyzed using SPSS-PC+. Column frequencies were run by the sex/head variable and gammas were calculated.[3]

1. Rama (economic sector). There was a significant difference by sex/head in how the ADEMI clients were distributed in the three main economic sectors. As in the Fondo Micro data, more than two-thirds of the respondents proved to be in **commerce**. In contrast to the Fondo Micro data, more men than women sampled were in commerce (74%, vs. 61% women heads and 55% women non-heads). In other sample data, it was found that men in commerce were more likely than women to run small neighborhood necessities stores (colmados). The second most popular sector, **industry** (manufacturing, production) accounted for just under a quarter of the sample (a bit higher than in the Fondo Micro study, which found 18 percent of the micro and small entrepreneurs to fall in this rama). But here the gender pattern was opposite that of commerce: a third of both women heads and non-heads were in industry, vs. only 18 percent of men. (The main subsector for women is garment manufacture.) Finally, the remaining 9% of the sample were engaged in **services**, which ranged from private schools to beauty salons. There was no gender pattern in services.

2. Motivation to begin the business. This was a complex variable for which a number of reasons were coded and these were not significantly different by sex/head. (Nevertheless, there were some interesting tendencies.) It should be noted that respondents chose from among closed-end alternatives or gave their own open-end answer; the open-ended answers were subsequently coded and analyzed for this report.

The main reason given as to why they began their business was economic: some 55% of the sample named the two closed-end economic reasons as their main motivation. The first, "earned too little," with 39%, was the single biggest category; "wanted to advance economically" was second, with 16%. Women non-heads were more likely to choose this second economic reason than women heads or men. The third most common response was the desire to work for oneself, cited by 15% of the sample. This was mentioned by 18% of men, vs. around 10% of women (women heads and non-heads had similar response percentages).

Other studies of the informal sector and MEs in other countries also report that men are more likely than women to go into business because they want to become their own boss. This

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[3] Gamma is a non-parametric statistic of association, suitable for ordinal (ranked) data such as these. The gamma statistic's significance is calculated via a t-table. Results with levels of t over 1.96 (positive or negative) are significant in the statistical sense of being likely to occur by chance less than five times in a hundred.

is a "pull" factor, i.e., freely choosing to start a business because it is seen as an attractive option among a set of available alternatives.

In contrast, women in those studies were more likely to name necessity reasons, or "push" factors, whereby starting a microenterprise was the only viable alternative. Therefore, it is relevant that more women than men responded that "it was my only option" or that "I had no one to care for the children" (so they opened a home-based business). Just under 15% of women, vs. 5% of men, gave those responses, jointly accounting for 9% of the sample.

Women non-heads also were a little more likely to give open-ended responses about going into business for voluntary reasons than women or men heads. First, they were half-again as likely (15% vs. about 10%) to give "self-realization" types of answers. Second, they were more likely to claim that they wanted to advance economically (a "pull" response) than answer that they earned too little (a "push" response). Economic progress as a reason was given by 26% of female non-heads; in comparison with about 14% of women and men heads who gave this answer.

Other data show female non-heads to be more likely to have others contributing the main household income than female or male heads - i.e., their spouses. For them, starting a microenterprise may have been more of a voluntary choice, rather than a "last resort" option.

3. Training. This variable tells us how (a) the 271 ADEMI clients (MEs) and (b) their 736 employees (an average of 2.7 per ME) learned the skills they use in their work.

(3a.) Clients. No significant difference by sex/head was found, but a couple of patterns of interest developed. Actually, the most interesting result for USAID involves the smallest category (only 11 cases, 4% of the sample): the MEs who learned their skills in the Zonas Francas (free trade zones). The predominant source of learning skills was "por su cuenta" - by oneself - named by 51% of the respondents. Second most common was through a "centro de enseñanza" - a training center - 23% of the MEs. Women non-heads were the most likely to have done this: 38%, vs. roughly 20% of women and men heads. "Learning in another job" accounted for another 16%, with female non-heads least likely to have used this route (only 7%); a variety of other sources (clumped together in "other") accounted for the remaining 6% of the total sample.

(3b.) Employees. For the workers, there were no significant differences based on the sex/head of their employers. The largest group of workers (56%) learned their skills in their present job. The rest learned at a training center (15%), by themselves (11%), or on another job (17%).

4. Previous Employment. Again, there are data for both (a) clients and (b) employees.

(a) Clients. Here, a significant difference between men and women MEs with respect to their previous activities was found. Although the most common single previous employment was "employee/worker" (accounting for 53% of the sample), men proved much more likely to fall in this category: nearly 60 percent of the men, vs. about 43% of the women were

ex-employees or workers. This corresponds to many other studies of the gender division of labor in developing countries, where it is found that women have less access to salaried (especially formal sector) employment. Conversely, the category of "domestic work" was 100% female.

(b) Employees. The biggest category by far was "student" as 33% of the workers had been in school prior to their present job. This open-ended question indicated the other responses were scattered over many activities. The size of the student category is not surprising, considering the relatively young average age of the employees. The median age was 24 years, the first quartile was 18 years, and the top quartile was 32 years. Some 12% of the employees were children from 7 through 14 years of age.

5. Sex of employees by sex of client. Although this was not a variable originally requested by USAID, its policy significance merits its inclusion at this point. There is a very significant gender difference on this variable: male ADEMI clients proved much more likely to hire men than to hire women: 64% of their employees were men. In contrast, women proved somewhat more likely to hire women: 57% of their employees were female. This points out the importance of women microentrepreneurs as sources of employment for the poorest members of the informal sector labor force - women.

6. Income diversity of MEs. Here, there was a significant difference between men and women, with women - especially female non-heads - much more likely to report other sources of income besides their business. This was true for 65% of women heads and 73% of women non-heads, while only half of men claimed additional income. Women's greater diversification of income sources also emerged in the Fondo Micro study, as well as in other research on MEs elsewhere in the Third World.

The reasons for this become clearer in a follow-up table, which categorized the MEs' additional sources into "none," "other businesses" and "other sources." This table reveals that both women heads and non-heads, as well as men, derived extra income mainly from other businesses (49%, 46%, and 40% respectively). This was not the main gender difference in the table, however. Rather, its statistical significance flowed from the fact that only 10% of men got income from "other sources," in contrast to 20% of women heads and 29% of women non-heads. Most of the open-end responses recoded as "other [income] sources" named spouses or other family members. Only a small proportion mentioned "remittances," despite the large numbers of Dominicans working off-island (mainly in New York).

The Fondo Micro study suggests that women's desire to stabilize income is an explanation of why they tend to have greater diversification of income sources. Other studies of gender and microenterprise also posit that women are more likely than men to seek multiple income sources so that they can always feed their children (see, e.g., Downing 1990).

7. Scope of business (to whom MEs sell). Although this table also involved significant gender differences, the most important news for USAID is an empty cell - the fact that no ME has exported.

This is not unexpected in light of the fact that less than a handful of exporters were uncovered in the May 1994 research (Blumberg 1994) in which ADEMI loan officers gathered data on nearly 200 garment and textile manufacturers. (They were asked if they had ever exported, worked in a Zona Franca, or employed people with Zona Franca experience.) The May research involved a purposive sample of this subsector, based on the loan officers' judgment of which manufacturers were most likely to have such ties.

Turning to the rest of the table, women proved to operate businesses of broader sales scope than men. Specifically, women heads clearly are more likely to sell to "other businesses" than any of the other three categories of sex/head; women non-heads were the second most likely (14.5%); while the men were under 13%. Women nonheads also were more likely to sell to persons (vs. businesses) outside their neighborhood (42%) than the other three categories, all of which clustered around 30%. The situation is reversed vis-a-vis sales to persons inside the neighborhood. Almost 60% of men are found here, in contrast to around to about 43% of women. The higher proportion of men selling within the neighborhood follows, in part, perhaps, from the fact that more men operate the little neighborhood necessities stores (colmados).

Interestingly, Fondo Micro found the opposite pattern, with women being more local in their sales reach. The Fondo Micro research involves a national census of a stratified random sample of localities. ADEMI's women clients are a more self-selected group. (Other research on microenterprise credit has found that clients of NGOs such as ADEMI tend to be more growth-oriented than MEs who do not seek such loans; see Blumberg 1991; Magill 1991.) ADEMI female MEs' businesses indeed may be less locality-based ventures. For one thing, they are less likely to be located in their homes than the businesses of women in the Fondo Micro study but further research would be needed to explain why the Fondo Micro and ADEMI studies revealed opposite results.

8. Use of imported products. Although these ADEMI clients don't export, they certainly use imports: 66%, with no significant gender difference. Use of imported merchandise was reported by 27%, use of imported raw materials by 20% and use of imported finished goods by 19%.

9. Perceived impact of tariff reduction. On the one hand, 77% of the sample responded that the impact of lowered tariffs would be positive for their business, with no significant gender difference indicated. On the other hand, while only 3% of the sample admitted not knowing the effect of tariff reduction, the extent of knowledge of the other 97% cannot be ascertained from this closed-end question. Be that as it may, 19% responded that there would be no effect, while four MEs (1.5% of the sample; all men) thought the effect would be negative.

10. Macro business environment in 1990 vs. June 1994. Respondents were asked if business opportunities were better, worse or equal at the time of the survey than they had been in 1990. No contextual information was provided to remind them that 1990 had been the worst point of the country's economic crisis and that it was also the year when the electricity was most frequently interrupted (or absent). And, as it happened, the week the ADEMI survey was administered was the week of greatest uncertainty and economic crisis in the period between the fraud-marred election of April 1994 and the hotly contested "change of government" in August

(the beginning of still another term for President Balaguer). As a result, it is plausible that some respondents took 1990 as just an indicator of how opportunities were "in the old days," vs. a not very auspicious moment in 1994. For whatever reasons, only 38% of the respondents thought things were better, vs. 48% saying they were worse.

Although there was no significant gender difference, there was a non-significant tendency for men - specifically, male heads - to be more pessimistic: 53% of them thought things were worse, vs. around 40% for the other three sex/head categories. Do the men have a more objective basis for their negativity? It is relevant to turn to another variable that USAID did not request, but which has both policy relevance and some conceivable links to this variable.

11. Change in earnings since the first ADEMI loan. This variable was constructed because of the intriguing fact that although men's businesses had significantly higher fixed assets and monthly sales both at the time of the first loan and at the time of the survey, their earnings in June 1994 no longer were significantly higher than those of women's businesses, although they had been at the time of the first loan.

Therefore, the percentage change in earnings was calculated, and it turned out that women were significantly more likely to have increased their earnings 99% or more (the top category). Women heads were particularly successful: 43% of them had this much of an increase, in comparison with 32% of women non-heads and only 22% of men. In this regard, it is also relevant that women heads had the longest average tenure as ADEMI clients in the sample. This means that, on the one hand, women heads had solid repayment records (which are needed to get subsequent loans). On the other hand, it means that the women heads had had more time, on average, to benefit from the effects of credit. The implication is that women, especially women heads, are getting "more bang from a buck" of credit than men.

12. Biggest obstacle encountered in their business. Here, there was no significant gender difference in the responses. The largest single response was "none" (33%). And though this is not a significant difference, women non-heads were a bit more likely to answer "none" (42%) than either the men (34%) or women heads (only 23%). Women non-heads also were the least likely to answer "reduced earnings" (5.5%) than women heads or men.

13. Biggest help the government could Provide. There was no significant gender difference but many things were named on this open-ended question. The biggest response was that the government should reduce the cost of living (25%). In the second most frequent response, about 15% called for more employment/higher salaries.

14. Knowledge and use of other sources of credit. The final variable requested by USAID focused on the extent of ADEMI clients' knowledge about non-ADEMI sources of loans. As it happened, there was a significant gender difference in knowledge: ADOPEM, the local affiliate of Women's World Banking, proved the single most recognized entity (mentioned by 36% of the 113 clients who had heard of non-ADEMI credit sources). More than half the 51 women among the 113 cited ADOPEM (66% of non-heads and 53% of heads), in comparison to around 15% of the men. Conversely, men were more likely to name "commercial banks" (a little more than a third vs. a little over 10% among women). As further background, 49% of the

full sample of 104 women knew at least one other credit source, as compared to 37% of the 166 men. In short, some 42% of the 271 microentrepreneurs sampled had at least some knowledge of non-ADEMI credit sources.

Two follow-up questions were asked of those who had knowledge about non-ADEMI credit. The first follow-up question asked if any of them had used these non-ADEMI sources. About 40% had, with no significant gender/head difference. The second follow-up question asked these 40% what the loans had been used for. There was no significant gender/head difference in the responses, although male heads were a bit more likely to use the loans for purposes other than their business.

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In the oral presentation, considerable other material was discussed. These data were organized around the three prongs of USAID/Dominican Republic's attack on poverty: direct help, empowerment, and leveling of the playing field. The variables linked to "direct help" also revealed the extent to which women were as serious about building their businesses as men. The factors involved in the "empowerment" discussion revolved around the proportion of any increases in business-derived income spent on the home and the consequences for family well-being. These, too, proved strongly gender linked: although positive impact was found for both men and women MEs, the women manifested stronger improvements in such indicators of well-being as diet and special educational courses for children. This, of course, is in keeping with the worldwide literature about how men and women with provider responsibilities spend income under their control: the women tend to devote more to family - especially children's - nutrition and well-being (see Blumberg 1989b, 1993 for references). The "level playing field" discussion included the characteristics of ADEMI that facilitate women's access to credit. It also touched on the results of my May 1994 study on the impact of partial policy reform.

Even these additional variables presented at USAID represent only a fraction of what promises to be a rich lode of data relevant to both USAID/Dominican Republic's and INSTRAW's current programs. This report has gone a bit beyond the Scope of Work in order to provide glimpses of some of the additional topics that might be explored in any subsequent analysis and report.